

# QUARTERLY REPORT AS AT 30 SEPTEMBER 2012

HYPO LANDESBANK VORARLBERG



**Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft**

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

in '000 EUR	30.09.2012	31.12.2011	Change	
			in '000 EUR	in %
Total assets	14,569,543	14,218,604	350,939	2.5
Loans and advances to customers (L&R)	8,562,772	8,522,023	40,749	0.5
Amounts owed to customers (LAC)	4,683,657	4,236,334	447,323	10.6
Liabilities evidenced by certificates (LAC)	1,387,646	1,489,110	-101,464	-6.8
Capital resources pursuant to the Austrian Banking Act	988,162	1,051,779	-63,617	-6.0
thereof core capital Tier 1	636,752	721,725	-84,973	-11.8

in '000 EUR	01.01.-	01.01.-	Change	
	30.09.2012	30.09.2011	in '000 EUR	in %
Net interest income after loan loss provisions	108,191	105,023	3,168	3.0
Net fee and commission income	28,098	30,210	-2,112	-7.0
Net trading result*	54,942	-10,330	65,272	> 100.0
Administrative expenses	-67,621	-63,755	-3,866	6.1
Earnings before taxes	118,105	52,357	65,748	> 100.0

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

Key figures	30.09.2012	30.09.2011	Change	
			absolute	in %
Cost-Income-Ratio (CIR)*	36.05 %	42.29 %	-6.24 %	-14.8
Solvency ratio (banking book)	12.93 %	12.90 %	0.03 %	0.3
Return on equity (ROE)*	23.05 %	12.17 %	10.88 %	89.3

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

Human resources	01.01.-	01.01.-	Change	
	30.09.2012	30.09.2011	absolute	in %
Employees*	727	691	36	5.2

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

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

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

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

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

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

### **BANKING BUSINESS ENVIRONMENT IN THIRD QUARTER 2012**

#### **Global economy and Euro zone**

The European Central Bank and the US Federal Reserve provided the decisive impetus for the financial markets. First the European Central Bank lowered the key interest rate in the euro zone at the beginning of the third quarter. Mario Draghi then ended speculation over the continued existence of the euro by announcing that everything possible would be done to preserve the currency using a framework known as the OMT program (Outright Monetary Transaction) which will be used to purchase sovereign bonds with a residual maturity of a maximum of three years. This should provide needed time for ailing European countries to implement crucial structural reforms. In the USA, Federal Reserve Chief Ben Bernanke was confronted by a stagnant economy and a very tense employment situation. The Federal Open Market Committee (FOMC) decided for a third securities purchase program, this time with emphasis on the property market.

Sagging global economic dynamics were emphatically confirmed by published economic data. Disappointing economic news from China could be traced back to weak demand from Europe, USA and Japan. Some sentiment indicators were able to gain ground despite economic concerns thanks to support from central banks.

#### **Share and bond markets**

Building on the very positive growth since the beginning of the year, the stock markets continued the upward trend in the third quarter despite interruptions and fluctuations. Actions by the central banks reduced anxiety in the markets, thereby preventing overcorrections based on uncertainty. Investments in equity securities were increasingly in demand and corporate data for the second quarter were better than expected. The feared earning reductions and the subdued outlook lost impact in face of the third quarter postings. The German leading share index DAX crossed the 7,000 mark and the S&P 500 reached its highest level since autumn 2007.

The situation in the bond markets remained tense although investors in bonds enjoyed further gains. Due to the expansionary monetary policies of the central banks in the Euro zone and USA, new investments at the current price level are rather unattractive.

#### **Raw materials**

The raw materials segment continued its recovery in the third quarter. In the previous quarter, industrial metals in particular, but also crude oil, had to contend with significant declines due to economic fears. At the end of September, gold was USD 200 higher than its lowest point for the year in June.

#### **Currencies**

From June to September, and with support from the ECB, the euro gained value against the USD and exceeded the level set at the beginning of the year (EUR/USD 1.2932). The course of EUR/CHF moved marginally in favour of the euro (EUR / CHF 1.2088).

### **CONSOLIDATED MANAGEMENT REPORT AS AT 30 SEPTEMBER 2012**

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) earned income before taxes of EUR 118.1 million in the third quarter 2012, a strong increase over last year's very good results (30 September 2011: EUR 52.4 million). Years of stable earnings underscore the sustainable business model of the Bank. Hypo Landesbank Vorarlberg has always followed a conservative financial policy and did not alter its valuation principles in the third quarter. The excellent results of the past years have proven that the bank is on the correct path and no major changes to the proven business model are planned by the Managing Board.

#### **Income statement**

Net interest income after loan loss provisions was EUR 108.2 million as at 30 September 2012, 3.0% higher year-on-year. The course of business for the majority of our customers continues to be stable. Sufficient provisions were made for all recognisable risks and credit risk provisions have been increased compared to last year.

Due to high volatility in the markets and lower commissions in securities, net fee and commission income fell by 7.0% to EUR 28.1 million. The net trading result grew to EUR 54.9 million in the third quarter. This includes the one-off repurchase of hybrid capital loans (Tier 1 capital) in the amount of EUR 40.9 million. Administrative expenses increased by 6.1% compared to last year to EUR 67.6 million, while staff costs increased by 7.0% to EUR 40.7 million. The number of employees increased by 5.2% to 727 (2011: 691) and includes the employees added

through the takeover of Hypo SüdLeasing GmbH in 2011. At the end of September 2012, the number of employees (weighted by % of FTE) was at the same level as the previous quarter. Material expenses rose by 4.5% compared to last year.

