

# QUARTERLY REPORT AS AT 30 SEPTEMBER 2016

HYPO LANDESBANK VORARLBERG



**CONTENTS**

	Page
Key figures of Hypo Landesbank Vorarlberg .....	4
Group management report in accordance with IFRS as at 30 September 2016 .....	5
Consolidated financial statements in accordance with IFRS as at 30 September 2016 .....	12
I. Statement of comprehensive income for the period from 1 January to 30 September 2016 .....	13
II. Balance Sheet dated 30 September 2016 .....	14
III. Statement of changes in shareholders' equity .....	15
IV. Condensed cash flow statement .....	16
V. Notes .....	16
Declaration of the statutory representatives with respect to the interim report per Section 87 (1) no. 3 Austrian Stock Exchange Act (BörseG) .....	29
Branch offices / subsidiaries .....	30

## KEY FIGURES OF HYPO LANDESBANK VORARLBERG

### Group reporting per IFRS:

in '000 EUR	(Notes)	30.09.2016	31.12.2015	Change in '000 EUR	Change in %
Total assets		13,407,803	13,902,411	-494,608	-3.6
Loans and advances to customers (L&R)		9,106,581	9,061,358	45,223	0.5
Amounts owed to customers (LAC)		5,471,438	4,995,818	475,620	9.5
Liabilities evidenced by certificates (LAC)	(12)	2,537,373	2,402,602	134,771	5.6
Capital resources according to CRR	(20)	1,132,661	1,164,758	-32,097	-2.8
thereof core capital	(20)	880,185	874,848	5,337	0.6
Total capital ratio according to CRR	(20)	14.72%	14.87%	-0.15%	-1.0

in '000 EUR	(Notes)	01.01.– 30.09.2016	01.01.– 30.09.2015	Change in '000 EUR	Change in %
Net interest income after loan loss provisions		166,197	110,420	55,777	50.5
Net fee and commission income	(3)	25,223	26,725	-1,502	-5.6
Net trading result	(5)	18,062	-6,044	24,106	-
Administrative expenses	(6)	-74,653	-72,277	-2,376	3.3
Operating result before change in own credit risk		126,210	62,382	63,828	>100.0
Earnings before taxes		91,393	97,035	-5,642	-5.8

Key figures	(Notes)	01.01.– 30.09.2016	01.01.– 30.09.2015	Change absolute	Change in %
Cost-Income-Ratio (CIR)		58.57%	45.46%	13.11%	28.9
Return on Equity (ROE)		17.45%	9.43%	8.02%	85.1
Employees	(17)	718	731	-13	-1.8

### The shareholders of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 30 September 2016 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%	
<b>Share capital</b>	<b>100.0000%</b>	<b>100.0000%</b>
Rating*	Standard & Poor's	Moody's
Long-term for liabilities with state deficiency guarantee	-	A3
liabilities without state deficiency guarantee	A-	Baa1
Short-term	A-2	P-2

\* In October 2015, Standard & Poor's (S&P) announced a new rating for Hypo Landesbank Vorarlberg: "A-" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. This makes us one of the best-rated banks in Austria. The Bank is currently rated "Baa1" by Moody's and this rating will remain in place for the time being.

## GROUP MANAGEMENT REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS AT 30 SEPTEMBER 2016

### BANKING ENVIRONMENT

#### Global economy and euro zone

The British decision to leave the European Union threw the financial markets off balance at the end of the first half of 2016. Recovery trends followed relatively quickly, so at least the summer quarter of 2016 went without any major turbulence. The recovery was aided by a stable economic development in the US and the euro area. Furthermore, key emerging economies appear to have bottomed out. The enormously high level of indebtedness of the private sector in China also faded into the background. The expansionary monetary policy of the central banks provided support in the usual way. The members of the European Central Bank (ECB) resolved a further interest rate cut in March. The key interest rate fell to zero for the first time in the ECB's history, while penalties for bank deposits were heightened. Negative deposit rates are intended to boost credit growth. The bond-buying programme was renewed and expanded to include corporate bonds. The US Federal Reserve (Fed) cited weak global economic development as the reason for postponing further increases in key interest rates.

By November, the Fed was still unable to reach a decision on a further interest rate increase. The Bank of Japan made people take notice in the third quarter with the planned control of its entire yield curve.

#### Austria

According to the latest flash estimate by the Austrian Institute of Economic Research (WIFO), the Austrian economy grew by 0.4 % in the third quarter of 2016 as against the previous quarter. As a result, the positive underlying momentum of the economy solidified. Since the start of 2015, this development has been held up by domestic demand, i.e. consumer spending and investment. According to WIFO, the disposable income of households has risen in 2016, which means a greater willingness to purchase durable consumer goods. Inflation in Austria was at 0.9 % for the year in September 2016.

#### Stock and bond markets

The stock markets recovered significantly after the unexpected Brexit vote in the summer months. Nevertheless, the often unfulfilled expectations of monetary policy repeatedly dampened the euphoria on the stock markets. As a result, the stock markets crossed and recrossed old ground with their own upward and downward movements. On the US market, technology groups in particular outperformed analyst forecasts. The strongest performance among the euro countries was achieved by the ATX. In the bond sector, the more risky asset classes benefited mainly from the generally weaker risk aversion. Invest-

ments in emerging market or high yield bonds saw solid gains. The yields on 10-year German government bonds slipped to below zero for the first time in June. The hesitant inflation also squeezed yields further. German 10-year yields did not pick up again until September. The ECB's adverse attitude to further concessions with regard to an extension of the bond purchase programme ending in 2017 gave yields a push. The yields on 10-year German government bonds slipped to below zero for the first time in June. The hesitant inflation also squeezed yields further. German 10-year yields did not pick up again until September. The ECB's adverse attitude to further concessions with regard to an extension of the bond purchase programme ending in 2017 gave yields a push.

#### Commodities and currencies

Both the Swiss franc and the US dollar lost ground against the euro in the reporting period. The Japanese yen continued its roll slightly in the third quarter. The price of gold has been benefiting massively from concerns over the Chinese economy since the beginning of the year. Developments remained extremely volatile in the third quarter as well. Silver performed slightly better than gold, both over the year to date and in the reporting period. Crude oil swung both up and down. In summer, North Sea Brent reached around USD 50 at its highest level.

## BUSINESS DEVELOPMENT

### Income statement

In the period to 30 September 2016, Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (hereinafter also referred to as Hypo Landesbank Vorarlberg) generated earnings before taxes of TEUR 91,393 (30 September 2015: TEUR 97,035), thereby falling within the parameters of its medium-term forecasts.

The operating result before changes in the Bank's own credit risk was twice as high as in the same quarter of the previous year at TEUR 126,210 by the third quarter of 2016 (previous year: TEUR 62,382). While the high inflow of liquidity reflects full confidence among customers, the ECB's policy of negative interest rates had a clear impact on net interest income. Falling share prices and the withdrawal from business with certain international investment clients had an adverse effect on net fee and commission income in the wake of the political debate. While loan loss provisions amounted to TEUR 26,434 in the previous year (incl. HETA provision), the agreement on HETA matters in September led to a reversal of provisions and write-downs in the amount of TEUR 38,525, which benefited earnings significantly in the third quarter. Adjusted for taxes, Hypo Landesbank Vorarlberg reported consolidated net income of TEUR 70,064 as at 30 September 2016 (30 September 2015: TEUR 76,496).

Net interest income of TEUR 124,637 was generated in the first three quarters of 2016 (30 September 2015: TEUR 136,854). Net interest income after loan loss provisions increased by 50 % year-on-year to TEUR 166,197. The Bank recognised sufficient provisions for all identifiable risks.

Net fee and commission income amounted to TEUR 25,223 as at 30 September 2016 (-5.6 %). The net trading result rose from TEUR -6,044 in the previous year to TEUR 18,062, largely as a result of measurement effects. Administrative expenses amounted to TEUR 74,653 as at 30 September 2016 and were therefore 3.3 % higher than in the same period of the previous year.

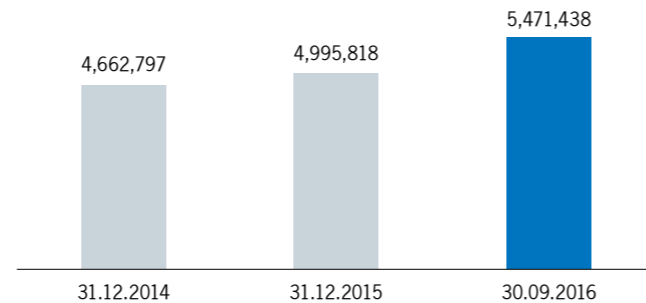
The headcount of 718 employees (weighted by employees' activity rate) was down 1.8 % compared to the previous year, while staff costs were up slightly from TEUR 44,091 to TEUR 45,728. Materials expenses were unchanged year-on-year at TEUR 24,957.

