

QUARTERLY REPORT AS AT 31 MARCH 2016

HYPO LANDESBANK VORARLBERG



CONTENTS

| | Page |
|--|------|
| Key figures of Hypo Landesbank Vorarlberg _____ | 3 |
| Group management report in accordance with IFRS as at 31 March 2016 _____ | 4 |
| Consolidated financial statements in accordance with IFRS as at 31 March 2016 _____ | 10 |
| I. Statement of comprehensive income for the period from 1 January to 31 March 2016 _____ | 10 |
| II. Balance Sheet dated 31 March 2016 _____ | 12 |
| III. Statement of changes in shareholders' equity _____ | 13 |
| IV. Condensed cash flow statement _____ | 13 |
| V. Notes _____ | 13 |
| Declaration of the statutory representatives with respect to the interim report per Section 87 (1) no. 3 Austrian Stock Exchange Act (BörseG) _____ | 26 |
| Branch offices/subsidiaries _____ | 27 |

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% | |
| 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 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 Hypothekbank 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.

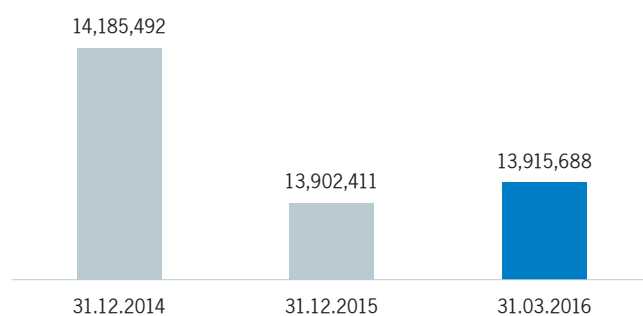
The ROE of 9.77 % and the total capital ratio according to CRR of 14.70 % serve to underline the fact that Hypo Landesbank Vorarlberg is a healthy, successful and efficient bank.

Balance sheet development

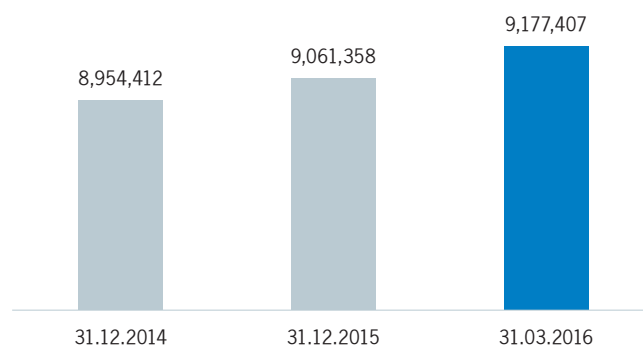
Total consolidated assets increased by 0.1 % year-on-year to TEUR 13,915,688 as at 31 March 2016 (2015: TEUR 13,902,411). TEUR 9,177,407 of this total was attributable to loans and advances to customers, representing an increase of 1.3 % as against 2015. Under liabilities and equity, liabilities to customers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

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 |
| Net interest income | (2) | 41,981 | 44,092 | -2,111 | -4.8 |
| Loan loss provisions | | 5,049 | -11,872 | 16,921 | - |
| Net interest income after loan loss provisions | | 47,030 | 32,220 | 14,810 | 46.0 |
| Fee and commission income | | 9,270 | 9,905 | -635 | -6.4 |
| Fee and commission expenses | | -708 | -1,060 | 352 | -33.2 |
| Net fee and commission income | (3) | 8,562 | 8,845 | -283 | -3.2 |
| 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 |
| Operating result before change in own credit risk | | 23,558 | 15,535 | 8,023 | 51.6 |
| Result from change in own credit risk | | -6,531 | 86,560 | -93,091 | - |
| Earnings before taxes | | 17,027 | 102,095 | -85,068 | -83.3 |
| Taxes on income | | -3,241 | -24,443 | 21,202 | -86.7 |
| Earnings after taxes | | 13,786 | 77,652 | -63,866 | -82.2 |
| Net income from discontinued operations | | 0 | 0 | 0 | 0 |
| Consolidated net income | | 13,786 | 77,652 | -63,866 | -82.2 |
| 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 % |
|--|-----------------------|-----------------------|-----------------------|----------------|
| Consolidated net income | 13,786 | 77,652 | -63,866 | -82.2 |
| Items which can be reclassified to consolidated net income | | | | |
| 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 | - |
| Total items which can be reclassified to consolidated net income | -1,760 | 94 | -1,854 | - |
| 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 | -1,760 | 94 | -1,854 | - |
| Total comprehensive income | 12,026 | 77,746 | -65,720 | -84.5 |
| 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 |
| Total Assets | | 13,915,688 | 13,902,411 | 13,277 | 0.1 |

