



Semi Annual Report 2011

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 | 30.06.2011 | 31.12.2010 | Change | |
|--|------------|------------|-------------|------|
| | | | in '000 EUR | in % |
| Total assets | 13,759,304 | 13,561,150 | 198,154 | 1.5 |
| Loans and advances to customers | 8,292,970 | 8,065,327 | 227,643 | 2.8 |
| Amounts owed to customers | 4,029,427 | 3,806,918 | 222,509 | 5.8 |
| Liabilities evidenced by certificates (LAC) | 1,557,398 | 1,506,172 | 51,226 | 3.4 |
| Financial liabilities - at fair value (LAV) | 6,172,389 | 6,223,255 | -50,866 | -0.8 |
| Capital resources pursuant to the Austrian Banking Act | 973,643 | 997,100 | -23,457 | -2.4 |
| thereof core capital Tier 1 | 655,064 | 662,556 | -7,492 | -1.1 |

| in '000 EUR | 01.01.- | 01.01.- | Change | |
|--|------------|------------|-------------|----------|
| | 30.06.2011 | 30.06.2010 | in '000 EUR | in % |
| Net interest income after loan loss provisions | 61,375 | 53,910 | 7,465 | 13.8 |
| Net fee and commission income | 20,205 | 19,719 | 486 | 2.5 |
| Net trading result | 3,770 | -1,328 | 5,098 | > -100.0 |
| Administrative expenses | -43,594 | -40,992 | -2,602 | 6.3 |
| Earnings before taxes | 38,848 | 28,922 | 9,926 | 34.3 |

| Key figures | 30.06.2011 | 30.06.2010 | Change | |
|-------------------------------|------------|------------|----------|------|
| | | | absolute | in % |
| Cost/income ratio (CIR) | 44.65% | 42.45% | 2.20% | 5.2 |
| Solvency ratio (banking book) | 12.95% | 13.28% | -0.33% | -2.5 |
| Return on equity (ROE) | 13.55% | 11.05% | 2.50% | 22.6 |

| Personal | 30.06.2011 | 31.12.2010 | Change | |
|-----------|------------|------------|----------|------|
| | | | absolute | in % |
| Employees | 689 | 705 | -16 | -2.3 |

The shareholders of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 30 June 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 % | |
| 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 |

Consolidated Interim Report in accordance with International Financial Reporting Standards (IFRS) as at 30 June 2011

Banking business environment in the first half of 2011

Global economy and euro zone

Factors that influenced share prices in the first quarter also had a crucial influence on second quarter prices. The political conflict in Northern Africa has not been fully resolved. The Japanese economy had to overcome production downtimes, but proved its desire to recover and an unwavering calculated optimism. The debt crisis with Greece's impending payment default was a permanent fixture in Europe.

Due to the focus on Europe, it was noted in passing that the US, the world's largest economy, was developing below planned levels. Job cuts in the public sector leading to poor consumption and the effects of production downtimes in Japan negatively impacted the US recovery. In contrast to this, other industrialised and developing countries put in stronger performances. The performance of the German economy in particular is worth mentioning. Economic stimulus programmes paid off, German exporters benefited from their early orientation on Asian markets and private consumption profited from the decrease in unemployment numbers. The US as well as some European countries increasingly made headlines due to budget reasons. The mountain of US debt reached its legal limit. Since that time, there have been discussions and decisions at the highest political levels on raising the debt limit, which in turn makes an interest rate increase in the near future an unrealistic prospect.

Austria

Thanks to the strong increase in GDP in the first quarter and despite more moderate development since then, the economy in Austria and Vorarlberg turned out to be much stronger than in the previous year. The economic recovery also reached the labour market. Employment rose by an average of 1.8% in the first half of the year, thus setting a new employment record. The inflationary trend that has persisted since the beginning of the year was interrupted in May. Inflation averaged 3.0% in the first five months.

Interest rates

In the second quarter of 2011, the debt crisis and the threat of inflation caused a contrary development in the money market rates and capital market interest rates, thus flattening the yield curve in the euro zone. After a hiatus of just under three years, the ECB increased the key interest rate in April by 25 bp to 1.25% (7 July 2011: increase to 1.5%). In order to achieve an inflation rate of just under 2%, financial market experts expect another interest rate move this year.

Stock markets

The collapse of the markets in mid-March was partially offset again by the beginning of May. However, their performance is anything but stable and the markets reflect investors' ongoing uncertainty in high volatility. In the first half of the year, listed companies benefited from expansive monetary policy and the continued growth in developing countries. Despite the predominantly good quarterly figures, share prices fell sharply in some cases in the reporting period. In some emerging markets, the enormous growth of recent years left behind increasingly negative side effects, which were fought more or less successfully by the respective governments (e.g. limited market access for foreign investors).

Currencies

Currencies were the most sensitive barometer of the financial markets. There were major changes in the two main currencies EUR and USD in particular. Each piece of bad news negatively impacted the euro, each small political victory calmed things down again somewhat. Increased volatility became a constant companion. However, most of the currencies that trade with the euro weakened overall in the first six months. The crisis currency Swiss franc was the only currency to appreciate considerably against the euro.

Commodities

In the commodities segment, precious metals and agricultural commodities took pole positions in the first half of the year. After increasing sharply until April, the gold price moved sideways in May and June. Platinum was the loser among the precious metals. Decreasing demand due to its substitution with more reasonably-priced palladium negatively impacted its price development.

In 2011, crude oil prices returned to 2008 levels again for the first time. After steadily increasing, they were subjected to significant price pressure due to the decision of the International Energy Agency (IEA), which decided to tap its strategic reserves since OPEC could not resolve to increase its output first.