Earnings before taxes as at 30 September 2012 is EUR 118.1 million (2011: EUR 52.4 million). The significant increase in earnings is due to both an increase in net interest income and the preterm repurchase of hybrid capital loans. In order to optimise the capital structure and strengthen the capital base, Hypo Landesbank Vorarlberg repurchased two outstanding hybrid capital loans on 10 April 2012. After tax gains made from the repurchase will be allocated to retained earnings.

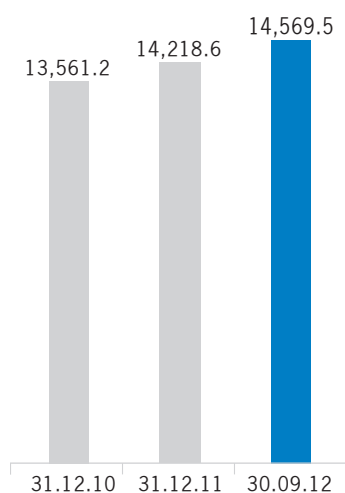
As at 30 September 2012, Hypo Landesbank Vorarlberg reported consolidated net earnings of EUR 93.4 million (30 September 2011: EUR 41.3 million).

That Hypo Landesbank Vorarlberg is a healthy, successful and very efficient bank even in challenging times is underscored by a cost-income-ratio of 36.05%, a ROE of 23.05% and a debt/equity ratio (banking book) of 12.93%.

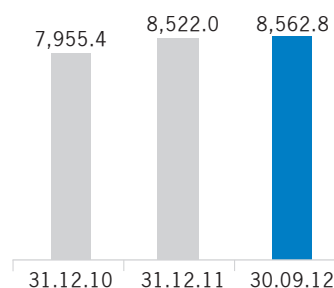
### Balance sheet development

Total assets of the Group as at 30 September 2012 amounted to EUR 14.57 billion, 2.5% over last year. Of this, EUR 8,562.8 million is loans and advances to customers. This is an increase of 0.5% over the 31 December 2011 amount and was mainly achieved in markets outside Vorarlberg. On the liabilities side, liabilities to customers in the first nine months of 2012 increased by EUR 447.3 million or 10.6% year-on-year to reach EUR 4,683.7 million. Financial liabilities at fair value was EUR 6,117.1 million as at 30 September 2012.

Development of total assets (in million EUR)



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



### Capital resources

An increase in capital was agreed in a special general meeting on 28 June 2012; the paid-in capital of Hypo Landesbank Vorarlberg amounted to EUR 159 million at that time. The payments that have been made to execute the capital increase will be allocated to capital reserves (EUR 27.7 million).

Capital resources under Sections 23 and 24 of the Bankwesengesetz (Austrian Banking Act or BWG) were EUR 988.2 million as at 30 September 2012. With a debt/equity ratio (banking book) of 12.93% after capital increase, the Bank is slightly under last year's level due to the repurchase of Tier 1 bonds but has a solid foundation. In order to fulfil the Basel III criteria, further increases in equity will be an important topic in the coming years.

With a debt/equity ratio (banking book) of 12.93% and a core capital ratio (banking book) of 8.33% (31 December 2011: 9.10%) Hypo Landesbank Vorarlberg is on very solid ground.

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

### BUSINESS SEGMENTS AS AT 30 SEPTEMBER 2012

#### Corporate Customers|Public Sector

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

Developments in corporate customer business segment underscore the positive state of the real economy in our market areas despite serious economic challenges. The Managing Board is positive about the future but remains vigilant. Companies in Vorarlberg were noticeably restrained in making investments in the first half of the year, which led to a lower demand for loans. In the third quarter there was an increase in lending business in our most important markets Vorarlberg, Vienna, Styria and Upper Austria while demand decreased in our foreign markets, due to competition in terms and conditions among banks. Lending business for corporate customers in the first three quarters remained at last year's level despite increased repayments. There were very positive developments in demand and time deposits with a strong increase of 16% in the third quarter. In addition to good conditions, many Austrian and German business professionals appreciate the reliability and creditworthiness of Hypo Landesbank Vorarlberg. There was a slight decline in net fee and income business in investments in securities.

The Corporate Customers sector reported net interest income of EUR 54.3 million for the first nine months. Loan loss provisions have been increased in response to the weakening economy. Earnings before taxes in the Corporate Customers sector was EUR 26.1 million in the first nine months of 2012.

### Private customers

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

Due to continuing low interest rates, private customers are increasingly seeking loans to build, buy or renovate real estate. With Hypo-Klimakredit, Hypo-Lebenswert-Kredit, Hypo-Lebenszeit-Kredit and recent Hypo-Kredit Zinslimit, Hypo Landesbank Vorarlberg offers forms of credit that meet individual financing requirements in the best way possible.

