

QUARTERLY FIGURES

AS AT 30 SEPTEMBER 2018



KEYFIGURES

GROUP REPORTING PER IFRS

Balance sheet figures	30.09.2018	31.12.2017	Change	
TEUR			in TEUR	in %
Total assets	13,480,732	13,182,520	298,212	2.3
Loans and advances to banks	144,094	421,693	-277,599	-65.8
Loans and advances to customers	9,618,333	9,486,485	131,848	1.4
Deposits from banks	1,374,537	1,628,637	-254,100	-15.6
Deposits from customers	5,442,015	5,326,897	115,118	2.2
Issued bonds	5,082,783	4,698,951	383,832	8.2

Performance indicators	01.01. –	01.01. –	Change	
TEUR	30.09.2018	30.09.2017	in TEUR	in %
Net interest income	125,386	119,335	6,051	5.1
Net fee and commission income	23,341	25,977	-2,636	-10.1
Administrative expenses	-72,892	-72,314	-578	0.8
Loan loss provisions	2,555	3,379	-824	-24.4
Earnings before taxes	66,646	58,749	7,897	13.4
Income after taxes	47,334	41,602	5,732	13.8

Corporate figures	01.01. –	01.01. –	Change	
	30.09.2018	30.09.2017	absolut	in %
Cost-Income-Ratio (CIR)	65.01%	56.34%	8.67%	15.4
Return on Equity (ROE)	8.04%	7.21%	0.83%	11.5
Human resources	724	717	7	1.0

Own funds	30.09.2018	31.12.2017	Change	
TEUR			absolut	in %
Common equity Tier 1 capital (CET1)	1,092,745	1,083,771	8,974	0.8
Additional Tier 1 capital (AT1)	50,007	9,504	40,503	>100.0
Tier 1 capital	1,142,752	1,093,275	49,477	4.5
Tier 2 capital (T2)	209,722	235,083	-25,361	-10.8
Own funds	1,352,474	1,328,358	24,116	1.8
CET1 capital ratio	14.09%	14.69%	-0.60%	-4.1
Surplus of CET1 capital	743,815	751,792	-7,977	-1.1
Total capital ratio	17.44%	18.01%	-0.57%	-3.2
Surplus of total capital	732,154	738,172	-6,018	-0.8

The shareholders of Hypo Vorarlberg Bank AG (Hypo Vorarlberg) as at 30 September 2018 are:

Shareholders	Total shareholding	Voting rights
Vorarlberger Landesbank-Holding	76.0308%	76.0308%
Austria Beteiligungsgesellschaft mbH	23.9692%	23.9692%
– Landesbank Baden-Württemberg	15.9795%	
– Landeskreditbank Baden-Württemberg Förderbank	7.9897%	
Share capital	100.0000%	100.0000%

Rating	Standard & Poor's	Moody's
Long-term senior debt	A+	A3
Short-term	A-1	P-2
Outlook	stable	stable

MANAGEMENT REPORT AND INFORMATION

ON BUSINESS DEVELOPMENT

Due to the first-time application of IFRS 9 in 2018, in conjunction with the changes in regulatory reporting, Hypo Vorarlberg Bank AG (hereinafter: Hypo Vorarlberg) has specified a new classification of the balance sheet and income statement. However, owing to the new measurement categories in accordance with IFRS 9, the previous year's figures as of 31 December 2017 are not necessarily appropriate to be compared with the previous year because their carrying amount and their allocation to a measurement category was in line with the provisions of IAS 39.

INCOME STATEMENT

As at 30 September 2018, Hypo Vorarlberg generated earnings before taxes of TEUR 66,646 (30 September 2017: TEUR 58,749) and is thus up 13.4 % on the first quarter of 2017. Adjusted for taxes, earnings amounted to TEUR 47,334 (30 September 2017: TEUR 41,602).

While the high level of liquidity reflects full confidence among customers, the ECB's policy of negative interest rates is having an impact on Hypo Vorarlberg's net interest income. Net interest income of TEUR 125,386 was generated as of 30 September 2018, up 5.1 % year on year (30 September 2017: TEUR 119,335).

