SEMI-ANNUAL FINANCIAL REPORT **2024**

HYPO NOE

CURRENT RATINGS

Standard & Poor's: A/A-1 (stable) issuer rating

Moody's: Aa1 mortgage and public-sector covered bond rating

ISS ESG: C Prime status sustainability rating

GROUP FINANCIAL HIGHLIGHTS

EUR '000

Consolidated statement of comprehensive income	H1 2024	H1 2023
Net interest income	94,141	86,612
Administrative expenses	-55,694	-60,369
Impairment losses on financial assets – IFRS 9 ECL	-11,781	-2,056
Profit before tax	**48,172**	**66,473**
Income tax expense	-10,135	-15,665
Profit for the period	**38,037**	**50,808**
Return on equity before tax	11.28%	16.49%
Cost/income ratio	47.95%	52.01%
Consolidated statement of financial position	**30 Jun. 2024**	**31 Dec. 2023**
Total assets	16,822,850	15,579,450
Financial assets – AC	14,472,981	14,229,790
Financial liabilities – AC	15,057,549	13,898,367
Equity (incl. non-controlling interests)	867,410	849,977
Non-performing loan ratio	2.79%	2.45%
Regulatory indicators	**30 Jun. 2024**	**31 Dec. 2023**
Eligible Tier 1 capital	815,969	817,211
Total eligible capital	815,969	817,211
Minimum capital requirement (Pillar I)	329,275	313,121
Excess equity	486,694	504,089
Total risk exposure amount in accordance with Art. 92(3) CRR	4,115,937	3,914,015
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.82%	20.88%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.82%	20.88%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.89%	5.27%
Liquidity coverage ratio	260.02%	235.99%
Net stable funding ratio	123.78%	115.63%
Operational resources	**30 Jun. 2024**	**31 Dec. 2023**
Employees	634	619
Branches	26	26

The intrayear indicators are annualised on a daily basis.

FOREWORD BY THE MANAGEMENT BOARD

In spite of global challenges, numerous economic opportunities presented themselves in the first half of 2024. Companies capitalised on the strong demand for innovative solutions in order to position themselves in rapidly changing markets. Continued digitalisation – with artificial intelligence taking centre stage – has paved the way for new business models and efficiency gains, while the focus on sustainability and renewable energy has opened up new investment opportunities. Against this backdrop, HYPO NOE has played a decisive role as a reliable partner, providing bespoke financial solutions that underpin its customers' success.

If our customers are successful, this means that we have done our job properly, because we have made a direct contribution to their success. It is also an indication that we can look back on a successful six months as the bank for the state of Lower Austria – as reflected in our results. While pre-tax profit in the same period a year earlier was significantly impacted by a one-time effect arising from the reversal of provisions, profit before tax in the first half of 2024 stood at EUR 48.2m, thanks mainly to yet another increase in net interest income, which jumped by 9% to EUR 94.1m, as well as lower administrative expenses – despite high inflation, this item fell by 8% to EUR 55.7m. The cost/income ratio decreased from 52.21% at the end of 2023 to 47.95% at 30 June 2024. Standing at 19.82% at the end of the period under review, the exceptionally solid Common Equity Tier 1 (CET1) ratio again underlined the Group's risk-aware business model.

First and foremost, HYPO NOE's rock-steady finances and excellent results are the product of a stable business model with a long-term focus. The Bank can build on the strong confidence of the international investor community and a very solid funding base. This was demonstrated by the successful placement of two Euro covered bond benchmarks and its first Green Senior Preferred Benchmark on the Swiss capital market in the first half of 2024, which enabled HYPO NOE Landesbank to fulfil its responsibility for greater sustainability also on the issuance side.

Following on from this outstanding success on the capital market, we also achieved a first in Austria – certification of loans in accordance with the Umweltzeichen ecolabel for sustainable financial products has been possible since the start of 2024. HYPO NOE was the first bank in Austria to receive certification under the UZ 49 sustainable financial products standard for its green loans: the Green Home Loan, Green Life Loan – both aimed at retail customers who prioritise sustainable construction, purchases and renovation – as well as the Green Investment Loan for corporates. This means that all of the services in the Grüne Linie portfolio, which also includes green current and savings accounts, are now ecolabel-certified, forming part of a sustainable financing cycle together with the green bonds we have issued.

Our review of lending from 2021 to 2023 underlined the impact of loans extended by HYPO NOE as well as their significance for the Group's business as a state bank. During this period, HYPO NOE provided more than EUR 4bn in new liquidity in Austria alone. HYPO NOE then asked economic research institute Economica to calculate the value-added generated by these loans. It was found that this lending created over EUR 3bn in added value nationwide. For every euro of direct value creation, an additional 95 cents of indirect, induced value-added was generated. What's more, the loans either created or secured a total of around 42,000 jobs during the three-year period. On average, every year HYPO NOE provides new lending of around EUR 600m for projects that add value for society – such as nurseries and schools – around EUR 200m for infrastructure and manufacturing, as well as EUR 580m for private and non-profit housing construction, all with a strong focus on Lower Austria and Vienna.

We were also delighted to be one of the 13 Austrian banks to be recognised as a Forbes World's Best Bank. This title is awarded every year by respected business magazine Forbes and market research company Statista. The listing is based on an independent survey of more than 49,000 bank customers in 33 different countries.

These and other successes during the first half are mainly down to the dedication of our employees – without their commitment and hard work, it would not be possible to provide our customers with such an outstanding level of service. As a regional business – and employer – we are fully aware of the importance of highly trained and motivated employees. This is why HYPO NOE is continuously taking steps to improve working conditions at the company under its employee experience initiative. The most recent staff survey showed that we have succeeded in making improvements in various aspects. At the same time, the latest survey also highlighted additional areas where further action and changes are required – and we will systematically address these over the coming six months. HYPO NOE has also introduced a range of initiatives aimed at creating a family-friendly workplace in connection with the berufundfamilie (Career and Family) audit. These included the launch of the Ferienzeit@HYPONOE (HolidayTime@HYPONOE) pilot project in summer 2024, which will offer employees childcare services during the school holidays. These are just some of the numerous measures that enabled the Group to achieve recertification as a family-friendly employer. Our efforts with regard to the employee experience and the ongoing improvements in working conditions at the Group are also reflected in our Leading Employers award – this means that HYPO NOE is not only among the top 1% of Austrian employers, but also ranks in the top 25 in the banking industry. The annual study assesses 40,000 Austrian businesses, analysing 700,000 items of data from 200 sources worldwide.

As a state bank, our goal is to continue serving as a strong, reliable partner on financial matters for people and companies in the state. The awards we have received, our successes as well as our strong results are an incentive for us to carry on enhancing both our services and our reputation as a secure regional employer.

Wolfgang Viehauser
Management Board Member Markets and
Speaker of the Board

Udo Birkner
Management Board Member Finance, Risk &
Operations

GROUP OPERATIONAL AND FINANCIAL REVIEW

for the six months ended 30 JUNE 2024
IN ACCORDANCE WITH IFRS
HYPO NOE GROUP

1 ECONOMIC CLIMATE

1.1 Global economic and financial market trends

Ongoing geopolitical tensions, which were also reflected in the increase in trade disputes, high interest rates and persistently high inflation, were behind a challenging environment for both the global economy and capital markets in the first half of 2024. Stalled disinflation meant that major central banks made no or only minor interest rate cuts in the first six months of the year.

Meanwhile, the growth of the US economy slowed compared to the previous year. Even so, the economic situation and the labour market remain robust enough for the risk of recession to continue to be seen as low. However, private consumption – the growth engine of the US economy – appears to be gradually running out of steam. Though conditions in the industrial sector improved somewhat, this was not enough to have a significant impact on growth. The US economy continues to feel the benefits of past fiscal policy decisions. That said, there is a lack of fresh impulses due to political divisions in the US and the unwillingness of the parties involved to compromise. President Biden's position is further weakened by his decision not to run again for the office of US President. A great deal will depend on the outcome of the election: not just for the future direction for the US but also in terms of the future course of events in Europe. The high level of national debt that has been built up curtails fiscal room for manoeuvre.

Initially buoyed by a moderate uptick in leading indicators and a surprising 0.3% increase in economic output in the first quarter compared to the previous quarter, hopes for growth in the eurozone soon gave way to renewed doubts about the prospects of an economic recovery by the end of the reporting period. After a brief improvement in lead indicators in the manufacturing sector, significant declines have set in more recently. At present, there is no end in sight to the recession affecting industry. The European economy lacks growth drivers that do not stem from fiscal or monetary policy, and the export climate remains unfavourable. In addition, rising production costs driven by high wage settlements have not been sufficiently evened out through productivity gains. Not only the geopolitical climate has deteriorated. In the wake of the disastrous performance of President Emmanuel Macron's party in the European elections, snap elections were called in France, the outcome of which, with the unexpected victory of the left-wing alliance, could significantly reduce President Macron's ability to act, regardless of a new prime minister. Political uncertainties have also increased within the EU, partly as a result of the additional support garnered by right-wing nationalists in some member states.

In spite of the high wage settlements agreed over the past two years, which brought real wage growth back into positive territory, European consumer sentiment is making only moderate steps towards recovery. Overall, muted consumer spending is now primarily concentrated on the service sector, with pressure on costs still high owing to substantial wage settlements. Demand for goods from private households is also subdued.

For Europe, and Germany in particular, persistently difficult economic conditions in China are also weighing on growth. Established burdens continue to impact the Chinese economy, including high youth unemployment, an anaemic real estate market, and relatively downbeat consumer and private sector sentiment. And since last year, significant issues stemming from overcapacity built up in the wake of the introduction of generous state subsidies in some areas of the economy have compounded the situation further. This is among the reasons why the Chinese central bank, unlike its Western counterparts, is wrestling with a deflation problem. Companies and the government are trying to solve the overcapacity problem by expanding exports through a range of measures including export initiatives and unlocking cost advantages that enable it to offer lower prices than foreign competitors. However, this approach is ratcheting up existing trade conflicts.

Price increases in Europe reveal a divided picture. Following improvements last year in the situation surrounding the two main factors behind high inflation – supply chain problems and high energy and raw material costs – inflation levels for goods have already tapered off significantly and in June stood at 1.2% above the previous year's total. But on the other side of the coin, price rises in the service sector remain too high. Although the peak was reached in June 2023 with a rate of 5.6%, the disinflation process has only been moderate since then. Significant past wage settlements are a major factor. In June 2024, inflation for the services sector was still as high as 4.1%.

The framework conditions outlined above pose a challenge for the ECB’s monetary policy. While persistent economic weakness – which, contrary to previous downturns, has not led to an increase in unemployment – points towards interest rate cuts, the faltering disinflation process presents an obstacle to such measures. Although the ECB is upbeat about the prospects of reaching its inflation goal by the end of 2025, it is still cautious and wary of relaxing interest rates too quickly.

As a result, the first interest rate cut did not occur until end of the reporting period. On June 6, the ECB reduced all key interest rates by 25 basis points, leaving its key deposit rate at 3.75% ever since. A further two interest rate cuts of 25 basis points each are expected for the second half of the year.

Developments on capital markets have been predominantly positive despite the prolonged drought experienced by the European economy and the fact that interest rates are still relatively high. Government bond markets performed worst in the first half of 2024. This was partly due to the excessively low interest rate level reached at the end of last year in anticipation of rapid interest rate cuts. As a result, the then-high valuations of government bonds had to be subsequently corrected. Another reason for the weak performance of bonds was that generally held expectations of an interest rate cut fell, and the inverted yield curves had largely factored in rate cuts already. High national debt and a lack of budget discipline in many states are also triggering caution among international investors.

Developments on credit markets, by contrast, are significantly better. Risk premiums for corporate bonds, which reached their cyclical peak in autumn 2022 as a result of the inflation and energy crisis, have continued to drop and are now almost back to their level before the cycle of interest rate increases and the outbreak of the Ukraine-Russia war.

Performance on international stock markets were particularly encouraging. Driven primarily by a number of major US technology stocks that have profited from the boom surrounding the potential of AI, the main US markets reached new all-time highs. Low valuations of European stocks and the prospect of falling interest rates and an economic upswing also fuelled a rise in prices in Europe. Uncertainties related to the elections in France led to moderate setbacks.

Though exchange rates were subject to occasional short-term fluctuations in the wake of various events, these effects quickly dissipated. The EUR/USD exchange rate was confined to a narrow band of between 1.06 and 1.10, closing at around 1.07 at the end of the half-year. Changes in the EUR/CHF rate were, by contrast, more one-sided. The euro gained ground continuously against the Swiss franc between the beginning of the year to the end of May, though starting from a very low level. This development was likely fuelled by the Swiss National Bank's (SNB) first interest rate cut in March, from 1.75% to 1.5%, which was followed by a second cut to 1.25% in June. Additionally, the SNB adopted a low-intervention policy – to the extent that it did intervene, this came at the expense of the Swiss franc in the foreign exchange market. It was not until snap elections were called in France and the associated political uncertainties it brought for the country and the EU that there was a significant correction of the EUR/CHF exchange rate, from around 0.99 to 0.95. The euro proved relatively stable overall against the major trading currencies in the first half of the year.

1.2 Economic trends in the HYPO NOE Group's core markets

1.2.1 Austria and Germany

The strong economic growth resulting from pent-up demand in the wake of the Covid-19 pandemic increasingly tapered off in the course of last year, and both of the HYPO NOE Group's core markets were shaped by recession in 2023: Austria's gross domestic product contracted by 0.7%, while Germany's narrowed by 0.3%. Only modest growth, mainly supported by the recovery in the service sector, is forecast for Austria in the first half of 2024. Industry and construction were still in recession at the beginning of this year. The sharp rise in construction and financing costs, in tandem with a decline in mortgage lending, weighed heavily on construction sector growth (housing investment in 2023: down 8.8%) A EUR 2 bn housing investment package passed by the federal government aims to address the sector's anaemic performance while targeting both eco-friendly renovations and increasing access to cheaper housing loans and additional affordable housing.

In both countries, inflation has declined significantly, from a record high in 2023 to 3% in Austria and 2.2% in Germany (June 2024). While energy prices continued to fall throughout the first half of 2024, decreases are only gradually reaching consumers and manufacturers. Private consumption recovered steadily due to rising real wages. After years of house price rises (most recently of 10.4% in 2022), they fell for the first time in 2023, partly due to a drop in demand (Q4 2023: down 5% compared to the same quarter a year earlier). Below-average overall export growth of 0.3% in 2023 is mainly attributable to economic stagnation in Germany.

The Austrian labour market remained stable in spite of the difficult underlying conditions, with unemployment running at 6.2% (Public Employment Service Austria figures) in June 2024, a rate that was 0.5% above the level reported in the same month a year earlier. According to the Austrian Ministry of Finance, tax revenues from January to May 2024 were 2.9% higher than in the same period of 2023. The federal government's net fiscal deficit amounted to EUR 10.2 bn during this period (up EUR 4.3 bn on a year earlier). The main drivers were increased payments (up 10% overall, compared to the previous year) for pensions, expansion of renewable energy sources, electricity cost subsidies, and higher spending on national defence and care.

1.2.2 Federal states

The economic downturn in 2023 was particularly evident in export- and industry-dominated states such as Vorarlberg and Styria, which experienced more significant decreases in growth than the states where exports account for a smaller share of the economy. The pronounced recovery in tourism, as reflected in a 10.4% increase in overnight stays in 2023, partially made up for the drop in growth in Salzburg, Tyrol, Carinthia and Vorarlberg. According to UniCredit Research (May 2024), growth is expected to contract in seven of Austria's nine states in 2023, with declines ranging from 0.2% in Salzburg to 2.6% in Vorarlberg (Lower Austria, 2022: expansion of 3.8%; 2023: contraction of 1.5%).

Rising interest expense and increases in material and personnel costs caused by inflation placed a strain on states' budgets in 2023 and are continuing to do so in 2024. In light of this, the forecast aggregate net fiscal deficit of the Austrian states is expected to stand at EUR 3.6 bn for 2023 (up 33% on 2021). Revenue shares distributed to the states decreased only slightly year on year in 2023 and, at 0.5%, remained high. In the first four months of 2024, revenue shares were 2.1% higher than in the same period a year earlier.

Negotiations on fiscal equalisation between the federal government, federal states and municipalities were concluded with a unanimous agreement at the end of 2023 and adopted for 2024-2028. Annual funding totalling EUR 1.1 bn was allocated to the federal states and municipalities through the Future Fund. Approved by the parliamentary finance committee, a support package that includes an additional municipal investment programme to bring about a reduction in the municipalities' co-financing share from 50% to 20% is designed to support liquidity and stimulate economic growth.

1.3 Banking sector trends in the eurozone

In 2023, the EU banking sector was directly affected by a number of major challenges facing the global economy. These included military conflicts (the Ukraine-Russia war and the attack on Israel by Hamas), persistently high inflation rates and the shift in monetary policy initiated by the major central banks in 2022.

Against this backdrop, the Oesterreichische Nationalbank (OeNB) confirmed that the domestic banking sector continues to have a robust business model, as reiterated in its Financial Stability Report of June 2024. In this context, the OeNB again explicitly welcomed the FMA Regulation on sustainable lending standards for residential real estate financing, which came into force in August 2022.

The average Common Equity Tier 1 (CET1) ratio of 17.5% as at 31 December 2023 represented a further improvement over time for Austrian banks (16.3% as at 31 December 2022), as well as providing solid foundations in light of potential adverse developments moving forward. The non-performing loan (NPL) ratio increased year-on-year from 2.1% to 2.6% as at 31 December 2023.

Interest rate hikes initiated by the ECB in 2023 led to a significant improvement in domestic banks' net interest income. Overall, Austrian banks have benefited from restructuring and efficiency enhancement efforts in recent years and saw another year-on-year increase in their operating profits. In the course of an extended consolidation process, the number of banks in Austria (main institutions) has fallen by around a quarter since 2012.

The current challenges identified by the OeNB for the domestic banking sector apply equally to the rest of Europe. However, the majority of the continent's banks are well positioned: among other factors, the EU-wide Basel III regulations played an effective role in preventing the crises at several US regional banks from spreading to institutions in the eurozone.

The equity ratios of financial institutions in the European Union have recently stabilised at high levels. Increasing digitalisation of customer offerings was one of the key trends of 2023. Multi-channel approaches – which in the case of universal banks still feature branches, albeit augmented by digital offerings – have become established as the fundamental strategy for many retail banks in Europe.

In several European countries and regions – primarily Spain, Italy and Scandinavia – a continuing trend towards consolidation has been observed in their national banking sectors in recent years. In Austria, by contrast, there has been a noticeable break in the process of consolidation, regular mergers of local Raiffeisen banks notwithstanding.

2 COMPANY PROFILE

This report on the HYPO NOE Group was prepared by the Group's parent, HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank).

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks[1], and has been a reliable commercial bank, a stable state bank and a specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

The HYPO NOE Group serves as a one-stop shop, providing a comprehensive range of financial services for public sector, real estate and corporate customers, in line with its business model as a mortgage bank. The product portfolio is centred on funding for hard and social infrastructure, non-profit and commercial housing construction, and other large property development projects. Retail customers benefit from the expert personal service delivered by the branch network in the Group's home market of Lower Austria and Vienna, with its focus on housing finance.

The Group concentrates on four business segments that play to its core competences: Public Sector, Real Estate, Retail and Corporate Customers, and Treasury & ALM. The wholly owned HYPO NOE Leasing subsidiary, which specialises in real estate leasing to public sector clients and has extensive experience of budget-efficient financing solutions for social infrastructure, enables the Group to concentrate on serving large federal government, state government and local authority clients.

HYPO NOE Landesbank is one of Austria's leading covered bond issuers and is a regular participant on the capital markets through the flotation of secured and unsecured benchmark bonds. Thanks to the solid foundations provided by customer deposits, and its increasingly close cooperation with development banks, HYPO NOE Landesbank can also look to diversify its sources of refinancing. Standard & Poor's currently gives the Bank a solid single A rating with a stable outlook, while Moody's ratings on the public sector and mortgage cover pools are also unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest state, Lower Austria. The Bank's owner takes a long-term view, ensuring that the Bank can maintain its strategy of organic growth in its core business, best-in-class digital solutions in its mortgage lending operations, and further improvements in profitability, while preserving a conservative risk and capital profile.

The Bank's sustainable approach to its core operations is underpinned and promoted by clear ethics guidelines and business principles. Its portfolio is geared strongly towards sustainability due to the large proportion of lending that creates social value added. ISS ESG Prime status underlines the Bank's commitment to environmental and social responsibility. HYPO NOE Landesbank has also received ESG ratings from Sustainalytics and Moody's ESG Solutions, and has been awarded the DZ Bank sustainability seal of approval.

[1]In terms of total assets (average of 2021-2023 consolidated financial statements) and date of establishment

3 FINANCIAL REVIEW

3.1 Highlights

- “Profit before tax” of EUR 48.2m (H1 2023: EUR 66.5m) – strong performance in the same period a year earlier due to a non-recurring effect
- “Net interest income” of EUR 94.1m (H1 2023: EUR 86.6m)
- “Administrative expenses” down by around 7.7% year on year to EUR 55.7m (H1 2023: EUR 60.4m)
- Improvement in the cost/income ratio (CIR) based on operating profit, to 47.95% compared with 52.01% in the same period of 2023
- Two EUR 500m benchmark covered bonds and one CHF 100m green bond issued in 2024
- Common Equity Tier 1 (CET1) ratio of 19.82% as at 30 June 2024 – if applied, the pro forma ratio, i.e. including the interim result, would be 20.62% (31 Dec. 2023: 20.88%)

3.2 Earnings performance

		Q2 2024	Q4 2023	Q2 2023	Q4 2022
Return on equity before tax	Profit before tax/avg. consolidated equity	11.28%	10.74%	16.49%	8.01%
Return on equity after tax	Profit for the year/avg. consolidated equity	8.91%	8.04%	12.60%	6.13%
Return on assets	Profit for the year/total assets	0.45%	0.42%	0.66%	0.31%
Cost/income ratio	Operating expenses/operating income	47.95%	52.21%	52.01%	51.69%
NPL ratio	Carrying amounts of non-performing financial assets – AC (excl. banks)/financial assets – AC (excl. banks)	2.79%	2.45%	1.37%	1.02%

The HYPO NOE Group reported “Profit before tax” of EUR 48.2m (H1 2023: EUR 66.5m) and a return on equity (ROE) before tax of 11.28% (H1 2023: 16.49%) in the first six months of 2024.

