

Quarterly Report as at 31 March 2011

**HYPO LANDESBANK VORARLBERG**



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

in '000 EUR	31.03.2011	31.12.2010	Change	
			in '000 EUR	in %
Total assets	13,504,026	13,561,150	-57,124	-0.4
Loans and advances to customers	8,013,345	8,065,327	-51,982	-0.6
Amounts owed to customers	4,253,402	3,806,918	446,484	11.7
Liabilities evidenced by certificates (LAC)	1,504,328	1,506,172	-1,844	-0.1
Financial liabilities - at fair value (LAV)	5,847,338	6,223,255	-375,917	-6.0
Capital resources pursuant to the Austrian Banking Act	963,169	997,100	-33,931	-3.4
thereof core capital Tier 1	654,914	662,556	-7,642	-1.2

in '000 EUR	01.01. -		Change	
	31.03.2011	31.03.2010	in '000 EUR	in %
Net interest income after loan loss provisions	29,611	25,358	4,253	16.8
Net fee and commission income	9,810	8,551	1,259	14.7
Net trading result	5,707	1,713	3,994	> 100.0
Administrative expenses	-22,027	-21,016	-1,011	4.8
Earnings before taxes	21,100	13,160	7,940	60.3

Key figures	31.03.2011	31.12.2010	Change	
			absolute	in %
Cost/income ratio (CIR)	45.72%	39.15%	6.57%	16.8
Solvency ratio (banking book)	13.25%	13.61%	-0.36%	-2.6
Return on equity (ROE)	14.72%	14.62%	0.10%	0.7
Employees	694	705	-11	-1.6

## The shareholders of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 31 March 2011 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%	
<b>Share capital</b>	<b>100.0000%</b>	<b>100.0000 %</b>

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



## Consolidated interim report in accordance with IFRS standards as of 31 March 2011

### Banking business environment in the first quarter 2011

#### Global economy and Euro zone

Capital markets had several major events to deal with in the first quarter 2011. The ever present Euro-debt crisis again flared up when faced with the impending need to rescue a third EU country, Portugal. Also in the forefront were the political unrest in Libya and the natural disaster in Japan, the extent of which even today is not completely known, due to the nuclear component.

#### Stock exchanges

Globally, the markets rallied in the first quarter until the beginning of March, fell following the earthquake in Japan, but then, with the exception of the Nikkei 225, rose again by the end of the quarter to levels higher than before the nuclear disaster. In Europe, the Euro Stoxx 50 especially profited from the recovery of the Spanish and Italian stock markets. A majority of the emerging markets, however, recorded a weak quarter. Numerous interest rate hikes due to high inflation and a rediscovery of restrictive monetary policies left their mark. Country-specific reasons for the sell-off in several lands intensified the result, for example the high valuation of the Indian stock market.

#### Interest markets and currencies

In Europe, monetary authorities cleared the way for the first rise in interest rates in almost three years and markets were anticipating an interest rate hike of 25 basis points at the end of the quarter. In the USA, meanwhile, a prolongation of the "extended period" of low interest rates was anticipated, which explains the strong euro against the US dollar. In general, the euro rose against other currencies after the weakness of the past few years.

The downward trend in the bond markets continued despite short-term risk driven countermovement (unrest in North Africa and the Arab region, earthquakes in Japan). The yields on 10-year government bonds were up slightly.

#### Raw materials

Developments in gold and crude oil particularly stood out in the commodities market. The price of gold was driven by increased risk aversion in response to political unrest and the increase in the price of crude oil has accelerated in recent months.

### Consolidated management report dated 31 March 2011

The Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) reported earnings before taxes of EUR 21.1 million for the first quarter 2011. This is an increase of 60.3% over the same period last year. After posting positive results during the crisis years, Hypo Landesbank Vorarlberg will continue with its policy of stable profitability, healthy growth and successful cost management. As planned, total assets amounted to EUR 13.5 billion.

#### Income statement

As of 31 March 2011, net interest income after loan loss provisions was EUR 29.6 million, 16.8% higher than in the previous year. Due to the stable economy, loan loss provisions in the lending business were 20.0% less than in the previous year. Sufficient provisions were made for all recognisable risks.

As a result of the recovery in the equity markets in the last twelve months, net fee and commission income increased by 14.7% to EUR 9.8 million. The net trading result increased to EUR 5.7 million. Administrative expenses amounted to EUR 22.0 million, 4.8% higher than first quarter 2010. We want to point out that overall administrative expenses decreased in 2010.

As of 31 March 2011, total earnings before taxes was EUR 21.1 million, an above-average increase of 60.3%. After taxes, Hypo Landesbank Vorarlberg reported a consolidated net profit of EUR 16.3 million (plus 45.7%).

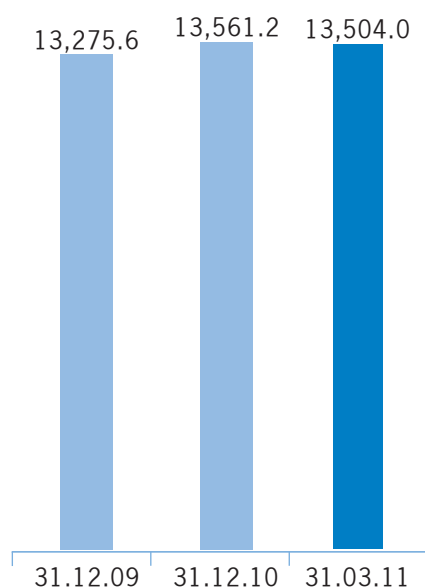
The fact that Hypo Landesbank Vorarlberg is a healthy, successful and highly efficient bank is underscored by a cost/income ratio of 45.72%, a RoE of 14.72% as well as a debt/equity ratio (banking book) of 13.25%.

