

QUARTERLY REPORT AS AT 30 SEPTEMBER 2015

HYPO LANDESBANK VORARLBERG



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KEY FIGURES OF HYPO LANDESBANK VORARLBERG

Group reporting per IFRS:

in '000 EUR	(Notes)	30.09.2015	31.12.2014	Change in '000 EUR	Change in %
Total assets		13,711,946	14,185,492	-473,546	-3.3
Loans and advances to customers (L&R)		9,171,476	8,954,412	217,064	2.4
Amounts owed to customers (LAC)		4,787,143	4,662,797	124,346	2.7
Liabilities evidenced by certificates (LAC)	(12)	2,203,926	2,313,778	-109,852	-4.7
Own funds	(20)	1,074,423	1,091,473	-17,050	-1.6
thereof Tier 1 capital	(20)	822,955	807,813	15,142	1.9
Total capital ratio	(20)	13.52%	13.27%	0.25%	1.9

in '000 EUR	(Notes)	01.01.– 30.09.2015	01.01.– 30.09.2014	Change in '000 EUR	Change in %
Net interest income after loan loss provisions		110,420	103,237	7,183	7.0
Net fee and commission income	(3)	26,725	25,876	849	3.3
Net trading result	(5)	-6,044	14,190	-20,234	-
Administrative expenses	(6)	-72,277	-69,446	-2,831	4.1
Operating result before change in own credit risk		62,382	58,404	3,978	6.8
Earnings before taxes		97,035	58,212	38,823	66.7

Key figures	(Notes)	01.01.– 30.09.2015	01.01.– 30.09.2014	Change absolute	Change in %
Cost-Income-Ratio (CIR)		45.46%	48.72%	-3.27%	-6.7
Return on Equity (ROE)		9.43%	9.25%	0.18%	2.0
Employees	(17)	731	718	13	1.8

The shareholders of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 30 September 2015 are:

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

Rating*	Standard & Poor's	Moody's
Long-term 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 Vorarlberg: "A-" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. This makes it 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 2015

BANKING ENVIRONMENT

Global economy and euro zone

The third quarter of 2015 was impacted chiefly by China's flagging economy. The issues relating to Greek debt receded into the background after an additional financial assistance package was approved. By contrast, the Chinese economy came under pressure from many different sides. In August, several minor devaluations of the yuan were implemented by the People's Bank of China. This entails the risk of a significant impact on the growth of the world economy, as the People's Republic of China in particular has made a substantial contribution to global economic growth in recent years as the world's second-largest economy. Uncertainty regarding the further development of the Chinese economy intensified in connection with sharp declines in commodity prices and concerns about the effects of the turnaround in interest rates in the USA. Recessionary trends in Brazil and Russia also gave cause for concern.

Austria

The Austrian economy has recorded only weak growth in the current year. According to an estimate by the Austrian Institute of Economic Research (WIFO), growth in the third quarter of 2015 as against the previous quarter came to +0.3%, after likewise amounting to +0.3% in the second quarter. While consumer demand stagnated again, demand for fixed asset investments continued to pick up. Momentum in foreign trade has improved recently, with both imports and exports increasing.

Although the slight expansion will enable growth in employment, this will not be sufficient to prevent a further increase in unemployment by 2018, because the supply of labour from Austria and abroad will rise more sharply. According to the national definition, the unemployment rate rose to 8.3% in September 2015. The inflation rate in Austria was at 0.7% in September 2015, its lowest level since January 2015.

Stock and bond markets

In August, the equity markets reacted strongly to the data from China. Dividend-paying securities in Frankfurt were hit particularly hard. The emissions scandal surrounding Europe's biggest automotive manufacturer Volkswagen represented an additional stress factor, intensifying the negative sentiment. As at the end of the quarter, the price gains for the current year had been completely reversed in the case of many stock market indices.

By contrast, the bond markets proved much more stable. The economic signals from the euro zone did not generally

fit in with the sense of crisis on the financial markets and the alarmed attitude of the European Central Bank. Throughout the euro zone, sentiment in the real economy according to purchasing managers' indices was not characterised by growing anxiety. Despite minor dips in both the manufacturing industry and the service sector, both indices remained roughly at the average level for the past six months. This development was supported by the persistently weak euro in relation to the US dollar and by the repeated decline in commodity prices. The decrease in inflation expectations in this context ultimately led to a positive development in bond prices. Even the riskier exposures in this asset class, such as high-yield bonds and emerging economy bonds, displayed a solid performance.

Raw materials and currencies

Central banks once again exerted a significant influence on the development of currencies. Since the beginning of the year, the key currencies from the economic zones of the USA and Asia, as well as from the rest of Europe, have developed strongly in relation to the euro, particularly in the case of the Swiss franc, the Japanese yen and the US dollar. Within the third quarter, however, the euro managed to gain in strength in relative terms.

In the commodities segment, the third quarter also failed to bring about a turnaround due to the lack of good economic data from China. Crude oil from the North Sea brand Brent recorded another drastic price decline in August, dropping towards the USD 40 mark. Although gold benefited from its role as a crisis currency, it nonetheless marked its lowest level since 2010 this autumn.

BUSINESS PERFORMANCE

In 2014, Hypo Alpe-Adria-Bank International AG was transformed into a wind-down company (HETA Asset Resolution AG). On 1 March 2015, the Austrian financial market authority ordered the wind-down of HETA in accordance with the Austrian Federal Act on the Restructuring and Resolution of Banks (BaSAG). As part of a moratorium, a payment freeze, or a temporary deferral of HETA's liabilities to its creditors, was declared until 31 May 2016. This also affects HETA's liabilities to Pfandbriefbank (Österreich) AG and a promissory note loan of EUR 30 million granted to HETA by Hypo Landesbank Vorarlberg. There is no direct connection between Hypo Landesbank Vorarlberg and HETA under company law.

Pfandbriefbank – as a joint issuing institution of the Austrian Landes-Hypothekenbanken – carried out issues in trust for Hypo Alpe Adria Bank (now HETA) until 2006. Due to the moratorium, HETA is also not permitted to service its debts with Pfandbriefbank until further notice. In the event of insolvency on the part of Pfandbriefbank, the Pfandbriefstelle Act means

that the other Austrian Landes-Hypothekenbanken and their guarantors will be jointly liable for its liabilities. Therefore, all Hypo-Banks and their guarantors – including Hypo Landesbank Vorarlberg – are required to offset any liquidity squeezes and provide the required funds for servicing Pfandbriefbank's obligations.

