

# QUARTERLY REPORT AS AT 31 MARCH 2016

HYPO LANDESBANK VORARLBERG



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## KEY FIGURES OF HYPO LANDESBANK VORARLBERG

### Group reporting per IFRS:

in '000 EUR	(Notes)	31.03.2016	31.12.2015	Change in '000 EUR	Change in %
Total assets		13,915,688	13,902,411	13,277	0.1
Loans and advances to customers (L&R)		9,177,407	9,061,358	116,049	1.3
Amounts owed to customers (LAC)		5,503,334	4,995,818	507,516	10.2
Liabilities evidenced by certificates (LAC)	(12)	2,460,613	2,402,602	58,011	2.4
Capital resources according to CRR	(20)	1,150,713	1,164,758	-14,045	-1.2
thereof core capital	(20)	873,017	874,848	-1,831	-0.2
Total capital ratio according to CRR	(20)	14.70%	14.87%	-0.17%	-1.1

in '000 EUR	(Notes)	01.01.– 31.03.2016	01.01.– 31.03.2015	Change in '000 EUR	Change in %
Net interest income after loan loss provisions		47,030	32,220	14,810	46.0
Net fee and commission income	(3)	8,562	8,845	-283	-3.2
Net trading result	(5)	-452	243	-695	-
Administrative expenses	(6)	-25,111	-24,248	-863	3.6
Operating result before change in own credit risk		23,558	15,535	8,023	51.6
Earnings before taxes		17,027	102,095	-85,068	-83.3

Key figures	(Notes)	01.01.– 31.03.2016	01.01.– 31.03.2015	Change absolute	Change in %
Cost-Income-Ratio (CIR)		64.49%	46.67%	17.81%	38.2
Return on Equity (ROE)		9.77%	7.05%	2.73%	38.7
Employees	(17)	721	736	-15	-2.0

### The shareholders of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 31 March 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 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 31 MARCH 2016

### BANKING ENVIRONMENT

#### Global economy and euro zone

There was a difficult start to 2016, with the financial markets affected by concerns of a hard landing for the Chinese economy and falling oil prices. This led to substantial turbulence on the stock markets in particular after the turn of the year. The global economy is currently short on momentum. Although this is giving rise to considerable challenges, there is no risk of recession at present. As well as lower growth rates, the emerging economies are seeing an outflow of capital, but no capital flight. The developed economies are growing solid but with unspectacular rates.

Central bank policy again had a massive influence on the development of the financial markets in the first three months of the current year. While the response among investors to the Bank of Japan's announcement of negative interest rates in late January 2016 was a positive one, market participants were less enthused when the ECB failed to introduce additional quantitative easing measures to its current monetary policy in December. A more expansionary policy move followed in March 2016 in the form of a reduction in the key interest rate and an increase in the bond purchase volume accompanied by the expansion of the purchase programme for corporate bonds. This exceeded the expectations of the market, leading to the desired upturn in lending. The US Federal Reserve cited weak global economic development as the reason for postponing moves to increase its key interest rate further.

#### Austria

Domestic economic development is currently being curbed by the unfavourable external economic environment. However, this is expected to be offset by strong domestic economic drivers such as the tax reform and expenditure for refugees in the first half of 2016, enabling comparatively robust growth. The OeNB is forecasting GDP growth of 0.5 % in the first quarter of 2016, while WIFO is anticipating growth of 0.4 % compared with the previous quarter. Following on from the growth rate of 0.3 % in the fourth quarter of 2015, this means that the economy picked up pace once more at the start of the current year. This is based on rising domestic consumer and investment demand. Among other things, construction investment is picking up once again following a phase of weakness in the two previous years. According to WIFO, Austrian foreign trade continued to enjoy robust development in the first quarter of 2016 despite the flat international economy. According to Statistik Austria, inflation in Austria was at 0.7 % in March 2016.

#### Stock and bond markets

Following the turbulent start to the year, the stock markets appeared to find themselves firmly in a downward spiral. This trend was exacerbated by unconvincing economic news, with investors' prior year gains, and hence their risk budgets, quickly being exhausted and sales piling up as a result. The DAX in Frankfurt recorded its poorest opening week and its third-weakest January since 1988. The stock markets began recovering from mid-February onwards. Although the upward trend was supported by more positive economic data from the US, hopes of additional infusions of capital in China and rising oil prices, overall performance as at the end of March was negative.

On the bond market, euro bonds enjoyed positive performance at the start of the year thanks to strong demand. Yields on ten-year Austrian government bonds are now negative up to terms of eight years, while yields on good-quality corporate bonds are also in negative territory. In 2016, the European Central Bank's monetary policy will remain the main driver of yield development on the EUR bond market.

#### Commodities and currencies

In the commodities segment, too, the extensive quantitative easing measures announced by ECB President Mario Draghi triggered a turnaround in the trend. Following a dramatic fall of almost 50 % last year (high for 2015 in USD to year-end), the price of oil from the North Sea brand Brent recovered by around 8 %. Gold also bounced back, with the precious metal recording near-double-digit growth in EUR despite weak performance in March.

On the foreign exchange market, the euro strengthened against the Swiss franc and the US dollar to a similar extent in the first quarter. However, the euro weakened against the Japanese yen in the period to the end of March.

## BUSINESS DEVELOPMENT

### Income statement

In the period to 31 March 2016, Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (hereinafter also referred to as Hypo Landesbank Vorarlberg) generated earnings before taxes of TEUR 17,027 (31 March 2015: TEUR 102,095), thereby falling within the parameters of its medium-term forecasts. The significant change compared with the previous year is due in particular to the IFRS measurement gains recorded in 2015. 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 in the previous year.

By contrast, the operating result before changes in the Bank's own credit risk increased by 51.6 % year-on-year to TEUR 23,558 in the first quarter of 2016 (previous year: TEUR 15,535). Hypo Landesbank Vorarlberg reported consolidated net income after taxes of TEUR 13,786 as at 31 March 2016 (previous year: TEUR 77,652). The Bank will continue to pursue its sustainable business model and conservative accounting policies.

As at 31 March 2016, net interest income after loan loss provisions amounted to TEUR 47,030 and was thus 46.0 % higher than in the previous year. While loan loss provisions amounted to TEUR 11,872 in the previous year (incl. HETA provision), the conservative accounting policy applied in the past led a reversal of loan loss provisions in 2016. Sufficient provisions were recognised for all identifiable risks.