#### Balance sheet

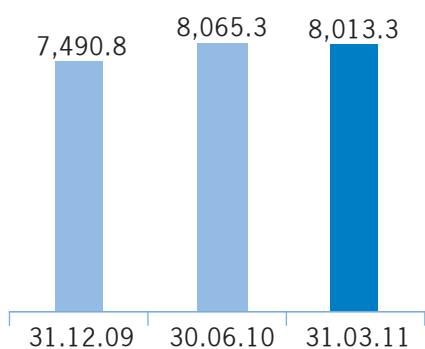
As planned, consolidated total assets as of 31 March 2011 were EUR 13,504.0 million, the same level as last year. Loans and advances to customers were EUR 8,013.3 million (minus 0.6%).

On the liability side, liabilities to customers increased in the first quarter 2011 compared to the previous year by EUR 446.5 million or 11.7% to EUR 4,253.4 million. Financial liabilities at fair value amounted to EUR 5,847.3 million.

Change in total assets (in million EUR)



Change in loans and advances to customers (in million EUR)



### Capital resources

The paid-in capital of Hypo Landesbank Vorarlberg amounted to EUR 159 million. Capital resources under Sections 23 and 24 of the Bankwesengesetz (Austrian Banking Act, BWG) as of 31 March 2011 were EUR 963.2 million. The debt/equity ratio (banking book) remained stable at 13.25%. The debt/equity ratio of the Bank is very comfortable considering the risk profile. The core capital ratio (banking book) is 9.01% (previous year 9.04%).

### Business segments first quarter 2011

#### Corporate Customers/Public Sector

In addition to classic banking products, Hypo Landesbank Vorarlberg offers its customers through subsidiaries banking related services such as leasing, real estate and insurance. Services abroad as well as highly competent advisory and consulting services for funding and construction programmes round out the financial portfolio.

In the first quarter 2011, corporate customer business reached a net interest income of EUR 16.4 million. Overall there was an increase in investment activity and with that a slight increase in demand for loans. Pre-crisis levels are far from being achieved. A significant increase in demand and time deposits was recorded in the first three months of this year. This increase was above all due to the excellent creditworthiness of the bank as well as very good conditions. The good economic development is another reason that risk-related costs remain low. The Corporate Customers segment recorded earnings before taxes of EUR 7.9 million for the first three months of 2011.

#### Private Customers

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

Many customers took advantage of low interest rates to build, purchase or renovate real estate. Customers were also observed paying off more of their debts. Hypo Landesbank Vorarlberg continues to support energy-saving investment by offering attractive conditions. With Hypo-Klimakredit, Hypo-Lebenswert-Kredit, Hypo-Lebenszeit-Kredit and the new Hypo-Kredit Zinslimit, Hypo Landesbank Vorarlberg offers loan types that meet individual financing requirements in the best way possible.

A campaign focussing on saving monthly, especially in funds, was successfully launched in the first quarter. Bank advisors continue to convince customers of the importance of private financial planning for the future.

## **Private Banking and Asset Management**

Hypo Landesbank Vorarlberg's asset management is very well positioned and has especially profited from the growing security needs of investors (investment value concepts and international investment standards). As of 31 March 2011, assets managed based on mandates was EUR 744.50 million. The number of asset management mandates was 3,259. Strong discipline in the areas of market and title selection, risk and costs remains a top priority.

Hypo Landesbank Vorarlberg has acquired an excellent reputation in Private Banking in recent years. Building on this expertise we will work closely in the future with pension funds, insurance companies and other banks. The already extensive product range will be expanded with new asset management strategies based on current challenging market conditions as well as the securities capital gains tax

PricewaterhouseCoopers audits our asset management services annually for compliance with Global Investment Performance Standards (GIPS®). Since 2005, Hypo Landesbank Vorarlberg has been the first and only Austrian bank offering asset management certified to comply with these international standards.

## **Financial Markets/Treasury**

The Bank continues to enjoy an excellent liquidity situation thanks to prudent funding policies. In the first quarter 2011 there were seven new securities issues with a total volume of EUR 293 million. On 28 March, the Austrian Financial Market Authority approved the base prospectus for the issuance of structured securities of the Vorarlberger Landes- und Hypothekbank Aktiengesellschaft. Under this programme the Bank may issue unsubordinated securities of any kind.

In July 2009, Hypo Landesbank Vorarlberg increased its holding in Hypo-KAG from 25% to 37.5%. The restructuring of KAG and of custodial banking business has since been successfully completed, along with system migration to a modern platform. The acquisition of high-volume investment funds as part of the realignment of Hypo-KAG in MASTERINVEST and our Fund Service group has solidified our position as a custodian bank over the last twelve months, more than doubling assets under management. The managed fund volume rose in the first quarter 2011 by EUR 27 million.

