



Bank & Land

2019 HYPO NOE Group Annual Report
magazine supplement

Group financial highlights

EUR '000	2019	2018
Consolidated statement of comprehensive income		
Net interest income	117,910	111,933
Impairment losses/gains on financial assets – IFRS 9 ECL	-9,514	10,590
Profit before tax	37,692	47,992
Income tax expense	-7,291	-11,548
Profit for the year	30,401	36,444
Consolidated statement of financial position		
Total assets	14,571,762	14,060,065
Financial assets – AC	12,417,093	11,640,675
Financial liabilities – AC	12,522,091	12,106,624
Equity (incl. non-controlling interests)	683,502	663,398
Consolidated own funds and own funds requirement		
Eligible Tier 1 capital	666,345	646,153
Total eligible capital	666,345	646,153
Capital requirement (Pillar I)	277,828	246,527
Excess equity	388,517	399,626
Total risk exposure amount in accordance with Art. 92(3) CRR	3,472,853	3,081,591
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	19.19%	20.97%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	19.19%	20.97%
Operational information		
Number of employees at year-end	742	789
Number of branches	27	27
Selected payments, levies and other public sector items		
Financial stability contribution (bank tax)	-8,517	-8,724
Prepaid income tax	-25,027	-2,835
Current income tax	-7,646	-8,385
Deferred income tax	355	-3,163
Social security contributions and other pay-related contributions	-15,037	-12,046
Key indicators¹		
Return on equity before tax	5.60%	7.01%
Return on equity after tax	4.51%	5.33%
Return on assets	0.21%	0.26%
Cost/income ratio	59.51%	66.96%
NPL ratio	0.96%	1.42%
LCR	157.14%	198.27%

¹See the group operational and financial review in the 2019 annual report for details of the calculation.

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The entire annual report is available for download here:



<https://www.hyponeoe.at/en/ir>



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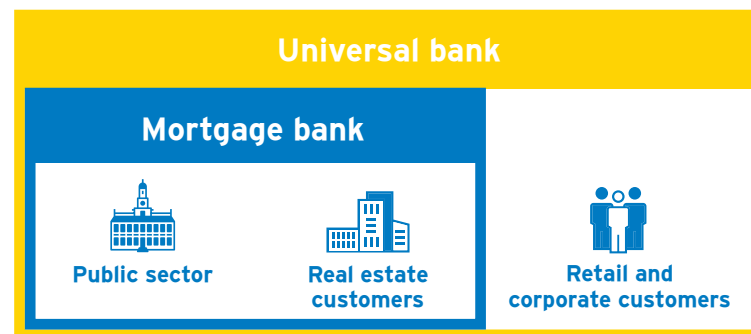


HYPO NOE at a glance

STRONG REGIONAL ROOTS. HYPO NOE Landesbank – Austria's largest and oldest-established state mortgage bank¹ – can depend on a reliable sole owner in the shape of the State of Lower Austria.

Low-risk business model – tried and tested since 1888

Persistently low non-performing loan (NPL) and risk-weighted asset (RWA) ratios



HYPO NOE's strategy

ORGANIC GROWTH

- Focus on core business
- Emphasis on Austria and Germany

DIGITALISATION

- Best-in-class core products
- Partnerships for add-on products

PROFITABILITY

- Growth and diversification of core income streams
- Maintaining a conservative risk and capital profile

PERFORMANCE METRICS

0.96%

NPL ratio

3.1

EUR bn RWA*

* Risk-weighted exposure to credit risk

19.19%

CET1 ratio

A positive

S&P issuer credit rating

Aa1

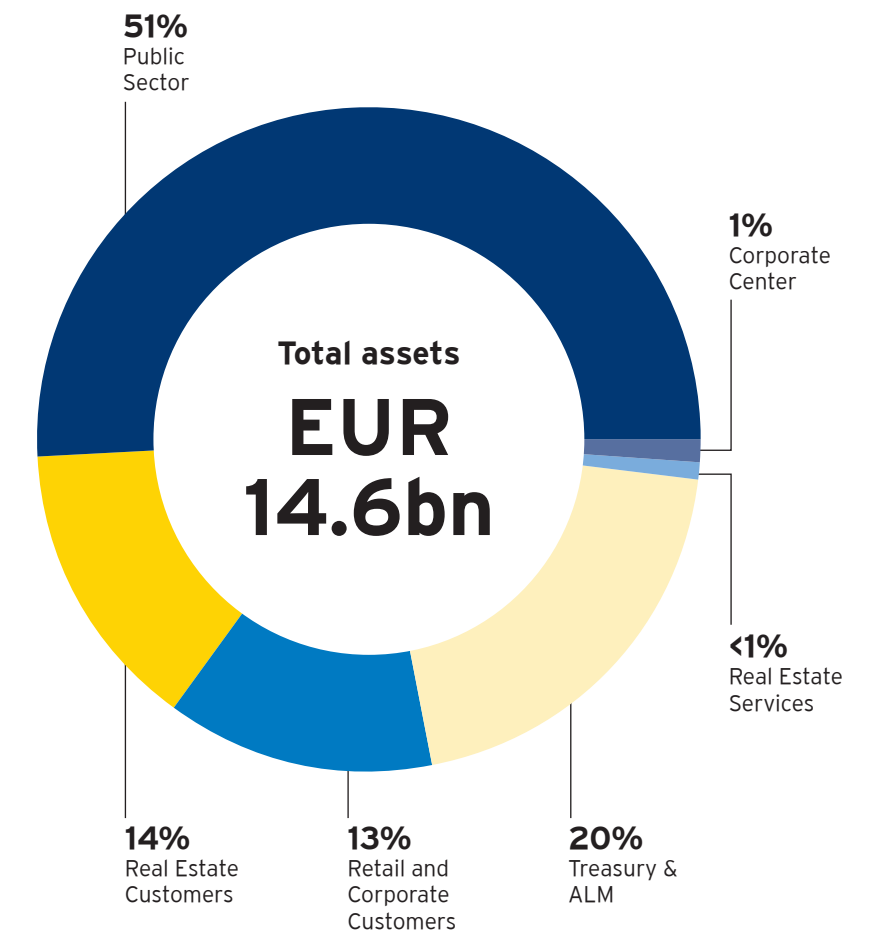
Moody's covered bond ratings

Prime

ISS ESG sustainability

The HYPO NOE Group's business segments

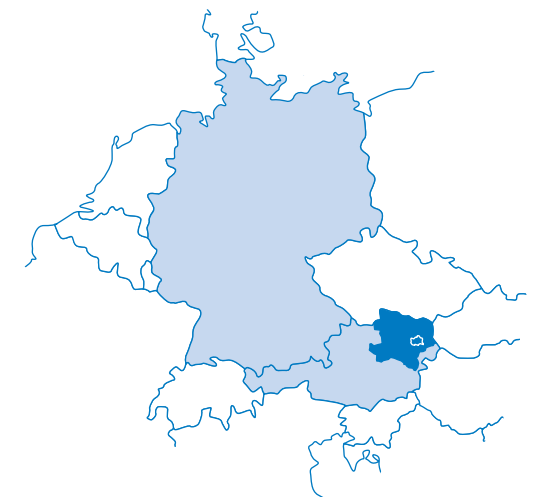
Assets as at 31 December 2019



A strong partner in a robust regional economy

Eastern Austria has one of the country's largest and most dynamic regional economies. Lower Austria and Vienna generate some 41% of national GDP. HYPO NOE Landesbank has a particularly strong presence on its home market.

- Home market: Lower Austria and Vienna
- Core market: Austria and Germany
- Also targeted: selected EU markets



Focus on the future

JANUARY TO
DECEMBER 2019

Fokus 25: playing to our strengths

Under the Fokus 25 initiative, management and employees have joined forces to strengthen HYPO NOE Landesbank. The Bank's common values and strategic alignment have already been arrived at. The Bank is focusing strongly on playing to its strengths, namely financing public infrastructure, housing construction and corporates. During the period up to 2025, its customer service quality and internal processes will be further enhanced, and digital innovation driven forward. This should enable the Lower Austrian state bank to draw on a clear business model when confronting the challenges of the future.

MARCH 2019

HYPO NOE Landesbank delivering affordable housing

Working in tandem with the European Investment Bank (EIB), the State of Lower Austria has created its own funding model for affordable housing. The EIB has provided HYPO NOE Landesbank with an initial EUR 125m in refinancing on attractive terms, which is reflected in cheaper loans for non-profit housing construction.

The state expects to be able to save future tenants of new developments up to EUR 200 per year in rent in this way.



