

SEMI ANNUAL REPORT AS AT 30.06.2012

HYPO LANDESBANK VORARLBERG



Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

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Key figures of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) – Group reporting per IFRS:

in '000 EUR	30.06.2012	31.12.2011	Change	
			in '000 EUR	in %
Total assets	14,350,858	14,218,604	132,254	0.9
Loans and advances to customers (L&R)	8,699,677	8,522,023	177,654	2.1
Amounts owed to customers (LAC)	4,495,123	4,236,334	258,789	6.1
Liabilities evidenced by certificates (LAC)	1,370,373	1,489,110	-118,737	-8.0
Capital resources pursuant to the Austrian Banking Act	993,003	1,051,779	-58,776	-5.6
thereof core capital Tier 1	635,283	721,725	-86,442	-12.0

in '000 EUR	01.01.-	01.01.-	Change	
	30.06.2012	30.06.2011	in '000 EUR	in %
Net interest income after loan loss provisions	73,367	61,375	11,992	19.5
Net fee and commission income	18,865	20,205	-1,340	-6.6
Net trading result*	50,297	3,770	46,527	> 100.0
Administrative expenses	-45,163	-43,594	-1,569	3.6
Earnings before taxes	91,488	38,848	52,640	> 100.0

* contains the early return of hybrid bonds (tier 1 capital) in the amount of EUR 40,858,000

Key figures	30.06.2012	30.06.2011	Change	
			absolute	in %
Cost-Income-Ratio (CIR)*	38.23 %	48.76 %	-10.53 %	-21.6
Solvency ratio (banking book)	12.66 %	12.95 %	-0.29 %	-2.2
Return on equity (ROE)*	29.32 %	13.55 %	15.77 %	> 100.0

* the early return of hybrid bonds (tier 1 capital) will be considered in calculation

Human resources	01.01.-	01.01.-	Change	
	30.06.2012	30.06.2011	absolute	in %
Employees*	727	689	38	5.5

* The average number of employees increased by 20 compared with the same period of the previous year as a result of the full consolidation of HIL Mobilien (formerly Hypo SüdLeasing GmbH) with effect from October 2011.

The shareholders of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 30 June 2012 are:

Shareholders	Total shareholding	Voting rights
Vorarlberger Landesbank-Holding	74.9997 %	74.9997 %
Austria Beteiligungsgesellschaft mbH	25.0003 %	25.0003 %
Landesbank Baden-Württemberg	16.6669 %	
Landeskreditbank Baden-Württemberg Förderbank	8.3334 %	
Share capital	100.0000 %	100.0000 %

Rating Moody's*	
Long-term for liabilities with state deficiency guarantee	Aaa
for liabilities without state deficiency guarantee (as of 2 April 2007)	A1
Short-term	P-1

* On 21 February 2012, the rating agency Moody's posted a negative outlook for Austria and also changed the outlook for numerous banks, including Hypo Landesbank Vorarlberg, from stable to negative.

CONSOLIDATED INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS AT 30 JUNE 2012

BANKING BUSINESS ENVIRONMENT IN THE FIRST SIX MONTHS OF 2012

Global economy and Euro zone

The European debt crisis affected the global markets in the first half of 2012 after the inevitable debt write-down in Greek bonds in the first quarter. The European Central Bank made approximately EUR 1,000 billion available as three year securitised loans to all European banks. The liquidity injection stabilised the inter-bank market, however the momentum was temporary.

Economic conditions and the mood on the stock markets noticeably improved when compared to the previous year. In the USA, both the employment and property markets showed significant signs of life, however the improvement in the employment market was not sustainable, due to declining sentiment indicators. Although the global economy weakened in the second quarter, the US Federal Reserve indicated there would not be a third round of quantitative easing. In addition, Spain's ailing national budget and the structural problems in the economy again moved to the foreground. At the end of the second quarter, Cyprus also had problems with its banks and requested ESM aid. At the same time there was a global economic slowdown which strained the positive mood of the markets. Only the EU summit at the end of June, with agreement on uniform banking standards, brought some relief.

Austria

Austrian economic dynamics suffered from the economic uncertainties in the Euro zone, and economic growth in the second quarter reached an estimated 0.2%. Weak growth, if not stagnation, is expected at least until autumn; however, the Austrian economy, sustained by its strong industrial core, remained above average in the Euro zone, which continued to suffer from a contracting economy. Austrian employment figures show a 1.4% growth compared to the previous year. Inflation in the first half of 2012 was 2.4%, while the actual figure in June was 2.2%

Share and bond markets

The year began extremely well for the stock markets. The German DAX, with an increase of 20% in the first 12 weeks, had its most successful start to the year ever. The emerging mar-

kets also delivered a strong performance. The positive mood of the markets, the improved economic data and the positive valuation ratios in Europe and Japan convinced investors to move to more risky investments. Growing confidence led to slightly higher yields in ten year government bonds. However, worries over global economic growth and the financial situation in Spain increased the volatility on the markets. Shares were again listed for sale and the price of Euro Bund Futures reached record highs. In May, the DAX briefly fell under the 6,000 mark and lost almost of its interim 2012 gains. The EU summit at the end of June appeared to calm the markets. The ECB welcomed the decisions taken at the summit and lowered interest rates although this move was met with disappointment in the markets. Little confidence was raised in the US after weak reports in the technology segment again raised fears for the economy.

Currencies

Currencies clearly reflected developments in the markets. Developments in the euro were marked by the debt crisis; the euro continued to lose value against the US dollar in the second quarter. Due to the intervention of the Swiss National Bank, the exchange rate remained at 1.20 EUR/CHF.

Raw materials

The raw material segment was also affected by the ups and downs and great uncertainty in the financial markets. Industrial metals recorded striking price declines. The WTI crude oil price fell under USD 80 in the second quarter, North Sea Brent crude under USD 90, which also put pressure on the inflation rate in the Euro zone and USA. The extreme fluctuations in the price of gold were triggered by the bad news concerning the euro debt crisis, which led to a volatile, downward trend.

CONSOLIDATED MANAGEMENT REPORT AS AT 30 JUNE 2012

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) earned income before taxes of EUR 91.5 million as at 30 June 2012, an increase over last year's very good results (30 June 2011: EUR 38.8 million). This figure includes the one-off repurchase of hybrid capital loans (Tier 1 capital) in the amount of EUR 40.9 million.

Stable earnings for many years underscore the sustainable business model of Hypo Landesbank Vorarlberg. The Bank has always followed a conservative financial policy and did not alter its valuation principles in the first half 2012.