As of 31 March 2011 Financial Markets/Treasury results were EUR 10.0 million.

## **Leasing and Real Estate**

Corporate Centre results for the first quarter 2011, including the Leasing and Real Estate sectors, was EUR 1.9 million.

In addition to its long-standing concentration on property leasing, Hypo Vorarlberg Leasing AG, headquartered in Bolzano, Italy, is also focusing on alternative energies (especially photovoltaics) and municipal leasing.

Hypo Immobilien GmbH, based in Dornbirn, Austria, is the real estate competence centre within the Hypo Vorarlberg Group, managing the entire real estate portfolio of buildings used for internal purposes and properties destined for realisation. The company is organised into the business areas of real estate brokerage, facility management, portfolio management, construction management and real estate appraisal.

## Outlook for 2011

### Focus areas for 2011

Hypo Landesbank Vorarlberg will adhere to its proven business model and concentrate on customer business as it has in the past. The first months of the year have been satisfactory and the Managing Board is generally optimistic for 2011. Due to the known hotbeds of conflict in the areas of global economy and foreign policy heightened vigilance is necessary.

The strategic focus is on deepening existing customer relationships and expanding the Bank's presence in 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 of 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 a leading corporate bank in Vorarlberg and supply companies with financing in existing markets. It can be assumed that loans and advances to customers in financial year 2011 will be at least at the same level as 2010 due to the improved economic situation.

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 high level of reliability. The need for reliability and flexibility will be met with attractive offers in the savings deposits area. Increased willingness to invest continues to be expected in the area of private financing, as creating living space and renovation continue to be extremely important.

In commercial activity and own-account transactions, Hypo Landesbank Vorarlberg is continuing on its conservative path.

### Expected earnings development in 2011

Global economic conditions remain unstable and do not permit an exact earnings estimate for financial year 2011. Interest business will continue to be a stable pillar for earnings development in 2011 as well. Hypo Landesbank Vorarlberg will continue to follow an extremely careful risk policy and keep sufficient sums for loan loss provisions. The Managing Board anticipates that 2011 earnings will be slightly below the extremely good level seen in 2010.

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 prior year. The Managing Board expects a slight increase in staff costs, while higher IT costs in particular are expected under administrative expenses.

In general, 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.

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](mailto:gips@hypovbg.at).

## I. Statement of comprehensive income for the period 1 January to 31 March 2011

### Income statement

in '000 EUR	(Notes)	01.01. -		Change	
		31.03.2011	31.03.2010	in '000 EUR	in %
Interest and similar income		66,999	64,153	2,846	4.4
Interest and similar expenses		-29,002	-28,311	-691	2.4
<b>Net interest income</b>	<b>(2)</b>	<b>37,997</b>	<b>35,842</b>	<b>2,155</b>	<b>6.0</b>
Loan loss provisions		-8,386	-10,484	2,098	-20.0
<b>Net interest income after loan loss provisions</b>		<b>29,611</b>	<b>25,358</b>	<b>4,253</b>	<b>16.8</b>
Fee and commission income		10,832	10,011	821	8.2
Fee and commission expenses		-1,022	-1,460	438	-30.0
<b>Net fee and commission income</b>	<b>(3)</b>	<b>9,810</b>	<b>8,551</b>	<b>1,259</b>	<b>14.7</b>
Net result on hedge accounting	(4)	397	-50	447	> -100.0
Net trading result	(5)	5,707	1,713	3,994	> 100.0
Net result from other financial instruments		-2,314	-1,542	-772	50.1
Administrative expenses	(6)	-22,027	-21,016	-1,011	4.8
Other income		-890	30	-920	> -100.0
Result from equity consolidation		806	116	690	> 100.0
<b>Earnings before taxes</b>		<b>21,100</b>	<b>13,160</b>	<b>7,940</b>	<b>60.3</b>
Taxes on income		-4,797	-1,970	-2,827	> 100.0
<b>Consolidated net income</b>		<b>16,303</b>	<b>11,190</b>	<b>5,113</b>	<b>45.7</b>
Of which attributable to:					
Shareholders of the parent company		16,303	11,175	5,128	45.9
Non-controlling interests		0	15	-15	-100.0

In the „Other result“ item, the stability tax is reported for the first time in 2011 in the amount of EUR 1,500,000 (2010: EUR 0).

### Statement of comprehensive Income

in '000 EUR	01.01. -		Change	
	31.03.2011	31.03.2010	in '000 EUR	in %
Consolidated net income	16,303	11,190	5,113	45.7
Other income after taxes	879	2,056	-1,177	-57.2
Changes to foreign currency translation reserve	-86	79	-165	> -100.0
Changes to revaluation reserve	906	1,905	-999	-52.4
of which changes in measurement	1,252	2,529	-1,277	-50.5
of which changes in holdings	-44	11	-55	> -100.0
of which income tax effects	-302	-635	333	-52.4
Change from equity consolidation	59	72	-13	-18.1
<b>Total comprehensive income</b>	<b>17,182</b>	<b>13,246</b>	<b>3,936</b>	<b>29.7</b>
Of which attributable to:				
Shareholders of the parent company	17,182	13,231	3,951	29.9
Non-controlling interests	0	15	-15	-100.0



