

FINANCIAL FACT SHEET FOR THE QUARTER ENDED **31 MARCH 2015**

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 (explanatory notes) IAS 34 were not fully applied and this report should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2014.

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



**HYPO NOE
GRUPPE**

Group financial highlights

EUR '000	31 Mar. 2015	31 Mar. 2014	31 Dec. 2014
Total assets	16,454,852	14,406,283	15,926,960
Consolidated capital resources			
Core capital ratio (CRR/CRD IV) on total capital adequacy requirements basis	12.48%	12.01%	12.26%
Operational information			
Cost/income ratio (CIR)	75.7%	87.0%	135.2%
Return on equity (ROE) after tax	6.4%	3.8%	-5.5%

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Economic climate

Global, European and domestic trends

There were no signs of an upturn in the global economy in the first quarter of 2015. With only a few exceptions, growth rates in the emerging markets remained markedly lower than in the past few years. Although China posted growth of around 7%, this represents a significant cooling off in comparison with the boom years – and growth is continuing to slow. In the United States, as in the previous year, there was a notable dip in growth at the turn of the year. Most of the economic indicators published in the first quarter were disappointing. However, despite the slowdown in the US – which at present looks to be temporary – the Federal Reserve is still expected to raise interest rates later in the year. Developments in Europe in recent weeks have been encouraging. The recovery that took hold in autumn last year was sustained in the first quarter, and business sentiment indicators suggest it will continue. Measures taken by the European Central Bank (ECB), which has pursued an expansionary monetary policy with renewed vigour since June 2014, definitely supported the upturn. But the main reason behind the positive trend in Europe was a significant decline in inflation, which reached a preliminary record low of -0.6% in the period under review. The negative inflation rate was caused by the dramatic fall in raw material and in particular energy prices. This pushed up real household disposable income, although there was little change in nominal wages, and consumer spending began making an increased contribution to economic growth. The ECB's aggressive monetary policy – in January it announced a full-blown quantitative easing (QE) programme worth over EUR 1 trillion – led to a sharp fall in the value of the euro, which was one of the intended results. Although this boosted opportunities for European exporters, there was only a gentle upturn in economic activity. Overall it remains to be seen whether the programme has a positive effect in the long term.

Financial markets

Developments on the international capital markets were again dominated by comments and measures by central banks. The ECB's decision to launch a comprehensive asset purchase programme from March had a major impact on the prices of all capital market products. According to its announcement of 22 January, the ECB will purchase EUR 60 billion (bn) of bonds every month at least until September 2016, of which around EUR 50bn will be made up of debt issued by member states. Further details were released at the beginning of March, specifying that bonds with a minimum yield of -0.20% would qualify for the programme. The fact that both the planned volume of the QE programme and the minimum accepted yield exceeded market expectations explains the significant impact on prices on the financial markets. Over 20 other central banks also relaxed their monetary policy in the weeks following the ECB announcement, further fuelling the search for yield among investors. Strong demand for government bonds and covered bank bonds, partly as a result of regulatory changes, coupled with the crowding out effects of the purchase programmes initiated by various central banks, explains the extraordinary performance in almost all capital market segments worldwide. Negative coupons and returns have become the norm within a very short space of time. German government bonds were offering positive yields only for terms of at least seven years; the ten-year yield was recently only 0.2%. For Swiss government bonds, the entire yield curve (up to a term of ten years) was negative.

Austria

Economic forecasts predict that 2015 will be another year of very modest growth, at 0.6% (2014: 0.3%), meaning that Austria will remain below the eurozone average of 1.3% and the EU-28 average of 1.8%.

The slowdown is chiefly attributed to heightened geopolitical tensions worldwide and their implications for the Austrian economy, including a fall in demand. There are still no signs of stimulus from the domestic or the export market which will have an effect in 2015, and domestic and foreign demand remained weak in the first quarter. The decline in value added in manufacturing and in construction was particularly sharp in the fourth quarter of 2014. The combination of thin order books, slackening domestic and foreign consumer demand and gloomy business sentiment meant that investment remained muted.

In spite of this, initial leading indicators point to a tentative upward trend in domestic demand (forecast to rise by 1.4% in 2015) and industrial output. This will be supported by a gentle rise in private consumption, a marginal increase in real disposable income and a modest recovery in gross fixed investment. Individual components of the European Commission's Economic Sentiment Indicator (ESI) show that confidence improved in all of the sectors taken into account during the first three months of 2015, with the exception of

construction. However, the composite ESI declined year on year.