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 |
| Total Liabilities and shareholder's equity | | 13,915,688 | 13,902,411 | 13,277 | 0.1 |

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 2015 | 165,453 | 48,874 | 658,849 | 13,627 | -6 | 886,797 | 59 | 886,856 |
| Consolidated net income | 0 | 0 | 77,648 | 0 | 0 | 77,648 | 4 | 77,652 |
| Other income | 0 | 0 | -75 | 167 | 1 | 93 | 1 | 94 |
| Comprehensive income 2015 | 0 | 0 | 77,573 | 167 | 1 | 77,741 | 5 | 77,746 |
| 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 |
| Balance 31 March 2015 | 165,453 | 48,874 | 736,085 | 13,794 | -5 | 964,201 | 64 | 964,265 |
| Balance 1 January 2016 | 165,453 | 48,874 | 747,607 | 7,160 | -1 | 969,093 | 48 | 969,141 |
| 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 |
| Comprehensive income 2016 | 0 | 0 | 13,787 | -1,764 | 0 | 12,023 | 3 | 12,026 |
| Dividends | 0 | 0 | -222 | 0 | 0 | -222 | 0 | -222 |
| Balance 31 March 2016 | 165,453 | 48,874 | 761,172 | 5,396 | -1 | 980,894 | 51 | 980,945 |

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 |
|---|-----------------------|-----------------------|
| Cash and balances with central banks as at 1 January | 712,491 | 470,699 |
| 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 |
| Cash and balances with central banks as at 31 March | 739,228 | 271,863 |

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 |
| Interest and similar income | 65,125 | 68,890 |
| 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 |
| Interest and similar expenses | -23,144 | -24,798 |
| Net interest income | 41,981 | 44,092 |

(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 |
| Fee and commission income | 9,270 | 9,905 |

| 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 |
| Fee and commission expenses | -708 | -1,060 |

(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 |
| Net result from adjustment to underlying transactions from hedging | -28,267 | -18,416 |
| 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 |
| Net result of the measurement of hedging instruments | 31,281 | 19,481 |
| Net result on hedge accounting | 3,014 | 1,065 |

(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 |
| Net trading result | -452 | 243 |

* 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 |
| Administrative expenses | -25,111 | -24,248 |

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 |
| Staff costs | -15,322 | -14,607 |

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 |
| Positive market values of hedges | 121,967 | 76,370 |

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 |
| Interest rate derivatives | 3,734,715 | 3,343,735 |
| Derivatives | 3,734,715 | 3,343,735 |

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 |
| Interest rate derivatives | 104,127 | 63,451 |
| Derivatives | 104,127 | 63,451 |

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 |
| Trading assets and derivatives | 400,881 | 461,641 |

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 |
| Interest rate derivatives | 5,910,560 | 6,647,188 |
| FX forward transactions | 256,625 | 361,003 |
| FX swaps | 193,466 | 182,800 |
| Currency derivatives | 450,091 | 543,803 |
| Credit-Default-Swaps | 15,000 | 15,000 |
| Credit derivatives | 15,000 | 15,000 |
| Derivatives | 6,375,651 | 7,205,991 |