Net fee and commission income amounted to TEUR 8,562 as at 31 March 2016 (-3.2 %). The net trading result declined from TEUR 243 in the previous year to TEUR -452 as a result of measurement effects. Administrative expenses amounted to TEUR 25,111 (first quarter of 2015: TEUR 24,248), while staff costs increased from TEUR 14,607 to TEUR 15,322. The headcount of 721 employees (weighted by employees' activity rate) was down 2.0 % compared with the previous year. Material expenses remained essentially unchanged year-on-year at TEUR 8,281.

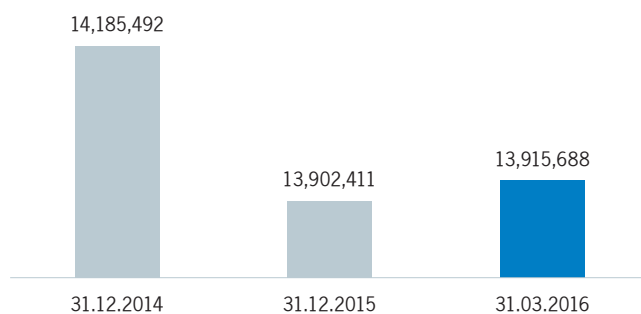
The ROE of 9.77 % and the total capital ratio according to CRR of 14.70 % serve to underline the fact that Hypo Landesbank Vorarlberg is a healthy, successful and efficient bank.

### Balance sheet development

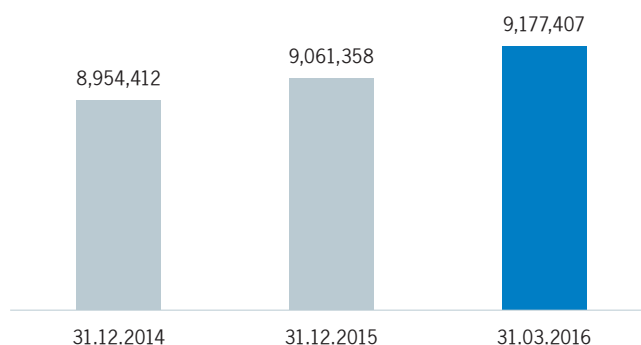
Total consolidated assets increased by 0.1 % year-on-year to TEUR 13,915,688 as at 31 March 2016 (2015: TEUR 13,902,411). TEUR 9,177,407 of this total was attributable to loans and advances to customers, representing an increase of 1.3 % as against 2015. Under liabilities and equity, liabilities to customers increased by 10.2 % in the first quarter of 2016 and

amounted to TEUR 5,503,334. Financial liabilities at fair value amounted to TEUR 3,055,929 as at 31 March 2016.

### Development of total assets (in '000 EUR)



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



Hypo Landesbank Vorarlberg already recognised provisions for the existing receivables from HETA – including the liquidity expected to be made available for Pfandbriefbank – in its results for 2014 and 2015. The Managing Board continues to assume that the guarantee of the state of Carinthia is valid and (at least partially) recoverable.

### Capital resources

The paid-in capital of Hypo Landesbank Vorarlberg amounted to TEUR 165,453. Capital resources according to CRR amounted to TEUR 1,150,713 as at 31 March 2016. With a solvency ratio of 14.70 % (31 December 2015: 14.87 %) and a core capital ratio of 11.15 % (31 December 2015: 11.17 %), Hypo Landesbank Vorarlberg already fulfils the highest expansion level of the Basel III standards applicable since 1 January 2014. These figures are comfortable in light of the risk profile.

Despite this, 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.

### **Panama Papers**

Following the publication of the „Panama Papers“ in early April 2016, with which Hypo Landesbank Vorarlberg was also linked, the Bank's offshore business is currently being examined by the FMA. The results of this examination are not yet available. However, the Managing Board is confident that the Bank conducted its business within the legal framework at all times. The Chairman of the Managing Board, Michael Grahammer, announced his resignation 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 the year.

The Managing Board acknowledges the inquiry committee proposed by the Vorarlberg state parliamentary group of the SPÖ in late April but does not consider this to be a suitable instrument for reviewing the Bank's offshore strategy.

### **Rating of Hypo Landesbank Vorarlberg**

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.

## **DEVELOPMENT BY SEGMENT**

### **Corporate Customers/Public Sector**

Hypo Landesbank Vorarlberg is the leading corporate bank in Vorarlberg. It offers its customers a broad mix of financing and investment solutions and can offer corresponding expertise in alternative financing via the capital markets in the form of the placement of promissory note loans and bonds. 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. Foreign services and expert advice and support with regard to funding programmes and institutions round off the financing portfolio. Hypo Landesbank Vorarlberg also supports its customers with leasing, insurance and property services via its subsidiaries.

The development of corporate customer business, and particularly the low level of risk costs, serves to underline the robust state of the companies in Hypo Landesbank Vorarlberg's core markets. A conservative assessment is still pursued in lending business. In the first quarter of 2016, the Bank once again proved its value as a reliable financing partner for companies and the public sector, although there remained a pronounced reluctance with regard to investment activity. This trend has intensified in recent years, but the level of long-term financing has been maintained. There has been a sharp upturn in short-term financing in recent months.

Thanks to the higher overall financing volume, net interest income increased to TEUR 22,017 in the first quarter of 2016 (2015: TEUR 21,138). By contrast, net fee and commission income declined in the first quarter. This was due in particular to the performance of the stock exchanges and the resulting downturn in securities commission, as well as lower foreign exchange income. Development in the Corporate Customers segment in the first three months was extremely balanced across all markets. The earnings and volume development in Southern Germany was particularly notable. Overall, the Corporate Customers segment generated earnings before taxes of TEUR 19,204 as of 31 March 2016, up 53 % on the previous year.

### **Private Customers**

Hypo Landesbank Vorarlberg is committed to ensuring a personal relationship with its customers. Accordingly, Hypo Landesbank Vorarlberg's private customer business in particular is characterised by the high quality of its consulting-intensive services such as residential construction financing and sophisticated investments.

Historically low interest rates and attractive financing solutions meant that demand for loans at Hypo Landesbank Vorarlberg remained extremely high in the first quarter of 2016. The lending volume per customer has also increased as a result of rising property prices, among other things. In future, Hypo Landesbank Vorarlberg will continue to engage in judicious lending and act with due caution on the market. The Bank responds to the specific financing needs of its customers with individual 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".