The Austrian Hypo-Banks decided, together with the state of Carinthia, to provide Pfandbriefbank with the necessary liquidity and thereby ensure the proper servicing of its obligations. Operational implementation is the responsibility of Pfandbriefbank, which organises the payment channels by which the funds provided are to be repaid to the bond subscribers on maturity. For the existing receivables from HETA – including the liquidity expected to be made available for Pfandbriefbank – Hypo Landesbank Vorarlberg has already made corresponding provisions in the results for 2014. As the Managing Board assumes that the guarantee of the state of Carinthia is valid and (at least partially) recoverable, a valuation allowance of EUR 12 million was already recognised on the promissory note loan at HETA in the 2014 annual financial statements. A provision of EUR 36 million was also recognised for the provision of liquidity to Pfandbriefbank. Owing to new ECB requirements, the provision was increased further in the first quarter of 2015 (from 40% to 50%), resulting in additional risk costs of EUR 5.75 million.

Effects on the rating of Hypo Landesbank Vorarlberg

On 6 March 2015, the rating agency Moody's placed Hypo Landesbank Vorarlberg "under review" and threatened to lower the rating. Moody's stated that this was due to its revised rating methodology. Publicly owned banks will no longer receive an uplift in future. On 7 May 2015, the main rating for Hypo Landesbank Vorarlberg was downgraded from A2 to Baa1. The outlook remains negative, as the rating agency believes the wind-down of HETA and the resulting liability issues could have negative effects on the Bank's capital adequacy.

On 16 October 2015, Standard & Poor's (S&P) announced a new rating for Hypo Vorarlberg: A– for non-current liabilities and A–2 for current liabilities, with a stable outlook. This makes it one of the best-rated banks in Austria. The Moody's rating will remain in place for the time being.

Income statement

Hypo Landesbank Vorarlberg generated earnings before taxes of EUR 97.0 million in the first nine months of 2015 (30 September 2014: EUR 58.2 million). The year-on-year increase in consolidated net income is partly due to the early buyback of the Bank's own liabilities and IFRS measurement gains. The loss of confidence as a result of the HETA moratorium led to a widening of the spreads for Hypo Landesbank Vorarlberg's issues, which had a positive impact on the result from changes in the Bank's own credit risk.

The operating result before changes in the Bank's own credit risk amounted to EUR 62.4 million, up 6.8% on the same quarter of the previous year (EUR 58.4 million). Hypo Landesbank Vorarlberg reported consolidated net income after taxes of EUR 76.5 million as at 30 September 2015 (previous year: EUR 41.7 million). The Bank will continue to pursue a sustainable business model and conservative accounting policies. As at 30 September 2015, net interest income after risk provisioning amounted to EUR 110.4 million and was thus 7.0% higher than in the previous year. Loan loss provisions were down slightly year-on-year at EUR 26.4 million. Customers' business remains largely stable and sufficient provisions have been set aside for all recognisable risks.

Net fee and commission income amounted to EUR 26.7 million as at 30 September 2015 (+3.3%). The net trading result for the first nine months of the year amounted to EUR –6.0 million (previous year: EUR 14.2 million). The year-on-year change in the net trading result is attributable to effects from the measurement of customer financing. This financing is not traded on an active market, which is why it is measured on the basis of an internal measurement model. The rating- and maturity-linked CDS spreads available on the market are used as key input factors in this context.

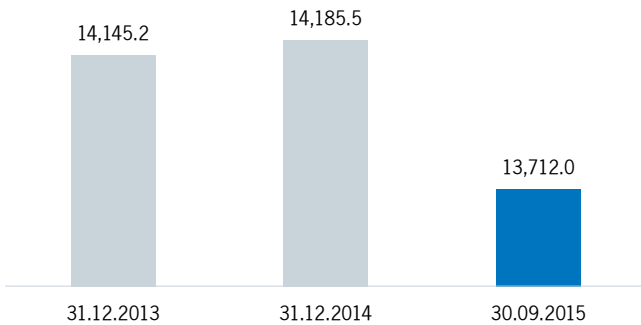
Administrative expenses amounted to EUR 72.3 million (30 September 2014: EUR 69.4 million), while staff costs increased from EUR 42.7 million to EUR 44.1 million. The headcount of 731 employees (weighted by employees' activity rate) was up 1.8% in comparison to the previous year. Material expenses rose slightly year-on-year to EUR 24.7 million (30 September 2014: EUR 23.1 million).

The cost/income ratio of 45.46%, a ROE of 9.43% and the total capital ratio of 13.52% underscore that Hypo Landesbank Vorarlberg is a healthy, successful and efficient bank.

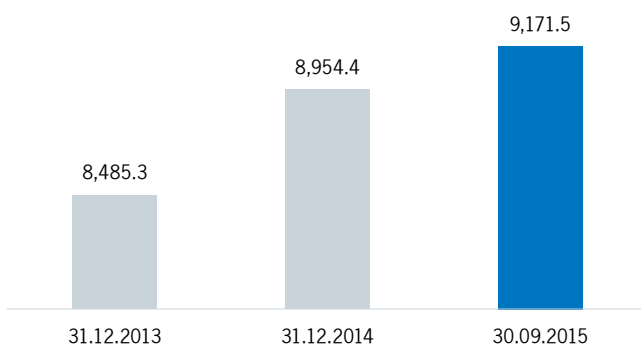
Balance sheet development

Total consolidated assets were down 3.3% on the previous year's level, amounting to EUR 13,712.0 million as at 30 September 2015. EUR 9,171.5 million of this figure was attributable to loans and advances to customers, representing an increase of 2.4% as against the same period of the previous year. Under liabilities and equity, liabilities to customers increased slightly to EUR 4,787.1 million in the reporting period. Financial liabilities at fair value amounted to EUR 3,821.3 million as at 30 September 2015.

Development of total assets (in EUR million)



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



Capital resources

As at 30 September 2015, the share capital and participation capital of Hypo Landesbank Vorarlberg amounted to EUR 165.5 million. Own funds amounted to EUR 1,074.4 million as at 30 September 2015. With a total capital ratio of 13.52% (31 December 2014: 13.27%) and a Tier 1 capital ratio of 10.35% (31 December 2014: 9.82%), Hypo Landesbank Vorarlberg already fulfils the regulatory requirements for 2019. These figures are comfortable in light of the risk profile. The Managing Board will continue to pay particular attention to building up capital resources in order to maintain an excellent credit rating and therefore favourable refinancing for the future.

DEVELOPMENT BY SEGMENT

Corporate Customers/Public Sector

As Vorarlberg's leading corporate bank, Hypo Landesbank Vorarlberg offers its customers leasing, insurance and property services via its subsidiaries in addition to traditional banking products. Foreign services as well as expert advice and support with regard to funding programmes and institutions round off the portfolio.

The relatively robust state of the real economy in Hypo Landesbank Vorarlberg's market areas could still be seen in the third quarter of 2015. However, companies' investment activity remains at a low level. There was increased investment in the industrial sector, but this had only a limited positive impact on demand for loans. Growth in the loan portfolio was generated primarily in Vienna, St. Gallen and Styria.

With its Debt Capital Markets business segment, the Bank assists companies and public issuers in placing promissory note loans and bonds on capital markets. Among other transactions, it has supported a large Vorarlberg construction and property development company in issuing a EUR 10 million bond. In addition, the Bank arranged a EUR 75 million promissory note loan for the Signa Group in the first half of 2015. In cooperation with the European Investment Bank (EIB), Hypo Landesbank Vorarlberg passes on loans with attractive financing conditions to eligible small and medium-sized enterprises in particular.

