

QUARTERLY REPORT AS AT 30 June 2017

HYPO LANDESBANK VORARLBERG



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KEY FIGURES OF HYPO LANDESBANK VORARLBERG

Group reporting per IFRS:

in '000 EUR	(Notes)	30.06.2017	31.12.2016	Change in '000 EUR	Change in %
Total assets		14,164,936	13,324,387	840,549	6.3
Loans and advances to customers (L&R)		9,269,054	9,049,998	219,056	2.4
Amounts owed to customers (LAC)		5,404,687	5,282,097	122,590	2.3
Liabilities evidenced by certificates (LAC)	(12)	3,151,373	2,682,267	469,106	17.5
Own funds according to CRR	(20)	1,228,725	1,246,529	-17,804	-1.4
thereof Tier 1 capital	(20)	1,010,598	1,005,715	4,883	0.5
Total capital ratio according to CRR	(20)	16.32%	16.52%	-0.20%	-1.2

in '000 EUR	(Notes)	01.01.– 30.06.2017	01.01.– 30.06.2016	Change in '000 EUR	Change in %
Net interest income after loan loss provisions		85,835	87,881	-2,046	-2.3
Net fee and commission income	(3)	17,685	16,856	829	4.9
Net trading result (not including change in own credit risk)	(5)	9,890	1,195	8,695	>100.0
Administrative expenses	(6)	-50,594	-49,727	-867	1.7
Operating result before change in own credit risk		33,276	49,015	-15,739	-32.1
Earnings before taxes		34,519	28,879	5,640	19.5

Key figures	(Notes)	01.01.– 30.06.2017	01.01.– 30.06.2016	Change absolute	Change in %
Cost-Income-Ratio (CIR)		59.21%	59.95%	-0.75%	-1.2
Return on Equity (ROE)		6.40%	10.44%	-4.04%	-38.7
Employees	(17)	717	718	-1	-0.1

The shareholders of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (Hypo Landesbank Vorarlberg) as at 30 June 2017 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 Landesbank Vorarlberg: "A–" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. This makes us one of the best-rated banks in Austria. The Bank is currently rated "Baa1" by Moody's and this rating will remain in place for the time being.

GROUP MANAGEMENT REPORT IN ACCORDANCE WITH IFRS AS AT 30 JUNE 2017

BANKING ENVIRONMENT

Global economy and euro zone

After an impressive finish in the previous year, many investors continued to focus their attention on the USA after the New Year. On taking office, US President Trump made the first proposals for implementing his election promises, trying to use the momentum of the first 100 days. Sentiment indicators have since improved markedly. Surveys of purchasing managers in industrialised countries have suggested an optimistic outlook for the economy the like of which has not been seen for years. Although this optimism was not confirmed in the USA's GDP data from the first quarter of 2017, the Fed's Open Market Committee still expected a continued upturn and paved the way for further interest rate increases.

At the beginning of the year, the Executive Board of the European Central Bank (ECB) saw a strong rise in inflation, which has become somewhat more moderate since then. Since April 2017, the ECB has been reducing its monthly bond purchase volumes as planned. In the first half of the year, the European Union successfully overcame a number of political hurdles – including the Dutch and French elections – and was more united following Emmanuel Macron's victory. The euroscepticism seen in the previous year decreased significantly and financial markets also recovered as a result.

Austria

According to the latest flash estimate by the Austrian Institute of Economic Research (WIFO), Austria's economy grew by 0.8% quarter-on-quarter in the second quarter of 2017. GDP growth was driven primarily by stable consumer demand, rising corporate investments and dynamic exports. Industrial activity also picked up and value creation increased again in the construction sector. In the first half of the year, inflation remained at a stable level. In June 2017, inflation in Austria averaged 1.9% for the year.

Stock and bond markets

Stock markets continued their upward trend in the first half of 2017. The benchmark indices of many international stock exchanges increased to new all-time highs in some cases to the benefit of investors. Taking exchange rate developments into account, price gains in Europe were even slightly higher than overseas. The election results in the Netherlands, and particularly in France, provided relief on financial markets. In addition, the Fed's committee agreed to raise interest rates by 25 basis points in March and June respectively. The advance communication largely prevented negative effects on the market environment.

After the inflation rate in the euro area climbed to 2% in February, calls for a course correction at the ECB grew louder there. President Draghi did not heed these calls; however, it was not ruled out that the ECB Council could actually shift towards an early tightening of interest rates. But then another drop in commodity prices negatively affected inflation expectations. This made it difficult for ECB executives to turn away from their extremely expansionary monetary policy. As a result, money market and capital market rates remained at a low level. Yields did not pick up again until the end of the first half of 2017. This was due to positive economic news – especially in Europe – and the expectation that the European Central Bank could actually end its ultra-loose monetary policy in the medium term. This was also particularly due to Mario Draghi's remarks at the ECB's annual conference. But shortly after Draghi's speech, the central bank had to stress that interpreting this as a change in monetary policy on news channels would be unreasonable. At the time, the yield on 10-year German government bonds had climbed by more than 15 basis points at its highest level.

Commodities and currencies

Gold has posted a positive performance since the beginning of 2017 on a USD basis, unlike crude oil prices, which have fallen sharply due to excess supply. The weakening performance of the US dollar was an aggravating factor for euro investors. The price performance was equalised in the case of gold while the situation even worsened in the case of crude oil. The EU's single currency appreciated by around 7.50% against the US dollar, roughly 4% against the Japanese yen and just under 2% against the Swiss franc in the first six months of 2017.

BUSINESS PERFORMANCE

Income statement

As at 30 June 2017, Vorarlberger Landes- und Hypothekbank Aktiengesellschaft (hereinafter also referred to as Hypo Landesbank Vorarlberg) generated earnings before taxes of TEUR 34,519 (30 June 2016: TEUR 28,879).

The operating result before changes in the Bank's own credit risk was TEUR 33,726 in the first half of 2017, considerably below the result in the same period of the previous year (30 June 2016: TEUR 49,015).

While the high inflow of liquidity reflects full confidence among customers, the ECB's policy of negative interest rates had a clear impact on Hypo Landesbank Vorarlberg's net interest income. Net interest income of TEUR 81,497 was generated in the first half of 2017 (30 June 2016: TEUR 84,903). In the first half of 2017 valuation allowances were reversed which resulted in positive risk costs of TEUR 4,338 as at 30 June 2017. Net interest income after loan loss provisions decreased from TEUR 87,881 in the previous year to TEUR 85,835 (-2.3%). The Bank recognised sufficient provisions for all identifiable risks.

Hypo Landesbank Vorarlberg's net fee and commission income developed positively in the first six months of 2017. Net fee and commission income amounted to TEUR 17,685 as at 30 June 2017 and thus increased by 4.9% (2016: TEUR 16,856). The net trading result climbed from TEUR 1,195 to TEUR 9,890, which is primarily attributable to measurement effects.

The headcount of 717 employees (full-time equivalents) was down 0.7% compared with the previous year. Staff costs decreased slightly from TEUR 30,793 to TEUR 30,478. At TEUR 17,254, material expenses were likewise up on the level of the same quarter in the previous year (TEUR 16,194). Total administrative expenses in the first half of 2017 amounted to TEUR 50,594 and were therefore 1.7% higher than in the same period of the previous year (30 June 2016: TEUR 49,727).

The negative net result from equity consolidation is attributable to a partial write-down of the investment in HYPO EQUITY Unternehmensbeteiligungen AG (HUBAG) in the first quarter.

Adjusted for taxes, Hypo Landesbank Vorarlberg reported consolidated net income of TEUR 23,887 as at 30 June 2017 (30 June 2016: TEUR 21,566).