Consolidated management report as at 30 June 2011

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (in short: Hypo Landesbank Vorarlberg) reported income of EUR 38.8 million before taxes in the first half of 2011. This result puts Hypo Landesbank Vorarlberg up by 34.3% year-on-year. After these pleasing results in the crisis years, Hypo

Landesbank Vorarlberg continues to impress with stable operational results, healthy growth and successful cost management. Total assets amounted to EUR 13.8 billion (up by 1.5%) in line with planning.

A major turning point for the Bank's management was decided in June. After over 36 years on the Board of Hypo Landesbank Vorarlberg, Chairman of the Managing Board Jodok Simma (born in 1946) did not apply for an extension of his Managing Board contract – as announced two years ago. His Managing Board contract will end on 30 April 2012. The Supervisory Board appointed Board member Michael Grahammer as CEO and Michel Haller to the Board of Hypo Landesbank Vorarlberg as at 1 May 2012.

Income statement

Net interest income after loan loss provisions as at 30 June 2011 was EUR 61.4 million, up by 13.8% year-on-year. Due to the stable economy, credit risk provisions were down by 4.6% on the previous year. Sufficient provisions were made for all recognisable risks.

Due to the recovery in some areas of the stock market in the last twelve months, net fee and commission income rose by 2.5% to EUR 20.2 million, although investor uncertainty remains high. The net trading result increased to EUR 3.8 million. Administrative expenses were 6.3% higher year-on-year at EUR 43.6 million. Within this, staff costs increased by 4.8% to EUR 25.9 million. The average number of employees has fallen to 689 (weighted by % of full-time equivalent) since the beginning of the year due to natural fluctuation and is likely to be balanced out again by the end of the year.

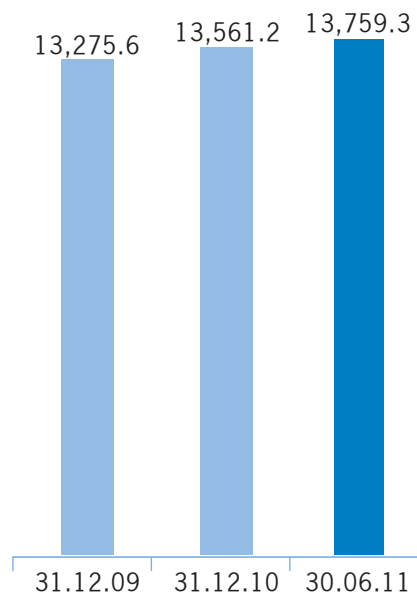
Overall, earnings before taxes as at 30 June 2011 rose by 34.3% to EUR 38.8 million. After taxes, Hypo Landesbank Vorarlberg reported consolidated net income of EUR 29.7 million (up by 31.0%) as at 30 June 2011.

Its cost income ratio of 44.65%, its ROE of 13.55% and its solvency ratio (banking book) of 12.95% underline the fact that Hypo Landesbank Vorarlberg is a healthy, successful and extremely efficient bank.

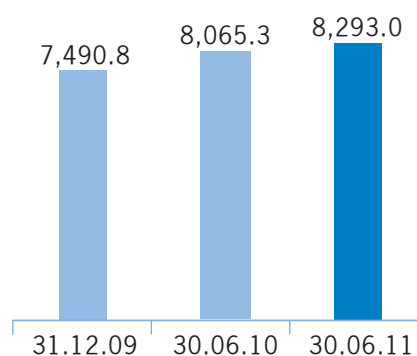
Balance sheet development

Total assets of the Group as at 30 June 2011 amounted to EUR 13,759.3 million as planned, up by 1.5% year-on-year. EUR 8,293.0 million of this is loans and advances to customers, corresponding to a growth rate of 2.8%, mostly from the markets outside Vorarlberg but also partly from currency factors.

On the liabilities side, liabilities to customers in the first half of 2011 increased by EUR 222.5 million or 5.8% year-on-year to reach EUR 4,029.4 million as at 30 June 2011. Financial liabilities at fair value were EUR 6,172.4 million as at 30 June.



Development of total assets (in EUR million)



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

Capital resources

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 or BWG) as at 30 June 2011 were EUR 973.6 million. The solvency ratio according to the banking book was 12.95%, slightly below the

previous year's level. The Bank's equity is at a comfortable level also taking into account its risk profile. The core capital ratio (banking book) amounted to 8.71% (previous year: 9.04%).

The segments in the first half of 2011

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 and expert advising and consulting services on support programmes and funding institutions round off its financing portfolio.

In the first half of 2011, net interest income of EUR 33.7 million was achieved in the Corporate Customers sector. Due to the favourable economic conditions in Vorarlberg and Austria, risk costs are still relatively low. The Corporate Customers sector generated a total of EUR 19.3 million before taxes in the first half of 2011.

The Bank increased its credit services and obtained new customers primarily in the markets of Vienna, Styria, Upper Austria and Southern Germany. Willingness to invest was muted in Vorarlberg in the first few months of the year. In contrast, demand deposits and term deposits recorded sharp increases. In addition to offering favourable conditions, we can also score points with the Bank's good creditworthiness in particular.

Private Customers

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

Many customers are currently taking advantage of the low interest level to build, buy or renovate real estate; the demand for loans in the Private Customers segment was accordingly high in recent months. Customers were also observed paying off more of their debts. Hypo Landesbank Vorarlberg also continues to support energy-saving investments with extremely attractive terms. Hypo Landesbank Vorarlberg's Hypo-Klimakredit, Hypo-Lebenswert-Kredit, Hypo-Lebenszeit-Kredit and recent Hypo-Kredit Zinslimit are loan types that meet individual financing requirements in the best way possible.

Short-term investments dominated due to the expected

interest rate hike in April. In the first quarter, a campaign targeting monthly savings, specifically in funds, was launched successfully. Consultations are convincing customers at an increasing rate of the urgent need to have private retirement savings. The Private Customers sector generated EUR 3.0 million before taxes as at 30 June 2011.