The Group not only reported a significant year-on-year increase in “Net interest income” – to EUR 94.1m (H1 2023: EUR 86.6m) – but also put in a strong showing in “Net fee and commission income”, which stood at EUR 10.6m, compared with EUR 8.8m in the comparative period in 2023.

Inflation has remained high despite trending downwards. However, the Group’s “Administrative expenses” came in at EUR 55.7m – a decrease on the EUR 60.4m reported in the first half of 2023. This was mainly due to the cessation of contributions to the resolution fund – for which expenses are no longer recognised – and a fall in expenses attributable to deposit insurance fund contributions.

The positive development in the HYPO NOE Group's earnings is reflected particularly in the cost/income ratio (CIR), adjusted for exceptional, non-recurring components: in the first half of 2024, the ratio improved once again compared with the previous year, to 47.95% (H1 2023: 52.01%). Operating income and, consequently, the profit for the period reported in the first half of 2023 included a non-recurring effect of EUR 28.7m from the reversal of provisions; operating income was adjusted for this effect in the calculation of the CIR.

3.3 Balance sheet movements

The HYPO NOE Group’s balance sheet as at 30 June 2024 stood out for the very high quality of assets – this was thanks to the business model, which gives preference to risk-aware transactions and corresponding lending. “Financial assets – AC” were higher compared with year-end 2023, reaching EUR 14.5bn (31 Dec. 2023: EUR 14.2bn).

The impacts of geopolitical events have made for a challenging operating environment once again in 2024. In spite of this, though, HYPO NOE Landesbank has continued to systematically pursue its strategy as the bank for the state of Lower Austria and a strong partner for the public sector, the domestic economy, the real estate sector and retail customers.

New lending totalled around EUR 739m in the first half of 2024 (H1 2023: EUR 833m). The HYPO NOE Group extended this vital funding to customers primarily for infrastructure projects, housing construction and corporate finance.

Macroeconomic developments are reflected in the evolution of risk provisions and the non-performing loan (NPL) ratio. Total risk provisions (Stages 1-3 and purchased or originated credit impaired [POCI]) increased to EUR 117.7m (31 Dec. 2023: EUR 114.8m), above all as a result of allocations due to changes in credit risk; as a consequence, risk provisions for Stages 1 and 2 fell to EUR 34.3m (31 Dec. 2023: EUR 35.0m). The NPL ratio was 2.79% as at 30 June 2024 (31 Dec. 2023: 2.45%). Thanks to the systematic approach of the Intensive Care Management Department, non-performing loans are dealt with in a structured manner, leading to a reduction in the temporarily increased level of NPLs in future reporting periods.

The rise in “Financial liabilities – AC” to EUR 15.1bn as at the end of the period under review (31 Dec. 2023: EUR 13.9bn) was due to several bond issues, as well as satisfactory growth in customer deposits. This enabled the HYPO NOE Group to underscore its issuing capacity and the balanced nature of its refinancing base. The placement of another green bond – this time denominated in Swiss francs – in the first half of 2024 also allowed the HYPO NOE Group to live up to its responsibilities in terms of sustainable bond issuance.

3.4 Segment performance

The HYPO NOE Group reported a highly satisfactory “Profit before tax” of EUR 48.2m in the first half of 2024. Even after adjustment for a non-recurring effect related to the reversal of a provision in the comparative period of 2023, this represented another increase in pre-tax profit and underlined the Group’s rock-solid, long-term performance, driven by the Bank’s decision to stand by its strategy, including in the face of testing economic conditions. The operating segments contributed to this result as explained below.

3.4.1 Public Sector segment

The Public Sector segment reported a significant increase in profit before tax, which reached EUR 17.3m (H1 2023: EUR 12.2m) – this once again clearly underlined the HYPO NOE Group’s success and expertise when it comes to developing custom financing solutions for state governments, municipalities, local and regional authorities, and public agencies.

Net interest income rose by 10% year on year, mainly due to gains in net interest income in the leasing and bespoke-financing business handled by Group subsidiaries.

There was also a satisfactory increase in net fee and commission income. This shows that the HYPO NOE Group is also a valued partner for services offered in addition to the conventional lending and deposit-taking business for public sector clients.

As in other lines of business, inflation has had an impact on segment administrative expenses in recent years. The effect of inflation was more than offset by the cessation of contributions to the resolution fund in 2024, which resulted in a EUR 1.1m reduction in the cost base for the first half of 2024.

Reflecting the risk-averse nature of the segment’s business, the impairment losses or gains on financial assets – IFRS 9, ECL item remained very low.

3.4.2 Real Estate segment

The Real Estate segment’s profit before tax was EUR 16.4m (H1 2023: EUR 8.2m).

One of the segment’s key focuses is on financing solutions for non-profit housing developers, which are usually more defensively positioned with solid capitalisation, as well as related financing for tranches of subsidised home loans for non-profit housing construction from the State of Lower Austria. This line of business accounted for the majority of the year-on-year increase in segment assets.

This reflected rising construction cost indexes, the about-turn in the ECB's interest-rate policy and broadly stricter lending criteria for home loans – an economic backdrop that is also increasingly causing financial difficulties for commercial property developers. The impairment losses or gains on financial assets – IFRS 9, ECL item remained broadly stable in the period under review.

Net interest income reflected the positive effect of additional lending, as well as an increase in payments of default and overdraft interest by customers – principally in the real estate development sector – due to the challenging operating environment. However, the collateral situation in the segment remains generally solid.

Compared with the first half of 2023, the Real Estate segment reported substantially higher net gains on investments accounted for using the equity method. The valuation of EWU Wohnbau Unternehmensbeteiligungs-GmbH at EUR 2.2m in H1 2024 was particularly noteworthy. The reassessment of the recoverable amount was mainly the result of a planned adjustment in the company’s structure, namely the disposal of non-profit investments and the liquidation of EWU.

As in the other segments, the inflation-driven increase in administrative expenses was largely offset by the cessation of resolution fund contributions.

3.4.3 Retail and Corporate Customers segment

The segment recorded a loss before tax of EUR 1.8m in the reporting period (H1 2023: profit of EUR 3.9m). This was due to significantly higher expenses reported under the impairment gains/losses on financial assets – IFRS 9, ECL item, mainly as a result of the default of individual corporate customers.

Net interest income was up significantly on the comparative period of 2023. This primarily reflected the substantial increase in deposits with the HYPO NOE Group, particularly from retail customers. Diversifying the refinancing base is a major priority for the Group in order to safeguard resilience in terms of liquidity.

The Retail and Corporate Customers segment made the largest contribution to Group “Net fee and commission income”, at EUR 8.2m (H1 2023: EUR 7.5m). This year-on-year improvement in spite of difficult market conditions is testimony to the effective work of the retail customer sales unit in generating additional earnings irrespective of the level of interest rates.

In accordance with the principle of causation-based cost allocation, a significant proportion of the contribution to the resolution fund was not attributed to this segment in the comparative period of 2023. As a result, the cessation of contributions barely had an offsetting effect on segment administrative expenses.

3.4.4 Treasury & ALM segment

Thanks to forward-looking liquidity management, interest rate risk positioning within strict limits, and its ability to capitalise on existing market opportunities, Treasury & ALM’s profit before tax was virtually unchanged year on year, at EUR 19.7m (H1 2023: EUR 20.0m).

Net interest income was EUR 4.4m lower than in the same period a year earlier. This was the result of higher refinancing costs on account of the current volatile economic environment. The reversal in interest rate policy during the period under review has also had an increasing effect on conditions offered to customers – especially retail customers – in the deposits business.

In accordance with paragraph B5.4.6 IFRS 9, the effect of the change in the expected repayment date for TLTRO financing had a positive influence on net interest income in the first half of 2024, which amounted to EUR 0.5m (H1 2023: EUR 0.5m). This effect will be recognised for the final time in the current financial year.

Net gains or losses on financial assets and liabilities includes gains on currency valuations for derivatives totalling EUR 11.2m (H1 2023: losses of EUR 0.9m), which are offset by currency valuations reported in net other operating income. The net gains or losses on hedges item was likewise less volatile than in the like period of 2023 (H1 2024: losses of EUR 0.4m; H1 2023: losses of EUR 2.1m).

In January 2024, HYPO NOE Landesbank placed an inaugural CHF 100 million Green Preferred Senior Benchmark transaction on the Swiss capital market. This once again demonstrated the Bank’s expertise when it comes to developing sustainable financial products – for new markets, among others – and also impressively underlined its strong reputation as an issuer among the international investor community. In addition, two covered bond issues were successfully placed with domestic and international investors in the first half of 2024: a EUR 500 million benchmark bond from the mortgage cover pool in January and a EUR 500 million benchmark bond from the public cover pool in April.

3.5 Equity

Consolidated eligible capital in accordance with the CRR/CRD as amended was EUR 816m as at 30 June 2024 (31 Dec. 2023: EUR 817m).

Excess equity excluding buffers stood at EUR 487m at the end of the reporting period (31 Dec. 2023: EUR 504m), compared with a capital requirement of EUR 329m (31 Dec. 2023: EUR 313m).

The Group’s capital ratios stood at 19.82% at 30 June 2024 (31 Dec. 2023: 20.88%) and are composed entirely of CET1. Adjusted for the intrayear profit including recognition of a pro rata dividend and prorating of non-accruable regulatory expenses (resolution and deposit insurance funds), the Tier 1 capital ratio would be around 20.62%.

No new or amended regulations came into force in the first six months of 2024 that will affect the HYPO NOE Group’s eligible capital or capital requirement. As at 30 June 2024, the Group did not make use of any transitional arrangements or exercise any elective rights under transitional arrangements.

4 RISK REPORT

Descriptions of risk management objectives and methods, and explanations of material risks are contained in Note 8 RISK MANAGEMENT of the notes to the consolidated financial statements.

5 EQUITY INVESTMENTS AND BRANCH OFFICES

The HYPO NOE Group holds investments that underpin its strategy. The Group only enters into such investments if they are compatible with its primary business objectives. In line with its role as a shareholder representative, the Group promotes, guides and supports investees' strategic business development. Details of changes in the scope of consolidation can be found under Note 9.1 Scope of consolidation.

HYPO NOE Landesbank has operated a branch office at Wipplingerstrasse 4, 1010 Vienna since 2008.

HYPO NOE Landesbank had 26 branches in Lower Austria and Vienna as at 30 June 2024 (31 Dec. 2023: 26).

6 GROUP OUTLOOK

6.1 Economic environment

The main uncertainties currently emanate from geopolitical developments and political currents in Europe. While the European elections passed off relatively smoothly, in some important EU member states there is a growing trend towards the extremes – mostly on the nationalist right. Following the re-election of Commission President Ursula von der Leyen, the initial focus will be on the composition of the Commission, its political priorities and its work programme. In France, the outcome of the snap election brought a difficult situation that could significantly reduce President Macron's ability to act. The US presidential election campaign was reinvigorated by President Biden's decision to withdraw his candidacy; however, it is still impossible to predict the effects of the campaign worldwide.

While the Western allies have been hit by these developments, the alliance between China and Russia, and more loosely also involving North Korea and Iran, has proven to be stable and mutually supportive. This not only means that the existing severe conflicts in Ukraine as well as the Middle East (between Israel and Hamas) have moved no closer to a political solution, but are also straining international trade relations.

In the face of this adverse geopolitical backdrop, which is unlikely to improve before long, and the absence of significant monetary and fiscal stimulus, a rapid improvement in the economic climate is also highly improbable. The high wage settlements in many European countries have brought a return to growth in real wages, but have so far failed to provide a decisive stimulus for personal consumption. However, consumption is expected to revive in the coming months, and will contribute to the attainment of the moderate 2024 growth forecast of 0.6-0.8%. European industry is likely to pick up slightly in the course of the year, but to remain below par.

Inflation is generally expected to trend downwards, but an unequivocal answer to the crucial question of whether inflation will stay within the ECB's 2% target is unlikely. The current misgivings of many investors on the national and international capital markets are set to persist, if only because of the lack of discipline with regard to new debt.

After the ECB embarked on a rate cutting cycle in June, two more reductions of 25 base points each are anticipated by the end of 2024, and have already been priced in by the capital market. The US Federal Reserve is seen cutting its key rate for the first time in September, and taking it down by a further notch in December. Capital market yields will probably only make limited gains from these developments, as the interest rate steps have already been largely priced in by the inversion of the yield curve. Moreover, high debt levels and new borrowing, both in the USA and some European countries, have led to a persistently large supply of government bonds, which has been swelled by the ongoing quantitative tightening (QT) measures taken by the Fed and the ECB, and the related decline in demand for bonds.

In both of the countries that make up HYPO NOE Landesbank's core market, growth is expected to run at a moderate 0.3% in 2024 (according to the OeNB and the German Ministry for Economic Affairs and Climate Action). In Austria, this will be driven by a sharp decline in inflation to 3.4%, as well as stronger consumer demand. Personal consumption is mainly profiting from the adjustment of wages and pensions in line with inflation, as well as action to eliminate fiscal drag, and to raise the tax brackets (relief, 2023-2025: EUR 7bn). Inflation is not anticipated to fall below 3% until 2025, whereas Germany is tipped to cross this threshold earlier.

While export growth will gather momentum in the course of 2024, according to the OeNB in Austria housing investment is set for a further decline in 2024 – by 5.6% year on year – due to high interest rates and building costs, as well as increased own funds requirements for housing investments. The federal government responded to weak residential construction activity with a package of measures worth EUR 2bn. This should support construction activity in the medium term, and the full effect should kick in from 2024/2025 onwards (according to the OeNB, housing investment is forecast to expand by 5% in 2025). The lower demand in the building sector could contribute to reduced construction costs.

In 2024, the budget deficit will slightly exceed the Maastricht limit (at 3.1%), as the impact of last year's inflation on the government's finances will be lagged. Austria's debt ratio is forecast to dip to 77.3% in 2024, but start edging up again in subsequent years. Tax revenue will grow considerably more slowly in 2024 than in 2021 and 2022, due to slow economic growth, but it will benefit indirectly from higher wage settlements and inflation, via consumption taxes. Meanwhile, on the expenditure side, crisis-mitigation measures, increased staff and material costs, and rising interest and construction costs must be met. At the same time, these developments will also impact state government finances through slower growth in revenue shares, increased interest expenses and higher expenditure due to inflation. This is already reflected in the high net fiscal deficits forecast for 2024 (aggregate: EUR 4.9bn). However, the key uncertainties affecting the outlook for *HYPO NOE* Landesbank's core markets are energy prices, the duration and extent of the property price correction, and the ECB's monetary and interest rate policy.

As regards the competitive environment, the main development in Austria was a slowdown in the long-running consolidation process in the European banking sector. However, the underlying trend is likely to continue, leading to mergers in a number of European countries. Cross-border takeovers of major banks are not in the immediate offing, as they would be impeded by the extensive controls and conditions imposed by the European authorities. In the Austrian banking sector there are no signs of any significant corporate merger activity in the current financial year beyond mergers of local primary banks.

6.2 Outlook for Group performance

The economic environment is hallmarked by numerous challenges. Besides the continued fighting in Ukraine and the repeated flare-ups in the Middle East, poor economic forecasts and a growing number of insolvencies will make life difficult for the financial sector. The HYPO NOE Group has shown its resilience in the current situation, and has once again posted excellent results.

In the property sector, steadily escalating building cost indexes, the ECB’s interest rate policy shift, and stricter regulatory criteria for private housing construction loans are causing difficulties for small and medium commercial developers and large-scale project developers. The HYPO NOE Group has ridden out these challenges due to its diversified business model, featuring financing solutions for public sector and government-linked clients, as well as generally defensively positioned and well capitalised non-profit housing associations. This business model once again proved its worth thanks to its focus on low-risk infrastructure and housing finance. Responsible interest rate and liquidity management are also serving to underpin the HYPO NOE Group’s sustained success.

The HYPO NOE Group is subject to the Corporate Sustainability Reporting Directive (CSRD), meaning it is obliged to carry out comprehensive, extended sustainability reporting in accordance with European Sustainability Reporting Standards (ESRS) from 2024 onwards. Standardised qualitative and quantitative information is published on the environment, social and governance aspects. The HYPO NOE Group pays the same attention to these additional reporting requirements as it does to its business activities along the sustainability parameters. As a regional bank, HYPO NOE Landesbank has been committed to upholding ESG principles, in terms of a lived sense of responsibility for its region and the promotion of local economic development ever since its formation in 1888. And as a corporate social responsibility trailblazer, which began establishing a formal sustainability programme as early as 2013, HYPO NOE Landesbank is conscious of its duty to current and – still more – future generations.

Accordingly, it continuously monitors the social and environmental compatibility of its own banking business, and investors can participate in this directly, via its successful refinancing operations. In January 2024, HYPO NOE Landesbank completed its first issue on the Swiss capital market, placing a CHF 100m green preferred senior benchmark bond. This once again demonstrated the Bank’s expertise when it comes to developing sustainable financial products – for new markets, among others – and also impressively underlined its strong reputation as an issuer among the international investor community. In addition, during the first half of 2024, a EUR 500m benchmark bond from the mortgage cover pool and two covered bond issues from the public sector cover pool were placed with domestic and international investors in January and April, respectively. Besides the occasional issuance of other unsecured retail bonds through its branch network, the strong confidence in the solid standing of HYPO NOE Landesbank will continue to be leveraged to maintain the high level of deposits as a proportion of total refinancing by increasing the role of fixed-term deposits in the retail business.

The new Capital Requirements Regulation (CRR III) will come into force on 1 January 2025. The HYPO NOE Group will chiefly be affected by increased capital requirements for real estate finance under the standardised approach to credit risk. The implementation of the regulatory changes is currently proceeding in cooperation with the computer centre (Accenture TiGital GmbH) and the other banking clients of the IT services provider. The HYPO NOE Group has already simulated the effects of the new arrangements over the past few years, and can meet the increase in the capital requirements from equity – in particular as a result of the current excellent CET1 ratio of 19.82%.

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) was published on 27 December 2022 and will enter into force on 17 January 2025. As a sector-specific legal act within the scope of the NIS2 directive, this regulation is aimed at reinforcing resilience against threats, cyberattacks and other ICT disruptions by setting uniform and coherent standards and requirements across the European single market, so as to provide enduring protection for the European financial market and hence banking customers. Since the first half of 2023, HYPO NOE Landesbank has been participating in a wide-ranging project aimed at meeting the DORA requirements, and at compliance with the rules for ICT risk management, incident management and security tests, as well as those for oversight of ICT service providers. Due to the high degree of digitalisation at the Bank, implementation of the DORA elements is being carried out as a Bank-wide project, and concerns all employees and executives, as well as the management bodies.

HYPO NOE Landesbank will aim to counter the increased administrative expenses that inevitably accompany high inflation by means of additional rationalisation and process optimisation, together with further honing of the business model and maintenance of the current strategy of risk-aware, sustainable growth. HYPO NOE Landesbank's highly committed workforce and its exceptionally sound capital base will be the main pillars of its continued success in a volatile and, in part, difficult business environment.