In May, the management of the bank underwent a major change. Effective 1 May, Board Member Michael Grammer replaced Jodok Simma as Chairman Managing Board when, after 36 years on the Board, Dr Simma did not apply for an extension of his contract. Johannes Hefel and Michel Haller complete the Managing Board. The excellent results of the past years have proven that the bank is on the correct path. The Managing Board will adhere to its proven business model and no major changes are planned.

Income statement

Net interest income after loan loss provisions was EUR 73.3 million as at 30 June 2012, 19.5% higher year-on-year. The course of business for the majority of our customers continues to be stable. Sufficient provisions were made for all recognisable risks and, as in last year, credit risk provisions are at a low level.

Due to high volatility in the markets and lower commissions in securities, net fee and commission income fell by 6.6% to EUR 18.9 million. The net trading result grew to EUR 50.3 million in the second quarter. This includes the one-off repurchase of hybrid capital loans (Tier 1 capital) in the amount of EUR 40.9 million. Without this repurchase, net trading result would have been EUR 9.4 million.

Administrative expenses increased by 3.6% compared to last year to EUR 45.2 million, while staff costs increased by 6.1% to EUR 27.4 million. The number of employees increased by 5.5% to 727 (2011: 689) and includes the employees added through the takeover of Hypo Südleasing GmbH in 2011. In the second quarter of 2012, the number of employees (weighted by % of FTE) increased slightly by one. Material expenses decreased by 0.76% compared to last year.

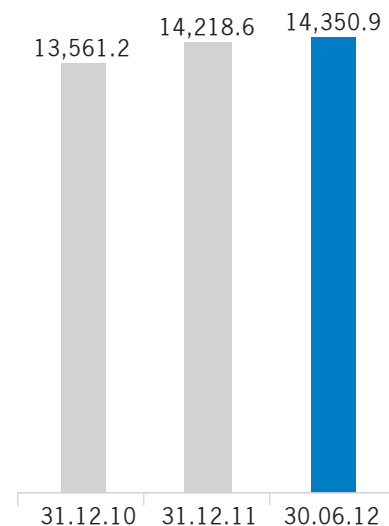
Earnings before taxes as at 30 June 2012 is EUR 91.5 million (2011: EUR 38.8 million). The significant increase in earnings is due to an increase in net interest income with steady risk costs and the preterm repurchase of hybrid capital loans (Tier 1 capital) in the amount of EUR 40.9 million. In order to optimise the capital structure and strengthen the capital base, Hypo Landesbank Vorarlberg repurchased two outstanding hybrid capital loans on 10 April 2012. Gains made from the repurchase will be allocated to retained earnings. Without this repurchase, earnings before taxes would have been EUR 50.6 million, an increase of 30.3% year-on-year. After taxes, Hypo Landesbank Vorarlberg reported consolidated net income as at 30 June 2012 of EUR 73.3 million (2011: 29.7 million).

That Hypo Landesbank Vorarlberg is a healthy, successful and very efficient bank even in challenging times is underscored by a cost-income-ratio of 38.23%, a ROE of 29.32% and a debt/equity ratio (banking book) of 12.66%.

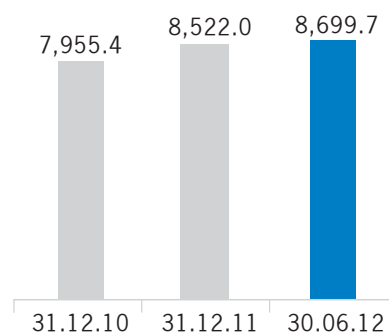
Balance sheet development

Total assets of the Group as at 30 June 2012 amounted to EUR 14.35 billion, 0.9% over last year. Of this, EUR 8,699.7 million is loans and advances to customers. This is an increase of 2.1% and was mainly achieved in markets outside Vorarlberg. On the liabilities side, liabilities to customers in the first six months of 2012 increased by EUR 258.8 million or 6.1% year-on-year to reach EUR 4,495.1 million. Financial liabilities at fair value was EUR 6,097.0 million as at 30 June 2012.

Development of total assets (in million EUR)



Development of loans and advances to customers (in million EUR)



Capital resources

After an increase in capital was agreed in the special general meeting on 28 June 2012, the paid-in capital of Hypo Landesbank Vorarlberg amounted to EUR 159 million as at 30 June 2012. Capital resources under Sections 23 and 24 of the Bankwesengesetz (Austrian Banking Act or BWG) were EUR 1,062.3 million as at 30 June 2012. With a debt/equity ratio (banking book) of 12.66% after capital increase, the Bank is slightly under last year's level due to the repurchase of Tier 1 bonds but has a solid foundation. In order to fulfil the Basel III criteria, further increases in equity will be an important topic in the coming years. The payments made to execute the capital increase will be allocated to capital reserves (EUR 27.7 million).

With a debt/equity ratio (banking book) of 12.66% and a core capital ratio (banking book) of 8.10% (31 December 2011: 9.10%) Hypo Landesbank Vorarlberg is on very solid ground.

With an A1 rating, Hypo Landesbank Vorarlberg remains one of the four highest rated banks in Austria. In order to guarantee an excellent rating and through that favourable refinancing, the Managing Board will pay special attention to further strengthening equity requirements.

BUSINESS SEGMENTS AS AT 30 JUNE 2012

Corporate Customers|Public Sector

Hypo Landesbank Vorarlberg is the leading corporate bank in Vorarlberg. In addition to traditional banking products, it offers bank-related services such as leasing, real estate service and insurance via its subsidiaries. International services as well as expert advising and consulting services with regard to funding programmes and institutions round off its financing portfolio.

Developments in corporate customer business underscore the positive state of the Austrian economy in the midst of a challenging economic and political environment. We continue to note an excellent order situation in businesses. Investment by Vorarlberg businesses was restrained in the first six months which led to a lower demand for loans. Above average growth in loans and new customers was mainly in Vienna, Styria, Upper Austria and Southern Germany. There was a definite increase in demand and term deposits and growth in primary deposits was 8.5% as at 30 June 2012. In addition to offering excellent conditions, we also benefit from the very good creditworthiness of the Bank.

The Corporate Customers sector reported net interest income of EUR 36.2 million for the first six months. Loan loss provisions remain, as in 2011, at an acceptable level. Earnings before

taxes in the Corporate Customers sector was EUR 19.0 million in the first six months of 2012, comparable to last year's excellent results.

Private customers

Hypo Landesbank Vorarlberg distinguishes itself in its private customer business with quality and expertise in consultation-intensive services. The Bank's special expertise and flexibility in meeting customer needs are compelling in the areas of residential construction financing, investment business and sophisticated investments.