## II. Balance sheet dated 31 March 2011

### Assets

in '000 EUR	(Notes)	31.03.2011	31.12.2010	Change	
				in '000 EUR	in %
Cash and balances with central banks		109,236	138,452	-29,216	-21.1
Loans and advances to banks		1,623,589	1,420,249	203,340	14.3
Loans and advances to customers		8,013,345	8,065,327	-51,982	-0.6
Loan loss provisions for loans and advances to customers		-106,075	-109,934	3,859	-3.5
Positive market values of hedges	(7, 18)	10,296	4,531	5,765	> 100.0
Trading assets and derivatives	(8, 18)	474,928	631,875	-156,947	-24.8
Financial assets - at fair value	(9)	1,505,018	1,508,652	-3,634	-0.2
Financial assets - available for sale	(10)	548,673	556,481	-7,808	-1.4
Financial assets - held to maturity	(11)	1,136,140	1,149,151	-13,011	-1.1
Shares in companies valued at equity		22,813	21,947	866	3.9
Investment property		32,409	32,563	-154	-0.5
Intangible assets		1,496	1,560	-64	-4.1
Property, plant and equipment		70,057	66,830	3,227	4.8
Tax assets		800	800	0	0.0
Deferred tax assets		3,224	5,174	-1,950	-37.7
Non-current assets available for sale		10,152	8,903	1,249	14.0
Other assets		47,925	58,589	-10,664	-18.2
<b>Total Assets</b>		<b>13,504,026</b>	<b>13,561,150</b>	<b>-57,124</b>	<b>-0.4</b>

### Liabilities and shareholders' equity

in '000 EUR	(Notes)	31.03.2011	31.12.2010	Change	
				in '000 EUR	in %
Amounts owed to banks		637,143	793,369	-156,226	-19.7
Amounts owed to customers		4,253,402	3,806,918	446,484	11.7
Liabilities evidenced by certificates	(12)	1,504,328	1,506,172	-1,844	-0.1
Negative market values of hedges	(13, 18)	36,274	33,391	2,883	8.6
Trading liabilities and derivatives	(14, 18)	246,853	281,478	-34,625	-12.3
Financial liabilities - at fair value	(15)	5,847,338	6,223,255	-375,917	-6.0
Other provisions		10,957	10,976	-19	-0.2
Provisions for social capital		20,126	20,141	-15	-0.1
Current tax liabilities		7,012	9,418	-2,406	-25.5
Deferred tax liabilities		1,295	1,425	-130	-9.1
Other liabilities		96,435	47,829	48,606	> 100.0
Subordinated and supplementary capital		239,058	239,846	-788	-0.3
Shareholders' equity	(16)	603,805	586,932	16,873	2.9
Of which non-controlling interests		0	0	0	0.0
<b>Total Liabilities and shareholders' equity</b>		<b>13,504,026</b>	<b>13,561,150</b>	<b>-57,124</b>	<b>-0.4</b>

### 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	Non-controlling interests	Total Shareholders' equity
<b>Balance 01.01.2010</b>	<b>159,000</b>	<b>27,579</b>	<b>354,790</b>	<b>-6,166</b>	<b>24</b>	<b>165</b>	<b>535,392</b>
Consolidated net income	0	0	11,175	0	0	15	<b>11,190</b>
Other income	0	0	163	1,905	-12	0	<b>2,056</b>
<b>Interim result 2010</b>	<b>0</b>	<b>0</b>	<b>11,338</b>	<b>1,905</b>	<b>-12</b>	<b>15</b>	<b>13,246</b>
Dividends	0	0	-170	0	0	0	<b>-170</b>
<b>Balance 31.03.10</b>	<b>159,000</b>	<b>27,579</b>	<b>365,958</b>	<b>-4,261</b>	<b>12</b>	<b>180</b>	<b>548,468</b>
<b>Balance 01.01.11</b>	<b>159,000</b>	<b>27,579</b>	<b>403,110</b>	<b>-2,945</b>	<b>188</b>	<b>0</b>	<b>586,932</b>
Consolidated net income	0	0	16,303	0	0	0	<b>16,303</b>
Other income	0	0	170	906	-197	0	879
<b>Interim result 2011</b>	<b>0</b>	<b>0</b>	<b>16,473</b>	<b>906</b>	<b>-197</b>	<b>0</b>	<b>17,182</b>
Dividends	0	0	-309	0	0	0	-309
<b>Balance 31.03.2011</b>	<b>159,000</b>	<b>27,579</b>	<b>419,274</b>	<b>-2,039</b>	<b>-9</b>	<b>0</b>	<b>603,805</b>

In accordance with Austrian banking regulations, the Company's share capital and issued participation capital are shown as subscribed capital.

### IV. Condensed cash flow statement

Reconciliation with cash and balances with central banks

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
<b>Cash and balances with central banks as at 1 January</b>	<b>138,452</b>	<b>83,316</b>
Cash flows from operating activities	980	125,358
Cash flows from investing activities	-50,043	-125,744
Cash flows from financing activities	19,847	-1,537
<b>Cash and balances with central banks as at 31 March</b>	<b>109,236</b>	<b>81,393</b>

### IV. Notes

#### A. Accounting policies

##### (1) General information

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2010 were applied to the consolidated interim financial statements. There have been no changes in measurement principles applied with respect to the 31 December 2010 statements.