At present security is what counts in investments while a trend toward simple products is also apparent. Due to the extremely low interest levels, the majority of savings deposits are concentrated in short term forms of saving. Customers are very cautious in the area of securities and interest in alternative forms of investment such as real estate or gold is increasing. Since April 2012, customers can now find an interesting new savings alternative online at [www.hypodirekt.at](http://www.hypodirekt.at). Hypo Landesbank Vorarlberg is now well-positioned throughout Austria with [hypodirekt.at](http://hypodirekt.at).

Strong competition among banks in the deposit business, coupled with low interest rates, has put tremendous pressure on margins. Net interest income in the Private Customers segment is slightly lower compared to last year. As at 30 September 2012, earnings before taxes was EUR 6.0 million (2011: EUR 6.1 million).

### Private Banking and Asset Management

Asset management at Hypo Landesbank Vorarlberg recognized investors' elevated security needs at an early stage and offers suitable alternative products in the form of value protection concepts and international investment standards. The already diverse product range has been expanded with innovative products based on the current challenging market conditions as well as asset management strategies for securities capital gains tax. A mathematical investment model, Hypo IQ, has been developed and is able to exploit both upward and downward trends in stock markets. The new Hypo Value Realwertestrategie (real value strategy) for shares is primarily targeted at the preservation of capital. The bank invests solely in shares of high-quality, large, internationally significant companies from a defined investment universe, which have low valuations.

Hypo Dynamic plus, Hypo IQ and Hypo Value Aktien Realstrategie were in demand in the third quarter with a volume over EUR 30 million. The very positive results from asset management in the third quarter are due to declining interest rates and strong share markets. Especially positive was the growth in the strategies Interest income, Earnings, Balance, Growth, Capital gains and Satellite.

As at 30 September 2012, assets managed by portfolio and asset management, based on mandates, was EUR 749.6 million. The number of mandates was 2,766 as at 30 September 2012.

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

**Hypo Landesbank Vorarlberg is Austrian winner of the 2012 World Finance Investment Management Award** World Finance is a well-known, international financial magazine based in London and recognises banks with an outstanding investment approach and long-term performance. For the second year in a row, Hypo Landesbank Vorarlberg was the Austrian winner of the "World Finance Investment Management Award". Hypo Landesbank Vorarlberg, Bank Gutmann and

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

In recent years, Hypo Landesbank Vorarlberg has earned an excellent reputation in the sectors Private Banking and Asset Management. Based on this foundation, the Bank expects to serve more institutional customers such as pension funds, insurance companies and other banks in future.

### **Financial Markets|Treasury**

Since the “whatever it takes” speech by ECB chief Mario Draghi, capital markets have improved considerably. Bond spreads narrowed significantly after the “euro collapse scenario” was eliminated and bank bonds in particular profited from these developments. Europe made advances in overcoming structural problems, however, the burden resulting from the necessary adaption measures strongly dampened economic growth. Prospects for 2013 appear brighter, if the euro crisis does not again lead to a setback.

### **ALM Investment**

In the third quarter 2012, approximately EUR 200 million was invested in bonds by ALM Investment. The focus of the investment was on debtors with excellent credit ratings as well as potential collateral.

### **ALM Funding**

The buy-back of the hybrid capital (Tier 1) necessitated the replacement of Tier 2 capital. The replacement and the increase of Tier 2 capital will be realised through an issue by Hypo Landesbank Vorarlberg in the retail market. In addition to small private placements, the comprehensive preparations for the issue of Tier 2 bonds will be carried out in the third quarter.

### **Money and foreign exchange trading**

Readily accessible short-term liquidity increased again to almost EUR 400 million in the third quarter. Inflows were especially high in customer funds. Derivative trading with customers was unfortunately lower than the year-on-year reporting period.

### **Securities trading**

The turnover in securities trading were EUR 217 million in the third quarter 2012. This shows a decline when compared to year-on-year results.

### **Fund Service**

Due to the good market development and increased net cash inflow, the volume of administered funds increased in the third quarter. A public fund was newly founded and two special funds were dissolved by the investors for strategic reasons. A special fund mandate was taken over by another custodian bank.

Earnings from the business segment Financial Markets/Treasury was EUR 67.7 million (2011: EUR -2.9 million) as at 30 September 2012. Further developments in the Treasury segment will significantly depend on developments in the financial markets and progress with the sovereign debt crisis.

### **Leasing and Real Estate**

Corporate Center made a contribution to operating income of EUR 18.4 million (2011: EUR 15.4 million) as at 30 September 2012. This includes the areas of leasing and real estate.

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

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

## OUTLOOK

The outlook for the Austrian economy has declined since the June prognosis by WIFO (Austrian Institute of Economic Research) although distinctions must be made among the various risks. For the domestic financial sector and the real economy, current international developments present a risk that the Austrian economy cannot completely separate itself from, as shown by the stagnation in exports since mid-2011. In contrast to the crisis in 2009, domestic demand has remained stable. Based on the current conditions, experts expect a slight increase in domestic GNP of 0.6% and Austria, with projected 1.0% economic growth in 2013, is again expected to be among the driving forces for growth in the Euro zone.

### Focus areas for 2012

Effective 1 May 2012, Board Member Michael Grahammer replaced Jodok Simma as Chairman Managing Board when, after almost 37 years on the Board, Dr Simma did not apply for an extension of his contract. Johannes Hefel and Michel Haller complete the Managing Board. The new Managing Board will adhere to its proven business model and focus on customer business. The first three quarters have been satisfactory and the Board is optimistic, however, in response to known global economic and foreign political conflicts, continued vigilance remains essential.