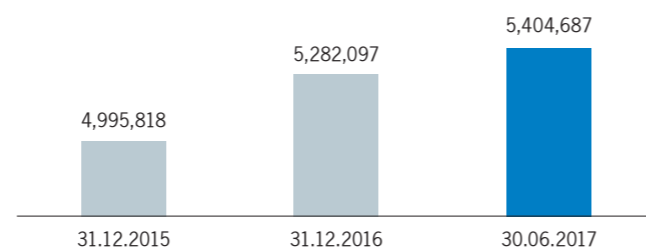
The CIR of 59.21% and the total capital ratio of 16.32% serve to underline the fact that Hypo Landesbank Vorarlberg is a healthy, successful and efficient bank.

Balance sheet development

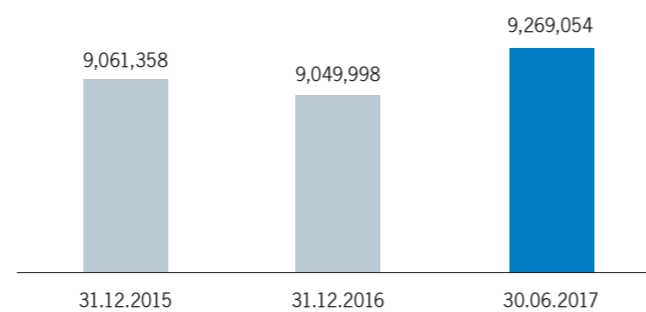
Total consolidated assets increased by 6.3% to TEUR 14,164,936 in the first half of 2017 (31 December 2016: TEUR 13,324,387). Of this amount, TEUR 9,269,054 was attributable to loans and advances to customers, up 2.4% as against the figure as at 31 December 2016. There was also a 2.3% rise in liabilities to customers from TEUR 5,282,097 to TEUR 5,404,687.

Financial liabilities designated at fair value declined by 16.9% to TEUR 2,349,103 as at 30 June 2017 (31 December 2016: TEUR 2,826,384).

Development of liabilities to customers (in '000 EUR)



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



Own funds

The paid-in capital of Hypo Landesbank Vorarlberg amounted to TEUR 165,453. Own funds totalled TEUR 1,228,725 as at 30 June 2017 (31 December 2016: TEUR 1,246,529). The total capital ratio is 16.32% (31 December 2016: 16.52%). With a Tier 1 capital (T1) ratio of 13.42% (31 December 2016: 13.33%) and a Common Equity Tier 1 (CET 1) ratio of 13.29% (31 December 2016: 13.21%), Hypo Landesbank Vorarlberg already fulfils the highest level of the Basel III standards applicable since 1 January 2014. These figures are comfortable in light of the risk profile.

The Managing Board continues to pay particular attention to strengthening the Bank's capital adequacy 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 Vorarlberg was also linked, the FMA examined the Bank's offshore business as part of a special investigation. At the end of April 2016, the Vorarlberg SPÖ political party also called for an inquiry board to investigate, which the Managing Board and Supervisory Board of the Bank felt to be an inappropriate means of addressing this issue. After the committee was curtailed due to a lack of significant findings, a final report was issued and supplemented by minority reports from individual parties in early 2017.

The former Chairman of the Managing Board, Michael Grammer, announced his resignation in April 2016 and left the Bank at the end of 2016 in response to the media's prejudgement. Chief Risk Officer Michel Haller was appointed as the designated Chairman of the Managing Board by the Supervisory Board in August 2016 and assumed his new role as of 1 January 2017. Wilfried Amann was appointed as a new member of the Bank's Managing Board.

Hypo Vorarlberg has already been gradually reducing the number of accounts for non-operative offshore companies in recent years. The low level of income attributable to these business relationships means that this change will not have a material impact on Hypo Vorarlberg's profitability. Following on from the debate concerning the Panama Papers, the Managing Board adjusted the strategy and business activities with offshore clients together with the shareholders of the Bank.

Rating of Hypo Landesbank Vorarlberg

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

DEVELOPMENT BY SEGMENT

Corporate Customers/Public Sector

As the leading corporate bank in Vorarlberg, Hypo Landesbank Vorarlberg offers its customers a broad mix of financing and investment solutions. The financing portfolio is rounded off by international services and expert consulting on funding programmes. Through its subsidiaries, the Bank supports its customers with leasing, insurance and real estate services.

The Corporate Customer business developed stably in the first half of 2017. Despite conservative measurement in the lending business, risk costs are low and point to the excellent condition of companies in the Bank's market areas. Although many companies and businesses are still very cautious about new investments, the lending volume has been kept stable on the various markets.

In the second quarter, Hypo Landesbank Vorarlberg introduced a pioneering new application: "Hypo Office Banking" (HOB). It is thus the first Austrian bank to provide an international, multi-bank online payment transaction application for businesses. HOB is based on the EBICS standard and will enable companies to manage all their national and international accounts in one web-based system.

In the first half of the year, Hypo Landesbank Vorarlberg achieved a pleasing earnings and volume performance across all markets in the Corporate Customers segment. Net interest income amounted to TEUR 45,589 in the first half of 2017, a slight increase year-on-year (2016: TEUR 44,446). In addition, net fee and commission income amounted to TEUR 6,359, up against the figure as at 30 June 2016 (TEUR 6,001).

Although risk costs were slightly higher than in the previous year, they still remained comparably low. Overall, the Corporate Customers segment generated earnings before taxes of TEUR 40,367 as at 30 June 2017 (2016: TEUR 35,242), up 14.5%.

Private Customers

In its Private Customer business, Hypo Landesbank Vorarlberg is synonymous with advisory services of the highest quality. Personal customer relationships and consulting continue to be the focus – especially in residential construction financing and demanding investments.

Long-term financing for the creation of housing is in high demand in the Private Customers segment. Both the number of financing arrangements concluded and the average financing amounts are rising continuously. At the same time, customer requirements are becoming increasingly individual: Hypo Landesbank Vorarlberg is responding with innovative solutions, including the Hypo-Lebenswert-Kredit and the Hypo-Lebenszeit-Kredit. Energy-saving investments are supported with the Hypo-Klimakredit, as there is no processing fee and customers benefit from a reduced charge in the first few years. Due to low interest rates, the demand for long-term interest rate fixing is very high. This is why the Bank is giving its borrowers the opportunity to fix interest rates for up to 15 years. In the area of financing, the level of unscheduled repayments remains high.

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

Due to the advancement of digitalisation and changing customer requirements, the Bank is continuously expanding its digital service range. The aim is to connect existing branches with the digital world in a way that enables customers to benefit from optimum interaction between technology and people. The Managing Board remains confident that personal consulting will remain indispensable in future – especially for high-volume financing or extensive investments.

Despite substantial challenges – low and negative interest rates, extensive regulations and strong competition – Hypo Landesbank Vorarlberg achieved solid net fee and commission income in the Private Customers segment of TEUR 8,983 as at 30 June 2017 (2016: TEUR 8,668). Net interest income amounted to TEUR 15,570 and thus decreased year-on-year (2016: TEUR 17,878). Administrative and other expenses increased significantly compared to previous years due to high project and investment costs. These include investments in digital development and payments to the deposit protection fund and the single resolution fund. The low interest level is also having an effect, as the Bank currently pays negative interest on its investments with the ECB. Overall, the Private Customers segment generated earnings before taxes of TEUR 1,115 in the period under review (2016: TEUR 3,185).

Private Banking and Asset Management

In Private Banking and Wealth Management, Hypo Landesbank Vorarlberg supports its customers and attaches importance to long-standing and trusting relationships. As sparring partners for the customers, advisors listen to them and take time in order to gain the trust and understanding required for long-term and robust investment concepts. Excellent service, high-quality advice and attentiveness when handling the wealth entrusted to us result in valuable recommendations by customers.