St. Pölten, 6 August 2024
The Management Board

Wolfgang Viehauser
Management Board Member Markets and Speaker of the Board

Udo Birkner
Management Board Member Finance, Risk & Operations

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024 IN ACCORDANCE WITH IFRS HYPO NOE GROUP

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Gains/losses

EUR '000	Notes	H1 2024	H1 2023
Interest and similar income measured using the effective interest method		301,429	226,791
Interest and similar income not measured using the effective interest method		59,283	44,238
Interest and similar expense		-266,623	-184,443
Dividend income		53	26
Net interest income	**4.1.1**	**94,141**	**86,612**
Fee and commission income		11,668	9,813
Fee and commission expense		-1,094	-996
Net fee and commission income	**5.1**	**10,575**	**8,818**
Net measurement gains or losses		11,547	-2,606
Net gains on derecognition of financial assets		130	256
Net gains or losses on financial assets and liabilities	**4.1.2**	**11,677**	**-2,351**
Other operating income	5.2	4,401	35,743
Other operating expense	5.2	-9,255	-1,127
Administrative expenses	5.3	-55,694	-60,369
Impairment losses on financial assets – IFRS 9 ECL	4.4.4	-11,781	-2,056
Net gains on investments accounted for using the equity method		4,108	1,202
Profit before tax		**48,172**	**66,473**
Income tax expense	7.1	-10,135	-15,665
Profit for the period		**38,037**	**50,808**
Non-controlling interests	3.2	-366	246
Profit attributable to owners of the parent		**37,672**	**51,054**

Other comprehensive income

EUR '000	Notes	H1 2024	H1 2023
Profit for the period		**38,037**	**50,808**
Changes in valuation that will not be reclassified to profit or loss		**92**	**58**
Equity instruments – FVOCI	4.1.2	92	58
Changes in valuation that will be reclassified subsequently to profit or loss		**-721**	**-964**
Debt instruments – FVOCI	4.1.2	-422	-867
Debt instruments – FVOCI reclassified to profit or loss	4.1.2	-	-97
Hedges (hedge accounting)	4.5.2	-298	-
Other comprehensive income		**-629**	**-906**
Total comprehensive income		**37,409**	**49,902**
Non-controlling interests	3.2	-366	246
Comprehensive income attributable to owners of the parent		**37,043**	**50,148**

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	Notes	30 Jun. 2024	31 Dec. 2023
Cash and balances at central banks	4.2	1,430,795	397,981
Financial assets – HFT	4.2	137,875	150,622
Financial assets – mandatorily FVTPL	4.2	105,463	108,192
Financial assets – FVOCI	4.2	226,500	225,588
Financial assets – AC	4.2	14,472,981	14,229,790
Positive fair value of hedges (hedge accounting)	4.5.2	293,671	315,691
Investments accounted for using the equity method	9.1	31,219	27,828
Investment property		23,042	22,452
Intangible assets		709	677
Property, plant and equipment		62,003	62,272
Current tax assets	7.2	9,302	8,378
Deferred tax assets	7.2	271	279
Other assets	6.2	29,020	29,700
Total assets		**16,822,850**	**15,579,450**

Liabilities

EUR '000	Notes	30 Jun. 2024	31 Dec. 2023
Financial liabilities – HFT	4.3	120,154	141,766
Financial liabilities – FVO	4.3	5,517	5,650
Financial liabilities – AC	4.3	15,057,549	13,898,367
Negative fair value of hedges (hedge accounting)	4.5.2	512,966	496,887
Provisions	6.1	31,058	30,533
Current tax liabilities	7.3	15,446	17,074
Deferred tax liabilities	7.3	26,943	19,893
Other liabilities	6.2	185,807	119,305
Equity	**3.1**	**867,410**	**849,977**
Equity attributable to owners of the parent	3.1	858,253	841,196
Non-controlling interests	3.2	9,157	8,781
Total equity and liabilities		**16,822,850**	**15,579,450**

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	1 Jan. 2024	Profit for the period	Reversals	Dividends paid	Changes in scope of consolidation	Other comprehen-sive income	30 Jun. 2024
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	594,701	37,672	-	-20,000	14	-	612,386
Other reserves composed of:	**2,691**	**-**	**-**	**-**	**-**	**-629**	**2,063**
Actuarial gains and losses	150	-	-	-	-	-	150
Debt instruments – FVOCI	2,101	-	-	-	-	-422	1,679
Equity instruments – FVOCI	441	-	-	-	-	92	533
Hedges (hedge accounting)	-	-	-	-	-	-298	-298
Equity attributable to owners of the parent	**841,196**	**37,672**	**-**	**-20,000**	**14**	**-629**	**858,253**
Non-controlling interests	8,781	366	-	-	10	-	9,157
Equity	**849,977**	**38,037**	**-**	**-20,000**	**24**	**-629**	**867,410**

EUR '000	1 Jan. 2023	Profit for the period	Reversals	Dividends paid	Changes in scope of consolidation	Other comprehen-sive income	30 Jun. 2023
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	533,782	51,054	6	-5,000	-	-	579,842
Other reserves composed of:	**4,275**	**-**	**-6**	**-**	**-**	**-906**	**3,362**
Actuarial gains and losses	-299	-	-	-	-	-	-299
Debt instruments – FVOCI	4,214	-	-	-	-	-964	3,250
Equity instruments – FVOCI	359	-	-6	-	-	58	412
Equity attributable to owners of the parent	**781,862**	**51,054**	**-**	**-5,000**	**-**	**-906**	**827,009**
Non-controlling interests	8,710	-246	-	-	-	-	8,464
Equity	**790,571**	**50,808**	**-**	**-5,000**	**-**	**-906**	**835,473**

4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR ’000	Notes	30 Jun. 2024	30 Jun. 2023
Cash and cash equivalents at end of previous period	**4.2**	**397,981**	**184,915**
Profit for the period		**38,037**	**50,808**
Adjustments for interest income and expense	4.1.1	-94,141	-86,612
Non-cash items from operating activities		**17,658**	**-9,119**
Depreciation, amortisation, impairment and write-ups on investment property, intangible assets and property, plant and equipment		2,555	2,716
Allocations to and reversals of provisions and risk provisions	4.4.4	11,463	-26,680
Net measurement gains or losses on financial assets and liabilities	4.1.2	-11,333	2,822
Other adjustments		14,974	12,022
Changes in assets and liabilities due to operating activities		**977,550**	**103,742**
Financial assets – AC		-267,965	-294,883
Financial assets – mandatorily FVTPL		2,961	5,725
Financial assets – FVOCI		-1,347	9,225
Other operating assets		18,475	-24,383
Financial liabilities – AC		1,161,211	357,617
Other operating liabilities		64,215	50,442
Payments for taxes, interest and dividends		**114,512**	**125,353**
Income tax paid		-4,291	-3,628
Interest received		374,523	286,367
Interest paid		-256,539	-158,139
Dividends on FVOCI investments received	4.1.1	53	26
Dividends on investments accounted for using the equity method received		717	697
Dividends on immaterial equity investments received		50	30
Cash flows from operating activities		**1,053,616**	**184,172**
Proceeds from sale of/redemption of:		**112**	**13**
Property, plant and equipment, intangible assets and investment property		112	13
Purchase of:		**-688**	**-1,572**
Investments (accounted for using the equity method/FVOCI/immaterial investments in other assets)		-	-40
Property, plant and equipment, intangible assets and investment property		-688	-1,532
Cash flows from investing activities		**-577**	**-1,559**
Dividends paid		**-20,000**	**-5,000**
Repayment of lease liabilities		**-225**	**-175**
Cash flows from financing activities		**-20,225**	**-5,175**
Net increase in cash and cash equivalents		**1,032,814**	**177,438**
Cash and cash equivalents at end of period		**1,430,795**	**362,353**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024
IN ACCORDANCE WITH IFRS
HYPO NOE GROUP

1 GENERAL INFORMATION

1.1 Accounting policies

The condensed consolidated financial statements of HYPO NOE Landesbank für Niederösterreich und Wien AG (hereinafter “the HYPO NOE Group”) as at 30 June 2024 were drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations thereof issued by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC).

These consolidated financial statements have been prepared in accordance with the IFRS/IAS standards and interpretations thereof adopted and published by the European Union, and applicable to the business activities of the HYPO NOE Group.

The condensed consolidated financial statements are subject to IAS 34 Interim Financial Reporting. Essentially the same accounting policies were applied as those applied as at 31 December 2023 while taking account of new standards which are mandatory for financial years beginning on or after 1 January 2024.

The consolidated financial statements do not contain all of the information required for full annual financial statements, and should therefore be read in conjunction with the annual financial statements as at 31 December 2023. The interim consolidated financial statements were neither subjected to a full audit nor were they reviewed by independent auditors.

1.2 Estimation uncertainty and judgements

Estimation uncertainties and judgements are denoted by the symbol .

All the estimates and judgements required when preparing the financial statements in accordance with IFRS are best estimates made in accordance with the relevant standards. The estimates are reviewed on an ongoing basis, and are drawn from experience and other factors, including expectations regarding future events that appear reasonable under the circumstances. Estimates and assumptions were primarily applied to the following:

- Measurement of property, plant and equipment, financial instruments, associates and joint ventures
- Evaluation of the transfer of financial instruments in accordance with paragraph 3.2.4 IFRS 9
- Determining impairment losses and gains on financial assets
- Defining default
- Establishment of the principles governing the transfer of financial instruments (stage transfers)
- Assessment of inclusion in the scope of consolidation
- Recognition of deferred tax assets attributable to tax loss carryforwards
- Determination of fair value
- Determination of the useful lives of intangible assets, right-of-use assets, and property, plant and equipment
- Assessment of the effect of first-time application of new IFRSs
- Recognition and measurement of provisions
- Determination of the credit-adjusted effective interest rate for POCI assets

Where estimates and judgements were necessary, the assumptions made are explained in the notes to the corresponding items.

1.3 New and amended regulations

New and amended standards	Applicable from	Effect
Classification of Liabilities as Current or Non-current – Amendment to IAS 1	1 Jan. 2024	None
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 Jan. 2024	None
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 Jan. 2024	None
New and amended standards adopted but not yet applied		
Lack of Exchangeability – Amendments to IAS 21	1 Jan. 2025 *	None
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 Jan. 2026 *	Immaterial
New standard: IFRS 18 Presentation and Disclosure in Financial Statements	1 Jan. 2027 *	Material
New standard: IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 Jan. 2027 *	None

*Mandatory application not yet endorsed by the EU

IFRS 18 Presentation and Disclosure in Financial Statements

This standard replaces IAS 1 Presentation of Financial Statements. The new standard is intended primarily as a means of improving the comparability of information about companies’ financial performance. To this end, subtotals must be introduced as compulsory elements in the statement of profit or loss. IFRS 18 also includes regulations on the aggregation and disaggregation of material items. The IASB will also set out guidelines regarding the disclosure and explanation of performance measures. The options available for classifying certain cash flows in the statement of cash flows will be limited. The publication of IFRS 18 will have material effects on the HYPO NOE Group. A working group has been set up to identify the modifications to be carried out in the financial statements and draw up the steps to be taken.

2 SEGMENT INFORMATION

Accounting policies

The Bank's segment reporting is in accordance with IFRS 8. In its role as the HYPO NOE Group's most senior managing body, the Management Board regularly monitors changes in profit or loss before tax across the various business segments and takes decisions on the management of the Group in light of the segment reports.

The HYPO NOE Group's organisational and management structure is based on areas of activity and customer groups.

Segment reporting is derived from the profit centre accounting of HYPO NOE Landesbank and consolidated subsidiaries' IFRS consolidation packages. The same accounting policies as those set out in Note 1.1 Accounting policies are applied to the preparation of these statements.

The allocation of income in the profit centre accounting is based on Schierenbeck's market interest method. Interest income and expense are divided into a contribution to margin and a structural contribution (i.e. interest maturity transformation), and imputed refinancing costs (liquidity costs) are directly allocated to assets and liabilities. The resulting costs and income from liquidity maturity transformation, and the results of interest maturity transformation are allocated to the Treasury & ALM segment. Due to this approach, which is the industry norm, management control is based on net interest income, and as a result the segment reporting does not include gross figures for this item.

Individual items under administrative expenses are allocated directly where possible. Components that cannot be directly allocated are attributed to the various segments in a cost-reflective allocation procedure appropriate to the management of a bank.

The reported segment assets and liabilities relate to on-balance-sheet customer business in the operating segments. Equity is reported in full under the segment liabilities of the Corporate Center segment.

Analysis by geographical area in accordance with paragraph 33 IFRS 8 is based on the domiciles of reporting entities, and accordingly all interest income is attributed to Austria.

A breakdown by products and services in accordance with paragraph 32 IFRS 8 is not performed, as the necessary information is not available in full on a regular basis and the expense of compiling it would be out of proportion to any benefits.

Disclosures on profit or loss and the carrying amounts of investments accounted for using the equity method in each segment, in accordance with paragraphs 23 and 24 IFRS 8, are provided in Note 9.1 Scope of consolidation.

The four reporting segments, which are derived from the HYPO NOE Group's organisational structure, and the reconciliation with consolidated profit or loss are as follows:

Segmental analysis as at 30 Jun. 2024, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	22,422	24,032	25,006	23,981	-1,300	94,141
Net fee and commission income/expense	1,866	604	8,175	-96	25	10,575
Net gains or losses on financial assets and liabilities	163	529	882	10,625	-522	11,677
Net other operating income/expense	2,568	234	451	-8,087	-20	-4,854
Net gains on investments accounted for using the equity method	1,060	2,323	45	681	-	4,108
Administrative expenses	-10,683	-10,846	-25,089	-7,433	-1,643	-55,694
Impairment gains/losses on financial assets – IFRS 9, ECL	-96	-433	-11,255	-4	7	-11,781
Profit before tax	**17,300**	**16,442**	**-1,784**	**19,667**	**-3,453**	**48,172**
Income tax expense						-10,135
Profit for the period						**38,037**
Segment assets	**6,671,776**	**3,814,862**	**2,247,163**	**3,947,756**	**141,294**	**16,822,850**
Segment liabilities	**2,406,666**	**393,345**	**2,753,518**	**10,261,743**	**1,007,578**	**16,822,850**

Segmental analysis as at 30 Jun. 2023, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	19,767	20,664	19,095	28,381	-1,294	86,612
Net fee and commission income/expense	859	554	7,484	-71	-8	8,818
Net gains or losses on financial assets and liabilities	-332	-52	562	-3,398	870	-2,351
Net other operating income	2,220	619	639	2,965	28,173	34,617
Net gains or losses on investments accounted for using the equity method	775	-170	37	560	-	1,202
Administrative expenses	-11,825	-10,659	-23,776	-8,463	-5,646	-60,369
Impairment gains/losses on financial assets – IFRS 9, ECL	745	-2,711	-159	49	19	-2,056
Profit before tax	**12,210**	**8,245**	**3,882**	**20,022**	**22,114**	**66,473**
Income tax expense						-15,665
Profit for the period						**50,808**
Segment assets	**6,669,117**	**3,552,695**	**2,256,029**	**2,959,582**	**146,055**	**15,583,477**
Segment liabilities	**2,084,118**	**352,554**	**2,258,112**	**9,917,718**	**970,975**	**15,583,477**

2.1 Public Sector

This segment includes financing and deposit-taking business with public sector and government-linked customers (state governments, local and regional authorities, public agencies and infrastructure businesses, as well as religious communities and interest groups). Customers are offered conventional loans, and there is an emphasis on bespoke financing models in the segment’s home market. In addition, income generated by the administration of subsidised homebuilding loans, a service provided for the public sector by HYPO NOE Landesbank, is reported under this segment.

All of the leasing subsidiaries’ earnings, which are almost entirely derived from leasing transactions with the public sector and public agencies, are also attributed to the Public Sector segment. The products provided by the leasing subsidiaries include complex project-based real estate lease agreements, support services for real estate project management, and business management services.

Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H, which is accounted for using the equity method, is also allocated to this segment.

The Public Sector segment has a major business relationship with a customer in the meaning of paragraph 34 IFRS 8. The customer in question is a public authority, and the services provided primarily take the form of leases, as well as lending and deposit taking. Dealings with the authority and its allocable group entities, in accordance with the definition of major investments and without recourse to the exemption for sub-groups, generated net interest income of EUR 15.3m during the first half of 2024. This includes EUR 7.2m from direct business relationships with the customer, EUR 2.0m from direct business relationships with allocable group members, and EUR 6.1m from indirect business relationships in the form of lease refinancing.

2.2 Real Estate segment

The Group's business with property sector companies is attributed to this segment. Earnings from lending to non-profit and commercial housing developers as well as the office, shopping centre, retail park, housing and city hotel asset classes, and mixed-use portfolios are reported under this segment. Real estate finance and real estate leases for the public sector and public agencies, for retail customers and for SMEs are exceptions, as these are allocated to the relevant segments.

The HYPO NOE Group has a long tradition of providing finance for cooperative and non-profit housing developers, with an emphasis on the construction and renovation of large housing projects including land purchases in Austria, mainly in Lower Austria and Vienna. This business is a stable source of long-term earnings due to the high collateral coverage ratio, the long duration of contracts and resulting low probability of default. In addition, HYPO NOE Landesbank has recently won several contracts put out to tender by the State of Lower Austria for state-guaranteed homebuilding loans. These loans are earmarked primarily for affordable housing and homes for young people.

In addition, the segment provides finance for commercial housing construction projects, other real estate developments devoted predominantly to residential use, as well as existing properties (rental apartment buildings). In the case of new builds, the apartments constructed are either held in the portfolio and let to private individuals, or sold off individually as owner-occupier properties. For the most part, financing is provided to satisfy housing demand and is limited to the Group's home market of Austria.

Activities in this segment also include large-scale commercial real estate transactions in Austria and in selected foreign markets, with financing provided for real estate earmarked for residential and commercial use. In Austria, the segment focuses on flagship and other large-scale projects valued at between EUR 20m and EUR 40m. The segment plans to extend its operations in selected areas – in its foreign business, the emphasis will be on leveraging the potential to generate additional earnings compared with the domestic market, as well as ensuring a balanced risk-return ratio. Equity ratios are higher and guarantee mechanisms are more highly developed in the foreign business. Outside Austria, the costs for entering collaterals in property registers are negligible, meaning that the barriers to entry are low. The segment will concentrate on cover-pool-eligible financing in EU markets with good or very good ratings.

The Real Estate segment's product portfolio is supplemented by subsidiary HYPO Niederösterreichische Liegenschaft GmbH, as well as the Group's interests in NOE Immobilien Development GmbH (NID), a property developer, EWU Wohnbau Unternehmensbeteiligungs-GmbH, and VIVITliving GmbH, all three of which are accounted for using the equity method.

2.3 Retail and Corporate Customers segment

This segment's core competences include banking transactions with retail, self-employed and corporate customers. The product portfolio consists of 'finance and housing', 'saving and investment', and 'accounts and cards' lines, and covers the full range of traditional banking business, from lending – with an emphasis on housing construction – to investment in savings products and securities, as well as current accounts and credit cards. Close cooperation with the State of Lower Austria enables the Group to offer one-stop consultation on loans and subsidies, which ensures sound advice and rapid processing for customers.

In the retail business, the strategic focus is on the core product, home construction finance. Regarding add-on products, the segment proactively enters into partnerships with the goal of further increasing net fee and commission income. These efforts are centred on digitalisation and achieving efficiency gains by implementing numerous proprietary innovations.

The comprehensive range of services provided to corporate customers is geared towards ensuring healthy and sustained expansion of the Bank's business in its core market of Lower Austria and Vienna, as well as in Austria as a whole and in Germany. Alongside a team that concentrates on small and medium-sized enterprises (SMEs) nationwide – with a particular focus on Lower Austria and Vienna – the segment also comprises units dedicated to large corporates in Lower Austria, as well as large companies in the rest of Austria and abroad. Another specialist team in the segment is responsible for structured finance and product solutions, and concentrates on consultation on subsidies, export and foreign trade finance, as well as advice on payment transactions.

The insurance brokerage business of HYPO NOE Versicherungsservice GmbH (HVS), an entity accounted for using the equity method, also forms part of this segment.

2.4 Treasury & ALM segment

Treasury & ALM is in charge of the HYPO NOE Group's capital market operations and interbank business. This ranges from money market and capital market refinancing to interest rate and liquidity management activities, as well as liquidity buffering and management of foreign exchange risk.

The Nostro Management Department's activities are centred on providing liquid assets for liquidity maintenance and compliance with regulatory requirements. Nostro Management's targeted exploitation of capital market opportunities enables it to generate interest contributions for the segment, and achieve market and customer diversification.

The objective of Asset Liability Management (ALM) is to centrally manage the Bank's interest position, in line with its interest rate expectations and risk appetite, in order to safeguard profitability and achieve positive structural contributions.

Close cooperation with institutional customers plays a central role in the HYPO NOE Group's business model. As part of its investor relations activities, the Bank nurtures these long-standing, trust-based partnerships on an ongoing basis by actively servicing its direct relationships with other banks, insurance companies, pension funds, utilities and investment companies. The resulting focus is on relations with European partners, although in recent years there has been growing interest from investors in certain countries outside Europe.

For regulatory reasons, the segment's trading activities are limited to a small trading book aimed at generating additional income and designed for short holding periods. Consequently, these trading activities do not have a material impact on segment earnings.

Niederösterreichische Vorsorgekasse AG, an entity accounted for using the equity method, is also allocated to the Treasury & ALM segment

2.5 Corporate Center

The Corporate Center segment serves to reconcile the operating segments' results with the consolidated totals. It is used for elimination of intra-Group income and expenses, as well as activities and ancillary banking services that are not attributable to any other segment, and do not constitute separate reportable segments on materiality grounds.

The ancillary services include companies that manage properties predominantly used by the Group and any related assets. These are Benkerwiese Verwaltungs- und Verwertungsgesellschaft m.b.H., and Unternehmens-, Verwaltungs- und Verwertungsgesellschaft m.b.H. The rental expenses and operating costs charged on by these firms are allocated to the operating segments' administrative expenses on a causation basis. HYPO Officium GmbH is also allocated to the Corporate Center, as are earnings and expenses related to interests managed by the investment management unit that are not directly apportioned to any operating segment.

Specific material earnings from other periods, and non-recurring earnings and expenses relating to the Bank as a whole are allocated to the Corporate Center segment so as to avoid sending distorted signals to management at the segment reporting level wherever possible. This approach is not applied to impairments or restructuring gains or losses, which are allocated directly to the segments in the same way as the corresponding assets.

The following asymmetrical allocations are also reported under Corporate Center, pursuant to paragraphs 27ff IFRS 8:

Cost of cash collaterals for customer derivatives contracts in the absence of collateral agreements:

where customer derivatives are not secured by collateral agreements, the HYPO NOE Group does not receive collateral from customers but must post cash collaterals for the related hedges. Liquidity costs are incurred when refinancing the open collateral position. Treasury & ALM is responsible for managing all collateral positions, while the related refinancing costs for the open collateral positions are reported under Corporate Center. Under the current approach, collateral requirements for derivatives contracts with customers are met by means of pricing or collateral agreements, and are therefore not included in this asymmetrical allocation.

- Changes in a legal-risk provision for potentially contentious negative interest collected on corporate loans.

In 2024, net interest income in the Corporate Center segment included a charge of EUR 0.6m (H1 2023: charge of EUR 0.6m) in asymmetrical allocations arising from collateral expenses.

The cost of refinancing ancillary companies (Group properties) is also reported under Corporate Center's net interest income.

Net losses on financial assets and liabilities in the reporting period were EUR 0.5m (H1 2023: net gains of EUR 0.9m). These were attributable to measurement of the HETA contingent additional purchase price. Details can be found in Note 4.6 Fair value disclosures.

Net other operating income and administrative expenses in the Corporate Center include specific material earnings from prior periods and non-recurring income and expenses. This is to avoid sending distorted signals to management at the segment reporting level.

In the first six months of both 2023 and 2024, net other operating income in the Corporate Center segment included reversal of a provision for negative interest on corporate loans. See Note 6.1 Provisions for further information. The same item includes compensation for the services of the Retail and Corporate Customers segment in connection with internal customers, recognised as an expense of EUR 0.4m (H1 2023: expense of EUR 0.5m).