As at 30 September 2015, an increase in net interest income from EUR 58.9 million to EUR 65.2 million had been achieved in the Corporate Customers segment. Net fee and commission income also posted a positive development, amounting to EUR 9.2 million (30 September 2014: EUR 8.7 million). Lending business is still subject to conservative measurement and loan loss provisions amounted to EUR 8.8 million in the third quarter. This serves to confirm the strong credit standing of the companies in the Bank's market areas.

Overall, the Corporate Customers segment generated earnings before taxes of EUR 35.8 million in the first nine months of 2015, representing a significant increase on the same period of the previous year (EUR 21.3 million).

Private Customers

In its private customer business, Hypo Landesbank Vorarlberg is characterised by the high quality of its consulting-intensive services and by its proximity to its clients – particularly in the fields of residential construction financing and sophisticated investments. Demand for financing remains very high. Hypo Landesbank Vorarlberg responds to the individual financing needs of its customers with solutions such as the "Hypo-Lebenswert-Kredit", the "Hypo-Lebenszeit-Kredit" and the "Hypo-Kredit Zinslimit". Energy-saving investments are supported with special forms of loans such as the "Hypo-Klimakredit". Demand for longer fixed interest rate periods has risen as a result of the low level of interest rates, with many borrowers taking the opportunity to secure a favourable interest rate for the longer term. Low interest rates also mean that the volume of extraordinary loan repayments is high.

While borrowers are benefiting from low interest rates, investors are being driven to reconsider the usual forms of invest-

ment, as savings rates are currently lower than the rate of inflation. Customers remain keen to ensure the security of their investments. In response to the market situation, the experts at Hypo Landesbank Vorarlberg are developing innovative asset management products. Strong growth rates have been observed in the various areas of asset management. Attractive conditions mean that the Bank's own issues are also enjoying healthy demand.

Despite intense competition, falling interest rates and new, complex regulations, Hypo Landesbank Vorarlberg recorded encouraging results in the Private Customers segment in the first three quarters of 2015. Net interest income increased to EUR 26.9 million as at 30 September 2015 (2014: EUR 23.0 million) and net fee and commission income was also higher than in the previous year at EUR 14.8 million (2014: EUR 13.3 million). Overall, the Private Customers segment generated earnings before taxes of EUR 10.0 million (after the bank levy) in the first nine months of 2015 (30 September 2014: EUR 5.9 million).

Private Banking and Asset Management

Hypo Landesbank Vorarlberg's core competencies in private banking are professional and long-term partnership-based customer support and the development of in-house asset management strategies. There was continued high demand for product innovations such as Hypo IQ Maximum Return, the Hypo Value Momentum (individual shares) strategy and the Hypo Weltdepot Dynamik 90 (shares) strategy with value protection.

The Hypo PF Absolute Return fund, launched at the end of 2014, experienced particularly strong demand. Since its launch, its fund assets have grown to over EUR 50 million. This fund aims to generate continuous capital growth by means of broad diversification in different asset classes and the use of long-term value protection strategies. This investment objective is supported by investments in long/short bonds and stock market index futures, meaning that profits are possible not only in rising but also in falling markets. Overall, the new asset management strategies led to additional mandates in the first nine months of 2015. As at 30 September 2015, assets managed by the Asset Management division totalled EUR 969.3 million, with the number of mandates managed amounting to 3,154.

Owing to the high demand for individual optimisation of customer portfolios, the Bank has developed an innovative optimisation tool that calculates efficient combinations of in-house asset management strategies based on the customer's willingness to take risks and the returns expected in the individual asset classes. This service has proved itself over the past two years and is in strong demand from both private and institutional investors. More than 500 customer portfolios have already been optimised using this professional tool.

Based on this strong foundation, Hypo Landesbank Vorarlberg intends to continue expanding the top segment in the investment business (Wealth Management). The teams in Vorarlberg and Vienna have already been expanded. In order to further strengthen its presence in the Vienna region, Hypo Landesbank Vorarlberg is moving into new premises in the center of Vienna at the end of October 2015.

International performance standards in asset management

The auditing company PricewaterhouseCoopers Zürich regularly reviews the compliance of our asset management with the Global Investment Performance Standards (GIPS)[®] on an annual basis. In March 2015, it successfully conducted its most recent audit of the Bank's asset management with regard to its compliance with these standards as at 31 December 2014. Since 2005, Hypo Landesbank Vorarlberg has been the first and still the only Austrian bank whose asset management is certified according to these internationally-recognised standards.

Financial Markets/Treasury

The situation for Austrian issuers remains very difficult due to the approach taken by politicians in the case of Hypo Alpe-Adria-Bank International AG. Significant easing of the situation is not to be expected until the moratorium has expired or an agreement has been reached with the creditors. Despite the difficult environment, Hypo Landesbank Vorarlberg recorded a successful third quarter of 2015 in the "Financial Markets" segment.

A net volume of approximately EUR 77.7 million was invested in bonds by ALM/Investment in the third quarter of 2015. The weighted remaining term of these new investments is 6.8 years. The total volume of nostro bonds as at 30 September 2015 amounted to EUR 2,849 million.

During the third quarter of 2015, the Bank placed four new issues with a total volume of approximately EUR 320 million, including a mortgage bond maturing in 2016 that was issued as a safety buffer for the central bank refinancing. The total issue volume is held by the Bank itself, meaning that the issues did not result in any inflow of liquidity.

Following significant outflows of liquidity in the second quarter of 2015, the third quarter was characterised by large-volume inflows. Income from foreign exchange and interest rate hedges with customers declined by a little over 15% to around EUR 0.3 million in comparison to the previous quarter.

Customer securities sales amounted to approximately EUR 367 million in the reporting period, representing an increase of around EUR 127.5 million or 53% compared to the same quarter of the previous year. The global markets were

impacted – in some cases very significantly – by various developments in the news. The third quarter was characterised by high volatility, which had a significant impact on the number of customer orders. The volume under administration decreased from EUR 7,092 million to EUR 6,927 million as at 30 September 2015. Two public funds were wound up and a new segment was established in a special fund.

The third quarter was characterised by a low level of issuing activity on the market for European corporate bonds. Whereas the issue of a covered bond by an Austrian bank was supported as a co-manager, there was no participation in the syndicate for the issue of an Austrian corporate bond.

As at 30 September 2015, the swap group managed a total portfolio of 1,146 swaps and interest rate options with a nominal volume of around EUR 10.05 billion. Cash and securities pledged and provided as collateral rose by EUR 6 million in the period under review and amounted to approximately EUR 117 million at the end of the quarter.

The Financial Markets business segment developed positively in the first nine months of 2015, generating earnings before taxes of EUR 46.6 million. The high year-on-year increase is mainly attributable to measurement effects and the early buyback of the Bank's own liabilities. Further development will largely depend on events on the financial markets.