Customer demand for asset management strategies and investment products is growing because of the economically and politically challenging environment. The regular adjustment of the portfolio via the specially designed “Hypo Vermögensoptimierung“, which is an asset optimisation process, gives both private and corporate investors the security of investing in line with the market environment. A large number of asset classes allows for flexible investing and for target returns to be achieved on a risk-optimised basis. On this basis, the Bank will continue expanding Wealth Management, which is the top segment of its investment business.

The assets managed by Asset Management totalled TEUR 873,569 as at 30 June 2017. The number of mandates managed was 2,927.

International performance standards in Asset Management

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

Financial Markets/Treasury

The markets achieved a pleasing performance in the first half of 2017. No political risks emerged as feared in some cases. From a European perspective, the results of the French election were surprisingly positive and further boosted the euro and stock and credit markets. The expansionary monetary policy of central banks fuelled the recovery of European economies and the development of financial markets.

Overall, the first half of 2017 was very positive for the Financial Markets division. In addition, various projects in this area (Green Bond, synthetic securitisation) are making good progress and are expected to be completed in 2017 as planned.

Roughly TEUR 297,000 was invested in bonds by ALM/Investment in the first half of 2017. The weighted remaining term of these new investments is 5.3 years. The total volume of nostro bonds as at 30 June 2017 amounted to TEUR 2,634,000.

In the reporting period, Hypo Landesbank Vorarlberg carried out 19 new issues with a total volume of around TEUR 1,100,000, including 11 private placements, two promissory note loans, four retail issues, a benchmark mortgage covered bond of EUR 500 million and a retained covered bond in the amount of EUR 500 million, which was issued as security for the central bank refinancing and for which there was no flow of liquidity.

Hypo Landesbank Vorarlberg's readily accessible short-term liquidity is deliberately at a high level. After the first six months of the year, liquidity increased to just under TEUR 1,200,000 overall. The largest transaction in the first half of the year was the participation in TLTRO II in the amount of TEUR 750,000. Although a high level of liquidity is desirable in light of the significant maturities until the autumn of 2017, negative interest rates will result in substantial costs. Trading in foreign exchange and interest rate derivatives has been relatively muted over the year so far.

Securities sales in the branches amounted to around TEUR 567,000 in the first half of 2017, up by around 31.55% as

against the first six months of 2016. Interest in bonds is limited on account of the low level of yields, with investors tending to focus more on shares, certificates and warrants.

In the first half of 2017, the volume under management in Fund Service grew from TEUR 6,918,000 to TEUR 7,090,000 as against the first half of 2016. This represents growth of 2.48%. In the first half of 2017, two new public funds were launched and additional special fund mandates were acquired, which the Bank will take on at the end of the fourth quarter of 2017.

As at 30 June 2017, Hypo Landesbank Vorarlberg managed a total of 894 swaps, 134 interest options and eight currency options with a nominal volume of around TEUR 9,972,000. Cash collateral at partner banks amounted to TEUR 34,400.

Overall, the Financial Markets segment generated earnings before taxes of TEUR 3,856 as at 30 June 2017. The negative figure in the first half of 2016 (TEUR –21,448) was primarily due to remeasurement effects. The further development of the business area in 2017 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.

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

The area of property appraisal is being expanded further, particularly in Vienna. Since the end of 2015, the Vienna team of Hypo Immobilien & Leasing GmbH has been based in the Zacherlhaus building together with the Bank. The team in Vienna is now supported by a dedicated real estate broker.

Hypo Vorarlberg Leasing AG is a subsidiary of Hypo Landesbank Vorarlberg. The company has its head office in Bolzano and has branch offices in Como and Treviso. Hypo Vorarlberg Leasing develops leasing solutions, particularly in the real estate, renewable energy and municipality sectors. It offers its products and services on the Northern Italian market.

The Corporate Centre generated earnings before taxes of TEUR –10,819 as at 30 June 2017 (2016: TEUR 11,900). The negative net result from equity consolidation is attributable to a partial write-down of the investment in HYPO EQUITY Unternehmensbeteiligungen AG (HUBAG) in the first quarter.

OUTLOOK

Economic environment

According to WIFO, Austria's GDP grew by 0.8% year-on-year in the second quarter of 2017. As a result, it sustained the strong momentum achieved in the first quarter. Growth is broad-based and gaining momentum from both Austria and abroad. The Austrian Economic Chamber (WKO) anticipates GDP growth totaling 2.4% for 2017 as a whole.

The inflation rate in Austria was still above the average for the euro area and is set to rise to 1.8% in 2017 according to the WKO's estimates, causing gross income per capita to stagnate in real terms. WKO anticipates an inflation rate of 1.6% for 2018.

Focus areas for 2017

The new Managing Board will continue to pursue Hypo Landesbank Vorarlberg's established, broad-based business model, although the economic and legal environment is bringing about a change in thinking throughout the entire banking industry. New regulations require banks to build up additional equity and secure a cost-optimal liquidity supply, while costs are rising steadily. Low and negative interest rates and new technological challenges for banks and their services are also bringing about changes. To ensure the profitability of Hypo Landesbank Vorarlberg in the long term, growth markets outside our home market of Vorarlberg are to be expanded in particular.

A project has been implemented in cooperation with a consulting agency in order to strengthen the brand's profile. The results will be implemented comprehensively at the Bank and its subsidiaries over the course of 2017.

In its corporate customer business, Hypo Landesbank Vorarlberg is a recognised partner for medium-sized and large companies in Austria, Southern Germany and Eastern Switzerland. The Bank will continue to supply its business customers with financing in the future. However, the Managing Board expects to see weaker demand for credit in the second half of 2017 than in previous years. Persistently low risk costs are anticipated on account of the solid economic situation of companies in the Bank's market areas. Customer proximity and high-quality consulting form the basis for all business relationships; at the same time, the digital service range is being further expanded.

As a result of its consulting-intensive services, Hypo Landesbank Vorarlberg also stands out in the Private Customers segment. Its customers benefit from individual solutions in residential construction financing and for securities transactions including asset management. The Bank is still expecting high demand in the financing sector, especially for the creation of housing.

In Private Banking and Asset Management, Hypo Landesbank Vorarlberg has developed an excellent reputation for itself in

recent years. Building on this, the Wealth Management division will be advanced further and the product range will be expanded with new asset management strategies adapted to the market conditions. In its investment business, the Bank's primary objective is to conserve its customers' wealth in real terms.

Digitalisation and changing customer behaviour require not only new products, but also new business models. For this reason, Hypo Landesbank Vorarlberg has set itself the aim of connecting the existing branches with new technology in a way that enables customers to benefit from optimum interaction. Personal consulting will remain indispensable in the future – especially in the areas of major financing and extensive investments. For this reason, consulting expertise and training will be key issues in 2017 and beyond. The Bank remains clearly committed to its branches as an important sales channel. In order to provide flexibility and the highest possible level of service – and also as a sign of appreciation towards its customers – the Bank has increased field services and appointments outside of regular business hours.

The online service range is being expanded on an ongoing basis. Customers are to be able to buy products online for the first time in the second half of 2017. The new online banking system launched in autumn 2016 is also regularly updated with new functions.

Expected earnings development in 2017

Hypo Landesbank Vorarlberg continues to pursue cautious risk and accounting policies and will make corresponding additions to loan loss provisions.

The Managing Board has always paid particular attention to a sustainable liquidity policy. The Bank thus holds extensive liquidity reserves to allow the lending volume to further expand organically, meaning that a broad stabilisation of net interest income can be expected, albeit on a lower level than in the last few years. The Managing Board expects net fee and commission income to stabilise in 2017. Interest-related business will remain a stable pillar of the Bank's earnings development in 2017, but is expected to decline on account of the low/negative interest rate policy.