APRIL 2019

Accolade for training

As one of the main employers in the region, HYPO NOE Landesbank attaches particular importance to training for young people. In April, the Lower Austria Economic Chamber recognised this by awarding the 2019 Trainer Trophy to the Bank. The award goes to the companies that have successfully trained the largest number of apprentices, relative to their overall headcounts, over the past decade.

Training award: Lower Austria Economic Chamber President Sonja Zwazl (right) presents Management Board member Udo Birkner and HR team leader Petra Fritscher with the 2019 Trainer Trophy.



Ex-banker and beekeeper Georg Fink (far left) is the "father" of the HYPO NOE bees.

MAY 2019

The bees have landed

Some 150,000 new "colleagues" have been in residence on the roof of the Group headquarters in St. Pölten since mid-May, and are already hard at work making honey. As part of the Wir für Bienen ("We for Bees") initiative, HYPO NOE Landesbank has adopted five populations to help save this endangered species.

JULY 2019

Over 1,300 guests in Grafenegg

HYPO NOE Landesbank again thanked its customers, associates and friends for their loyalty by inviting them to an atmospheric summer night concert. Billed as "All you need is brass", the event treated an invited audience of about 1,300 to a rousing open-air concert at Grafenegg.

Brass quintet Canadian Brass performed Beatles classics such as "Yesterday" and "All You Need is Love" on the Wolkenturm stage.

Musical thank you: the summer night concert at Grafenegg.



SEPTEMBER 2019

Successful benchmark bond issue

In September HYPO NOE Landesbank succeeded in placing a EUR 500m public sector covered bond issue. The instrument has a maturity of seven years and a coupon of 0.01%. The good response to the offer meant that most of the Bank's refinancing needs in 2019 (amounting to over EUR 1bn due to the large amount of new business won) were met.

Profitable and well capitalised

STRONG PERFORMANCE. Management Board Member Markets and Speaker Wolfgang Viehauser and Management Board Member Finance, Risk & Operations Udo Birkner on HYPO NOE Landesbank's view of itself, its performance in 2019, and the new Fokus 25 organisational development process.



Successful Management Board duo: Wolfgang Viehauser (left) and Udo Birkner run HYPO NOE Landesbank.

There's no let-up in the challenges facing banks. How happy are you with financial 2019?

WOLFGANG VIEHAUSER: In 2019 we managed to keep up the momentum from the previous year, and we again grew new business strongly, to EUR 1.8bn, despite initial signs of a gloomier economic picture. As a reliable banking partner for private individuals and businesses across the region, we expect to set the tone in our markets. It's particularly encouraging that we have actually exceeded our target of continuing to drive growth in our core earnings. Operating profit improved further, and we posted sharp increases in both net interest income, and net fee and commission income.

UDO BIRKNER: We have shrunk our cost base significantly in recent years. The fact that this reduction is sustainable is demonstrated by the further fall in administrative expenses in 2019, which would normally set the scene for strong operating performance. We are becoming more profitable without deviating from our self-imposed guidelines. This is particularly striking in the case of our risk and capital profile. We again pared back the NPL ratio,

to 0.96%, while the Common Equity Tier 1 (CET1) ratio of 19.19% was once more well above the European average.

Last year, you launched an organisational development process billed as Fokus 25. Has this yielded any results yet?

VIEHAUSER: Yes, we've already made a lot of progress. We set up Fokus 25 because we believe that a more precise strategy and a clear profile is the right response to the challenges of today and tomorrow. Building on our strong position on our home market, as a stable state bank and specialist mortgage bank, we are aiming for organic growth in our core business – serving the public sector as well as real estate and corporate customers. We are looking to record most of this growth in Austria, namely in Lower Austria and Vienna, and elsewhere, as well as in Germany. We are also selectively accepting business in other markets in the European Union. Our people's active engagement with Fokus 25 was incredible. A recent opinion survey was impressive proof that employees are right behind the new strategy.

In the past few years, the HYPO NOE Group has made itself fit for the future. How satisfied are you with the outcome of the Zukunftsfit 2020 initiative?

BIRKNER: The best way to answer that is to take a look in the rear view mirror. In the course of Zukunftsfit 2020 we systematically streamlined structures and processes, and optimised our business model. Milestones included the merger into a single bank, the implementation of a new organisational structure, and the successful restructuring of the real estate services business. A raft of measures have enabled us to achieve big gains in efficiency across the Group, as is shown by the decline in the cost/income ratio (CIR). All in all,

we are more profitable and better capitalised today, and the quality of the assets we hold is higher. We will be confronting the challenges ahead from a position of strength.

Digitalisation is a key element in the Group strategy. What does that mean in practice?

VIEHAUSER: We have a clear strategy, with two main thrusts. As regards our core products, we are committed to in-house digital developments and a best-in-class approach. Here, as a mortgage bank, we give pride of place to real estate finance, and we are currently working to digitalise the entire lending process. In future, we would also like to build additional components into the process, such as the handling of subsidy payments. As regards add-on products, we are forging partnerships with leading sellers, to ensure that we are always capable of offering our customers the best available solutions. For example, we are doing this in the area of consumer credit, which we are offering in tandem with TeamBank Österreich. This approach also brings us closer to achieving our objective of boosting net fee and commission income.



» **Are branches still needed given the changes that have taken place in consumer behaviour?**

VIEHAUSER: Definitely. With lending and retirement saving, at the end of the day it all comes down to personal advice – and digital tools are no replacement for that. That's why we developed a new branch concept, precisely tailored to this reality, last year. In combination with digitalisation and the automation of standard processes, the new branch concept gives our relationship managers time and space to provide quality personal service. We pay the necessary attention to customers to help them take life decisions in a pleasant atmosphere. Last year, we refurbished the Hütteldorf branch in this way, and we have also opened a new outlet based on the same design at St. Pölten University Hospital.

“A raft of measures have enabled us to achieve a big boost in efficiency across the Group.”

Udo Birkner



Management Board Member Finance, Risk & Operations Udo Birkner is confident that the Bank's strong emphasis on sustainability will give it a competitive edge.

Where do you see the main challenges for banks? Are you managing to raise interest income in spite of the ECB's low-interest-rate policy?

BIRKNER: Besides digitalisation, the key trends are undoubtedly regulation and sustainability. Persistently low interest rates weigh on our main source of income: interest income. At the same time, the cost of regulatory compliance is rising. We have to live with these strains. The fact that we nevertheless grew net interest income once again is down to a package of measures affecting both the assets and liabilities sides of the balance sheet. On the one hand, when taking decisions on new lending we look at the potential contribution from the transaction, but without compromising our conservative risk profile. On the other, our sound reputation on the capital markets helps us refinance our business on attractive terms. Meanwhile, we are extending our partnerships with the development banks.

You picked out sustainability as a key trend. How are you responding to this issue?

BIRKNER: As a publicly owned bank, we have made an honest and serious commitment to sustainability. Our portfolio has always strongly reflected sustainability considerations due to the high proportion of social infrastructure projects. And years ago we made a commitment to comply with strict ethical guidelines and business principles. These ensure that we do not countenance any lending that looks questionable from a social or environmental point of view. In both our lending and our refinancing operations, we wish to implant sustainability still more strongly in the Group's DNA – if only because we are convinced that this will give us a long-term competitive advantage.



Management Board Member Markets and Speaker Wolfgang Viehauser is proud of HYPO NOE Landesbank's achievement in posting marked increases in net interest, and net fee and commission income in 2019.

“With lending and retirement saving, at the end of the day it all comes down to personal advice.”

Wolfgang Viehauser

What effects will the European Commission's Green Deal have on your business?

BIRKNER: In future, the banking sector will look at the sustainability aspect still more closely when taking lending decisions. The aim is to determine whether a transaction is sustainable and, if so, what impact it has on the basis of clear criteria. Sustainability criteria will also be incorporated even more strongly in our risk management processes, permitting a more comprehensive assessment of social and environmental risks. As a state bank, we will certainly be steadily increasing our commitment to sustainable finance in the next few years.

The environment you are operating in is constantly changing. One thing will stay the same, though: sole ownership by the State of Lower Austria. What role does that play in your business development?

VIEHAUSER: Our sole owner, the State of Lower Austria, takes the long view, and this enables us to implement our strategy consistently. Because

of this, the State's ownership has a very positive impact on the opportunities open to the Bank. It is in our owner's interests for us to be a strong bank that is capable of fulfilling its mission in and on behalf of the region as effectively as possible, and it assists us in this by maintaining a restrained dividend policy. The lion's share of the profits made remains with the Bank, reinforces its capital base and helps to underpin its creditworthiness. This gives us the flexibility we need to pursue business opportunities. Being owned by the State of Lower Austria also means that we are an all-Austrian bank – by no means a matter of course in today's banking world.

