



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.

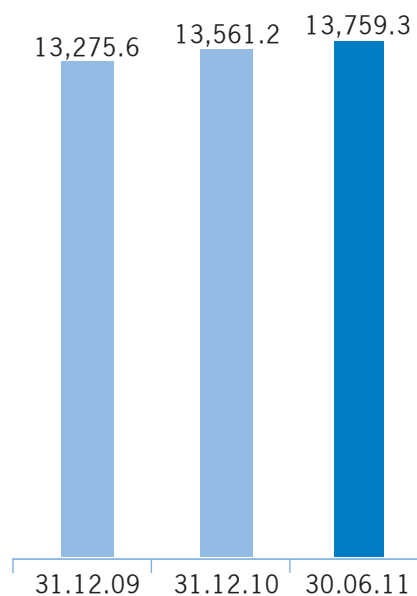
Overall, earnings before taxes as at 30 June 2011 rose by 34.3% to EUR 38.8 million. After taxes, Hypo Landesbank Vorarlberg reported consolidated net income of EUR 29.7 million (up by 31.0%) as at 30 June 2011.

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.

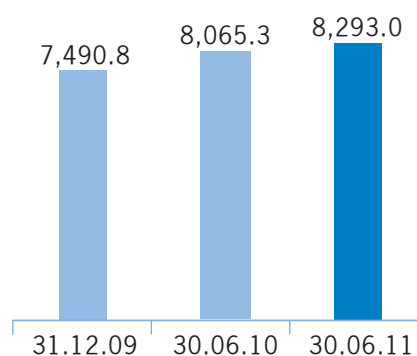
Balance sheet development

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
Liab 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



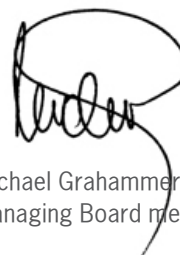
Jodok Simma
CEO, Chairman of the Managing Board

Corporate customers sales
Accounting



Johannes Hefel
Managing Board member

Private customers sales



Michael Grahammer
Managing Board member

Riskmanagement

Branch Offices/Subsidiaries

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*050-number for local rate