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

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

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

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

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

### Expected earnings development in 2012

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

The Managing Board expects a stabilisation of net fee and commission income at the current high level. Overall operating expenses will be slightly higher than the previous year. A small increase in staff costs must be assumed. Among administrative expenses, in particular higher IT costs must be expected. Hypo Landesbank Vorarlberg will continue to follow a careful risk and accounting policy and keep sufficient sums for loan loss provisions. Overall, the Managing Board is expecting another very good result in 2012.

The Managing Board must assume a sharp increase in additional costs for the Bank due to the implementation of Basel III, the new securities capital gains tax, bank excise and IFRS 9, which will lead to price increases in banking services.

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



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

### Income Statement

in '000 EUR	(Notes)	01.01.-		Change	
		30.09.2012	30.09.2011	in '000 EUR	in %
Interest and similar income		240,698	237,180	3,518	1.5
Interest and similar expenses		-106,856	-114,313	7,457	-6.5
<b>Net interest income</b>	(2)	<b>133,842</b>	<b>122,867</b>	<b>10,975</b>	<b>8.9</b>
Loan loss provisions		-25,651	-17,844	-7,807	43.8
<b>Net interest income after loan loss provisions</b>		<b>108,191</b>	<b>105,023</b>	<b>3,168</b>	<b>3.0</b>
Fee and commission income		31,613	33,997	-2,384	-7.0
Fee and commission expenses		-3,515	-3,787	272	-7.2
<b>Net fee and commission income</b>	(3)	<b>28,098</b>	<b>30,210</b>	<b>-2,112</b>	<b>-7.0</b>
Net result on hedge accounting	(4)	-1,538	-465	-1,073	> 100.0
Net trading result*	(5)	54,942	-10,330	65,272	> -100.0
Net result from other financial instruments		-868	-10,942	10,074	-92.1
Administrative expenses	(6)	-67,621	-63,755	-3,866	6.1
Other income		6,682	7,952	-1,270	-16.0
Other expenses		-13,672	-11,158	-2,514	22.5
Result from equity consolidation		3,891	5,822	-1,931	-33.2
<b>Earnings before taxes</b>		<b>118,105</b>	<b>52,357</b>	<b>65,748</b>	<b>&gt; 100.0</b>
Taxes on income		-24,668	-11,099	-13,569	> 100.0
<b>Earnings after taxes</b>		<b>93,437</b>	<b>41,258</b>	<b>52,179</b>	<b>&gt; 100.0</b>
Net income from discontinued operations		0	0	0	0.0
<b>Consolidated net income</b>		<b>93,437</b>	<b>41,258</b>	<b>52,179</b>	<b>&gt; 100.0</b>
Of which attributable to:					
Parent company shareholders		93,425	41,258	52,167	> 100.0
Non-controlling interests		12	0	12	100.0

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

### Statement of comprehensive income

in '000 EUR	01.01.-		Change	
	30.09.2012	30.09.2011	in '000 EUR	in %
Consolidated net income	93,437	41,258	52,179	> 100.0
Other income after taxes	12,421	-3,769	16,190	> -100.0
Changes to foreign currency translation reserve	17	74	-57	-77.0
Changes to revaluation reserve	12,404	-3,786	16,190	> -100.0
of which changes in measurement	16,168	-5,878	22,046	> -100.0
of which changes in holdings	370	830	-460	-55.4
of which income tax effects	-4,134	1,262	-5,396	> -100.0
Change from equity consolidation	0	-57	57	-100.0
<b>Total comprehensive income</b>	<b>105,858</b>	<b>37,489</b>	<b>68,369</b>	<b>&gt; 100.0</b>
Of which attributable to:				
Parent company shareholders	105,846	37,489	68,357	> 100.0
Non-controlling interests	12	0	12	100.0

## II. BALANCE SHEET DATED 30 SEPTEMBER 2012

### Assets

in '000 EUR	(Notes)	30.09.2012	31.12.2011	Change	
				in '000 EUR	in %
Cash and balances with central banks		388,563	137,821	250,742	> 100.0
Loans and advances to banks		1,144,841	1,087,052	57,789	5.3
Loans and advances to customers		8,562,772	8,522,023	40,749	0.5
Positive market values of hedges	(7)	2,380	2,173	207	9.5
Trading assets and derivatives	(8)	842,941	806,682	36,259	4.5
Financial assets – at fair value	(9)	1,525,216	1,571,962	-46,746	-3.0
Financial assets – available for sale	(10)	882,615	791,054	91,561	11.6
Financial assets – held to maturity	(11)	995,872	1,079,789	-83,917	-7.8
Shares in companies valued at equity		34,806	34,617	189	0.5
Investment property		39,632	37,788	1,844	4.9
Intangible assets		8,624	8,070	554	6.9
Property, plant and equipment		68,945	70,552	-1,607	-2.3
Tax assets		349	1,248	-899	-72.0
Deferred tax assets		1,939	8,876	-6,937	-78.2
Non-current assets available for sale		7,697	4,750	2,947	62.0
Other assets		62,351	54,147	8,204	15.2
<b>Total assets</b>		<b>14,569,543</b>	<b>14,218,604</b>	<b>350,939</b>	<b>2.5</b>