The majority of state guarantees expire in September 2017 and higher volumes will become due for repayment. In view of these maturities, pre-funding has already been carried out in recent years or outstanding issues prematurely bought back from the market. The remaining volume is being replaced in the course of new issuing activity and refinancing via the ECB (TLTRO).

Operating expenses will rise moderately while staff costs are also expected to slightly decrease. In 2017, the Bank also makes high investments to further expand its digital service range in addition to a project to increase efficiency and the implementation of a new brand profile at all locations, resulting in a rise in costs. The costs for the deposit protection fund and the single resolution fund are still high. The revision of the stability fee led to a very high advance payment in 2016. Ongoing payments will be lower as of 2017, which will have less of an impact on Hypo Landesbank Vorarlberg's earnings in the future overall.

The Bank's performance in the first half of 2017 was satisfactory overall. The Managing Board is confident of achieving the anticipated earnings, which will nevertheless be much lower than the previous year's. The known economic and domestic political events require increased vigilance.

DISCLAIMER: The centralised portfolio management of Vorarlberger Landes- und Hypothekbank Aktiengesellschaft having registered offices in Bregenz qualifies as a firm within the meaning of the Global Investment Performance Standards (GIPS®). The firm comprises all asset management mandates of private and institutional customers as well as public funds that are managed in the

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS AT 30 JUNE 2017

I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY TO 30 JUNE 2017

Income statement

in '000 EUR	(Notes)	01.01.– 30.06.2017	01.01.– 30.06.2016	Change in '000 EUR	Change in %
Interest and similar income		125,584	131,137	-5,553	-4.2
Interest and similar expenses		-44,087	-46,234	2,147	-4.6
Net interest income	(2)	81,497	84,903	-3,406	-4.0
Loan loss provisions		4,338	2,978	1,360	45.7
Net interest income after loan loss provisions		85,835	87,881	-2,046	-2.3
Fee and commission income		19,278	18,330	948	5.2
Fee and commission expenses		-1,593	-1,474	-119	8.1
Net fee and commission income	(3)	17,685	16,856	829	4.9
Net result on hedge accounting	(4)	-362	2,896	-3,258	-
Net trading result (not including change in own credit risk)	(5)	9,890	1,195	8,695	>100.0
Net result from other financial instruments		624	3,253	-2,629	-80.8
Administrative expenses	(6)	-50,594	-49,727	-867	1.7
Other income		10,992	9,048	1,944	21.5
Other expenses		-18,974	-24,281	5,307	-21.9
Result from equity consolidation*		-21,820	1,894	-23,714	-
Operating result before change in own credit risk		33,276	49,015	-15,739	-32.1
Result from change in own credit risk		1,243	-20,136	21,379	-
Earnings before taxes		34,519	28,879	5,640	19.5
Taxes on income		-10,632	-7,313	-3,319	45.4
Consolidated net income		23,887	21,566	2,321	10.8
Of which attributable to:					
Parent company shareholders		23,882	21,561	2,321	10.8
Non-controlling interests		5	5	0	0.0

* The negative net result from equity consolidation is attributable to a partial write-down of the investment in HYPO EQUITY Unternehmensbeteiligungen AG (HUBAG) in the first quarter.

Statement of comprehensive income

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016	Change in '000 EUR	Change in %
Consolidated net income	23,887	21,566	2,321	10.8
Items which can be reclassified to consolidated net income				
Changes to foreign currency translation reserve	-14	11	-25	-
Changes to AFS revaluation reserve	-340	-2,319	1,979	-85.3
of which changes in measurement	-210	-2,554	2,344	-91.8
of which changes in holdings	-244	-538	294	-54.6
of which income tax effects	114	773	-659	-85.3
Total items which can be reclassified to consolidated net income	-354	-2,308	1,954	-84.7
Items which cannot be reclassified to consolidated net income				
Changes to IAS 19 revaluation reserve	40	-81	121	-
of which changes in measurement	55	-117	172	-
of which income tax effects	-15	36	-51	-
Total items which cannot be reclassified to consolidated net income	40	-81	121	-
Other income after taxes	-314	-2,389	2,075	-86.9
Total comprehensive income	23,573	19,177	4,396	22.9
Of which attributable to:				
Parent company shareholders	23,568	19,172	4,396	22.9
Non-controlling interests	5	5	0	0.0

II. BALANCE SHEET DATED 30 JUNE 2017

Assets

in '000 EUR	(Notes)	30.06.2017	31.12.2016	Change in '000 EUR	Change in %
Cash and balances with central banks		1,183,841	338,000	845,841	>100.0
Loans and advances to banks		544,557	575,289	-30,732	-5.3
Loans and advances to customers		9,269,054	9,049,998	219,056	2.4
Positive market values of hedges	(7)	72,855	98,811	-25,956	-26.3
Trading assets and derivatives	(8)	265,416	309,314	-43,898	-14.2
Financial assets – designated at fair value	(9)	757,623	802,208	-44,585	-5.6
Financial assets – available for sale	(10)	719,631	769,093	-49,462	-6.4
Financial assets – held to maturity	(11)	1,082,544	1,103,893	-21,349	-1.9
Shares in companies valued at equity		11,152	34,750	-23,598	-67.9
Investment property		61,860	59,158	2,702	4.6
Intangible assets		2,019	2,011	8	0.4
Property, plant and equipment		73,678	74,912	-1,234	-1.6
Tax assets		338	824	-486	-59.0
Deferred tax assets		9,174	9,198	-24	-0.3
Other assets		111,194	96,928	14,266	14.7
Total Assets		14,164,936	13,324,387	840,549	6.3

Liabilities and shareholders' equity

in '000 EUR	(Notes)	30.06.2017	31.12.2016	Change in '000 EUR	Change in %
Amounts owed to banks		1,334,443	560,377	774,066	>100.0
Amounts owed to customers		5,404,687	5,282,097	122,590	2.3
Liabilities evidenced by certificates	(12)	3,151,373	2,682,267	469,106	17.5
Negative market values of hedges	(7, 13)	130,916	146,847	-15,931	-10.8
Trading liabilities and derivatives	(8, 14)	199,185	233,043	-33,858	-14.5
Financial liabilities – designated at fair value	(15)	2,349,103	2,826,384	-477,281	-16.9
Provisions		46,442	49,257	-2,815	-5.7
Tax liabilities		11,767	19,521	-7,754	-39.7
Deferred tax liabilities		4,961	2,678	2,283	85.3
Other liabilities		76,440	77,962	-1,522	-2.0
Subordinated capital		391,069	389,015	2,054	0.5
Shareholders' equity		1,064,550	1,054,939	9,611	0.9
Of which attributable to:					
Parent company shareholders		1,064,507	1,054,901	9,606	0.9
Non-controlling interests		43	38	5	13.2
Total Liabilities and shareholder's equity		14,164,936	13,324,387	840,549	6.3

III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revalua- tion reserve	Reserves from currency transla- tion	Total parent company share- holders	Non- control- ling inte- rests	Total Sharehol- ders' equity
Balance 1 January 2016	165,453	48,874	747,606	7,162	-2	969,093	48	969,141
Consolidated net income	0	0	21,561	0	0	21,561	5	21,566
Other income	0	0	10	-2,398	-1	-2,389	0	-2,389
Comprehensive income 2016	0	0	21,571	-2,398	-1	19,172	5	19,177
Other changes	0	0	-138	0	0	-138	0	-138
Dividends	0	0	-3,488	0	0	-3,488	0	-3,488
Balance 30 June 2016	165,453	48,874	765,551	4,764	-3	984,639	53	984,692