In addition to the slowdown in the hesitant economic recovery, 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 a provisional figure of 86% as at 31 December 2014 was another setback for politicians arguing in favour of further stimulus programmes. A reversal of the upward trend in government indebtedness is not expected until late 2016.

Danube region

According to forecasts from March 2015, the countries in the HYPO NOE Group's extended core market again saw growth rates above the EU average. In 2014 Hungary recorded the fastest growth in the region at 3.5%, ahead of Poland at 3.3%. These countries overtook the previous year's leader, Romania, which also posted very strong growth of 2.9%. In 2014 the Czech economy emerged from recession to grow by a solid 2.0% – the average for the region. Bulgaria's growth performance was slightly below the regional average, but represented a marked improvement.

Unemployment in the region ranges from 7% in Romania to 13.4% in Slovakia. At present, unemployment is seen decreasing slightly over the next few years.

All the countries in the region have met the Maastricht criteria for budget deficits and government debt, except Hungary, which has missed the latter target, and Bulgaria. The latter is running a budget deficit of 3.7% of GDP, mainly as a result of financial market stabilisation measures. Despite this one-time effect, Bulgaria still has one of the lowest gross debt ratios in the EU-28 and is likely to return to target levels in 2015.

Banking sector trends in the euro area and CEE

Following early implementation of the EU Bank Recovery and Resolution Directive (BRRD), on 1 March 2015 Austria's Financial Market Authority (FMA) initiated Europe's first test case under the new government when the winding up of Heta Asset Resolution AG (Heta), the successor institution of Hypo Alpe Adria Bank International AG, was instigated by special notice. As a consequence of the debt moratorium imposed on the majority of Heta's liabilities until 31 May 2016, a range of institutional investors, particularly in Austria and Germany, were obliged to recognise impairment losses which in some cases were substantial.

While many European banks are still fine-tuning their business models, there was another modest recovery in lending in the first quarter of 2015 due to the roll-out of the ECB's QE programme in the eurozone. However, the divergent market trends in the Danube region became even more pronounced as banks were increasingly selective in lending and credit checks became more stringent.

Financial review

Key developments in the first quarter of 2015

Earnings (IFRS)

Profit for the period attributable to owners of the parent was EUR 8.9m. The increase in net interest income combined with high other operating income contributed to the year-on-year improvement in earnings (Q1 2014: EUR 5.2m).

Group net interest income was EUR 2.7m up on the like period of 2014, at EUR 33.5m (Q1 2014: EUR 30.8m). This solid growth exceeded the rise in interest expense, and was mainly attributable to continued improvements in the long-term refinancing base.

Mainly as a result of low credit risk costs as well as gains on the recovery of impaired bad debt, there was a net gain on credit provisions of EUR 1.3m – a decrease on the same period in 2014 (Q1 2014: EUR 2.1m).

General administrative expenses climbed by 5.7% year on year, to EUR 34.1m (Q1 2014: EUR 32.3m). This was due primarily to the rise in other operating expenses resulting from the extensive requirements for implementing new regulations. The statutory financial stability contribution ("bank tax") increased to EUR 3.6m, compared with EUR 3.2m in the first quarter of 2014.

The Group reported net other operating income of EUR 10.1m (Q1 2014: EUR 3.1m). The year-on-year improvement was mainly due to foreign currency remeasurement gains, and to significant income from the repurchase of the Bank's own issues.

Net losses on hedges rose from EUR 0.2m in the first three months of 2014 to EUR 1.9m in the reporting period.

Profit before tax amounted to EUR 12.2m, an increase of EUR 5.3m on the same period a year earlier (Q1 2014: EUR 6.9m).

This was mirrored in the following financial performance indicators:

		Q1 2015	Q1 2014	2014	2013
Return on equity before tax	Profit before tax/ ave. equity	8.5%	5.0%	-7.1%	14.3%
Return on equity after tax	Profit for the period/ ave. equity	6.4%	3.8%	-5.5%	10.2%
Cost/income ratio	Operating expenses/operating income	75.7%	87.0%	135.2%	59.3%
Risk/earnings ratio	Credit provisions/net interest income	-3.7%	-6.8%	5.3%	4.1%

*Intrayear indicators annualised on a per diem basis

Assets and liabilities (IFRS)

The Group's total assets grew by EUR 0.5bn or 3.3% as compared to year-end 2014, to reach EUR 16.5bn as at 31 March 2015, mainly due to increases in loans and advances to banks of EUR 0.1bn and in loans and advances to customers of EUR 0.4bn.