### Liabilities and shareholders' equity

in '000 EUR	(Notes)	30.09.2012	31.12.2011	Change	
				in '000 EUR	in %
Amounts owed to banks		760,621	632,490	128,131	20.3
Amounts owed to customers		4,683,657	4,236,334	447,323	10.6
Liabilities evidenced by certificates	(12)	1,387,646	1,489,110	-101,464	-6.8
Negative market values of hedges	(13)	137,669	84,436	53,233	63.0
Trading liabilities and derivatives	(14)	336,024	327,225	8,799	2.7
Financial liabilities – at fair value	(15)	6,117,142	6,505,017	-387,875	-6.0
Provisions		39,823	32,479	7,344	22.6
Tax liabilities		865	5,146	-4,281	-83.2
Deferred tax liabilities		1,752	1,752	0	0.0
Other liabilities		119,286	38,772	80,514	> 100.0
Subordinated and supplementary capital		226,556	237,352	-10,796	-4.5
Shareholders' equity		758,502	628,491	130,011	20.7
Of which attributable to:					
Parent company shareholders		758,437	628,413	130,024	20.7
Non-controlling interests		65	78	-13	-16.7
<b>Total Liabilities and shareholder's equity</b>		<b>14,569,543</b>	<b>14,218,604</b>	<b>350,939</b>	<b>2.5</b>

### III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Non-controlling interests	Total Shareholders' equity
<b>Balance 1 January 2011</b>	<b>159,000</b>	<b>27,579</b>	<b>403,110</b>	<b>-2,945</b>	<b>188</b>	<b>586,932</b>	<b>0</b>	<b>586,932</b>
Consolidated net income	0	0	41,258	0	0	41,258	0	41,258
Other income	0	0	188	-3,786	-171	-3,769	0	-3,769
<b>Interim result 2011</b>	<b>0</b>	<b>0</b>	<b>41,446</b>	<b>-3,786</b>	<b>-171</b>	<b>37,489</b>	<b>0</b>	<b>37,489</b>
Change in scope of consolidation	0	0	34	0	0	34	0	34
Dividends	0	0	-11,207	0	0	-11,207	0	-11,207
<b>Balance 30 Sept 2011</b>	<b>159,000</b>	<b>27,579</b>	<b>433,383</b>	<b>-6,731</b>	<b>17</b>	<b>613,248</b>	<b>0</b>	<b>613,248</b>
<b>Balance 1 January 2012</b>	<b>159,000</b>	<b>27,579</b>	<b>453,412</b>	<b>-11,604</b>	<b>26</b>	<b>628,413</b>	<b>78</b>	<b>628,491</b>
Consolidated net income	0	0	93,425	0	0	93,425	12	93,437
Other income	0	0	37	12,404	-20	12,421	0	12,421
<b>Interim result 2012</b>	<b>0</b>	<b>0</b>	<b>93,462</b>	<b>12,404</b>	<b>-20</b>	<b>105,846</b>	<b>12</b>	<b>105,858</b>
Capital increase	0	27,748	0	0	0	27,748	0	27,748
Dividends	0	0	-3,570	0	0	-3,570	-25	-3,595
<b>Balance 30 Sept 2012</b>	<b>159,000</b>	<b>55,327</b>	<b>543,304</b>	<b>800</b>	<b>6</b>	<b>758,437</b>	<b>65</b>	<b>758,502</b>

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

### IV. CONDENSED CASH FLOW STATEMENT

#### Reconciliation to cash and balances with central banks

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
<b>Cash and balances with central banks as at 1 January</b>	<b>137,821</b>	<b>138,452</b>
Cash flows from operating activities	161,856	-2,310
Cash flows from investing activities	103,414	-21,003
Cash flows from financing activities	-14,528	-12,939
<b>Cash and balances with central banks as at 30 Sept</b>	<b>388,563</b>	<b>102,200</b>

### V. NOTES

#### A. ACCOUNTING POLICIES

##### (1) GENERAL INFORMATION

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

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

## B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

### (2) NET INTEREST INCOME

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Income from cash and balances with central banks	1,152	69
Income from loans and advances to banks	10,648	11,818
Income from loans and advances to customers	146,384	145,363
Income from leasing business	25,233	20,494
Income from hedging instruments	468	272
Income from derivatives, other	1,448	6,036
Income from debt securities	53,511	50,530
Income from shares	874	1,731
Income from investments in affiliated companies	345	0
Income from equity investments, other	635	867
<b>Interest and similar income</b>	<b>240,698</b>	<b>237,180</b>
Expenses from amounts owed to banks	-5,980	-7,346
Expenses from amounts owed to customers	-40,727	-40,019
Expenses from liabilities evidenced by certificates	-14,060	-22,740
Expenses from hedging instruments	-16,217	-8,443
Expenses from derivatives, other	-3,949	-7,366
Expenses from liabilities designated AFV	-23,839	-24,368
Expenses from subordinated and supplementary capital	-2,084	-4,031
<b>Interest and similar expenses</b>	<b>-106,856</b>	<b>-114,313</b>