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

#### B. Notes to the income statement of comprehensive income

##### (2) Net interest income

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Income from cash and balances with central banks	18	103
Income from loans and advances to banks	3,098	2,960
Income from loans and advances to customers	42,573	39,245
Income from leasing business	6,065	5,024
Income from debt securities	15,004	15,410
Income from shares	70	981
Income from investments in affiliated companies	0	20
Income from investments in associated companies	0	188
Income from equity investments, other	171	222
<b>Interest and similar income</b>	<b>66,999</b>	<b>64,153</b>
Expenses from amounts owed to banks	-2,075	-2,192
Expenses from amounts owed to customers	-11,961	-11,195
Expenses from liabilities evidenced by certificates	-6,656	-3,161
Expenses from liabilities designated AFV	-7,131	-11,184
Expenses from subordinated and supplementary capital	-1,179	-579
<b>Interest and similar expenses</b>	<b>-29,002</b>	<b>-28,311</b>

### (3) Net fee and commission income

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Lending and leasing business	748	651
Securities business	5,711	4,525
Giro and payment transactions	3,154	3,713
Other service business	1,219	1,122
<b>Fee and commission income</b>	<b>10,832</b>	<b>10,011</b>

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Lending and leasing business	-157	-144
Securities business	-418	-554
Giro and payment transactions	-134	-118
Other service business	-313	-644
<b>Fee and commission expenses</b>	<b>-1,022</b>	<b>-1,460</b>

### (4) Net result on hedge accounting

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Fair value hedged items	-9,373	4,297
Fair value hedging instruments	9,770	-4,347
<b>Result from hedge relationships</b>	<b>397</b>	<b>-50</b>

### (5) Net trading result

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Trading result	1,507	1,092
Result from the valuation of financial instruments - HFT	-247	3,125
Result from the valuation of derivatives	-57,745	42,502
Result from the valuation of financial instruments - AFV	62,192	-45,006
<b>Net trading result</b>	<b>5,707</b>	<b>1,713</b>

### (6) Administrative expenses

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

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Staff costs	-12,911	-12,458
Materials expenses	-7,794	-7,105
Depreciation/amortisation of property, plant and equipment and intangible assets	-1,322	-1,453
<b>Administrative expenses</b>	<b>-22,027</b>	<b>-21,016</b>

Thereof staff costs

in '000 EUR	01.01. - 31.03.2011	01.01. - 31.03.2010
Wages and salaries	-9,541	-9,367
Statutory social security contributions	-2,463	-2,373
Voluntary social benefits	-312	-275
Expenses for retirement benefits	-537	-425
Social capital	-58	-18
<b>Staff costs</b>	<b>-12,911</b>	<b>-12,458</b>

## C. Notes to the balance sheet

### (7) Positive market values of hedges

Breakdown by type of hedge

in '000 EUR	31.03.2011	31.12.2010
Positive market values of fair value hedges	5,028	1,728
Deferred interest on derivative hedges	5,268	2,803
<b>Positive market values of hedges</b>	<b>10,296</b>	<b>4,531</b>

The Group did not enter into any cash flow hedge positions in the reporting year or the previous year. A detailed list of the hedging instruments is shown in Note (18).

### (8) Trading assets and derivatives

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Investment certificates	2,314	2,317
Positive market values of derivative financial instruments	410,140	536,162
Deferred interest	62,474	93,396
<b>Trading assets and derivatives</b>	<b>474,928</b>	<b>631,875</b>

A detailed list of the hedging instruments is shown in Note (18).

### (9) Financial assets designated at fair value (AFV)

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Debt securities of public issuers	249,410	215,560
Debt securities of other issuers	518,921	514,724
Shares	20,911	18,933
Investment certificates	25,381	24,634
Other equity interests	6,529	6,493
Loans and advances to banks	5,349	5,525
Loans and advances to customers	665,068	704,812
Deferred interest	13,449	17,971
<b>Financial assets - at fair value</b>	<b>1,505,018</b>	<b>1,508,652</b>

## (10) Financial assets available for sale (AFS)

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Debt securities of public issuers	79,721	81,699
Debt securities of other issuers	411,657	413,192
Shares	1,143	1,143
Investment certificates	11,003	11,049
Other equity interests	18,680	19,007
Deferred interest	5,009	9,092
Other equity investments	21,296	21,135
Other investments in affiliated companies	164	164
<b>Financial assets - available for sale</b>	<b>548,673</b>	<b>556,481</b>

## (11) Financial assets held to maturity (HTM)

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Debt securities of public issuers	248,970	250,342
Debt securities of other issuers	864,888	874,052
Deferred interest	22,282	24,757
<b>Financial assets - held to maturity</b>	<b>1,136,140</b>	<b>1,149,151</b>

## (12) Liabilities evidenced by certificates (LAC)

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Mortgage bonds	5,881	7,051
Municipal bonds	267,630	200,415
Medium-term fixed-rate notes	1,019	1,036
Bonds	547,006	607,837
Housing construction bonds	140,446	144,642
Bonds issued by Pfandbriefstelle	538,605	538,586
Deferred interest	3,741	6,605
<b>Liabilities evidenced by certificates</b>	<b>1,504,328</b>	<b>1,506,172</b>

## (13) Negative market values of hedges

Breakdown by type of hedge

in '000 EUR	31.03.2011	31.12.2010
Negative market values of fair value hedges	15,388	21,681
Deferred interest on derivative hedging instruments	20,886	11,710
<b>Negative market values of hedges</b>	<b>36,274</b>	<b>33,391</b>

A detailed list of the hedging instruments is shown in Note (18).