**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 |
| Interest rate derivatives | 354,713 | 407,008 |
| FX forward transactions | 5,808 | 6,410 |
| FX swaps | 549 | 527 |
| Currency derivatives | 6,357 | 6,937 |
| Derivatives | 361,070 | 413,945 |

(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 |
| Financial assets – at fair value | 897,395 | 938,014 |

(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 |
| Financial assets – available for sale | 742,690 | 745,426 |

(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 |
| Financial assets – held to maturity | 959,829 | 987,685 |

(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 |
| Liabilities evidenced by certificates | 2,460,613 | 2,402,602 |

(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 |
| Negative market values of hedges | 166,886 | 160,947 |

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 |
| Interest rate derivatives | 150,582 | 145,975 |
| Derivatives | 150,582 | 145,975 |

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 |
| Trading liabilities and derivatives | 254,868 | 239,627 |

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 |
| Interest rate derivatives | 242,670 | 227,172 |
| FX forward transactions | 5,387 | 5,971 |
| FX swaps | 1,682 | 355 |
| FX options | 0 | 0 |
| Currency derivatives | 7,069 | 6,326 |
| Credit default swaps | 132 | 211 |
| Credit derivatives | 132 | 211 |
| Derivatives | 249,871 | 233,709 |

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 |
| Financial liabilities at fair value | 3,055,929 | 3,464,357 |

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 |
| Contingent liabilities | 402,322 | 355,853 |

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 |
| Credit risks | 2,092,797 | 1,790,742 |

(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 |
| Average number of employees | 721 | 736 |

(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 |
| Total assets | 812,907 | 930,101 | 478,443 | 2,221,451 |
| 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 |
| Total liabilities | 1,372,596 | 693,498 | 1,798,837 | 3,864,931 |
| 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 |
| Total assets | 800,405 | 910,208 | 452,320 | 2,162,933 |
| 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 |
| Total liabilities | 578,620 | 1,096,105 | 1,802,958 | 3,477,683 |
| 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 |
| Derivative hedging instruments | 0 | 76,009 | 361 | 76,370 |
| 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 |
| Trading assets and derivatives | 675 | 389,585 | 71,381 | 461,641 |
| 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 |
| Financial assets - at fair value | 107,461 | 464,507 | 366,046 | 938,014 |
| 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 |
| Financial assets – available for sale | 704,771 | 0 | 40,655 | 745,426 |

| 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 |
| Derivative hedging instruments | 0 | 121,438 | 529 | 121,967 |
| 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 |
| Trading assets and derivatives | 661 | 323,779 | 76,441 | 400,881 |
| 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 |
| Financial assets – at fair value | 108,508 | 464,991 | 323,896 | 897,395 |
| 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 |
| Financial Assets – available for sale | 691,236 | 0 | 51,454 | 742,690 |

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 |
| Derivative hedging instruments | 0 | 151,281 | 9,666 | 160,947 |
| 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 |
| Trading liabilities and derivatives | 0 | 231,614 | 8,013 | 239,627 |
| 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 |
| Financial liabilities – at fair value | 1,372,596 | 310,603 | 1,781,158 | 3,464,357 |

| 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 |
| Derivative hedging instruments | 0 | 154,050 | 12,836 | 166,886 |
| 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 |
| Trading liabilities and derivatives | 0 | 247,746 | 7,122 | 254,868 |
| 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 |
| Financial liabilities – at fair value | 578,620 | 694,309 | 1,783,000 | 3,055,929 |

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 |
| Total assets | 459,443 | 1,579 | -8,702 | 132,120 | -62,575 | -43,422 | 478,443 |
| 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 |
| Total liabilities | 2,049,090 | 41,000 | -273,342 | 785 | 0 | -18,696 | 1,798,837 |
| 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 |
| Total assets | 478,443 | 64 | 0 | 11,008 | -30,225 | -6,970 | 452,320 |
| 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 |
| Total liabilities | 1,798,837 | 0 | -25,618 | 4,825 | 0 | 24,914 | 1,802,958 |

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 |
| Total | -3,778 | -4,446 | 3,286 | 3,963 |

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 |
| Operating result before change in own credit risk | 2016 | 19,204 | 2,251 | 1,104 | 999 | 23,558 |
| | 2015 | 12,547 | 1,332 | 834 | 822 | 15,535 |
| Result from change in own credit risk | 2016 | 0 | 0 | -6,531 | 0 | -6,531 |
| | 2015 | 0 | 0 | 86,560 | 0 | 86,560 |
| Earnings before taxes | 2016 | 19,204 | 2,251 | -5,427 | 999 | 17,027 |
| | 2015 | 12,547 | 1,332 | 87,394 | 822 | 102,095 |
| 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.