Balance 1 January 2017	165,453	48,874	832,026	8,548	0	1,054,901	38	1,054,939
Consolidated net income	0	0	23,882	0	0	23,882	5	23,887
Other income	0	0	-14	-300	0	-314	0	-314
Comprehensive income 2017	0	0	23,868	-300	0	23,568	5	23,573
Other changes	0	0	-264	0	0	-264	0	-264
Dividends	0	0	-13,698	0	0	-13,698	0	-13,698
Balance 30 June 2017	165,453	48,874	841,932	8,248	0	1,064,507	43	1,064,550

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

IV. CONDENSED CASH FLOW STATEMENT

Cashflows from operating activities

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Consolidated net income	23,887	21,566
Non-cash items included in consolidated net income	-56,943	11,440
Change in assets from operating activities	-211,129	37,043
Change in liabilities from operating activities	953,537	-202,808
Interest received	108,734	110,364
Interest paid	-45,965	-70,135
Income tax paid	-16,347	-18,300
Cash flows from operating activities	755,774	-110,830

Cashflows from investing activities

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Cash inflow from the sale/repayment of Financial instruments		
Financial instruments	282,683	226,379
Property, plant and equipment and intangible assets	1,333	750
Subsidiaries	3,402	0
Financial instruments	-209,713	-172,560
Property, plant and equipment and intangible assets	-1,070	-5,548
Interest received	26,357	26,439
Dividends and profit distributions received	781	2,476
Cash flows from investing activities	103,773	77,936

Cashflows from financing activities

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Cash changes in subordinated capital	688	8,397
Dividends	-13,698	-3,488
Interest paid	-696	-201
Cash flows from financing activities	-13,706	4,708

Reconciliation to cash and balances with central banks

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Cash and balances with central banks at 1 January	338,000	712,491
Cash flows from operating activities	755,774	-110,830
Cash flows from investing activities	103,773	77,936
Cash flows from financing activities	-13,706	4,708
Cash and balances with central banks at 30 June	1,183,841	684,305

V. NOTES

A. ACCOUNTING POLICIES

(1) GENERAL INFORMATION

The same accounting standards observed in preparing the consolidated annual financial statements dated 31 December 2016 were applied to the consolidated interim financial 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.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(2) NET INTEREST INCOME

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Income from cash and balances with central banks	-591	-635
Income from loans and advances to banks	2,613	4,269
Income from loans and advances to customers	70,348	78,397
Income from leasing business	10,768	11,842
Income from hedging instruments	14,426	11,852
Income from derivatives, other	10,650	6,763
Income from debt securities	16,590	16,174
Income from shares	298	644
Income from investments in associated companies	400	0
Income from investments, other	82	1,831
Interest and similar income	125,584	131,137
Expenses from amounts owed to banks	-455	-1,030
Expenses from amounts owed to customers	-9,925	-17,206
Expenses from liabilities evidenced by certificates	-14,943	-14,360
Expenses from hedging instruments	-18,001	-18,223
Expenses from derivatives, other	-355	-318
Expenses from liabilities designated AFV	3,587	8,670
Expenses from supplementary capital	-3,995	-3,767
Interest and similar expenses	-44,087	-46,234
Net interest income	81,497	84,903

(3) NET FEE AND COMMISSION INCOME

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Lending and leasing business	2,551	2,346
Securities business	8,154	7,750
Giro and payment transactions	6,056	5,968
Other service business	2,517	2,266
Fee and commission income	19,278	18,330

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Lending and leasing business	-425	-306
Securities business	-591	-580
Giro and payment transactions	-563	-577
Other service business	-14	-11
Fee and commission expenses	-1,593	-1,474

(4) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Adjustment to loans and advances to banks	-2,092	8,531
Adjustment to loans and advances to customers	-7,817	20,225
Adjustment to financial instruments available for sale	-8,287	9,550
Adjustment to liabilities to banks	170	-426
Adjustment to liabilities to customers	5,191	-17,987
Adjustment to securitised liabilities	20,396	-51,330
Adjustment to subordinated capital	1,933	-5,617
Net result from adjustment to underlying transactions from hedging	9,494	-37,054
Measurement of hedging instruments for loans and advances to banks	1,976	-7,888
Measurement of hedging instruments for loans and advances to customers	8,556	-21,011
Measurement of hedging instruments for available for sale financial instruments	8,585	-9,896
Measurement of hedging instruments for liabilities to banks	-177	438
Measurement of hedging instruments for liabilities to customers	-5,522	19,339
Measurement of hedging instruments for securitised liabilities	-21,016	52,627
Measurement of hedging instruments for subordinated capital	-2,258	6,341
Net result of the measurement of hedging instruments	-9,856	39,950
Net result on hedge accounting	-362	2,896

(5) NET TRADING RESULT (NOT INCLUDING CHANGE IN OWN CREDIT RISK)

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Trading results	4,279	808
Result from the valuation of financial instruments – HFT	-52	-55
Result from the valuation of derivatives	-31,086	-11,708
Result from the valuation of financial instruments – AFV	36,749	12,150
Net trading result (not including change in own credit risk)	9,890	1,195

(6) ADMINISTRATIVE EXPENSES

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

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Staff costs	-30,478	-30,793
Material expenses	-17,254	-16,194
Depreciation/amortisation of property, plant and equipment and intangible assets	-2,862	-2,740
Administrative expenses	-50,594	-49,727

Of which staff costs

in '000 EUR	01.01.– 30.06.2017	01.01.– 30.06.2016
Wages and salaries	-23,150	-22,925
Statutory social security contributions	-6,045	-5,946
Voluntary social benefits	-688	-697
Expenses for retirement benefits	-615	-1,213
Social capital	20	-12
Staff costs	-30,478	-30,793

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

in '000 EUR	30.06.2017	31.12.2016
Positive market values of fair value hedges	62,135	81,664
Deferred interest on derivative hedges	10,720	17,147
Positive market values of hedges	72,855	98,811

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

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	4,452,631	3,833,147
Cross currency swaps	192,359	195,006
Interest rate derivatives	4,644,990	4,028,153
Derivatives	4,644,990	4,028,153

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

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	60,932	80,796
Cross currency swaps	1,203	868
Interest rate derivatives	62,135	81,664
Derivatives	62,135	81,664

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

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

in '000 EUR	30.06.2017	31.12.2016
Investment certificates	663	661
Positive market values of derivative financial instruments	221,033	271,093
Deferred interest	43,720	37,560
Trading assets and derivatives	265,416	309,314

Nominal values from derivatives – breakdown by type of business

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	3,816,758	4,015,900
Cross currency swaps	1,289,916	1,283,800
Interest rate options	215,446	230,273
Interest rate derivatives	5,322,120	5,529,973
FX forward transactions	287,028	291,676
FX swaps	142,091	238,380
FX options	4,784	3,161
Currency derivatives	433,903	533,217
Derivatives	5,756,023	6,063,190

Positive market values from derivatives – breakdown by type of business

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	165,701	220,582
Cross currency swaps	49,251	44,269
Interest rate options	1,962	2,345
Interest rate derivatives	216,914	267,196
FX forward transactions	3,813	2,994
FX swaps	183	727
FX options	123	176
Currency derivatives	4,119	3,897
Derivatives	221,033	271,093

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

in '000 EUR	30.06.2017	31.12.2016
Debt securities of public issuers	188,126	190,524
Debt securities of other issuers	132,063	142,843
Investment certificates	2,769	2,770
Other equity interests	0	5,410
Loans and advances to customers	429,277	454,932
Deferred interest	5,388	5,729
Financial assets – at fair value	757,623	802,208