Leasing and Real Estate

In addition to these business segments, the "Corporate Centre" item includes the property and leasing business, insurance services and strategic investments. As at 30 September 2015, the earnings contribution of the Corporate Centre amounted to EUR 4.6 million.

Hypo Landesbank Vorarlberg's entire Austrian and Swiss leasing and real estate business is combined in the subgroup "Hypo Immobilien & Leasing". The range of real estate services offered by Hypo Immobilien & Leasing GmbH extends from real estate brokerage through property appraisal, construction management and property management to facility management. For private customers and particularly for SMEs, it offers optimal financing solutions involving vehicle, movables and real estate leasing.

Hypo Immobilien & Leasing GmbH has its headquarters at the Hypo Office in Dornbirn and additional locations in Bregenz, Bludenz, Feldkirch and Vienna. The property appraisal area will be expanded further over the course of the year, particularly in Vienna. At the end of October 2015, the Vienna team of Hypo Immobilien & Leasing GmbH will move to the new location in the Zacherlhaus together with the Bank.

The Bank's subsidiary in Bolzano, Hypo Vorarlberg Leasing AG, develops leasing solutions in the real estate and mechanical

engineering sectors and offers its products and services on the northern Italian market. The subsidiary also has branches in Como and Treviso.

OUTLOOK

Following the weak phase of recent years, the domestic economy is expected to pick up again. However, it is currently still going through a phase of cyclical under-utilisation. WIFO anticipates average GDP growth of 1.5% per annum for the next five years, corresponding to the average growth in the euro zone. Investments in particular will grow moderately and net exports will make less of a contribution to economic growth than they did before the financial market and economic crisis.

Private consumer spending will gain a certain impetus from the increase in disposable income as a result of the 2015/16 tax reform and is expected to increase further during the forecast period. Based on the forecast economic development and the assumed economic policy conditions, a balanced national budget is not expected until the end of the forecast period, i.e. in 2020.

Focus areas for 2015

Hypo Landesbank Vorarlberg has been sustainably successful for decades with a broad-based business model as a corporate, housing and investment bank. The Managing Board is generally continuing to adhere to this alignment. Nonetheless, the economic and legal conditions entail a change of thinking for the entire banking sector. New regulations require it to build up additional equity and secure a cost-optimal liquidity supply, while costs are rising continuously, e.g. because of the bank tax. This is exacerbated by low interest rates and new technological challenges for banking services. These factors are putting a great deal of pressure on the profitability of the Austrian banking sector. To ensure the Bank's continued profitability in the future, private and corporate customer business in growth markets outside Vorarlberg is to be expanded in particular by means of targeted cross-selling.

As the leading corporate bank in Vorarlberg, Hypo Landesbank Vorarlberg will continue to supply its business customers with financing. The Managing Board anticipates continued weak demand for loans over the coming months. Slight increases are expected in the markets of Vienna, Graz and St. Gallen in particular. The robust state of the companies in the Bank's market areas means that below-average risk costs are still expected, while increased registrations for existing financing are also planned. Because the capital market currently offers attractive financing conditions for companies and public issuers, the Bank is supporting its customers in the placement of promissory note loans and bonds.

In private customer business, Hypo Landesbank Vorarlberg is very popular with investment customers thanks to its good rating. As in the previous year, the propensity to invest remains high among private investors. The Bank satisfies its customers' need for security and individual advice with a broad product range and permanently invests in new online and payment transaction products in order to give them even greater flexibility. With individual credit solutions that are tailored to the customer, Hypo Landesbank Vorarlberg intends to maintain its position as the leading housing bank in 2015. Due to the low interest rates, the propensity to invest is expected to remain high in the area of private financing.

Hypo Landesbank Vorarlberg is an advisory bank and also a modern bank that caters to customers' needs. In response to changes in customer behaviour and to provide greater flexibility, it has offered various payment transactions and securities transactions (e-brokerage) online and has been gradually expanding its range of online service for a number of years. The Bank has also successfully positioned itself throughout Austria with its savings platform hypodirekt.at. The aim is to connect the branches with the digital possibilities in a way that enables the Bank's customers to benefit from an optimal combination of technology and people.

In private banking and asset management, Hypo Landesbank Vorarlberg has developed an excellent reputation for itself in recent years and has established itself throughout Austria. Its assets include an innovative product range as well as expert, individual advice and support. Through the establishment of the new "Wealth Management" sales segment with major growth areas in Vorarlberg and Vienna, private banking is to be expanded with a focus on high net worth private customers and entrepreneurs. To this end, staff will move into a new location in the center of Vienna in October 2015. The teams in Vorarlberg and Vienna have already been expanded.

Expected earnings development in 2015

Despite several elements of political and economic uncertainty, the development in the first nine months of 2015 was satisfactory. Interest-related business continues to represent a stable pillar of the Bank's earnings development. In order to strengthen the Bank's capital resources, a subordinated bond will be issued by the end of the year.

Hypo Landesbank Vorarlberg will continue to pursue cautious risk and accounting policies and will make corresponding additions to loan loss provisions. Corresponding provisions were already made in the results for 2014 for all existing receivables from HETA and Pfandbriefbank and loan loss provisions were even increased further in the first quarter of 2015 at the ECB's request.

Particular attention has always been paid to ensuring a sustainable, security-oriented liquidity policy with the sup-

plementary condition of keeping refinancing costs as low as possible.

The Managing Board expects net fee and commission income to decline slightly in 2015, partly as a result of the transfer of fund accounting to Masterinvest in 2014. Operating expenses will rise moderately in comparison to the previous year and staff costs are also expected to increase slightly.

In general, the Managing Board is anticipating another rise in costs for the Bank in 2015, partly due to the implementation of the Basel III requirements, the deposit protection fund, the resolution fund and the increase in the stability fee for regional banks. This will inevitably result in banking services becoming more expensive, particularly in credit business.