Administrative expenses attributed to the Corporate Center include intra-year accruals in respect of the contribution to the deposit insurance fund, recognised as an expense of EUR 0.1m, while the comparative period of 2023 includes an expense of EUR 4.4m attributable to the contributions to the deposit insurance and resolution funds. This represents 50% of the total annual contribution; the remaining 50% is allocated to the operating segments.

Additional disclosures on the performance of the various segments are provided in section 3 of the Group operational and financial review.

3 EQUITY AND CONSOLIDATED OWN FUNDS

3.1 Equity

EUR '000	30 Jun. 2024	31 Dec. 2023
Share capital	51,981	51,981
Capital reserves	**191,824**	**191,824**
Appropriated reserve	94,624	94,624
Unappropriated reserve	97,200	97,200
Other reserves	2,063	2,691
Retained earnings	612,386	594,701
Equity attributable to owners of the parent	**858,253**	**841,196**
Non-controlling interests	9,157	8,781
Equity	**867,410**	**849,977**

3.2 Non-controlling interests

The table below provides an overview of the share of earnings attributable to non-controlling interests.

EUR '000	Profit and loss attributable to non-controlling interests, H1 2024	Non-controlling interests – net assets as at 30 Jun. 2024
FORIS Grundstückvermietungs Gesellschaft m.b.H.	4	902
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	217	2,475
LITUS Grundstückvermietungs Gesellschaft m.b.H.	10	1,363
PINUS Grundstückvermietungs Gesellschaft m.b.H.	74	509
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	28	1,048
Adoria Grundstückvermietungs Gesellschaft m.b.H.	7	453
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	-2	346
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	18	1,391
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	5	212
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	6	418
Non-controlling interests	**366**	**9,157**

EUR '000	Profit and loss attributable to non-controlling interests, H1 2023	Non-controlling interests – net assets as at 31 Dec. 2023
FORIS Grundstückvermietungs Gesellschaft m.b.H.	-7	898
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	-37	2,258
LITUS Grundstückvermietungs Gesellschaft m.b.H.	-4	1,354
PINUS Grundstückvermietungs Gesellschaft m.b.H.	-59	435
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	-2	1,020
Adoria Grundstückvermietungs Gesellschaft m.b.H.	5	446
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	-38	349
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	3	1,373
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	-111	207
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	6	412
Non-controlling interests	**-246**	**8,781**

3.3 Reconciliation of equity

EUR '000	30 Jun. 2024	31 Dec. 2023
Equity according to IFRS financial statements	**867,410**	**849,977**
Divergence in scope of consolidation (accounting vs. regulatory treatment)	1,726	1,521
Equity according to FINREP template 51	**869,136**	**851,498**
Deferred taxes on untaxed reserves	-3,591	-3,747
Adjustments to CET1 (prudential filters)	-543	-580
Intangible assets	-709	-677
Insufficient coverage of non-performing exposures	-1,074	-503
Ineligible minority interests	-9,157	-8,781
Intra-year change in revaluation surplus, profit and dividend	-38,094	-20,000
Eligible capital	**815,969**	**817,211**

3.4 Consolidated own funds and regulatory own funds requirement

Under Regulation (EU) No. 575/2013 (Capital Requirements Regulation [CRR]) as amended, including latterly by Regulation (EU) No. 2023/2869, and related EBA delegated regulations, as well as Directive 2013/36/EU on access to the activity of credit institutions (Capital Requirements Directive [CRD]) as last amended by Directive (EU) No. 2024/1619, which is currently being transposed into Austrian law and various national orders, since 2014 it has been required to determine banks' consolidated own funds and their consolidated regulatory own funds requirements in accordance with IFRS and the regulatory scope of consolidation.

The composition of the HYPO NOE Group’s own funds, calculated in accordance with the CRR/CRD, is as follows.

EUR ’000	CRR/CRD 30 Jun. 2024	CRR/CRD 31 Dec. 2023
Share capital	**136,546**	**136,546**
Paid-up capital instruments	51,981	51,981
Premiums	84,566	84,566
Reserves, differences and non-controlling interests	**681,749**	**682,424**
Retained earnings	567,528	567,583
Other reserves	104,945	104,844
Accumulated comprehensive income	9,276	9,997
Adjustments to CET1 (prudential filters)	-543	-580
Insufficient coverage of non-performing exposures	-1,074	-503
Intangible assets	-709	-677
Common Equity Tier 1 (CET1) capital	815,969	817,211
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital	**815,969**	**817,211**
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible Tier 1 capital	**815,969**	**817,211**
Eligible supplementary capital (after deductions)	**-**	**-**
Total eligible capital	**815,969**	**817,211**
Minimum capital requirements	**329,275**	**313,121**
Excess capital	**486,694**	**504,089**
Coverage ratio	247.81%	260.99%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.82%	20.88%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.82%	20.88%
Own funds requirement incl. all buffer requirements	13.04%	12.57%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.89%	5.27%
Leverage ratio requirement (Pillar 1)	3.00%	3.00%

Taking account of the profit for the year to date and prorating of the contributions to the resolution and deposit insurance funds, which have already been taken in full to profit or loss, and applying a pro rata dividend, the pro forma Tier 1 capital ratio would be approximately 20.62%.

Changes in the risk-weighted measurement basis and the resulting own funds requirement are shown below.

EUR ’000	CRR/CRD 30 Jun. 2024	CRR/CRD 31 Dec. 2023
Total leverage ratio exposure	16,681,283	15,497,335
Risk-weighted exposure measure	3,747,953	3,542,346
Minimum own funds requirement for credit risk (8%)	299,836	283,388
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	27,456	27,456
Own funds requirement for CVA risk	1,983	2,278
Total own funds requirement	**329,275**	**313,121**

4 FINANCIAL INSTRUMENTS AND CREDIT RISK

4.1 Influence of financial instruments on the statement of profit or loss

4.1.1 Net interest income

EUR '000	H1 2024	H1 2023
Interest and similar income measured using the effective interest method	**301,429**	**226,791**
Financial assets – FVOCI	3,546	3,554
Financial assets and liabilities – AC	244,139	186,686
Current finance lease income	53,744	36,550
Interest and similar income not measured using the effective interest method	**59,283**	**44,239**
Financial assets and liabilities – HFT	10,935	13,024
Financial assets – mandatorily FVTPL	1,352	1,248
Hedges	46,109	28,865
Other interest and similar income	887	1,101
Interest and similar expense	**-266,623**	**-184,443**
Financial assets and liabilities – HFT	-9,187	-11,775
Financial liabilities – AC	-157,581	-103,686
Hedges	-99,838	-68,981
Lease liabilities in accordance with IFRS 16	-16	-2
Dividend income	**53**	**26**
Net interest income	**94,141**	**86,612**

4.1.2 Net gains or losses on financial assets and liabilities

EUR ’000	H1 2024	H1 2023
Net gains or losses on:	**11,547**	**-2,606**
Disposal	**858**	**130**
Financial assets – AC	858	4
Financial assets – FVOCI	-	126
Measurement	**11,055**	**-593**
Financial assets and liabilities – AC	220	476
Net losses due to non-substantial modification	-1	-31
Direct write-offs/receipts from written-off assets	249	438
Net gains or losses on derecognition of assets	-28	68
Financial assets – mandatorily FVTPL	231	582
Financial assets and liabilities – HFT	10,470	-1,427
Financial assets and liabilities – FVO	133	-224
Hedging relationships	**-366**	**-2,144**
Net losses on hedged transactions (fair value hedges)	-1,874	-2,302
Net gains on hedges (fair value hedges)	1,508	159
Net gains arising from the derecognition of financial assets	**130**	**256**
Financial assets – AC	130	256
Net gains or losses on financial assets and liabilities	**11,677**	**-2,351**

Detailed disclosures: non-substantial modifications

	H1 2024			
EUR ’000	Stage 1	Stage 2	Stage 3	Total
Net gains or losses due to non-substantial modification of financial assets	-35	35	-	-1

	30 Jun. 2024			
EUR ’000	Stage 1	Stage 2	Stage 3	Total
Amortised cost before non-substantial modification of financial assets	24,825	43,110	950	68,886

	H1 2023			
EUR ’000	Stage 1	Stage 2	Stage 3	Total
Net gains or losses due to non-substantial modification of financial assets	22	-52	-	-31

	30 Jun. 2023			
EUR ’000	Stage 1	Stage 2	Stage 3	Total
Amortised cost before non-substantial modification of financial assets	40,407	17,108	371	57,886

The gross carrying amount of financial assets measured at amortised cost affected by non-substantial modifications that were transferred to Stage 1 during the period was EUR 226thsd as at 30 June 2024 (30 Jun. 2023: EUR 31,846thsd).

The **net measurement gain on “Financial assets – mandatorily FVTPL”** includes the change in the HETA contingent additional purchase price. Details are provided in Note 4.6 Fair value disclosures.

Net measurement gains or losses on “Financial assets and liabilities – HFT” includes foreign-currency measurements of forward exchange transactions entered into as hedges for foreign currency positions. The opposing foreign-currency measurements of on-balance-sheet assets are reported under Note 5.2 Net other operating income.

The contractual outstanding amount of written-off financial assets that are subject to **execution measures** was EUR 24,247thsd as at 30 June 2024 (31 Dec. 2023: EUR 14,896thsd).

4.2 Financial assets

The following table shows the HYPO NOE Group's financial assets classified according to paragraph 6 IFRS 7:

EUR '000	30 Jun. 2024	31 Dec. 2023
Cash and balances at central banks	**1,430,795**	**397,981**
Cash on hand incl. demand deposits	22,287	20,205
Balances at central banks	1,408,509	377,776
Financial assets – HFT	**137,875**	**150,622**
Positive fair value of interest rate derivatives	60,420	76,513
Positive fair value of foreign exchange derivatives	77,454	74,109
Financial assets – mandatorily FVTPL	**105,463**	**108,192**
Loans	62,427	65,101
General governments	27,858	28,580
Other financial corporations	752	739
Non-financial corporations	23,635	24,439
Households	10,182	11,342
Bonds	43,036	43,091
General governments	7,891	8,199
Banks	35,145	34,892
Financial assets – FVOCI	**226,500**	**225,588**
Bonds	224,329	223,538
General governments	136,745	148,266
Banks	77,652	65,164
Other financial corporations	9,933	10,109
Equity instruments	2,170	2,051
Other financial corporations	1,570	1,474
Non-financial corporations	552	533
Financial assets – AC	**14,472,981**	**14,229,790**
Loans	12,812,512	12,678,340
General governments	4,069,758	4,139,527
Banks	345,670	354,441
Other financial corporations	163,715	150,619
Non-financial corporations	5,789,500	5,598,025
Households	2,443,869	2,435,728
Bonds	1,660,468	1,551,450
General governments	584,309	523,466
Banks	827,824	770,165
Other financial corporations	213,550	226,469
Non-financial corporations	34,785	31,350
Total	**16,373,613**	**15,112,173**

4.2.1 Supplementary information concerning financial assets

Transfer of financial assets

The HYPO NOE Group engages in transactions that result in the transfer of assets. Assets transferred within the Group either remain on the statement of financial position or are derecognised in accordance with paragraph B3.2.1 IFRS 9. Transferred assets are derecognised if substantially all risks and rewards incidental to ownership of the assets are also transferred.

The following table shows the carrying amounts of financial assets that were transferred.

	30 Jun. 2024		31 Dec. 2023	
EUR '000	Transferred assets	Related liabilities	Transferred assets	Related liabilities
Financial assets – AC	**83,894**	**83,894**	**83,592**	**83,592**
Loans	83,894	83,894	83,592	83,592
Total	**83,894**	**83,894**	**83,592**	**83,592**

At the HYPO NOE Group, transferred financial assets that are not derecognised mainly relate to loans, as well as pension and securities-lending transactions.

As at the end of the reporting period there were no pension or securities-lending transactions. Transferred assets in accordance with paragraph 3.2.4 IFRS 9 in conjunction with paragraph 42A IFRS 7 consisted solely of loans. The entitlement to regular cash flows from a project loan was divested in order to repay liabilities arising from refinancing; however, the Group retained substantially all of the associated risks and rewards (valid lease agreement).

4.3 Financial liabilities

The remainder of the financing obtained under the Targeted Longer-Term Refinancing Operation (TLTRO) programme was repaid on 26 June 2024. The nominal value as at 31 December 2023 was EUR 185,000thsd. This was reported at amortised cost under "Financial liabilities – AC", in accordance with paragraph 4.2.1 IFRS 9, and amounted to EUR 189,918thsd as at 31 December 2023.

Recognised for the final time in the current reporting period, as "Interest and similar expense" under "Financial assets – AC" (see Note 4.1.1 Net interest income), the resulting interest expense stood at EUR 3,161thsd (H1 2023: EUR 11,017thsd). The effect pursuant to paragraph B5.4.6 IFRS 9, amounting to EUR 457thsd (H1 2023: EUR 465), had a positive impact on net interest income.

4.3.1 Financial liabilities by financial instrument class

The HYPO NOE Group's financial liabilities, broken down into financial instrument classes, in accordance with paragraph 6 IFRS 7, are presented in the table below:

EUR ’000	30 Jun. 2024	31 Dec. 2023
Financial liabilities – HFT	**120,154**	**141,766**
Negative fair value of interest rate derivatives	45,551	59,445
Negative fair value of foreign exchange derivatives	74,603	82,321
Financial liabilities – FVO	**5,517**	**5,650**
Other financial liabilities	5,517	5,650
Financial liabilities – AC	**15,057,549**	**13,898,367**
Savings and savings-equivalent deposits	1,523,774	1,315,389
Deposits	4,460,353	3,966,780
Banks	1,489,460	1,827,445
General governments	1,322,727	724,887
Other financial corporations	253,415	167,098
Non-financial corporations	791,523	660,473
Households	603,228	586,877
Bonds in issue	9,073,421	8,616,198
Covered bonds	2,457,295	2,004,505
Municipal bonds	3,801,961	3,378,531
Other bonds	2,814,166	3,233,162
Total	**15,183,220**	**14,045,783**

“Financial liabilities – FVO” comprises a liability related to the HETA contingent additional purchase price. Details can be found in Note 4.6.2 Fair value hierarchy: Level 3 disclosures.

4.3.2 Contingent liabilities and unutilised facilities

EUR ’000	30 Jun. 2024	31 Dec. 2023
Guarantees and financial guarantee contracts	51,503	50,578
Liabilities arising from guarantees and provision of collateral	**51,503**	**50,578**

“Unutilised facilities” includes both unused loan facilities and revolving borrowing facilities (e.g. overdraft facilities) where there is a very high probability that the unused credit facilities will be used within a contractually specified period. By contrast, credit lines can be used at any time, implying a higher degree of uncertainty regarding utilisation and the maturity date. The amounts disclosed for unutilised credit facilities include amounts listed in Note 9.2 Disclosures on related-party relationships.

EUR ’000	30 Jun. 2024	31 Dec. 2023
Unutilised facilities	884,013	1,086,314

4.4 Credit risk and risk provisions

4.4.1 Credit risk

The credit risk strategy maps out the framework for managing individual, Bank-specific credit risks. These include:

- Counterparty risk
- Replacement risk
- Issuer risk
- Investment risk
- Customer foreign exchange risk (foreign-currency-induced credit risk)
- Customer fixed interest risk
- Repayment vehicle risk
- Lease residual value risk

- Country risk/transfer risk and conversion risk
- Residual risk arising from credit risk mitigation techniques
- Settlement risk (prepayment and clearing risk)
- Securitisation risk
- Dilution risk
- Central counterparty (CCP) risk
- Concentration risk present in credit risk incl. the banking book
- Migration risk
- Sustainability risk

The main credit risks to which the HYPO NOE Group is exposed are counterparty risk (loans), replacement risk (derivatives), issuer risk (securities) and the concentration risk present in credit risk.

The Group is also susceptible to investment risk, customer foreign currency credit risk, repayment vehicle risk and country risk, all of which are accordingly limited and monitored.

The importance attached to sustainability risks has increased significantly, and they have accordingly been enshrined as a separate key risk sub-category. Due to the HYPO NOE Group's high standards with regard to socially responsible and sustainable business practices, material aspects of sustainability risk are already taken into account in its lending processes, and these will continue to be refined. In addition, aspects of sustainability relevant to credit risk are being evaluated and reconsidered on an ongoing basis.

Principles derived from the objectives outlined in the Group's risk management strategy provide the framework for exposure to and management of individual credit risks. These principles are implemented by the Operating Credit Risk Management and Strategic Risk Management departments, using an appropriate reporting system, coordinated limits, suitable measurement techniques and transparent processes.

The HYPO NOE Group's credit risk strategy is based on the following fundamentals:

- Identifying and regularly appraising credit risks
- Determining models and processes for measuring identified credit risks, and regularly reviewing their suitability
- Quantifying credit risk, using the methods established for this purpose
- Identifying and complying with legislative and regulatory frameworks
- Determining Management's risk appetite/tolerance
- Appropriate limiting and monitoring of credit risk on the basis of the predetermined risk tolerance
- Regular, goal-driven reporting
- Use of methods and processes tailored to the risk-weighted calculation of credit risk costs

Credit risk in the narrow sense (counterparty risk, replacement risk and issuer risk)

Credit risk should be seen as the risk of a change in creditworthiness, and monitoring it involves keeping a watch on the risk of a deterioration in creditworthiness and, in the worst case, the default of the counterparty or guarantor.

Credit risk is classified according to the product groups concerned, as follows:

In the lending business, counterparty risk is the risk of complete or partial loss due to a default or a deterioration in the counterparty's creditworthiness. In this case, from the Bank's perspective, credit risk exists over the entire lifetime of a transaction, from the time of its conclusion through to its termination.

Replacement risk exists in the case of derivatives (including forwards and futures, and credit derivatives) that are subject to fixed price agreements, the market prices of which could change during their lifetimes. If a party to a contract drops out during the lifetime of the derivative, the Bank must conclude a new contract for the remaining maturity, at the market price ruling at that time. If the current price is unfavourable for the Bank, the replacement transaction results in costs or losses. The Bank is exposed to counterparty risk throughout the lifetime of a transaction.

Similarly, issuer risk means the risk of complete or partial loss due to a default of the counterparty where the latter is an issuer of securities. From the Bank's perspective, issuer risk exists from the time of conclusion of a transaction until its termination, i.e. over its entire lifetime.

Risk concentrations

In the HYPO NOE Group, risk concentrations are identified and monitored using country and industry limits, and by means of internal capital charges for name concentrations, as well as securities, derivatives and money market activities, and a limit for related-party transactions.

Name concentration risk

The concentration in the Public Sector segment reflects the HYPO NOE Group's strategic focus on Austria, and Lower Austria in particular. The portfolio in question is essentially granular, and partly comprises loans to sovereigns, state governments and local authorities where the emphasis is on finance for social and public infrastructure, and for subsidised secured home loans.

Country risk

Country risks are operational banking risks that arise in the international lending business as a result of a foreign country's insolvency (business risk) or unwillingness to pay (political risk). As a result, this is an overarching category of risk, which may affect both creditors and borrowers but cannot be influenced or managed by either. Other elements of country risk are transfer and conversion risk, which represent limitations on foreign currency dealings caused by the above risks.

Country risk is managed by setting country limits for the target countries, and by limiting the entire outstanding foreign exposures to 20% of total Group assets, as well as confining foreign lending operations (in the Public Finance, Real Estate Project Finance and Corporate Customers control units) to 8% of total assets (early warning level).

Operating Credit Risk Management oversees utilisation of the individual country limits, while monitoring of the portfolio country limits takes place at the quarterly Risk Management Committee (RICO) meetings.

Current credit risk situation

The Group's loan and investment portfolio is largely made up of risk-conscious loans to public sector borrowers such as sovereigns, the Austrian federal government, state governments and local authorities (and their associated enterprises) – mainly in Lower Austria – as well as loans to banks with good external ratings (predominantly own investments, derivatives and money market investments), and generally well-collateralised loans to housing construction companies (both large housing associations and commercial developers).

The HYPO NOE Group also finances real estate projects with good to excellent ratings, as well as infrastructure companies, corporate and retail customers, and small and medium-sized enterprises.

A key performance measure for banks, alongside financial assets in default, is the non-performing loan (NPL) ratio. The Group's NPL ratio stood at 2.79% at 30 June 2024 (31 Dec. 2023: 2.45%). NPL coverage for the Group – defined as total Stage 3 risk provisions, taking account of collaterals, divided by the sum of the gross carrying amounts of NPLs – was 97.7% at 30 June 2024 (31 Dec. 2023: 102.93%).

Effects of ongoing crises

A review has been carried out to determine whether borrowers have been materially and directly impacted by the war in Ukraine. The HYPO NOE Group does not have any direct outstanding loans in Russia or Ukraine. The effects of the ongoing crises (e.g. rising energy prices, high interest rates, uncertainties and falling demand on the real estate market, and supply chain disruption) were also analysed and taken into account in the rating review (where necessary, by means of downgrades and/or designation of the customers concerned as watch loans).

Investment risk

Investment risk is the risk of a partial or total loss of the value of investments (ceding of equity to third parties). Such risks only materialise when it becomes necessary to write down (or, in extreme cases, totally write off) the carrying amounts of investments and any remargining.

Investment risk is managed by acquiring equity holdings which serve the Group's primary business objectives and support its strategic alignment. Other control levers include measuring investments against internal models, and acting on the results of the analysis, as well as constantly monitoring existing holdings at portfolio and customer level.

Customer foreign exchange risk (foreign-currency-induced credit risk)

Customer foreign exchange risk (foreign-currency-induced credit risk) arises where the customer has taken out a loan in a currency that differs from the one in which the customer generates most of the cash flow required to service the debt. In this case there is a risk that the borrower may be unable to continue to service the loan due to unfavourable movements in the exchange rate.