In the first nine months of 2018, net fee and commission income was below the result in the same period of the previous year and amounted to TEUR 23,341 as of 30 September 2018, a decline of 10.1 % (30 September 2017: TEUR 25,977). The decline in net fee and commission income is partly attributable to a guarantee fee of TEUR -1,754, which was incurred in connection with securitisation items. The net result from other financial instruments at fair value amounted to TEUR 11,956 and due to measurement effects is higher than the comparative figure (30 September 2017: TEUR 9,769).

In the third quarter of 2018, total operating income amounted to TEUR 148,323 and is below the result for the same period of the previous year (30 September 2017: TEUR 156,218), in particular due to the change in other income and other expenses.

The headcount of 724 employees (full time equivalents) has remained essentially the same as last year (+1 %), while staff costs increased slightly from TEUR 45,364 to TEUR 46,407. Material expenses amounted to TEUR 26,485 and are slightly lower than in the same quarter of the previous year (TEUR 26,950). Total administrative expenses totalled TEUR 72,892, which is approximately the level of the same quarter in the previous year (TEUR 72,314).

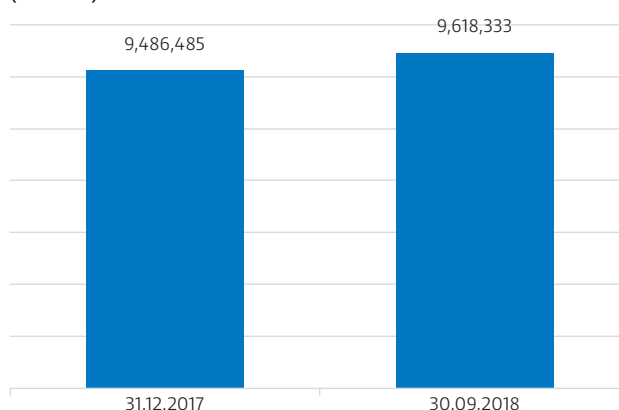
At the same period of the previous year, valuation allowances / provisions were reversed resulting in a positive figure of TEUR 2,555 for loan loss provisions (30 September 2017: TEUR 3,379). The Group recognised sufficient provisions for all identifiable risks.

Net result from equity consolidation totalled TEUR 283 (30 September 2017: TEUR -17,908). The negative figure from the previous year is due to a one-time effect resulting from the write-down of the investment in HYPO EQUITY Unternehmensbeteiligungen AG at the beginning of 2017. Reasons behind this write-down were the stalled exit process and the associated liquidity requirement of a portfolio company, in which HUBAG holds an interest. In the third quarter of 2017, Hypo Vorarlberg acquired a further stake and today holds 79.19 % in HUBAG. The Cost-Income Ratio (CIR) of 65.01 % and the total capital ratio of 17.44 % underline the fact that Hypo Vorarlberg is a healthy, successful and efficient bank.

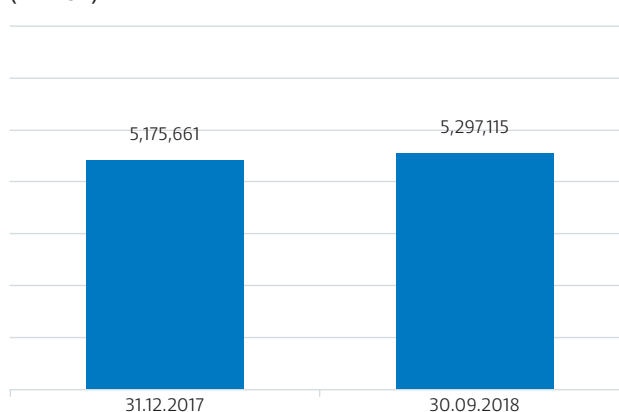
BALANCE SHEET DEVELOPMENT

Total consolidated assets increased 2.3 % to TEUR 13,480,732 at the end of the third quarter of 2018 (31 December 2017: TEUR 13,182,520). TEUR 11,406,947 of this is attributable to financial assets at cost, up 5.2 % on the previous year. Loans and credits to customers across all measurement categories increased from TEUR 9,486,485 to TEUR 9,618,333. There was also a change in financial liabilities at cost of 3.6 % to TEUR 10,727,371 (31 December 2017: TEUR 10,355,434).