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

in '000 EUR	30.06.2017	31.12.2016
Debt securities of public issuers	339,306	329,611
Debt securities of other issuers	336,319	391,179
Shares	110	110
Investment certificates	5,365	5,835
Other equity interests	19,833	19,913
Deferred interest	7,684	11,209
Other equity investments	10,986	11,208
Other investments in affiliated companies	28	28
Financial assets – available for sale	719,631	769,093

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

in '000 EUR	30.06.2017	31.12.2016
Debt securities of public issuers	271,754	282,147
Debt securities of other issuers	800,679	795,733
Supplementary capital of other issuers	0	10,000
Deferred interest	10,111	16,013
Financial assets – held to maturity	1,082,544	1,103,893

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

in '000 EUR	30.06.2017	31.12.2016
Mortgage bonds	1,610,119	1,127,574
Municipal bonds	41,192	42,470
Medium-term fixed-rate notes	1,498	1,827
Bonds	1,287,171	1,260,247
Housing construction bonds	27,524	57,176
Bonds issued by Pfandbriefbank	175,893	175,876
Deferred interest	7,976	17,097
Liabilities evidenced by certificates	3,151,373	2,682,267

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

in '000 EUR	30.06.2017	31.12.2016
Negative market values of fair value hedges	119,901	130,969
Deferred interest on derivative hedging instruments	11,015	15,878
Negative market values of hedges	130,916	146,847

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

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	90,715	96,764
Cross currency swaps	29,186	34,205
Interest rate derivatives	119,901	130,969
Derivatives	119,901	130,969

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

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

in '000 EUR	30.06.2017	31.12.2016
Negative market values of derivative financial instruments	193,841	228,421
Deferred interest	5,344	4,622
Trading liabilities and derivatives	199,185	233,043

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

in '000 EUR	30.06.2017	31.12.2016
Interest rate swaps	114,164	134,705
Cross currency swaps	74,340	88,626
Interest rate options	1,626	1,903
Interest rate derivatives	190,130	225,234
FX forward transactions	3,362	2,570
FX swaps	226	441
FX options	123	176
Currency derivatives	3,711	3,187
Derivatives	193,841	228,421

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

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

in '000 EUR	30.06.2017	31.12.2016
Amounts owed to banks at fair value	149,674	149,837
Amounts owed to customers at fair value	482,490	559,628
Mortgage bonds at fair value	25,584	26,206
Municipal bonds at fair value	714,190	734,990
Bonds at fair value	641,607	1,025,826
Housing construction bonds at fair value	199,383	199,672
Bonds issued by Pfandbriefbank at fair value	39,206	40,189
Supplementary capital at fair value	56,871	55,633
Deferred interest	40,098	34,403
Financial liabilities at fair value	2,349,103	2,826,384

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

in '000 EUR	30.06.2017	31.12.2016
Liabilities from financial guarantees	381,402	318,242
Other contingent liabilities	23,072	29,054
Contingent liabilities	404,474	347,296

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

in '000 EUR	30.06.2017	31.12.2016
Credit commitments and unutilised credit lines	1,918,597	1,836,215
Credit risks	1,918,597	1,836,215

(17) HUMAN RESOURCES

	01.01.– 30.06.2017	01.01.– 30.06.2016
Full-time salaried staff	620	625
Part-time salaried staff	86	85
Apprentices	9	6
Full-time other employees	2	2
Average number of employees	717	718

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

in '000 EUR 31.12.2016	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	97,487	1,324	98,811
Trading assets and derivatives	661	251,026	57,627	309,314
Financial assets – at fair value	71,713	571,374	159,121	802,208
Financial assets – available for sale	714,900	0	54,193	769,093
Total assets	787,274	919,887	272,265	1,979,426
Reclassification of assets from levels 2 and 3 to level 1	7,500	-7,500	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	171,149	-171,149	0
Derivative hedging instruments	0	136,488	10,359	146,847
Trading liabilities and derivatives	0	220,083	12,960	233,043
Financial liabilities – at fair value	428,047	683,453	1,714,884	2,826,384
Total liabilities	428,047	1,040,024	1,738,203	3,206,274
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	-361,059	365,444	-4,385	0

in '000 EUR 30.06.2017	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	67,125	5,730	72,855
Trading assets and derivatives	663	217,946	46,807	265,416
Financial assets – at fair value	82,292	534,990	140,341	757,623
Financial assets – available for sale	660,946	5,029	53,656	719,631
Total assets	743,901	825,090	246,534	1,815,525
Reclassification of assets from levels 2 and 3 to level 1	13,524	-13,524	0	0
Reclassification of assets from levels 1 and 3 to level 2	0	0	0	0
Derivative hedging instruments	0	111,205	19,711	130,916
Trading liabilities and derivatives	0	170,354	28,831	199,185
Financial liabilities – at fair value	417,399	320,704	1,611,000	2,349,103
Total liabilities	417,399	602,263	1,659,542	2,679,204
Reclassification of liabilities from levels 2 and 3 to level 1	0	0	0	0
Reclassification of liabilities from levels 1 and 3 to level 2	0	0	0	0

Fair value hierarchy for financial assets – breakdown by class

in '000 EUR	Level 1	Level 2	Level 3	Total
31.12.2016				
Interest rate swaps	0	96,901	1,277	98,178
Cross currency swaps	0	586	47	633
Derivative hedging instruments	0	97,487	1,324	98,811
Interest rate swaps	0	202,085	54,454	256,539
Cross currency swaps	0	45,817	0	45,817
Interest rate options	0	1,157	1,243	2,400
Currency options	0	176	0	176
Foreign exchange forwards	0	1,791	1,930	3,721
Investment funds	661	0	0	661
Trading assets and derivatives	661	251,026	57,627	309,314
Bonds	68,943	257,688	8,837	335,468
Investment funds	2,770	0	0	2,770
Other	0	0	5,634	5,634
Loans and credit	0	313,686	144,650	458,336
Financial assets – designated at fair value	71,713	571,374	159,121	802,208
Bonds	711,853	0	20,146	731,999
Investment funds	3,047	0	2,788	5,835
Shares	0	0	110	110
Other	0	0	31,149	31,149
Financial assets – available for sale	714,900	0	54,193	769,093

in '000 EUR	Level 1	Level 2	Level 3	Total
30.06.2017				
Interest rate swaps	0	66,281	5,629	71,910
Cross currency swaps	0	844	101	945
Derivative hedging instruments	0	67,125	5,730	72,855
Interest rate swaps	0	161,476	43,788	205,264
Cross Currency swaps	0	53,397	11	53,408
Interest rate options	0	952	1,010	1,962
Currency options	0	123	0	123
Foreign exchange forwards	0	1,998	1,998	3,996
Investment funds	663	0	0	663
Trading assets and derivatives	663	217,946	46,807	265,416
Bonds	79,523	234,035	8,797	322,355
Investment funds	2,769	0	0	2,769
Loans and credits	0	300,955	131,544	432,499
Financial assets – designated at fair value	82,292	534,990	140,341	757,623
Bonds	657,873	5,029	20,406	683,308
Investment funds	3,073	0	2,292	5,365
Shares	0	0	110	110
Other	0	0	30,848	30,848
Financial Assets – available for sale	660,946	5,029	53,656	719,631