Let's venture a look at the future. Where do you see HYPO NOE Landesbank in five years?

VIEHAUSER: As a reliable commercial bank, and as THE Austrian mortgage bank – the number one in housing construction and infrastructure.

BIRKNER: As a stable state bank that is still more profitable, strongly capitalised and risk averse – and well set for the next 130 years. ■

HYPO NOE
Landesbank is on
course for a solid
future thanks
to its low-risk
business model.

Making good progress despite headwinds

SUCCESSFUL BUSINESS MODEL. The ECB's low-interest-rate stance remains in place, and this is making life hard for the banks. In spite of this, HYPO NOE Landesbank has again recorded solid earnings.

2019 was anything but easy for the banks. The European Central Bank kept its low-interest-rate policy in place, posing tough tests for the industry. Low rates make it harder for banks to generate interest income, which is vital to their operating profits. A true interest-rate turnaround is nowhere in sight.

Difficult environment – solid performance. Nevertheless, the HYPO NOE Group put in a strong showing, posting a marked improvement in operating performance. Operating profit grew by 4.7% year on year. Particularly encouraging was the fact that core earnings advanced again, with net interest income up by 5.3%, and fee and commission income 15.1% higher.

At the same time, the Group is addressing new tasks; it is pressing ahead with digitalisation while also

keeping a close eye on costs. The cost/income ratio decreased from 67.0% in the previous year to 59.5% in 2019.

Feet on the ground. This solid performance stems from the low-risk business model that HYPO NOE Landesbank has been true to since its foundation in 1888. It is backed up by a dependable sole owner in the shape of the State of Lower Austria. With a CET1 ratio of 19.19%, the Bank is one of the best-capitalised lenders in Austria and Europe.

A reliable partner. All of this is also reflected in the Bank's solid credit ratings. Standard & Poor's has never rated it at below single A.

HYPO NOE Landesbank is a sound and reliable partner – and that is precisely what counts in troubled economic times. ■

FACTS AND FIGURES ON REFINANCING AT HYPO NOE LANDESBANK

- Annual capital market funding needs of about EUR 1bn
- One of Austria's largest covered bond issuers
- Benchmark bond issues – secured and unsecured
- Diversified refinancing sources thanks to solid customer deposits

INFORMATION

If you have any questions, you can reach the Investor Relations team at investorrelations@hyponoe.at. Keep up to date by subscribing to the investor relations newsletter at www.hyponoe.at/en/ir

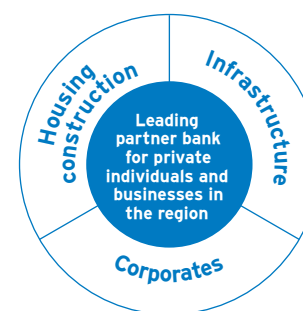
Concentrating on essentials with Fokus 25

The HYPO NOE Group launched the Fokus 25 organisational development process at the end of 2018 in a bid to

move ahead as a stronger business with a clear view of itself and more pronounced positioning.

It defined the financing of infrastructure, housing construction and corporates as its core competencies. The Group would like to continue to expand in these areas, and hopes to figure as a leading finance partner beyond its home market. In order to continue providing the best available solutions, the Group is entering into partnerships to offer add-on services. The main emphasis of Fokus 25 is on quality of customer advice, as well as digital innovation. Particularly in its core competencies, the Bank is developing best-in-class solutions. ■

CORE COMPETENCIES



MISSION

We are an attractive and stable employer. We are reliable, customer-driven, flexible and collaborative. In this way, we contribute to quality of life, stability, and economic and social development in our markets.

MARKETS

Home market:

Lower Austria and Vienna

Core market: Austria and Germany

Extended core market
(selectively targeted): EU

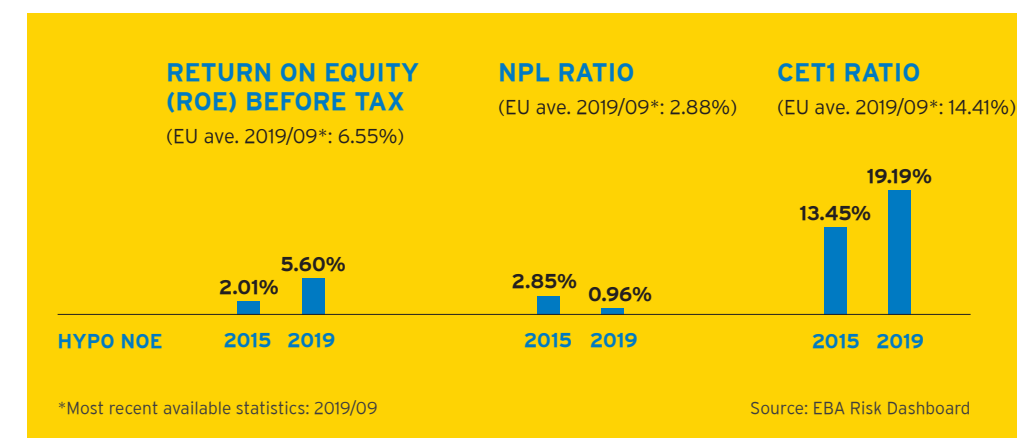
Strongly placed thanks to Zukunftsfit 2020

The HYPO NOE Group's Zukunftsfit 2020 (Fit for the Future 2020) efficiency programme is driving leaner structures and processes, optimising its business model, and focusing investment on its digital infrastructure. To remain well prepared for future challenges, HYPO NOE

Landesbank keeps a particularly close watch on its asset quality, capitalisation and profitability. For example, administrative expenses tumbled from EUR 129.1m at the start of 2015 to EUR 110.1m in 2019, a drop of 14.8%. The programme is bearing fruit, as shown by an EU-wide comparison. ■

**“The aim of
Zukunftsfit 2020
was to align the
Bank for strong
capitalisation, low
risk and improved
profitability.
A look back at
the past shows
that we have fully
succeeded in this.”**

Udo Birkner,
Management Board Member
Finance, Risk & Operations



“Customers must benefit from it”

BANK 4.0. How will digitalisation affect banks’ products and services, and internal processes? Matthias Förster, Head of Sales Strategy, and Klaus Tauber, Head of Operations, provide some answers.

What does HYPO NOE Landesbank’s digitalisation strategy mean for your department?

MATTHIAS FÖRSTER: For us, it holds the promise of new sales channels, and efficient, user-friendly tools and processes. The new products and services are being developed in consultation with customers, sales staff and in-house departments.

KLAUS TAUBER: As far as the internal processes are concerned, this is mostly a matter of increasing efficiency and thus cutting costs. We achieve this by standardising as many processes as possible and automating them wherever we can.

Where do you see the biggest challenges arising?

FÖRSTER: It mostly comes down to breaking up and replacing rigid systems and ingrained processes. Of course, that’s unsettling.

TAUBER: The colleagues who are tasked with driving forward the digitalisation of our business processes are also tied up in taxing day-to-day operations. It’s often difficult for them to free up enough time to prepare for the future.

What’s been implemented already, and what’s still in the pipeline?

FÖRSTER: On the home loans side, we are working on a “digital” mortgage. This goes a lot further than the usual loan calculator. Customers can use a secure online path to exchange their data with the mortgage advisor and receive a binding offer. The digital mortgage is one of the building blocks of the housing-related online platform that we are currently working on.

TAUBER: Some robotic processes are already replacing manual processing. For instance, the report to the credit protection association when

a mortgage is granted has now been automated. Particularly in our core real estate and infrastructure financing businesses, and our services for corporate customers, we are putting a major effort into devising quick, simple, quality solutions. Customers must see a real benefit. At the same time, the internal processes are being simplified, and customers will ultimately benefit from this, too.

How is digitalisation changing the Bank?

FÖRSTER: Customers, Sales and IT are collaborating more closely on product development. People from different departments are working on new ideas, products and processes. As regards project management, we are relying on agile – which is to say flexible and self-organising – teams. Many fintechs in the banking world are showing how that is done, and our experience of this approach has been positive, too. But in-service training courses are a must here. Because customers no longer necessarily visit our branches, but communicate with the Bank online or by phone, the relationship managers also need to become more mobile and flexible.

TAUBER: Employees’ expertise will become ever more crucial. But they must now also learn to pass on their accumulated know-how to the IT developers in such a way that the latter can create automated solutions. The change in roles from being the user of your own knowledge to that of a teacher calls for appropriate courses.