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.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS AT 30 SEPTEMBER 2015
I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY TO 30 SEPTEMBER 2015

Income statement

in '000 EUR	(Notes)	01.01.–	01.01.–	Change	Change
		30.09.2015	30.09.2014	in '000 EUR	in %
Interest and similar income		203,909	206,212	-2,303	-1.1
Interest and similar expenses		-67,055	-76,373	9,318	-12.2
Net interest income	(2)	136,854	129,839	7,015	5.4
Loan loss provisions		-26,434	-26,602	168	-0.6
Net interest income after loan loss provisions		110,420	103,237	7,183	7.0
Fee and commission income		29,594	29,044	550	1.9
Fee and commission expenses		-2,869	-3,168	299	-9.4
Net fee and commission income	(3)	26,725	25,876	849	3.3
Net result on hedge accounting	(4)	411	567	-156	-27.5
Net trading result	(5)	-6,044	14,190	-20,234	-
Net result from other financial instruments		13,053	-2,187	15,240	-
Administrative expenses	(6)	-72,277	-69,446	-2,831	4.1
Other income		10,191	11,039	-848	-7.7
Other expenses		-22,608	-23,625	1,017	-4.3
Result from equity consolidation		2,511	-1,247	3,758	-
Operating result before change in own credit risk		62,382	58,404	3,978	6.8
Result from change in own credit risk		34,653	-192	34,845	-
Earnings before taxes		97,035	58,212	38,823	66.7
Taxes on income		-20,539	-16,475	-4,064	24.7
Consolidated net income		76,496	41,737	34,759	83.3
Of which attributable to:		0	0	0	0.0
Parent company shareholders		76,496	41,737	34,759	83.3
Non-controlling interests					
Eigentümer des Mutterunternehmens		76,484	41,723	34,761	83.3
Anteile ohne beherrschenden Einfluss		12	14	-2	-14.3

Statement of comprehensive income

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014	Change in '000 EUR	Change in %
Consolidated net income	76,496	41,737	34,759	83.3
Items which can be reclassified to consolidated net income				
Changes to foreign currency translation reserve	-182	9	-191	-
Changes to AFS revaluation reserve	-5,237	3,206	-8,443	-
of which changes in measurement	-4,514	4,886	-9,400	-
of which changes in holdings	-2,469	-611	-1,858	>100.0
of which income tax effects	1,746	-1,069	2,815	-
Total items which can be reclassified to consolidated net income	-5,419	3,215	-8,634	-
Items which cannot be reclassified to consolidated net income				
Changes to IAS 19 revaluation reserve	0	0	0	0.0
of which changes in measurement	0	0	0	0.0
of which income tax effects	0	0	0	0.0
Total items which cannot be reclassified to consolidated net income	0	0	0	0.0
Other income after taxes	-5,419	3,215	-8,634	-
Total comprehensive income	71,077	44,952	26,125	58.1
Of which attributable to:				
Parent company shareholders	71,065	44,938	26,127	58.1
Non-controlling interests	12	14	-2	-14.3

II. BALANCE SHEET DATED 30 SEPTEMBER 2015

Assets

in '000 EUR	(Notes)	30.09.2015	31.12.2014	Change in '000 EUR	Change in %
Cash and balances with central banks		329,949	470,699	-140,750	-29.9
Loans and advances to banks		651,299	883,340	-232,041	-26.3
Loans and advances to customers		9,171,476	8,954,412	217,064	2.4
Positive market values of hedges	(7)	72,630	76,116	-3,486	-4.6
Trading assets and derivatives	(8)	501,145	595,660	-94,515	-15.9
Financial assets – at fair value	(9)	955,392	1,123,392	-168,000	-15.0
Financial assets – available for sale	(10)	738,924	721,149	17,775	2.5
Financial assets – held to maturity	(11)	1,037,268	1,114,333	-77,065	-6.9
Shares in companies valued at equity		35,990	34,593	1,397	4.0
Investment property		53,796	60,326	-6,530	-10.8
Intangible assets		901	1,286	-385	-29.9
Property, plant and equipment		73,656	74,053	-397	-0.5
Tax assets		3,319	3,590	-271	-7.5
Deferred tax assets		8,511	8,688	-177	-2.0
Other assets		77,690	63,855	13,835	21.7
Total Assets		13,711,946	14,185,492	-473,546	-3.3

Liabilities and shareholders' equity

in '000 EUR	(Notes)	30.09.2015	31.12.2014	Change in '000 EUR	Change in %
Amounts owed to banks		1,047,622	1,026,928	20,694	2.0
Amounts owed to customers		4,787,143	4,662,797	124,346	2.7
Liabilities evidenced by certificates	(12)	2,203,926	2,313,778	-109,852	-4.7
Negative market values of hedges	(7, 13)	161,624	162,475	-851	-0.5
Trading liabilities and derivatives	(8, 14)	244,091	261,761	-17,670	-6.8
Financial liabilities – at fair value	(15)	3,821,320	4,403,186	-581,866	-13.2
Provisions		60,594	74,181	-13,587	-18.3
Tax liabilities		7,613	2,213	5,400	>100.0
Deferred tax liabilities		7,879	7,927	-48	-0.6
Other liabilities		85,630	55,975	29,655	53.0
Supplementary capital		330,441	327,415	3,026	0.9
Shareholders' equity		954,063	886,856	67,207	7.6
Of which attributable to:					
Parent company shareholders		954,016	886,797	67,219	7.6
Non-controlling interests		47	59	-12	-20.3
Total Liabilities and shareholder's equity		13,711,946	14,185,492	-473,546	-3.3

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
Balance 1 January 2014	165,453	48,874	621,606	11,107	-4	847,036	63	847,099
Consolidated net income	0	0	41,723	0	0	41,723	14	41,737
Other income	0	0	6	3,207	2	3,215	0	3,215
Comprehensive income 2014	0	0	41,729	3,207	2	44,938	14	44,952
Dividends	0	0	-3,801	0	0	-3,801	0	-3,801
Distributions to third parties	0	0	0	0	0	0	-24	-24
Balance 30 September 2014	165,453	48,874	659,534	14,314	-2	888,173	53	888,226
Balance 1 January 2015	165,453	48,874	658,848	13,629	-6	886,798	59	886,857
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
Comprehensive income 2015	0	0	76,304	-5,242	3	71,065	12	71,077
Dividends	0	0	-3,747	0	0	-3,747	0	-3,747
Distributions to third parties	0	0	-100	0	0	-100	-24	-124
Balance 30 September 2015	165,453	48,874	731,305	8,387	-3	954,016	47	954,063

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

IV. CONDENSED CASH FLOW STATEMENT

Reconciliation to cash and balances with central banks

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Cash and balances with central banks as at 1 January	470,699	593,422
Cash flows from operating activities	-319,794	-806,082
Cash flows from investing activities	183,224	325,926
Cash flows from financing activities	-4,180	-6,683
Cash and balances with central banks as at 30 September	329,949	106,583

V. NOTES

A. ACCOUNTING POLICIES

(1) GENERAL INFORMATION

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2014 were applied to the consolidated interim financial statements. There have been no changes in measurement principles applied with respect to the 31 December 2014 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.– 30.09.2015	01.01.– 30.09.2014
Income from cash and balances with central banks	13	65
Income from loans and advances to banks	12,110	9,949
Income from loans and advances to customers	116,451	119,003
Income from leasing business	18,652	19,891
Income from hedging instruments	13,272	5,702
Income from derivatives, other	8,264	3,807
Income from debt securities	33,539	45,570
Income from shares	1,088	1,651
Income from investments in associated companies	520	574
Interest and similar income	203,909	206,212
Expenses from amounts owed to banks	-1,842	-2,503
Expenses from amounts owed to customers	-15,477	-27,985
Expenses from liabilities evidenced by certificates	-10,675	-10,945
Expenses from hedging instruments	-27,720	-23,577
Expenses from derivatives, other	-777	-944
Expenses from liabilities designated AFV	-6,299	-5,767
Expenses from supplementary capital	-4,265	-4,652
Interest and similar expenses	-67,055	-76,373
Net interest income	136,854	129,839