The ROE of 17.45 % and the total capital ratio according to CRR of 14.72 % serve to underline the fact that Hypo Landesbank Vorarlberg is a healthy, successful and efficient bank.

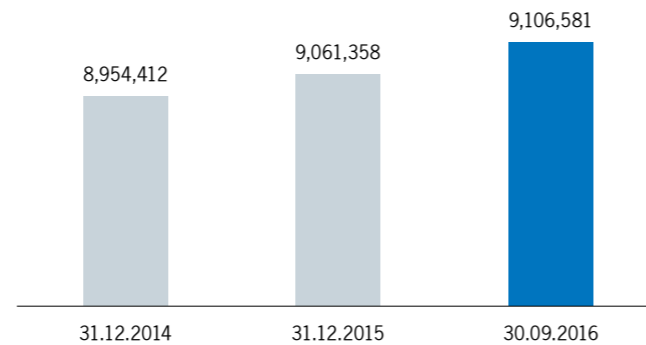
### Balance sheet development

Total consolidated assets declined by 3.6 % to TEUR 13,407,803 in the first three quarters of 2016 (31 December 2015: TEUR 13,902,411). TEUR 9,106,581 of this figure was attributable to

Development of liabilities to customers (in ,000 EUR)



Development of loans and advances to customers (in ,000 EUR)



loans and advances to customers, representing only a slight increase over the previous year (+0.5 %). There was a more significant rise in liabilities to customers: they amounted to TEUR 5,471,438 as at 30 September 2016 (+9.5 %). Financial liabilities at fair value declined by 15.4 % to TEUR 2,931,122 as at 30 September 2016 (31 December 2015: TEUR 3,464,357).

### Own funds

The paid-in capital of Hypo Landesbank Vorarlberg amounted to TEUR 165,453. Capital resources according to CRR amounted to TEUR 1,132,663 as at 30 September 2016 (31 December 2015: TEUR 1,164,758). The total capital ratio was 14.72 % in the third quarter of 2016 (31 December 2015: 14.87 %). With a tier 1 capital ratio of 11.44 % (31 December 2015: 11.17 %) and a common equity tier 1 ratio of 11.32 % (31 December 2015: 11.17 %), Hypo Landesbank 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.

Despite the significant improvement in the Bank's capital adequacy, the Managing Board will continue to pay particular attention to building up capital resources in order to ensure an excellent credit rating and hence favourable refinancing conditions for the future.

### Debt moratorium at HETA

The moratorium imposed on HETA Asset Resolution AG (HETA) by the FMA resulted in a temporary deferral of HETA's liabilities to its creditors. HETA was not permitted to make any payments to its creditors – including Hypo Landesbank Vorarlberg – until 31 May 2016. On 21 January 2016, Kärntner Ausgleichszahlungs-Fonds (Carinthian compensation fund, KAF) submitted an offer to purchase the receivables from HETA. The creditors of HETA bonds with Carinthian state guarantees were offered a rate of 75 %, while creditors that hold subordinated debt securities were to receive only 30 %.

The state of Vorarlberg accepted the offer and the majority of shareholders of Hypo Landesbank Vorarlberg approved it. The other Austrian Landes-Hypothekbanken and the associated Pfandbriefbank likewise accepted the offer. In early March, the Austrian Minister of Finance Hans Jörg Schelling improved the offer: creditors accepting the offer to repurchase state-guaranteed HETA bonds could invest the 75 % in a government bond that would pay out 100 % after 18 years. At the end of the offer period on 11 March 2016, the repurchase offer was rejected by the majority of creditors.

After the original offer to the creditors failed, the Minister of Finance announced on 18 May 2016 that he had signed a memorandum of understanding (MoU) with certain HETA creditors. On 6 September 2016, KAF then submitted a new public offer that, as in January 2016, was based on Section 2a of the Austrian Financial Market Stability Act. The key economic points were unchanged from those agreed in May. Effectively – after the repurchase and conversion into a zero-coupon bond/promissory note loan – senior unsecured creditors were offered around 90 % of the nominal value and the bearers of subordinated instruments were offered around 45 %.

The offer was accepted within the set period (6 September to 7 October), which led to significant income (before taxes) for institutional HETA creditors – including Hypo Landesbank Vorarlberg – as a result of the reversal of the risk provisions recognised in advance. Hypo Landesbank Vorarlberg had already made appropriate provisions for its receivables from HETA in 2014 and 2015 and a valuation allowance of TEUR 15,000 on its promissory note loan receivables. A provision/valuation allowance of TEUR 38,750 was recognised for the provision of liquidity to Pfandbriefbank. The financial loss to the Bank will therefore be reduced significantly.

### Panama Papers

Following the publication of "Panama Papers" in early April 2016, with which Hypo Landesbank Vorarlberg was also linked, the Bank's offshore business was examined as part of a special investigation by the FMA. The Managing Board is confident that the Bank conducted its business within the legal framework at all times. The results of this examination are not yet available.

The Chairman of the Managing Board, Michael Grahammer, announced his resignation in April in response to the media's prejudgement of the Bank and of himself. At the request of the Supervisory Board, he will remain available to the Bank until the end of 2016. The previous Chief Risk Officer, Michel Haller, was appointed as the designated Chairman of the Managing Board by the Supervisory Board on 10 August 2016. He will assume this role from 1 January 2017. Wilfried Amann, who is currently a member of the board of another regional bank in Vorarlberg, was appointed as a new member of the Bank's Managing Board.

Following the debate concerning the Panama Papers, an adjustment of the strategy and business activities with offshore clients is to be developed together with the shareholders of the Bank. The number of accounts for non-operative overseas companies had already been successively reduced in recent years. The low level of income attributable to these business relationships means that this change will not have a material impact on the Bank's earnings strength.

At the end of April, the Vorarlberg SPÖ political party called for an inquiry board to investigate the Bank's offshore activities, which the Managing Board still feels to be an inappropriate means of addressing this issue. In autumn the inquiry board was cut short owing to a lack of results, and its last session was scheduled for 2 December 2016. The members of the inquiry board will prepare and present a final report in the first quarter of 2017.

### Rating of Hypo Landesbank Vorarlberg

In October 2015, Standard & Poor's (S&P) announced their rating for Hypo Landesbank Vorarlberg: "A-" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. This makes us one of the best-rated banks in Austria. The Bank is currently rated "Baa1" by Moody's and this rating will remain in place for the time being.

## DEVELOPMENT BY SEGMENT

### Corporate Customers/Public Sector

Hypo Landesbank Vorarlberg is the leading corporate bank in Vorarlberg and offers its customers a broad mix of financing and investment solutions. It can also offer corresponding expertise in alternative financing via the capital markets (placement of promissory note loans and bonds). In cooperation with the European Investment Bank (EIB), Hypo Landesbank Vorarlberg passes on attractive financing conditions to eligible small and medium-sized enterprises in particular.

The financing portfolio is rounded off by international services and expert consulting on funding programmes. Through its subsidiaries, Hypo Landesbank Vorarlberg also supports its customers with leasing, insurance and real estate services.

Corporate Customers business developed very positively in the first three quarters of 2016. The low risk costs in particular point to the excellent condition of the companies in the Bank's market areas. This is all the more remarkable as the Managing Board still applies conservative measurement in lending business. Although companies are still very cautious with regard to new investments, the lending volume has been kept stable on the markets.

Net interest income was increased from TEUR 65,193 to TEUR 66,881 in the first three quarters of 2016. Unfortunately, there was a decline in net fee and commission income of TEUR -194 to TEUR 8,935, due to the development of the securities exchanges on the one hand and the further decline in foreign currency financing on the other. The development in Corporate Customers was relatively balanced across all markets, with earnings and volume development in Southern Germany standing out in particular.

Mainly as a result of the low risk costs, a reversal of risk costs and a high reversal of write-downs, the corporate customers segment generated earnings before taxes of TEUR 52,839 as at 30 September 2016 and was therefore up significantly on the previous year (2015: TEUR 35,841).

### Private Customers

In its Private Customer business, Hypo Landesbank Vorarlberg is synonymous with high-quality advisory services. Although the Bank is expanding its offering of digital services through the advancement of digitisation, personal relationships and consulting continue to be the focus – especially in residential construction financing and demanding investments – and is an important basis for customer satisfaction.