What are you aiming for with digitalisation?

FÖRSTER: In times of negative interest rates and online banks, there is no room for time-consuming routine activities. Because of this, the top digitalisation priority for the relationship managers will be equipping them with user-friendly customer advice tools.

TAUBER: Digitalisation and automation are not ends in themselves. Both must bring value added for customers – notably convenience – and relieve employees of administrative work. ■

Inviting and friendly: the new branch in Vienna’s Hütteldorf district.



Branches: new atmosphere and top-class service

FACELIFT. The Hütteldorf outlet was the second HYPO NOE Landesbank branch to reopen with a new interior design that creates the right setting for quality customer service.

A smartphone is all most people need to check their account balance. But when it comes to life decisions like a new home or a pension plan, people need enough time and the right surroundings. This is why HYPO NOE Landesbank has introduced a new interior design concept, featuring warm, earthy tones and a lot of wood, for its branches. Hütteldorf became the second remodelled branch to open, after Stockerau, in September 2019.

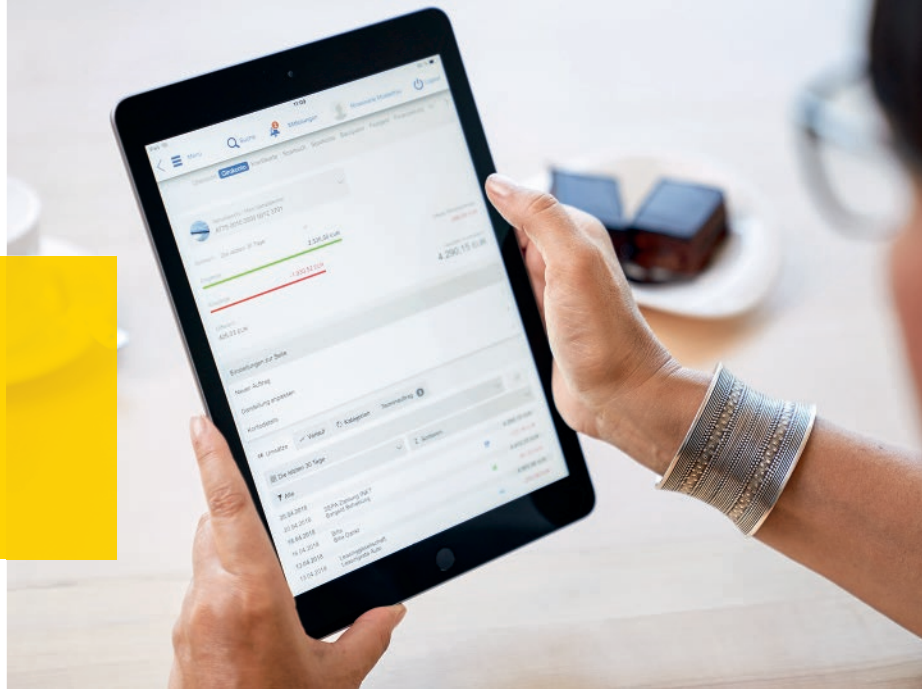


“Outstanding customer focus”. The quality of the advice provided at its branches is shown by the awards that HYPO NOE Landesbank keeps winning. The bank for Lower Austria won the “Best On-Site Customer Advice” category in the 2019 Österreichische Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies) Service Award; it was among 216 companies from a wide variety of industries that were tested. At the 13th Recommender Gala held by the Finanz-Marketing Verband Österreich (Austrian Financial Marketing Association), HYPO NOE Landesbank was honoured for its “outstanding customer focus”. “Last year we were named ‘Most improved bank of the year’”. The fact that we have won another accolade this year is a strong endorsement of our actions and strategy,” said Management Board Member Markets and Speaker Wolfgang Viehauser. ■

Klaus Tauber (left) and Matthias Förster see digitalisation as an opportunity.



A number of smart digital offerings are making life easier for bank customers.



Safety net

DIGITAL SERVICES. Besides its personal service, HYPO NOE Landesbank has won plaudits for its wide range of online offerings, which it is constantly expanding.

Payment slips were yesterday. The current wave of digitalisation is one of the major challenges facing the financial sector – and hence also HYPO NOE Landesbank. Most customers already take care of everyday banking transactions like transfers online. The Lower Austrian state bank is constantly expanding its online and mobile services for retail and corporate customers. Sophisticated technologies ensure that data security does not fall by the wayside.

All-round security. For example, the latest European security standards for online banking require still more watertight login and authorisation procedures. The Bank responded by launching its new HYPO NOE ID app in May 2019. Since late 2019, our corporate customers have had a new online banking tool at their

disposal. This gives them access to global payments services – likewise with maximum security levels. Mobile transactions are possible. Another advantage is the fact that the service is multibanking-capable.

Switching current accounts made easy. Previously, if a customer wanted to have their current account with a different bank, this quickly became complicated, because of direct debit orders, for instance. Since the end of 2019, it has been possible to switch or open current accounts digitally in minutes. Direct debit mandates are accepted automatically and can be signed digitally. This has been made possible by a cooperation agreement with fintech group finleap connect GmbH.

Bringing the bank to the customer. New services are also facilitating customer advice. In order to save customers in Lower Austria and Vienna the trip to a branch, the relationship managers have been given mobile devices that they can take to the desired location.

Face-to-face digital customer service. A new digital advice route has been implemented as part of our insurance consulting. The customer and their advisor work through the digital advice route together and receive a quotation at once. The customer can then sign the contract electronically on the advisor's mobile device, and receives a copy by e-mail shortly afterwards. This approach is simple and user-friendly, and is also good for the environment because of the mountain of paper it saves. ■

Top marks for sustainability

TOP OF THE CLASS. HYPO NOE Landesbank's sustainability activities are bearing fruit, as seen in the rankings published by various sustainability rating agencies. Prime status from ISS ESG confirms the Bank's standing as one of the best in the business. New this year: the World Wide Fund For Nature (WWF) rating.

ISS ESG
ISS ESG (formerly oekom research) awarded HYPO NOE Landesbank Prime status. This reflects the Bank's outstanding commitment to fulfilling its environmental and social responsibilities.

RFU
Austrian sustainability agency rfu renewed HYPO NOE Landesbank's rfu qualified status with a ba rating. Only the best businesses are awarded this status and subsequently included by rfu in its sustainable investment guidance.

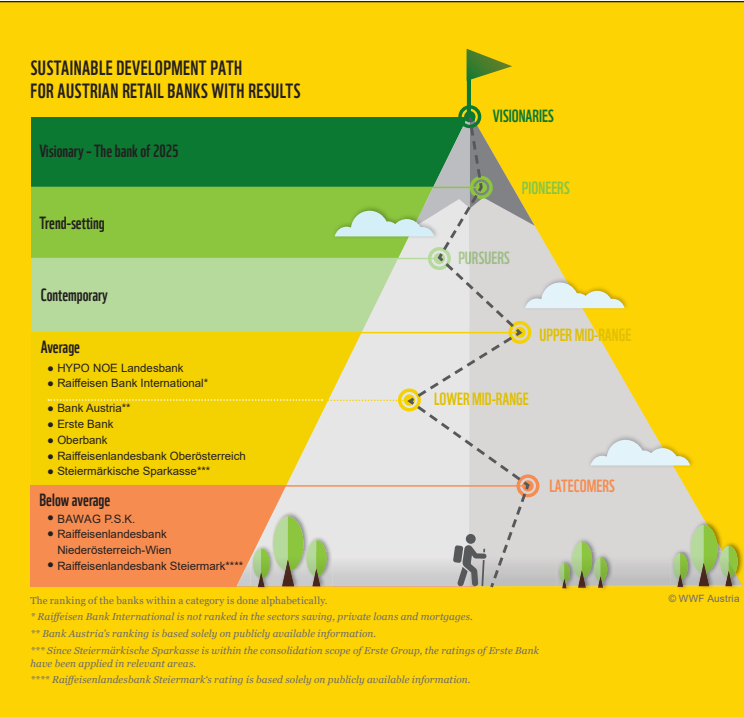
IMUG
Respected sustainability rating agency imug revised both the Bank's sustainability score and the rating for its mortgage bonds upwards, by one notch each.



WWF: And the winner is ... HYPO NOE Landesbank

The World Wide Fund For Nature (WWF) rated the ten largest Austrian retail banks for the first time in 2019. And HYPO NOE Landesbank took first place. "These fantastic ratings are a great incentive for us to continue doing everything we can to pursue sustainability goals in all of our core areas of business," confirmed Claudia Mikes, Head of the Investor Relations and Sustainability team.