Customer foreign exchange risk is managed by offering conversion products at preferential prices, by limiting the exposure, and by constantly monitoring existing positions that are vulnerable to foreign exchange risk, both at portfolio and individual customer level. New lending that is subject to foreign exchange risk is only extended to specific customer segments, in accordance with the borrower's creditworthiness.

Other subtypes of credit risk

Repayment vehicle risk refers to the risk of the emergence of a hedging gap due to adverse market developments affecting factors on which the repayment vehicle is based. This type of risk is quantified when calculating risk-bearing capacity, and is hedged using equity (including limits).

Customer fixed interest risk consists of the risk that hedging will lead to losses on structured and fixed-interest loans. It is regularly monitored by the Asset Liability Management (ALM) group. It is limited and managed by monitoring the counterparty's parameter rating (in order to assess the probability of default [PD]) and the present value of hedging transactions.

Lease residual value risk is the risk that it will not be possible to realise the full calculated residual value of a leased asset. Operating Credit Risk Management performs regular monitoring of residual value risk exposures, and in particular of the definition under which lessees or types of real estate where residual value without purchase options may arise, as well as the possibility of disposal of assets to third parties, the strategic significance of a property for the lessee in question, and the time to maturity of the residual value.

Migration risk refers to the risk of a deterioration in a debtor's creditworthiness resulting in an increase in the probability of default and a consequent downgrading of the customer's credit rating. It is countered by providing additional equity cover, using the buffer, as part of the risk-bearing capacity calculation. In addition, potential effects of migration on profit or loss and on capital requirements are regularly recognised, using scenario assumptions and sensitivities, as part of bank-wide and reverse stress tests. A migration matrix is used for the ongoing monitoring of rating changes in the finance portfolio in the course of the regular reporting.

Settlement risk comprises prepayment risk and clearing risk. Prepayment risk denotes the risk that consideration will not be received at the appointed time. Clearing risk is the risk of changes in fair value where a transaction is not completed on the due date. Settlement risk is limited and managed by setting and regularly monitoring volume limits for risk exposures. Settlement limits are reduced accordingly when they are no longer necessary.

Sustainability risks relate to events or circumstances affecting sustainability (i.e. in connection with environmental, social and employee-related matters, and respect for human rights, as well as anti-corruption and anti-bribery measures) where their occurrence has or could potentially have material negative impacts on asset values, or on the assets, finances, earnings or reputation of a business. As far as credit risk is concerned, sustainability risks are currently limited and managed by using an ESG and reputational risk questionnaire for real estate and corporate customers, and by establishing inclusion and exclusion criteria, and environmentally and socially sensitive sectors (increased duty of care), which are considered as a basis for decision making in the loan approval process.

4.4.2 Risk provisions

In principle, when recognising risk provisions essentially the same accounting policies, and approaches to estimation uncertainty and judgements were applied as described in the notes to the 2023 annual financial statements. Updates and refinements are described below.

Estimation uncertainties and judgements

Rating models

The rating model for non-profit housing cooperatives was refined during the first half of 2024. These enhancements comprise both technical improvements and recalibrations of individual model parameters. The staged changeover to the new rating procedure is taking place as part of the regular customer reviews.

Financial assets subject to a significant increase in credit risk (Stage 2)

The HYPO NOE Group uses quantitative and qualitative indicators to determine whether there has been a significant increase in credit risk. Individual and collective analyses and information are taken into account.

In the case of the quantitative indicator the staging factor threshold determined by the customer group, lifetime and residual maturity is compared with the current staging factor (the rate of change in the PD) for each transaction. A stage transfer takes place if the threshold is exceeded. The threshold bands resulting from the model are shown in the following table.

	30 Jun. 2024			31 Dec. 2023		
	Min.	Max.	Median	Min.	Max.	Median
All	131%	375%	172%	131%	375%	173%
Retail	144%	225%	161%	144%	225%	161%
Corporate	141%	225%	180%	141%	225%	183%
Institutions	131%	225%	165%	131%	225%	165%
Sovereign	157%	375%	262%	157%	375%	262%

The qualitative SICR indicators comprise: forbearance measures; whether payment is 30 days past due; whether the customer is subject to intensive care measures; customers unrated at the reporting date; and early warning indicators (to the extent that these are not already adequately reflected in the rating).

Overall shifts in the macroeconomic conditions affecting a sector or customer segment are also considered when assessing whether a stage transfer is required. The main macroeconomic influences at present are related to the consequences of Covid-19, the war in Ukraine and the Middle East conflict. Inflation, rising interest rates, the threat of a wage-price spiral, and the current upheaval on the real estate market have been identified as the main risk drivers. These risk drivers and the resultant staging actions were largely unchanged as at 30 June 2024, although a review and update were performed. With regard to the retail segment, it was found that the impact of climbing interest rates had already been taken into account in the current behaviour rating, and hence in the quantitative assessment.

Collective qualitative staging measures as at 30 Jun. 2024, EUR ’000 Measures related to	Exposure	Cumulative impairment losses before measures	Cumulative impairment losses after measures
Macroeconomic risk drivers – industries	1,661,237	15,067	20,256
Increases in interest rates for corporate customers	226,868	1,341	2,983
Increases in interest rates for non-profit housing development	164,253	40	662
Increases in interest rates for retail customers	-	-	-
CHF-denominated loans and loans with repayment vehicles	49,684	561	590
Construction cost increases	4,168	18	32
Total	**2,106,210**	**17,027**	**24,523**

Collective qualitative staging measures as at 31 Dec. 2023, EUR ’000 Measures related to	Exposure	Cumulative impairment losses before measures	Cumulative impairment losses after measures
Macroeconomic risk drivers – industries	1,521,978	13,193	18,638
Increases in interest rates for corporate customers	274,824	2,468	4,348
Increases in interest rates for non-profit housing development	107,766	20	388
Increases in interest rates for retail customers	344,393	2,218	3,379
CHF-denominated loans and loans with repayment vehicles	59,168	807	850
Construction cost increases	4,253	23	36
Total	**2,312,382**	**18,729**	**27,639**

Purchased or originated credit-impaired (POCI) financial assets

POCI assets are financial assets for which there is objective evidence of impairment on initial recognition. The HYPO NOE Group has laid down the following circumstances that help establish whether there is actually objective evidence of the impairment of a financial asset:

- Purchase of a financial asset at a price that represents a significant rating discount.
- Additions to assets (fresh money or bridging loans) leading to a significant increase in exposure from the uncollateralised portion, where intensive care is still in the initial stages, meaning that there is a high degree of uncertainty regarding a cure.
- In special cases, substantial modification of a Stage 3 financial asset, when this is due to a material rating discount and recognition of a modified, impaired financial instrument (originated credit-impaired).

In the course of initial measurement of a POCI asset, the expected cash flows are discounted using a credit-adjusted effective interest rate (Ca-EIR). This present value represents the IFRS carrying amount of the POCI asset on initial recognition. No risk provisions are recognised at the time of initial recognition. However, risk provisions are recognised on subsequent measurement, for both positive and negative deviations from the present value.

Measurement parameters

Point in time (PiT) PD curves

The modelling approach chosen and assumptions made as at 31 December 2023 have largely been retained. In addition to the baseline scenario, an upside and downside alternative scenario were taken into account when estimating the final PiT PD as at 30 June 2024. The three PD scenarios are weighted to produce the overall PiT PD curves for the retail and corporate customer groups. The weighted PiT PD curves provide the basis for evaluation of the quantitative stage transfer. In principle, both the upside and the downside scenario are given a 10% weighting, in accordance with the selected quantiles. However, if available information is not adequately reflected in the forecasts, the weighting is reviewed to determine whether an adjustment is necessary, and this may be performed. As at the end of the reporting period, the forecasts were subject to a high degree of uncertainty due to various negative factors. These include the continuing risks associated with high inflation and rising prices, interest rates for lending that have reached historic highs, the continued risk of a wage-price spiral, and the crisis on the property market. Due to these continuing uncertainties, as at 30 June 2024 the HYPO NOE Group retained the weighting of the three PD scenarios in place as at 31 December 2023, as follows: Baseline scenario 30%, upside scenario 10%, downside scenario 60%.

The tables below provide a comparison of the forecasting sources selected and the macroeconomic indicators applied by the HYPO NOE Group as at 30 June 2024 and 31 December 2023.

30 Jun. 2024	Forecasts		
	Years	OeNB	Fitch
GDP	2024	0.3	0.6
	2025	1.8	2.0
	2026	1.5	1.6
Private consumption	2024	1.5	0.7
	2025	2.2	2.0
	2026	1.6	1.5
Exports	2024	1.5	1.8
	2025	2.6	2.3
	2026	2.9	2.0

30 Jun. 2024	HYPO NOE inputs		
	Years	OeNB	Fitch
GDP	2024	0.3	0.6
	2025	1.8	2.0
	2026	1.5	1.6
Private consumption	2024	1.5	0.7
	2025	2.2	2.0
	2026	1.6	1.5
Exports	2024	1.5	1.8
	2025	2.6	2.3
	2026	2.9	2.0

31 Dec. 2023	Forecasts		
	Years	OeNB	Fitch
GDP	2024	0.6	0.9
	2025	1.7	1.9
	2026	1.3	1.6
Private consumption	2024	1.5	1.3
	2025	1.8	1.0
	2026	1.2	1.5
Exports	2024	1.5	3.0
	2025	2.2	2.6
	2026	2.6	2.0

31 Dec. 2023	HYPO NOE inputs		
	Years	OeNB	Fitch
GDP	2024	0.6	0.9
	2025	1.7	1.9
	2026	1.3	1.6
Private consumption	2024	1.5	1.3
	2025	1.8	1.0
	2026	1.2	1.5
Exports	2024	1.5	3.0
	2025	2.2	2.6
	2026	2.6	2.0

The table below shows the one-year default probabilities generated by the PiT PD model, and a comparison with the one-year probability of default according to the long-term average PD based on the HYPO master scale, broken down by rating grades. The comparison between the master scale and the PiT PDs reveals an increase in expectations of default in the lower rating classes in the corporates PD segment, and across the board in the retail segment, as compared with the long-term average.

Rating	1Y PD – master scale	1Y PiT PD – corporate	1Y PiT PD – retail
1A	0.01%	0.02%	The assessment of retail customers' creditworthiness begins at a rating of 2C, meaning that these categories do not apply
1B	0.02%	0.02%	
1C	0.03%	0.03%	
1D	0.04%	0.03%	
1E	0.05%	0.04%	
2A	0.07%	0.05%	
2B	0.11%	0.07%	
2C	0.16%	0.11%	0.18%
2D	0.24%	0.16%	0.27%
2E	0.35%	0.27%	0.40%
3A	0.53%	0.45%	0.60%
3B	0.80%	0.76%	0.89%
3C	1.20%	1.17%	1.32%
3D	1.79%	1.79%	1.97%
3E	2.69%	2.74%	2.94%
4A	4.04%	4.21%	4.39%
4B	6.05%	6.97%	6.53%
4C	9.08%	11.55%	9.73%
4D	13.62%	19.10%	14.48%
4E	20.44%	31.55%	21.53%

4.4.3 Detailed information on risk provisions

Gross carrying amount/nominal amount by rating class

	30 Jun. 2024					31 Dec. 2023				
EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**1,430,801**	**-**	**-**	**-**	**1,430,801**	**397,985**	**-**	**-**	**-**	**397,985**
Financial assets – AC	**11,569,496**	**2,640,305**	**374,205**	**3,107**	**14,587,112**	**11,382,472**	**2,632,858**	**323,341**	**3,192**	**14,341,863**
Loans	9,950,322	2,592,455	374,205	3,107	12,920,088	9,875,933	2,581,489	323,341	3,192	12,783,955
Rating class 1	5,462,626	34,912	-	-	5,497,538	5,535,407	36,145	-	-	5,571,552
Rating class 2	3,508,324	980,173	-	-	4,488,497	3,466,435	908,987	-	-	4,375,422
Rating class 3	968,266	1,294,223	-	-	2,262,490	855,272	1,344,858	-	-	2,200,129
Rating class 4	11,105	283,146	-	3,107	297,358	18,819	291,500	-	3,192	313,511
Rating class 5	-	-	374,205	-	374,205	-	-	323,341	-	323,341
Bonds	1,619,174	47,850	-	-	1,667,023	1,506,539	51,368	-	-	1,557,908
Rating class 1	1,109,691	-	-	-	1,109,691	964,192	-	-	-	964,192
Rating class 2	495,302	5,186	-	-	500,488	529,751	8,170	-	-	537,920
Rating class 3	14,181	6,798	-	-	20,979	12,597	8,102	-	-	20,699
Rating class 4	-	35,865	-	-	35,865	-	35,096	-	-	35,096
Financial assets – FVOCI	**222,168**	**-**	**-**	**-**	**222,168**	**220,821**	**-**	**-**	**-**	**220,821**
Bonds	222,168	-	-	-	222,168	220,821	-	-	-	220,821
Rating class 1	192,951	-	-	-	192,951	189,303	-	-	-	189,303
Rating class 2	29,216	-	-	-	29,216	31,518	-	-	-	31,518
Off-balance-sheet transactions	**765,376**	**165,867**	**4,273**	**-**	**935,516**	**942,357**	**190,301**	**4,235**	**-**	**1,136,893**
Rating class 1	506,754	304	-	-	507,058	635,381	304	-	-	635,685
Rating class 2	152,737	56,411	-	-	209,148	200,516	61,728	-	-	262,244
Rating class 3	103,867	100,108	-	-	203,974	104,416	118,933	-	-	223,348
Rating class 4	2,019	9,044	-	-	11,063	2,044	9,337	-	-	11,381
Rating class 5	-	-	4,273	-	4,273	-	-	4,235	-	4,235
Trade receivables	**-**	**1,549**	**-**	**-**	**1,549**	**-**	**2,203**	**-**	**-**	**2,203**
Total	**13,987,840**	**2,807,720**	**378,477**	**3,107**	**17,177,145**	**12,943,635**	**2,825,363**	**327,576**	**3,192**	**16,099,765**

Risk provisions by rating class

EUR '000	30 Jun. 2024					31 Dec. 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**-5**	**-**	**-**	**-**	**-5**	**-4**	**-**	**-**	**-**	**-4**
Financial assets – AC	**-2,340**	**-30,840**	**-81,011**	**61**	**-114,131**	**-2,363**	**-31,682**	**-78,081**	**54**	**-112,073**
Loans	-2,153	-24,472	-81,011	61	-107,576	-2,182	-25,405	-78,081	54	-105,615
Rating class 1	-101	-19	-	-	-120	-101	-20	-	-	-120
Rating class 2	-538	-2,974	-	-	-3,512	-507	-3,958	-	-	-4,464
Rating class 3	-1,366	-11,569	-	-	-12,935	-1,314	-12,452	-	-	-13,767
Rating class 4	-148	-9,910	-	61	-9,997	-261	-8,976	-	54	-9,183
Rating class 5	-	-	-81,011	-	-81,011	-	-	-78,081	-	-78,081
Bonds	-187	-6,368	-	-	-6,555	-181	-6,277	-	-	-6,458
Rating class 1	-63	-	-	-	-63	-55	-	-	-	-55
Rating class 2	-117	-19	-	-	-136	-121	-26	-	-	-147
Rating class 3	-7	-34	-	-	-41	-5	-76	-	-	-80
Rating class 4	-	-6,314	-	-	-6,314	-	-6,175	-	-	-6,175
Financial assets – FVOCI	**-18**	**-**	**-**	**-**	**-18**	**-12**	**-**	**-**	**-**	**-12**
Bonds	-18	-	-	-	-18	-12	-	-	-	-12
Rating class 1	-4	-	-	-	-4	-4	-	-	-	-4
Rating class 2	-14	-	-	-	-14	-7	-	-	-	-7
Off-balance-sheet transactions	**-148**	**-969**	**-2,376**	**-**	**-3,494**	**-220**	**-733**	**-1,768**	**-**	**-2,722**
Rating class 1	-	-	-	-	-	-	-	-	-	-
Rating class 2	-28	-338	-	-	-365	-57	-150	-	-	-207
Rating class 3	-103	-478	-	-	-581	-140	-408	-	-	-548
Rating class 4	-17	-154	-	-	-171	-23	-176	-	-	-199
Rating class 5	-	-	-2,376	-	-2,376	-	-	-1,768	-	-1,768
Trade receivables	**-**	**-5**	**-**	**-**	**-5**	**-**	**-14**	**-**	**-**	**-14**
Total	**-2,512**	**-31,814**	**-83,387**	**61**	**-117,653**	**-2,599**	**-32,430**	**-79,850**	**54**	**-114,825**

Scenarios and sensitivities

The HYPO NOE Group analyses and takes account of a range of scenarios in order to reduce uncertainty arising from the use of forecasts and statistical models when estimating PD, and to portray this uncertainty in a transparent manner. The results yielded by the various scenarios as at 30 June 2024 and 31 December 2023 are shown below. The scenarios are described in the 'Measurement parameters' section of Note 4.4.2 Risk provisions, above.

30 Jun. 2024, EUR '000	Upside	Baseline	Downside
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	30,257	32,941	35,674

31 Dec. 2023, EUR '000	Upside	Baseline	Downside
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	30,880	33,607	36,434

The current crises have increased the uncertainty associated with estimating anticipated credit losses. In order to address this greater uncertainty, an additional scenario is presented that depicts the effects of an increase of 25% in all unsecured losses, coupled with a 15% fall in the value of real estate collaterals. The effect on risk provisions amounted to EUR 14,822thsd as at 30 June 2024 (31 Dec. 2023: EUR 14,954thsd).

4.4.4 Detailed information on impairment losses/gains – IFRS 9, ECL

The following table shows the changes in risk provisions in 2024 and the breakdown of the changes by statement of profit or loss items.

EUR '000	Changes in risk provisions, 2024	Impairment losses/gains on financial assets – IFRS 9 ECL	Interest expense	Not recognised through profit or loss	Changes in risk provisions, 2023
Risk provisions at start of reporting period	**-114,825**				**-90,903**
Increase due to origination and purchase	-6,730	-6,730	-	-	-6,719
Reduction due to derecognition and substantial modification	3,165	3,165	-	-	8,340
Utilisation of risk provisions	10,177	-	-	10,177	5,016
Allocations and reversals due to changes in credit risk	-9,448	-8,224	-1,224	-	-30,564
Other adjustments (incl. exchange differences)	-1	-1	-	-	-
Change due to non-substantial modification	-1	-1	-	-	4
Cash and balances at central banks, and trade receivables	8	8	-	-	1
Risk provisions at end of reporting period	**-117,653**	**-11,781**	**-1,224**	**10,177**	**-114,825**

Stage 1 impairment losses/gains

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Cash and balances at central banks	**-4**	**-**	**-**	**-2**	**-**	**-5**
Financial assets – AC	**-2,363**	**-997**	**97**	**923**	**-1**	**-2,340**
Loans	-2,182	-984	96	917	-1	-2,153
Banks	-	-	-	-	-	-
General governments	-8	-1	1	1	-	-8
Other financial corporations	-	-2	-	-4	-1	-7
Non-financial corporations	-1,043	-780	52	932	1	-837
Households	-1,131	-202	43	-12	-	-1,301
Bonds	-181	-13	1	6	-	-187
Banks	-144	-11	1	6	3	-145
General governments	-3	-	-	1	-	-3
Other financial corporations	-28	-	-	4	-6	-31
Non-financial corporations	-6	-1	-	-4	3	-9
Financial assets – FVOCI	**-12**	**-8**	**-**	**1**	**-**	**-18**
Bonds	-12	-8	-	1	-	-18
Banks	-11	-8	-	-	-	-17
General governments	-	-	-	-	-	-
Other financial corporations	-1	-	-	-	-	-1
Non-financial corporations	-	-	-	-	-	-
Off-balance-sheet transactions	**-220**	**-166**	**52**	**186**	**-**	**-148**
Loan commitments and financial guarantee contracts	-220	-166	52	186	-	-148
Total	**-2,599**	**-1,170**	**150**	**1,108**	**-1**	**-2,512**

EUR '000	1 Jan. 2023	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2023
Cash and balances at central banks	**-4**	**-**	**-**	**-2**	**-**	**-6**
Financial assets – AC	**-6,946**	**-1,224**	**308**	**1,095**	**-**	**-6,766**
Loans	-6,683	-1,197	305	1,081	-	-6,494
General governments	-10	-2	2	-	-	-10
Other financial corporations	-461	-27	-	339	-1	-150
Non-financial corporations	-5,794	-1,078	297	951	1	-5,622
Households	-418	-90	6	-209	-	-711
Bonds	-263	-27	3	14	-	-272
Banks	-156	-19	-	3	-2	-174
General governments	-5	-	-	2	-2	-5
Other financial corporations	-32	-7	2	-1	4	-34
Non-financial corporations	-70	-	1	10	-	-59
Financial assets – FVOCI	**-11**	**-6**	**-**	**2**	**-**	**-15**
Bonds	-11	-6	-	2	-	-15
Banks	-9	-6	-	1	1	-13
General governments	-1	-	-	-	-	-1
Other financial corporations	-1	-	-	-	-	-1
Non-financial corporations	-	-	-	1	-1	-
Off-balance-sheet transactions	**-358**	**-152**	**21**	**80**	**-**	**-410**
Loan commitments and financial guarantee contracts	-358	-152	21	80	-	-410
Total	**-7,319**	**-1,382**	**329**	**1,175**	**-**	**-7,197**