Despite substantial challenges – low and falling interest rates, extensive regulations and strong competition – Hypo Landesbank Vorarlberg enjoyed a solid performance in the Private Customers segment in the first three quarters of 2016. Overall,

the Private Customers segment generated earnings before taxes of TEUR 6,232 in this period (previous year: TEUR 9,986). The decline in earnings is due primarily to a drop in net fee and commission income and higher expenses. These include, for example, investments in digital development and payments to the Deposit Guarantee Fund and the Single Resolution Fund. The low interest level is also having an effect, as the Bank currently pays 0.4 % negative interest on its investments with the ECB. Demand for long-term financing for the creation of housing remains at a high level in the Private Customers segment. Both the number of financing arrangements concluded and the average financing amounts are both rising continuously, while customer requirements are also becoming increasingly individual. Hypo Landesbank Vorarlberg is responding with innovative solutions such as the Hypo-Lebenswert-Kredit and the Hypo-Lebenszeit-Kredit. Hypo-Klimakredit supports energy-saving investments as there is no processing fee and customers benefit from a reduced premium in the first years.

Due to low interest rates, the demand for long-term interest rate fixing is still rising. Hypo Landesbank Vorarlberg gives its borrowers the opportunity to fix interest rates for a period of up to 15 years. In the area of financing, the level of unscheduled repayments remains high.

While borrowers are benefiting from low interest rates, investors are being driven to reconsider the usual forms of investment – such as savings accounts. To achieve a return above the rate of inflation, investors with a medium and long-term horizon should consider more risky investment forms. Hypo Landesbank Vorarlberg is meeting customer demand for returns and security with its own innovative asset management products.

### Private Banking and Asset Management

Hypo Landesbank Vorarlberg's core competencies in Private Banking are professional and long-term partnership-based customer support. In the area of Asset Management, a flexible investment policy is adopted by the Bank's experts. In this challenging economic and political environment a broad diversification in terms of asset classes is particularly important.

Customer demand for Hypo Landesbank Vorarlberg's own asset management strategies and investment products remains high. The optimisation programme developed by the Bank performs a valuable service. This tool is intended to make the allocation and timing decision for investors to achieve an optimal combination of asset classes, i.e. an ideal combination of a high risk/reward ratio and low potential for a decline in stress situations. All decisions are always in accordance with the needs and requirements of the investor. Careful monitoring and regular re-weighting by our Asset Management team are also key parts of the asset optimisation process.

Given the strong interest from private investors and large investors, this service will be expanded further by the end of 2016. Based on these strong foundations, the Bank intends to continue expanding the top segment in its investment business (Wealth Management), particularly in the Vienna region and in Vorarlberg.

The assets managed by Asset Management amounted to TEUR 878,100 in total as at 30 September 2016. The number of mandates managed was 3,046.

### International performance standards in Asset Management

The auditing company PricewaterhouseCoopers Zürich reviews the compliance of our Asset Management based on the Global Investment Performance Standards (GIPS)® on a regular basis. The next review as at year-end 2016 will be carried out in spring 2017. Since 2005, Hypo Landesbank Vorarlberg has been the first and is still the only Austrian bank whose Asset Management is certified according to these international standards.

### Financial Markets/Treasury

The defining issue for the Austrian capital market was the emerging solution in connection with the HETA conversion offer. Sentiment has improved significantly and investor interest in private placements by Austrian banks has increased. The spreads for Austrian issuers have narrowed with the overall market.

A net volume of approximately TEUR 143,700 was invested in bonds by ALM/Investment in the third quarter of 2016. The weighted remaining term of these new investments is 4.3 years. The total volume of nostro bonds amounted to around TEUR 2,679,000 as at 30 September 2016.

In the third quarter of 2016, Hypo Landesbank Vorarlberg carried out seven new issues with a total volume of around TEUR 31,400. These were four private issues (total volume of TEUR 20,000) and three retail issues. Thanks to various measures, Hypo Landesbank Vorarlberg was able to reduce its high liquidity level in the third quarter. The Bank's readily available short-term liquidity declined by more than TEUR 400,000 to a barely positive value. At the same time, extensive arrangements were made for liquidity requirements in 2017. Trading in foreign exchange and interest rate derivatives has been muted over the year to date.

Customer securities sales at the branch offices amounted to around TEUR 184,800 in the first three quarters of 2016, down around TEUR 182,300 or 50 % on the same period of the previous year. Given the consistently low returns, investment interest is focusing more on shares, certificates and warrants. The fund volume under management at Hypo Landesbank Vorarlberg increased by TEUR 112,000 or 1.6 % in the third quarter of 2016. A further special fund mandate could be won, which will start in the first quarter of 2017.

The European corporate bond market was defined by growth in the momentum of issues in the first three quarters of 2016. In particular, there was also a recovery in the high-yield segment and an increase in the number of transactions. An issue volume of around TEUR 300,000,000 seems possible for 2016 as a whole.

As at 30 September 2016, Hypo Landesbank Vorarlberg's swap group managed 905 swaps, 159 interest options and four currency options with a nominal volume of around TEUR 9,400,000. Net cash and securities pledged as collateral declined by TEUR 15,000 to TEUR 53,000 in the period under review.

The operating earnings before taxes generated by the Financial Markets segment amounted to TEUR 26,669 as at 30 September 2016 (previous year: TEUR 11,996), while earnings before taxes are negative at TEUR -8,148. This change was attributable primarily to remeasurement effects. The further development of the business area in 2016 will largely depend on events on the financial markets.

### Leasing and Real Estate

In addition to the Bank's core business segments, the "Corporate Centre" item includes the property and leasing business, insurance services and strategic investments. The Corporate Centre generated earnings before taxes of TEUR 40,470 as at 30 September 2016. The large change compared to the previous year (TEUR 4,559) is due mostly to the reversal of loan loss provisions for HETA.

Hypo Landesbank Vorarlberg's entire Austrian and Swiss leasing and real estate business is bundled in Hypo Immobilien & Leasing GmbH. The company's range of real estate services extends from real estate brokerage through property appraisal, construction management and property management to facility management. It offers optimal financing solutions involving vehicle, movables and real estate leasing for private customers and SMEs. In the area of leasing, sales activities via bank employees in Eastern Austria were supplemented by the launch of direct sales throughout Austria.

Hypo Immobilien & Leasing GmbH has its headquarters at the Hypo Office in Dornbirn and additional locations in Bregenz, Bludenz, Feldkirch and Vienna. The area of property appraisal is currently being expanded further, particularly in Vienna. In late 2015, the Vienna team of Hypo Immobilien & Leasing GmbH moved to the new location in the Zacherlhaus together with the Bank. Since then, one real estate broker has begun to work in Vienna.

The subsidiary in Bolzano, Hypo Vorarlberg Leasing AG, has branch offices in Como and Treviso. This company develops leasing solutions in real estate, renewable energy and municipality sectors. It offers its products and services on the northern Italian market.

## OUTLOOK

WIFO is forecasting growth in Austrian GDP of 1.7 % for 2016, while the IHS is anticipating GDP growth of 1.6 %. These figures are clearly higher than the growth of the past four years. This reduces the gap to average growth in the euro area and in Germany. There will be a marked increase in investment, and consumer spending by private households will rise again for the first time in three years. The tax reform enacted in 2016 is easing pressure on private household income and positively influencing consumer spending. One factor is likely to be the higher spending for the care of approved asylum seekers, which will result in an increase in private and public consumption. In 2017, foreign trade in particular is expected to have a stabilising effect as the Austrian economy slows.

### Focus areas for 2016

The Managing Board will continue to pursue Hypo Landesbank Vorarlberg's proven, broad-based business model and concentrate on customer business as previously. In order to further strengthen the brand of Hypo Landesbank Vorarlberg, a project is being carried out with an external consulting agency to hone the brand profile and will be implemented in the course of next year.

The banking sector is also expecting many challenges in the future that must be overcome. For example, new regulations require it to stockpile equity and secure a cost-optimal liquidity supply, while costs are rising continuously. This is exacerbated by low interest rates and constant new legal and technological challenges. In connection with the banking package on tax reform on 7 July 2015, the Austrian National Council passed an amendment to banking secrecy (Section 38 BWG). As a result, a central account register was established at the Austrian Ministry of Finance (BMF) in the third quarter of 2016. In addition, a reporting obligation for inflows and outflows of capital and the introduction of a common reporting standard were approved.

In its corporate customer business, Hypo Landesbank Vorarlberg is a recognised partner for medium-sized and large companies throughout Austria, Southern Germany and Eastern Switzerland. The Bank will continue to supply its business customers with financing and support them with alternative forms of financing via the capital market. However, in 2016 the Managing Board expects to see weaker demand for credit than in recent years. Slight upturns are expected in the markets outside Vorarlberg, i.e. Vienna, Graz, Wels and St. Gallen (CH) in particular. Persistently low risk costs are anticipated on account of the solid economic situation of companies in the Bank's market areas.

While proximity to the customer and high-quality consulting services will continue to form the basis for all business relationships in future, Hypo Landesbank Vorarlberg is also working on

new technological innovations and will use pioneering new applications – particularly for payment transactions – in the Corporate Customers segment in future. Investment business with entrepreneurs will also be expanded.