In the investment business, there is a certain sense of apprehension among customers. With no trend visible on the stock exchanges, many customers are preferring to park their money until purchase prices become more favourable. Conservative products such as savings accounts, capital savings accounts and savings and loan contracts remain popular and can be found in almost every customer portfolio. Despite intense competition between banks and low interest rates, Hypo Landesbank Vorarlberg achieved positive results in the Private Customers segment in the first quarter of 2016. Net interest income increased to TEUR 8,921 as at 31 March 2016 (2015: TEUR 8,205), while net fee and commission income was down slightly on the previous year at TEUR 4,399 (2015: TEUR 4,692). Overall, the Private Customers segment generated earnings before taxes at TEUR 4,399 (2015: TEUR 4,692).

### Private Banking and Asset Management

Private Banking is another important pillar of Hypo Landesbank Vorarlberg. The Bank offers its customers professional and long-term partnership-based customer support and the development of inhouse asset management strategies. All in all, assets under management amounted to TEUR 876,350 as at 31 March 2016, while the number of mandates managed was 3,139.

In response to the high level of demand for individual optimisation of customer portfolios, the Bank's Asset Management division has developed a tool for optimising asset allocation. Based on customer requirements and market expectations, this tool calculates efficient portfolio combinations for customers that have the lowest level of risk for a given return. There is strong demand for this service among both private investors and large-scale investors.

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.

### International performance standards in Asset Management

The auditing company PricewaterhouseCoopers Zürich reviews the compliance of our asset management with the Global Investment Performance Standards (GIPS)® on a regular basis. It most recently successfully examined and audited the Bank's asset management with regard to its compliance with these standards as at 31 December 2014 in March 2015. Since 2005, Hypo Landesbank Vorarlberg has been the first and is still the only Austrian bank whose asset management is certified according to these internationally-recognised standards.

### Financial Markets/Treasury

The first quarter of 2016 was characterised by surprises on the financial markets. Concerns about the global economy led to considerable share price volatility on the stock markets. Despite the turnaround in US interest rate policy in December, falling sovereign bond yields were recorded in the US as well as Germany and the euro zone. The US dollar experienced its biggest quarterly loss for several years, while the pound sterling was impacted by fears of a „Brexite“. Having broken through the USD 30 barrier in mid-January, oil prices recovered over the course of the quarter.

The ECB's measures concerning the new TLTROS (targeted longer-term refinancing operations) will have a significant influence on Hypo Landesbank Vorarlberg's future refinancing strategy. The impact and potential adjustments to the strategy are currently being examined. A net volume of approximately TEUR 86,900 was invested in bonds by ALM/Investment in the first quarter of 2016. The weighted remaining term of these new investments is 6.8 years. The total volume of nostro bonds as at 31 March 2016 amounted to TEUR 2,658,000.

Since the start of the year, Hypo Landesbank Vorarlberg has carried out ten new issues with a total volume of around TEUR 385,000. This related to two private placements with a total volume of TEUR 66,000, two promissory note loans with a total volume of TEUR 5,000, four retail issues with a total volume of EUR 14,000 and two retained covered bonds that were issued as security for the central bank refinancing and for which there was no flow of liquidity.

The Bank's readily accessible short-term liquidity remained at a high level, only declining by around TEUR 50,000 in the first quarter of 2016 to around TEUR 350,000 at the end of the quarter. A high level of liquidity is desirable in light of the significant maturities in 2017, but negative interest rates mean this involves substantial costs. There was a muted start to the year in the area of foreign exchange and interest rate derivatives trading, with income in the first quarter down on the previous quarters.

Customer securities sales amounted to around TEUR 207,500 in the first quarter of 2016. Bond investments continue to be of limited interest on account of the sustained low level of yields. Investors are increasingly focusing on shares, certificates and warrants, although sales of these instruments were also lower than in the same quarter of the previous year.

The fund volume under management declined slightly in the first quarter of 2016. One new public fund was launched, while an existing customer placed additional special fund mandates that will be transferred at the end of the second quarter.

In light of the comparatively low level of issuing activity on the market for European corporate bonds, Hypo Landesbank Vorarlberg participated in the issue of a retail bond by an Austrian issuer as co-lead manager. It also acted as co-lead manager for the issue of a covered bond with an issue volume of TEUR 750,000 in the first quarter.

The Financial Markets business segment developed positively in the first three months of 2016, generating operating earnings before taxes of TEUR 1,104. Due to measurement effects, earnings before taxes for the first quarter were negative at TEUR -5,427. Further development 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 999 as at 31 March 2016.

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 was 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. In the meantime, a dedicated real estate broker has commenced activities in Vienna and will act as a bridge to Vorarlberg and the branches in Graz and Wels.

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

## OUTLOOK

With its weak performance, Austrian gross domestic product was below 1.0 % for the fourth year in a row in 2015. Despite the low underlying momentum of the economy, WIFO is anticipating increased consumption and hence much stronger economic growth in the years to come. 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. The tax reform enacted in 2016 is unburdening the incomes of private households and having a positive effect on consumer spending. The external economic environment is also expected to pick up momentum again in the years to come. All in all, WIFO is anticipating year-on-year GDP growth of 1.7 % in 2016.

### Focus areas for 2016

The banking industry will be faced with another batch of challenges in 2016. New regulations require it to build up additional 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 for banks. For example, 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) that entails new regulations. Among other things, a central account register will be established at the Austrian Ministry of Finance (BMF) in 2016. In addition, a reporting obligation for inflows and outflows of capital and the introduction of a common reporting standard were approved.

As the leading corporate bank in Vorarlberg, the Bank will continue to supply its business customers with financing. However, the Managing Board expects to see low demand for credit once again in 2016. Slight upturns are expected in the markets outside Vorarlberg, i.e. Vienna, Graz, Wels and St. Gallen (CH) in particular. Increased use of services related to payment transactions and documentary business is anticipated, while investment business with entrepreneurs is to be expanded. Due to the solid economic situation of companies in its market areas, the Bank is again anticipating below-average risk costs.

In the Private Customers segment, Hypo Landesbank Vorarlberg is distinguished primarily by consulting-intensive services and offers individual solutions in residential construction financing and for securities transactions including asset management. Because the low interest rates are expected to persist for a long time, the Bank is again anticipating high demand for investments in housing in 2016, although a slight decline is expected.