Fair value hierarchy for financial liabilities – breakdown by class

in '000 EUR	Level 1	Level 2	Level 3	Total
31.12.2016				
Interest rate swaps	0	106,706	3,751	110,457
Cross currency swaps	0	29,782	6,608	36,390
Derivative hedging instruments	0	136,488	10,359	146,847
Interest rate swaps	0	131,804	8,566	140,370
Cross currency swaps	0	84,616	2,925	87,541
Interest rate options	0	1,838	108	1,946
Currency options	0	147	30	177
Foreign exchange forwards	0	1,678	1,331	3,009
Trading liabilities and derivatives	0	220,083	12,960	233,043
Deposits	0	0	716,141	716,141
Bonds	428,047	663,553	962,708	2,054,308
Subordinated capital	0	19,900	36,035	55,935
Financial liabilities – designated at fair value	428,047	683,453	1,714,884	2,826,384

in '000 EUR	Level 1	Level 2	Level 3	Total
30.06.2017				
Interest rate swaps	0	86,763	12,001	98,764
Cross currency swaps	0	24,442	7,710	32,152
Derivative hedging instruments	0	111,205	19,711	130,916
Interest rate swaps	0	93,668	25,997	119,665
Cross currency swaps	0	73,369	815	74,184
Currency options	0	1,517	109	1,626
Foreign exchange forwards	0	1,800	1,787	3,587
Trading liabilities and derivatives	0	170,354	28,831	199,185
Deposits	0	0	644,844	644,844
Bonds	417,399	299,877	929,151	1,646,427
Subordinated capital	0	20,827	37,005	57,832
Financial liabilities – designated at fair value	417,399	320,704	1,611,000	2,349,103

Development of financial instruments in Level 3

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	963	1,324
Trading assets and derivatives	71,381	0	0	0	-1,918	-11,836	57,627
Financial assets – designated at fair value	366,046	0	0	0	-157,247	-49,678	159,121
Financial assets – available for sale	40,655	139	0	10,877	0	2,522	54,193
Total assets	478,443	139	0	10,877	-159,165	-58,029	272,265
Derivative hedging instruments	9,666	0	0	0	0	693	10,359
Trading liabilities and derivatives	8,013	0	0	0	-90	5,037	12,960
Financial liabilities – designated at fair value	1,781,158	15,000	-98,612	5,102	-4,314	16,550	1,714,884
Total liabilities	1,798,837	15,000	-98,612	5,102	-4,404	22,280	1,738,203

in '000 EUR 2017	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	1,324	0	0	2,537	0	1,869	5,730
Trading assets and derivatives	57,627	0	0	0	0	-10,820	46,807
Financial assets – designated at fair value	159,121	0	-5,634	0	0	-13,146	140,341
Financial assets – available for sale	54,193	62	-284	0	0	-315	53,656
Total assets	272,265	62	-5,918	2,537	0	-22,412	246,534
Derivative hedging instruments	10,359	0	0	0	0	9,352	19,711
Trading liabilities and derivatives	12,960	0	0	17,770	0	-1,899	28,831
Financial liabilities – designated at fair value	1,714,884	5,000	-74,582	0	0	-34,302	1,611,000
Total liabilities	1,738,203	5,000	-74,582	17,770	0	-26,849	1,659,542

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

Disclosures regarding sensitivity of internal input factors

in '000 EUR	Positive fair value change with alternative measurement parameters		Negative fair value change with alternative measurement parameters	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Derivatives	216	376	-317	-547
Financial assets – designated at fair value	636	896	-585	-1,015
of which loans and credits	636	896	-585	-1,015
Financial assets – available for sale	101	176	-125	-218
Financial liabilities – designated at fair value	-5,868	-7,234	5,868	7,234
of which issues	-4,305	-4,800	4,305	4,800
of which time deposits	-1,563	-2,434	1,563	2,434
Total	-4,915	-5,786	4,841	5,454

E. SEGMENT REPORTING

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2017	45,589	15,570	3,576	16,762	81,497
	2016	44,466	17,878	3,908	18,651	84,903
Loan loss provisions	2017	6,306	333	-501	-1,800	4,338
	2016	4,861	641	-1,402	-1,122	2,978
Net fee and commission income	2017	6,359	8,983	1,063	1,280	17,685
	2016	6,001	8,668	1,005	1,182	16,856
Result from hedge relationships	2017	0	0	-362	0	-362
	2016	0	0	2,896	0	2,896
Net trading result (not including change in own credit risk)	2017	-453	691	9,392	260	9,890
	2016	1,404	675	-921	37	1,195
Result from other financial instruments	2017	0	0	-867	1,491	624
	2016	12	0	3,296	-55	3,253
Administrative expenses	2017	-18,232	-21,922	-4,652	-5,788	-50,594
	2016	-17,338	-21,697	-4,658	-6,034	-49,727
Other income	2017	3,818	275	2	6,897	10,992
	2016	2,106	257	68	6,617	9,048
Other expenses	2017	-3,020	-2,815	-5,038	-8,101	-18,974
	2016	-6,270	-3,237	-5,504	-9,270	-24,281
Result from equity consolidation	2017	0	0	0	-21,820	-21,820
	2016	0	0	0	1,894	1,894
Operating result before change in own credit risk	2017	40,367	1,115	2,613	-10,819	33,276
	2016	35,242	3,185	-1,312	11,900	49,015
Result from change in own credit risk	2017	0	0	1,243	0	1,243
	2016	0	0	-20,136	0	-20,136
Earnings before taxes	2017	40,367	1,115	3,856	-10,819	34,519
	2016	35,242	3,185	-21,448	11,900	28,879
Assets	2017	5,961,305	1,956,393	4,726,553	1,520,685	14,164,936
	2016	5,772,814	1,994,650	3,992,595	1,564,328	13,324,387
Liabilities and shareholders' equity	2017	2,312,776	3,173,688	7,973,999	704,473	14,164,936
	2016	2,310,832	3,200,631	7,095,789	717,135	13,324,387
Liabilities (incl. own issues)	2017	1,927,390	3,086,086	7,637,282	449,628	13,100,386
	2016	1,912,516	3,109,884	6,820,063	426,985	12,269,448

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 and currency or concentration risks in lending business.
- **Market risks:** The common characteristic of these risks is that they result from price changes in money and capital markets. Market price risks are categorised as interest rate, spread change, stock price, foreign currency or commodity risks.
- **Liquidity risk:** Liquidity risks can be broken down into maturity and retrieval risks, structural liquidity risk (rollover financing risk) and market liquidity risk. Maturity risk is an unplanned extension of maturities in the lending business. Retrieval risk is the risk that credit commitments are unexpectedly utilised or deposits withdrawn. As a result, a bank may no longer be able to fully meet its payment obligations. Structural liquidity risk arises from the possibility that the required roll-over financing may only be available at less favourable conditions, or not at all. Market liquidity risk is in evidence when positions can only be sold immediately by taking a loss.
- **Operational risk:** This includes the risk of direct or indirect losses caused by human error, process deficits, technological failure, or external influence. Operational risks also include legal risk.
- **Shareholder risk:** This covers items including private equity, mezzanine financing, subordinated financing and investments in funds with these components. This also includes subordinated banking securities.
- **Real estate risk:** This refers to the risk of fluctuations in the value of property owned by the Group. This especially includes properties which serve as collateral (including leased assets) and cannot be sold promptly to third parties as part of realisation ("foreclosed assets"). This does not include owner-occupied properties.
- **Macroeconomic risk:** This refers to loss potentials resulting from exposure to macroeconomic risk factors.
- **Risk of excessive indebtedness:** That means the risk of a low capital ratio.
- **Money laundering and financing of terrorism:** The Bank continues to counter this risk by all countermeasures provided.
- **Model risks:** This is the risk of significant underestimation of the capital backing for major risks in the risk-bearing capacity statement due to false input parameters, false premises, false models or incorrect application of these models.

- **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 second quarter 2017, non-performing loans decreased from TEUR 312,820 to TEUR 293,527.

Maturity transformation is at a moderate level. The Bank's risk-bearing capacity was guaranteed at all times within the limits set by the Managing Board. No significant repayments of the Bank's own bonds are scheduled for this year. The corresponding liquidity is already available (primarily due to the participation in the ECB'S TLTRO).