### (3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Lending and leasing business	2,678	2,546
Securities business	15,264	16,898
Giro and payment transactions	9,908	11,281
Other service business	3,763	3,272
<b>Fee and commission income</b>	<b>31,613</b>	<b>33,997</b>

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Lending and leasing business	-693	-478
Securities business	-1,357	-1,334
Giro and payment transactions	-450	-422
Other service business	-1,015	-1,553
<b>Fee and commission expenses</b>	<b>-3,515</b>	<b>-3,787</b>

### (4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Adjustment to loans and advances to banks	2,434	2,453
Adjustment to loans and advances to customers	15,963	13,532
Adjustment to financial instruments available for sale	24,148	14,879
Adjustment to securitised liabilities	-135	-862
<b>Net result from adjustment to underlying transactions from hedging</b>	<b>42,410</b>	<b>30,002</b>
Measurement of hedging instruments for loans and advances to banks	-2,427	-2,478
Measurement of hedging instruments for loans and advances to customers	-16,701	-13,800
Measurement of hedging instruments for available for sale financial instruments	-24,865	-15,046
Measurement of hedging instruments for securitised liabilities	45	857
<b>Net result of the measurement of hedging instruments</b>	<b>-43,948</b>	<b>-30,467</b>
<b>Net result from hedging</b>	<b>-1,538</b>	<b>-465</b>

### (5) NET TRADING RESULT

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Trading Results	-718	5,057
Result from the valuation of derivatives	32,536	162,326
Result from the valuation of financial instruments – AFV*	23,124	-177,713
<b>Net trading result</b>	<b>54,942</b>	<b>-10,330</b>

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



**(6) ADMINISTRATIVE EXPENSES**

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

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Staff costs	-40,678	-38,034
Materials expenses	-23,535	-22,514
Depreciation/amortisation of property, plant and equipment and intangible assets	-3,408	-3,207
<b>Administrative expenses</b>	<b>-67,621</b>	<b>-63,755</b>

**Of which staff costs**

in '000 EUR	01.01.- 30.09.2012	01.01.- 30.09.2011
Wages and salaries	-30,493	-28,612
Statutory social security contributions	-7,905	-7,358
Voluntary social benefits	-615	-562
Expenses for retirement benefits	-1,531	-1,632
Social capital	-134	130
<b>Staff costs</b>	<b>-40,678</b>	<b>-38,034</b>

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

in '000 EUR	30.09.2012	31.12.2011
Positive market values of fair value hedges	2,152	1,845
Deferred interest on derivative hedges	228	328
<b>Positive market values of hedges</b>	<b>2,380</b>	<b>2,173</b>

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

in '000 EUR	30.09.2012	31.12.2011
Zinsswaps	1,240,771	976,822
Cross-currency swaps	14,843	12,772
<b>Interest rate derivatives</b>	<b>1,256,114</b>	<b>989,594</b>
<b>Nominal values from fair value hedges</b>	<b>1,256,114</b>	<b>989,594</b>

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

in '000 EUR	30.09.2012	31.12.2011
Interest rate swaps	2,152	1,845
<b>Interest rate derivatives</b>	<b>2,152</b>	<b>1,845</b>
<b>Positive market values from fair value hedges</b>	<b>2,152</b>	<b>1,845</b>

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

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

in '000 EUR	30.09.2012	31.12.2011
Investment certificates	790	2,841
Positive market values of derivative financial instruments	780,223	728,202
Deferred interest	61,928	75,639
<b>Trading assets and derivatives</b>	<b>842,941</b>	<b>806,682</b>

**Nominal values from derivatives – breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Interest rate swaps	7,165,737	7,591,644
Cross-currency swaps	1,395,763	1,537,255
Interest rate options	610,157	711,325
Interest rate futures	0	12,000
<b>Interest rate derivatives</b>	<b>9,171,657</b>	<b>9,852,224</b>
FX forward transactions	1,642,515	1,780,251
FX swaps	319,073	283,877
FX options	182,189	46,856
Other FX derivatives	0	2,000
<b>Currency derivatives</b>	<b>2,143,777</b>	<b>2,112,984</b>
Stock index futures	11,955	12,750
Stock options	0	7,433
<b>Derivatives on securities</b>	<b>11,955</b>	<b>20,183</b>
Credit default swaps	10,414	135,141
<b>Credit derivatives</b>	<b>10,414</b>	<b>135,141</b>
<b>Nominal values from derivatives</b>	<b>11,337,803</b>	<b>12,120,532</b>

**Positive market values from derivatives –  
breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Interest rate swaps	551,323	494,218
Cross-currency swaps	199,209	198,168
Interest rate options	3,843	4,174
<b>Interest rate derivatives</b>	<b>754,375</b>	<b>696,560</b>
FX forward transactions	24,518	23,645
FX swaps	582	4,378
FX options	747	1,418
Other FX derivatives	0	1,573
<b>Currency derivatives</b>	<b>25,847</b>	<b>31,014</b>
Credit default swaps	1	628
<b>Credit derivatives</b>	<b>1</b>	<b>628</b>
<b>Positive market values from derivatives</b>	<b>780,223</b>	<b>728,202</b>