Private Banking and Asset Management

Asset management at Hypo Landesbank Vorarlberg recognised investors' elevated security needs at an early stage and offers suitable alternative products in the form of value protection concepts and international investment standards. As at 30 June 2011, assets of EUR 889.6 million were managed for 3,244 clients.

Only Austrian bank with international performance standards in asset management

PricewaterhouseCoopers reviews the compliance of our asset management with the Global Investment Performance Standards (GIPS)[®] on an annual basis and accredited us most recently in July 2011. Since 2005, Hypo Landesbank Vorarlberg is the first and still the only Austrian bank whose asset management is certified according to these internationally-recognised standards.

Hypo Landesbank Vorarlberg is Austrian winner at the 2011 World Finance Investment Management Award

Hypo Landesbank Vorarlberg was selected the Austrian winner of the 2011 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. First, Hypo Landesbank Vorarlberg, Raiffeisen Capital Management and Erste Sparinvest were selected as finalists in a reader vote 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 #1 in Austria. Banks from a total of 34 countries were reviewed.

In the Private Banking sector, Hypo Landesbank Vorarlberg has earned itself an excellent reputation in recent years. This is underpinned by the Bank's award from World Finance. 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 is being expanded with new asset management strategies that are tailored to the current challenging market situation and the securities capital gains tax.

Financial Markets/Treasury

The Bank continues to enjoy an excellent liquidity situation thanks to a forward-looking refinancing policy. On 28 March 2011, the general prospectus for Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft's range of offers in structured bonds was approved by the Austrian Financial Market Authority. In this programme, the Bank is permitted to issue non-subordinated bonds of all types.

Market players remain extremely unsure of the further development of the European Monetary Union. This uncertainty is also reflected in the massive jump in risk premiums for the PIIGS countries in cash as well as derivatives. From the current point of view, the high level of volatility of sovereign and bank credit spreads is expected to continue in the medium term. It is clear that this trend has spread already, although there are no fundamental reasons for this in some instances.

In July 2009, Hypo Vorarlberg increased its stake in Hypo-KAG by 25% to 37.5%. The restructuring of KAG and the custodian bank business has been completed since then and the system was successfully migrated to a modern platform. As part of Hypo-KAG's new orientation on MASTERINVEST and our department Fonds Service, our position as a custodian bank was strengthened in recent months due to the assumption of high-volume investment funds and our managed volume more than doubled. The funds volume under our management amounted to EUR 8,767 million as at 30 June 2011.

Income contributions from the Financial Markets/Treasury business area amounted to EUR 11.0 million as at 30 June 2011.

Leasing and Real Estate

The Corporate Centre contributed EUR 5.6 million to earnings in the first half of 2011, which includes the Leasing and Real Estate business areas.

Bozen-based Hypo Vorarlberg Leasing AG is focussed on alternative energies (especially photovoltaics) and municipal leasing in particular, alongside its long-standing concentration on real estate leasing. Hypo SüdLeasing GmbH is undergoing a reorientation that will be complete by the end of the year.

Dornbirn-based Hypo Immobilien GmbH is the centre of competence in all real-estate-related matters in the Hypo

Vorarlberg Group and manages Hypo Landesbank Vorarlberg's entire real estate portfolio (consisting of buildings it occupies itself as well as properties held for sale) as its primary focus. 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

The economic upswing is continuing in Austria. However, WIFO (Österreichisches Institut für Wirtschaftsforschung or Austrian Institute of Economic Research) believes that short-term economic indicators will lead to an economic downturn in the further course of the year. Global economic expansion will be curbed by the increase in commodity and energy prices, more restrictive monetary policy in some emerging economies and the ongoing burden on private budgets in the US. The euro zone crisis is contributing to consumer and corporate uncertainty. WIFO expects an increase in GDP of 3.0% in 2011 and economic growth of 1.8% in 2012, but international economic risks have increased in recent months.

Focus areas for 2011

In overall terms, Hypo Landesbank Vorarlberg will adhere to its proven business model and concentrate on customer business as before. The first half of the year has been satisfactory and the Managing Board is generally optimistic for 2011.

The strategic focus is 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 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. All in all, it can be assumed that loans and advances to customers adjusted for exchange rate effects 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, liquidity and refinancing policies will focus more on obtaining savings deposits. Hypo Landesbank Vorarlberg is popular among investment clients due to its good creditworthiness and high 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 renovations continue to be extremely important.

A focus area for the autumn of this year will be sustainability and environmental protection. Economic sustainability and stability are of course extremely important to a bank. However, sustainability means not only focussing on long-term corporate success, but also paying attention to ecological and social sustainability. Sustainable management of resources is part of our social and ecological responsibility.

We can also make it easier for our customers to protect the environment with our targeted products. For example, we support our customers' energy-saving investments with an extremely low interest rate (Hypo-Klima-Kredit). In a customer survey, 21% indicated that they would forgo interest in favour of a project that benefits the environment. This was the starting point for the idea of the environmental savings book, in which the customer waives 1/8% of the interest which is then provided to environmental projects. As a bank, we will also make a financial contribution to these environmental projects.

Expected earnings development in 2011

Interest business will continue to be a stable pillar of earnings development in 2011 as well. All in all, the Managing Board anticipates that 2011 earnings will approximate the extremely good level seen in 2010. Hypo Landesbank Vorarlberg will continue to follow a careful risk policy and keep sufficient sums for loan loss provisions. In commercial activity and own-account transactions, Hypo Landesbank Vorarlberg is continuing on its conservative path.

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, whilst 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, which will lead to necessary price increases in banking services.

The centralised portfolio management of Vorarlberger Landes- und Hypothekenbank 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 Hypothekenbank Aktiengesellschaft at: +43 (0)50 414-1281 or e-mail us at gips@hypovbg.at.