On the equity and liabilities side, deposits from banks rose by EUR 0.2bn and deposits from customers edged up by EUR 0.1bn.

Changes in equity (IFRS)

IFRS consolidated equity including non-controlling interests was EUR 591.4m, a rise of EUR 20.7m on year-end 2014. The main reasons for the growth in equity were the profit for the period and the rise in the available-for-sale reserve for remeasurement of financial assets to fair value.

Changes in equity (CRR/CRD IV¹)

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 in accordance with the CRR was EUR 608.4m as at 31 March 2015 (31 December 2014: EUR 614.8m), and surplus capital as at 31 March 2015 was EUR 279.9m (31 December 2014: EUR 283.6m), compared to a capital requirement of EUR 328.6m (31 December 2014: EUR 331.2m). On the basis of the total capital requirement, the core capital ratio stood at 12.5% (31 December 2014: 12.3%) and the equity ratio was 14.8% (31 December 2014: 14.9%) as at 31 March 2015.

¹CRD IV: Capital Requirements Directive IV; CRR: Capital Requirements Regulation

Operational review

Gruppe Bank segment

The HYPO NOE Group is a regional bank committed to promoting and supporting the development of its home market of Lower Austria and Vienna, and of the Danube region. The Group is wholly owned by the state of Lower Austria, giving it a reliable and stable ownership structure. The parent company HYPO NOE Gruppe Bank AG concentrates on banking services aimed at the larger customer segments, and especially public sector clients – local authorities, regional governments and other territorial authorities. The Bank has a strong position in this market, and its extensive experience is a convincing argument in its favour. HYPO NOE Gruppe Bank is also a major player in corporate and real estate finance and in treasury services.

The Bank operates in Austria – with a strong focus on Lower Austria and Vienna – as well as in selected countries in its extended core market, the Danube region. The latter encompasses Bulgaria, the Czech Republic, Germany, Hungary, Poland, Romania and Slovakia. We have opened representative offices in Bucharest, Budapest, Prague and Sofia that enable us to provide all-round customer service, and to effectively assess risk.

In view of the moratorium imposed on Heta, rating agency Standard & Poor's (S&P) left its assessment of the probability of public support for government-related entities (GREs) unchanged, meaning that HYPO NOE Gruppe Bank AG retained its solid A rating with a stable outlook. According to S&P, this outlook reflects its view that the federal government will not place any restrictions on the federal states' support for institutions in their ownership. On 10 March 2015 rating agency Moody's announced that the covered bond programmes of the state mortgage banks it monitors – including HYPO NOE Gruppe Bank AG – would be placed under review for downgrade in light of the FMA moratorium on Heta. The Group's covered bond programmes still enjoy a top Aaa rating.

In January 2015 the topic of sustainability took on added importance in the Group's organisational structure. A new staff unit devoted entirely to this subject and reporting directly to the Management Board was set up with responsibility for determining the Group's strategic focus in terms of sustainability and for bundling current sustainability-related activities.

Public Finance

The Public Finance Department partners local and regional authorities, public agencies and infrastructure companies. The department's activities in 2015 will continue to centre on solution-driven customer advice, delivered by highly trained and motivated staff in our East Austrian core market as well as selected countries and cities in the Danube region.

The department's prime objectives are to develop sustainable, integrated finance solutions for customers, in cooperation with other parts of the Group, and increasingly to serve as a source of expertise and services – for example by structuring tenders. Public Finance always sets out to understand customers' special requirements and to deliver risk-aware advice and service.

Budgetary constraints, including those imposed by the stability pact, are having a noticeable impact on state governments and local authorities, and large investments are being deferred. Other reasons for the postponement of investments included the local elections held in Lower Austria and Styria in the first quarter of 2015. Due to the budgetary situation facing state governments and local authorities, bespoke and public-private partnership (PPP) type solutions are in growing demand to fund public construction projects. Close customer relationships and high-quality advice are becoming ever more crucial in today's market environment. Because of this, our customer relationship managers receive ongoing in-service training, sometimes provided in cooperation with partners such as Danube University Krems and the Lower Austria Community Management Academy.