Stage 2 impairment losses/gains

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets – AC	**-31,682**	**-5,454**	**2,816**	**3,481**	**-1**	**-30,840**
Loans	-25,405	-5,454	2,816	3,572	-1	-24,472
General governments	-206	-	-	24	-	-182
Other financial corporations	-526	-5	4	388	9	-129
Non-financial corporations	-15,680	-5,385	2,451	2,500	-9	-16,123
Households	-8,994	-64	360	660	-1	-8,038
Bonds	-6,277	-	-	-91	-	-6,368
Banks	-26	-	-	-	7	-19
Other financial corporations	-6,175	-	-	-133	-7	-6,314
Non-financial corporations	-76	-	-	41	-	-34
Financial assets – FVOCI	**-**	**-18**	**-**	**18**	**-**	**-**
Bonds	-	-18	-	18	-	-
Other financial corporations	-	-18	-	18	-	-
Trade receivables	**-14**	**-5**	**14**	**-**	**-**	**-5**
Off-balance-sheet transactions	**-733**	**-88**	**54**	**-203**	**-**	**-969**
Loan commitments and financial guarantee contracts	-733	-88	54	-203	-	-969
Total	**-32,430**	**-5,564**	**2,885**	**3,296**	**-1**	**-31,814**

EUR '000	1 Jan. 2023	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2023
Cash and balances at central banks	**-1**	**-**	**-**	**-9**	**-**	**-10**
Financial assets – AC	**-35,966**	**-73**	**698**	**3,605**	**-**	**-31,736**
Loans	-28,407	-73	698	3,089	-	-24,693
General governments	-266	-	-	54	-	-211
Other financial corporations	-3,431	-1	1	-404	-	-3,835
Non-financial corporations	-18,323	-7	382	4,938	-	-13,011
Households	-6,387	-65	316	-1,499	-	-7,636
Bonds	-7,559	-	-	516	-	-7,043
Banks	-	-	-	-	-	-
Other financial corporations	-7,472	-	-	429	-	-7,043
Non-financial corporations	-87	-	-	87	-	-
Financial assets – FVOCI	**-**	**-**	**-**	**-**	**-**	**-**
Bonds	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-
Trade receivables	**-14**	**-2**	**14**	**-**	**-**	**-3**
Off-balance-sheet transactions	**-1,096**	**-18**	**80**	**480**	**-**	**-553**
Loan commitments and financial guarantee contracts	-1,096	-18	80	480	-	-553
Total	**-37,077**	**-93**	**792**	**4,077**	**-**	**-32,302**

Stage 3 impairment losses/gains

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Financial assets – AC	**-78,081**	**-**	**10,317**	**-13,247**	**-**	**-81,011**
Loans	-78,081	-	10,317	-13,247	-	-81,011
General governments	-	-	-	-	-	-
Other financial corporations	-10,628	-	-	1,482	-	-9,146
Non-financial corporations	-61,346	-	10,016	-14,270	-	-65,600
Households	-6,107	-	301	-459	-	-6,265
Off-balance-sheet transactions	**-1,768**	**-**	**5**	**-613**	**-**	**-2,376**
Loan commitments and financial guarantee contracts	-1,768	-	5	-613	-	-2,376
Total	**-79,850**	**-**	**10,323**	**-13,860**	**-**	**-83,387**

EUR '000	1 Jan. 2023					30 Jun. 2023
Financial assets – AC	**-44,724**	**-**	**591**	**-7,919**	**-**	**-52,052**
Loans	-44,724	-	591	-7,919	-	-52,052
General governments	-3,012	-	-	191	-	-2,821
Other financial corporations	-7,791	-	-	-233	-	-8,025
Non-financial corporations	-26,981	-	43	-7,137	-	-34,075
Households	-6,941	-	548	-740	-	-7,132
Trade receivables	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance-sheet transactions	**-1,782**	**-**	**20**	**98**	**-**	**-1,664**
Loan commitments and financial guarantee contracts	-1,782	-	20	98	-	-1,664
Total	**-46,506**	**-**	**611**	**-7,820**	**-**	**-53,716**

POCI impairment losses/gains

The following table shows the evolution of the loss allowances for expected losses on financial assets. These loss allowances are measured at amounts equal to the lifetime expected credit losses.

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Financial assets – AC	**54**	**-**	**-**	**7**	**-**	**61**
Loans	54	-	-	7	-	61
Other financial corporations	-	-	-	-	5	6
Non-financial corporations	54	-	-	7	-5	55
Total	**54**	**-**	**-**	**7**	**-**	**61**

EUR '000	1 Jan. 2023	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2023
Financial assets – AC	**-**	**-**	**-**	**30**	**-**	**30**
Loans	-	-	-	30	-	30
Other financial corporations	-	-	-	-	-	-
Non-financial corporations	-	-	-	30	-	30
Total	**-**	**-**	**-**	**30**	**-**	**30**

4.5 Derivatives and hedge accounting

4.5.1 Carrying amounts and nominal values of derivatives

The HYPO NOE Group only held unlisted OTC derivatives as at the end of the reporting period.

The following table shows the nominal values and carrying amounts of derivatives recognised as at 30 June 2024.

	30 Jun. 2024			31 Dec. 2023		
	Carrying amount		Nominal value	Carrying amount		Nominal value
EUR '000	Assets	Liabilities		Assets	Liabilities	
Financial assets and liabilities – HFT	**137,875**	**120,154**	**3,202,505**	**150,622**	**141,766**	**3,351,428**
Interest rate derivatives	60,420	45,551	2,330,616	76,513	59,445	2,539,655
Foreign exchange derivatives	77,454	74,603	871,889	74,109	82,321	811,773
Positive and negative fair value of hedges (hedge accounting)	**293,671**	**512,966**	**11,693,427**	**315,691**	**496,887**	**11,530,342**
Interest rate derivatives	278,339	469,875	11,380,533	297,452	456,792	11,315,594
Foreign exchange derivatives	15,332	43,091	312,894	18,238	40,094	214,748

The Group has not netted off derivatives for accounting purposes, as the current master agreements that provide for netting (the ISDA Master Agreements, as well as other Austrian and German master agreements for financial forward transactions) do not meet the relevant criteria in this regard. Under these agreements, the right to offset all transactions by a single net amount would only be enforceable if certain future events occurred which would result in termination of the agreements (e.g. default or insolvency of the counterparty).

30 Jun. 2024 EUR '000	Financial assets/ liabilities (gross)	Reported amounts offset (gross) (-)	Reported financial assets (net)	Effect of master netting agreements (-) Not offset	Collateral in the form of financial instruments (-) Not offset	Net amount
	(a)	(b)	(c)=(a)+(b)	(d)(i)	(d)(ii)	(e)=(c)+(d)
Assets						
Financial assets – HFT	137,875	-	137,875	-3,806	-	134,069
Positive fair value of hedges (hedge accounting)	293,671	-	293,671	-269,479	-3,979	20,213
Total assets	**431,546**	**-**	**431,546**	**-273,284**	**-3,979**	**154,282**
Liabilities						
Financial liabilities – HFT	120,154	-	120,154	-3,806	-112,666	3,683
Financial liabilities – FVO	5,517	-	5,517	-	-	5,517
Negative fair value of hedges (hedge accounting)	512,966	-	512,966	-269,479	-202,634	40,854
Total equity and liabilities	**638,637**	**-**	**638,637**	**-273,284**	**-315,299**	**50,054**

31 Dec. 2023 EUR '000	Financial assets/ liabilities (gross)	Reported amounts offset (gross) (-)	Reported financial assets (net)	Effect of master netting agreements (-) Not offset	Collateral in the form of financial instruments (-) Not offset	Net amount
	(a)	(b)	(c)=(a)+(b)	(d)(i)	(d)(ii)	(e)=(c)+(d)
Assets						
Financial assets – HFT	150,622	-	150,622	-2,589	-917	147,116
Positive fair value of hedges (hedge accounting)	315,691	-	315,691	-277,104	-985	37,602
Total assets	**466,313**	**-**	**466,313**	**-279,693**	**-1,902**	**184,718**
Liabilities						
Financial liabilities – HFT	141,766	-	141,766	-2,589	-134,443	4,733
Financial liabilities – FVO	5,650	-	5,650	-	-	5,650
Negative fair value of hedges (hedge accounting)	496,887	-	496,887	-277,104	-172,419	47,364
Total equity and liabilities	**644,303**	**-**	**644,303**	**-279,693**	**-306,862**	**57,747**

4.5.2 Detailed information on hedge accounting

	H1 2024			H1 2023		
EUR '000	Net gains or losses on hedged items	Net gains or losses on hedges	Net gains or losses on hedging relationships	Net gains or losses on hedged items	Net gains or losses on hedges	Net gains or losses on hedging relationships
Assets						
Financial assets – FVOCI	**-2,994**	**3,093**	**99**	**417**	**-280**	**137**
Bonds	-2,994	3,093	99	417	-280	137
Financial assets – AC	**-68,246**	**69,015**	**768**	**34,848**	**-35,205**	**-357**
Loans	-54,005	54,488	483	24,274	-24,818	-543
Bonds	-14,241	14,527	285	10,574	-10,387	186
Liabilities						
Financial liabilities – AC	**69,366**	**-70,600**	**-1,233**	**-37,568**	**35,644**	**-1,924**
Deposits	400	-368	32	-307	300	-7
Bonds in issue	68,966	-70,231	-1,265	-37,261	35,344	-1,917
Total	**-1,874**	**1,508**	**-366**	**-2,302**	**159**	**-2,144**

Positive fair value of hedges (hedge accounting)

The table below provides an analysis of the positive fair value of hedges (hedge accounting) according to the entries in the statement of financial position under which the hedged items are reported.

EUR '000	30 Jun. 2024	31 Dec. 2023
Assets	**271,772**	**238,888**
Financial assets – FVOCI	2,579	2,360
Financial assets – AC	269,193	236,528
Liabilities	**21,899**	**76,803**
Financial liabilities – AC	21,899	76,803
Total	**293,671**	**315,691**

Negative fair value of hedges (hedge accounting)

The table below shows a breakdown of the negative fair value of hedges (hedge accounting) according to the entries in the statement of financial position under which the hedged items are reported.

EUR '000	30 Jun. 2024	31 Dec. 2023
Assets	**90,205**	**131,223**
Financial assets – FVOCI	5,111	10,184
Financial assets – AC	85,094	121,039
Liabilities	**422,762**	**365,664**
Financial liabilities – AC	422,762	365,664
Total	**512,966**	**496,887**

4.6 Fair value disclosures

Information on the nature and extent of the risks that arise from financial instruments, as well as sensitivity analyses and other additional disclosures, can be found in Note 8 RISK MANAGEMENT.

Accounting policies

On 31 December 2021 HETA exited the resolution regime implemented under the Federal Act on the Recovery and Resolution of Banks. Since 1 January 2022 the company has been under resolution in accordance with the *Aktiengesetz* (Austrian Companies Act). In May 2024 HETA published its 2023 financial statements together with an updated corporate presentation. The HYPO NOE Group has no direct exposures to HETA, but holds receivables under a Kärntner Ausgleichszahlungsfonds (Carinthian Compensation Payment Fund, KAF) debtor warrant, which is regularly remeasured.

In light of the figures published in May as compared with the results as at 31 December 2023, the main pillars of the valuation have remained largely unchanged. Due to the forecast distribution of the remaining liquidation proceeds in 2027, referred to in the corporate presentation, the payment dates assumed by the scenarios for the fixed recovery rate and the uncertain part of the amount due have been changed. The base case scenario now assumes payment of the fixed recovery rate and the uncertain portion in 2027. In the worse case scenario, payment of the fixed recovery rate and the uncertain portion takes place at the end of 2028, while in the worst case scenario payment of the fixed recovery rate is not anticipated until the end of 2029. This delays the mid payment point, resulting in a reduction in the valuation as compared to that at year-end 2023 due to lower discount factors. In addition, the market parameters for the valuation (interest and liquidity costs) have been regularly updated.

4.6.1 Fair value hierarchy

The table below summarises the fair value hierarchies of all the financial instruments held by the HYPO NOE Group.

30 Jun. 2024 EUR '000	Carrying amount	Fair value	Fair value measurement		
			Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	1,430,795	1,430,795	1,408,509	22,287	-
Financial assets – HFT	137,875	137,875	-	90,833	47,041
Financial assets – mandatorily FVTPL	105,463	105,463	-	43,036	62,427
Financial assets – FVOCI	226,500	226,500	224,329	5	2,165
Financial assets – AC	14,472,981	14,263,149	1,477,976	85,852	12,699,321
Positive fair value of hedges (hedge accounting)	293,671	293,671	-	293,671	-
Total assets	**16,667,284**	**16,457,453**	**3,110,814**	**535,684**	**12,810,955**
Liabilities					
Financial liabilities – HFT	120,154	120,154	-	118,056	2,098
Financial liabilities – FVO	5,517	5,517	-	-	5,517
Financial liabilities – AC	15,057,549	14,736,201	1,065,440	7,568,887	6,101,875
Negative fair value of hedges (hedge accounting)	512,966	512,966	-	512,966	-
Total equity and liabilities	**15,696,186**	**15,374,839**	**1,065,440**	**8,199,910**	**6,109,489**

31 Dec. 2023 EUR '000	Carrying amount	Fair value	Fair value measurement		
			Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	397,981	397,981	377,776	20,205	-
Financial assets – HFT	150,622	150,622	-	85,652	64,970
Financial assets – mandatorily FVTPL	108,192	108,192	-	43,091	65,101
Financial assets – FVOCI	225,588	225,588	223,538	-	2,051
Financial assets – AC	14,229,790	13,888,439	1,339,598	112,403	12,436,438
Positive fair value of hedges (hedge accounting)	315,691	315,691	-	315,691	-
Total assets	**15,427,864**	**15,086,513**	**1,940,912**	**577,042**	**12,568,559**
Liabilities					
Financial liabilities – HFT	141,766	141,766	-	139,521	2,245
Financial liabilities – FVO	5,650	5,650	-	-	5,650
Financial liabilities – AC	13,898,367	13,508,736	1,063,119	7,490,500	4,955,117
Negative fair value of hedges (hedge accounting)	496,887	496,887	-	496,887	-
Total equity and liabilities	**14,542,670**	**14,153,039**	**1,063,119**	**8,126,909**	**4,963,012**

Some financial assets measured as at fair value were transferred from Stage 3 to Stage 2 in the first half of 2024. This mainly relates to "Financial assets – FVOCI" with a fair value of EUR 5thsd as at the end of the reporting period (31 Dec. 2023: EUR 1thsd).

4.6.2 Fair value hierarchy: Level 3 disclosures

		Gains/losses						
EUR '000	**1 Jan. 2024**	**Recog-nised in profit or loss**	**Not recog-nised in profit or loss**	**Pur-chases**	**Sales**	**Transfers to/from Level 3**	**30 Jun. 2024**	**Unrealised losses recognised in profit or loss at 30 Jun. 2024**
Assets								
Financial assets – HFT	64,970	-17,929	-	-	-	-	47,041	-17,994
Financial assets – mandatorily FVTPL	65,101	-102	-	-	-2,571	-	62,427	-126
Financial assets – FVOCI	2,051	-	120	-	-	-5	2,165	-
Total assets	**132,121**	**-18,031**	**120**	**-**	**-2,571**	**-5**	**111,633**	**-18,120**
Liabilities								
Financial liabilities – HFT	2,245	-147	-	-	-	-	2,098	-50
Financial liabilities – FVO	5,650	-133	-	-	-	-	5,517	-133
Total equity and liabilities	**7,895**	**-280**	**-**	**-**	**-**	**-**	**7,615**	**-183**

The main gains or losses on current Level 3 assets are recognised in the statement of profit or loss under "Net gains or losses on financial assets and liabilities".

		Gains/losses						
EUR '000	**1 Jan. 2023**	**Recog-nised in profit or loss**	**Not recog-nised in profit or loss**	**Pur-chases**	**Sales**	**Transfers to/from Level 3**	**30 Jun. 2023**	**Unrealised gains or losses recognised in profit or loss as at 30 Jun. 2023**
Assets								
Financial assets – HFT	56,579	-8,265	-	-	-	-	48,314	-5,911
Financial assets – mandatorily FVTPL	78,263	985	-	-	-5,435	-	73,813	848
Financial assets – FVOCI	1,945	-	68	-	-	-	2,013	-
Total assets	**136,787**	**-7,281**	**68**	**-**	**-5,435**	**-**	**124,139**	**-5,063**
Liabilities								
Financial liabilities – HFT	4,262	428	-	-	-	-	4,690	-390
Financial liabilities – FVO	5,239	224	-	-	-	-	5,463	224
Total equity and liabilities	**9,501**	**652**	**-**	**-**	**-**	**-**	**10,153**	**-166**

Estimation uncertainties and judgements

The results of the sensitivity analysis for the "Financial assets – HFT", "Financial assets – mandatorily FVTPL" and "Financial assets – FVOCI" (equity instruments) items at Level 3 are discussed below.

All sensitivities are presented using a historical value-at-risk (VaR) approach (95% confidence level, one-year holding period) in line with internal risk management policies. The disclosures in the table below show the impact of changes in significant unobservable input parameters on Level 3 fair value. The figures are not a forecast or indication of future changes in fair value, but represent potential losses, where gains of a similar amount are also possible. In the case of "Financial assets and liabilities – HFT", the significant inputs are global CDS spreads. For the "Financial assets – mandatorily FVTPL" item, credit and liquidity risk premiums are the unobservable inputs that drive prices. The reported VaR assumes a fluctuation of 65 bps. An increase in premiums results in lower fair values. In the case of "Financial assets – FVOCI", conventional company valuation methods such as discounted cash flow or adjusted net asset value are used to determine fair value. The item is entirely made up of equity instruments assigned to Level 3.

30 Jun. 2024, EUR ’000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	47,041	182	Hybrid Hull-White model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	34,918	930	Discounted cash flow (DCF) model	Premiums for credit and liquidity risk
Financial assets – mandatorily FVTPL, Stage 3 (excl. HETA)	456	7	DCF model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,165	n/a	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)
Total assets	**84,580**	**1,119**		
Financial liabilities – HFT	2,098	-		Global CDS spreads
Total equity and liabilities	**2,098**	**-**		

31 Dec. 2023, EUR ’000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	64,970	257	Hybrid Hull-White model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	36,954	1,021	DCF model	Premiums for credit and liquidity risk
Financial assets – mandatorily FVTPL, Stage 3 (excl. HETA)	443	7	DCF model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,051	n/a	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)
Total assets	**104,417**	**1,285**		
Financial liabilities – HFT	2,245	-		Global CDS spreads
Total equity and liabilities	**2,245**	**-**		

The ranges for the unobservable inputs to the “Financial assets – FVOCI (equity instruments)” item classed as Level 3 are shown below.

Change in fair value, financial assets – FVOCI (equity instruments)

EUR ’000	30 Jun. 2024	31 Dec. 2023
10% increase in adjusted equity	-212	201
10% decrease in adjusted equity	-212	-201
50 bp increase in cost of equity	-10	-10
50 bp decrease in cost of equity	-12	11

5 ADDITIONAL NOTES TO THE STATEMENT OF PROFIT OR LOSS

5.1 Net fee and commission income

H1 2024, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**1,910**	**630**	**8,738**	**373**	**16**	**11,668**
Securities and custody account business	23	-	2,781	294	-	3,098
Payment transactions	393	363	2,979	44	-12	3,767
Foreign exchange, foreign notes and coins, and precious metals	41	5	106	11	-2	161
Other services	1,497	-	2,029	23	8	3,558
Other fee and commission income	-44	262	844	-	22	1,085
Fee and commission expense	**-44**	**-26**	**-564**	**-469**	**9**	**-1,094**
Securities and custody account business	-1	-	-20	-196	-	-218
Payment transactions	-24	-8	-520	-272	-1	-826
Other services	-	-	-12	-	-	-12
Other fee and commission expense	-19	-18	-11	-	9	-38
Total	**1,866**	**604**	**8,175**	**-96**	**25**	**10,575**

H1 2023, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**891**	**581**	**7,997**	**340**	**5**	**9,813**
Securities and custody account business	36	-	2,569	254	-	2,859
Payment transactions	546	395	2,854	32	4	3,830
Foreign exchange, foreign notes and coins, and precious metals	35	1	110	12	-	158
Other services	328	-	1,915	42	5	2,290
Other fee and commission income	-54	185	550	-	-5	677
Fee and commission expense	**-32**	**-27**	**-514**	**-411**	**-13**	**-996**
Securities and custody account business	-1	-	-25	-153	-6	-186
Payment transactions	-14	-11	-482	-258	-	-764
Other services	-	-	-	-	-7	-7
Other fee and commission expense	-16	-16	-7	-	1	-39
Total	**859**	**554**	**7,484**	**-71**	**-8**	**8,818**

5.2 Net other operating income

EUR '000	H1 2024	H1 2023
Other income	**4,401**	**35,743**
Gains on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	54	1
Gains on the reversal of provisions	326	28,737
Gains on foreign currency translation	-	2,670
Gains on investment property	1,178	1,203
Other rental income	265	263
Income from real estate services and property development	1,422	1,436
Income from early repayments	248	610
Sundry other income	908	823
Other expenses	**-9,255**	**-1,127**
Losses on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	-16	-
Losses on foreign currency translation	-7,874	-
Losses on deconsolidation	-24	-
Losses on investment property	-735	-895
Sundry other expenses	-606	-232
Total	**-4,854**	**34,617**

The change in “Gains on the reversal of provisions”, reported under “Other income”, stems from a non-recurring effect from settlement agreements concerning negative interest on corporate loan agreements, recognised in the first half of 2023. Information on provisions can be found in Note 6.1.

Other income and other expenses from foreign currency translation include translations for on-balance-sheet assets that are offset by foreign-currency measurements of forward exchange transactions, reported under net gains or losses on financial assets and liabilities.