I. Statement of comprehensive income for the period 1 January to 30 June 2011

Income statement

| in '000 EUR | (Notes) | 01.01.- | | Change | |
|---|---------|---------------|---------------|--------------|-------------|
| | | 30.06.2011 | 30.06.2010 | in '000 EUR | in % |
| Interest and similar income | | 150,110 | 133,749 | 16,361 | 12.2 |
| Interest and similar expenses | | -71,165 | -61,418 | -9,747 | 15.9 |
| Net interest income | (2) | 78,945 | 72,331 | 6,614 | 9.1 |
| Loan loss provisions | | -17,570 | -18,421 | 851 | -4.6 |
| Net interest income after loan loss provisions | | 61,375 | 53,910 | 7,465 | 13.8 |
| Fee and commission income | | 22,534 | 22,802 | -268 | -1.2 |
| Fee and commission expenses | | -2,329 | -3,083 | 754 | -24.5 |
| Net fee and commission income | (3) | 20,205 | 19,719 | 486 | 2.5 |
| Net result on hedge accounting | (4) | 172 | -412 | 584 | > -100.0 |
| Net trading result | (5) | 3,770 | -1,328 | 5,098 | > -100.0 |
| Net result from other financial instruments | | -5,233 | -5,055 | -178 | 3.5 |
| Administrative expenses | (6) | -43,594 | -40,992 | -2,602 | 6.3 |
| Other income | | -1,719 | 1,857 | -3,576 | > -100.0 |
| Result from equity consolidation | | 3,872 | 1,223 | 2,649 | > 100.0 |
| Earnings before taxes | | 38,848 | 28,922 | 9,926 | 34.3 |
| Taxes on income | | -9,197 | -6,286 | -2,911 | 46.3 |
| Consolidated net income | | 29,651 | 22,636 | 7,015 | 31.0 |
| Of which attributable to: | | | | | |
| Shareholders of the parent company | | 29,651 | 22,636 | 7,015 | 31.0 |
| Non-controlling interests | | 0 | 0 | 0 | 0.0 |

In the „Other result“ item, the stability tax is reported for the first time in 2011 (at 30 June 2011 with EUR 3,000,000).

Statement of comprehensive Income

| in '000 EUR | 01.01.- | | Change | |
|---|---------------|---------------|--------------|-------------|
| | 30.06.2011 | 30.06.2010 | in '000 EUR | in % |
| Consolidated net income | 29,651 | 22,636 | 7,015 | 31.0 |
| Other income after taxes | 3,383 | 1,615 | 1,768 | > 100.0 |
| Changes to foreign currency translation reserve | 104 | 308 | -204 | -66.2 |
| Changes to revaluation reserve | 3,107 | 1,045 | 2,062 | > 100.0 |
| of which changes in measurement | 3,105 | 1,413 | 1,692 | > 100.0 |
| of which changes in holdings | 1,038 | -20 | 1,058 | > -100.0 |
| of which income tax effects | -1,036 | -348 | -688 | > 100.0 |
| Change from equity consolidation | 172 | 262 | -90 | -34.4 |
| Total comprehensive income | 33,034 | 24,251 | 8,783 | 36.2 |
| Of which attributable to: | | | | |
| Shareholders of the parent company | 33,034 | 24,251 | 8,783 | 36.2 |
| Non-controlling interests | 0 | 0 | 0 | 0.0 |

II. Balance sheet dated 30 June 2011

Assets

| in '000 EUR | (Notes) | 30.06.2011 | 31.12.2010 | Change | |
|--|---------|-------------------|-------------------|----------------|------------|
| | | | | in '000 EUR | in % |
| Cash and balances with central banks | | 37,438 | 138,452 | -101,014 | -73.0 |
| Loans and advances to banks | | 1,671,520 | 1,420,249 | 251,271 | 17.7 |
| Loans and advances to customers | | 8,292,970 | 8,065,327 | 227,643 | 2.8 |
| Loan loss provisions for loans and advances to customers | | -115,377 | -109,934 | -5,443 | 5.0 |
| Positive market values of hedges | (7, 18) | 6,704 | 4,531 | 2,173 | 48.0 |
| Trading assets and derivatives | (8, 18) | 569,642 | 631,875 | -62,233 | -9.8 |
| Financial assets - at fair value | (9) | 1,513,357 | 1,508,652 | 4,705 | 0.3 |
| Financial assets - available for sale | (10) | 582,054 | 556,481 | 25,573 | 4.6 |
| Financial assets - held to maturity | (11) | 1,010,123 | 1,149,151 | -139,028 | -12.1 |
| Shares in companies valued at equity | | 24,546 | 21,947 | 2,599 | 11.8 |
| Investment property | | 32,366 | 32,563 | -197 | -0.6 |
| Intangible assets | | 1,617 | 1,560 | 57 | 3.7 |
| Property, plant and equipment | | 71,079 | 66,830 | 4,249 | 6.4 |
| Tax assets | | 800 | 800 | 0 | 0.0 |
| Deferred tax assets | | 3,027 | 5,174 | -2,147 | -41.5 |
| Non-current assets available for sale | | 13,853 | 8,903 | 4,950 | 55.6 |
| Other assets | | 43,585 | 58,589 | -15,004 | -25.6 |
| Total Assets | | 13,759,304 | 13,561,150 | 198,154 | 1.5 |