## (14) Trading liabilities and derivatives

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Negative market values of derivative financial instruments	239,504	253,716
Deferred interest	7,349	27,762
<b>Trading liabilities and derivatives</b>	<b>246,853</b>	<b>281,478</b>

A detailed list of the hedging instruments is shown in Note (18).

## (15) Financial liabilities designated at fair value (LAFV)

Breakdown by type of business

in '000 EUR	31.03.2011	31.12.2010
Amounts owed to banks - at fair value	138,700	139,201
Amounts owed to customers - at fair value	470,707	486,750
Mortgage bonds - at fair value	20,082	20,727
Municipal bonds - at fair value	682,078	490,199
Bonds - at fair value	3,564,893	3,710,651
Housing construction bonds - at fair value	155,656	160,759
Bonds issued by Pfandbriefstelle - at fair value	628,452	972,055
Subordinated capital - at fair value	40,423	59,160
Supplementary capital - at fair value	94,839	97,436
Deferred interest	51,508	86,317
<b>Financial liabilities - at fair value</b>	<b>5,847,338</b>	<b>6,223,255</b>

## (16) Shareholders' equity

Equity by type

in '000 EUR	31.03.2011	31.12.2010
Share capital	150,000	150,000
Participation certificate capital	9,000	9,000
<b>Subscribed capital</b>	<b>159,000</b>	<b>159,000</b>
Capital reserves – restricted	27,579	27,579
<b>Capital reserves</b>	<b>27,579</b>	<b>27,579</b>
Retained earnings – statutory	11,102	11,102
Retained earnings – per articles of association	5,569	5,569
Retained earnings – other	216,121	216,115
Liable capital per Section 23 (6) BWG	119,079	119,079
Measurement reserve per Section 12 EStG and from unscheduled depreciation	4,763	4,765
Income and losses carried forward	63,424	47,333
Measurement reserve from first-time adoption	3,147	3,148
Capital consolidation difference	-3,931	-4,001
<b>Retained earnings</b>	<b>419,274</b>	<b>403,110</b>
Revaluation reserves AFS	-2,039	-2,945
Reserves from currency translation	-9	188
Non-controlling interests	0	0
<b>Shareholders' equity</b>	<b>603,805</b>	<b>586,932</b>

## D. Additional IFRS disclosures

### (17) Employees

	31.03.2011	31.12.2010
Full-time salaried staff	626	638
Part-time salaried staff	55	53
Apprentices	10	10
Full-time other employees	3	4
<b>Average number of employees</b>	<b>694</b>	<b>705</b>



## E. Segment reporting

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2011	16,406	7,719	9,346	4,526	37,997
	2010	15,677	7,203	5,630	7,332	35,842
Loan loss provisions	2011	-4,735	-1,012	0	-2,639	-8,386
	2010	-6,228	-1,019	-54	-3,183	-10,484
Net fee and commission income	2011	2,992	4,292	1,594	932	9,810
	2010	3,130	3,922	680	819	8,551
Result from hedge relationships	2011	0	0	397	0	397
	2010	0	0	-50	0	-50
Net trading result	2011	594	280	4,507	326	5,707
	2010	379	326	713	295	1,713
Result from other financial instruments	2011	0	0	-2,281	-33	-2,314
	2010	63	0	-1,335	-270	-1,542
Administrative expenses	2011	-6,923	-9,882	-2,747	-2,475	-22,027
	2010	-6,461	-10,366	-1,587	-2,602	-21,016
Other income	2011	-403	-124	-811	448	-890
	2010	45	39	-3	-51	30
Result from equity consolidation	2011	0	0	0	806	806
	2010	0	0	0	116	116
<b>Earnings before taxes</b>	2011	<b>7,931</b>	<b>1,273</b>	<b>10,005</b>	<b>1,891</b>	<b>21,100</b>
	2010	<b>6,605</b>	<b>105</b>	<b>3,994</b>	<b>2,456</b>	<b>13,160</b>
Assets	2011	4,903,051	1,600,378	5,239,217	1,761,380	13,504,026
	2010	4,674,826	1,470,963	6,020,472	1,834,772	14,001,033
Liabilities and shareholders' equity	2011	1,656,647	2,613,260	8,556,104	678,015	13,504,026
	2010	1,723,793	2,636,516	8,784,066	856,658	14,001,033
Liabilities	2011	1,406,866	2,469,615	8,389,330	634,410	12,900,221
	2010	1,486,434	2,499,694	8,649,684	816,752	13,452,564

## F. Special disclosures on financial instruments

### (18) Derivative financial instruments

Hedging derivatives

in '000 EUR	Nominal values		Positive market values		Negative market values	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Interest rate swaps	607,003	534,136	5,028	1,728	14,056	20,638
Cross-currency swaps	12,772	5,419	0	0	1,332	1,043
<b>Interest rate derivatives</b>	<b>619,775</b>	<b>539,555</b>	<b>5,028</b>	<b>1,728</b>	<b>15,388</b>	<b>21,681</b>
<b>Derivatives</b>	<b>619,775</b>	<b>539,555</b>	<b>5,028</b>	<b>1,728</b>	<b>15,388</b>	<b>21,681</b>