Plaudits from Greenpeace. A recent report published by Greenpeace on climate protection measures in the financial sector including business travel and fleet management praised HYPO NOE Landesbank for its partially electrified fleet of company vehicles, e-charging points at its headquarters and the availability of rail cards for employees. It also highlighted the use of telephone conferences, which have eliminated countless business trips between the Bank's St.Pölten and Vienna offices.



CO₂ emissions more than halved since 2015

Working together to reduce our environmental footprint

Capsules are a thing of the past: it's no coincidence that the kitchenettes at the HYPO NOE headquarters in both St. Pölten and Vienna are now equipped with coffee machines that use whole beans. This is one of the many ways in which the Sustainability Working Group, launched in January 2019, is bearing fruit. A few times a year, the heads of and experts from the Human Resources, Marketing, Communications, Sales and Facility Management departments, as well as the Sustainability team, get together to work on ways to gradually reduce their ecological footprint. Ongoing initiatives are also discussed and the

feasibility of various new ideas is assessed. All employees are also free to submit their own sustainability-related suggestions to a dedicated e-mail address set up specially for the purpose.

Quick implementation. "The interdepartmental composition of the working group, with members representing various specialisms, enables us to swiftly act on and implement ideas and suggestions," said Claudia Mikes, Head of the Investor Relations and Sustainability team. This process led to the replacement of coffee capsules with whole beans, as requested by

numerous employees. This measure will enable HYPO NOE Landesbank to save 320kg of plastic waste each year. The 36,000 bottles of mineral water used annually have given way to Soda devices, and jugs of water are now placed on meeting room tables instead. "Austria has some of the best-quality drinking water anywhere in the world," Mikes explained. The changeover to eco-friendly copier paper is also the result of an initiative of the working group, as is the decision in favour of sustainable advertising materials, including cotton tote bags, organic rain ponchos made from corn starch, and organic ballpoint pens.

Sustainability buzz

Throughout Lower Austria, millions of insects pollinate flowers and crops, helping to secure our day-to-day food supplies. Home to more than 600 different species of wild bees, the state leads the way in the whole of central Europe in terms of bee diversity. Still, the decline in the bee population has been troubling scientists, farmers and environmentalists for many years.

Adopt-a-bee. To protect the threatened insects, the State of Lower Austria set up the Wir für Bienen ("We are Bees") initiative, under which HYPO NOE Landesbank adopted five bee populations. In mid-May, around 150,000 bees moved into their new home on the roof of the St. Pölten headquarters, where they are hard at work producing certified organic honey. The fruits of their labour are very well received by customers. In future, the populations will continue to grow – the queens can lay anything up to 2,000 eggs a day. The HYPO NOE bees are tended by former banker and passionate beekeeper Georg Fink.



Bees busy making gifts on the roof of the Group HQ.



Sustainable energy boost for the headquarters in St. Pölten.

Minister Maria Patek presents the certificate to Management Board member Udo Birkner.

HYPO NOE Landesbank is now an official klimaaktiv partner

Energy-efficient building construction at the St. Pölten headquarters, financing public construction projects implemented in compliance with strict environmental regulations, and consultations with a focus on eco-standards: the Lower Austrian state bank's green know-how did not escape the attention of the Federal Ministry of Sustainability and Tourism. In September 2019, Minister Maria Patek presented Management Board member Udo Birkner with the klimaaktiv certificate, officially confirming the Bank's status as partner organisation.

Outstanding dedication. The accolade is only bestowed on companies that demonstrate extraordinary

commitment to climate protection.

"For us, climate and environmental protection is not just a means to an end – on the contrary, as the bank for the state of Lower Austria we have a responsibility to society which we take extremely seriously. Wherever we can do something, we make sure that we do it, and we also act with a view to honouring our obligations towards future generations," Birkner explained.

Partner status is not the only klimaaktiv award that HYPO NOE Landesbank has received. The St. Pölten headquarters were constructed in accordance with the klimaaktiv building standards, earning the project the klimaaktiv silver standard in 2012.



Continuous reduction in CO₂ emissions

Under the HYPO NOE Group's environment and energy strategy, the previous ISO 50001-certified management system was upgraded to a comprehensive environmental management system that obtained ISO 14001 certification from Quality Austria. The Group cut CO₂ emissions by a further 173 tonnes in 2019 (a 22.2% decrease in emissions on the previous year). CO₂ emissions continue to fall and are now less than half the level reported in 2015.

"Clear ethical guidelines and principles ensure that we only provide loans that are compatible with our sustainability strategy. We recently added coal to the list of exclusion criteria."

Udo Birkner, Management Board Member Finance, Risk & Operations

Help getting a foot on the housing ladder

MAKING A HOME. Affordable apartments for young people are being built in Grossdietmanns in the Upper Waldviertel region. HYPO NOE Landesbank is handling the finance on behalf of the housing association.

The State of Lower Austria has set up a separate funding scheme, Junges Wohnen, to create affordable housing for people aged up to 35. Building these housing units in the Upper Waldviertel also has the advantage of giving a boost to a regional economy with structural problems. The Gemeinnützige Bau- und Siedlungsgenossenschaft Waldviertel (WAV) housing association plans to complete a new development with 11 apartments, each with about 60m²

of living space, in Grossdietmanns (between Weitra and Gmünd) by spring 2020. The land for the project has been provided by the local council. It wants to encourage young residents to stay. Every unit has its own terrace or balcony and a parking space. The communal garden to the south is meant to encourage the future residents to garden and relax together.

Successful search for a partner. When looking for a suitable finance partner, WAV hit on HYPO NOE Landesbank. "We invited a number of banks to bid for the project. HYPO NOE emerged as the best bank because of the terms it offered," explains WAV chief executive Manfred Damberger.

Of a total investment of some EUR 1.6m, about EUR 1.1m is housing subsidies. HYPO NOE Landesbank is providing almost half a million euros, in the form of a mortgage loan. "We are also advising the state and the housing association on the design of the housing subsidies," says housing adviser Thomas Ebner.

Finance for non-profit housing schemes like the one in Grossdietmanns is a cornerstone of the Bank's corporate strategy.



Future proof: affordable rents help young people make the transition to independent living.

DID YOU KNOW THAT...

...in 2019, HYPO NOE Landesbank provided around EUR 270m for sustainable housing schemes? The lion's share were built in the Bank's Lower Austria/Vienna home market. Lately, the Bank has widened its exposure to Austria as a whole, in particular Styria and Upper Austria.

...in its role as the financier, HYPO NOE Landesbank profits from its partnerships with Austrian housing associations? Long-lasting, dependable collaboration with customers is one of the key factors behind the Bank's success.

...throughout Europe, the Austrian housing association system is regarded as a model of best practice in the creation of affordable housing? Every year, the Austrian Federation of Limited-Profit Housing Associations welcomes international delegations of housing experts who come to find out about the Austrian model.

...an average of about 3,750 new non-profit housing units are built in Lower Austria alone each year? The average rent per square metre of these homes (including service charges and VAT) is about EUR 6.60 – 13% lower than private or commercial rents.

...the construction and renovation of housing association developments is subject to particularly strict environmental standards? With regard to climate action, besides energy-efficient renovation, housing associations are increasingly turning to alternative energy sources.

JUNGES WOHNEN ("HOMES FOR YOUNG PEOPLE")

Aimed specifically at young people, this funding scheme has a number of advantages, but there are conditions, too:

- Maximum age: 35
- Rental only (no option to buy)
- Max. apartment size: 55-60m²
- Max. financing contribution: EUR 4,000
- Low-cost rented apartment
- Close to town centre and with good transport links

An eye on the future. Construction costs have surged in the past few years. At present, these increases are cushioned by cheap finance due to the European Central Bank's low-interest-rate policy. Ebner: "But that won't stay the same forever. It usually takes 30-35 years to pay off a non-profit housing development. We are trying to structure the repayments in such a way that the young tenants will still be able to make them in a few years, and are not threatened by excessive jumps in the costs."

Finance for subsidised housing projects is one of the cornerstones of the Bank's corporate strategy. Ebner: "Due to the strict legislation, non-profit housing like the development in Großdietmanns is well built, energy-efficient and affordable. As a bank, we're glad to be part of that." ■



"What we particularly appreciate about our collaboration with HYPO NOE Landesbank is the lack of red tape and the speed with which everything is handled."

Manfred Damberger,
Chief Executive of WAV

New centre of learning in Vienna

PUBLIC-PRIVATE PARTNERSHIP. The HYPO NOE Group is playing a central role in the development of the new school campus in the Seestadt and Aspengründe areas of the capital.