5.3 Administrative expenses

Analysis of administrative expenses

EUR ’000	H1 2024	H1 2023
Staff costs	**-33,524**	**-30,816**
Wages and salaries	-26,181	-23,888
Pensions and other employee benefit expenses	-7,343	-6,927
Other administrative expenses	**-20,230**	**-27,454**
Premises	-2,260	-2,197
Office and communication expenses	-570	-576
IT expenses	-8,786	-7,572
Legal and consultancy costs	-1,467	-1,131
Advertising and entertainment expenses	-2,274	-2,210
Other administrative expenses	-4,873	-13,768
Depreciation, amortisation and impairment	**-1,940**	**-2,099**
Depreciation and amortisation	-1,940	-2,099
Intangible assets	-107	-89
Buildings used by Group companies	-722	-728
Equipment, fixtures and furnishings (incl. low value assets)	-904	-1,116
Right-of-use assets (IFRS 16)	-208	-166
Administrative expenses	**-55,694**	**-60,369**

	H1 2024	H1 2023
Average number of employees (excl. on statutory leave)	611	594

6 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 Provisions

Estimation uncertainties and judgements

Other provisions

As at 30 June 2024, the provision for negative interest rates in connection with corporate loan agreements, carried under "Other provisions", amounted to EUR 5,169thsd (31 Dec. 2023: EUR 5,495thsd). Since this provision relates to a legal risk, allocations to it are recognised in "Other operating expense", while any reversals are reported under "Other operating income".

Sensitivity of the provision for negative interest rates under corporate loan agreements (parameter changes expressed in EUR '000)	30 Jun. 2024	31 Dec. 2023
Expected parameter assumptions	5,169	5,495
Expected settlement percentage +10 percentage points	5,557	5,907
Expected settlement percentage -10 percentage points	4,782	5,083
Weighting of full payment +10 percentage points	5,686	6,044
Weighting of full payment -10 percentage points	4,653	4,946

EUR '000	1 Jan. 2024	Allocations	Utilisation	Reversals	Discount unwinding effect	Remeasure-ment	30 Jun. 2024
Other provisions	**5,643**	**-**	**-44**	**-326**	**-**	**-**	**5,273**

6.2 Other assets and liabilities

Other assets

EUR '000	30 Jun. 2024	31 Dec. 2023
Offset receivables (public loan management)	12,388	11,485
Accruals and deferrals, and contract assets in accordance with IFRS 15	8,140	5,708
Other offset receivables	3,363	5,883
VAT and other tax credits (other than income tax)	2,196	2,272
Trade receivables	1,544	2,189
Sundry other receivables	917	1,581
Immaterial equity investments	473	582
Other assets	**29,020**	**29,700**

Other liabilities

EUR '000	30 Jun. 2024	31 Dec. 2023
Trade payables	98,656	56,709
SEPA clearing offset liabilities	46,387	25,560
Firm commitments arising from future lending business	12,970	9,907
VAT and other tax liabilities (other than income tax)	8,497	10,135
Employee liabilities	7,865	7,326
Other offset liabilities	5,173	3,026
Accruals and deferrals, and contract liabilities in accordance with IFRS 15	3,914	3,746
Lease liabilities in accordance with IFRS 16	1,719	900
Sundry other liabilities	391	1,060
Offset liabilities (public loan management)	234	937
Other liabilities	**185,807**	**119,305**

7 TAXES

7.1 Income tax

EUR ’000	H1 2024	H1 2023
Current income tax	-2,889	-12,982
Current income tax on previous years	-226	-19
Deferred income tax	-7,245	-2,684
Total	**-10,135**	**-15,665**

7.2 Tax assets

EUR ’000	30 Jun. 2024	31 Dec. 2023
Current tax assets	9,302	8,378
Deferred tax assets	271	279
Total	**9,573**	**8,657**

7.3 Tax liabilities

EUR ’000	30 Jun. 2024	31 Dec. 2023
Current tax liabilities	15,446	17,074
Deferred tax liabilities	26,943	19,893
Total	**42,389**	**36,966**

8 RISK MANAGEMENT

At the HYPO NOE Group, risk is defined as the possibility of unexpected, unfavourable future developments that could have an adverse impact on the assets, earnings or liquidity of the Group or of individual subsidiaries.

Derived from the Group's strategic objectives, development of all significant business activities takes strategic risk factors into account, with a strong focus on risk-bearing capacity. The Bank attaches particular importance to the assessment of risks in the light of the risk-reward ratio. Risks are not ends in themselves but are assumed in the interests of value creation and, in turn, improved risk-bearing capacity, as well as adequate returns on risk capital. The refinement of instruments and processes aimed at maintaining an adequate risk-reward ratio is seen as an integral element of the Group's long-term strategy.

The Group's risk-bearing capacity is safeguarded by a balanced relationship between risks and coverage capital. To this end, eligible risk coverage capital is carefully defined, and the confidence level for risk quantification (i.e. the probability of loss) is set at a conservative level.

The disclosure of risks is based on the Group's internal risk management and risk reporting systems.

8.1 Risk management system

Achieving business success necessarily involves taking risks. The HYPO NOE Group practises active risk transformation and risks are consciously incurred in connection with it. The Group's risk management objectives are to identify, measure, actively manage and monitor all risks arising from banking operations (credit, market, liquidity, operational, reputational and other risks).

The HYPO NOE Group's organisational structure provides for a clear separation of front and back office functions (four-eye principle) at every level up to and including the Management Board. The front office functions originate business and give initial clearance to transactions, while the back office functions cast an additional, independent vote that confers final approval. In line with the internal division of responsibilities, the unanimous approval of the front and back office functions is required for all business decisions that would alter the risk profile. There are also rules for the ultimate approval of exposures requiring resolutions of the Group's Supervisory Board.

All risks that the HYPO NOE Group is in a position to manage are subject to a Group-wide, uniform limit system, which is monitored continuously. A Group-wide risk reporting system ensures timely, regular and comprehensive risk reporting. In addition to the quarterly risk management report, which provides an aggregated summary of all identified material capital risks and the available capital coverage, and analyses the Group's insolvency risk, the Management and Supervisory Boards receive separate regular risk reports for each risk category. These provide detailed information on current risk-related developments.

The disclosures required by Part 8 of the CRR are made on a consolidated basis for the HYPO NOE Group, in a separate document posted on the Group's website (en.hyponoe.at).

The rules for introducing new lines of business or new products, and for entering new markets, call for an appropriate prior analysis of the relevant business risks. Without exception, transactions that entail risks are only permitted if they are explicitly regulated and authorised by the Group's risk documentation. In principle, the Group restricts its exposures to areas where it has the necessary expertise to judge and manage the specific risks involved. If the risk situation is unclear, or there are methodological uncertainties, the principle of prudence is given precedence.

The HYPO NOE Group identifies, quantifies, monitors and manages risks in accordance with the applicable statutory and commercial requirements. In spite of the risk management methods and internal control processes in place, the Group may still be exposed to unknown and unexpected risks.

8.2 Aggregate risk management and risk-bearing capacity (ICAAP)

The identification, quantification and oversight of total Bank risk at portfolio level is the responsibility of the Strategic Risk Management Department, and involves the identification, measurement, aggregation and analysis of all the risks assumed, assessment of the adequacy of economic capital in relation to the risk profile, as well as the use and ongoing refinement of appropriate risk management systems.

Maintenance of adequate risk-bearing capacity is monitored by two control loops:

1. The economic gone concern control loop provides creditor protection against exposure to customer liquidation. Risks are measured at a high confidence level (99.9% with a one-year holding period) and compared with the risk coverage capital available in the event of liquidation.

2. The going concern management control loop is designed to ensure that the Bank survives as a going concern. Here, risks are measured at a lower confidence level of 95% with a one-year holding period, and compared with the coverage capital realisable without endangering survival.

As at 30 June 2024, the Group was utilising 48.3% of its risk-bearing capacity – a decrease compared with 31 December 2023 (54%). This reflected a fall in interest rate risk. The reduction stemmed from proactive management, and was also partly attributable to the regular update of modelling parameters, which are based on historical data.

8.2.1 Recovery plan

Under the *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 HYPO NOE Group is required to draw up a recovery plan. Embedding of the plan in day-to-day operations pursuant to the Act is integral to the Group's risk and capital management framework.

At the core of the expanded risk management and overall control processes implemented under the recovery plan, specific indicators and restructuring and communication measures will be established, as well as robust escalation and decision-making processes within the recovery governance structure that supplement the existing control measures in the event of an impending or unfolding crisis.

Early warning and recovery indicators are an integral part of the reporting within the relevant management bodies.

The regular review of the Group's recovery plan for 2023, as required by the Act on the Recovery and Resolution of Banks, is currently in progress. It involves assessing selected indicators (including defined threshold values) and the defined escalation process, as well as updating recovery measures including overall restructuring capacity and the modelled scenarios.

Together with the stable business model, which is geared towards maintaining profitability over the long term, and dictates that risks can only be assumed on the basis of an overall risk strategy that is in line with the Group's regional roots in Lower Austria, the recovery plan forms an additional key element in protecting the Group's assets, and those of its business partners and shareholders.

8.2.2 Bank-wide stress test

Derived from an economic analysis, scenarios relevant to the HYPO NOE Group's business model are generated as part of the Bank-wide internal stress testing. The impact of the scenarios on credit, investment and liquidity risk, net interest income and credit spreads, as well as on the recognition of additional risk provisions pursuant to IFRS 9 and expected defaults, are simulated at Group level to determine both regulatory and economic risk-bearing capacity. The results of the stress test are reported to the Management Board together with proposed countermeasures, and presented to the Risk Management Committee (RICO) and Risk Committee.

In addition, reverse stress tests are carried out annually, and stress tests may also be held on a case-by-case basis.

8.2.3 Basel III/IV

Implementation of the new CRR III, CRD IV and EBA ITS 4.0 requirements has proved to be highly challenging from both a technical and a business perspective. The uncertainty surrounding the final amendments was removed with the publication of the last round of changes to the CRR III in May 2024, just over half a year before the new regulations come into effect. However, in some key areas the new regulations still leave significant scope for interpretation, which is only expected to be reduced over the coming years by way of the EBA's Q&A process. This is compounded by the fact that final publication of all of the specialist and technical elements of EBA ITS 4.0, which was already scheduled to appear very late in the day, is expected to be pushed back again. The essential elements required for the common reporting framework (COREP) are only expected to be available in mid-February 2025 – just one and a half months before the first reporting deadline for a final version.

8.2.4 Minimum requirement for own funds and eligible liabilities (MREL)

As at 30 June 2024, the HYPO NOE Group was obliged to comply with the following mandatory minimum requirements for MREL:

- 5.91% of leverage ratio exposure, or
- 21.61% of total risk exposure

The Bank's own funds and eligible liabilities are well above the minimum requirements established by the regulator.

8.3 Credit risk

Information on credit risk can be found in Note 4 FINANCIAL INSTRUMENTS AND CREDIT RISK.

8.4 Market risk

8.4.1 General information

Market risks are potential losses resulting from adverse changes in the net asset value of exposures due to changes in market prices.

Market risks specific to banking include:

- Interest rate risk in the banking book
- Credit spread risk
- Foreign exchange risk
- Options risk (volatility risk)
- Trading book risk
- Basis risk
- Credit valuation adjustment (CVA) risk
- Concentration risk inherent in market risk
- Commodity price risk
- Share price risk
- Fund price risk
- Sustainability risk

The HYPO NOE Group's market risk management strategy sets out the strategic guidelines for managing market risks specific to banking.

The main market risks facing the HYPO NOE Group are interest rate risk in the banking book, and credit spread risk (in particular in the nostro portfolio) arising in part from ordinary banking activities such as fixed-interest lending and management of liquidity reserves. The HYPO NOE Group has implemented limits, as well as detailed oversight and control processes to address these risks. In the course of its business operations, the HYPO NOE Group is exposed to foreign exchange and option risks (e.g. embedded upper and lower interest rate limits) which are monitored and managed. The use of derivatives to hedge interest rate risk can give rise to basis risk, which is likewise closely watched. Risk management procedures and methods are also in place to deal with the CVA risk associated with derivatives. The concentration risk inherent in market risk chiefly arises from own investments made to control the liquidity reserve, and is managed and limited together with the latter. The Bank also uses the small trading book to trade on its own account. Appropriate and transparent limits that reflect risk appetite and monitoring processes have been introduced in order to maintain compliance with legal requirements and internal risk management policies.

The HYPO NOE Group has not earmarked any internal risk capital for commodity, share price or fund risk, and, as a result, no material risks may be incurred in these market risk categories. Sustainability risk is limited and managed by applying inclusion and exclusion criteria, among other measures.

The HYPO NOE Group's market risk strategy is based on the principles set out below, which are enshrined in the Group's risk strategy. These principles ensure capital coverage of the market risks incurred at all times, and underpin the related monitoring, control and transparency of the individual market risk positions by:

- Identifying and regularly evaluating market risks
- Specifying and regularly reviewing the suitability of models and processes for measuring market risks
- Quantifying market risk on the basis of the processes established
- Determining Management's risk appetite and tolerance with respect to the various individual market risk categories, taking account of risk and reward expectations
- Identifying and complying with legislative and regulatory frameworks
- Appropriately limiting and monitoring market risk on the basis of the specified risk tolerance
- Goal-driven reporting

8.4.2 Interest rate risk in the banking book

When measuring, managing and restricting interest rate risk, the HYPO NOE Group distinguishes between period net interest income risk – which mainly tracks the risk of net interest income fluctuations in a given period – and present value risk, which measures decreases in the asset value of a particular portfolio due to interest-rate-induced changes in present value.

A major objective for the HYPO NOE Group is monitoring and managing the interest rate risk arising from aggregate net interest income at Bank level and sub-portfolios relevant to IFRS earnings and equity, which are prime indicators of performance in the accounts for a given period. Additionally, the present value of interest rate risk across the entire banking book is managed to ensure conformity with the Bank's total risk-bearing capacity and supervisory requirements (identifier for an outlier bank).

Monitoring and quantifying interest rate risk is the responsibility of an independent back office department, Strategic Risk Management. This involves scrutinising interest rate gaps, calculating present values and performing sensitivity analyses. Positions with interest rates fixed for indefinite periods, fixed-interest loan commitments and associated assumptions on prepayments are modelled and regularly assessed on the basis of statistical models and/or expert estimates. Analysis is carried out for the entire banking book and for sub-portfolios.

The ALM team is responsible for managing interest rate risk positions and implementing the Bank's interest rate risk management strategy. The primary objective is to achieve stable, long-term contributions to net interest income, while also managing the present value of interest rate risk in terms of its impact on earnings.

The Bank's interest rate risk policy is planned as part of the annual budget and medium-term planning, and calibrated to the Bank's risk appetite. Adherence to the strategic interest rate risk position is reported to the ALM Committee and, if necessary, adjusted in consultation with the Management Board.

The ALM Team is responsible for operational implementation of the interest rate risk management strategy within the preordained interest rate risk limits and authorities, and coordinates regularly with Strategic Risk Management on decisions that have a bearing on interest rate risk. Interest rate risk management measures are ultimately executed by the Treasury/Capital Market/FI/IR Department.

The HYPO NOE Group makes use of fair value hedges that qualify for hedge accounting in order to guard against interest rate risk arising from structured positions and significant fixed-interest positions. Low-value transactions are combined and hedged by means of layered hedges. Interest rate swaps are normally used as risk management instruments. Alternatively, the Bank uses new investment and refinancing business as a means of managing structured fixed-interest risk positions.

Current interest risk situation: total banking book

Deposit modelling, prepayment assumptions, the scaling factors for internal interest rate risk, and the presentation of non-performing transactions as well as provisions for pensions and termination benefits in the measurement of interest rate risk were all reviewed in the first half of 2024 as part of the regular parameter updates. Full valuation as applied in the present-value approach was extended to all transactions. In addition, an early warning indicator of 5% of own funds was removed from the calculation of interest rate risk for the period. The following table shows the results of the six scenarios and the risk in the worst case scenario in relation to own funds as at 30 June 2024 and 31 December 2023.

Regulatory interest rate risk, total banking book, change in present value, EUR ’000	30 Jun. 2024	31 Dec. 2023
Scenario I: EBA parallel up	-14,727	-48,790
Scenario II: EBA parallel down	-15,019	16,384
Scenario III: EBA steepener	5,223	4,941
Scenario IV: EBA flattener	-8,463	-605
Scenario V: EBA short rate up	-12,329	-17,350
Scenario VI: EBA short rate down	-2,562	7,680
Worst-case scenario	**-15,019**	**-48,790**
Worst case as percentage of equity	**1.84%**	**5.97%**

The interest rate risk by period for both parallel interest rate shocks is as follows:

Interest income risk for the period, EUR ’000	30 Jun. 2024	31 Dec. 2023
Scenario I: EBA parallel up	5,054	-537
Scenario II: EBA parallel down	-13,570	-5,927

8.4.3 Credit spread risk

Credit spread risk is the impact of adverse changes in risk premiums on instruments for which prices are determined by the markets. As with the measurement of interest rate risk, a present-value and a period-based approach are applied. Credit spread risk mainly arises due to own investments of liquidity reserves. The IFRS fair value of loans is included in the measurement of credit spread risk.

Management of credit spread risk focuses primarily on the present value of risk, as this reflects the loss in net asset value resulting from adverse changes in risk premiums. The resulting risks are monitored and quantified, with limits set, and reflected in the risk-bearing capacity calculation. The capital requirements resulting from credit spread risk are determined for the entire nostro portfolio in the banking book and for loans measured at fair value using a historical value-at-risk (VaR) model.

Credit spread, VaR (holding period of one year, confidence level of 99.9%), EUR ’000	30 Jun. 2024	31 Dec. 2023
Total credit spread risk	-32,049	-29,227

Under the period-based approach, the effect of changes in risk premiums on net interest income is calculated for a 12-month period, assuming a constant balance sheet structure. In order to quantify risk, a scenario with falling risk premiums and one with rising risk premiums are compared with a baseline scenario in which funds from a maturing transaction are reinvested, applying current risk premiums. Quantiles that reflect the changes in credit spreads with a holding period of one year are taken from the history and applied in order to calculate the credit spread risk under both of these risk scenarios. For the scenario in which falling spreads are assumed, quantiles of 0.01% and 5% of the annual change in credit spreads were calculated; in the scenario with rising spreads, quantiles of 95% and 99.9% were calculated. The results of this period-based approach are shown below:

Credit spread risk by period (horizon of one year, confidence level of 99.9%), EUR ’000	30 Jun. 2024	31 Dec. 2023
Total credit spread risk	-893	-856

8.4.4 Other market risks

Refinancing in the same currency and the use of FX derivatives serves to effectively eliminate foreign exchange risks for the Group. Consequently, under the Capital Requirements Regulation, as at 30 June 2024 the Group was not subject to the minimum capital requirement for foreign exchange positions, as the total position for the Group as a whole was less than 2% of eligible capital.

The residual foreign exchange risk for all open currency positions is regularly measured and monitored, using a VaR approach based on exchange rate fluctuations over time. In the first half of 2024 the variance/covariance approach was replaced by a historic approach. The observation period takes exchange rate fluctuations since 2005 into account.

The Group does not engage in any business that requires it to maintain a large trading book as defined by the CRR. It maintains a small trading book as defined by Article 94 CRR, and the volume of business is limited accordingly. Daily observation is performed by the Strategic Risk Management Department. Nominal holdings are also monitored and limited, as are foreign currency, interest rate and credit spread risks. During the first half of 2024 there were no positions in the small trading book.

Volatility risks in the HYPO NOE Group chiefly arise from embedded upper and lower interest rate limits on loans and deposits. The management and oversight of these exposures forms part of management of interest rate risk in the banking book.

Basis risks arise from different discount curves for hedged items and hedges, as well as from the requirement to recognise the foreign currency basis when measuring the hedging instrument, but not the underlying transaction. Basis risks arising from differing discount curves are in principle purely valuation risks, resulting from current market practice with regard to valuation in hedge accounting. Cash-collateralised derivatives are discounted using the risk-free interest curve, while hedged transactions are discounted using the Interbank Offered Rate (IBOR) interest curve, which includes the interbank liquidity spread as well as the risk-free rate. Risk over the term of the instrument is determined for all transactions subject to hedge accounting, and for stand-alone derivatives, using a VaR approach based on historic variations in the OIS spread.

FX basis risks arise when the FX basis components in the hedged transaction do not qualify for hedge accounting although they are included in the valuation of the hedge instrument. In economic terms, no risk arises over the entire term of such FX hedges as the periodic effects on earnings completely cancel each other out. The risk is limited and regularly monitored.

When calculating the fair value of derivative instruments, the CVA for counterparty risk and the debt valuation adjustment (DVA) for the Bank’s own credit risk must be taken into account. The CVA is calculated using customary methods (expected exposure arrived at by means of a Monte Carlo simulation, and probability of default according to CDS curves). Global CDS curves are applied according to rating and sector. The effects of the CVA and DVA are recognised in consolidated profit or loss. These effects are regularly analysed.

8.5 Liquidity risk

Liquidity risk is defined as the danger that the HYPO NOE Group will be unable to meet its present and future payment obligations in full and on time, or may only be able to do so at prohibitive cost.

The HYPO NOE Group distinguishes between intraday liquidity risk management, operational liquidity management (up to one year), and planning and implementation of the medium-to-long-term refinancing strategy (structural liquidity risk).

8.5.1 Strategic liquidity risk management targets

The liquidity risk management function identifies, analyses and manages the HYPO NOE Group’s liquidity risk position, with a view to maintaining sufficient, cost-effective liquidity coverage at all times.