Development of loans and credits to customers (in TEUR)



Development of giro and savings deposits from customers (at cost) (in TEUR)



Own funds

The paid-in capital of Hypo Vorarlberg amounted to TEUR 165,453. Own funds totalled TEUR 1,352,474 as of 30 September 2018 (31 December 2017: TEUR 1,328,358). The total capital ratio is 17.44 % (31 December 2017: 18.01 %). With a Tier 1 capital (T1) ratio of 14.74 % (31 December 2017: 14.82 %) and a Common Equity Tier 1 (CET 1) ratio of 14.09 % (31 December 2017: 14.69 %), Hypo Vorarlberg already fulfils the highest level of the Basel III standards applicable since 1 January 2014. These figures

are comfortable in light of the risk profile. The Managing Board continues to pay particular attention to strengthening the Bank's capital adequacy in order to ensure an excellent credit rating and hence favourable refinancing conditions for the future.

OUTLOOK FOR 2018

Economic environment

According to a forecast by the Austrian Economic Chamber (WKO), the Austrian economy will continue to grow at a high level in 2018. The WKO expects GDP to rise by 3.2 % in 2018 and 2.2 % in 2019.

Focus areas for 2018

Although the economic and legal environment is forcing a realignment throughout the banking industry, the Managing Board will pursue Hypo Vorarlberg's established, broad-based business model. New regulations require banks to build up additional equity and secure a cost-optimal liquidity supply, while costs are rising steadily. Low and negative interest rates and new technological challenges for banks and their services are also bringing about changes. To ensure the profitability of Hypo Vorarlberg in the long term, growth markets outside our home market of Vorarlberg are to be increased. The online service range is also being expanded on an ongoing basis.

Expected earnings development in 2018

The Bank holds extensive liquidity reserves to allow the lending volume to further expand organically, meaning that a broad stabilisation of net interest income can be expected. In 2018, interest-related business will remain a stable pillar of the Group's earnings development despite persistently negative and low interest rates. Net fee and commission income will be impacted by liability fees which fall due in 2018 in connection with strategic measures to reduce the burden on own funds (EIB/EIF guarantee). The introduction of MiFID II will also have a negative impact on net fee and commission income at present. Mandatory application of IFRS 9 as of 2018 is affecting the measurement of various items in the consolidated financial statements. Material expenses as well as staff costs are expected to increase slightly. The first three quarters of 2018 were satisfactory, and the Managing Board is confident of achieving the anticipated earnings, which will be approximately at the previous year's level.

Events after the balance sheet date

With the publication in the Official Journal of the Wiener Zeitung on 7 November 2018, the withdrawal of the participation certificate came into effect. The equity instrument with a nominal value of TEUR 9,000 plus the premium of TEUR 21,000 was withdrawn on this day and repaid to the holders of the participation certificate, Vorarlberger Landesbank-Holding and Landeskreditbank Baden-Württemberg – Förderbank. In exchange, a capital increase of the share capital (including premium) of up to TEUR 30,000 is expected for the fourth quarter.