In the Private Customers segment, Hypo Landesbank Vorarlberg is distinguished primarily by services with intensive consulting requirements. Its customers benefit from individual solutions in residential construction financing and for securities transactions including Asset Management. The Bank is still expecting high demand in the financing sector, especially for the creation of housing.

In its investment business, the Bank's primary objective is to conserve its customers' wealth in real terms. In Private Banking and Asset Management, Hypo Landesbank Vorarlberg has developed an excellent reputation for itself in recent years. Building on this, the Wealth Management division will be advanced further and the product range will be expanded with new asset management strategies adapted to the challenging market conditions.

Digitalisation and changed customer behaviour necessitate new products, but also new business models. Hypo Landesbank Vorarlberg's aim is to connect existing branch offices with the digital world in a way that enables customers to benefit from optimum interplay between technology and people. The Managing Board is confident that personal consulting will remain indispensable in future, e.g. for large investments or comprehensive assessments. Nevertheless, the online offering is to be significantly expanded in the coming months and it will be possible to buy products via the website in future as well. The online savings platform hypodirekt.at is also valued by customers outside the branch catchment areas of the Bank.

## Expected earnings development in 2016

Despite several elements of political and economic uncertainty, the development in the first three quarters of 2016 was satisfactory. Hypo Landesbank Vorarlberg continues to pursue cautious risk and accounting policies and will make corresponding additions to loan loss provisions. The Managing Board is confident of achieving the anticipated earnings, although the operating result for 2016 will be lower than in the previous years due to falling income and higher costs.

Although interest-related business remains a stable pillar of the Bank's earnings development, it is expected to decline year-on-year. The Managing Board is also anticipating a lower level of net fee and commission income. Operating expenses will rise in 2016 and staff costs are also expected to increase slightly. Due to the deposit protection and single resolution fund, costs will be much higher for Hypo Landesbank Vorarlberg. Comprehensive investments will also be made in the further expansion of the online sales channel.

The Managing Board of Hypo Landesbank Vorarlberg already recognised provisions for all existing HETA receivables – including the liquidity expected to be made available for Pfandbriefbank – in its results for 2014 and 2015. After the offer of KAF (Kärntner Ausgleichszahlungs-Fonds) was accepted by a majority of creditors, Hypo Landesbank Vorarlberg reported significant income (before taxes) in the third quarter of 2016 as a result of the reversal of provisions and write-downs. The financial loss to the Bank will therefore be reduced significantly.

Now that a solution has been found, there is no longer the prospect of the insolvency of HETA or the state of Carinthia. This should restore calm to the banking sector and improve the re-financing opportunities available to Austrian banks.

DISCLAIMER: 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](mailto:gips@hypovbg.at).

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS AT 30 SEPTEMBER 2016  
I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY TO 30 SEPTEMBER 2016

Income statement

in '000 EUR	(Notes)	01.01.– 30.09.2016	01.01.– 30.09.2015	Change in '000 EUR	Change in %
Interest and similar income		194,340	203,909	-9,569	-4.7
Interest and similar expenses		-69,703	-67,055	-2,648	3.9
<b>Net interest income</b>	(2)	<b>124,637</b>	<b>136,854</b>	<b>-12,217</b>	<b>-8.9</b>
Loan loss provisions		41,560	-26,434	67,994	-
<b>Net interest income after loan loss provisions</b>		<b>166,197</b>	<b>110,420</b>	<b>55,777</b>	<b>50.5</b>
Fee and commission income		27,583	29,594	-2,011	-6.8
Fee and commission expenses		-2,360	-2,869	509	-17.7
<b>Net fee and commission income</b>	(3)	<b>25,223</b>	<b>26,725</b>	<b>-1,502</b>	<b>-5.6</b>
Net result on hedge accounting	(4)	5,134	411	4,723	>100.0
Net trading result	(5)	18,062	-6,044	24,106	-
Net result from other financial instruments		4,979	13,053	-8,074	-61.9
Administrative expenses	(6)	-74,653	-72,277	-2,376	3.3
Other income		12,956	10,191	2,765	27.1
Other expenses*		-34,152	-22,608	-11,544	51.1
Result from equity consolidation		2,464	2,511	-47	-1.9
<b>Operating result before change in own credit risk</b>		<b>126,210</b>	<b>62,382</b>	<b>63,828</b>	<b>&gt;100.0</b>
Result from change in own credit risk		-34,817	34,653	-69,470	-
<b>Earnings before taxes</b>		<b>91,393</b>	<b>97,035</b>	<b>-5,642</b>	<b>-5.8</b>
Taxes on income		-21,329	-20,539	-790	3.8
<b>Consolidated net income</b>		<b>70,064</b>	<b>76,496</b>	<b>-6,432</b>	<b>-8.4</b>
Of which attributable to:					
Parent company shareholders		70,058	76,484	-6,426	-8.4
Non-controlling interests		6	12	-6	-50.0

\* In accordance with IFRIC 21, the payment obligation for the annual contribution to the resolution fund and the deposit protection fund is incurred on 1 January.

Statement of comprehensive income

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015	Change in '000 EUR	Change in %
<b>Consolidated net income</b>	<b>70,064</b>	<b>76,496</b>	<b>-6,432</b>	<b>-8.4</b>
<b>Items which can be reclassified to consolidated net income</b>				
Changes to foreign currency translation reserve	15	-182	197	-
Changes to AFS revaluation reserve	55	-5,237	5,292	-
of which changes in measurement	746	-4,514	5,260	-
of which changes in holdings	-672	-2,469	1,797	-72.8
of which income tax effects	-19	1,746	-1,765	-
<b>Total items which can be reclassified to consolidated net income</b>	<b>70</b>	<b>-5,419</b>	<b>5,489</b>	<b>-</b>
<b>Items which cannot be reclassified to consolidated net income</b>				
Changes to IAS 19 revaluation reserve	-81	0	-81	100.0
of which changes in measurement	-117	0	-117	100.0
of which income tax effects	36	0	36	100.0
<b>Total items which cannot be reclassified to consolidated net income</b>	<b>-81</b>	<b>0</b>	<b>-81</b>	<b>100.0</b>
<b>Other income after taxes</b>	<b>-11</b>	<b>-5,419</b>	<b>5,408</b>	<b>-99.8</b>
<b>Total comprehensive income</b>	<b>70,053</b>	<b>71,077</b>	<b>-1,024</b>	<b>-1.4</b>
Of which attributable to:				
Parent company shareholders	70,047	71,065	-1,018	-1.4
Non-controlling interests	6	12	-6	-50.0

## II. BALANCE SHEET DATED 30 SEPTEMBER 2016

## Assets

in '000 EUR	(Notes)	30.09.2016	31.12.2015	Change in '000 EUR	Change in %
Cash and balances with central banks		249,055	712,491	-463,436	-65.0
Loans and advances to banks		579,730	650,129	-70,399	-10.8
Loans and advances to customers		9,106,581	9,061,358	45,223	0.5
Positive market values of hedges	(7)	150,388	76,370	74,018	96.9
Trading assets and derivatives	(8)	384,435	461,641	-77,206	-16.7
Financial assets – at fair value	(9)	854,635	938,014	-83,379	-8.9
Financial assets – available for sale	(10)	756,934	745,426	11,508	1.5
Financial assets – held to maturity	(11)	1,042,121	987,685	54,436	5.5
Shares in companies valued at equity		34,833	34,554	279	0.8
Investment property		43,250	43,518	-268	-0.6
Intangible assets		1,620	836	784	93.8
Property, plant and equipment		74,313	76,155	-1,842	-2.4
Tax assets		252	3,586	-3,334	-93.0
Deferred tax assets		9,639	10,348	-709	-6.9
Non-current assets available for sale		12,091	12,223	-132	-1.1
Other assets		107,926	88,077	19,849	22.5
<b>Total Assets</b>		<b>13,407,803</b>	<b>13,902,411</b>	<b>-494,608</b>	<b>-3.6</b>

## Liabilities and shareholders' equity

in '000 EUR	(Notes)	30.09.2016	31.12.2015	Change in '000 EUR	Change in %
Amounts owed to banks		470,171	1,144,487	-674,316	-58.9
Amounts owed to customers		5,471,438	4,995,818	475,620	9.5
Liabilities evidenced by certificates	(12)	2,537,373	2,402,602	134,771	5.6
Negative market values of hedges	(7, 13)	165,585	160,947	4,638	2.9
Trading liabilities and derivatives	(8, 14)	256,789	239,627	17,162	7.2
Financial liabilities – at fair value	(15)	2,931,122	3,464,357	-533,235	-15.4
Provisions		49,149	61,289	-12,140	-19.8
Tax liabilities		1,864	14,359	-12,495	-87.0
Deferred tax liabilities		1,258	8,143	-6,885	-84.6
Other liabilities		90,904	64,739	26,165	40.4
Subordinated debt capital		396,806	376,902	19,904	5.3
Shareholders' equity		1,035,344	969,141	66,203	6.8
Of which attributable to:					
Parent company shareholders		1,035,302	969,094	66,208	6.8
Non-controlling interests		42	47	-5	-10.6
<b>Total Liabilities and shareholder's equity</b>		<b>13,407,803</b>	<b>13,902,411</b>	<b>-494,608</b>	<b>-3.6</b>