Private customers continue to take advantage of low interest rates to build, buy or renovate real estate. Outstanding loans have been repaid prematurely. With Hypo-Klimakredit, Hypo-Lebenswert-Kredit, Hypo-Lebenszeit-Kredit and recent Hypo-Kredit Zinslimit, Hypo Landesbank Vorarlberg offers forms of credit that meet individual financing requirements in the best way possible.

Above all security is what counts in investments and at the same time a trend toward simple products is apparent. Due to the extremely low interest levels, the majority of savings deposits are concentrated in short term forms of saving. Customers are very cautious in the area of securities and interest in alternative forms of investment such as real estate or gold is increasing. Since April 2012, customers can now find an interesting new savings alternative on line. At www.hypodirekt.at, savers can invest from home with very attractive conditions. Hypo Landesbank Vorarlberg is now well-positioned throughout Austria with hypodirekt.at.

Strong competition among banks in the deposit business, coupled with low interest rates, has put tremendous pressure on margins. Nevertheless, net interest income in Private Customers segment again increased compared to last year. As at 30 June 2012, earnings before taxes were EUR 4.2 million (2011: EUR 3,0 million).

Private Banking and Asset Management

Asset management at Hypo Landesbank Vorarlberg recognized investors' elevated security needs at an early stage and offers suitable alternative products in the form of value protection concepts and international investment standards. The introduction of new innovative asset management strategies in December 2011 generated new asset management mandates in the first quarter of 2012. A mathematical investment model, Hypo IQ, has been developed and is able to exploit both upward and downward trends in stock markets. The new Hypo Value Realwertestrategie (real value strategy) for shares is primarily

targeted at the preservation of capital. The bank invests solely in shares of high-quality, large, internationally significant companies from a defined investment universe, which have low valuations.

As at 30 June 2012, assets managed by asset management, based on mandates, was EUR 744.3 million. The number of mandates was 2,866 as at 30 June 2012.

Only Austrian bank with international performance standards in asset management. Pricewaterhouse Coopers reviews the compliance of asset management with the Global Investment Performance Standards (GIPS®) on an annual basis and accredited us most recently in March 2012. Since 2005, Hypo Landesbank Vorarlberg is the first and remains the only Austrian bank whose asset management is certified according to these internationally recognised standards.

Hypo Landesbank Vorarlberg is Austrian winner of the 2012 World Finance Investment Management Award. For the second year in row, Hypo Landesbank Vorarlberg has won the World Finance Investment Management Award given by World Finance – a well-known international financial magazine based in London. The award recognises banks with an outstanding investment approach and long-term performance.

Winners are chosen in two steps. Hypo Landesbank Vorarlberg, Bank Gutmann and Constantia Privatbank were selected as finalists by a vote by readers as the top three banks in Austria and thus became candidates for the award. An expert jury then evaluated their investment strategy, performance standards (especially transparency, risk policy and reporting standards), benchmarking and yields achieved by the investment strategies offered. Hypo Landesbank Vorarlberg emerged from this analysis as the winner in Austria. Banks from 42 countries were reviewed.

In recent years, Hypo Landesbank Vorarlberg has earned an excellent reputation in the sectors Private Banking and Asset Management. This is reinforced by the Bank's award from World Finance in 2011 and 2012 in the investment management category. Based on this foundation, the Bank expects to serve more institutional customers such as pension funds, insurance companies and other banks in future. The already diverse product range has been expanded with new asset management strategies (Hypo IQ and Hypo Realwertestrategie) that are tailored to the current challenging market situation and the securities capital gains tax.

Financial Markets|Treasury

The planned reduction in the liability portfolio for 2012 was successfully implemented by 30 June 2012. In the first six

months significantly more bonds were cancelled, expired or repurchased and reduced than issued. Since the beginning of the year, the issues portfolio has been reduced by approximately EUR 620 million. The EMTN programme as well as the offering programme for structured debt securities was updated in the second quarter, before the new prospectus guidelines come into effect in June 2012. Under new prospectus guidelines, the form and content of the final specifications will be stated in detail. Significant amendments to the specifications of the prospectus may not be added under the new guidelines.

In order to more widely issue mortgage bonds in the international capital market, Hypo Landesbank Vorarlberg is pursuing a rating for this class of securities. To a large extent, the necessary preparations were completed in the first half of 2012, now the actual rating process can begin. We expect to receive the rating by the end of the year,

Despite the decline in volume of the nostro debt securities, the margin contribution has further increased since the beginning of the year; however, this will not be the case in subsequent years. The reason is that the average margin of upcoming redemptions will increase, and more assets must be purchased for regulatory reasons, especially to fulfil the Liquidity Coverage Ratio. Therefore the asset class government bonds will become increasingly important.

Repurchase of hybrid instruments

In order to optimise capital structure and to strengthen our equity base, Hypo Landesbank Vorarlberg repurchased two outstanding hybrid capital loans on 10 April 2012. The loans with a nominal volume of JPY 7 billion (approx. EUR 70 million) and JPY 4 billion (approx. EUR 40 million) were placed in 2003 and 2004 through the HYPO VORARLBERG CAPITAL FINANCE (JERSEY) LIMITED by an institutional investor in Japan as "Private Placement". The repurchase of the hybrid capital loans took place after approval by the Financial Market Authority at full volume at a rate of 51.25% of the nominal value.

The repurchase of the hybrid instruments will strengthen the capital base in preparation for Basel III and is part of the continuing capital optimising strategy of Hypo Landesbank Vorarlberg. Gains made from the repurchase after taxes will be allocated to retained earnings. In keeping with future Basel III regulations, additional replacement issuance in the form of allowable capital resource instruments are planned.

Earnings from the business segments Financial Markets/Treasury were EUR 57.9 million (2011: EUR 10.9 million) as at 30 June 2012. Further developments in the Treasury segment will significantly depend on developments in the financial markets and progress with the sovereign debt crisis.

Leasing and Real Estate

Corporate Center made a contribution to operating income of EUR 10.4 million (2011: EUR 5.6 million) as per 30 June 2012. This includes the areas of leasing and real estate.