## Other derivatives

in '000 EUR	Nominal values		Positive market values		Negative market values	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Interest rate swaps	7,113,759	7,473,006	220,231	300,156	147,120	166,948
Cross-currency swaps	1,241,365	1,184,116	140,876	186,524	36,728	43,387
Interest rate options	621,560	740,653	3,150	3,037	2,607	3,412
Interest rate futures	5,000	20,000	1	54	0	0
<b>Interest rate derivatives</b>	<b>8,981,684</b>	<b>9,417,775</b>	<b>364,258</b>	<b>489,771</b>	<b>186,455</b>	<b>213,747</b>
FX forward transactions	1,843,932	1,966,413	41,765	32,121	40,905	31,240
FX swaps	194,733	449,434	60	10,402	4,963	964
FX options	79,306	56,316	2,201	1,889	2,201	1,889
<b>Currency derivatives</b>	<b>2,117,971</b>	<b>2,472,163</b>	<b>44,026</b>	<b>44,412</b>	<b>48,069</b>	<b>34,093</b>
Index contracts with top-quality securities	19,877	11,649	0	190	353	0
Options for top-quality securities	1,814	1,764	1,814	1,764	0	0
<b>Derivatives on top-quality securities</b>	<b>21,691</b>	<b>13,413</b>	<b>1,814</b>	<b>1,954</b>	<b>353</b>	<b>0</b>
Credit default swaps	137,378	139,426	42	25	4,627	5,876
<b>Credit derivatives</b>	<b>137,378</b>	<b>139,426</b>	<b>42</b>	<b>25</b>	<b>4,627</b>	<b>5,876</b>
<b>Derivatives</b>	<b>11,258,724</b>	<b>12,042,777</b>	<b>410,140</b>	<b>536,162</b>	<b>239,504</b>	<b>253,716</b>

## G. Financial risks and risk management

The full disclosures 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](http://www.hypovbg.at).

### (19) Overall risk management

The Bank's operations involve the following risks:

- **Credit risk:** This includes counterparty default risk, as well as the risk of deteriorating credit standing. Risks may also result from the use of credit risk minimisation 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 the capital commitment period 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 controls these risks as part of containing overall bank risk. The Managing Board is responsible for the overall 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. As part of the "Optimisation under Conditions of Uncertainty" project conducted at the Josef-Ressel Centre, the Bank cooperates closely with Vorarlberg University of Applied Sciences on the definition of market scenarios employed.

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 department measures credit, market, liquidity and operational risks on an overall bank 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, defining interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk and liquidity limits. The Group Risk Controlling, Controlling, and Treasury departments are represented 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.

There were no major developments in the risk situation in the first quarter. Non-performing loans decreased from EUR 245.8 million to EUR 240.2 million. In market risk there were likewise no major changes. No large-volume refinancing is required in 2011.

Year	Date	VaR total	VaR credit spread*	VaR equities	VaR currencies	VaR interest
2010	January	4,856,739	-	2,159,401	817,399	4,549,174
	February	4,635,455	2,998,873	1,691,485	621,243	3,937,149
	March	5,034,296	2,729,187	411,403	477,944	3,716,030
2011	January	7,342,640	4,752,077	351,592	634,214	4,929,771
	February	8,084,205	4,473,216	348,647	831,147	5,834,390
	March	7,995,788	4,297,038	308,299	1,678,250	5,616,282

\*not introduced until February 2010

## (20) Consolidated capital and regulatory capital requirements

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

in '000 EUR	31.03.2011	31.12.2010
<b>Core capital (tier 1)</b>	<b>654,914</b>	<b>662,556</b>
Paid-in capital	159,000	159,000
Capital reserves	27,579	27,579
Retained earnings	238,394	238,390
Liable capital	119,075	119,079
Minority interests per Section 24 (2) no. 1 BWG	93,529	101,243
Consolidation per Section 24 (2) BWG	18,660	18,605
Intangible assets	-1,323	-1,340
<b>Supplementary capital resources (tier 2)</b>	<b>311,774</b>	<b>338,102</b>
Supplementary capital	107,780	102,192
Remeasurement reserve	15,994	30,110
Subordinated capital	188,000	205,800
<b>Deductions</b>	<b>-3,519</b>	<b>-3,558</b>
<b>Attributable capital resources (tier 1 plus tier 2 minus deductions)</b>	<b>963,169</b>	<b>997,100</b>
<b>Assessment basis (banking book)</b>	<b>7,269,725</b>	<b>7,326,872</b>
Core capital ratio (banking book)	9.01%	9.04%
Solvency ratio (banking book)	13.25%	13.61%
<b>Assessment basis (modified)</b>	<b>7,611,225</b>	<b>7,650,225</b>
Core capital ratio	8.60%	8.66%
Solvency ratio	12.65%	13.03%

Capital requirements per Section 22 Austrian Banking Act.

in '000 EUR	31.03.2011	31.12.2010
<b>Assessment basis per Section 22 BWG</b>	<b>7,269,725</b>	<b>7,326,872</b>
Capital resource requirement for solvency	581,578	586,150
Capital resource requirement for operational risk	27,320	25,868
<b>Total capital resource requirements</b>	<b>608,898</b>	<b>612,018</b>

## H. Disclosures pertaining to Austrian law

### (21) 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.

In the interest of improved transparency and informational value of the breakdown of securities, loans and advances to banks and customers were excluded from bonds at fair value.