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

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

in '000 EUR	30.09.2012	31.12.2011
Debt securities of public issuers	308,056	298,563
Debt securities of other issuers	510,877	533,896
Shares	0	15,636
Investment certificates	0	24,060
Other equity interests	4,598	4,765
Loans and advances to banks	5,068	5,254
Loans and advances to customers	686,434	674,236
Deferred interest	10,183	15,552
<b>Financial assets – at fair value</b>	<b>1,525,216</b>	<b>1,571,962</b>

**(10) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)**

**Financial assets available for sale –  
breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Debt securities of public issuers	249,149	154,911
Debt securities of other issuers	568,138	570,123
Shares	110	1,142
Investment certificates	12,911	11,004
Other equity interests	16,330	17,994
Deferred interest	14,309	14,392
Other equity investments	21,564	21,384
Other investments in affiliated companies	104	104
<b>Financial assets – available for sale</b>	<b>882,615</b>	<b>791,054</b>

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

**Financial assets held to maturity –  
breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Debt securities of public issuers	210,122	182,758
Debt securities of other issuers	766,137	873,830
Deferred interest	19,613	23,201
<b>Financial assets – held to maturity</b>	<b>995,872</b>	<b>1,079,789</b>

**(12) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)**

**Liabilities evidenced by certificates –  
breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Mortgage bonds	60	4,857
Municipal bonds	308,327	282,069
Medium-term fixed-rate notes	1,470	801
Bonds	422,524	532,771
Housing construction bonds	113,662	124,319
Bonds issued by Pfandbriefstellen	538,720	538,662
Deferred interest	2,883	5,631
<b>Liabilities evidenced by certificates</b>	<b>1,387,646</b>	<b>1,489,110</b>

**(13) NEGATIVE MARKET VALUES OF HEDGES**

**Breakdown by type of hedge**

in '000 EUR	30.09.2012	31.12.2011
Negative market values of fair value hedges	118,428	70,036
Deferred interest on derivative hedging instruments	19,241	14,400
<b>Negative market values of hedges</b>	<b>137,669</b>	<b>84,436</b>

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

in '000 EUR	30.09.2012	31.12.2011
Interest rate swaps	112,225	64,583
Cross-currency swaps	6,203	5,453
<b>Negative market values from fair value hedges</b>	<b>118,428</b>	<b>70,036</b>

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

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

in '000 EUR	30.09.2012	31.12.2011
Negative market values of derivative financial instruments	325,690	315,765
Deferred interest	10,334	11,460
<b>Trading liabilities and derivatives</b>	<b>336,024</b>	<b>327,225</b>

**Negative market values from derivatives –  
breakdown by type of business**

in '000 EUR	30.09.2012	31.12.2011
Interest rate swaps	228,523	201,497
Cross-currency swaps	66,059	77,582
Interest rate options	4,303	4,476
Interest rate futures	0	300
<b>Interest rate derivatives</b>	<b>298,885</b>	<b>283,855</b>
FX forward transactions	24,058	23,272
FX swaps	1,958	401
FX options	747	1,418
<b>Currency derivatives</b>	<b>26,763</b>	<b>25,091</b>
Stock index futures	42	309
Stock options	0	166
<b>Derivatives on securities</b>	<b>42</b>	<b>475</b>
Credit default swaps	0	6,344
<b>Credit derivatives</b>	<b>0</b>	<b>6,344</b>
<b>Negative market values from derivatives</b>	<b>325,690</b>	<b>315,765</b>

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

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

in '000 EUR	30.09.2012	31.12.2011
Amounts owed to banks at fair value	142,473	141,395
Amounts owed to customers at fair value	504,341	499,184
Mortgage bonds at fair value	25,640	24,040
Municipal bonds at fair value	1,010,210	974,474
Bonds at fair value	3,621,399	3,832,435
Housing construction bonds at fair value	148,781	155,165
Bonds issued by Pfandbriefstellen at fair value	531,454	633,528
Subordinated capital at fair value	44,539	42,266
Supplementary capital at fair value	23,500	118,136
Deferred interest	64,805	84,394
<b>Financial liabilities at fair value</b>	<b>6,117,142</b>	<b>6,505,017</b>

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

	01.01.- 30.09.2012	01.01.- 30.09.2011
Full-time salaried staff	657	624
Part-time salaried staff	58	55
Apprentices	8	9
Full-time other employees	4	3
<b>Average number of employees</b>	<b>727</b>	<b>691</b>