The focus for Hypo Vorarlberg Leasing AG, headquartered in Bolzano, Italy, is in the areas of real estate and municipal leasing. The Austrian leasing business has been conducted through Hypo Südleasing GmbH since 2004. At the beginning of 2012, the two previous subsidiaries, Hypo Südleasing GmbH (26% equity ratio until 31 October 2011, thereafter 100%) and Hypo Immobilien GmbH (100% equity ratio) were merged to exploit the administrative synergies, particularly in relation to real estate leasing. Hypo Landesbank Vorarlberg's entire Austrian leasing and real estate business has been combined in one company as Hypo Immobilien & Leasing GmbH. The new company's range of services extends from real estate brokerage through property appraisal, construction management, property management and facility management to optimal financing solutions involving vehicle, movables and real estate leasing. For customers, this means a holistic leasing advisory service and real estate management by an experienced, mobile team of experts working closely with the Bank.

Effective 1 July 2012, the existing IT system is being replaced with new technology, which will provide more efficient administration in all business areas.

OUTLOOK

The European economic policy faces major challenges. WIFO (Österreichisches Institut für Wirtschaftsforschung or Austrian Institute of Economic Research) has based its projections on the assumption that the monetary union will be preserved, that differences in interest rates for bonds issued by individual countries would be reduced and that the strict austerity programmes in the affected countries would be relaxed or at least restructured in order to support growth-oriented national and international investment. WIFO expects a small increase in Austrian GDP of 0.6% in 2012, in 2013, economic growth should increase to 1.3%. Despite the decline in the euro-dollar exchange rate, the decrease in raw material prices will lower the inflation rate to 2.3% in 2012 and 1.9% in the following year.

Focus areas for 2012

Effective 1 May there was a change in the Managing Board of Hypo Landesbank Vorarlberg. Board Member Michael Grammer replaced Jodok Simma as Chairman Managing Board when, after 36 years on the Board, Dr Simma did not apply

for an extension of his contract. Johannes Hefel and Michel Haller complete the Managing Board. The new Managing Board will adhere to its proven business model and focus on customer business. The first six months have been satisfactory and the Board is optimistic, however, in response to known global economic and foreign political conflicts, continued vigilance is essential.

The strategic focus is on deepening existing customer relationships and expanding the Bank's presence on the growth markets outside the home market of Vorarlberg to secure Hypo Landesbank Vorarlberg's earnings power in the long term. We remain dedicated to optimal customer service for existing customers and to obtaining new customers.

In its corporate customer business, Hypo Landesbank Vorarlberg will continue to take a responsible approach in fulfilling its role as leading corporate bank in Vorarlberg and supply companies with financing in existing markets. Companies' investing activities were somewhat restrained in the first two quarters and consequently demand for loans is expected to be lower in 2012.

In the Private Customer segment, the liquidity and refinancing policies will focus more on obtaining savings deposits. Hypo Landesbank Vorarlberg enjoys a high level of confidence from investment clients due to its good creditworthiness and excellent reliability. The need for reliability and flexibility will be met with attractive offers in the savings deposits area. Considerable willingness to invest continues to be expected in the area of private financing, as creating living space and renovations remain extremely important.

Hypo Landesbank Vorarlberg is a consultant and advisory bank and will continue to offer our customers "Passionate. Sound. Advice." At the same time we are required to be a modern bank that keeps up with the times. Beginning in April 2012, our customers are now able to receive an attractive interest rate from home through hypodirekt.at. Hypo Landesbank Vorarlberg is now well-positioned throughout Austria with this new technology.

Investments in securities are to be reduced. Despite planned growth in loans, this could mean that total assets will fall slightly. In the Asset Management segment, we wish to attract more customers from among the customer group of classic, institutional investors such as banks, insurance companies and pension funds. Our "assets" include an innovative product range and knowledgeable, individual advisory and consultancy services.

Expected earnings development in 2012

The interest business will continue to be a stable contributor to earnings development in 2012. In general, the first six months of 2012 were very satisfactory despite many factors generating political and economic uncertainty. Hypo Landesbank Vorarlberg has always paid special attention to a sustainable liquidity policy and has sufficient liquidity reserves to allow a further expansion of its lending and to assume a further increase in net interest income.

The Managing Board expects a stabilisation of net fee and commission income at the current high level. Overall operating expenses will remain at about the same level as the previous year. A slight increase in staff costs must be assumed. Among administrative expenses, in particular higher IT costs must be expected.

Hypo Landesbank Vorarlberg will continue to follow a careful risk and accounting policy and keep sufficient sums for loan loss provisions. Overall, the Managing Board is expecting another very good result in 2012.

The Managing Board must assume a sharp increase in additional costs for the Bank due to the implementation of Basel III, the new securities capital gains tax and bank excise, which will lead to price increases in banking services. In 2011, in addition to corporate tax of over EUR 19 million, Hypo Landesbank Vorarlberg paid a bank excise of EUR 6 million. In view of the required increase in capital resources in the banking sector, we are extremely critical of a further increase in bank excise and the unequal application of these measures.

The centralised portfolio management of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft having registered offices in Bregenz qualifies as a firm within the meaning of the Global Investment Performance Standards (GIPS®). The firm comprises all asset management mandates of private and institutional customers as well as public funds that are managed in the context of the bank's centralised investment process. It does not include decentralised organisational units and other units of the group that operate independently. The firm is in compliance with the GIPS®. For a list of all composites along with a detailed description, please contact Vorarlberger Landes- und Hypothekbank Aktiengesellschaft at: +43 (0)50 414-1259 or e-mail us at gips@hypovbg.at.

I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 30 JUNE

Income Statement

in '000 EUR	(Notes)	01.01.-		Change	
		30.06.2012	30.06.2011	in '000 EUR	in %
Interest and similar income		164,028	150,110	13,918	9.3
Interest and similar expenses		-75,072	-71,165	-3,907	5.5
Net interest income	(2)	88,956	78,945	10,011	12.7
Loan loss provisions		-15,589	-17,570	1,981	-11.3
Net interest income after loan loss provisions		73,367	61,375	11,992	19.5
Fee and commission income		21,198	22,534	-1,336	-5.9
Fee and commission expenses		-2,333	-2,329	-4	0.2
Net fee and commission income	(3)	18,865	20,205	-1,340	-6.6
Net result on hedge accounting	(4)	-650	172	-822	> -100.0
Net trading result*	(5)	50,297	3,770	46,527	> 100.0
Net result from other financial instruments		-2,480	-5,233	2,753	-52.6
Administrative expenses	(6)	-45,163	-43,594	-1,569	3.6
Other income		4,951	6,109	-1,158	-19.0
Other expenses		-9,734	-7,828	-1,906	24.3
Result from equity consolidation		2,035	3,872	-1,837	-47.4
Earnings before taxes		91,488	38,848	52,640	> 100.0
Taxes on income		-18,210	-9,197	-9,013	98.0
Earnings after taxes		73,278	29,651	43,627	> 100.0
Net income from discontinued operations	(15)	0	0	0	0.0
Consolidated net income		73,278	29,651	43,627	> 100.0
Of which attributable to:					
Parent company shareholders		73,269	29,651	43,618	> 100.0
Non-controlling interests		9	0	9	100.0