(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 |
| Total risk exposure amount | 7,829,242 | 7,832,981 |

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 |
| Common equity Tier 1 capital (CET1) | 873,017 | 874,848 |

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 |
| Additional Tier 1 capital (AT1) | 0 | 0 |

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 |
| Tier 2 capital (T2) | 277,696 | 289,910 |

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 |
| Tier 1 capital | 873,017 | 874,848 |
| Tier 2 capital (T2) | 277,696 | 289,910 |
| Own funds | 1,150,713 | 1,164,758 |
| 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

| | | | |
|------------------------|--|------------------------|---------|
| Vorarlberg: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, www.hypovbg.at | | |
| | Headquarter: A-6900 Bregenz, Hypo-Passage 1 | T +43 (0) 50 414-1000 | F -1050 |
| | 6700 Bludenz Am Postplatz 2 | T +43 (0) 50 414-3000 | F -3050 |
| | 6850 Dornbirn Rathausplatz 6 | T +43 (0) 50 414-4000 | F -4050 |
| | 6850 Dornbirn Messepark, Messestraße 2 | T +43 (0) 50 414-4200 | F -4250 |
| | 6863 Egg Wälderpark, HNr. 940 | T +43 (0) 50 414-4600 | F -4650 |
| | 6800 Feldkirch Neustadt 23 | T +43 (0) 50 414-2000 | F -2050 |
| | 6800 Feldkirch LKH Feldkirch, Carinagasse 47-49 | T +43 (0) 50 414-2400 | F -2450 |
| | 6840 Götzis Hauptstraße 4 | T +43 (0) 50 414-6000 | F -6050 |
| | 6971 Hard Landstraße 9 | T +43 (0) 50 414-1600 | F -1650 |
| | 6973 Höchst Hauptstraße 25 | T +43 (0) 50 414-5200 | F -5250 |
| | 6845 Hohenems Bahnhofstraße 19 | T +43 (0) 50 414-6200 | F -6250 |
| | 6923 Lauterach Hofsteigstraße 2a | T +43 (0) 50 414-6400 | F -6450 |
| | 6764 Lech HNr. 138 | T +43 (0) 50 414-3800 | F -3850 |
| | 6890 Lustenau Kaiser-Franz-Josef-Straße 4a | T +43 (0) 50 414-5000 | F -5050 |
| | 6830 Rankweil Ringstraße 11 | T +43 (0) 50 414-2200 | F -2250 |
| | 6780 Schruns Jakob-Stemer-Weg 2 | T +43 (0) 50 414-3200 | F -3250 |
| Kleinwalsertal: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft | | |
| | 6991 Riezlern, Walsersstraße 31 | T +43 (0) 50 414-8000 | F -8050 |
| Vienna: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft | | |
| | 1010 Vienna, Brandstätte 6 | T +43 (0) 50 414-7400 | F -7450 |
| | Mobile Sales Unit | T +43 (0) 50 414-7700 | F -7750 |
| Styria: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft | | |
| | 8010 Graz, Joanneumring 7 | T +43 (0) 50 414-6800 | F -6850 |
| Upper Austria: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft | | |
| | 4600 Wels, Kaiser-Josef-Platz 49 | T +43 (0) 50 414-7000 | F -7050 |
| Switzerland: | Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, Bregenz, Branch Office St. Gallen, www.hypobank.ch | | |
| | 9004 St. Gallen, Bankgasse 1 | T +41 (0) 71 228 85-00 | F -19 |
| Subsidiaries: | | | |
| Vorarlberg: | Hypo Immobilien & Leasing GmbH, www.hypo-il.at | | |
| | 6850 Dornbirn, Poststraße 11 | T +43 (0) 50 414-4400 | F -4450 |
| | Hypo Versicherungsmakler, www.hypomakler.at | | |
| | 6850 Dornbirn, Poststraße 11 | T +43 (0) 50 414-4100 | F -4150 |
| Italy: | Hypo Vorarlberg Leasing AG, www.hypoleasing.it | | |
| | 39100 Bolzano, Galileo-Galilei-Straße 10 H | T +39 0471 060-500 | F -550 |