Liabilities and shareholders' equity

| in '000 EUR | (Notes) | 30.06.2011 | 31.12.2010 | Change | |
|---|----------|-------------------|-------------------|----------------|------------|
| | | | | in '000 EUR | in % |
| Amounts owed to banks | | 734,596 | 793,369 | -58,773 | -7.4 |
| Amounts owed to customers | | 4,029,427 | 3,806,918 | 222,509 | 5.8 |
| Liabilities evidenced by certificates | (12) | 1,557,398 | 1,506,172 | 51,226 | 3.4 |
| Negative market values of hedges | (13, 18) | 32,194 | 33,391 | -1,197 | -3.6 |
| Trading liabilities and derivatives | (14, 18) | 245,849 | 281,478 | -35,629 | -12.7 |
| Financial liabilities - at fair value | (15) | 6,172,389 | 6,223,255 | -50,866 | -0.8 |
| Other provisions | | 12,359 | 10,976 | 1,383 | 12.6 |
| Provisions for social capital | | 20,152 | 20,141 | 11 | 0.1 |
| Current tax liabilities | | 4,739 | 9,418 | -4,679 | -49.7 |
| Deferred tax liabilities | | 1,428 | 1,425 | 3 | 0.2 |
| Other liabilities | | 101,489 | 47,829 | 53,660 | > 100.0 |
| Subordinated and supplementary capital | | 238,185 | 239,846 | -1,661 | -0.7 |
| Shareholders' equity | (16) | 609,099 | 586,932 | 22,167 | 3.8 |
| Of which non-controlling interests | | 0 | 0 | 0 | 0.0 |
| Total Liabilities and shareholders' equity | | 13,759,304 | 13,561,150 | 198,154 | 1.5 |

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 |
|----------------------------------|--------------------|-----------------|--------------------------------------|--|------------------------------------|---------------------------|----------------------------|
| Balance 01.01.2010 | 159,000 | 27,579 | 354,789 | -6,165 | 24 | 165 | 535,392 |
| Consolidated net income | 0 | 0 | 22,636 | 0 | 0 | 0 | 22,636 |
| Other income | 0 | 0 | 484 | 1,045 | 86 | 0 | 1,615 |
| Interim result 2010 | 0 | 0 | 23,120 | 1,045 | 86 | 0 | 24,251 |
| Change in scope of consolidation | 0 | 0 | -787 | 0 | 0 | -165 | -952 |
| Dividends | 0 | 0 | -10,585 | 0 | 0 | 0 | -10,585 |
| Balance 30.06.10 | 159,000 | 27,579 | 366,537 | -5,120 | 110 | 0 | 548,106 |
| Balance 01.01.11 | 159,000 | 27,579 | 403,110 | -2,945 | 188 | 0 | 586,932 |
| Consolidated net income | 0 | 0 | 29,651 | 0 | 0 | 0 | 29,651 |
| Other income | 0 | 0 | 434 | 3,107 | -158 | 0 | 3,383 |
| Interim result 2011 | 0 | 0 | 30,085 | 3,107 | -158 | 0 | 33,034 |
| Dividends | 0 | 0 | -10,867 | 0 | 0 | 0 | -10,867 |
| Balance 30.06.2011 | 159,000 | 27,579 | 422,328 | 162 | 30 | 0 | 609,099 |

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.- 30.06.2011 | 01.01.- 30.06.2010 |
|---|-----------------------|-----------------------|
| Cash and balances with central banks as at 1 January | 138,452 | 83,316 |
| Cash flows from operating activities | -122,112 | 241,956 |
| Cash flows from investing activities | 15,810 | -172,809 |
| Cash flows from financing activities | 5,288 | -9,399 |
| Cash and balances with central banks as at 30 June | 37,438 | 143,064 |

V. 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.- 30.06.2011 | 01.01.- 30.06.2010 |
|--|-----------------------|-----------------------|
| Income from cash and balances with central banks | 35 | 210 |
| Income from loans and advances to banks | 5,933 | 6,044 |
| Income from loans and advances to customers | 91,245 | 78,695 |
| Income from leasing business | 13,021 | 10,480 |
| Income from hedging instruments | 152 | 115 |
| Income from derivatives, other | 4,074 | 2,931 |
| Income from debt securities | 34,161 | 32,434 |
| Income from shares | 1,319 | 2,402 |
| Income from investments in affiliated companies | 0 | 40 |
| Income from investments in associated companies | 0 | 142 |
| Income from equity investments, other | 170 | 256 |
| Interest and similar income | 150,110 | 133,749 |
| Expenses from amounts owed to banks | -4,590 | -4,220 |
| Expenses from amounts owed to customers | -25,018 | -21,999 |
| Expenses from liabilities evidenced by certificates | -13,859 | -10,890 |
| Expenses from hedging instruments | -5,680 | -3,240 |
| Expenses from derivatives, other | -4,712 | -2,861 |
| Expenses from liabilities designated AFV | -14,850 | -17,076 |
| Expenses from subordinated and supplementary capital | -2,456 | -1,132 |
| Interest and similar expenses | -71,165 | -61,418 |

(3) Net fee and commission income

| in '000 EUR | 01.01.- 30.06.2011 | 01.01.- 30.06.2010 |
|----------------------------------|-----------------------|-----------------------|
| Lending and leasing business | 1,597 | 1,525 |
| Securities business | 11,332 | 9,732 |
| Giro and payment transactions | 7,291 | 9,292 |
| Other service business | 2,314 | 2,253 |
| Fee and commission income | 22,534 | 22,802 |

| in '000 EUR | 01.01.- 30.06.2011 | 01.01.- 30.06.2010 |
|------------------------------------|-----------------------|-----------------------|
| Lending and leasing business | -326 | -382 |
| Securities business | -761 | -809 |
| Giro and payment transactions | -280 | -248 |
| Other service business | -962 | -1,644 |
| Fee and commission expenses | -2,329 | -3,083 |

(4) Net result on hedge accounting

| in '000 EUR | 01.01.- 30.06.2011 | 01.01.- 30.06.2010 |
|--|-----------------------|-----------------------|
| Fair value hedged items | -829 | 21,966 |
| Fair value hedging instruments | 1,001 | -22,378 |
| Result from hedge relationships | 172 | -412 |