*contains the early return of hybrid bonds (tier 1 capital) in the amount of EUR 40,858,000

Statement of comprehensive income

in '000 EUR	01.01.-		Change	
	30.06.2012	30.06.2011	in '000 EUR	in %
Consolidated net income	73,278	29,651	43,627	> 100.0
Other income after taxes	4,102	3,383	719	21.3
Changes to foreign currency translation reserve	20	104	-84	-80.8
Changes to revaluation reserve	4,082	3,107	975	31.4
of which changes in measurement	5,153	3,105	2,048	66.0
of which changes in holdings	289	1,038	-749	-72.2
of which income tax effects	-1,360	-1,036	-324	31.3
Change from equity consolidation	0	172	-172	-100.0
Total comprehensive income	77,380	33,034	44,346	> 100.0
Of which attributable to:				
Parent company shareholders	77,371	33,034	44,337	> 100.0
Non-controlling interests	9	0	9	100.0

II. BALANCE SHEET DATED 30 JUNE 2012

Assets

in '000 EUR	(Notes)	30.06.2012	31.12.2011	Change	
				in '000 EUR	in %
Cash and balances with central banks		59,334	137,821	-78,487	-56.9
Loans and advances to banks		1,115,566	1,087,052	28,514	2.6
Loans and advances to customers		8,699,677	8,522,023	177,654	2.1
Positive market values of hedges	(7)	2,138	2,173	-35	-1.6
Trading assets and derivatives	(8)	822,743	806,682	16,061	2.0
Financial assets – at fair value	(9)	1,548,023	1,571,962	-23,939	-1.5
Financial assets – available for sale	(10)	857,554	791,054	66,500	8.4
Financial assets – held to maturity	(11)	1,027,017	1,079,789	-52,772	-4.9
Shares in companies valued at equity		33,167	34,617	-1,450	-4.2
Investment property		39,957	37,788	2,169	5.7
Intangible assets		8,289	8,070	219	2.7
Property, plant and equipment		69,435	70,552	-1,117	-1.6
Tax assets		345	1,248	-903	-72.4
Deferred tax assets		5,632	8,876	-3,244	-36.5
Non-current assets available for sale		6,558	4,750	1,808	38.1
Other assets		55,423	54,147	1,276	2.4
Total assets		14,350,858	14,218,604	132,254	0.9

Liabilities and shareholders' equity

in '000 EUR	(Notes)	30.06.2012	31.12.2011	Change	
				in '000 EUR	in %
Amounts owed to banks		818,767	632,490	186,277	29.5
Amounts owed to customers		4,495,123	4,236,334	258,789	6.1
Liabilities evidenced by certificates	(12)	1,370,373	1,489,110	-118,737	-8.0
Negative market values of hedges	(13)	112,122	84,436	27,686	32.8
Trading liabilities and derivatives	(14)	316,149	327,225	-11,076	-3.4
Financial liabilities – at fair value	(15)	6,097,049	6,505,017	-407,968	-6.3
Provisions		35,857	32,479	3,378	10.4
Tax liabilities		837	5,146	-4,309	-83.7
Deferred tax liabilities		1,750	1,752	-2	-0.1
Other liabilities		145,785	38,772	107,013	> 100.0
Subordinated and supplementary capital		226,709	237,352	-10,643	-4.5
Shareholders' equity		730,337	628,491	101,846	16.2
Of which attributable to:					
Parent company shareholders		730,250	628,413	101,837	16.2
Non-controlling interests		87	78	9	11.5
Total Liabilities and shareholder's equity		14,350,858	14,218,604	132,254	0.9

III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Non-controlling interests	Total Shareholders' equity
Balance 1 January 2011	159,000	27,579	403,110	-2,945	188	586,932	0	586,932
Consolidated net income	0	0	29,651	0	0	29,651	0	29,651
Other income	0	0	434	3,107	-158	3,383	0	3,383
Interim result 2011	0	0	30,085	3,107	-158	33,034	0	33,034
Dividends	0	0	-10,867	0	0	-10,867	0	-10,867
Balance 30 June 2011	159,000	27,579	422,328	162	30	609,099	0	609,099
Balance 1 January 2012	159,000	27,579	453,412	-11,604	26	628,413	78	628,491
Consolidated net income	0	0	73,269	0	0	73,269	9	73,278
Other income	0	0	41	4,082	-21	4,102	0	4,102
Interim result 2012	0	0	73,310	4,082	-21	77,371	9	77,380
Capital increase	0	27,748	0	0	0	27,748	0	27,748
Dividends	0	0	-3,282	0	0	-3,282	0	-3,282
Balance 30 June 2012	159,000	55,327	523,440	-7,522	5	730,250	87	730,337

In accordance with Austrian banking regulations, the Company's share capital and issued participation capital are shown as subscribed capital. The contributions already made for the implementation of the capital increase are reported in capital reserves (EUR 27,748,000).

IV. CONDENSED CASH FLOW STATEMENT

Reconciliation to cash and balances with central banks

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Cash and balances with central banks as at 1 January	137,821	138,452
Cash flows from operating activities	-86,566	-122,112
Cash flows from investing activities	21,888	15,810
Cash flows from financing activities	-13,809	5,288
Cash and balances with central banks as at 30 June	59,334	37,438

V. NOTES

A. ACCOUNTING POLICIES

(1) GENERAL INFORMATION

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2011 were applied to the consolidated interim financial statements. There have been no changes in measurement principles applied with respect to the 31 December 2011 statements.