*050-number for local rate

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**First Supplement dated 7 November 2016
to the Prospectus dated 3 August 2016**

*This document constitutes a supplement (the "**First Supplement**") for the purposes of Article 13 of the Luxembourg Law on Prospectuses (as defined below) which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (the "**Prospectus Directive**"), into the Luxembourg law to two base prospectuses of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft (the "**Issuer**"): (i) the base prospectus in respect of non-equity securities within the meaning of Article 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended (the "**Commission Regulation**") and (ii) the base prospectus in respect of Pfandbriefe within the meaning of Article 22 No. 6 (3) of the Commission Regulation, as amended (together, the "**Debt Issuance Programme Prospectus**" or the "**Prospectus**").*

This First Supplement is supplemental to, and should be read in conjunction with the Prospectus dated 3 August 2016.

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

EUR 7,000,000,000
Debt Issuance Programme
(the "**Programme**")

The Issuer has requested the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg Law relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*, the "**Luxembourg Law on Prospectuses**"), which implements the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 as amended, to provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland, the Republic of Austria and The Netherlands as soon as possible after approval of this First Supplement has been granted, with a certificate of such approval (the "**Notification**") attesting that the First Supplement has been drawn up in accordance with the Luxembourg Law on Prospectuses. The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

This First Supplement will be published in the same way as the Debt Issuance Programme Prospectus in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.hypovbg.at).

In accordance with Article 13 paragraph 2 of the Luxembourg Law, where the Prospectus relates to an offer of Notes to the public, investors who have already agreed to purchase or subscribe for Notes before this First Supplement is published have the right, exercisable within a time limit of two working days after the publication of this First Supplement, until 9 November 2016, to withdraw their acceptances provided that the new factor, mistake or inaccuracy referred to in Article 13 paragraph 1 of the Luxembourg Law arose before the final closing of the offer to the public and the delivery of the Notes.

This First Supplement may only be used for the purpose for which it has been published as set out below. This First Supplement may not be used for the purpose of an offer or solicitation by and to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This First Supplement does not constitute an offer or an invitation to subscribe for or purchase any of the Notes.

Vorarlberger Landes- und Hypothekbank Aktiengesellschaft ("**Hypo Landesbank Vorarlberg**", "**Hypo Vorarlberg**" or the "**Issuer**") with its registered office in Bregenz, the Republic of Austria, is solely responsible for the information given in this First Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this First Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Terms defined or otherwise attributed meanings in the Prospectus have the same meaning in this First Supplement.

This First Supplement shall only be distributed in connection with and should only be read in conjunction with the Prospectus.

To the extent that there is any inconsistency between any statement in this First Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this First Supplement will prevail.

Save as disclosed in this First Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Prospectus.

The Issuer has confirmed to the Dealers that the Prospectus and this First Supplement contain all information with regard to the Issuer and the Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained therein with respect to the Issuer and the Notes is accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein with respect to the Issuer and the Notes are honestly held; that there are no other facts with respect to the Issuer or the Notes the omission of which would make the Prospectus and this First Supplement misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained therein.

No person has been authorised to give any information which is not contained in or not consistent with the Prospectus or this First Supplement or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuer, the Dealers or any of them.