(3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Lending and leasing business	2,986	2,783
Securities business	13,616	13,023
Giro and payment transactions	9,463	9,879
Other service business	3,529	3,359
Fee and commission income	29,594	29,044

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Lending and leasing business	-663	-630
Securities business	-1,048	-1,165
Giro and payment transactions	-1,123	-1,328
Other service business	-35	-45
Fee and commission expenses	-2,869	-3,168

(4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Adjustment to loans and advances to banks	-627	4,711
Adjustment to loans and advances to customers	-3,009	15,199
Adjustment to financial instruments available for sale	-7,455	14,889
Adjustment to liabilities to banks	25	-39
Adjustment to liabilities to customers	4,918	-12,275
Adjustment to securitised liabilities	2,056	-48,532
Adjustment to supplementary capital	681	-7,566
Net result from adjustment to underlying transactions from hedging	-3,411	-33,613
Measurement of hedging instruments for loans and advances to banks	2,124	-5,338
Measurement of hedging instruments for loans and advances to customers	4,109	-15,522
Measurement of hedging instruments for available for sale financial instruments	7,664	-15,358
Measurement of hedging instruments for liabilities to banks	-32	31
Measurement of hedging instruments for liabilities to customers	-5,520	12,183
Measurement of hedging instruments for securitised liabilities	-3,675	49,232
Measurement of hedging instruments for supplementary capital	-848	8,952
Net result of the measurement of hedging instruments	3,822	34,180
Net result from hedging	411	567

(5) NET TRADING RESULT

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Trading results	10,821	3,145
Result from the valuation of financial instruments – HFT	672	67
Result from the valuation of derivatives	-86,583	11,658
Result from the valuation of financial instruments – AFV	69,046	-680
Net trading result	-6,044	14,190

(6) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs, material expenses and depreciation/amortisation of property, plant and equipment and intangible assets.

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Staff costs	-44,091	-42,675
Material expenses	-24,677	-23,060
Depreciation/amortisation of property, plant and equipment and intangible assets	-3,509	-3,711
Administrative expenses	-72,277	-69,446

Of which staff costs

in '000 EUR	01.01.– 30.09.2015	01.01.– 30.09.2014
Wages and salaries	-33,385	-31,802
Statutory social security contributions	-8,635	-8,437
Voluntary social benefits	-672	-620
Expenses for retirement benefits	-1,471	-1,796
Social capital	72	-20
Staff costs	-44,091	-42,675

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

in '000 EUR	30.09.2015	31.12.2014
Positive market values of fair value hedges	62,930	65,399
Deferred interest on derivative hedges	9,700	10,717
Positive market values of hedges	72,630	76,116

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

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	3,201,103	2,555,846
Cross currency swaps	186,797	119,343
Interest rate derivatives	3,387,900	2,675,189
Derivatives	3,387,900	2,675,189

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

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	61,222	63,823
Cross currency swaps	1,708	1,576
Interest rate derivatives	62,930	65,399
Derivatives	62,930	65,399

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	30.09.2015	31.12.2014
Investment certificates	799	686
Positive market values of derivative financial instruments	455,142	539,795
Deferred interest	45,204	55,179
Trading assets and derivatives	501,145	595,660

Nominal values from derivatives – breakdown by type of business

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	4,917,429	5,821,263
Cross currency swaps	1,341,279	1,110,141
Interest rate options	390,105	408,990
Interest rate derivatives	6,648,813	7,340,394
FX forward transactions	459,148	739,757
FX swaps	232,053	453,648
FX options	0	1,718
Currency derivatives	691,201	1,195,123
Options on top-quality securities	0	28,520
Derivatives on top-quality securities	0	28,520
Credit default swaps	15,000	15,000
Credit derivatives	15,000	15,000
Derivatives	7,355,014	8,579,037

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

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	326,380	441,628
Cross currency swaps	117,135	81,809
Interest rate options	2,911	3,930
Interest rate derivatives	446,426	527,367
FX forward transactions	8,442	10,240
FX swaps	274	1,664
FX options	0	55
Currency derivatives	8,716	11,959
Options on top-quality securities	0	469
Derivatives on top-quality securities	0	469
Derivatives	455,142	539,795

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

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

in '000 EUR	30.09.2015	31.12.2014
Debt securities of public issuers	223,613	284,269
Debt securities of other issuers	212,652	267,426
Investment certificates	550	6,055
Other equity interests	5,092	5,409
Loans and advances to customers	508,076	552,301
Deferred interest	5,409	7,932
Financial assets – at fair value	955,392	1,123,392

(10) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)

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

in '000 EUR	30.09.2015	31.12.2014
Debt securities of public issuers	317,029	295,324
Debt securities of other issuers	371,739	364,499
Shares	110	110
Investment certificates	10,201	18,714
Other equity interests	17,639	19,389
Deferred interest	11,388	12,358
Other equity investments	10,790	10,727
Other investments in affiliated companies	28	28
Financial assets – available for sale	738,924	721,149

(11) FINANCIAL ASSETS HELD TO MATURITY (HTM)

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

in '000 EUR	30.09.2015	31.12.2014
Debt securities of public issuers	301,292	327,672
Debt securities of other issuers	711,125	757,513
Supplementary capital of other issuers	9,992	9,985
Deferred interest	14,859	19,163
Financial assets – held to maturity	1,037,268	1,114,333

(12) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)

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

in '000 EUR	30.09.2015	31.12.2014
Mortgage bonds	912,571	618,781
Municipal bonds	41,084	43,034
Medium-term fixed-rate notes	2,017	2,012
Bonds	921,073	1,107,012
Housing construction bonds	69,448	79,361
Bonds issued by Pfandbriefstelle	247,623	450,529
Deferred interest	10,110	13,049
Liabilities evidenced by certificates	2,203,926	2,313,778

(13) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

in '000 EUR	30.09.2015	31.12.2014
Negative market values of fair value hedges	144,326	143,856
Deferred interest on derivative hedging instruments	17,298	18,619
Negative market values of hedges	161,624	162,475

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

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	109,024	111,459
Cross currency swaps	35,301	32,397
Interest rate derivatives	144,325	143,856
Derivatives	144,325	143,856

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	30.09.2015	31.12.2014
Negative market values of derivative financial instruments	237,882	255,463
Deferred interest	6,209	6,298
Trading liabilities and derivatives	244,091	261,761

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

in '000 EUR	30.09.2015	31.12.2014
Interest rate swaps	149,436	190,913
Cross currency swaps	77,594	51,364
Interest rate options	2,228	2,661
Interest rate derivatives	229,258	244,938
FX forward transactions	8,142	9,701
FX swaps	358	529
FX options	0	55
Currency derivatives	8,500	10,285
Credit default swaps	125	240
Credit derivatives	125	240
Derivatives	237,883	255,463