The Banking Group's semi annual report has not been audited or reviewed by an auditor.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(2) NET INTEREST INCOME

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Income from cash and balances with central banks	783	35
Income from loans and advances to banks	7,243	5,933
Income from loans and advances to customers	100,292	91,245
Income from leasing business	17,347	13,021
Income from hedging instruments	269	152
Income from derivatives, other	1,084	4,074
Income from debt securities	35,686	34,161
Income from shares	550	1,319
Income from investments in affiliated companies	343	0
Income from equity investments, other	431	170
Interest and similar income	164,028	150,110
Expenses from amounts owed to banks	-4,371	-4,590
Expenses from amounts owed to customers	-28,367	-25,018
Expenses from liabilities evidenced by certificates	-10,335	-13,859
Expenses from hedging instruments	-9,829	-5,680
Expenses from derivatives, other	-3,111	-4,712
Expenses from liabilities designated AFV	-17,527	-14,850
Expenses from subordinated and supplementary capital	-1,532	-2,456
Interest and similar expenses	-75,072	-71,165

(3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Lending and leasing business	1,708	1,597
Securities business	10,354	11,332
Giro and payment transactions	6,443	7,291
Other service business	2,693	2,314
Fee and commission income	21,198	22,534

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Lending and leasing business	-455	-326
Securities business	-940	-761
Giro and payment transactions	-299	-280
Other service business	-639	-962
Fee and commission expenses	-2,333	-2,329

(4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Adjustment to loans and advances to banks	1,511	177
Adjustment to loans and advances to customers	5,335	579
Adjustment to financial instruments available for sale	17,037	-1,749
Adjustment to securitised liabilities	-314	164
Net result from adjustment to underlying transactions from hedging	23,569	-829
Measurement of hedging instruments for loans and advances to banks	-1,497	-193
Measurement of hedging instruments for loans and advances to customers	-5,482	-543
Measurement of hedging instruments for available for sale financial instruments	-17,571	1,781
Measurement of hedging instruments for securitised liabilities	331	-44
Net result of the measurement of hedging instruments	-24,219	1,001
Net result from hedging	-650	172

(5) NET TRADING RESULT

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Trading Results	306	201
Result from the valuation of derivatives	19,392	20,335
Result from the valuation of financial instruments – AFV*	30,599	-16,766
Net trading result	50,297	3,770

*contains the early return of hybrid bonds (tier 1 capital) in the amount of EUR 40,858,000

(6) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs, material expenses and impairment on property, plant and equipment and intangible assets.

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Staff costs	-27,442	-25,861
Materials expenses	-15,362	-15,479
Depreciation/amortisation of property, plant and equipment and intangible assets	-2,359	-2,254
Administrative expenses	-45,163	-43,594

Of which staff costs

in '000 EUR	01.01.- 30.06.2012	01.01.- 30.06.2011
Wages and salaries	-20,432	-19,079
Statutory social security contributions	-5,274	-4,927
Voluntary social benefits	-621	-656
Expenses for retirement benefits	-1,024	-1,084
Social capital	-91	-115
Staff costs	-27,442	-25,861

C. NOTES TO THE BALANCE SHEET**(7) POSITIVE MARKET VALUES OF HEDGES****Breakdown by type of hedge**

in '000 EUR	30.06.2012	31.12.2011
Positive market values of fair value hedges	2,140	1,845
Deferred interest on derivative hedges	-2	328
Positive market values of hedges	2,138	2,173

Nominal values from fair value hedges – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Zinsswaps	1,145,372	976,822
Cross-currency swaps	14,843	12,772
Interest rate derivatives	1,160,215	989,594
Nominal values from fair value hedges	1,160,215	989,594

Positive market values of fair value hedges – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Interest rate swaps	2,140	1,845
Interest rate derivatives	2,140	1,845
Positive market values from fair value hedges	2,140	1,845

The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(8) TRADING ASSETS AND DERIVATES**Trading assets and derivatives – breakdown by type of business**

in '000 EUR	30.06.2012	31.12.2011
Investment certificates	748	2,841
Positive market values of derivative financial instruments	752,338	728,202
Deferred interest	69,657	75,639
Trading assets and derivatives	822,743	806,682

Nominal values from derivatives – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Interest rate swaps	7,200,586	7,591,644
Cross-currency swaps	1,444,404	1,537,255
Interest rate options	604,689	711,325
Interest rate futures	9,000	12,000
Interest rate derivatives	9,258,679	9,852,224
FX forward transactions	1,535,061	1,780,251
FX swaps	173,796	283,877
FX options	101,700	46,856
Other FX derivatives	2,000	2,000
Currency derivatives	1,812,557	2,112,984
Stock index futures	8,075	12,750
Stock options	0	7,433
Derivatives on securities	8,075	20,183
Credit default swaps	105,651	135,141
Credit derivatives	105,651	135,141
Nominal values from derivatives	11,184,962	12,120,532

Positive market values from derivatives – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Interest rate swaps	524,812	494,218
Cross-currency swaps	202,695	198,168
Interest rate options	3,536	4,174
Interest rate futures	60	0
Interest rate derivatives	731,103	696,560
FX forward transactions	18,433	23,645
FX swaps	153	4,378
FX options	704	1,418
Other FX derivatives	1,702	1,573
Currency derivatives	20,992	31,014
Credit default swaps	243	628
Credit derivatives	243	628
Positive market values from derivatives	752,338	728,202

(9) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE (AFV)

Financial assets designated at fair value – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Debt securities of public issuers	312,947	298,563
Debt securities of other issuers	523,186	533,896
Shares	0	15,636
Investment certificates	13,018	24,060
Other equity interests	4,595	4,765
Loans and advances to banks	5,137	5,254
Loans and advances to customers	676,334	674,236
Deferred interest	12,806	15,552
Financial assets – at fair value	1,548,023	1,571,962

(10) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)

Financial assets available for sale – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Debt securities of public issuers	230,879	154,911
Debt securities of other issuers	566,294	570,123
Shares	110	1,142
Investment certificates	11,831	11,004
Other equity interests	16,392	17,994
Deferred interest	10,380	14,392
Other equity investments	21,564	21,384
Other investments in affiliated companies	104	104
Financial assets – available for sale	857,554	791,054

(11) FINANCIAL ASSETS - HELD TO MATURITY (HTM)

Financial assets held to maturity – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Debt securities of public issuers	185,182	182,758
Debt securities of other issuers	823,810	873,830
Deferred interest	18,025	23,201
Financial assets – held to maturity	1,027,017	1,079,789

(12) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)

Liabilities evidenced by certificates – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Mortgage bonds	60	4,857
Municipal bonds	289,701	282,069
Medium-term fixed-rate notes	1,488	801
Bonds	422,913	532,771
Housing construction bonds	115,511	124,319
Bonds issued by Pfandbriefstellen	538,700	538,662
Deferred interest	2,000	5,631
Liabilities evidenced by certificates	1,370,373	1,489,110

(13) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

in '000 EUR	30.06.2012	31.12.2011
Negative market values of fair value hedges	98,069	70,036
Deferred interest on derivative hedging instruments	14,053	14,400
Negative market values of hedges	112,122	84,436

Negative market values of fair value hedges – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Interest rate swaps	92,334	64,583
Cross-currency swaps	5,735	5,453
Negative market values from fair value hedges	98,069	70,036