(5) Net trading result

| in '000 EUR | 01.01.- 30.06.2011 | 01.01.- 30.06.2010 |
|--|-----------------------|-----------------------|
| Trading result | 201 | 2,662 |
| Result from the valuation of derivatives | 20,335 | 128,880 |
| Result from the valuation of financial instruments - AFV | -16,766 | -132,870 |
| Net trading result | 3,770 | -1,328 |

(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.- 30.06.2011 | 01.01.- 30.06.2010 |
|--|-----------------------|-----------------------|
| Staff costs | -25,861 | -24,674 |
| Materials expenses | -15,479 | -13,908 |
| Depreciation/amortisation of property, plant and equipment and intangible assets | -2,254 | -2,410 |
| Administrative expenses | -43,594 | -40,992 |

Thereof staff costs

| in '000 EUR | 01.01.- 30.06.2011 | 01.01.- 30.06.2010 |
|---|-----------------------|-----------------------|
| Wages and salaries | -19,079 | -18,477 |
| Statutory social security contributions | -4,927 | -4,708 |
| Voluntary social benefits | -656 | -593 |
| Expenses for retirement benefits | -1,084 | -864 |
| Social capital | -115 | -32 |
| Staff costs | -25,861 | -24,674 |

C. Notes to the balance sheet

(7) Positive market values of hedges

Breakdown by type of hedge

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|---|--------------|--------------|
| Positive market values of fair value hedges | 2,711 | 1,728 |
| Deferred interest on derivative hedges | 3,993 | 2,803 |
| Positive market values of hedges | 6,704 | 4,531 |

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 | 30.06.2011 | 31.12.2010 |
|--|----------------|----------------|
| Investment certificates | 2,527 | 2,317 |
| Positive market values of derivative financial instruments | 475,426 | 536,162 |
| Deferred interest | 91,689 | 93,396 |
| Trading assets and derivatives | 569,642 | 631,875 |

A detailed list of the other derivatives is shown in Note (18).

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

Breakdown by type of business

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|---|------------------|------------------|
| Debt securities of public issuers | 262,974 | 215,560 |
| Debt securities of other issuers | 512,516 | 514,724 |
| Shares | 21,600 | 18,933 |
| Investment certificates | 26,366 | 24,634 |
| Other equity interests | 6,727 | 6,493 |
| Loans and advances to banks | 5,343 | 5,525 |
| Loans and advances to customers | 661,758 | 704,812 |
| Deferred interest | 16,073 | 17,971 |
| Financial assets - at fair value | 1,513,357 | 1,508,652 |

(10) Financial assets available for sale (AFS)

Breakdown by type of business

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|--|----------------|----------------|
| Debt securities of public issuers | 81,297 | 81,699 |
| Debt securities of other issuers | 441,051 | 413,192 |
| Shares | 1,142 | 1,143 |
| Investment certificates | 12,645 | 11,049 |
| Other equity interests | 18,295 | 19,007 |
| Deferred interest | 6,067 | 9,092 |
| Other equity investments | 21,386 | 21,135 |
| Other investments in affiliated companies | 171 | 164 |
| Financial assets - available for sale | 582,054 | 556,481 |

(11) Financial assets held to maturity (HTM)

Breakdown by type of business

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|--|------------------|------------------|
| Debt securities of public issuers | 200,229 | 250,342 |
| Debt securities of other issuers | 793,558 | 874,052 |
| Deferred interest | 16,336 | 24,757 |
| Financial assets - held to maturity | 1,010,123 | 1,149,151 |

(12) Liabilities evidenced by certificates (LAC)

Breakdown by type of business

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|--|------------------|------------------|
| Mortgage bonds | 4,882 | 7,051 |
| Municipal bonds | 287,552 | 200,415 |
| Medium-term fixed-rate notes | 1,041 | 1,036 |
| Bonds | 586,365 | 607,837 |
| Housing construction bonds | 136,070 | 144,642 |
| Bonds issued by Pfandbriefstelle | 538,624 | 538,586 |
| Deferred interest | 2,864 | 6,605 |
| Liabilities evidenced by certificates | 1,557,398 | 1,506,172 |

(13) Negative market values of hedges

Breakdown by type of hedge

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|---|---------------|---------------|
| Negative market values of fair value hedges | 21,405 | 21,681 |
| Deferred interest on derivative hedging instruments | 10,789 | 11,710 |
| Negative market values of hedges | 32,194 | 33,391 |

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 | 30.06.2011 | 31.12.2010 |
|--|----------------|----------------|
| Negative market values of derivative financial instruments | 221,078 | 253,716 |
| Deferred interest | 24,771 | 27,762 |
| Trading liabilities and derivatives | 245,849 | 281,478 |

A detailed list of the other derivatives is shown in Note (18).

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

Breakdown by type of business

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|--|------------------|------------------|
| Amounts owed to banks - at fair value | 139,254 | 139,201 |
| Amounts owed to customers - at fair value | 463,414 | 486,750 |
| Mortgage bonds - at fair value | 20,400 | 20,727 |
| Municipal bonds - at fair value | 773,487 | 490,199 |
| Bonds - at fair value | 3,780,145 | 3,710,651 |
| Housing construction bonds - at fair value | 159,351 | 160,759 |
| Bonds issued by Pfandbriefstelle - at fair value | 624,285 | 972,055 |
| Subordinated capital - at fair value | 40,826 | 59,160 |
| Supplementary capital - at fair value | 97,912 | 97,436 |
| Deferred interest | 73,315 | 86,317 |
| Financial liabilities - at fair value | 6,172,389 | 6,223,255 |