## III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve	Reserves from currency translation	Total parent company shareholders	Non-controlling interests	Total Shareholders' equity
<b>Balance 1 January 2015</b>	<b>165,453</b>	<b>48,874</b>	<b>658,848</b>	<b>13,629</b>	<b>-6</b>	<b>886,798</b>	<b>59</b>	<b>886,857</b>
Consolidated net income	0	0	76,484	0	0	76,484	12	76,496
Other income	0	0	-180	-5,242	3	-5,419	0	-5,419
<b>Comprehensive income 2015</b>	<b>0</b>	<b>0</b>	<b>76,304</b>	<b>-5,242</b>	<b>3</b>	<b>71,065</b>	<b>12</b>	<b>71,077</b>
Dividends	0	0	-3,747	0	0	-3,747	0	-3,747
Distributions to third parties	0	0	-100	0	0	-100	-24	-124
<b>Balance 30 September 2015</b>	<b>165,453</b>	<b>48,874</b>	<b>731,305</b>	<b>8,387</b>	<b>-3</b>	<b>954,016</b>	<b>47</b>	<b>954,063</b>
<b>Balance 1 January 2016</b>	<b>165,453</b>	<b>48,874</b>	<b>747,606</b>	<b>7,162</b>	<b>-3</b>	<b>969,092</b>	<b>48</b>	<b>969,140</b>
Consolidated net income	0	0	70,058	0	0	70,058	6	70,064
Other income	0	0	11	-24	2	-11	0	-11
<b>Comprehensive income 2016</b>	<b>0</b>	<b>0</b>	<b>70,069</b>	<b>-24</b>	<b>2</b>	<b>70,047</b>	<b>6</b>	<b>70,053</b>
Other changes	0	0	-138	0	0	-138	0	-138
Dividends	0	0	-3,699	0	0	-3,699	0	-3,699
Distributions to third parties	0	0	0	0	0	0	-12	-12
<b>Balance 30 September 2016</b>	<b>165,453</b>	<b>48,874</b>	<b>813,838</b>	<b>7,138</b>	<b>-1</b>	<b>1,035,302</b>	<b>42</b>	<b>1,035,344</b>

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



## IV. CONDENSED CASH FLOW STATEMENT

## Cashflows from operating activities

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Consolidated net income	70,064	76,496
Non-cash items included in consolidated net income	-38,754	41,856
Change in assets from operating activities	57,954	-30,999
Change in liabilities from operating activities	-624,735	-485,710
Interest received	184,938	179,790
Interest paid	-95,726	-88,107
Income tax paid	-38,751	-13,119
<b>Cash flows from operating activities</b>	<b>-485,010</b>	<b>-319,793</b>

## Cashflows from investing activities

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
<b>Cash inflow from the sale/repayment of Financial instruments</b>		
Financial instruments	272,188	370,501
Property, plant and equipment and intangible assets	900	207
<b>Cash outflows for investments in financial instruments</b>		
Financial instruments	-280,173	-215,194
Property, plant and equipment and intangible assets	-10,237	-14,714
Interest received	31,417	41,336
Dividends and profit distributions received	2,860	1,088
<b>Cash flows from investing activities</b>	<b>16,955</b>	<b>183,224</b>

## Cashflows from financing activities

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Cash changes in subordinated capital	8,400	-122
Dividends	-3,711	-3,623
Interest paid	-70	-436
<b>Cash flows from financing activities</b>	<b>4,619</b>	<b>-4,181</b>

## Reconciliation to cash and balances with central banks

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
<b>Cash and balances with central banks at 1 January</b>	<b>712,491</b>	<b>470,699</b>
Cash flows from operating activities	-485,010	-319,793
Cash flows from investing activities	16,955	183,224
Cash flows from financing activities	4,619	-4,181
<b>Cash and balances with central banks at 30 September</b>	<b>249,055</b>	<b>329,949</b>

## V. NOTES

## A. ACCOUNTING POLICIES

## (1) GENERAL INFORMATION

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2015 were applied to the consolidated interim financial statements. There have been no changes in measurement principles applied with respect to the 31 December 2015 statements.

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

All amounts are stated in thousand Euro (TEUR or '000 EUR) unless specified otherwise. The tables below may contain rounding differences.

## B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## (2) NET INTEREST INCOME

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Income from cash and balances with central banks	-1,106	13
Income from loans and advances to banks	9,142	12,110
Income from loans and advances to customers	116,312	116,451
Income from leasing business	17,023	18,652
Income from hedging instruments	18,410	13,272
Income from derivatives, other	10,098	8,264
Income from debt securities	21,602	33,539
Income from shares	974	1,088
Income from investments in associated companies	0	520
Income from investments, other	1,885	0
<b>Interest and similar income</b>	<b>194,340</b>	<b>203,909</b>
Expenses from amounts owed to banks	-2,400	-1,842
Expenses from amounts owed to customers	-26,000	-15,477
Expenses from liabilities evidenced by certificates	-23,429	-10,675
Expenses from hedging instruments	-27,433	-27,720
Expenses from derivatives, other	-470	-777
Expenses from liabilities designated AFV	15,682	-6,299
Expenses from supplementary capital	-5,653	-4,265
<b>Interest and similar expenses</b>	<b>-69,703</b>	<b>-67,055</b>
<b>Net interest income</b>	<b>124,637</b>	<b>136,854</b>

## (3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Lending and leasing business	3,427	2,986
Securities business	11,830	13,616
Giro and payment transactions	8,912	9,463
Other service business	3,414	3,529
<b>Fee and commission income</b>	<b>27,583</b>	<b>29,594</b>

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Lending and leasing business	-544	-663
Securities business	-883	-1,048
Giro and payment transactions	-898	-1,123
Other service business	-35	-35
<b>Fee and commission expenses</b>	<b>-2,360</b>	<b>-2,869</b>

## (4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Adjustment to loans and advances to banks	4,143	-627
Adjustment to loans and advances to customers	15,282	-3,009
Adjustment to financial instruments available for sale	7,457	-7,455
Adjustment to liabilities to banks	-498	25
Adjustment to liabilities to customers	-20,494	4,918
Adjustment to securitised liabilities	-53,864	2,056
Adjustment to supplementary capital	-5,921	681
<b>Net result from adjustment to underlying transactions from hedging</b>	<b>-53,895</b>	<b>-3,411</b>
Measurement of hedging instruments for loans and advances to banks	-3,088	2,124
Measurement of hedging instruments for loans and advances to customers	-15,772	4,109
Measurement of hedging instruments for available for sale financial instruments	-7,497	7,664
Measurement of hedging instruments for liabilities to banks	513	-32
Measurement of hedging instruments for liabilities to customers	22,076	-5,520
Measurement of hedging instruments for securitised liabilities	55,758	-3,675
Measurement of hedging instruments for supplementary capital	7,039	-848
<b>Net result of the measurement of hedging instruments</b>	<b>59,029</b>	<b>3,822</b>
<b>Net result on hedge accounting</b>	<b>5,134</b>	<b>411</b>

**(5) NET TRADING RESULT**

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Trading results	4,712	10,821
Result from the valuation of financial instruments – HFT	-60	672
Result from the valuation of derivatives	-25,040	-86,583
Result from the valuation of financial instruments – AFV*	38,450	69,046
<b>Net trading result</b>	<b>18,062</b>	<b>-6,044</b>

\* Not including change in own credit risk

**(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.– 30.09.2016	01.01.– 30.09.2015
Staff costs	-45,728	-44,091
Material expenses	-24,957	-24,677
Depreciation/amortisation of property, plant and equipment and intangible assets	-3,968	-3,509
<b>Administrative expenses</b>	<b>-74,653</b>	<b>-72,277</b>

**Of which staff costs**

in '000 EUR	01.01.– 30.09.2016	01.01.– 30.09.2015
Wages and salaries	-34,268	-33,385
Statutory social security contributions	-8,881	-8,635
Voluntary social benefits	-718	-672
Expenses for retirement benefits	-1,819	-1,471
Social capital	-42	72
<b>Staff costs</b>	<b>-45,728</b>	<b>-44,091</b>