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	30.09.2015	31.12.2014
Amounts owed to banks at fair value	150,505	153,606
Amounts owed to customers at fair value	547,203	583,696
Mortgage bonds at fair value	26,473	27,201
Municipal bonds at fair value	760,132	747,778
Bonds at fair value	2,040,057	2,439,833
Housing construction bonds at fair value	158,467	159,710
Bonds issued by Pfandbriefstelle at fair value	43,121	176,194
Supplementary capital at fair value	54,339	60,232
Deferred interest	41,023	54,936
Financial liabilities at fair value	3,821,320	4,403,186

D. FURTHER IFRS INFORMATION

(16) CONTINGENT LIABILITIES AND CREDIT RISKS

Contingent liabilities

in '000 EUR	30.09.2015	31.12.2014
Liabilities from financial guarantees	328,234	319,331
Other contingent liabilities	39,837	36,763
Contingent liabilities	368,071	356,094

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

in '000 EUR	30.09.2015	31.12.2014
Loan commitments and unutilised credit lines	1,986,267	1,829,672
Credit risks	1,986,267	1,829,672

(17) HUMAN RESOURCES

	01.01.– 30.09.2015	01.01.– 30.09.2014
Full-time salaried staff	642	633
Part-time salaried staff	79	74
Apprentices	8	8
Full-time other employees	2	3
Average number of employees	731	718

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

in '000 EUR				
31.12.2014	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	76,116	0	76,116
Trading assets and derivatives	1,155	494,310	100,195	595,660
Financial assets – at fair value	195,919	603,795	323,678	1,123,392
Financial assets – available for sale	685,579	0	35,570	721,149
Total assets	882,653	1,174,221	459,443	2,516,317
Reclassification of assets from levels 2 and 3 to level 1	18,360	-10,198	-8,162	0
Reclassification of assets from levels 1 and 3 to level 2	0	262,797	-262,797	0
Derivative hedging instruments	0	153,196	9,279	162,475
Trading liabilities and derivatives	0	258,099	3,662	261,761
Financial liabilities – at fair value	2,005,159	361,878	2,036,149	4,403,186
Total liabilities	2,005,159	773,173	2,049,090	4,827,422
Reclassification of assets from levels 2 and 3 to level 1	594,525	-594,525	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	22,966	-22,966	0

in '000 EUR				
30.09.2015	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	72,352	278	72,630
Trading assets and derivatives	799	421,448	78,898	501,145
Financial assets – at fair value	128,348	410,287	416,757	955,392
Financial assets – available for sale	696,125	0	42,799	738,924
Total assets	825,272	904,087	538,732	2,268,091
Reclassification of assets from levels 2 and 3 to level 1	10,281	-5,023	-5,258	0
Reclassification of assets from levels 1 and 3 to level 2	0	1,883	-1,883	0
Derivative hedging instruments	0	150,509	11,115	161,624
Trading liabilities and derivatives	0	238,129	5,962	244,091
Financial liabilities – at fair value	1,671,476	316,454	1,833,390	3,821,320
Total liabilities	1,671,476	705,092	1,850,467	4,227,035
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 31.12.2014	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	74,749	0	74,749
Cross currency swaps	0	1,367	0	1,367
Derivative hedging instruments	0	76,116	0	76,116
Interest rate swaps	0	401,532	89,768	491,300
Cross currency swaps	0	87,268	0	87,268
Interest rate options	0	2,180	1,798	3,978
Currency options	0	55	0	55
Foreign exchange forwards	0	3,275	8,629	11,904
Other derivatives	469	0	0	469
Investment funds	686	0	0	686
Trading assets and derivatives	1,155	494,310	100,195	595,660
Bonds	189,864	318,878	47,042	555,784
Investment funds	6,055	0	0	6,055
Other	0	0	5,633	5,633
Loans and credits	0	284,917	271,003	555,920
Financial assets – at fair value	195,919	603,795	323,678	1,123,392
Bonds	660,137	0	12,042	672,179
Investment funds	17,280	0	1,434	18,714
Shares	0	0	110	110
Other	8,162	0	21,984	30,146
Financial assets – available for sale	685,579	0	35,570	721,149

in '000 EUR 30.09.2015	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	68,702	278	68,980
Cross currency swaps	0	3,650	0	3,650
Derivative hedging instruments	0	72,352	278	72,630
Interest rate swaps	0	159,149	58,627	217,776
Cross Currency swaps	0	2,535	2,755	5,290
Interest rate options	0	1,475	1,440	2,915
Foreign exchange forwards	0	258,289	16,076	274,365
Investment funds	799	0	0	799
Trading assets and derivatives	799	421,448	78,898	501,145
Bonds	122,541	276,034	41,422	439,997
Investment funds	550	0	0	550
Other	5,257	0	0	5,257
Loans and credits	0	134,253	375,335	509,588
Financial assets – at fair value	128,348	410,287	416,757	955,392
Bonds	687,576	0	12,581	700,157
Investment funds	8,549	0	1,652	10,201
Shares	0	0	110	110
Other	0	0	28,456	28,456
Financial Assets – available for sale	696,125	0	42,799	738,924

Development of financial instruments in Level 3

in '000 EUR 2014	Opening balance	Purchases/ issues	Sales/ repay- ments	Addition from Level 1 and Level 2	Reclassi- fication to Level 1 and Level 2	Changes in fair value	Closing balance
Trading assets and derivatives	74,504	0	0	0	-11,028	36,719	100,195
Financial assets – at fair value	540,527	10,000	-10,036	0	-220,537	3,724	323,678
Financial assets – available for sale	48,275	121	-7,835	1,434	-8,163	1,738	35,570
Total assets	663,306	10,121	-17,871	1,434	-239,728	42,181	459,443
Derivative hedging instruments	198	0	0	0	0	9,081	9,279
Trading liabilities and derivatives	15,610	0	0	0	-28	-11,920	3,662
Financial liabilities – at fair value	2,115,321	0	-152,426	25,493	-22,440	70,201	2,036,149
Total liabilities	2,131,129	0	-152,426	25,493	-22,468	67,362	2,049,090
in '000 EUR 2015	Opening balance	Purchases/ issues	Sales/ repay- ments	Addition from Level 1 and Level 2	Reclassi- fication to Level 1 and Level 2	Changes in fair value	Closing balance
Trading assets and derivatives	100,195	0	0	0	-2,999	-18,298	78,898
Financial assets – at fair value	323,678	0	-4,994	123,740	-5,633	-20,034	416,757
Financial assets – available for sale	35,570	62	0	7,000	0	167	42,799
Total assets	459,443	62	-4,994	130,740	-8,632	-37,887	538,732
Derivative hedging instruments	9,279	0	0	0	0	1,836	11,115
Trading liabilities and derivatives	3,662	0	0	0	0	2,300	5,962
Financial liabilities – at fair value	2,036,149	0	-173,886	0	0	-28,873	1,833,390
Total liabilities	2,049,090	0	-173,886	0	0	-24,737	1,850,467