Leading role for HYPO NOE Landesbank: the Bank has overall responsibility for the financing, construction and operation of Vienna's new education campus.



It's a massive project that will open up new education opportunities for 2,200 Viennese children from autumn 2021: the new Campus plus, which is taking shape at two locations – in the city's third district and in the Seestadt area. The concept will bring the kindergarten and school closer together, with shared use of some spaces. There is also a range of leisure facilities for the children and young people. HYPO NOE Leasing has assumed overall responsibility for the construction project under a public-private partnership (see interview).

In perfect harmony. The site in the Aspengründe area of the third district will be home to 14 kindergarten groups (including a therapeutic-education group) as well as 17 primary school groups. Special-needs

and basic general education classes will provide support for children with disabilities and learning difficulties. The facilities will also include therapy rooms, a gym, two fitness rooms and a music school.

"Financing social infrastructure has been our core competence ever since the Bank was established. This project goes one step further and underlines our leading position in this segment."

Wolfgang Viehauser, Management Board Member Markets and Speaker

THE NEW EDUCATION CAMPUS: FACTS AND FIGURES

- Kindergartens and schools for a total of 2,200 children and young people
- Total area: approx. 36,000m²
- Total investment: approx. EUR 100m
- Scheduled completion: August 2021

PUBLIC-PRIVATE PARTNERSHIP

A public-private partnership (PPP) is a long-term collaboration between the public sector and private enterprise. In a contractual PPP – the form used for the new campus – private companies implement a plan as part of a project for which the public-sector client is responsible. With institutionalised PPPs, however, private-sector firms either invest in a public-sector company, or found a public-private company jointly with the public sector.

The new campus will named after charismatic Jewish teacher Aron Menczer, who saved the lives of many Jewish children in Vienna between 1939 and 1942 before himself falling victim to the Holocaust in 1943.

Focus on young people. The second site in this new education project is being built on an extensive green space in the north of the Seestadt area. It will feature 12 kindergarten groups, a primary school with 17 classes and a 16-class Neue Mittelschule (New Secondary School). A modern youth centre will also form part of the campus. ■

"An excellent fit for our portfolio"

NEW DIRECTIONS. Manuela Morlock, a business law specialist at HYPO NOE Leasing, talks about the HYPO NOE Group's role in Vienna's new education campus and the challenges associated specifically with public-private partnerships.

Ms Morlock, the HYPO NOE Group is moving in a new direction with its involvement in the education campus project. How does it differ from conventional financing for public infrastructure?

MANUELA MORLOCK: The HYPO NOE Group has been involved in many construction projects. But what's new about the education campus is that we have assumed overall responsibility for financing, construction and operation as part of a "classic" public-private partnership. HYPO NOE Leasing formed a consortium with Strabag Real Estate to submit a bid for the City of Vienna's EU-wide tender.

What tipped the scales when it came to taking on these responsibilities?

PPPs are a highly complex product. We are a leading provider of infrastructure finance, so this education project in our home market of Lower Austria and Vienna is an excellent fit for our portfolio and the Group's philosophy.

What is your role in the project at present?

Clearly, the financing is our primary focus. External finance is being provided by a consortium comprising

the European Investment Bank and Helaba. We are the main point of contact for the City of Vienna. To make the project successful, every step has to be coordinated with the various partners on an equal footing. That means Strabag and Siemens on the construction side, as well as Siemens Gebäudemanagement, which will be responsible for operating the building, in other words cleaning, maintenance and repairs.

How long will the HYPO NOE Group be part of the project?

We'll be involved for a very long time: the contract with the City of Vienna runs for 27.5 years, which is split into the two-and-a-half-year construction phase and the subsequent 25-year use phase. ■

Manuela Morlock is head of refinancing at HYPO NOE Leasing.



Finance package coupled with state funding expertise

FULL SERVICE. HYPO NOE Landesbank has teamed up with the Polytechnik Group and is bringing its financial expertise to bear in the construction of a new production facility for biochar and filter equipment in Weissenbach, Lower Austria.

As a global player in biomass incineration plants, Polytechnik Luft- und Feuerungstechnik GmbH, which is headquartered in Weissenbach an der Triesting, makes a valuable contribution to the regional economy as well as driving forward the Energiewende (“energy transformation”). The Polytechnik Group employs a total of about 250 people. It has more than 15 offices in Europe and another four overseas.

Compared with fossil fuels, biomass – such as wood waste or straw – and biogas are renewable and CO₂-neutral. Polytechnik’s highly automated, high-efficiency equipment helps to reduce fuel use and minimise pollutant emissions.

On track for expansion. The family business has significantly extended its product portfolio in recent years and upped the volume of business is does abroad. Recently, the company developed a new kind of biochar facility and filter equipment for use in flue gas purification systems. All of this required modernisation of the company’s HQ and a new 2,000-square-metre production plant, which is due for completion in September 2020. The investment amounted to around EUR 6m. Polytechnik needed a reliable financing partner to realise its modernisation plans, and HYPO NOE Landesbank was given the job.

“We try to be an uncomplicated bank. And our customers appreciate that.”

Markus Pieringer, Division Head, Corporate Customers

Good advice. The Lower Austrian state bank’s extensive expertise in connection with business subsidies was a key factor in the decision. This is a complex topic, so the Bank’s Corporate Customers Division has its own subsidy experts who advise customers and provide assistance with completing the necessary formalities. A wide-ranging package of subsidies was secured for the Polytechnik project. These included federal government subsidies (an erp loan) from Austria Wirtschaftsservice (aws), finance from the European Regional Development Fund, and a grant from the State of Lower Austria.

Strong partner. “HYPO NOE Landesbank and the Polytechnik Group worked together to draw up a multi-component financing concept,” explains the

Inspecting the company’s premises where a new production facility will soon take shape.



Trusted partners: Polytechnik managers Lukas Schirnhöfer (far left) and Alexander Joham (centre) with Markus Pieringer, Bernd Rosner and Christian Doppler (from left to right) of HYPO NOE Landesbank.

Bank’s Senior Key Account Manager Bernd Rosner, who is responsible for the client. This concept includes a low-interest erp loan administered by the Bank in a fiduciary role and a conventional investment loan to provide pre-financing for the construction costs and to cover other expenses incurred before the subsidies are disbursed. Rosner has worked on numerous large-scale projects over the past decade: “Each one is different, but in every plan there are countless complex processes running in the background, and we aim to free our customers from that burden. As a bank, we try to make implementing their plans as straightforward for them as possible.”

Groundbreaking collaboration. Rosner is a great believer in Polytechnik’s outstanding potential as a “hidden champion”: “With its know-how, the company could be in a position to go from strength to strength.” Construction of the production plant in Weissenbach is the first major project that Polytechnik and HYPO NOE Landesbank have collaborated on. Rosner emphasises that he would be very much in favour of a long-term partnership that paves the way for Polytechnik’s foreign expansion, including into China. ■

THREE QUESTIONS FOR...

Lukas Schirnhöfer, Managing Director of Polytechnik

Why did you decide to partner up with HYPO NOE Landesbank?
The Bank’s expert advice on subsidies and its very straightforward, professional approach made the difference for us.

You’re committed to fostering growth and innovation. How significant is your banking partner in these respects?

I would say highly significant in a number of different ways: when it comes to innovation, it’s important that we receive sound advice and strong support for our subsidy strategy and our financing. If we want to break into new markets, the focus is on exploring options for equity financing and, ideally, securing support in the country concerned. To boost revenue, we need a finance partner that helps us to raise the necessary working capital. The basis for all of this is that the bank puts its trust in the company and the management.

What product innovations are currently in the pipeline?

Firstly, our baking technology with extreme air staging is at the production stage – with this technology, Polytechnik has managed to reduce fine particulate emissions to close to zero, without using a flue gas purification system or a filter. Another innovation is our patented charring plant, which produces top-quality biochar for the pharmaceuticals and animal feed industries. In the agriculture sector, biochar is used in the form of terra preta, which helps to improve soil conditions and capture CO₂. One tonne of biochar stores 3.5 tonnes of CO₂ in the ground. We expect innovations like these to deliver substantial revenue growth, which in turn will secure jobs.



Lukas Schirnhöfer, Managing Director of Polytechnik

Podium performance from our sport and social sponsorship initiatives

A CHARITY BRUNCH, A BEACH VOLLEYBALL TOURNAMENT AND A REPAIR CAFÉ: HYPO NOE Landesbank’s support for social and cultural initiatives and sports events is just as diverse as the Company itself.