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. The Wealth Management segment is being expanded further on this basis. The product range is being enhanced with new asset management strategies adapted to the currently 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 branches 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. Despite this, Hypo Landesbank Vorarlberg's online offering will be considerably expanded in order to enable a whole spectrum of new online functions. The online savings platform hypodirekt.at is particularly valued by customers outside the branch catchment areas of the Bank and will be further expanded.

### Expected earnings development in 2016

Despite several elements of political and economic uncertainty, development in the first quarter of 2016 was satisfactory. Hypo Landesbank Vorarlberg continues to pursue cautious risk and accounting policies and will make corresponding additions to its loan loss provisions. The costs for risk provisioning could increase compared with 2015.



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 moderately in 2016 and staff costs are also expected to increase slightly, while a reduction in IT costs is planned. Due to the deposit protection and single resolution fund, costs will be much higher for Hypo Landesbank Vorarlberg. This will inevitably result in banking services becoming more expensive, particularly in credit business. Comprehensive investments will also be made in the further expansion of the online sales channel.

Performance in the first few months of 2016 was satisfactory. 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. The Managing Board of Hypo Landesbank Vorarlberg already recognised provisions for all existing receivables from HETA – including the liquidity expected to be made available for Pfandbriefbank – in the results for 2014 and 2015. As things stand, this means that no further provisions are expected. The known economic and domestic political events require increased vigilance.

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 31 MARCH 2016**  
**I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY TO 31 MARCH 2016**

**Income statement**

in '000 EUR	(Notes)	01.01.– 31.03.2016	01.01.– 31.03.2015	Change in '000 EUR	Change in %
Interest and similar income		65,125	68,890	-3,765	-5.5
Interest and similar expenses		-23,144	-24,798	1,654	-6.7
<b>Net interest income</b>	(2)	<b>41,981</b>	<b>44,092</b>	<b>-2,111</b>	<b>-4.8</b>
Loan loss provisions		5,049	-11,872	16,921	-
<b>Net interest income after loan loss provisions</b>		<b>47,030</b>	<b>32,220</b>	<b>14,810</b>	<b>46.0</b>
Fee and commission income		9,270	9,905	-635	-6.4
Fee and commission expenses		-708	-1,060	352	-33.2
<b>Net fee and commission income</b>	(3)	<b>8,562</b>	<b>8,845</b>	<b>-283</b>	<b>-3.2</b>
Net result on hedge accounting	(4)	3,014	1,065	1,949	>100.0
Net trading result	(5)	-452	243	-695	-
Net result from other financial instruments		438	1,053	-615	-58.4
Administrative expenses	(6)	-25,111	-24,248	-863	3.6
Other income		3,801	4,445	-644	-14.5
Other expenses*		-15,415	-8,827	-6,588	74.6
Result from equity consolidation		1,691	739	952	>100.0
<b>Operating result before change in own credit risk</b>		<b>23,558</b>	<b>15,535</b>	<b>8,023</b>	<b>51.6</b>
Result from change in own credit risk		-6,531	86,560	-93,091	-
<b>Earnings before taxes</b>		<b>17,027</b>	<b>102,095</b>	<b>-85,068</b>	<b>-83.3</b>
Taxes on income		-3,241	-24,443	21,202	-86.7
<b>Earnings after taxes</b>		<b>13,786</b>	<b>77,652</b>	<b>-63,866</b>	<b>-82.2</b>
Net income from discontinued operations		0	0	0	0
<b>Consolidated net income</b>		<b>13,786</b>	<b>77,652</b>	<b>-63,866</b>	<b>-82.2</b>
Of which attributable to:					
Parent company shareholders		13,783	77,648	-63,865	-82.2
Non-controlling interests		3	4	-1	-25.0

\* 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. The provisions are fully recognised in other expenses.

## Statement of comprehensive income

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015	Change in '000 EUR	Change in %
<b>Consolidated net income</b>	<b>13,786</b>	<b>77,652</b>	<b>-63,866</b>	<b>-82.2</b>
<b>Items which can be reclassified to consolidated net income</b>				
Changes to foreign currency translation reserve	9	-82	91	-
Changes to AFS revaluation reserve	-1,769	176	-1,945	-
of which changes in measurement	-2,201	299	-2,500	-
of which changes in holdings	-157	-64	-93	>100.0
of which income tax effects	589	-59	648	-
<b>Total items which can be reclassified to consolidated net income</b>	<b>-1,760</b>	<b>94</b>	<b>-1,854</b>	<b>-</b>
<b>Items which cannot be reclassified to consolidated net income</b>				
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
<b>Total items which cannot be reclassified to consolidated net income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
<b>Other income after taxes</b>	<b>-1,760</b>	<b>94</b>	<b>-1,854</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>12,026</b>	<b>77,746</b>	<b>-65,720</b>	<b>-84.5</b>
Of which attributable to:				
Parent company shareholders	12,023	77,741	-65,718	-84.5
Non-controlling interests	3	5	-2	-40.0

## II. BALANCE SHEET DATED 31 MARCH 2016

### Assets

in '000 EUR	(Notes)	31.03.2016	31.12.2015	Change in '000 EUR	Change in %
Cash and balances with central banks		739,228	712,491	26,737	3.8
Loans and advances to banks		582,781	650,129	-67,348	-10.4
Loans and advances to customers		9,177,407	9,061,358	116,049	1.3
Positive market values of hedges	(7)	121,967	76,370	45,597	59.7
Trading assets and derivatives	(8)	400,881	461,641	-60,760	-13.2
Financial assets – at fair value	(9)	897,395	938,014	-40,619	-4.3
Financial assets – available for sale	(10)	742,690	745,426	-2,736	-0.4
Financial assets – held to maturity	(11)	959,829	987,685	-27,856	-2.8
Shares in companies valued at equity		34,383	34,554	-171	-0.5
Investment property		44,099	43,518	581	1.3
Intangible assets		984	836	148	17.7
Property, plant and equipment		75,114	76,155	-1,041	-1.4
Tax assets		3,140	3,586	-446	-12.4
Deferred tax assets		10,328	10,348	-20	-0.2
Non-current assets available for sale		12,223	12,223	0	0.0
Other assets		113,239	88,077	25,162	28.6
<b>Total Assets</b>		<b>13,915,688</b>	<b>13,902,411</b>	<b>13,277</b>	<b>0.1</b>