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

in '000 EUR	30.09.2016	31.12.2015
Positive market values of fair value hedges	135,009	63,451
Deferred interest on derivative hedges	15,379	12,919
<b>Positive market values of hedges</b>	<b>150,388</b>	<b>76,370</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	3,589,209	3,156,938
Cross currency swaps	190,403	186,797
<b>Interest rate derivatives</b>	<b>3,779,612</b>	<b>3,343,735</b>
<b>Derivatives</b>	<b>3,779,612</b>	<b>3,343,735</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	132,639	61,800
Cross currency swaps	2,370	1,651
<b>Interest rate derivatives</b>	<b>135,009</b>	<b>63,451</b>
<b>Derivatives</b>	<b>135,009</b>	<b>63,451</b>

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

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

in '000 EUR	30.09.2016	31.12.2015
Investment certificates	650	675
Positive market values of derivative financial instruments	353,378	413,945
Deferred interest	30,407	47,021
<b>Trading assets and derivatives</b>	<b>384,435</b>	<b>461,641</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	4,136,076	4,917,355
Cross currency swaps	1,410,602	1,348,834
Interest rate options	259,991	380,999
<b>Interest rate derivatives</b>	<b>5,806,669</b>	<b>6,647,188</b>
FX forward transactions	302,812	361,003
FX swaps	178,759	182,800
FX options	3,388	0
<b>Currency derivatives</b>	<b>484,959</b>	<b>543,803</b>
Credit-Default-Swaps	0	15,000
<b>Credit derivatives</b>	<b>0</b>	<b>15,000</b>
<b>Derivatives</b>	<b>6,291,628</b>	<b>7,205,991</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	276,176	290,249
Cross currency swaps	67,175	114,036
Interest rate options	2,523	2,723
<b>Interest rate derivatives</b>	<b>345,874</b>	<b>407,008</b>
FX forward transactions	5,951	6,410
FX swaps	1,470	527
FX options	85	0
<b>Currency derivatives</b>	<b>7,506</b>	<b>6,937</b>
<b>Derivatives</b>	<b>353,380</b>	<b>413,945</b>

**(9) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE (AFV)****Financial assets designated at fair value – breakdown by type of business**

in '000 EUR	30.09.2016	31.12.2015
Debt securities of public issuers	199,365	223,960
Debt securities of other issuers	174,425	202,507
Investment certificates	2,705	0
Other equity interests	5,066	5,191
Loans and advances to customers	468,576	499,156
Deferred interest	4,498	7,200
<b>Financial assets – at fair value</b>	<b>854,635</b>	<b>938,014</b>

**(10) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)****Financial assets available for sale – breakdown by type of business**

in '000 EUR	30.09.2016	31.12.2015
Debt securities of public issuers	330,726	314,629
Debt securities of other issuers	380,587	383,679
Shares	110	110
Investment certificates	6,065	5,921
Other equity interests	18,523	17,764
Deferred interest	9,967	12,506
Other equity investments	10,928	10,789
Other investments in affiliated companies	28	28
<b>Financial assets – available for sale</b>	<b>756,934</b>	<b>745,426</b>

**(11) FINANCIAL ASSETS HELD TO MATURITY (HTM)****Financial assets held to maturity – breakdown by type of business**

in '000 EUR	30.09.2016	31.12.2015
Debt securities of public issuers	281,778	301,780
Debt securities of other issuers	737,246	658,237
Supplementary capital of other issuers	9,998	9,994
Deferred interest	13,099	17,674
<b>Financial assets – held to maturity</b>	<b>1,042,121</b>	<b>987,685</b>

**(12) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)****Liabilities evidenced by certificates – breakdown by type of business**

in '000 EUR	30.09.2016	31.12.2015
Mortgage bonds	1,146,473	1,106,919
Municipal bonds	44,884	40,702
Medium-term fixed-rate notes	1,821	2,017
Bonds	1,091,862	927,219
Housing construction bonds	59,416	68,133
Bonds issued by Pfandbriefbank	181,466	241,236
Deferred interest	11,451	16,376
<b>Liabilities evidenced by certificates</b>	<b>2,537,373</b>	<b>2,402,602</b>

**(13) NEGATIVE MARKET VALUES OF HEDGES****Breakdown by type of hedge**

in '000 EUR	30.09.2016	31.12.2015
Negative market values of fair value hedges	148,761	145,975
Deferred interest on derivative hedging instruments	16,824	14,972
<b>Negative market values of hedges</b>	<b>165,585</b>	<b>160,947</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	114,598	111,010
Cross currency swaps	34,164	34,965
<b>Interest rate derivatives</b>	<b>148,762</b>	<b>145,975</b>
<b>Derivatives</b>	<b>148,762</b>	<b>145,975</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	30.09.2016	31.12.2015
Negative market values of derivative financial instruments	250,210	233,709
Deferred interest	6,579	5,918
<b>Trading liabilities and derivatives</b>	<b>256,789</b>	<b>239,627</b>

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

in '000 EUR	30.09.2016	31.12.2015
Interest rate swaps	155,281	142,854
Cross currency swaps	87,011	82,230
Interest rate options	2,082	2,088
<b>Interest rate derivatives</b>	<b>244,374</b>	<b>227,172</b>
FX forward transactions	5,512	5,971
FX swaps	239	355
FX options	85	0
<b>Currency derivatives</b>	<b>5,836</b>	<b>6,326</b>
Credit default swaps	0	211
<b>Credit derivatives</b>	<b>0</b>	<b>211</b>
<b>Derivatives</b>	<b>250,210</b>	<b>233,709</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	30.09.2016	31.12.2015
Amounts owed to banks at fair value	153,869	151,660
Amounts owed to customers at fair value	573,993	549,339
Mortgage bonds at fair value	27,627	26,314
Municipal bonds at fair value	758,853	744,635
Bonds at fair value	1,099,618	1,685,788
Housing construction bonds at fair value	194,844	162,229
Bonds issued by Pfandbriefbank at fair value	41,583	44,038
Supplementary capital at fair value	56,396	56,025
Deferred interest	24,339	44,329
<b>Financial liabilities at fair value</b>	<b>2,931,122</b>	<b>3,464,357</b>

**D. FURTHER IFRS INFORMATION****(16) CONTINGENT LIABILITIES AND CREDIT RISKS****Contingent liabilities**

in '000 EUR	30.09.2016	31.12.2015
Liabilities from financial guarantees	337,566	319,397
Other contingent liabilities	40,827	36,456
<b>Contingent liabilities</b>	<b>378,393</b>	<b>355,853</b>

**Credit risks per section 51 (14) Austrian Banking Act (BWG)**

in '000 EUR	30.09.2016	31.12.2015
Credit commitments and unutilised credit lines	2,099,878	1,790,742
<b>Credit risks</b>	<b>2,099,878</b>	<b>1,790,742</b>

**(17) HUMAN RESOURCES**

	01.01.– 30.09.2016	01.01.– 30.09.2015
Full-time salaried staff	625	642
Part-time salaried staff	84	79
Apprentices	7	8
Full-time other employees	2	2
<b>Average number of employees</b>	<b>718</b>	<b>731</b>

**(18) DISCLOSURES ON FAIR VALUE****Fair value hierarchy for financial instruments recognised at fair value**

in '000 EUR 31.12.2015	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	76,009	361	76,370
Trading assets and derivatives	675	389,585	71,381	461,641
Financial assets – at fair value	107,461	464,507	366,046	938,014
Financial assets – available for sale	704,771	0	40,655	745,426
<b>Total assets</b>	<b>812,907</b>	<b>930,101</b>	<b>478,443</b>	<b>2,221,451</b>
Reclassification of assets from levels 2 and 3 to level 1	5,047	-5,047	0	0
Reclassification of assets from levels 1 and 3 to level 2	-10,223	66,206	-55,983	0
Derivative hedging instruments	0	151,281	9,666	160,947
Trading liabilities and derivatives	0	231,614	8,013	239,627
Financial liabilities – at fair value	1,372,596	310,603	1,781,158	3,464,357
<b>Total liabilities</b>	<b>1,372,596</b>	<b>693,498</b>	<b>1,798,837</b>	<b>3,864,931</b>
Reclassification of assets from levels 2 and 3 to level 1	0	0	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	0	0	0

in '000 EUR 30.09.2016	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	149,223	1,165	150,388
Trading assets and derivatives	650	311,421	72,364	384,435
Financial assets – at fair value	97,885	584,967	171,783	854,635
Financial assets – available for sale	704,212	0	52,722	756,934
<b>Total assets</b>	<b>802,747</b>	<b>1,045,611</b>	<b>298,034</b>	<b>2,146,392</b>
Reclassification of assets from levels 2 and 3 to level 1	7,502	-7,502	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	161,621	-161,621	0
Derivative hedging instruments	0	151,861	13,724	165,585
Trading liabilities and derivatives	0	249,937	6,852	256,789
Financial liabilities – at fair value	821,523	311,037	1,798,562	2,931,122
<b>Total liabilities</b>	<b>821,523</b>	<b>712,835</b>	<b>1,819,138</b>	<b>3,353,496</b>
Reclassification of liabilities from levels 2 and 3 to level 1	0	0	0	0
Reclassification of liabilities from levels 1 and 3 to level 2	0	0	0	0