This gives rise to the following fundamental liquidity risk management objectives:

- Maintenance of a sufficient liquidity buffer, based on suitable stress tests and limit systems, to maintain solvency at all times
- Optimisation of the refinancing structure with respect to risk tolerance, maturity transformation and costs
- Comprehensive planning of the medium-to-long-term refinancing strategy
- Coordination of issuance activity on the money and capital markets
- Risk- and cost-reflective pricing
- Compliance with statutory regulations and legal frameworks

These objectives define the central aspects of liquidity risk management at the HYPO NOE Group:

- Identification and regular assessment of liquidity risks
- Selection of models and processes for measuring identified liquidity risks, and regular review of their suitability
- Quantification of liquidity risk on the basis of the defined processes
- Identifying and complying with legislative and regulatory frameworks
- Determining Management’s risk appetite/tolerance
- Maintenance of an appropriate liquidity buffer at all times
- Reasonable limitation and monitoring of liquidity risk on the basis of the specified risk tolerance
- Goal-driven reporting
- Emergency plans and processes, and regular reviews to ensure that these are up to date and appropriate
- Efficient and timely management of operational liquidity
- Approval and monitoring of the implementation of the medium-to-long-term refinancing strategy
- Employment of processes and procedures aimed at the risk-reflective allocation of liquidity costs

8.5.2 Implementation of liquidity risk management

Day-to-day liquidity requirements are monitored and managed on the basis of daily reports prepared by the Strategic Risk Management Department.

The department compiles extensive monthly liquidity risk reports to assist in the analysis and control of operational and structural liquidity, and monitoring of compliance with the liquidity risk limits. These reports describe and analyse operational liquidity risk over a period of 12 months according to a normal scenario (volatility scenario), as well as three stress scenarios (name crisis, market crisis and combined crisis) and the structural liquidity risk inherent in the normal scenario. In addition, the Management Board receives comprehensive monthly progress reports on the liquidity position, incorporating planning assumptions and key liquidity risk indicators, as well as information on the current liquidity situation. The Board also receives reports on the liquidity position and limit utilisation, primarily in the course of its regular meetings and from RICO.

The HYPO NOE Group’s operational liquidity capacity is evaluated and monitored on a monthly basis, in terms of the length of time that the Bank would be able to survive (“time to wall”). The net cash outflows in the normal scenario and the three stress scenarios are compared with the relevant available liquidity reserve, and the point in time when the liquidity reserve would no longer be sufficient to cover the net cash outflows is calculated.

With a limit of eight weeks (or 12 weeks in the case of an early warning), the HYPO NOE Group’s time to wall as at 30 June 2024 was over 52 weeks (31 Dec. 2023: over 52 weeks). Alongside time to wall, the regulatory liquidity coverage ratio (LCR) is likewise an important operational liquidity control metric. The LCR is reported on a monthly basis and is integral to the Group’s operational liquidity management and the planning processes. The LCR reported to the regulator was 260.02% as at 30 June 2024 (31 Dec. 2023: 235.99%). The liquidity position (LP) key indicator is employed to monitor the Bank’s liquidity reserve. Additionally, movements in deposits are monitored on a daily basis, with negative deviations from the budget limited by means of an indicator.

Besides economic capital, a maximum annual gap determined by the Group’s risk appetite, as well as the regulatory structural liquidity ratio (net stable funding ratio [NSFR]) are measured and managed in order to monitor structural liquidity risk. The Group’s NSFR stood at 123.78% at 30 June 2024 (31 Dec. 2023: 115.63%).

Besides various internal limits, early warning indicators are in place to identify impending critical liquidity situations as early as possible, so that the Bank can initiate timely countermeasures.

Current liquidity risk situation

The HYPO NOE Group is well placed as regards its refinancing position. It continues to draw its liquidity from conventional capital market transactions and from deposits, as well as standard repo transactions. Transactions with development banks are another source of refinancing. The final part of the funding taken out under the Targeted Longer-Term Refinancing Operation (TLTRO) programme was repaid in the first half of 2024.

The Group continued its successful and long-running capital issuance programme in the first half of 2024, with the issue of a EUR 500m mortgage-backed covered bond, a CHF 100m green senior preferred bond and a EUR 500m public-sector covered bond. Smaller senior unsecured bonds were also issued.

The Group’s liquidity position is solid. The refinancing mix adopted, comprising current account and savings account deposits, fixed-term deposits from institutional customers, repo transactions and capital issues, ensures that this will remain the case over the long term. This broad-based refinancing portfolio is supplemented by sufficient marketable securities.

Throughout the period under review, the regulatory indicators designed to limit liquidity risk – the Basel III indicators, LCR, NSFR and additional liquidity monitoring metrics (AMM) – were tracked on the basis of the published standards and reported to the Austrian regulator. Where applicable, the minimum regulatory requirements were observed. Compliance with the statutory regulations in day-to-day operations is assured going forward by their integration into the Group’s internal liquidity risk management arrangements and planning processes, as well as strict internal standards and operational control processes.

The primary instruments used by the HYPO NOE Group to manage and cover short-to-medium-term maturities are its available liquidity reserve, cash reserves and overnight investments. The Group draws a distinction between high-quality, highly liquid assets (HQLA) and other ECB or GC Pooling repoable collateral.

8.6 Operational risk

Operational risk is the danger of losses arising directly or indirectly from the inadequacy or failure of internal processes or systems, human error or external events. In each of these categories of operational risk, legal risks can result in losses. This is because in every category the HYPO NOE Group can be exposed to claims or legal proceedings arising from alleged breaches of contractual, statutory or regulatory requirements. Information and communication technology (ICT) risk and reputational risk are closely related to operational risk, whereas business risks do not form part of it.

The management of operational risks in the HYPO NOE Group is subject to a consistent Group-wide system of controls. The following methods are used to identify, evaluate and mitigate operational risks:

- Continuous recording of operational risk events, including the development of countermeasures designed to recognise such events at an early stage or avert similar events in future, as well as regular reporting to the Management Board
- Ongoing monitoring of the implementation of such measures up to completion, and submission of quarterly status reports to the Management Board
- Forward-looking monitoring of the operational risk profile using key risk indicators
- Evaluation of factors that could alter the risk profile, such as the introduction of new products or outsourcing activities
- Ongoing adaptation of and improvements to internal guidelines
- Management of business interruption risks by means of emergency plans embedded in the business continuity management (BCM) system
- Strict adherence to the four-eye management principle so as to reduce the likelihood of risk events occurring
- In-service training as part of staff development
- Insurance against various risks

There is also an emphasis on continuously improving the effectiveness and efficiency of operational risk management processes. The operation and continuous improvement of an effective internal control system (ICS) is aimed at reducing the likelihood of operational risk events and minimising their impact. Risks are systematically identified and assessed, controls agreed and developed, and where necessary key processes adapted.

Current operational risk situation

During the reporting period, all operational risk events were recorded in a central database. Improvements are seen as crucial to controlling operational risk: they have been consistently formulated and implemented when operational risk events and near-miss incidents have occurred.

The early-warning and key risk indicators yielded satisfactory results. The Group has responded to the continued increase in the number of cases of payment fraud in connection with debit cards, but also via other channels (notably using social engineering techniques), through an ongoing awareness-raising campaign aimed at customers and staff.

The ICS was updated in the course of the annual review.

Risks in connection with new products and new outsourcing are routinely surveyed using a standard evaluation tool, which is built into the product launch and outsourcing processes.

Due to the Group's ongoing digitalisation drive as well as the applicable regulatory requirements, ICT risk has become a major issue. It is addressed by the Operations, Organisation & IT Department in cooperation with Strategic Risk Management. ICT risks are identified, assessed, mitigated and documented using a specialised risk management tool. This focuses on the following three sources of risk: Accenture TiGital GmbH in its capacity as the developer and operator of the in-house core banking system; the HYPO NOE Group, its employees and processes, and the IT systems and applications it develops and operates itself; and third parties to which ICT services are outsourced.

8.7 Reputational risk

As the HYPO NOE Group attaches great importance to limiting and managing reputational risk, this is treated as a separate risk category. The utmost care is taken to avoid potential harm to the Group's reputation when taking business decisions, and a process for evaluating reputational risk is in place.

Reputational risk is the danger of direct or indirect damage to the Group's good name, and the opportunity costs that this would entail. Such damage can compromise the Group's all-important standing and the trust of its stakeholders, including customers, investors, employees, business partners and the community. It may arise from a failure to live up to these stakeholders' expectations.

In the Group's view, effective business processes, coupled with sound risk monitoring and management, lay the groundwork for meeting those expectations. The Group's code of conduct outlines the common values and principles shared by its employees. The HYPO NOE Group also avoids business policy measures and transactions associated with particularly acute legal or tax risks, or with substantial environmental risks. The Group's lending is subject to clear ethics guidelines and business principles, which permit strict implementation of a holistic environmental and social sustainability approach in its lending policies. In this way, the Bank ensures that loans are only extended for purposes that are compatible with its philosophy and sustainability strategy. The ethics guidelines and business principles comprise exclusion criteria, coupled with the exercise of particular care in financing environmentally and socially sensitive sectors. They are fundamental to the approach to initiating new business across the Group. These criteria are also explicitly referred to in the ESG and reputational risk questionnaire that forms part of loan applications.

The independent ombudsman deals quickly and efficiently with customers' concerns (such as complaints and misunderstandings), and seeks to find satisfactory solutions in consultation with them. Besides meeting the statutory requirements, the goal is to improve customer relationships and mitigate reputational risk.

8.8 Sustainability risks

In accordance with the recommendations of the FMA Guide for Managing Sustainability Risks, the HYPO NOE Group integrated sustainability risks into the current main risk categories in its risk map as separate sub-categories (i.e. reporting the effect on existing types of risk) when drawing up its risk inventory. The risk manuals and strategies reflect this.

Sustainability risks are limited and managed when approving new lending, and by means of regular reviews, using inclusion and exclusion criteria, and by defining environmentally and socially sensitive sectors for which the Bank has a heightened duty of care. These measures are supported by an environment, social and governance (ESG) questionnaire for real estate and corporate customers, by recording compliance with ESG criteria in company rating models by means of the soft facts questionnaire, and by taking ESG indicators into account (corruption index and rule of law indicators) when assessing country ratings.

Compliance with ethics guidelines, in particular the Group's exclusion criteria, is examined before an official loan approval is prepared. If any obstacles are identified, implementation of the financing project concerned is discontinued. This ensures that all loan applications forwarded to Operating Credit Risk Management for assessment meet the defined criteria. No financing plans that breached the Group's ethics guidelines were identified during the first six months of 2024.

Other steps taken to monitor sustainability risks include assessment of potential impacts of climate-related risks in specific regions and countries, and the integration of climate risks into stress tests; evaluation of the lending portfolio with regard to allocation of loans to industries with poor ESG scores by means of an internal sector benchmarking model; and regular assessment of ethics guidelines and business principles.

ESG measures are integrated into the HYPO NOE Group's operations as routine activities in the various departments. The Sustainability Committee has overall responsibility for managing these topics.

The HYPO NOE Group assessed its entire loan and securities portfolio on the assets side to determine which lending can be allocated to the supercategories in accordance with the Commission Delegated Regulation (CDR) supplementing Regulation (EU) 2020/852. Lending activity and, in turn, the allocation of funds was a central element of this assessment. When assessing Taxonomy eligibility, it must be determined whether a financing activity is in principle covered by the economic activities defined in the CDR and, accordingly, has the potential to qualify as an economically sustainable activity. The conformity (alignment) of financing activities with the Taxonomy was also determined for the first time in 2023, and green asset ratios (GARs) calculated on the basis of the environmentally sustainable activities identified.

8.9 Other risks

The following types of risk are classified as "other risks":

- Business risk (the risk of loss resulting from a deterioration in the economic environment or in the HYPO NOE Group's business relationships)
- Strategic risk (the risk of losses arising from decisions on the Group's basic focus and business development)
- Macroeconomic risk (potential losses resulting from exposure to macroeconomic risk factors)
- Concentration risk – encompassing various types of risk (potential adverse consequences of the concentration of, or interplay between similar or differing risk factors or types of risk)
- Leverage risk (any threat to the Bank's stability arising from its actual or potential indebtedness)
- Real estate price risk (potential losses due to downturns in property prices and the resultant adverse effect on the fair value of a property)
- Model risk (potential losses arising from the consequences of decisions that stem from internal approaches, and which are attributable to errors in the development, implementation and application of such approaches)
- Outsourcing/insourcing risk (risks connected with outsourcing banking operations, reintegrating previously outsourced operations, or insourcing banking operations)
- Data protection risk (risks arising from data processing that could lead to physical, tangible or intangible damage)
- Securities risk arising in connection with the Austrian *Wertpapieraufsichtsgesetz* (Securities Supervision Act), i.e. risks arising from the provision of securities-related services

The Group identifies and monitors such potential risks, and uses equity to hedge them, responding to negative developments at an early stage.

8.10 Risk buffer

To address unquantified risks which the risk inventory has determined should be given equity cover when the risk-bearing capacity is computed, the Group maintains a risk buffer which is calculated on the basis of the quantified risks. The risk buffer is treated as an exposure class forming part of the Bank's aggregate risk in the total risk-bearing capacity calculation, and is broken down into model risk, reputational risk and other non-quantified risks. The more advanced and accurate risk measurement processes are, and the smaller the proportion of non-quantified risks, the smaller the capital buffer can be.

8.11 Latent legal risks

It is standard practice to recognise provisions for litigation in which the outcome or any potential losses can be reliably predicted. In such cases, provisions are recognised at a level deemed appropriate in the circumstances, and in accordance with the applicable accounting principles.

9 GROUP STRUCTURE AND RELATED-PARTY RELATIONSHIPS

9.1 Scope of consolidation

All subsidiaries that are directly or indirectly controlled by the parent and are material to presentation of the Group's assets, finances and earnings are included in the scope of consolidation of the HYPO NOE Group. The scope of consolidation is regularly reviewed. Besides the parent, HYPO NOE Landesbank für Niederösterreich und Wien AG, the Group comprises 49 Austrian subsidiaries (31 Dec. 2023: 51) in which the parent meets the criteria for control as specified by IFRS 10. A total of 13 companies are accounted for using the equity method (31 Dec. 2022: 14).

30 Jun. 2024, EUR '000	Domicile	Interest	of which indirect	Carrying amount as at 30 Jun. 2024	Profit or loss from continuing operations, H1 2024	Segment/ Corporate Center	Reporting date
Joint ventures				**9,806**	**1,126**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	20	-36	Public Sector	30 Jun. 2024
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG	St. Pölten	-	-	-	-	Public Sector	-
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	8,051	681	Treasury & ALM	30 Jun. 2024
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	17	-	Public Sector	30 Jun. 2024
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	1,351	220	Public Sector	30 Jun. 2024
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	16	-	Public Sector	30 Jun. 2024
PPP Campus RAP + LGG GmbH & Co KG	St. Pölten	45.00%	45.00%	352	259	Public Sector	30 Jun. 2024
Associates				**21,413**	**2,983**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	48.00%	-	4,600	2,192	Real Estate	30 Jun. 2024
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	3,086	586	Public Sector	30 Jun. 2024
Hotel- und Sportstätten- Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	652	6	Public Sector	30 Jun. 2024
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	255	23	Public Sector	30 Jun. 2024
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	10,212	125	Real Estate	31.3.2024
VIVITliving GmbH	St. Pölten	24.50%	24.50%	2,339	6	Real Estate	30 Jun. 2024
HYPO NOE Versicherungsmakler GmbH	St. Pölten	48.00%	-	268	45	Retail and Corporate Customers	30 Jun. 2024
Total				**31,219**	**4,108**		

*In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of an investment and that of the consolidated statements.

31 Dec. 2023, EUR '000	Domicile	Interest	of which indirect	Carrying amount as at 31 Dec. 2023	Profit or loss from continuing operations, H1 2023	Segment/ Corporate Center	Reporting date
Joint ventures				**8,681**	**760**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	55	-2	Public Sector	31 Dec. 2023
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG	St. Pölten	-	-	-	16	Public Sector	-
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	7,371	560	Treasury & ALM	31 Dec. 2023
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	17	-1	Public Sector	31 Dec. 2023
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	1,130	188	Public Sector	31 Dec. 2023
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	15	-1	Public Sector	31 Dec. 2023
PPP Campus RAP + LGG GmbH & Co KG	St. Pölten	45.00%	45.00%	93	-	Public Sector	31 Dec. 2023
Associates				**19,147**	**443**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	48.00%	-	2,408	269	Real Estate	31 Dec. 2023
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	3,218	603	Public Sector	31 Dec. 2023
Hotel- und Sportstätten- Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	646	2	Public Sector	31 Dec. 2023
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	232	-29	Public Sector	31 Dec. 2023
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	10,087	-409	Real Estate	30.9.2023
VIVITliving GmbH	St. Pölten	24.50%	24.50%	2,333	-31	Real Estate	31 Dec. 2023
HYPO NOE Versicherungsservice GmbH	St. Pölten	48.00%	-	223	37	Retail and Corporate Customers	31 Dec. 2023
Total				**27,828**	**1,202**		

*In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of an investment and that of the consolidated statements.

Estimation uncertainties and judgements

On 27 June 2024, the Supervisory Board of **EWU Wohnbau Unternehmensbeteiligungs-GmbH (EWU)** adopted a resolution to initiate the liquidation of the company after disposal of the non-profit investments. Due to this resolution, it is no longer assumed that the company will continue to operate as a going concern, meaning that the previous estimated recoverable amount, which was based on EWU's continued operation, will change with effect from 30 June 2024.

Previously put at EUR 2,408thsd, the recoverable amount for the 48% interest in EWU as at 31 December 2023 was based on a calculation of the present value of the expected cash flows from EWU. This figure was arrived at by applying a discount rate of 3.5% to the budgeted distributable amounts. This reflects restrictions arising from the Austrian *Wohnungsgemeinnützigkeitsgesetz* (Non-profit Housing Act), which specifies a maximum yield on invested share capital while at the same time limiting the level of income from investments in EWU.

The distributable amounts are calculated on the basis of constant income from investments, less indexed operating costs for EWU's entire lifetime.

The time horizon used in the previous estimate has also changed on account of the resolution adopted, and liquidation is planned in the course of 2025. In accordance with the new estimate, the recoverable amount was EUR 4,600thsd as at 30 June 2024.

9.2 Disclosures on related-party relationships

Estimation uncertainties and judgements

The transfer prices between the HYPO NOE Group and related parties are arm's length prices. The State of Lower Austria's guarantees of loans and advances extended to third parties by HYPO NOE Landesbank, listed in the table below, are likewise all concluded on market terms.

30 Jun. 2024 EUR '000	Parent companies	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties	Identified staff
Open balances						
Selected financial assets	**2,473,901**	**135,372**	**493,769**	**9,806**	**2,539**	**2,409**
Equity instruments	-	74	21,413	9,806	320	-
Bonds	35,709	-	-	-	-	-
Loans	2,438,193	135,299	472,356	-	2,219	2,409
Selected financial liabilities	**419,105**	**432**	**94,930**	**1,756**	**12,431**	**4,983**
Deposits	419,105	432	94,930	1,756	11,906	4,361
Bonds in issue	-	-	-	-	524	623
Nominal value of loan commitments, financial guarantees and other commitments	**253,403**	**28,423**	**26,195**	**100**	**760**	**191**
Loan commitments, financial guarantees and other commitments received	**2,923,914**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**690,119**	**85,000**	**-**	**-**	**-**	**-**
Current period						
Interest income	54,947	2,904	7,974	174	47	31
Interest expense	-4,752	-907	-383	-	-196	-89
Dividend income	-	-	717	-	-	-
Fee and commission income	308	1	132	1	10	-
Profit or loss from the derecognition of financial assets and liabilities not measured as at fair value through profit or loss	-	-	1	-	-	-

31 Dec. 2023 EUR '000	Parent companies	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties	Identified staff
Open balances						
Selected financial assets	**2,438,706**	**130,686**	**457,739**	**12,220**	**2,817**	**2,329**
Equity instruments	-	91	18,291	7,455	229	-
Bonds	35,709	-	-	-	-	-
Loans	2,402,997	130,595	439,448	4,765	2,588	2,329
Selected financial liabilities	**116,345**	**513**	**54,858**	**2,174**	**32,256**	**3,889**
Deposits	116,345	513	54,858	2,174	31,742	3,278
Bonds in issue	-	-	-	-	515	611
Nominal value of loan commitments, financial guarantees and other commitments	**358,670**	**33,457**	**49,920**	**100**	**592**	**196**
Loan commitments, financial guarantees and other commitments received	**2,951,626**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**745,039**	**85,000**	**-**	**-**	**-**	**-**
Current period						
Interest income	84,750	4,815	13,004	353	128	52
Interest expense	-8,015	-1,351	-175	-	-245	-92
Dividend income	-	-	697	-	-	-
Fee and commission income	764	2	228	7	19	-
Profit or loss from the derecognition of financial assets and liabilities not measured as at fair value through profit or loss	-	-	-	-	-	-

10 EVENTS AFTER THE REPORTING PERIOD

There have been no material events since the end of the reporting period.

DECLARATION BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby confirm that, to the best of our knowledge, the condensed 2024 interim consolidated financial statements of the HYPO NOE Group give a true and fair view of the Group's assets, finances and earnings as required by the applicable accounting standards, and that the Group interim operational and financial review gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim consolidated financial statements, and of the principal risks and uncertainties to which the Group will be exposed during the remaining six months of the financial year.

IAS 34 was applied in the preparation of the condensed 2024 interim consolidated financial statements. Essentially the same accounting policies were applied as to the financial statements for the year ended 31 December 2023.

St. Pölten, 6 August 2024
The Management Board

Wolfgang Viehauser
Management Board Member Markets and Speaker of the Board

responsible for

Sales Strategy, Digitalisation & Retail Banking
Marketing & Communication
Public Sector
Corporate Customers
Real Estate Customers
Treasury & ALM
Press Spokesperson

Udo Birkner
Management Board Member Finance, Risk & Operations

responsible for

Group General Secretariat HR & Law
Compliance, AML & Regulatory
Finance
Risk
Operations/Organisation & IT
Internal Audit

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Important information

The greatest possible care has been taken in preparing this semi-annual financial report. However, transmission, typesetting and printing errors cannot be ruled out. Minor rounding differences may occur in connection with totals of rounded amounts and percentages.

The forecasts and forward-looking statements contained in this interim report are based on current estimates and information available at the time of writing. 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 report is definitive. The English version is a translation of the German report.