## Managing Board declaration

The signing Managing Board members confirm as the Bank's legal representatives that this interim report was prepared under their responsibility and to the best of their knowledge, is consistent with the International Financial Reporting Standards (IFRS) applicable in the EU, in particular IAS 34 ("Interim Financial Reporting"), and provides a true and fair view of the Bank's net assets, financial position and results of operations.

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

Bregenz, 24 May 2011

### Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

The members of the Managing Board



Jodok Simma  
CEO, Chairman of the Managing Board



Johannes Hefel  
Managing Board member



Michael Grammer  
Managing Board member





## Branch Offices/Subsidiaries

### Vorarlberg: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, [www.hypovbg.at](http://www.hypovbg.at)

International dialing code for Austria: +43

<b>Headquarters:</b>	6900 Bregenz, Hypo-Passage 1	T (0) 50 414-1000	F -1050
<b>6900 Bregenz</b>	Vorkloster, Heldendankstraße 33	T (0) 50 414-1800	F -1850
<b>6700 Bludenz</b>	Am Postplatz 2	T (0) 50 414-3000	F -3050
<b>6850 Dornbirn</b>	Rathausplatz 6	T (0) 50 414-4000	F -4050
<b>6850 Dornbirn</b>	Messepark, Messestraße 2	T (0) 50 414-4200	F -4250
<b>6863 Egg</b>	Wälderpark, HNr. 940	T (0) 50 414-4600	F -4650
<b>6800 Feldkirch</b>	Neustadt 23	T (0) 50 414-2000	F -2050
<b>6800 Feldkirch</b>	LKH Feldkirch, Carinagasse 47-49	T (0) 50 414-2400	F -2450
<b>6793 Gaschurn</b>	Schulstraße 6b	T (0) 50 414-3400	F -3450
<b>6840 Götzis</b>	Hauptstraße 4	T (0) 50 414-6000	F -6050
<b>6971 Hard</b>	Landstraße 9	T (0) 50 414-1600	F -1650
<b>6973 Höchst</b>	Hauptstraße 25	T (0) 50 414-5200	F -5250
<b>6845 Hohenems</b>	Bahnhofstraße 19	T (0) 50 414-6200	F -6250
<b>6923 Lauterach</b>	Hofsteigstraße 2a	T (0) 50 414-6400	F -6450
<b>6764 Lech</b>	HNr. 138	T (0) 50 414-3800	F -3850
<b>6890 Lustenau</b>	Kaiser-Franz-Josef-Straße 4a	T (0) 50 414-5000	F -5050
<b>6830 Rankweil</b>	Ringstraße 11	T (0) 50 414-2200	F -2250
<b>6830 Rankweil</b>	LKH Rankweil, Valdunastraße 16	T (0) 50 414-2600	F -2650
<b>6780 Schruns</b>	Jakob-Stemer-Weg 2	T (0) 50 414-3200	F -3250

### Kleinwalsertal: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, [www.hypo-kleinwalsertal.de](http://www.hypo-kleinwalsertal.de)

	6993 Mittelberg, Walsersstraße 62	T (0) 50 414-8400	F -8450
	6991 Riezlern, Walsersstraße 31	T (0) 50 414-8000	F -8050

### Vienna: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

	1010 Vienna, Singerstraße 12	T (0) 50 414-7400	F -7450
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### Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, Mobile Sales Unit

	1010 Vienna, Singerstraße 12	T (0) 50 414-7700	F -7750
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### Styria: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

	8010 Graz, Joanneumring 7	T (0) 50 414-6800	F -6850
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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](http://www.hypobank.ch)

	9004 St. Gallen, Bankgasse 1	T +41 (0) 71 228 85-00	F -19
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### Italy: Hypo Vorarlberg GmbH, [www.hypoleasing.it](http://www.hypoleasing.it)

	39100 Bolzano, Galileo-Galilei-Straße 10/B	T +39 0471 060 500	F 060 550
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### Hypo Vorarlberg Leasing AG

	39100 Bolzano, Galileo-Galilei-Straße 10/B	T +39 0471 060 500	F 060 550
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### Hypo Vorarlberg Leasing AG

	24100 Bergamo, Via Vittorio Emanuele II	T +39 035 210 751	F 210 609
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### Hypo Vorarlberg Leasing AG

	22100 Como, Via Fratelli Rosselli 14	T +39 031 574 517	F 574 476
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### Hypo Vorarlberg Leasing AG

	31100 Treviso, Vicolo Veronese 6	T +39 0422 55357	F 548529
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\*050-number for local rate

**Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft**

Hypo-Passage 1, 6900 Bregenz, Austria

T +43 (0)50 414-0, F +43 (0)50 414-1050

info@hypovbg.at, www.hypovbg.at

BLZ 58000, BIC/SWIFT HYPVAT2B, DVR 0018775, UID ATU 36738508, FN 145586y