To the extent permitted by the laws of any relevant jurisdiction, neither the Arranger nor any Dealer nor any other person mentioned in the Prospectus or this First Supplement, excluding the Issuer, is responsible for the information contained in the Prospectus or this First Supplement or any Final Terms or any other document incorporated therein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

The following changes are made to the Prospectus

1. The eighth paragraph of the right column of "Element B.13 - Recent events" under the heading "Summary – Section B – Issuer" on pages 11 to 13 of the Prospectus shall be deleted.
2. The following shall be inserted below the ninth paragraph of the right column of "Element B.13 – Recent events" under the heading "Summary – Section B – Issuer" on pages 11 to 13 of the Prospectus:

| | | |
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| | | <p>"On 10 October 2016, the KAF published the preliminary outcome, according to which the tender offers were accepted by the creditors with the majorities required under Sec. 2a (4) FinStaG. Moreover, the KAF published the official announcement of the outcome in accordance with Sec. 2a (4) FinStaG and the offers were executed with the value date of 12 October 2016. The Issuer accepted the repurchase offer on 30 September 2016 and opted for conversion into the zero coupon bond. The KAF has a repurchase obligation for such zero coupon bond during a period of 180 days starting on 1 December 2016 and will calculate and publish the relevant repurchase prices on a daily basis.</p> <p>For this reason, the existing risk provisions concerning the promissory note loan were reduced retroactively to approximately EUR 3 million as of 30 September 2016. Furthermore, the existing risk provisions concerning the liquidity to Pfandbriefbank were reduced from 50% to 12% (for already settled payments) respectively 15% (for future payments)."</p> |
|--|--|---|

3. The eighth paragraph of the right column of "Element B.13 – Letzte Ereignisse" under the heading "German Translation of the Summary" on pages 30 to 33 of the Prospectus shall be deleted.
4. The following shall be inserted below the ninth paragraph of the right column of "Element B.13 – Letzte Ereignisse" under the heading "German Translation of the Summary" on pages 30 to 33 of the Prospectus:

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|--|--|---|
| | | <p>"Am 10. Oktober 2016 hat der KAF die vorläufigen Ergebnisse veröffentlicht, wonach die Rückkaufangebote von den Gläubigern mit den gemäß § 2a (4) FinStaG erforderlichen Mehrheiten angenommen wurden. Außerdem hat der KAF die offizielle Ergebnisbekanntmachung gemäß § 2a (4) FinStaG veröffentlicht und die Abwicklung der Angebote erfolgte mit Valuta 12. Oktober 2016. Die Emittentin hat das Rückkaufangebot am 30. September 2016 angenommen und wählte den Umtausch in die Nullkuponanleihe. Für diese Nullkuponanleihe besteht während eines Zeitraumes von 180 Tagen beginnend ab dem 1. Dezember 2016 eine Rückkaufverpflichtung des KAF, der die jeweiligen Rückkaufpreise täglich berechnen und veröffentlichen wird.</p> <p>Aus diesem Grund wurde rückwirkend per 30. September</p> |
|--|--|---|

| | | |
|--|--|--|
| | | 2016 die bestehende Risikovorsorge betreffend des Schuldscheindarlehens auf ca. EUR 3 Mio. reduziert. Bezüglich der Liquiditätsbereitstellung für die Pfandbriefbank wurde die bestehende Risikovorsorge von 50% auf 12% (für getätigte Zahlungen) bzw. 15% (für künftige Zahlungen) reduziert." |
|--|--|--|

5. **The eighth paragraph of the section "If a member institution of the Pfandbriefstelle fails to meet its obligations towards Pfandbriefstelle and/or the Pfandbriefbank (Österreich) AG or if Pfandbriefbank (Österreich) AG fails to meet its obligations, this could have negative effects on the Issuer's assets, financial position and results of operations" under the heading "Risk Factors - Risk Factors regarding Hypo Landesbank Vorarlberg" on pages 58 and 59 of the Prospectus shall be deleted.**

