

HYPO NOE Landesbank

Issuer View • 31 August 2022

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HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank) is a universal bank specialising in the mortgage business. With 636 employees (30 June 2022) and a consolidated balance sheet total of over EUR 16.4bn (30 June 2022), it is one of Austria's largest Landesbanks. The largest Austrian province, Lower Austria, is 100% owner of the Group. HYPO NOE Landesbank has a strong regional focus in Lower Austria and Vienna, but is also active in the rest of Austria and selectively in neighbouring countries. The business segments of the HYPO NOE Group are divided into "Public Sector" (24% of operating income as at 30 June 2022), "Real Estate" (27%; non-profit & large commercial housing), "Private and Corporate Customers" (35%; mortgage financing, payment transaction and insurance solutions) and "Treasury & ALM" (27%). In addition, the issuer operates the administrative segment "Corporate Center" (-12%). The institution's funding mix consists of savings, demand and time deposits (around 34%), public sector and mortgage covered bonds (30%) as well as unsecured bonds (23%), among others. In 2022, two benchmark issues of EUR 500m each were issued. Among them was a Green Senior Preferred transaction. In its funding outlook for the second half of the current year, HYPO NOE Landesbank is planning to focus on secured funding. The institution reports a CET1 ratio of 19.41% (30 June 2022; 31 December 2021: 19.35%). The LCR ratio was shown at 322.89% as at the same date (31 December 2021: 202.45%), while the leverage ratio was 4.39% (31 December 2021: 4.75%).

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	-	-
S&P	A	Stable

Homepage

www.hyponoe.at

Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	11,414	12,266	11,874
Total Securities	2,650	2,365	2,163
Total Deposits	4,228	3,796	3,814
Tier 1 Common Capital	691	730	725
Total Assets	16,417	16,763	16,425
Total Risk-weighted Assets	3,857	3,770	3,733

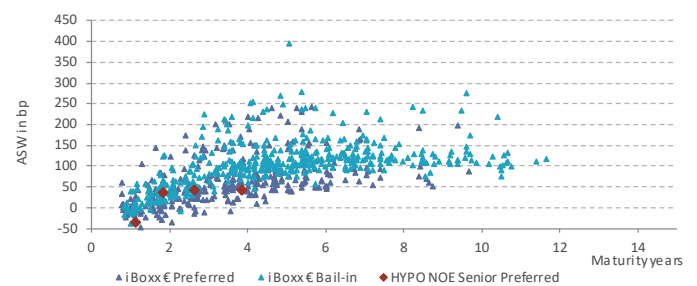
Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	129	140	68
Net Fee & Commission Inc.	17	19	9
Net Trading Income	4	2	4
Operating Expense	105	101	59
Credit Commit. Impairment	20	11	-3
Pre-tax Profit	41	54	26

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022H1		2020Y	2021Y	2022H1
Net Interest Margin	0.81	0.85	0.83	Liquidity Coverage Ratio	199.55	202.45	232.23
ROAE	4.61	5.74	5.15	IFRS Tier 1 Leverage Ratio	4.55	4.60	4.61
Cost-to-Income	63.07	61.33	72.08	NPL/ Loans at Amortised Cost	0.84	0.92	0.91
Core Tier 1 Ratio	17.92	19.35	19.41	Reserves/Loans at Amort. Cost	0.60	0.64	0.60

As of: 31.08.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- State of Lower Austria is owner (support)
- Capitalisation

Risks / Weaknesses

- Geographical concentration
- Profitability

Covered Bonds

Authors: Stefan Rahaus // Dr Frederik Kunze

Issuer with public and mortgage-backed cover pools

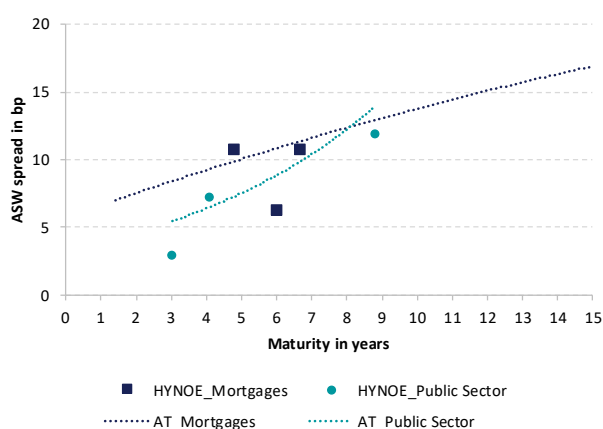
HYPO NOE Landesbank maintains both a public sector and mortgage-backed covered bond programme. As at the reporting date of 30 June 2022, the issuer has an outstanding volume of public sector covered bonds of EUR 3.548bn (45 issues, average issue size EUR 79m). Mortgage covered bonds amount to a volume of EUR 2.682bn (13 issues, EUR 206m) as of the same date. The nominal overcollateralisation ratios of 28.7% (Public Sector) and 10.6% (Mortgage) are clearly above the legal minimum requirement. Currently, the issuer has seven outstanding EUR benchmarks with an outstanding volume of EUR 3.5bn, spread over four public sector covered bond issues and three mortgage covered bonds.

Programme data

30 June 2022	Public	Mortgage
Covered bonds outstanding	EUR 3.548bn	EUR 2.682bn
Cover pool volume	EUR 4.567bn	EUR 2.966bn
Current OC (nominal / legal)	28.7% / 2.0%	10.6% / 2.0%
Type	80.9% Regional/federal state	73.4% Residential
Main country	99.8% Austria	83.0% Austria
Main region	86.6% Lower Austria	62.8% Lower Austria
Number of exposures	48,165	11,367
Average exposure size	EUR 94,821	EUR 260,894
NPL	0.00%	0.04%
Fixed interest (Cover Pool / CBs)	50.9% / 70.1%	44.0% / 58.9%
WAL (Cover Pool / CBs)	10.1y / 5.7y	9.8y / 5.2y
CB Rating (Fitch / Moody's / S&P)	- / Aa1 / -	- / Aa1 / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK; resid. maturity >1y) – Austria



The largest share of cover assets is of Austrian origin

The cover pools of HYPO NOE Landesbank have assets with a volume of EUR 4.6bn (public) and EUR 3.0bn (mortgage), with volume of substitute cover assets amounting to EUR 77m (public) and EUR 59m (mortgage). At 98.4%, the public primary cover is almost exclusively composed of cover assets denominated in EUR. 99.8% of the primary cover assets are also of Austrian origin. Lower Austria's regional share here is 86.6%. Vienna accounts for a further 5.9%. The most strongly represented debtors or guarantors are also the federal states, which account for a total of 80.9%. The public sector cover pool does not contain any non-performing loans. The mortgage cover assets (residential share 73.4%) are mainly attributable to Austria with a share of 83.0%, followed by Germany (10.5%) and the Netherlands (6.0%). Financing attributable to Lower Austria also dominates here (share: 62.8%).

Rating and regulatory treatment

Both HYPO NOE Landesbank's public sector covered bonds and mortgage covered bonds have an Aa1 rating from Moody's. The collateral scores are given as 14.3% (public sector) and 9.4% (mortgage). Based on the rating, a risk weight of 10% is applicable for the issuer's covered bonds in accordance with CRR. Furthermore, according to our understanding, benchmark transactions are suitable as Level 1 assets within the scope of LCR management. In addition, the issuer's bonds are eligible for purchase under CBPP3 and suitable as collateral in transactions with the ECB.

Appendix

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