Charity brunch for Sonntagberg basilica

Major renovation work at the Sonntagberg basilica – the iconic landmark in the Mostviertel region – got under way in 2014. This mega-project is due for completion in 2024. But substantial donations are required to reach that point. A good reason, then, for HYPO NOE Landesbank to stage a brunch for this great cause. The 40 or so guests included National Council President Wolfgang Sobotka, Abbot Petrus Pilsinger, and numerous regional businesspeople. The highlight of the event was an auction of rare wines from some of Lower Austria’s abbey wineries.

The money donated by the HYPO NOE Management Board members (centre) will keep things running smoothly.



Visit to the Caritas kitchen

The new ‘magdas’ kitchen in Vienna’s Liesing district is Caritas Vienna’s latest social business project. It delivers up to 25,000 meals per week to Caritas facilities, and in future will also supply schools, kindergartens and businesses. The food is prepared by people who are long-term unemployed, people with disabilities, and refugees. HYPO NOE Landesbank

provided finance for the project. And HYPO NOE Management Board members Wolfgang Viehauser and Udo Birkner decided to see for themselves what’s cooking. The bank for Lower Austria has also extended its collaboration with the Caritas Lerncafés (learning cafes). Here, children from disadvantaged backgrounds receive free help with their homework.

Volkshilfe repair cafe: fixing the throw-away society

Far too often, items are binned that could be put back in working order with a little effort. The Volkshilfe repair cafe in Wiener Neustadt breathes new life into everyday objects that have been thrown away. Visitors bring items with them and repair them themselves, with expert assistance from the cafe’s volunteers. A sustainable project that HYPO NOE Landesbank is more than happy to support.



Repairing something is not only cheaper, it’s also better for the environment.

Secure in your own four walls: how to keep burglars at bay

HYPO NOE Landesbank and the Lower Austrian Police Service have launched a joint initiative designed to show how people can make their homes secure. The core of the initiative, which is entitled “Sicherheit für Ihr Zuhause” (“Security at Home”), is a useful brochure full of valuable tips on how people can protect their homes against break-ins.

Lower Austrian START scholarship: summer internships at the Bank



“I’ve learned a lot from all my positive interactions with colleagues and customers”, says Suliman Qayoumi.

Three recipients of START-NÖ scholarships completed internships at different HYPO NOE Landesbank branches this summer. “I gained a lot of new experience and I’ll never forget my time here,” commented Batoul Kollieh (20), who did her internship at the Bank’s Horn branch. In August, Adham Al Mardini (19) spent time working in the Controlling Department at the head office in St. Pölten, while Suliman Qayoumi (16) joined the team at one of the Vienna branches. The START scholarship programme is aimed at young people with migrant backgrounds. HYPO NOE Landesbank supports the initiative, along with a number of other well-known companies.



“Thanks to the support of HYPO NOE, we were able to focus all of our attention on overcoming the challenge of qualifying for the Olympics”: Clemens Doppler and Alexander Horst in action.

Fun, action and double gold

Clemens Doppler and Alexander Horst, HYPO NOE Landesbank’s standard bearers on the beach volleyball circuit, had Strandbad Baden on its feet again in June 2019. They sparked celebrations among the spectators by defending their title at the FIVB Beach Volleyball World Tour event in Baden, beating Russian duo Maxim Sivolap and Artem Yarzutkin. Their victory came only 24 hours after Austrian pair Katharina Schützenhöfer and Lena Plesiutchnig had triumphed in the women’s competition.

HYPO NOE Landesbank is one of Lower Austria’s biggest sports sponsors. The HYPO NOE sporting family includes athletes from a range of team and individual sports. Besides ball sports, the emphasis is on developing talented youngsters.



Snowboard crosser Pia Zerkhold – another member of the HYPO NOE sporting family.



Middle East expert
Antonia Rados
provided shrewd
analysis and insights.

Living in a time of transition

HYPO NOE INVEST CLUB 2019. Celebrating its tenth anniversary, the customer event at Palais Niederösterreich in Vienna focused on the topic of global conflicts.

HYPO NOE Landesbank launched its Invest Club in 2009 to “take a look at the wider picture and hold frank discussions on the latest trends, from which we cannot hide,” as Management Board member Wolfgang Viehauser pointed out in his opening speech to mark ten years of the event.

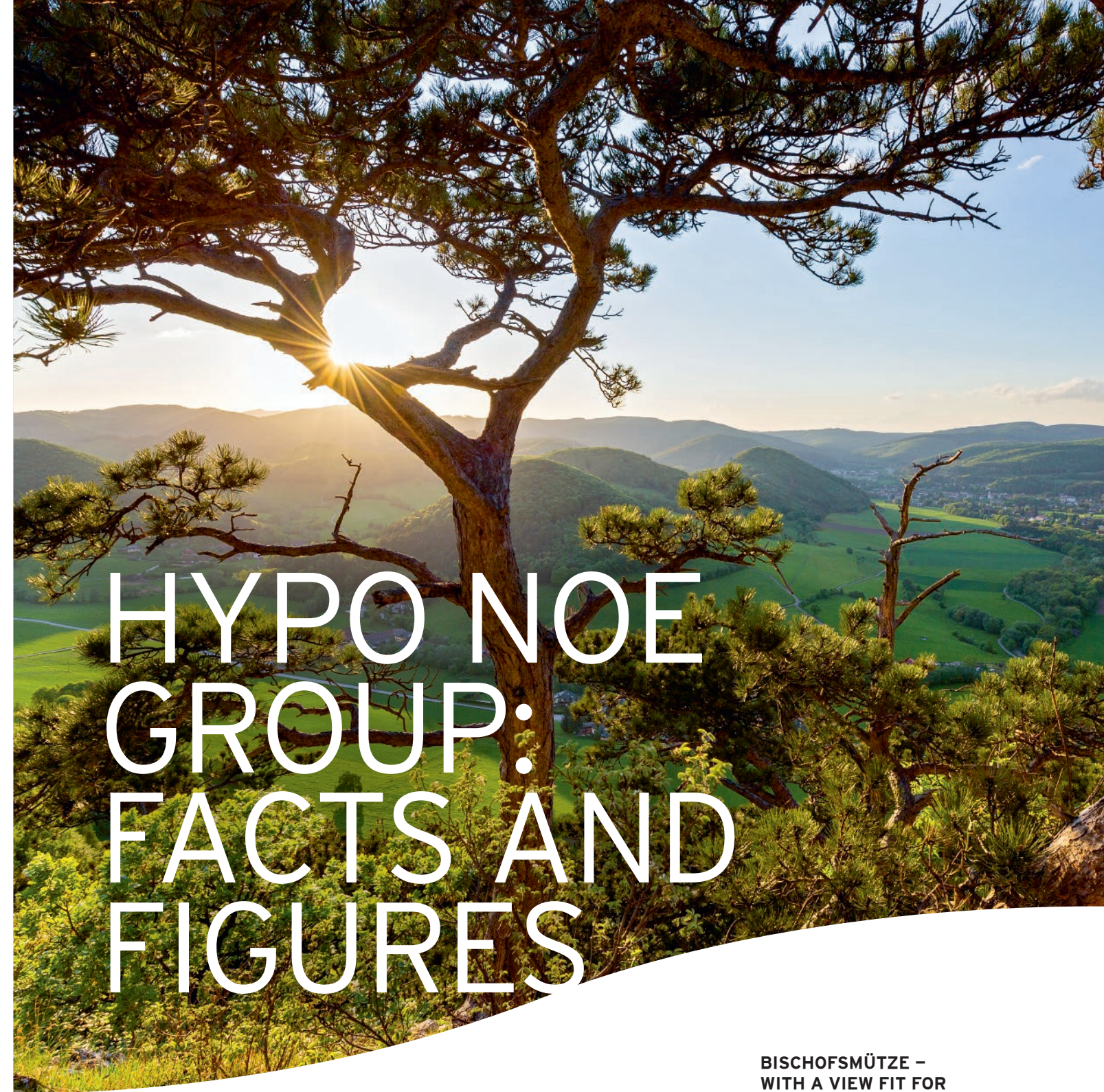
The keynote speaker has made looking at the wider picture her profession: renowned former ORF correspondent and war reporter Antonia Rados gave the 200 or so invited guests and partners of the Bank insights into her work. “Everything we see in the world today, and have seen in the recent

past – the 2008/09 financial crisis, Ukraine and much more besides – can be described in a single sentence: we’re living in a time of transition that affects us all and has an impact on all of our lives,” she commented.