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 sensitivities

in '000 EUR	Positive fair value change with alternative measurement parameters		Negative fair value change with alternative measurement parameters	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Derivatives	443	799	-647	-1,129
Financial assets – at fair value	3,666	2,174	-5,045	-3,225
of which securities	7	24	-8	-74
of which loans and credits	3,659	2,150	-5,037	-3,151
Financial assets – available for sale	434	385	-455	-405
Financial liabilities – at fair value	-7,315	-8,813	7,315	8,813
of which issues	-4,844	-5,842	4,844	5,842
of which time deposits	-2,471	-2,971	2,471	2,971
Total	-2,772	-5,455	1,168	4,054

E. SEGMENT REPORTING

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2015	65,193	26,869	17,390	27,402	136,854
	2014	58,944	23,014	20,846	27,035	129,839
Loan loss provisions	2015	-8,786	36	-96	-17,588	-26,434
	2014	-21,343	-761	-88	-4,410	-26,602
Net fee and commission income	2015	9,194	14,793	1,069	1,669	26,725
	2014	8,658	13,253	2,067	1,898	25,876
Result from hedge relationships	2015	0	0	411	0	411
	2014	0	0	567	0	567
Net trading result	2015	1,773	1,280	-8,870	-227	-6,044
	2014	1,316	983	12,006	-115	14,190
Result from other financial instruments	2015	-1,342	0	14,239	156	13,053
	2014	0	0	789	-2,976	-2,187
Administrative expenses	2015	-26,051	-31,345	-6,888	-7,993	-72,277
	2014	-23,093	-30,690	-7,351	-8,312	-69,446
Other income	2015	356	277	0	9,558	10,191
	2014	361	275	9	10,394	11,039
Other expenses	2015	-4,496	-1,924	-5,259	-10,929	-22,608
	2014	-3,515	-217	-4,892	-15,001	-23,625
Result from equity consolidation	2015	0	0	0	2,511	2,511
	2014	0	0	0	-1,247	-1,247
Operating result before change in own credit risk	2015	35,841	9,986	11,996	4,559	62,382
	2014	21,328	5,857	23,953	7,266	58,404
Result from change in own credit risk	2015	0	0	34,653	0	34,653
	2014	0	0	-192	0	-192
Earnings before taxes	2015	35,841	9,986	46,649	4,559	97,035
	2014	21,328	5,857	23,761	7,266	58,212
Assets	2015	5,852,913	1,924,942	4,204,326	1,729,765	13,711,946
	2014	5,567,835	1,847,883	5,039,457	1,730,317	14,185,492
Liabilities and shareholders' equity	2015	2,127,810	2,857,408	7,893,710	833,018	13,711,946
	2014	2,262,352	2,876,163	8,381,049	665,928	14,185,492
Liabilities (incl. own issues)	2015	1,756,936	2,775,657	7,671,269	554,021	12,757,883
	2014	1,863,592	2,782,240	8,168,590	484,214	13,298,636

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.

(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.
- 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 fell from EUR 600,980 thousand to EUR 597,254 thousand.

Maturity transformation was expanded, 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. The Bank's own bonds are scheduled for repayment this year in the amount of approximately EUR 334,508 thousand in November. These repayments are already financed.

(20) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

As of 1 January 2014 the requirements of CRR (EU Regulation No. 575/2013) came into effect.

Total risk exposure according to CRR

in '000 EUR	30.09.2015	31.12.2014
Risk-weighted receivables	7,454,953	7,734,032
Risk exposure amount for settlement and delivery risks	1	0
Total receivables amount for position, foreign currency and goods position risks	28,229	447
Total amount of risk positions for operational risks	419,047	423,834
Total amount of risk positions for adjustment of credit valuation	46,551	67,946
Total risk exposure	7,948,781	8,226,259

Common Equity Tier 1 capital (CET1) according to CRR

in '000 EUR	30.09.2015	31.12.2014
Capital instruments eligible as common equity Tier 1 capital	184,327	184,327
Retained profits	509,986	513,915
Accumulated other income	13,623	13,623
Other reserves	129,050	129,050
Transitional adjustment due to grandfathered capital instruments of common equity Tier 1 capital	21,000	24,000
Minority interests	14	14
Transitional adjustment due to additional minority interests	27	35
Adjustments to common equity Tier 1 capital due to deduction and correction items	-4,289	-4,289
Intangible assets	-661	-1,235
Items to be deducted from the items of additional Tier 1 capital and that exceed additional Tier 1 capital	-395	-2,092
Instruments of common equity Tier 1 capital from companies in the financial sector in which the Bank does not hold a significant interest	0	-639
Other transitional adjustments to common equity Tier 1 capital	-29,727	-48,896
Common equity Tier 1 capital (CET1)	822,955	807,813

Additional Tier 1 capital (AT1) according to CRR

in '000 EUR	30.09.2015	31.12.2014
Capital instruments eligible as additional Tier 1 capital	0	0
Instruments issued by subsidiaries that are included under additional Tier 1 capital	5	5
Transitional adjustment due to additionally recognised instruments issued by subsidiaries that are included under additional Tier 1 capital	-3	-4
Instruments of additional Tier 1 capital from companies in the financial sector in which the Bank does not hold a significant interest	0	-84
Other transitional adjustments to additional Tier 1 capital	-396	-2,009
Items to be deducted from the items of additional Tier 1 capital and that exceed additional Tier 1 capital	394	2,092
Additional Tier 1 capital (AT1)	0	0

Tier 2 capital (T2)

in '000 EUR	30.09.2015	31.12.2014
Capital instruments and subordinated loans eligible as Tier 2 capital	251,465	285,194
Instruments issued by subsidiaries that are included under Tier 2 capital	6	9
Transitional adjustments to additionally recognised instruments issued by subsidiaries that are included under Tier 2 capital	-4	-8
Instruments of Tier 2 capital from companies in the financial sector in which the Bank does not hold a significant interest	0	-2,238
Other transitional adjustments to Tier 2 capital	0	703
Tier 2 capital (T2)	251,467	283,660

Composition of capital resources in accordance with CRR and capital ratios

in '000 EUR	30.09.2015	31.12.2014
Common equity Tier 1 capital (CET1)	822,955	807,813
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital	822,955	807,813
Tier 2 capital (T2)	251,467	283,660
Capital resources	1,074,423	1,091,473
Common Equity Tier 1 Capital ratio (CET1)	10,35%	9,82%
Surplus of common equity Tier 1 capital	465,260	478,762
Tier 1 Capital Ratio (T1)	10,35%	9,82%
Surplus of Tier 1 capital	346,029	355,369
Total Capital Ratio	13,52%	13,27%
Surplus of total capital resources	438,520	433,372

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 semi annual 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, 2 November 2015

**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



Michel Haller
Managing Board member

Risk Management

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