### Liabilities and shareholders' equity

in '000 EUR	(Notes)	31.03.2016	31.12.2015	Change in '000 EUR	Change in %
Amounts owed to banks		917,503	1,144,487	-226,984	-19.8
Amounts owed to customers		5,503,334	4,995,818	507,516	10.2
Liabilities evidenced by certificates	(12)	2,460,613	2,402,602	58,011	2.4
Negative market values of hedges	(7, 13)	166,886	160,947	5,939	3.7
Trading liabilities and derivatives	(8, 14)	254,868	239,627	15,241	6.4
Financial liabilities – at fair value	(15)	3,055,929	3,464,357	-408,428	-11.8
Provisions		64,966	61,289	3,677	6.0
Tax liabilities		16,358	14,359	1,999	13.9
Deferred tax liabilities		4,668	8,143	-3,475	-42.7
Other liabilities		107,010	64,739	42,271	65.3
Supplementary capital		382,608	376,902	5,706	1.5
Shareholders' equity		980,945	969,141	11,804	1.2
Of which attributable to:					
Parent company shareholders		980,894	969,093	11,801	1.2
Non-controlling interests		51	48	3	6.3
<b>Total Liabilities and shareholder's equity</b>		<b>13,915,688</b>	<b>13,902,411</b>	<b>13,277</b>	<b>0.1</b>

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

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Non-controlling interests	Total Shareholders' equity
<b>Balance 1 January 2015</b>	<b>165,453</b>	<b>48,874</b>	<b>658,849</b>	<b>13,627</b>	<b>-6</b>	<b>886,797</b>	<b>59</b>	<b>886,856</b>
Consolidated net income	0	0	77,648	0	0	77,648	4	77,652
Other income	0	0	-75	167	1	93	1	94
<b>Comprehensive income 2015</b>	<b>0</b>	<b>0</b>	<b>77,573</b>	<b>167</b>	<b>1</b>	<b>77,741</b>	<b>5</b>	<b>77,746</b>
Other changes	0	0	-1	0	0	-1	0	-1
Dividends	0	0	-236	0	0	-236	0	-236
Distributions to third parties	0	0	-100	0	0	-100	0	-100
<b>Balance 31 March 2015</b>	<b>165,453</b>	<b>48,874</b>	<b>736,085</b>	<b>13,794</b>	<b>-5</b>	<b>964,201</b>	<b>64</b>	<b>964,265</b>
<b>Balance 1 January 2016</b>	<b>165,453</b>	<b>48,874</b>	<b>747,607</b>	<b>7,160</b>	<b>-1</b>	<b>969,093</b>	<b>48</b>	<b>969,141</b>
Consolidated net income	0	0	13,783	0	0	13,783	3	13,786
Other income	0	0	4	-1,764	0	-1,760	0	-1,760
<b>Comprehensive income 2016</b>	<b>0</b>	<b>0</b>	<b>13,787</b>	<b>-1,764</b>	<b>0</b>	<b>12,023</b>	<b>3</b>	<b>12,026</b>
Dividends	0	0	-222	0	0	-222	0	-222
<b>Balance 31 March 2016</b>	<b>165,453</b>	<b>48,874</b>	<b>761,172</b>	<b>5,396</b>	<b>-1</b>	<b>980,894</b>	<b>51</b>	<b>980,945</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

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

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
<b>Cash and balances with central banks as at 1 January</b>	<b>712,491</b>	<b>470,699</b>
Cash flows from operating activities	-43,626	-215,346
Cash flows from investing activities	70,924	15,864
Cash flows from financing activities	-561	646
<b>Cash and balances with central banks as at 31 March</b>	<b>739,228</b>	<b>271,863</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.– 31.03.2016	01.01.– 31.03.2015
Income from cash and balances with central banks	-269	4
Income from loans and advances to banks	1,549	3,169
Income from loans and advances to customers	37,799	43,135
Income from leasing business	5,809	6,478
Income from hedging instruments	5,700	3,828
Income from derivatives, other	3,450	821
Income from debt securities	10,686	11,046
Income from shares	319	376
Income from investments in associated companies	0	33
Income from investments, other	82	0
<b>Interest and similar income</b>	<b>65,125</b>	<b>68,890</b>
Expenses from amounts owed to banks	-716	-850
Expenses from amounts owed to customers	-8,148	-6,945
Expenses from liabilities evidenced by certificates	-6,871	-6,337
Expenses from hedging instruments	-9,097	-8,362
Expenses from derivatives, other	-153	-317
Expenses from liabilities designated AFV	3,730	-557
Expenses from supplementary capital	-1,889	-1,430
<b>Interest and similar expenses</b>	<b>-23,144</b>	<b>-24,798</b>
<b>Net interest income</b>	<b>41,981</b>	<b>44,092</b>

### (3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
Lending and leasing business	1,134	932
Securities business	3,916	4,280
Giro and payment transactions	2,935	3,299
Other service business	1,285	1,394
<b>Fee and commission income</b>	<b>9,270</b>	<b>9,905</b>

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
Lending and leasing business	-123	-221
Securities business	-314	-401
Giro and payment transactions	-257	-425
Other service business	-14	-13
<b>Fee and commission expenses</b>	<b>-708</b>	<b>-1,060</b>

### (4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
Adjustment to loans and advances to banks	5,947	3,640
Adjustment to loans and advances to customers	13,706	3,052
Adjustment to financial instruments available for sale	5,503	3,831
Adjustment to liabilities to banks	-267	-113
Adjustment to liabilities to customers	-12,907	-6,646
Adjustment to securitised liabilities	-36,093	-21,022
Adjustment to supplementary capital	-4,156	-1,158
<b>Net result from adjustment to underlying transactions from hedging</b>	<b>-28,267</b>	<b>-18,416</b>
Measurement of hedging instruments for loans and advances to banks	-5,038	-2,941
Measurement of hedging instruments for loans and advances to customers	-14,222	-3,230
Measurement of hedging instruments for available for sale financial instruments	-5,566	-3,560
Measurement of hedging instruments for liabilities to banks	275	117
Measurement of hedging instruments for liabilities to customers	13,902	7,287
Measurement of hedging instruments for securitised liabilities	37,257	20,475
Measurement of hedging instruments for supplementary capital	4,673	1,333
<b>Net result of the measurement of hedging instruments</b>	<b>31,281</b>	<b>19,481</b>
<b>Net result on hedge accounting</b>	<b>3,014</b>	<b>1,065</b>