The nominal values of the hedging instruments are shown in Note (7). The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(14) TRADING LIABILITIES AND DERIVATIVES**Trading liabilities and derivatives – breakdown by type of business**

in '000 EUR	30.06.2012	31.12.2011
Negative market values of derivative financial instruments	306,690	315,765
Deferred interest	9,459	11,460
Trading liabilities and derivatives	316,149	327,225

Negative market values from derivatives – breakdown by type of business

in '000 EUR	30.06.2012	31.12.2011
Interest rate swaps	214,343	201,497
Cross-currency swaps	66,984	77,582
Interest rate options	3,900	4,476
Interest rate futures	0	300
Interest rate derivatives	285,227	283,855
FX forward transactions	18,000	23,272
FX swaps	434	401
FX options	675	1,418
Currency derivatives	19,109	25,091
Stock index futures	93	309
Stock options	0	166
Derivatives on securities	93	475
Credit default swaps	2,261	6,344
Credit derivatives	2,261	6,344
Negative market values from derivatives	306,690	315,765

The nominal values of the derivative financial instruments are shown in Note (8).

(15) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE (LAFV)**Financial liabilities designated at fair value – breakdown by type of business**

in '000 EUR	30.06.2012	31.12.2011
Amounts owed to banks at fair value	142,045	141,395
Amounts owed to customers at fair value	505,791	499,184
Mortgage bonds at fair value	25,251	24,040
Municipal bonds at fair value	1,004,223	974,474
Bonds at fair value	3,597,527	3,832,435
Housing construction bonds at fair value	151,127	155,165
Bonds issued by Pfandbriefstellen at fair value	534,689	633,528
Subordinated capital at fair value	44,217	42,266
Supplementary capital at fair value	23,391	118,136
Deferred interest	68,788	84,394
Financial liabilities at fair value	6,097,049	6,505,017

D. ADDITIONAL IFRS DISCLOSURES**(16) HUMAN RESOURCES**

Employees	01.01.- 30.06.2012	01.01.- 30.06.2011
Full-time salaried staff	656	623
Part-time salaried staff	58	54
Apprentices	9	9
Full-time other employees	4	3
Average number of employees	727	689

The average number of employees increased by 20 compared with the same period of the previous year as a result of the full consolidation of HIL Mobilien (formerly Hypo SüdLeasing GmbH) with effect from October 2011.

E. SEGMENT REPORTING

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2012	36,206	16,959	18,033	17,758	88,956
	2011	33,730	16,345	17,571	11,299	78,945
Loan loss provisions	2012	-8,797	-1,206	65	-5,651	-15,589
	2011	-7,870	-2,563	-112	-7,025	-17,570
Net fee and commission income	2012	5,863	8,106	2,857	2,039	18,865
	2011	6,737	8,545	3,219	1,704	20,205
Result from hedge relationships	2012	0	0	-650	0	-650
	2011	0	0	172	0	172
Net trading result	2012	1,403	809	44,493	3,592	50,297
	2011	1,293	584	2,316	-423	3,770
Result from other financial instruments	2012	0	0	489	-2,969	-2,480
	2011	0	0	-5,110	-123	-5,233
Administrative expenses	2012	-14,639	-20,082	-5,517	-4,925	-45,163
	2011	-13,771	-19,714	-5,508	-4,601	-43,594
Other income	2012	125	122	19	4,685	4,951
	2011	65	180	31	5,833	6,109
Other expenses	2012	-1,130	-552	-1,840	-6,212	-9,734
	2011	-887	-419	-1,620	-4,902	-7,828
Result from equity consolidation	2012	0	0	0	2,035	2,035
	2011	0	0	0	3,872	3,872
Earnings before taxes	2012	19,031	4,156	57,949	10,352	91,488
	2011	19,297	2,958	10,959	5,634	38,848
Assets	2012	5,462,396	1,723,827	5,381,489	1,783,146	14,350,858
	2011	5,062,954	1,689,740	5,203,743	1,802,867	13,759,304
Liabilities and shareholders' equity	2012	2,043,946	2,869,779	8,821,111	616,022	14,350,858
	2011	1,704,470	2,613,790	8,728,733	712,311	13,759,304
Liabilities	2012	1,711,479	2,684,572	8,700,184	524,286	13,620,521
	2011	1,446,794	2,467,340	8,572,299	663,772	13,150,205

F. FINANCIAL RISKS AND RISK MANAGEMENT

The full disclosure on the organisational structure, risk management and the risk capital situation (per Section 26 Austrian Banking Act and the Disclosure Implementation Regulation – Off-VO) are posted on the internet at www.hypovbg.at

(17) OVERALL RISK MANAGEMENT

The Bank's operations involve the following risks:

- **Kredit risk:** This includes the counterparty default risk, as well as the risk of deteriorating credit standing. Risks may also result from the use of credit risk mitigation methods.
- **Market risks:** The common characteristic of these risks is that they result from price changes in money and capital

markets. Market price risks are categorised as interest rate, spread change, stock price, foreign currency or commodity risks.

- **Liquidity risk:** Liquidity risks can be broken down into maturity and retrieval risks, structural liquidity risk (rollover financing risk), and market liquidity risk. Maturity risk is an unplanned extension of maturities in the lending business. Retrieval risk is the risk that credit commitments are unexpectedly utilised or deposits withdrawn. As a result, a bank may no longer be able to fully meet its payment obligations. Structural liquidity risk arises from the possibility that the required roll-over financing may only be available at less favourable conditions, or not at all. Market liquidity risk is in evidence when positions can only be sold immediately by taking a loss.

- Operational risk: This includes the risk of direct or indirect losses caused by human error, process deficits, technological failure, or external influence. Operational risks also include legal risk.
- Other risks: These include above all those types of risks for which only rudimentary or no quantification methods exist. Specifically, strategic, reputation, equity, performance and business risks may be classified as other risks.

The Bank manages these risks in order to limit the overall bank risk. The Managing Board is responsible for the risk management of Hypo Landesbank Vorarlberg. Accordingly, it approves the principles of risk control and the risk measurement procedures. Additionally, it establishes the Bank's willingness to take risks and defines limits for all relevant types of risk based on the bank's risk-absorbing capacity.

The Bank reviews the effects of economic and market developments on the income statement and net assets on an ongoing basis.