Infrastructure development (in areas such as residential water supply, waste disposal and healthcare) is still urgently required in the countries, regions and major cities of the Danube region. Public agencies are attempting to make the best possible use of the available funding, while at the same time keeping public debt to a minimum. As a consequence, the amount of debt financing taken out for infrastructure investment is far lower in these countries than in Western Europe. Working through its representative offices, HYPO NOE Gruppe Bank AG selects a range of options for infrastructure finance and participates in financing procedures in each country.

The main priority for the second quarter will be stepping up advice on bespoke financing models for federal states, cities, municipalities, public sector bodies and infrastructure companies.

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 finance solutions and its employees' expertise.

In the first quarter of 2015 there was a noticeable increase in competition from German banks, resulting in a number of early repayments. The department is taking steps to counter a potential contraction in the existing portfolio by means of selective acquisitions.

Changing market conditions in Germany, especially in terms of loan-to-value ratios, have led to increased pressure on margins. In spite of this, Real Estate Finance continues to generate strong profits, and is making an important contribution to earnings.

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. Foreign investors continued to find the German commercial and residential property markets among the most attractive in Europe.

In the second quarter of this year the department's operations will remain focused on our core real estate markets – Austria, Germany and the Danube region. We will keep a close watch on macroeconomic trends and regional real estate developments in target markets outside Austria. The volume of transactions involving commercial buildings is expected to hold at last year's levels for the remainder of 2015. The department will continue its efforts to stabilise profitability and optimise the finance portfolio by selectively acquiring new business from institutional investors, funds and property developers.

Corporate & Project Finance

In a difficult market environment, HYPO NOE Gruppe Bank AG continues to score highly among corporate clients thanks to its strategic focus on stable, long-term customer relationships. The department enjoyed a highly satisfactory first quarter of 2015 due to a combination of new, extremely promising customer relationships in Lower Austria and the conclusion of a number of transactions in the Group's extended core market. As far as targeting new customers is concerned, the Group is still looking to sharpen its brand image as the bank for Lower Austrian businesses, and to support companies in specialised situations such as acquisitions and equity investments. We will retain a focus on systematically extending our product portfolio for corporate customers, with an increased emphasis on deposit-taking and investment services for large corporates. Our strategy continues to centre on personal, expert support for corporate customers, provided by a dedicated key account manager who is backed up by a team of specialists from a variety of different fields.

In the remainder of 2015 and beyond, we will concentrate specifically on structured corporate finance, in order to give medium-sized businesses access to products and services that are normally only available to large industrial clients. Although the economic environment remains challenging, the Corporate & Project Finance Department is confident that its clear strategy, expertise and the personal advice and support it offers will be well received by business customers.

Religious Communities, Special Interest Groups and Agriculture

In the first quarter of 2015 the Religious Communities - Special Interest Groups – Agriculture Department extended its range of investment services with an additional focus on designing special investment fund management mandates. In future, the Bank will collaborate with high-profile financial services providers to make these mandates available to selected customer groups, in line with their specific investment requirements.

On the financing side, the number of agricultural customers increased during the first quarter of this year, and there was particularly strong demand for funding for expansion of production sites.

The department specialises in:

- financing for social and public facilities, such as care and social centres, hospitals, schools and kindergartens;
- financing for church renovation and revitalisation projects;
- financing for agribusinesses (processing and retail);
- ethical and sustainable investment.

We are committed to bolstering our position as one of the top three banks for church bodies and interest groups in Lower Austria, and to meeting the needs of selected target groups by giving them access to the Group's financial product and service know-how, especially with regard to real estate.

Capital Markets

Treasury & Funding

In terms of funding there was a strong focus on senior unsecured debt in the period under review. The trend of recent months continued, with investors again showing a clear preference for callable structures with maturities of up to 30 years. In order to extend the investor base, HYPO NOE's debt issuance programme was listed on the Tokyo Stock Exchange Pro-Bond Market following a successful roadshow. Due to the capital market upheaval caused by the Heta debt repayment moratorium, issuance was temporarily scaled back at the end of the first quarter.

Unattractive interest rates and credit spreads, coupled with the fact that from a regulatory point of view there was little need for new investments in high-quality liquid assets (HQLA), resulted in relatively minor investments in government bonds and covered bonds with high ratings. Some securities were sold for risk optimisation purposes, meaning that the value of the securities portfolio remained virtually unchanged.