**(5) NET TRADING RESULT**

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
Trading results	3,060	5,933
Result from the valuation of financial instruments – HFT	-33	2
Result from the valuation of derivatives	-2,295	-6,373
Result from the valuation of financial instruments – AFV*	-1,184	681
<b>Net trading result</b>	<b>-452</b>	<b>243</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.– 31.03.2016	01.01.– 31.03.2015
Staff costs	-15,322	-14,607
Material expenses	-8,281	-8,281
Depreciation/amortisation of property, plant and equipment and intangible assets	-1,508	-1,360
<b>Administrative expenses</b>	<b>-25,111</b>	<b>-24,248</b>

**Of which staff costs**

in '000 EUR	01.01.– 31.03.2016	01.01.– 31.03.2015
Wages and salaries	-11,449	-11,044
Statutory social security contributions	-2,952	-2,880
Voluntary social benefits	-352	-228
Expenses for retirement benefits	-577	-490
Social capital	8	35
<b>Staff costs</b>	<b>-15,322</b>	<b>-14,607</b>

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

in '000 EUR	31.03.2016	31.12.2015
Positive market values of fair value hedges	104,128	63,451
Deferred interest on derivative hedges	17,839	12,919
<b>Positive market values of hedges</b>	<b>121,967</b>	<b>76,370</b>

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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	3,541,221	3,156,938
Cross currency swaps	193,494	186,797
<b>Interest rate derivatives</b>	<b>3,734,715</b>	<b>3,343,735</b>
<b>Derivatives</b>	<b>3,734,715</b>	<b>3,343,735</b>

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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	102,273	61,800
Cross currency swaps	1,854	1,651
<b>Interest rate derivatives</b>	<b>104,127</b>	<b>63,451</b>
<b>Derivatives</b>	<b>104,127</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	31.03.2016	31.12.2015
Investment certificates	670	675
Positive market values of derivative financial instruments	361,070	413,945
Deferred interest	39,141	47,021
<b>Trading assets and derivatives</b>	<b>400,881</b>	<b>461,641</b>

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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	4,350,125	4,917,355
Cross currency swaps	1,208,532	1,348,834
Interest rate options	351,903	380,999
<b>Interest rate derivatives</b>	<b>5,910,560</b>	<b>6,647,188</b>
FX forward transactions	256,625	361,003
FX swaps	193,466	182,800
<b>Currency derivatives</b>	<b>450,091</b>	<b>543,803</b>
Credit-Default-Swaps	15,000	15,000
<b>Credit derivatives</b>	<b>15,000</b>	<b>15,000</b>
<b>Derivatives</b>	<b>6,375,651</b>	<b>7,205,991</b>

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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	308,328	290,249
Cross currency swaps	43,467	114,036
Interest rate options	2,918	2,723
<b>Interest rate derivatives</b>	<b>354,713</b>	<b>407,008</b>
FX forward transactions	5,808	6,410
FX swaps	549	527
<b>Currency derivatives</b>	<b>6,357</b>	<b>6,937</b>
<b>Derivatives</b>	<b>361,070</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	31.03.2016	31.12.2015
Debt securities of public issuers	207,916	223,960
Debt securities of other issuers	187,093	202,507
Investment certificates	2,996	0
Other equity interests	5,155	5,191
Loans and advances to customers	490,186	499,156
Deferred interest	4,049	7,200
<b>Financial assets – at fair value</b>	<b>897,395</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	31.03.2016	31.12.2015
Debt securities of public issuers	330,823	314,629
Debt securities of other issuers	368,250	383,679
Shares	110	110
Investment certificates	5,975	5,921
Other equity interests	17,676	17,764
Deferred interest	8,974	12,506
Other equity investments	10,854	10,789
Other investments in affiliated companies	28	28
<b>Financial assets – available for sale</b>	<b>742,690</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	31.03.2016	31.12.2015
Debt securities of public issuers	274,517	301,780
Debt securities of other issuers	660,733	658,237
Supplementary capital of other issuers	9,995	9,994
Deferred interest	14,584	17,674
<b>Financial assets – held to maturity</b>	<b>959,829</b>	<b>987,685</b>

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

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

in '000 EUR	31.03.2016	31.12.2015
Mortgage bonds	1,133,066	1,106,919
Municipal bonds	43,481	40,702
Medium-term fixed-rate notes	1,953	2,017
Bonds	1,010,693	927,219
Housing construction bonds	61,238	68,133
Bonds issued by Pfandbriefbank	192,445	241,236
Deferred interest	17,737	16,376
<b>Liabilities evidenced by certificates</b>	<b>2,460,613</b>	<b>2,402,602</b>

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

**Breakdown by type of hedge**

in '000 EUR	31.03.2016	31.12.2015
Negative market values of fair value hedges	150,582	145,975
Deferred interest on derivative hedging instruments	16,304	14,972
<b>Negative market values of hedges</b>	<b>166,886</b>	<b>160,947</b>



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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	112,131	111,010
Cross currency swaps	38,451	34,965
<b>Interest rate derivatives</b>	<b>150,582</b>	<b>145,975</b>
<b>Derivatives</b>	<b>150,582</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	31.03.2016	31.12.2015
Negative market values of derivative financial instruments	249,871	233,709
Deferred interest	4,997	5,918
<b>Trading liabilities and derivatives</b>	<b>254,868</b>	<b>239,627</b>

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

in '000 EUR	31.03.2016	31.12.2015
Interest rate swaps	159,122	142,854
Cross currency swaps	81,224	82,230
Interest rate options	2,324	2,088
<b>Interest rate derivatives</b>	<b>242,670</b>	<b>227,172</b>
FX forward transactions	5,387	5,971
FX swaps	1,682	355
FX options	0	0
<b>Currency derivatives</b>	<b>7,069</b>	<b>6,326</b>
Credit default swaps	132	211
<b>Credit derivatives</b>	<b>132</b>	<b>211</b>
<b>Derivatives</b>	<b>249,871</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	31.03.2016	31.12.2015
Amounts owed to banks at fair value	152,750	151,660
Amounts owed to customers at fair value	559,517	549,339
Mortgage bonds at fair value	27,066	26,314
Municipal bonds at fair value	752,096	744,635
Bonds at fair value	1,266,983	1,685,788
Housing construction bonds at fair value	174,880	162,229
Bonds issued by Pfandbriefbank at fair value	40,459	44,038
Supplementary capital at fair value	56,098	56,025
Deferred interest	26,080	44,329
<b>Financial liabilities at fair value</b>	<b>3,055,929</b>	<b>3,464,357</b>