6. **The following shall be inserted below the ninth paragraph of the section "If a member institution of the Pfandbriefstelle fails to meet its obligations towards Pfandbriefstelle and/or the Pfandbriefbank (Österreich) AG or if Pfandbriefbank (Österreich) AG fails to meet its obligations, this could have negative effects on the Issuer's assets, financial position and results of operations" under the heading "Risk Factors - Risk Factors regarding Hypo Landesbank Vorarlberg" on pages 58 and 59 of the Prospectus:**

"The Kärntner Ausgleichszahlungsfonds ("KAF") has published a tender offer (consisting of a cash offer and a conversion offer) for the HETA Notes which would result in such HETA Notes being sold to the KAF or converted into a zero coupon bond that can be resold to the KAF at a price that is calculated and published on a daily basis. The KAF has notified that the required majorities for acceptance have been reached.

For this reason, the existing risk provisions concerning the promissory note loan were reduced retroactively to approximately EUR 3 million as of 30 September 2016. Furthermore, the existing risk provisions concerning the liquidity to Pfandbriefbank were reduced from 50% to 12% (for already settled payments) respectively 15% (for future payments)."

7. **The ninth paragraph of the section "TREND INFORMATION" under the heading "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer" on pages 302 and 303 of the Prospectus shall be deleted.**

8. **The following shall be inserted below the tenth paragraph of the section "TREND INFORMATION" under the heading "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer" on pages 302 and 303 of the Prospectus:**

"On 10 October 2016, the KAF published the preliminary outcome, according to which the tender offers were accepted by the creditors with the majorities required under Sec. 2a (4) FinStaG. Moreover, the KAF published the official announcement of the outcome in accordance with Sec. 2a (4) FinStaG and the offers were executed with the value date of 12 October 2016. The Issuer accepted the repurchase offer on 30 September 2016 and opted for conversion into the zero coupon bond. The KAF has a repurchase obligation for such zero coupon bond during a period of 180 days starting on 1 December 2016 and will calculate and publish the relevant repurchase prices on a daily basis.

For this reason, the existing risk provisions concerning the promissory note loan were reduced retroactively to approximately EUR 3 million as of 30 September 2016. Furthermore, the existing risk provisions concerning the liquidity to Pfandbriefbank were reduced from 50% to 12% (for already settled payments) respectively 15% (for future payments)."

9. The eighth paragraph of the section "Debt moratorium at HETA" under the heading "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – RECENT DEVELOPMENTS AND OUTLOOK" on pages 310 and 311 of the Prospectus shall be deleted.

10. The following shall be inserted below the ninth paragraph of the section "Debt moratorium at HETA" under the heading "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – RECENT DEVELOPMENTS AND OUTLOOK" on pages 310 and 311 of the Prospectus:

"On 10 October 2016, the KAF published the preliminary outcome, according to which the tender offers were accepted by the creditors with the majorities required under Sec. 2a (4) FinStaG. Moreover, the KAF published the official announcement of the outcome in accordance with Sec. 2a (4) FinStaG and the offers were executed with the value date of 12 October 2016. The Issuer accepted the repurchase offer on 30 September 2016 and opted for conversion into the zero coupon bond. The KAF has a repurchase obligation for such zero coupon bond during a period of 180 days starting on 1 December 2016 and will calculate and publish the relevant repurchase prices on a daily basis.

For this reason, the existing risk provisions concerning the promissory note loan were reduced retroactively to approximately EUR 3 million as of 30 September 2016. Furthermore, the existing risk provisions concerning the liquidity to Pfandbriefbank were reduced from 50% to 12% (for already settled payments) respectively 15% (for future payments)."

ADDRESSES

Issuer

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Aktiengesellschaft
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Republic of Austria

Fiscal and Paying Agent

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Federal Republic of Germany

Austrian Fiscal Agent

(for Notes (including Pfandbriefe) in bearer form with an Austrian International Securities Identification Number (ISIN) for which OeKB acts as Clearing System)

Vorarlberger Landes- und Hypothekenbank
Aktiengesellschaft
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6900 Bregenz
Republic of Austria

Listing Agent in the Grand Duchy of Luxembourg

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Grand Duchy of Luxembourg