Landesbank segment

HYPO NOE Landesbank AG

HYPO NOE Landesbank AG is responsible for the HYPO NOE Group's retail banking business. 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 defined "finance & housing", "saving & investment" and "accounts & cards" as strategic areas in terms of the needs that it aims to meet. In the lending business, HYPO NOE Landesbank posted particularly strong performance in the corporate customer segment. In spite of the challenging market conditions, the Swiss National Bank's decision to remove the minimum exchange rate to the euro and the Heta situation, the company posted net gains among corporate clients and in large-scale housing construction. Thanks to its strong image, the Landesbank segment recorded significant year-on-year increases in its securities and investment business in the opening quarter of 2015, especially in funds and other bonds. Launched last year, the project aimed at upgrading branch services was enhanced with a series of new measures. These are designed to further increase the quality of customer advice by optimising implementation and other processes.

Leasing segment

HYPO NOE Leasing GmbH

HYPO NOE Leasing GmbH and the project companies it runs are devoted to providing leasing solutions for the public sector, and the Lower Austrian state government in particular. The primary focus is on complex lease agreements in connection with real estate projects. The company also offers real estate project management and business management services.

HYPO NOE Leasing has become a leading provider of lease financing to public agencies. It is known for innovative, flexible leasing solutions. Its vision is to be the most efficient leasing company in Austria, with unrivalled expertise in lease financing for the public sector.

Against the backdrop of rising government debt, PPP models and operating lease agreements are growing in importance. There was a clear shift towards such arrangements in the first quarter of 2015.

Other segment

HYPO NOE Real Consult GmbH

HYPO NOE Real Consult GmbH is active in property development, construction, management and marketing, and focuses on the Lower Austria and Vienna region. With a comprehensive range of services, the company is a one-stop shop providing full-line property management support.

In project development, the company made further progress on its own high-end home building projects in attractive locations in Vienna and Lower Austria, as well as those of third parties.

On the project management front, the company made rapid progress with several major construction projects, and readied others for completion. Thanks to our quality-driven project management approach, we were able to assure the usual high levels of client satisfaction in the period under review.

The company has also concluded new property management contracts with third parties. Its stress on quality-conscious property management and high staff training standards is borne out by its excellent record in terms of customer satisfaction.

The sales/estate agency services business was added to the HYPO NOE Real Consult portfolio in 2014.

HYPO NOE Real Consult GmbH looks set to record growth in 2015.

HYPO NOE First Facility GmbH

Founded over 30 years ago, HYPO NOE First Facility GmbH is now a leading provider of integrated facility management (FM) and technical FM (e.g. electrical, HVAC and sanitary installations) services for technically advanced and complex properties, forming a key link in the HYPO NOE Group's real estate value chain. The main geographical markets served are Lower Austria, Vienna and the Danube region. HYPO NOE First Facility GmbH follows its clients into countries in our extended core market and represents their interests with respect to the buildings they occupy, leaving them free to concentrate on their core business. The main customer groups are property funds, banks and insurance companies, as well as a growing number of public sector clients.

We believe that the systematic implementation of this strategy, and related organisational development with a view to exploiting potential synergies across the Group's entire real estate value chain, can lay the groundwork for a sustainable improvement in performance. In addition to introducing new products in energy management as well as measurement and control services, HYPO NOE First Facility is broadening its skills and service offerings in the health sector. The company is entering a new line of business in the form of PPP models. The aim is to win the trust of many new customers through the firm's expertise and the advantage generated by economies of scale, and to convince new business partners of the quality of its services.

Saturation of the market and the implications of this remain unchanged. Margins in the standard facility management business will remain under substantial pressure in the coming year, while competitors continue to pursue aggressive pricing strategies in public and private sector calls for tenders for facility management services. The company is looking to reduce its exposure to the pressure on margins in the standard FM business, as part of its continuous development and repositioning.

Risk report

Significant risk-related developments in the first quarter of 2015

On 1 March 2015 the FMA issued a notice imposing a moratorium on debt repayments by Heta until 31 May 2016. In line with HYPO NOE Gruppe Bank AG's liability pursuant to section 2(1) *Pfandbriefstelle-Gesetz* (Pfandbriefstelle Act) in conjunction with section 92(9) Banking Act, the Management Board resolved to finance one-eighth of the obligations of Pfandbriefbank (Österreich) AG relating to the outstanding state-government-backed Heta debt instruments affected by the FMA moratorium. (The share of HYPO NOE Gruppe Bank AG and the State of Lower Austria amounts to around EUR 155m, of which approximately EUR 84m falls due in 2015.) The State of Lower Austria agreed to guarantee this financing, in fulfilment of its joint and several liability as a guarantor in the meaning of section 2(2) Pfandbriefstelle Act in conjunction with section 92(9) Banking Act.