#### D. FURTHER IFRS INFORMATION

#### (16) CONTINGENT LIABILITIES AND CREDIT RISKS

##### Contingent liabilities

in '000 EUR	31.03.2016	31.12.2015
Liabilities from financial guarantees	370,530	319,397
Other contingent liabilities	31,792	36,456
<b>Contingent liabilities</b>	<b>402,322</b>	<b>355,853</b>

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

in '000 EUR	31.03.2016	31.12.2015
Credit commitments and unutilised credit lines	2,092,797	1,790,742
<b>Credit risks</b>	<b>2,092,797</b>	<b>1,790,742</b>

#### (17) HUMAN RESOURCES

	01.01.– 31.03.2016	01.01.– 31.03.2015
Full-time salaried staff	628	646
Part-time salaried staff	85	79
Apprentices	6	9
Full-time other employees	2	2
<b>Average number of employees</b>	<b>721</b>	<b>736</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				
31.03.2016	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	121,438	529	121,967
Trading assets and derivatives	661	323,779	76,441	400,881
Financial assets – at fair value	108,508	464,991	323,896	897,395
Financial assets – available for sale	691,236	0	51,454	742,690
<b>Total assets</b>	<b>800,405</b>	<b>910,208</b>	<b>452,320</b>	<b>2,162,933</b>
Reclassification of assets from levels 2 and 3 to level 1	10,226	-10,226	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	30,271	-30,271	0
Derivative hedging instruments	0	154,050	12,836	166,886
Trading liabilities and derivatives	0	247,746	7,122	254,868
Financial liabilities – at fair value	578,620	694,309	1,783,000	3,055,929
<b>Total liabilities</b>	<b>578,620</b>	<b>1,096,105</b>	<b>1,802,958</b>	<b>3,477,683</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	-376,782	376,782	0	0

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

in '000 EUR				
31.12.2015	Level 1	Level 2	Level 3	Total
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				
31.03.2016	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	116,363	514	116,877
Cross currency swaps	0	4,318	15	4,333
<b>Derivative hedging instruments</b>	<b>0</b>	<b>121,438</b>	<b>529</b>	<b>121,967</b>
Interest rate swaps	0	155,713	63,598	219,311
Cross Currency swaps	0	11,790	961	12,751
Interest rate options	0	1,374	2,304	3,678
Foreign exchange forwards	0	154,902	9,570	164,472
Investment funds	661	0	8	669
<b>Trading assets and derivatives</b>	<b>661</b>	<b>323,779</b>	<b>76,441</b>	<b>400,881</b>
Bonds	105,513	275,198	16,819	397,530
Investment funds	2,995	0	0	2,995
Other	0	0	5,205	5,205
Loans and credits	0	189,793	301,872	491,665
<b>Financial assets – at fair value</b>	<b>108,508</b>	<b>464,991</b>	<b>323,896</b>	<b>897,395</b>
Bonds	688,091	0	19,955	708,046
Investment funds	3,145	0	2,830	5,975
Shares	0	0	110	110
Other	0	0	28,559	28,559
<b>Financial Assets – available for sale</b>	<b>691,236</b>	<b>0</b>	<b>51,454</b>	<b>742,690</b>

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

in '000 EUR				
31.12.2015	Level 1	Level 2	Level 3	Total
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				
31.03.2016	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	145,165	12,704	157,869
Cross currency swaps	0	7,476	132	7,608
Other derivatives	0	1,409	0	1,409
<b>Derivative hedging instruments</b>	<b>0</b>	<b>154,050</b>	<b>12,836</b>	<b>166,886</b>
Interest rate swaps	0	130,923	3,117	134,040
Cross currency swaps	0	8,228	586	8,814
Interest rate options	0	2,839	259	3,098
Other derivatives	0	105,756	3,160	108,916
<b>Trading liabilities and derivatives</b>	<b>0</b>	<b>247,746</b>	<b>7,122</b>	<b>254,868</b>
Deposits	0	0	713,611	713,611
Bonds	578,620	673,568	1,033,169	2,285,357
Supplementary capital	0	20,741	36,220	56,961
<b>Financial liabilities – at fair value</b>	<b>578,620</b>	<b>694,309</b>	<b>1,783,000</b>	<b>3,055,929</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	168	529
Trading assets and derivatives	71,381	0	0	15	-1,777	6,822	76,441
Financial assets – at fair value	366,046	0	0	0	-28,448	-13,702	323,896
Financial assets – available for sale	40,655	64	0	10,993	0	-258	51,454
<b>Total assets</b>	<b>478,443</b>	<b>64</b>	<b>0</b>	<b>11,008</b>	<b>-30,225</b>	<b>-6,970</b>	<b>452,320</b>
Derivative hedging instruments	9,666	0	0	0	0	3,170	12,836
Trading liabilities and derivatives	8,013	0	0	0	0	-891	7,122
Financial liabilities – at fair value	1,781,158	0	-25,618	4,825	0	22,635	1,783,000
<b>Total liabilities</b>	<b>1,798,837</b>	<b>0</b>	<b>-25,618</b>	<b>4,825</b>	<b>0</b>	<b>24,914</b>	<b>1,802,958</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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Derivatives	556	402	-810	-586
Financial assets – at fair value	2,521	2,369	-2,741	-2,649
of which securities	26	16	-29	-33
of which loans and credits	2,495	2,353	-2,712	-2,616
Financial assets – available for sale	492	391	-515	-410
Financial liabilities – at fair value	-7,347	-7,608	7,352	7,608
of which issues	-5,172	-5,278	5,172	5,278
of which time deposits	-2,175	-2,330	2,180	2,330
<b>Total</b>	<b>-3,778</b>	<b>-4,446</b>	<b>3,286</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	22,017	8,921	2,534	8,509	41,981
	2015	21,138	8,205	6,182	8,567	44,092
Loan loss provisions	2016	3,985	667	83	314	5,049
	2015	-2,520	-888	-3,282	-5,182	-11,872
Net fee and commission income	2016	3,066	4,399	397	700	8,562
	2015	3,114	4,692	260	779	8,845
Result from hedge relationships	2016	0	0	3,014	0	3,014
	2015	0	0	1,065	0	1,065
Net trading result	2016	486	399	-1,186	-151	-452
	2015	477	406	-277	-363	243
Result from other financial instruments	2016	13	0	425	0	438
	2015	0	0	822	231	1,053
Administrative expenses	2016	-8,696	-10,901	-2,300	-3,214	-25,111
	2015	-8,447	-10,533	-2,127	-3,141	-24,248
Other income	2016	131	117	61	3,492	3,801
	2015	194	93	-4	4,162	4,445
Other expenses	2016	-1,798	-1,351	-1,924	-10,342	-15,415
	2015	-1,409	-643	-1,805	-4,970	-8,827
Result from equity consolidation	2016	0	0	0	1,691	1,691
	2015	0	0	0	739	739
<b>Operating result before change in own credit risk</b>	<b>2016</b>	<b>19,204</b>	<b>2,251</b>	<b>1,104</b>	<b>999</b>	<b>23,558</b>
	<b>2015</b>	<b>12,547</b>	<b>1,332</b>	<b>834</b>	<b>822</b>	<b>15,535</b>
Result from change in own credit risk	2016	0	0	-6,531	0	-6,531
	2015	0	0	86,560	0	86,560
<b>Earnings before taxes</b>	<b>2016</b>	<b>19,204</b>	<b>2,251</b>	<b>-5,427</b>	<b>999</b>	<b>17,027</b>
	<b>2015</b>	<b>12,547</b>	<b>1,332</b>	<b>87,394</b>	<b>822</b>	<b>102,095</b>
Assets	2016	5,778,449	1,954,004	4,473,243	1,709,992	13,915,688
	2015	5,698,538	1,957,612	4,503,012	1,743,249	13,902,411
Liabilities and shareholders' equity	2016	2,448,498	3,129,745	7,555,092	782,353	13,915,688
	2015	2,339,442	2,917,967	7,904,646	740,356	13,902,411
Liabilities (incl. own issues)	2016	2,072,543	3,045,570	7,303,655	512,975	12,934,743
	2015	1,942,172	2,831,054	7,672,730	487,314	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.
- **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 first quarter, non-performing loans declined from TEUR 565,108 to TEUR 550,256.