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

## E. SEGMENT REPORTING

### Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2012	54,318	24,769	26,093	28,662	133,842
	2011	51,523	25,146	27,938	18,260	122,867
Loan loss provisions	2012	-16,342	-1,723	20	-7,606	-25,651
	2011	-8,517	-3,982	-163	-5,182	-17,844
Net fee and commission income	2012	9,011	12,308	4,070	2,709	28,098
	2011	10,357	12,830	4,622	2,401	30,210
Result from hedge relationships	2012	0	0	-1,538	0	-1,538
	2011	0	0	-465	0	-465
Net trading result	2012	2,065	1,319	45,356	6,202	54,942
	2011	2,236	1,284	-13,415	-435	-10,330
Result from other financial instruments	2012	0	0	4,855	-5,723	-868
	2011	0	0	-10,811	-131	-10,942
Administrative expenses	2012	-21,756	-30,108	-8,364	-7,393	-67,621
	2011	-20,475	-28,822	-8,157	-6,301	-63,755
Other income	2012	482	284	29	5,887	6,682
	2011	95	267	39	7,551	7,952
Other expenses	2012	-1,726	-862	-2,867	-8,217	-13,672
	2011	-1,521	-600	-2,446	-6,591	-11,158
Result from equity consolidation	2012	0	0	0	3,891	3,891
	2011	0	0	0	5,822	5,822
<b>Earnings before taxes</b>	<b>2012</b>	<b>26,052</b>	<b>5,987</b>	<b>67,654</b>	<b>18,412</b>	<b>118,105</b>
	<b>2011</b>	<b>33,698</b>	<b>6,123</b>	<b>-2,858</b>	<b>15,394</b>	<b>52,357</b>
Assets	2012	5,393,895	1,719,109	5,551,714	1,904,825	14,569,543
	2011	5,211,322	1,690,394	5,422,126	1,810,865	14,134,707
Liabilities and shareholders' equity	2012	2,088,660	2,981,083	8,791,098	708,702	14,569,543
	2011	1,704,132	2,602,588	9,157,763	670,224	14,134,707
Liabilities	2012	1,755,693	2,791,669	8,707,174	556,505	13,811,041
	2011	1,438,776	2,456,949	9,020,068	605,666	13,521,459

## F. FINANCIAL RISKS AND RISK MANAGEMENT

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

### (17) OVERALL RISK MANAGEMENT

The Bank's operations involve the following risks:

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

spread change, stock price, foreign currency or commodity risks.

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



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

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

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

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

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

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

Non-performing loans increased slightly from EUR 257.8 million to EUR 262.1 million in the quarter under review. Interest rates saw higher volatilities during the quarter once again. The risk-

bearing capacity remained within the limits set by the Managing Board at all times. Liquidity risk remains low. No high-volume refinancing is required to be serviced in 2012, and the Bank does not have any major refinancing on the money markets.

in '000 EUR	Mean value of VaR Total	Mean value of VaR interest	Mean value of VaR FX	Mean value of VaR shares
<b>2011</b>				
January	7,343	4,930	634	352
February	8,084	5,834	831	349
March	7,996	5,616	1,678	308
April	8,095	6,112	1,001	322
May	7,239	5,342	479	317
June	6,491	5,111	512	317
July	6,455	5,637	538	294
August	7,009	7,455	801	288
September	8,611	8,593	936	296

in '000 EUR	Mean value of VaR Total	Mean value of VaR interest	Mean value of VaR FX	Mean value of VaR shares
<b>2012</b>				
January	12,964	9,885	790	286
February	12,527	9,597	781	222
March	11,309	8,794	1,064	214
April	10,631	9,015	1,315	220
May	10,811	9,893	1,479	204
June	10,495	10,682	1,332	227
July	9,399	10,045	1,067	215
August	8,207	6,933	963	165
September	7,305	5,795	749	196

## (18) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

### Capital requirements per Section 22 Austrian Banking Act

in '000 EUR	30.09.2012	31.12.2011
<b>Assessment basis per Section 22 Austrian Banking Act</b>	<b>7,640,300</b>	<b>7,932,346</b>
Capital resource requirement for solvency	611,224	634,588
Capital requirement for settlement risk	0	0
Capital requirement for position risks	0	0
Capital resource requirement for operational risk	31,574	27,320
<b>Total capital resource requirements</b>	<b>642,798</b>	<b>661,908</b>

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

in '000 EUR	30.09.2012	31.12.2011
<b>Core capital (Tier 1)</b>	<b>636,752</b>	<b>721,725</b>
Paid-in capital	159,000	159,000
Capital reserves	55,327	27,579
Retained earnings	291,742	291,742
Liable capital	124,237	124,237
Minority interests per Section 24 (2) no. 1 Austrian Banking Act	65	109,859
Consolidation per Section 24 (2) no. 2 Austrian Banking Act	8,396	10,952
Intangible assets	-2,015	-1,644
<b>Supplementary capital resources (Tier 2)</b>	<b>354,925</b>	<b>333,560</b>
Supplementary capital	98,597	105,236
Remeasurement reserve	98,328	40,324
Subordinated capital	158,000	188,000
Deductions	-3,515	-3,506
<b>Attributable capital resources (Tier 1 plus Tier 2 minus deductions)</b>	<b>988,162</b>	<b>1,051,779</b>
<b>Assessment basis (banking book)</b>	<b>7,640,300</b>	<b>7,932,346</b>
Core capital ratio (banking book)*	8.33 %	9.10 %
Solvency ratio (banking book)*	12.93 %	13.26 %
<b>Assessment basis (modified)</b>	<b>8,034,975</b>	<b>8,273,850</b>
Core capital ratio*	7.92 %	8.72 %
Solvency ratio*	12.30 %	12.71 %

\*without consideration of unrealised profits

## G. DISCLOSURES PERTAINING TO AUSTRIAN LAW

### (19) AUSTRIAN LAW

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

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

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

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

Bregenz, 4 November 2012

**Vorarlberger Landes- und Hypothekenbank  
Aktiengesellschaft**

The members of the Managing Board



Michael Grahammer  
CEO, Chairman of the Managing Board



Johannes Hefel  
Managing Board member



Michel Haller  
Managing Board member

## BRANCH OFFICES | SUBSIDIARIES

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

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\*050-number for local rate