As reported in the media, the ECB recommended recognising impairment losses of at least 50% of the nominal value of the state-government-backed Heta debt instruments. The Group acknowledged this recommendation and has discussed it internally. Following detailed analysis, the conclusion was reached that the recommended impairment losses do not correspond to the Group's present state of knowledge, nor to the latest estimates based on available internal and external information. However, the estimate of the necessary impairments will be critically evaluated and updated on the basis of available information as part of the ongoing enhancement of our internal valuation model and its parameters.

The HYPO NOE Group's liquidity situation is currently stable. Thanks to its diversified refinancing portfolio, the Group has sufficient access to refinancing instruments in order to meet its liquidity requirements for 2015. This will not entail significant adaptation of the business model, even if the Heta moratorium causes turbulence on the capital markets. Sufficient assets eligible as collateral for ECB tenders and a range of alternative funding options are available for refinancing purposes.

On 15 January 2015, the Swiss National Bank unexpectedly decided to remove the floor of CHF 1.20 to the euro. Due to its strict limits on foreign currency exposures, the HYPO NOE Group does not have any significant open foreign exchange risk positions, and is not exposed to any significant effects as a result.

We are continuing to monitor developments and our exposures in Italy, Ireland, Greece, Spain, Hungary and Cyprus very closely. We are also keeping a close eye on developments related to the Heta moratorium, as well as analysing their impacts on the Bank and devising appropriate strategies to counter them.

During the period under review, we made further progress on implementing a restructuring plan in accordance with the new *Bundesgesetz über die Sanierung und Abwicklung von Banken* (Federal Act on the Recovery and Resolution of Banks), which came into force on 1 January 2015. The restructuring plan will form an integral part of the Bank's risk and capital management framework.

In order to meet the additional 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.

Accounting and measurement policies

Essentially the same accounting policies were applied to this quarterly report as to the consolidated financial statements of the HYPO NOE Group for the year ended 31 December 2014.

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 (explanatory notes) IAS 34 were not fully applied and this report should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2014.

STATEMENT OF COMPREHENSIVE INCOME

Profit or loss (EUR '000)	Q1 2015	Q1 2014
Interest and similar income	149,164	148,887
<i>of which income from investments accounted for using the equity method</i>	207	-491
Interest and similar expense	-115,644	-118,099
Net interest income	33,520	30,788
Credit provisions	1,252	2,083
Net interest income after risk provisions	34,772	32,871
Fee and commission income	3,595	3,435
Fee and commission expense	-713	-676
Net fee and commission income	2,882	2,759
Net trading income	287	591
General administrative expenses*	-34,134	-32,308
Net other operating income	10,057	3,089
Net gains or losses on available-for-sale financial assets	-131	48
Net gains or losses on financial assets designated as at fair value through profit or loss	-18	68
Net gains or losses on hedges	-1,899	-198
Net gains or losses on other financial investments	379	-23
Profit before tax	12,195	6,897
Income tax expense	-3,055	-1,717
Profit for the period	9,140	5,180
Non-controlling interests	-282	-5
Profit attributable to owners of the parent	8,858	5,175

Other comprehensive income (EUR '000)	Q1 2015	Q1 2014
Profit attributable to owners of the parent	8,858	5,175
Items that will not be reclassified subsequently to profit or loss		
Items that may be reclassified subsequently to profit or loss		
<i>Other changes (before tax)</i>	1	8
<i>Change in available-for-sale financial instruments (before tax)</i>	15,340	2,192
<i>Exchange differences on translating foreign operations accounted for using the equity method (before tax)</i>	12	-15
<i>Change in deferred tax</i>	-3,838	-544
Total other comprehensive income	11,514	1,641
Total comprehensive income attributable to owners of the parent	20,372	6,816

Other comprehensive income is entirely attributable to owners of the parent.