(16) Shareholders' equity

Equity by type

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|---|----------------|----------------|
| Share capital | 150,000 | 150,000 |
| Participation certificate capital | 9,000 | 9,000 |
| Subscribed capital | 159,000 | 159,000 |
| Capital reserves – restricted | 27,579 | 27,579 |
| Capital reserves | 27,579 | 27,579 |
| Retained earnings – statutory | 11,102 | 11,102 |
| Retained earnings – per articles of association | 5,569 | 5,569 |
| Retained earnings – other | 216,129 | 216,115 |
| Liabe capital per Section 23 (6) BWG | 119,079 | 119,079 |
| Measurement reserve per Section 12 EStG and from unscheduled depreciation | 4,758 | 4,765 |
| Income and losses carried forward | 66,362 | 47,333 |
| Measurement reserve from first-time adoption | 3,148 | 3,148 |
| Capital consolidation difference | -3,819 | -4,001 |
| Retained earnings | 422,328 | 403,110 |
| Revaluation reserves AFS | 162 | -2,945 |
| Reserves from currency translation | 30 | 188 |
| Non-controlling interests | 0 | 0 |
| Shareholders' equity | 609,099 | 586,932 |

D. Additional IFRS disclosures

(17) Employees

| Staff | 30.06.2011 | 31.12.2010 |
|------------------------------------|------------|------------|
| Full-time salaried staff | 623 | 638 |
| Part-time salaried staff | 54 | 53 |
| Apprentices | 9 | 10 |
| Full-time other employees | 3 | 4 |
| Average number of employees | 689 | 705 |

E. Segment reporting

Reporting by business segment

| in '000 EUR | | Corporate Customers | Private Customers | Financial Markets | Corporate Center | Total |
|---|-------------|------------------------|----------------------|----------------------|---------------------|---------------|
| Net interest income | 2011 | 33,730 | 16,345 | 17,571 | 11,299 | 78,945 |
| | 2010 | 31,833 | 14,265 | 12,429 | 13,804 | 72,331 |
| Loan loss provisions | 2011 | -7,870 | -2,563 | -112 | -7,025 | -17,570 |
| | 2010 | -8,402 | -1,747 | 121 | -8,393 | -18,421 |
| Net fee and commission income | 2011 | 6,737 | 8,545 | 3,219 | 1,704 | 20,205 |
| | 2010 | 6,940 | 8,350 | 1,778 | 2,651 | 19,719 |
| Result from hedge relationships | 2011 | 0 | 0 | 172 | 0 | 172 |
| | 2010 | 0 | 0 | -412 | 0 | -412 |
| Net trading result | 2011 | 1,293 | 584 | 2,316 | -423 | 3,770 |
| | 2010 | 766 | 885 | -5,551 | 2,572 | -1,328 |
| Result from other financial instruments | 2011 | 0 | 0 | -5,110 | -123 | -5,233 |
| | 2010 | 126 | 0 | -5,721 | 540 | -5,055 |
| Administrative expenses | 2011 | -13,771 | -19,714 | -5,508 | -4,601 | -43,594 |
| | 2010 | -13,093 | -20,725 | -3,202 | -3,972 | -40,992 |
| Other income | 2011 | -822 | -239 | -1,589 | 931 | -1,719 |
| | 2010 | 305 | 88 | -12 | 1,476 | 1,857 |
| Result from equity consolidation | 2011 | 0 | 0 | 0 | 3,872 | 3,872 |
| | 2010 | 0 | 0 | 0 | 1,223 | 1,223 |
| Earnings before taxes | 2011 | 19,297 | 2,958 | 10,959 | 5,634 | 38,848 |
| | 2010 | 18,475 | 1,116 | -570 | 9,901 | 28,922 |
| Assets | 2011 | 5,062,954 | 1,689,740 | 5,203,743 | 1,802,867 | 13,759,304 |
| | 2010 | 4,909,514 | 1,658,213 | 5,051,691 | 1,941,732 | 13,561,150 |
| Liabilities and shareholders' equity | 2011 | 1,704,470 | 2,613,790 | 8,728,733 | 712,311 | 13,759,304 |
| | 2010 | 1,620,207 | 2,579,076 | 8,602,985 | 758,882 | 13,561,150 |
| Liabilities | 2011 | 1,446,794 | 2,467,340 | 8,572,299 | 663,772 | 13,150,205 |
| | 2010 | 1,364,787 | 2,429,574 | 8,456,096 | 723,761 | 12,974,218 |

F. Special disclosures on financial instruments

(18) Derivative financial instruments

Hedging derivatives

| in '000 EUR | Nominal values | | Positive market values | | Negative market values | |
|----------------------------------|----------------|----------------|------------------------|--------------|------------------------|---------------|
| | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 |
| Interest rate swaps | 702,516 | 534,136 | 2,711 | 1,728 | 19,875 | 20,638 |
| Cross-currency swaps | 12,296 | 5,419 | 0 | 0 | 1,530 | 1,043 |
| Interest rate derivatives | 714,812 | 539,555 | 2,711 | 1,728 | 21,405 | 21,681 |
| Derivatives | 714,812 | 539,555 | 2,711 | 1,728 | 21,405 | 21,681 |