The overall risk management of Hypo Landesbank Vorarlberg is based on a strict separation between Front Office and Back Office. The risk management functions of Hypo Landesbank Vorarlberg are bundled under the responsibility of the Managing Board member responsible for risk management. Risk controlling at Hypo Landesbank Vorarlberg is developed and implemented by Group Risk Controlling. This unit measures credit, market, liquidity and operational risks on a group level. The independent assessment and approval of credit applications is carried out by the Credit Management departments for corporate and private customers.

The Bank's risk situation and the Capital Adequacy Process are addressed by the Asset & Liability Management Committee (ALM). In this committee, the Managing Board decides on market risk measurement procedures, defines interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk and liquidity limits. Group Risk Controlling, Controlling, and Treasury departments are also present at committee meetings.

The strategies, procedures, and approaches adopted for the management of risks are documented in writing. The Bank maintains a risk management manual and a credit manual, which are available to all employees. These manuals are updated on a regular basis. Additionally, the Bank has outlined all relevant work processes in written procedures that are likewise available to all employees.

Non-performing loans increased slightly from EUR 251.1 million to EUR 267.8 million in the quarter under review. Interest rates saw higher volatilities during the quarter once again. The risk-bearing capacity remained within the limits set by the Managing Board at all times. Liquidity risk remains low. No high-volume refinancing was required to be serviced in 2012, and the Bank does not have any major refinancing on the money markets.

in '000 EUR	Mean value of VaR Total	Mean value of VaR interest	Mean value of VaR FX	Mean value of VaR shares
2011				
January	7,343	4,930	634	352
February	8,084	5,834	831	349
March	7,996	5,616	1,678	308
April	8,095	6,112	1,001	322
May	7,239	5,342	479	317
June	6,491	5,111	512	317

in '000 EUR	Mean value of VaR Total	Mean value of VaR interest	Mean value of VaR FX	Mean value of VaR shares
2012				
January	12,964	9,885	790	286
February	12,527	9,597	781	222
March	11,309	8,794	1,064	214
April	10,631	9,015	1,315	220
May	10,811	9,893	1,479	204
June	10,495	10,682	1,332	227

(18) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

Capital requirements per Section 22 Austrian Banking Act

in '000 EUR	30.06.2012	31.12.2011
Assessment basis per Section 22 Austrian Banking Act	7,841,788	7,932,346
Capital resource requirement for solvency	627,343	634,588
Capital requirement for settlement risk	0	0
Capital requirement for position risks	0	0
Capital resource requirement for operational risk	31,574	27,320
Total capital resource requirements	658,917	661,908

Consolidated capital per Section 23 in conjunction with Section 24 Austrian Banking Act

in '000 EUR	30.06.2012	31.12.2011
Core capital (Tier 1)	635,283	721,725
Paid-in capital	159,000	159,000
Capital reserves	55,327	27,579
Retained earnings	291,743	291,742
Liable capital	124,237	124,237
Minority interests per Section 24 (2) no. 1 Austrian Banking Act	87	109,859
Consolidation per Section 24 (2) no. 2 Austrian Banking Act	6,569	10,952
Intangible assets	-1,680	-1,644
Supplementary capital resources (Tier 2)	361,241	333,560
Supplementary capital	99,040	105,236
Remeasurement reserve	74,201	40,324
Subordinated capital	188,000	188,000
Deductions	-3,521	-3,506
Attributable capital resources (Tier 1 plus Tier 2 minus deductions)	993,003	1,051,779
Assessment basis (banking book)	7,841,788	7,932,346
Core capital ratio (banking book)*	8.10%	9.10%
Solvency ratio (banking book)*	12.66%	13.26%
Assessment basis (modified)	8,236,463	8,273,850
Core capital ratio*	7.71%	8.72%
Solvency ratio*	12.06%	12.71%

*without consideration of unrealised profits

G. DISCLOSURES PERTAINING TO AUSTRIAN LAW

(19) AUSTRIAN LAW

In line with Section 59a Austrian Banking Act in conjunction with Section 245a (1) Austrian Corporate Code (UGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards applicable in the EU. In line with Section 59a Austrian Banking Act, the disclosures per Section 64 (1) no. 1 – 15 and (2) Austrian Banking Act and Section 245a (1) and (3) UGB are to be incorporated in the Notes to the consolidated financial statements.

DECLARATION OF THE STATUTORY REPRESENTATIVES WITH RESPECT TO THE INTERIM REPORT PER SECTION 87 (1) NO. 3 AUSTRIAN STOCK EXCHANGE ACT (BÖRSEG)

We confirm that to the best of our knowledge the condensed consolidated interim financial statements prepared in accordance with applicable accounting standards (IAS 34) provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group semi annual management report provides a true and fair view of the Group's assets and liabilities, financial condition, and results of operation in relation to key events in the first six months of the fiscal year and the significance thereof with respect to both the condensed consolidated interim financial statements and to material risks and contingencies accruing in the remaining six months of the fiscal year.

This interim report was not subjected to an audit or reviewed by an auditor.

Bregenz, 4 August 2012

**Vorarlberger Landes- und Hypothekenbank
Aktiengesellschaft**

The members of the Managing Board



Michael Grahammer
CEO, Chairman of the Managing Board



Johannes Hefel
Managing Board member



Michel Haller
Managing Board member

BRANCH OFFICES | SUBSIDIARIES

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6973 Höchst	Hauptstraße 25	T (0) 50 414-5200	F -5250
6845 Hohenems	Bahnhofstraße 19	T (0) 50 414-6200	F -6250
6923 Lauterach	Hofsteigstraße 2a	T (0) 50 414-6400	F -6450
6764 Lech	HNr. 138	T (0) 50 414-3800	F -3850
6890 Lustenau	Kaiser-Franz-Josef-Straße 4a	T (0) 50 414-5000	F -5050
6830 Rankweil	Ringstraße 11	T (0) 50 414-2200	F -2250
6830 Rankweil	LKH Rankweil, Valdunastraße 16	T (0) 50 414-2600	F -2650
6780 Schruns	Jakob-Stemer-Weg 2	T (0) 50 414-3200	F -3250

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Styria: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

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Upper Austria: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

	4600 Wels, Kaiser-Josef-Platz 49	T (0) 50 414-7000	F -7050
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Switzerland: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, www.hypobank.ch

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Subsidiaries:**Vorarlberg: Hypo Immobilien & Leasing GmbH, www.hypo-il.at**

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Hypo Versicherungsmakler, www.hypomakler.at

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Italy: Hypo Vorarlberg Leasing AG, www.hypoleasing.it

	39100 Bozen, Galileo-Galilei-Straße 10 H	T +39 0471 060-500	F -550	info@hypovbg.it
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*050-number for local rate