*General administrative expenses include the financial stability contribution ("bank tax") of EUR 3,626thsd (31 December 2013: EUR 3,159thsd).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (EUR '000)	31 Mar. 2015	31 Dec. 2014
Cash and balances at central banks	26,086	99,025
Loans and advances to banks	1,049,834	944,046
Loans and advances to customers	11,574,644	11,194,066
Risk provisions	-109,018	-108,562
Assets held for trading	704,445	652,995
Positive fair value of hedges (hedge accounting)	735,632	663,827
Available-for-sale financial assets	2,254,395	2,245,409
Financial assets designated as at fair value through profit or loss	4,276	4,244
Investments accounted for using the equity method	27,316	27,105
Investment property	67,805	67,752
Intangible assets	1,268	1,352
Property, plant and equipment	80,394	80,913
Current tax assets	18	10,856
Deferred tax assets	1,700	2,417
Other assets	36,057	38,532
Non-current assets held for sale (IFRS 5)	-	2,983
Total assets	16,454,852	15,926,960
Equity and liabilities (EUR '000)		
Deposits from banks	2,855,904	2,627,730
Deposits from customers	2,422,367	2,305,056
Debts evidenced by certificates	8,523,664	8,553,311
Liabilities held for trading	647,681	591,140
Negative fair value of hedges (hedge accounting)	1,025,842	877,867
Provisions	49,279	49,291
Current tax liabilities	15,393	10,753
Deferred tax liabilities	31,145	30,651
Other liabilities	86,959	104,376
Subordinated capital	205,239	206,059
Equity (including non-controlling interests*)	591,379	570,726
Equity attributable to owners of the parent	582,726	562,355
Non-controlling interests	8,653	8,371
Total equity and liabilities	16,454,852	15,926,960

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 Mar. 2015 (EUR '000)	Balance at 1 Jan. 2015	Profit/loss after tax	Changes in scope of consolidation	Other comprehensive income	Balance at 31 Mar. 2015
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	287,115	8,858	-	1	295,974
IAS 19 reserve	-5,011	-	-	-	-5,011
Available-for-sale reserve	36,506	-	-	11,505	48,011
Currency translation reserve	-60	-	-	9	-51
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	562,355	8,858	-	11,514	582,726
Non-controlling interests	8,371	282	-	-	8,654
TOTAL EQUITY	570,726	9,140	-	11,514	591,379

31 Mar. 2014, EUR '000	Balance at 1 Jan. 2014	Profit/loss after tax	Changes in scope of consolidation	Other comprehensive income	Balance at 31 Mar. 2014
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	329,439	5,175	-	8	334,623
IAS 19 reserve	-4,651	-	-	-	-4,651
Available-for-sale reserve	-15,324	-	-	1,644	-13,680
Currency translation reserve	-15	-	-	-11	-26
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	553,254	5,175	-	1,641	560,070
Non-controlling interests	1,146	5	48	-	1,199
TOTAL EQUITY	554,400	5,180	48	1,641	561,269

After-tax gains of EUR 1,791thsd (31 December 2014: EUR 48,408thsd) on available-for-sale (AFS) financial instruments were reclassified from other comprehensive income to profit or loss.

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 capital resources and the consolidated regulatory capital adequacy requirements in accordance with IFRS, as well as with the regulatory scope of consolidation.

The capital resources of the HYPO NOE Group as at 31 March 2015, calculated in accordance with the CRR and the CRD IV, are broken down as follows:

EUR '000	CRR/CRD IV 31 Mar. 2015	CRR/CRD IV 31 Dec. 2014
Share capital, from 2014 incl. premiums	136,546	136,546
Reserves, differences and non-controlling interests	419,825	408,441
Prudential filter – adjustments based on the requirements for prudential measurement	-10,770	-5,057
Other adjustments to hard core capital	-32,258	-31,485
Intangible assets	-668	-742
Hard core capital	512,675	507,704
Additional core capital	-	-
Core capital (tier 1 capital)	512,675	507,704
Deductions related to holdings pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible core capital	512,675	507,704
Eligible subordinated debt issued by the Group's parent	74,348	81,742
Eligible subordinated debt issued by subsidiaries (incl. grandfathering)	21,424	25,312
Supplementary capital (tier 2 capital)	95,773	107,053
Deductions related to holdings pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible supplementary capital (after deductions)	95,773	107,053
Total eligible core capital	608,448	614,757
Capital requirement	328,589	331,171
Surplus capital	279,859	283,586
Coverage ratio (%)	185.17%	185.63%
Core capital ratio (CRR/CRD IV) on total capital adequacy requirements basis	12.48%	12.26%
Equity ratio (CRR/CRD IV) on total capital adequacy requirements basis	14.81%	14.85%