STATEMENT OF COMPREHENSIVE INCOME

IN ACCORDANCE WITH IFRS AS AT 30 SEPTEMBER 2018

Income Statement

TEUR	01.01. – 30.09.2018	01.01. – 30.09.2017 ¹⁾ adjusted	Change in TEUR	Change in %
Interest and similar income according to the effective interest method	183,645	153,600	30,045	19.6
Interest and similar income other	48,472	39,380	9,092	23.1
Interest and similar expenses	-106,731	-73,645	-33,086	44.9
Net interest income	125,386	119,335	6,051	5.1
Dividend income	954	977	-23	-2.4
Fee and commission income	28,815	28,509	306	1.1
Fee and commission expenses	-5,474	-2,532	-2,942	>100.0
Net fee and commission income	23,341	25,977	-2,636	-10.1
Net result from financial instruments at cost and OCI	3,915	1,063	2,852	>100.0
Net result from financial instruments at fair value	11,956	9,769	2,187	22.4
Other income	11,642	19,470	-7,828	-40.2
Other expenses	-28,871	-20,373	-8,498	41.7
Total operating income	148,323	156,218	-7,895	-5.1
Administrative expenses	-72,892	-72,314	-578	0.8
Depreciation and amortisation	-5,544	-5,670	126	-2.2
Provisions for losses on loans and advances	2,555	3,379	-824	-24.4
Impairment of non-financial assets	-6,079	-1,671	-4,408	>100.0
Result from equity consolidation	283	-17,908	18,191	-
Result from change in own credit risk	N.A.	-3,285	-	-
Earnings before taxes	66,646	58,749	7,897	13.4
Taxes on income	-19,312	-17,147	-2,165	12.6
Income after taxes	47,334	41,602	5,732	13.8
Consolidated net income	47,334	41,602	5,732	13.8

In 2017, the result from equity consolidation is attributable to the write-down of an investment by HYPO EQUITY Unternehmensbeteiligungen AG (HUBAG). Reasons behind this write-down are the stalled exit process and the associated liquidity requirement of a company in the biotechnology sector.

1) Adjustment due to an audit in accordance with Section 2 (1) No. 2 RL-KG

BALANCE SHEET

DATED 30 SEPTEMBER 2018

Assets

TEUR	30.09.2018	31.12.2017	Change	
			in TEUR	in %
Cash and balances with central banks	389,491	351,061	38,430	10.9
Trading assets	155,680	190,940	-35,260	-18.5
Financial assets – at fair value (SPPI)	783,565	N.A.	–	–
Financial assets – at fair value (option)	410,120	744,665	-334,545	-44.9
Financial assets – at fair value (OCI)	0	686,598	-686,598	–
Financial assets – at cost	11,406,947	10,846,885	560,062	5.2
Positive market values of hedges	62,445	73,985	-11,540	-15.6
Investments	4,645	4,195	450	10.7
Property, plant and equipment	70,433	72,808	-2,375	-3.3
Investment property	63,411	64,219	-808	-1.3
Intangible assets	33,905	33,914	-9	-0.0
Tax assets	5,699	1,037	4,662	>100.0
Deferred tax liabilities	11,620	8,984	2,636	29.3
Other assets	82,771	103,229	-20,458	-19.8
Assets	13,480,732	13,182,520	298,212	2.3

Total liabilities and shareholders' equity

TEUR	30.09.2018	31.12.2017	Change	
			in TEUR	in %
Trading liabilities	157,512	163,621	-6,109	-3.7
Financial liabilities at fair value (option)	1,176,746	1,310,885	-134,139	-10.2
Financial liabilities at cost	10,727,371	10,355,434	371,937	3.6
Negative market values of hedges	121,865	119,041	2,824	2.4
Provisions	40,945	37,566	3,379	9.0
Tax liabilities	7,777	9,804	-2,027	-20.7
Deferred tax liabilities	13,839	8,841	4,998	56.5
Other liabilities	65,422	58,749	6,673	11.4
Shareholders' equity	1,169,255	1,118,579	50,676	4.5
Of which attributable to:				
Parent company shareholders	1,159,622	1,108,017	51,605	4.7
Minority interests	9,633	10,562	-929	-8.8
Total liabilities and shareholders' equity	13,480,732	13,182,520	298,212	2.3

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If personal designation is given in the masculine form in this report (e.g. employees), it refers to both women and men in the same way.

Ambition unites people
with purpose with
Hypo Vorarlberg.

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