## Fair value hierarchy for financial assets – breakdown by class

in '000 EUR	Level 1	Level 2	Level 3	Total
<b>31.12.2015</b>				
Interest rate swaps	0	75,127	79	75,206
Cross currency swaps	0	882	282	1,164
<b>Derivative hedging instruments</b>	<b>0</b>	<b>76,009</b>	<b>361</b>	<b>76,370</b>
Interest rate swaps	0	264,817	65,746	330,563
Cross currency swaps	0	120,695	0	120,695
Interest rate options	0	1,333	1,438	2,771
Foreign exchange forwards	0	2,740	4,197	6,937
Investment funds	675	0	0	675
<b>Trading assets and derivatives</b>	<b>675</b>	<b>389,585</b>	<b>71,381</b>	<b>461,641</b>
Bonds	107,461	277,439	45,046	429,946
Other	0	0	5,415	5,415
Loans and credit	0	187,068	315,585	502,653
<b>Financial assets - at fair value</b>	<b>107,461</b>	<b>464,507</b>	<b>366,046</b>	<b>938,014</b>
Bonds	701,680	0	9,132	710,812
Investment funds	3,091	0	2,830	5,921
Shares	0	0	110	110
Other	0	0	28,583	28,583
<b>Financial assets – available for sale</b>	<b>704,771</b>	<b>0</b>	<b>40,655</b>	<b>745,426</b>

in '000 EUR	Level 1	Level 2	Level 3	Total
<b>30.09.2016</b>				
Interest rate swaps	0	141,086	1,165	142,251
Cross currency swaps	0	8,137	0	8,137
<b>Derivative hedging instruments</b>	<b>0</b>	<b>149,223</b>	<b>1,165</b>	<b>150,388</b>
Interest rate swaps	0	189,163	63,676	252,839
Cross Currency swaps	0	8,532	1,602	10,134
Interest rate options	0	3,156	2,223	5,379
Foreign exchange forwards	0	110,570	4,863	115,433
Investment funds	650	0	0	650
<b>Trading assets and derivatives</b>	<b>650</b>	<b>311,421</b>	<b>72,364</b>	<b>384,435</b>
Bonds	95,180	265,167	16,341	376,688
Investment funds	2,705	0	0	2,705
Other	0	0	5,231	5,231
Loans and credits	0	319,800	150,211	470,011
<b>Financial assets – at fair value</b>	<b>97,885</b>	<b>584,967</b>	<b>171,783</b>	<b>854,635</b>
Bonds	701,095	0	20,183	721,278
Investment funds	3,117	0	2,948	6,065
Shares	0	0	110	110
Other	0	0	29,481	29,481
<b>Financial Assets – available for sale</b>	<b>704,212</b>	<b>0</b>	<b>52,722</b>	<b>756,934</b>

## Fair value hierarchy for financial liabilities – breakdown by class

in '000 EUR	Level 1	Level 2	Level 3	Total
<b>31.12.2015</b>				
Interest rate swaps	0	123,599	241	123,840
Cross currency swaps	0	27,682	9,425	37,107
<b>Derivative hedging instruments</b>	<b>0</b>	<b>151,281</b>	<b>9,666</b>	<b>160,947</b>
Interest rate swaps	0	146,360	3,105	149,465
Cross currency swaps	0	79,267	2,230	81,497
Interest rate options	0	1,876	248	2,124
Foreign exchange forwards	0	4,111	2,215	6,326
Other derivatives	0	0	215	215
<b>Trading liabilities and derivatives</b>	<b>0</b>	<b>231,614</b>	<b>8,013</b>	<b>239,627</b>
Deposits	0	0	707,561	707,561
Bonds	1,372,596	289,951	1,037,792	2,700,339
Supplementary capital	0	20,652	35,805	56,457
<b>Financial liabilities – at fair value</b>	<b>1,372,596</b>	<b>310,603</b>	<b>1,781,158</b>	<b>3,464,357</b>

in '000 EUR	Level 1	Level 2	Level 3	Total
<b>30.09.2016</b>				
Interest rate swaps	0	138,441	13,724	152,165
Cross currency swaps	0	13,420	0	13,420
<b>Derivative hedging instruments</b>	<b>0</b>	<b>151,861</b>	<b>13,724</b>	<b>165,585</b>
Interest rate swaps	0	150,842	2,295	153,137
Cross currency swaps	0	7,478	885	8,363
Interest rate options	0	2,533	276	2,809
Other derivatives	0	89,084	3,396	92,480
<b>Trading liabilities and derivatives</b>	<b>0</b>	<b>249,937</b>	<b>6,852</b>	<b>256,789</b>
Deposits	0	0	729,361	729,361
Bonds	821,523	290,085	1,032,764	2,144,372
Supplementary capital	0	20,952	36,437	57,389
<b>Financial liabilities – at fair value</b>	<b>821,523</b>	<b>311,037</b>	<b>1,798,562</b>	<b>2,931,122</b>

## Development of financial instruments in Level 3

in '000 EUR 2015	Opening balance	Purchases/ issues	Sales/ repay- ments	Addition from Level 1 and Level 2	Reclassifica- tion to Level 1 and Level 2	Changes in fair value	Closing balance
Derivative hedging instruments	0	0	0	0	0	361	361
Trading assets and derivatives	100,195	0	0	0	-2,999	-25,815	71,381
Financial assets – at fair value	323,678	0	-4,994	125,119	-59,576	-18,181	366,046
Financial assets – available for sale	35,570	1,579	-3,708	7,001	0	213	40,655
<b>Total assets</b>	<b>459,443</b>	<b>1,579</b>	<b>-8,702</b>	<b>132,120</b>	<b>-62,575</b>	<b>-43,422</b>	<b>478,443</b>
Derivative hedging instruments	9,279	0	0	0	0	387	9,666
Trading liabilities and derivatives	3,662	0	0	785	0	3,566	8,013
Financial liabilities – at fair value	2,036,149	41,000	-273,342	0	0	-22,649	1,781,158
<b>Total liabilities</b>	<b>2,049,090</b>	<b>41,000</b>	<b>-273,342</b>	<b>785</b>	<b>0</b>	<b>-18,696</b>	<b>1,798,837</b>

in '000 EUR 2016	Opening balance	Purchases/ issues	Sales/ repay- ments	Addition from Level 1 and Level 2	Reclassifica- tion to Level 1 and Level 2	Changes in fair value	Closing balance
Derivative hedging instruments	361	0	0	0	0	804	1,165
Trading assets and derivatives	71,381	0	0	5	0	978	72,364
Financial assets – at fair value	366,046	0	0	0	-150,149	-44,114	171,783
Financial assets – available for sale	40,655	139	0	10,964	0	964	52,722
<b>Total assets</b>	<b>478,443</b>	<b>139</b>	<b>0</b>	<b>10,969</b>	<b>-150,149</b>	<b>-41,368</b>	<b>298,034</b>
Derivative hedging instruments	9,666	0	0	0	0	4,058	13,724
Trading liabilities and derivatives	8,013	0	0	0	0	-1,161	6,852
Financial liabilities – at fair value	1,781,158	15,000	-65,411	4,965	0	62,850	1,798,562
<b>Total liabilities</b>	<b>1,798,837</b>	<b>15,000</b>	<b>-65,411</b>	<b>4,965</b>	<b>0</b>	<b>65,747</b>	<b>1,819,138</b>

The changes in fair value given relate only to financial instruments which were still held in Level 3 at the end of the reporting period.