Looking at the world through a smartphone screen. The Arab Spring showed just how tightly networked our world is: “Two-thirds of the Middle East’s population are under 30. By contrast, their rulers are old,” the Middle East expert said. Now, they can see how people in democratic states live: “This discontent sparked the Arab Spring,” Rados explained. The refugee crisis illustrated how the USA has turned its back on the Middle East. Without the protection of the US, it is now up to Europe to take matters into its own hands, and look not only westwards but also to the east, she added.

Ready for the future. Although political tensions do not have a direct influence on HYPO NOE Landesbank, indirect effects cannot be ruled out, according to Wolfgang Viehauser. For instance, refinancing costs for European banks could climb, which in turn would increase the risk of defaults. “But HYPO NOE Landesbank is in excellent shape and ready for the future,” as Viehauser emphasised. ■

Around
200 guests
debated the
bigger picture.



BISCHOFSMÜTZE – WITH A VIEW FIT FOR A PRINCE

The Bischofsmütze hill (514m) near Mayerling in Lower Austria is far less well-known than its namesake in the Dachstein range, but much easier to reach – the climb is little more than a gentle walk through the Vienna Woods. The peak offers views of a place steeped in history, where Crown Prince Rudolf and his mistress Mary Vetsera took their own lives on 30 January 1889. The town’s visitor centre tells the story of the beginning of the end of the Habsburg monarchy.



Consolidated statement of comprehensive income

(excerpt)

STRONG OPERATING PERFORMANCE.
The HYPO NOE Group's operating income rose by 4.7% in 2019, to EUR 157.3m, mainly as a result of higher earnings from its core business. The Group also posted further efficiency gains.

Net fee and commission income

The Group maintained its emphasis on services. This was reflected in net fee and commission income, which surged by 15.1% to EUR 17m. The strategy of collaborating with partners to offer add-on products also had a positive impact.

Profit before tax

Profit before tax was significantly above the long-term average, at EUR 37.7m (2014–2018: EUR 30.4m). The strong operating performance was due to the increase in operating profit and the continued reduction in administrative expenses. The key factor behind the high profit in 2018 was strong net gains on risk provisions (impairment losses or gains on financial assets – IFRS 9, ECL).

Profit or loss (EUR '000)	2019	2018
Net interest income	117,910	111,933
Net fee and commission income	17,022	14,791
Net measurement gains or losses	5,049	14,233
Net gains or losses on derecognition of financial assets	79	–
Net gains on financial assets and liabilities	5,128	14,233
Net other operating income	14,420	9,753
Administrative expenses	-110,067	-112,772
Impairment losses/gains on financial assets – IFRS 9 ECL	-9,514	10,590
Net gains or losses on investments accounted for using the equity method	2,793	-534
Profit before tax	37,692	47,992
Income tax expense	-7,291	-11,548
Profit for the year	30,401	36,444
Non-controlling interests	-371	-72
Profit attributable to owners of the parent	30,030	36,372

Net interest income

Although interest rates remained low, net interest income rose by a healthy 5.3% to EUR 117.9m (2018: EUR 111.9m). This improvement was also supported by measures affecting both the assets and liabilities sides of the balance sheet, such as new business activities and lower refinancing costs.

Administrative expenses

The Zukunftsfit 2020 efficiency programme once again generated savings in administrative expenses in 2019. These expenses fell by 2.4% year on year, to EUR 110.1m. As a result, the cost/income ratio (CIR)¹ fell by 7.5 percentage points to 59.5%. Administrative expenses have shrunk continuously, by a total of 14.8%, since the programme was launched in 2015. Milestones included the merger of the retail and residential construction businesses with the core bank, and the restructuring of the real estate services business. The Group also made further progress on automation and digitalisation.

¹Operating expenses/operating income

HYPO NOE Group statement of financial position

OUT IN FRONT. With total assets of EUR 14.6bn at 31 December 2019, the HYPO NOE Group is Austria's largest state mortgage bank.²

Financial liabilities – AC

This item includes savings, demand and time deposits as well as debts evidenced by certificates. It highlights the balanced refinancing structure that the Group has built up over the past few years. Covered bonds and other bonds account for EUR 7.6bn of the total of EUR 12.5bn. The remaining EUR 4.9bn is accounted for by deposits, which rose by 8.7% year on year in 2019.

Total assets

The 3.6% increase in total assets to EUR 14.6bn (31 Dec. 2018: EUR 14.1bn) is mainly testimony to the success of the Group's core businesses, and reflects the close interlocking of its operations.

²In terms of total assets (2018 consolidated financial statements).

Assets (EUR '000)	31 Dec. 2019	31 Dec. 2018
Cash and balances at central banks	235,481	417,130
Financial assets – HFT	438,035	428,983
Financial assets – mandatorily FVTPL	224,413	262,475
Financial assets – FVOCI	620,063	760,216
Financial assets – AC	12,417,093	11,640,675
Positive fair value of hedges (hedge accounting)	436,278	377,134
Investments accounted for using the equity method	27,510	23,148
Investment property	38,235	39,608
Intangible assets	463	755
Property, plant and equipment	68,201	66,779
Current tax assets	26,319	12,147
Deferred tax assets	1,162	-
Other assets	38,507	31,013
Total assets	14,571,762	14,060,065

Cash and balances at central banks

This item includes cash, money deposited with central banks and demand deposits. The year-on-year decrease resulted from a deliberate reduction in short-term excess liquidity.

Financial assets – AC

Loans extended account for EUR 11.5bn of the total reported under this item. The figure of EUR 12.4bn represents a 6.7% increase compared to year-end 2018. This reflects the growth in new lending in 2019.

Equity

Over the past few years, the HYPO NOE Group has steadily strengthened its capital base as a platform for organic growth. In spite of new lending totalling EUR 1.8bn, the Common Equity Tier 1 (CET1) ratio remained high, at 19.19% (31 Dec. 2018: 20.97%). Group equity advanced once more, rising by 3% year on year to EUR 683.5m, as the Bank again retained most of the earnings generated.

Equity and liabilities (EUR '000)	31 Dec. 2019	31 Dec. 2018
Financial liabilities – HFT	406,606	391,428
Financial liabilities – FVO	4,432	3,500
Financial liabilities – AC	12,522,091	12,106,624
Negative fair value of hedges (hedge accounting)	767,441	665,173
Provisions	68,270	58,711
Current tax liabilities	6,034	13,574
Deferred tax liabilities	26,238	27,696
Other liabilities	85,695	128,507
Tier 2 capital	1,453	1,453
Equity	683,502	663,398
Equity attributable to owners of the parent	675,087	655,420
Non-controlling interests	8,415	7,978
Total equity and liabilities	14,571,762	14,060,065

Investor Relations & Rating



Claudia Mikes
Head of Investor Relations/Sustainability
Tel. +43 (0)590 910 1568
claudia.mikes@hyponoe.at



Marco Reiter
Rating & Investor Relations Manager
Tel. +43 (0)590 910 1589
marco.reiter@hyponoe.at

investorrelations@hyponoe.at
<https://www.hyponoe.at/en/ir>

Treasury/Capital Markets/
Financial Institutions



Thomas Fendrich
Division Head, Treasury & ALM
Tel. +43 (0)590 910 1233
thomas.fendrich@hyponoe.at



Markus Payrits
Head of Liquidity Management
Tel. +43 (0)590 910 1222
markus.payrits@hyponoe.at



Martin Leppin
Client Business Initiatives
Tel. +43 (0)590 910 1054
martin.leppin@hyponoe.at

Sustainability



Christoph Neubauer
CSR Officer
Tel. +43 (0)590 910 1591
christoph.neubauer@hyponoe.at

nachhaltig@hyponoe.at

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The cover shows a view of the Helenental valley from the Rauhenneck Castle ruins.

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The forecasts and forward-looking statements contained in this supplement are based on current estimates and information available at the time it was compiled. They should not be taken as a guarantee that results expressed in forecasts and forward-looking statements will actually occur; actual results are subject to risks and other factors, and could therefore differ materially from results contained in forecasts or forward-looking statements. The Group is not obliged to update its forecasts and forward-looking statements.

The German version of this supplement is definitive. The English version is a translation of the German supplement. Formulations referring to people are intended to be gender-neutral. This supplement should be read in conjunction with the 2019 annual report.

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¹By total assets (2018 consolidated financial statements) and date of establishment

**HYPO NOE Landesbank für
Niederösterreich und Wien AG**

Hypogasse 1
3100 St. Pölten
+43 (0)5 90 910-0

investorrelations@hyponoe.at
www.hyponoe.at/en/home