Other derivatives

| in '000 EUR | Nominal values | | Positive market values | | Negative market values | |
|--|-------------------|-------------------|------------------------|----------------|------------------------|----------------|
| | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 |
| Interest rate swaps | 7,314,322 | 7,473,006 | 286,626 | 300,156 | 146,450 | 166,948 |
| Cross-currency swaps | 1,210,791 | 1,184,116 | 168,920 | 186,524 | 52,506 | 43,387 |
| Interest rate options | 635,253 | 740,653 | 2,939 | 3,037 | 2,338 | 3,412 |
| Interest rate futures | 12,500 | 20,000 | 0 | 54 | 34 | 0 |
| Interest rate derivatives | 9,172,866 | 9,417,775 | 458,485 | 489,771 | 201,328 | 213,747 |
| FX forward transactions | 1,613,441 | 1,966,413 | 13,465 | 32,121 | 12,824 | 31,240 |
| FX swaps | 192,075 | 449,434 | 193 | 10,402 | 1,656 | 964 |
| FX options | 39,542 | 56,316 | 1,473 | 1,889 | 1,473 | 1,889 |
| Currency derivatives | 1,845,058 | 2,472,163 | 15,131 | 44,412 | 15,953 | 34,093 |
| Index contracts with top-quality securities | 10,772 | 11,649 | 9 | 190 | 168 | 0 |
| Options for top-quality securities | 1,915 | 1,764 | 1,776 | 1,764 | 139 | 0 |
| Derivatives on top-quality securities | 12,687 | 13,413 | 1,785 | 1,954 | 307 | 0 |
| Credit default swaps | 134,060 | 139,426 | 25 | 25 | 3,490 | 5,876 |
| Credit derivatives | 134,060 | 139,426 | 25 | 25 | 3,490 | 5,876 |
| Derivatives | 11,164,671 | 12,042,777 | 475,426 | 536,162 | 221,078 | 253,716 |

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.

(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 or the second quarter. Non-performing loans increased slightly from EUR 240.21 million to EUR 245.6 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 |
| | April | 5,210,492 | 2,822,719 | 328,571 | 436,326 | 3,680,369 |
| | May | 6,621,339 | 3,969,342 | 314,155 | 587,088 | 3,814,230 |
| | June | 5,921,091 | 5,077,611 | 346,615 | 678,963 | 3,654,811 |
| 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 |
| | April | 8,095,224 | 3,983,740 | 322,423 | 1,000,537 | 6,111,742 |
| | May | 7,238,512 | 4,328,899 | 317,091 | 479,027 | 5,341,816 |
| | June | 6,490,801 | 4,329,153 | 317,123 | 511,731 | 5,111,057 |

*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 | 30.06.2011 | 31.12.2010 |
|---|------------------|------------------|
| Core capital (tier 1) | 655,064 | 662,556 |
| 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 | 94,624 | 101,243 |
| Consolidation per Section 24 (2) BWG | 17,810 | 18,605 |
| Intangible assets | -1,418 | -1,340 |
| Supplementary capital resources (tier 2) | 322,388 | 338,102 |
| Supplementary capital | 107,056 | 102,192 |
| Remeasurement reserve | 27,332 | 30,110 |
| Subordinated capital | 188,000 | 205,800 |
| Deductions | -3,809 | -3,558 |
| Attributable capital resources (tier 1 plus tier 2 minus deductions) | 973,643 | 997,100 |
| Assessment basis (banking book) | 7,520,838 | 7,326,872 |
| Core capital ratio (banking book) | 8.71% | 9.04% |
| Solvency ratio (banking book) | 12.95% | 13.61% |
| Assessment basis (modified) | 7,862,338 | 7,650,225 |
| Core capital ratio | 8.33% | 8.66% |
| Solvency ratio | 12.38% | 13.03% |

Capital requirements per Section 22 Austrian Banking Act.

| in '000 EUR | 30.06.2011 | 31.12.2010 |
|---|------------------|------------------|
| Assessment basis per Section 22 BWG | 7,520,838 | 7,326,872 |
| Capital resource requirement for credit risk | 601,667 | 586,150 |
| Capital resource requirement for operational risk | 27,320 | 25,868 |
| Total capital resource requirements | 628,987 | 612,018 |

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.

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, 4 August 2011

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

The members of the Managing Board



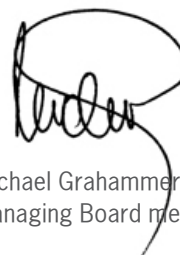
Jodok Simma
CEO, Chairman of the Managing Board

Corporate customers sales
Accounting



Johannes Hefel
Managing Board member

Private customers sales



Michael Grahammer
Managing Board member

Riskmanagement

Branch Offices/Subsidiaries

Vorarlberg: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, www.hypovbg.at

International dialing code for Austria: +43

| | | | |
|-----------------------|----------------------------------|-------------------|---------|
| Headquarters: | 6900 Bregenz, Hypo-Passage 1 | T (0) 50 414-1000 | F -1050 |
| 6900 Bregenz | Vorkloster, Heldendankstraße 33 | T (0) 50 414-1800 | F -1850 |
| 6700 Bludenz | Am Postplatz 2 | T (0) 50 414-3000 | F -3050 |
| 6850 Dornbirn | Rathausplatz 6 | T (0) 50 414-4000 | F -4050 |
| 6850 Dornbirn | Messepark, Messestraße 2 | T (0) 50 414-4200 | F -4250 |
| 6863 Egg | Wälderpark, HNr. 940 | T (0) 50 414-4600 | F -4650 |
| 6800 Feldkirch | Neustadt 23 | T (0) 50 414-2000 | F -2050 |
| 6800 Feldkirch | LKH Feldkirch, Carinagasse 47-49 | T (0) 50 414-2400 | F -2450 |
| 6793 Gaschurn | Schulstraße 6b | T (0) 50 414-3400 | F -3450 |
| 6840 Götzis | Hauptstraße 4 | T (0) 50 414-6000 | F -6050 |
| 6971 Hard | Landstraße 9 | T (0) 50 414-1600 | F -1650 |
| 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 |

Kleinwalsertal: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, 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 |
|--|------------------------------|-------------------|---------|

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, Mobile Sales Unit

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

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| | 8010 Graz, Joanneumring 7 | T (0) 50 414-6800 | F -6850 |
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Upper Austria: Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

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| | 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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| | 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

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*050-number for local rate