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

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

in '000 EUR	2016	2015
January	2,504	0
February	1,296	0
March	1,585	0

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

in '000 EUR	2016	2015
January	606	0
February	622	0
March	627	0

#### 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

#### 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

## (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	31.03.2016	31.12.2015
Risk-weighted exposure amount	7,331,736	7,370,274
Total risk exposure amount for position, foreign exchange and commodities risks	343	428
Total risk exposure amount for operational risk	450,246	419,047
Total risk exposure amount for credit valuation adjustment	46,917	43,232
<b>Total risk exposure amount</b>	<b>7,829,242</b>	<b>7,832,981</b>

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

in '000 EUR	31.03.2016	31.12.2015
Capital instruments eligible as CET1 capital	184,327	184,327
Retained earnings	572,348	572,411
Accumulated other comprehensive income	7,160	7,160
Other reserves	129,024	129,024
Transitional adjustment due to grandfathered CET1 capital instruments	18,000	21,000
Minority interests given recognition in CET1 capital	15	14
Transitional adjustment due to additional minority interests	13	27
Adjustments to CET1 due to prudential filters	-23,493	-18,159
Intangible assets	-933	-785
Excess of deduction from AT1 items over AT1 capital	-370	-469
Other transitional adjustments to CET1 capital	-13,074	-19,702
<b>Common equity Tier 1 capital (CET1)</b>	<b>873,017</b>	<b>874,848</b>



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

in '000 EUR	31.03.2016	31.12.2015
Instruments issued by subsidiaries that are given recognition in AT1 capital	5	5
Transitional adjustment due to additional recognition in AT1 capital of instruments issued by subsidiaries	-2	-3
Other transitional adjustments to AT1 capital	-373	-471
Excess of deduction from AT1 items over AT1 capital (deducted in CET1)	370	469
<b>Additional Tier 1 capital (AT1)</b>	<b>0</b>	<b>0</b>

**Tier 2 capital (T2)**

in '000 EUR	31.03.2016	31.12.2015
Capital instruments and subordinated loans eligible as T2 capital	277,692	289,907
Instruments issued by subsidiaries that are given recognition in T2 capital	6	6
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	-2	-3
<b>Tier 2 capital (T2)</b>	<b>277,696</b>	<b>289,910</b>

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

in '000 EUR	31.03.2016	31.12.2015
Common equity Tier 1 capital (CET1)	873,017	874,848
Additional Tier 1 capital (AT1)	0	0
<b>Tier 1 capital</b>	<b>873,017</b>	<b>874,848</b>
Tier 2 capital (T2)	277,696	289,910
<b>Own funds</b>	<b>1,150,713</b>	<b>1,164,758</b>
CET1 capital ratio	11.15%	11.17%
Surplus of CET1 capital	520,701	522,364
T1 capital ratio	11.15%	11.17%
Surplus of T1 capital	403,262	404,870
Total capital ratio	14.70%	14.87%
Surplus of total capital	524,373	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 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 three 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 nine months of the fiscal year.

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

Bregenz, 20 May 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



Michel Haller  
Managing Board member

Risk Management

## BRANCH OFFICES | SUBSIDIARIES

<b>Vorarlberg:</b>	<b>Vorarlberger Landes- und Hypothekbank Aktiengesellschaft, <a href="http://www.hypovbg.at">www.hypovbg.at</a></b>		
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<b>Subsidiaries:</b>			
<b>Vorarlberg:</b>	<b>Hypo Immobilien &amp; Leasing GmbH, <a href="http://www.hypo-il.at">www.hypo-il.at</a></b>		
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\*050-number for local rate

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### Imprint

Publisher:

Vorarlberger Landes- und Hypothekbank Aktiengesellschaft

(hereinafter: Hypo Landesbank Vorarlberg)

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BLZ 58000, BIC/SWIFT HYPVAT2B, DVR 0018775

UID ATU 36738508, FN 145586y

Print: Druckerei VVA, Dornbirn

Print run: 130 copies

Photographs: Reinhard Fasching, Studio Fasching