## Disclosures regarding sensitivity of internal input factors

in '000 EUR	Positive fair value change with alternative measurement parameters		Negative fair value change with alternative measurement parameters	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Derivatives	488	402	-707	-586
Financial assets – at fair value	1,117	2,369	-1,226	-2,649
of which securities	1,115	16	-1,213	-33
of which loans and credits	2	2,353	-13	-2,616
Financial assets – available for sale	219	391	-272	-410
Financial liabilities – at fair value	-6,840	-7,608	6,840	7,608
of which issues	-4,940	-5,278	4,940	5,278
of which time deposits	-1,900	-2,330	1,900	2,330
<b>Total</b>	<b>-5,016</b>	<b>-4,446</b>	<b>4,635</b>	<b>3,963</b>

## E. SEGMENT REPORTING

## Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2016	66,881	26,761	4,988	26,007	124,637
	2015	65,193	26,869	17,390	27,402	136,854
Loan loss provisions	2016	5,373	756	10,187	25,244	41,560
	2015	-8,786	36	-96	-17,588	-26,434
Net fee and commission income	2016	8,935	13,071	1,619	1,598	25,223
	2015	9,194	14,793	1,069	1,669	26,725
Result from hedge relationships	2016	0	0	5,134	0	5,134
	2015	0	0	411	0	411
Net trading result	2016	1,715	1,034	15,683	-370	18,062
	2015	1,773	1,280	-8,870	-227	-6,044
Result from other financial instruments	2016	210	0	3,953	816	4,979
	2015	-1,342	0	14,239	156	13,053
Administrative expenses	2016	-25,748	-32,288	-6,987	-9,630	-74,653
	2015	-26,051	-31,345	-6,888	-7,993	-72,277
Other income	2016	2,364	454	75	10,063	12,956
	2015	356	277	0	9,558	10,191
Other expenses	2016	-6,891	-3,556	-7,983	-15,722	-34,152
	2015	-4,496	-1,924	-5,259	-10,929	-22,608
Result from equity consolidation	2016	0	0	0	2,464	2,464
	2015	0	0	0	2,511	2,511
<b>Operating result before change in own credit risk</b>	<b>2016</b>	<b>52,839</b>	<b>6,232</b>	<b>26,669</b>	<b>40,470</b>	<b>126,210</b>
	<b>2015</b>	<b>35,841</b>	<b>9,986</b>	<b>11,996</b>	<b>4,559</b>	<b>62,382</b>
Result from change in own credit risk	2016	0	0	-34,817	0	-34,817
	2015	0	0	34,653	0	34,653
<b>Earnings before taxes</b>	<b>2016</b>	<b>52,839</b>	<b>6,232</b>	<b>-8,148</b>	<b>40,470</b>	<b>91,393</b>
	<b>2015</b>	<b>35,841</b>	<b>9,986</b>	<b>46,649</b>	<b>4,559</b>	<b>97,035</b>
Assets	2016	5,734,026	1,972,585	4,046,419	1,654,773	13,407,803
	2015	5,698,538	1,957,612	4,503,012	1,743,249	13,902,411
Liabilities and shareholders' equity	2016	2,240,235	3,278,195	7,111,597	777,776	13,407,803
	2015	2,339,442	2,917,967	7,904,646	740,356	13,902,411
Liabilities (incl. own issues)	2016	1,878,597	3,195,442	6,833,131	465,289	12,372,459
	2015	1,942,172	2,831,054	7,672,732	487,312	12,933,270

## F. FINANCIAL RISKS AND RISK MANAGEMENT

The full disclosure on the organisational structure, risk management and the risk capital situation according to CRR are posted on the internet at [www.hypovbg.at](http://www.hypovbg.at).

### (19) OVERALL RISK MANAGEMENT

The Bank's operations involve the following risks:

- **Credit risk:** This includes 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.
- **Shareholder risk:** This covers items including private equity, mezzanine financing, subordinated financing and investments in funds with these components. This also includes subordinated banking securities.
- **Real estate risk:** This refers to the risk of fluctuations in the value of property owned by the Group. This especially includes properties which serve as collateral (including leased assets) and cannot be sold promptly to third parties as part of realisation ("foreclosed assets"). This does not include owner-occupied properties.
- **Macroeconomic risk:** Changes in the economic environment are reflected e.g. in the quality of the loan portfolio or margins. Generally speaking, this risk materializes in other types of 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 the 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 correspond to the regulatory asset class of loans in arrears. In the third quarter, non-performing loans declined from TEUR 522,504 to TEUR 510,248.

Maturity transformation was expanded in 2015, but remains at a low level. The Bank's risk-bearing capacity was guaranteed at all times within the limits set by the Managing Board. No further significant repayments of the Bank's own bonds are scheduled for this year.

The value at risk (VaR) for market risk developed as follows compared with the previous year (NB: VaR could not be calculated in the first half of 2015 due to technical problems. The problems arose in connection with negative interest rates. In this period, market risk was controlled using other risk management tools such as gap analyses):

#### VaR (99 % / 10 days) interest rate risk (mean)

in '000 EUR	2016	2015
January	15,126	0
February	16,090	0
March	16,997	0
April	16,144	0
May	15,791	0
June	16,263	14,991
July	18,808	15,151
August	18,659	14,284
September	17,309	13,221

#### VaR (99 % / 10 days) currency risk (mean)

in '000 EUR	2016	2015
January	2,504	0
February	1,296	0
March	1,585	0
April	1,640	0
May	1,585	0
June	1,732	2,625
July	1,782	3,445
August	1,814	3,372
September	1,442	3,658

#### VaR (99 % / 10 days) equity position risk (mean)

in '000 EUR	2016	2015
January	606	0
February	622	0
March	627	0
April	610	0
May	606	0
June	586	387
July	600	391
August	526	395
September	506	475

#### VaR (99 % / 10 days) credit spread risk (mean)

in '000 EUR	2016	2015
January	1,137	0
February	1,195	0
March	1,189	0
April	1,160	0
May	5,297	0
June	5,231	1,303
July	5,915	1,357
August	6,467	1,357
September	6,775	1,429

#### VaR (99 % / 10 days) overall market risk (mean)

in '000 EUR	2016	2015
January	15,355	0
February	16,354	0
March	17,648	0
April	16,154	0
May	16,234	0
June	16,361	15,210
July	18,453	15,672
August	18,273	14,748
September	16,670	14,078

## (20) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

Regulatory own funds are calculated in accordance with the requirements of the CRR arising from EU Regulation No. 575/2013.

#### Total risk exposure according to CRR

in '000 EUR	30.09.2016	31.12.2015
Risk-weighted exposure amount	7,194,594	7,370,274
Total risk exposure amount for settlement/delivery	2	0
Total risk exposure amount for position, foreign exchange and commodities risks	402	428
Total risk exposure amount for operational risk	450,246	419,047
Total risk exposure amount for credit valuation adjustment	47,174	43,232
<b>Total risk exposure amount</b>	<b>7,692,418</b>	<b>7,832,981</b>

**Common Equity Tier 1 capital (CET1) according to CRR**

in '000 EUR	30.09.2016	31.12.2015
Capital instruments eligible as CET1 capital	184,327	184,327
Retained earnings	570,704	572,411
Accumulated other comprehensive income	7,160	7,160
Other reserves	128,472	129,024
Transitional adjustment due to grandfathered CET1 capital instruments	18,000	21,000
Minority interests given recognition in CET1 capital	17	14
Transitional adjustment due to additional minority interests	12	27
Adjustments to CET1 due to prudential filters	-23,493	-18,159
Intangible assets	-1,569	-785
Excess of deduction from AT1 items over AT1 capital	0	-469
Other transitional adjustments to CET1 capital	-12,820	-19,702
<b>Common equity Tier 1 capital (CET1)</b>	<b>870,810</b>	<b>874,848</b>

**Additional Tier 1 capital (AT1) according to CRR**

in '000 EUR	30.09.2016	31.12.2015
Capital instruments eligible as AT1 capital	10,000	0
Instruments issued by subsidiaries that are given recognition in AT1 capital	4	5
Transitional adjustment due to additional recognition in AT1 capital of instruments issued by subsidiaries	-2	-3
Other transitional adjustments to AT1 capital	-627	-471
Excess of deduction from AT1 items over AT1 capital (deducted in CET1)	0	469
<b>Additional Tier 1 capital (AT1)</b>	<b>9,375</b>	<b>0</b>

**Tier 2 capital (T2)**

in '000 EUR	30.09.2016	31.12.2015
Capital instruments and subordinated loans eligible as T2 capital	252,473	289,907
Instruments issued by subsidiaries that are given recognition in T2 capital	5	6
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	-2	-3
<b>Tier 2 capital (T2)</b>	<b>252,476</b>	<b>289,910</b>

**Composition of capital resources in accordance with CRR and capital ratios**

in '000 EUR	30.09.2016	31.12.2015
Common equity Tier 1 capital (CET1)	870,810	874,848
Additional Tier 1 capital (AT1)	9,375	0
<b>Tier 1 capital</b>	<b>880,185</b>	<b>874,848</b>
Tier 2 capital (T2)	252,476	289,910
<b>Own funds</b>	<b>1,132,661</b>	<b>1,164,758</b>
CET1 capital ratio	11.32%	11.17%
Surplus of CET1 capital	524,651	522,364
T1 capital ratio	11.44%	11.17%
Surplus of T1 capital	418,640	404,870
Total capital ratio	14.72%	14.87%
Surplus of total capital	517,268	538,120

**G. 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.

**DECLARATION OF THE STATUORY 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, 17 November 2016

**Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft**

The members of the Managing Board



Michael Grahammer  
CEO, Chairman of the Managing Board

Sales Corporate Customers,  
Accounting



Johannes Hefel  
Managing Board member

Sales Private Customers



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Risk Management

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