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

EUR '000	CRR/CRD IV 31 Mar. 2015	CRR/CRD IV 31 Dec. 2014
Risk-weighted assessment base for credit risk	3,670,913	3,701,558
of which 8% minimum capital requirement	293,673	296,125
Capital requirement for open currency positions	-	-
Capital requirement for operational risk	23,262	22,986
Capital requirement for CVA	11,654	12,059
Total capital requirement	328,589	331,171

Group outlook for 2015

Global, European and Austrian economies

Increased interventions by central banks in the form of unconventional monetary policies are accentuating the distortion of price formation on the capital markets. Secure investments such as government bonds and covered bonds are generating next to no returns, and in many cases have negative yields, resulting in a capital loss at maturity. Investors are inevitably moving into higher-risk investments such as corporate bonds and equities, but are paying less and less attention to quality. As supply in the various risk categories cannot keep pace with rising demand – for instance, supply in the equities segment is declining owing to the massive share buyback programmes implemented by some companies – prices are surging, although only in a few cases are these increases fundamental. Liquidity is dropping in a number of market segments. The trends on the international capital markets will persist as long as all the major central banks continue to pursue an extremely expansive monetary policy. The combination of rising valuations and significant legal, political (Greece) and geopolitical (Middle East and Ukraine) risks suggests that markets may become more volatile and setbacks – temporary or otherwise – are more likely. Forecasts for eurozone growth this year and next are cautiously optimistic, assuming the aforementioned risks do not have an impact.

Austria

The de-escalation of current geopolitical crises and the positive effect of the weak euro on exports, coupled with the burgeoning recovery in Austria's main trading partner, Germany, and a tangible improvement in investor confidence should bring about a long-term improvement in the economic climate.

Danube region

In 2015, the regional economy is set to grow at a very similar rate to last year, with the exception of Hungary, where growth is forecast to reach 2.3%. The initial indications are that the effects on the Danube region of the current conflict between Russia and Ukraine will largely depend on the structure of countries' trade and energy resources. A stress test for national exports carried out by the Vienna Institute for International Economic Studies, simulating a 10% decline in exports to Russia, yields an average decline in GDP of 0.2-0.4 percentage points for the Danube region countries. Of the countries served by the HYPO NOE Group, Bulgaria, Hungary and Slovakia are particularly dependent on Russian trade and energy supplies.

Personal consumption and capital investment are the main growth drivers in the region, while the trade balance is likely to be a less significant contributor than in 2014.

Consumer confidence is rallying throughout the Danube region, with public spending expected to grow by between 0.4% and 2.4% in 2015. An exception is Bulgaria, where public expenditure is predicted to decline slightly. It is extremely difficult to make accurate forecasts because of the extension of the drawdown period for the 2007-2013 EU support programmes until 2015, as there tends to be a "final spurt" towards higher national co-financing contributions in these countries and hence higher public spending. The 2014-2020 regional development programme for the Danube region (including the Czech Republic and Poland) amounts to around 12% of total regional GDP in 2013, or EUR 167bn. All the countries of the region are net recipients of EU funding. The EU support programmes account for the lion's share of public investment in the Danube region, making up between 40% and 90% of national spending.

Expected Group financial performance

Following solid operating performance in the reporting period, the HYPO NOE Group expects steady growth in customer numbers in 2015. We also anticipate a modest rise in customer numbers during the remainder of this year compared with the end of 2014. The additions to the deposit insurance fund and the resolution fund enacted by legislators, and the substantial financial stability contribution, will have a negative impact on the full-year results. However, the Group expects to report a profit for 2015. We are constantly monitoring and assessing the Heta situation, in particular the development of winding-up measures and their impact. The Group's interim operating results 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 businesses, public sector bodies, and institutional and retail clients.

Events after the reporting period

Owing to recent developments related to the Heta debt repayment moratorium imposed by the FMA on 1 March 2015, the HYPO NOE Group is currently undergoing a rating review with regard to the possible downgrade of HYPO NOE Gruppe Bank AG's covered bond issuance programmes.

St. Pölten, 11 May 2015
[The Management Board](#)



Peter Harold
Chairman of the Management Board



Nikolai de Arnoldi
Member of the Management Board