The value at risk (VaR) for general market risk compared to the previous year developed as follows:

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

in '000 EUR	2017	2016
January	12,740	15,126
February	12,049	16,090
March	10,023	16,997
April	10,463	16,144
May	9,379	15,791
June	7,815	16,263

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

in '000 EUR	2017	2016
January	2,024	2,504
February	1,883	1,296
March	1,522	1,585
April	1,526	1,640
May	1,444	1,585
June	1,325	1,732

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

in '000 EUR	2017	2016
January	444	606
February	428	622
March	350	627
April	344	610
May	331	606
June	263	586

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

in '000 EUR	2017	2016
January	7,178	1,137
February	7,054	1,195
March	6,282	1,189
April	6,088	1,160
May	5,998	5,297
June	5,012	5,231

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

in '000 EUR	2017	2016
January	11,644	15,355
February	11,104	16,354
March	9,891	17,648
April	10,081	16,154
May	9,513	16,234
June	8,840	16,361

(20) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

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

Total risk exposure according to CRR

in '000 EUR	30.06.2017	31.12.2016
Risk-weighted exposure amount	7,054,227	7,055,220
Total risk exposure amount for settlement/delivery	0	0
Total risk exposure amount for position, foreign exchange and commodities risks	393	492
Total risk exposure amount for operational risk	442,563	450,246
Total risk exposure amount for credit valuation adjustment	33,056	38,215
Total risk exposure amount	7,530,239	7,544,173

Common Equity Tier 1 capital (CET1) according to CRR

in '000 EUR	30.06.2017	31.12.2016
Capital instruments eligible as CET1 capital	184,327	184,327
Retained earnings	671,649	671,984
Accumulated other comprehensive income	8,549	8,549
Other reserves	128,472	128,472
Transitional adjustment due to grandfathered CET1 capital instruments	15,000	18,000
Minority interests given recognition in CET1 capital	22	17
Transitional adjustment due to additional minority interests	3	12
Adjustments to CET1 due to prudential filters	2,769	2,769
Intangible assets	-1,968	-1,960
Excess of deduction from AT1 items over AT1 capital	0	0
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0
Other transitional adjustments to CET1 capital	-7,835	-15,674
Common equity Tier 1 capital (CET1)	1,000,988	996,496

Additional Tier 1 capital (AT1) according to CRR

in '000 EUR	30.06.2017	31.12.2016
Capital instruments eligible as AT1 capital	10,000	10,000
Instruments issued by subsidiaries that are given recognition in AT1 capital	5	4
Transitional adjustment due to additional recognition in AT1 capital of instruments issued by subsidiaries	-1	-2
entities where the institution does not have a significant investment	0	0
Other transitional adjustments to AT1 capital	-394	-783
Excess of deduction from AT1 items over AT1 capital (deducted in CET1)	0	0
Additional Tier 1 capital (AT1)	9,617	9,219

Tier 2 capital (T2)

in '000 EUR	30.06.2017	31.12.2016
Capital instruments and subordinated loans eligible as T2 capital	218,121	240,810
Instruments issued by subsidiaries that are given recognition in T2 capital	7	6
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	-1	-2
T2 instruments of financial sector entities where the institution does not have a significant investment	0	0
Other transitional adjustments to T2 capital	0	0
Tier 2 capital (T2)	218,127	240,814

Composition of own funds in accordance with CRR and capital ratios

in '000 EUR	30.06.2017	31.12.2016
Common equity Tier 1 capital (CET1)	1,000,988	996,496
Additional Tier 1 capital (AT1)	9,610	9,219
Tier 1 capital	1,010,598	1,005,715
Tier 2 capital (T2)	218,127	240,814
Own funds	1,228,725	1,246,529
CET1 capital ratio	13.29%	13.21%
Surplus of CET1 capital	662,127	657,009
T1 capital ratio	13.42%	13.33%
Surplus of T1 capital	558,784	553,065
Total capital ratio	16.32%	16.52%
Surplus of total capital	626,306	642,995

G. DISCLOSURES PERTAINING TO AUSTRIAN LAW**(21) AUSTRIAN LAW**

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

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

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

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

Bregenz, 25 August 2017

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

The members of the Managing Board



Michel Haller
Chairman of the Managing board

Risk Management



Johannes Hefel
Managing Board member

Private Customers/
Private Banking



Wilfried Amann
Managing Board member

Corporate Customers

BRANCH OFFICES | SUBSIDIARIES

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**First Supplement dated 5 September 2017
to the Prospectus dated 27 July 2017**

*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 Debt Issuance Programme Prospectus dated 27 July 2017.

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

EUR 6,500,000,000
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 Debt Issuance Programme 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 7 September 2017, 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 Hypothekenbank 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 Debt Issuance Programme 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 Debt Issuance Programme 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 Debt Issuance Programme 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 Debt Issuance Programme Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Debt Issuance Programme Prospectus.

The Issuer has confirmed to the Dealers that the Debt Issuance Programme 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 Debt Issuance Programme 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 Debt Issuance Programme 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 Debt Issuance Programme Prospectus or this First Supplement, excluding the Issuer, is responsible for the information contained in the Debt Issuance Programme 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 Debt Issuance Programme Prospectus

1. "Element B.12 - Selected historical key financial information" of the Summary on pages 9-11 of the Debt Issuance Programme Prospectus shall be supplemented by the following information:

<p>"The following tables show selected historical key financial information of Hypo Vorarlberg for the six-month periods ended 30 June 2016 and 30 June 2017 and as of 31 December 2016 and 30 June 2017 extracted or derived from the unaudited interim consolidated financial statements of Hypo Vorarlberg as of and for the six-month period ended 30 June 2017. These unaudited interim consolidated financial statements have been prepared on the basis of International Financial Reporting Standards as adopted by the EU ("IFRS") on interim financial reporting (IAS 34).</p>				
in '000 EUR, unless otherwise indicated				
	30.06.2017	31.12.2016	Change	
			absolute	in %
Total assets	14,164,936	13,324,387	840,549	6.3
Loans and advances to customers (L&R)	9,269,054	9,049,998	219,056	2.4
Amounts owed to customers (LAC)	5,404,687	5,282,097	122,590	2.3
Liabilities evidenced by certificates (LAC)	3,151,373	2,682,267	469,106	17.5
Own funds according to CRR	1,228,725	1,246,529	-17,804	-1.4
thereof Tier 1 capital	1,010,598	1,005,715	4,883	0.5
Total capital ratio according to CRR	16.32%	16.52%	-0.20%	-1.2-
in '000 EUR, unless otherwise indicated				
	01.01.-	01.01.-	Change	
	30.06.2017	30.06.2016	absolute	in %
Net interest income after loan loss provisions	85,835	87,881	-2,046	-2.3
Net fee and commission income	17,685	16,856	829	4.9
Net trading result (not including change in own credit risk)	9,890	1,195	8,695	>100.0
Administrative expenses	-50,594	-49,727	-867	1.7
Operating result before change in own credit risk	33,276	49,015	-15,739	-32.1
Earnings before taxes	34,519	28,879	5,640	19.5
Key figures				
	01.01.-	01.01.-	Change	
	30.06.2017	30.06.2016	absolute	in %
Cost-Income-Ratio (CIR)*	59.21%	59.95%	-0.75%	-1.2
Return on Equity (ROE)*	6.40%	10.44%	-4.04%	-38.7
Employees	717	718	-1	-0.1
<p>* Calculation of Cost-Income-Ratio (CIR): The sum of administrative expenses and other expenses minus other tax expenses (by reason of the stability fee being independent from the operating results) divided by the sum of operating income consisting of net interest income, net fee and commission income, other income as well as the trading results and the result from the valuation of financial instruments-HFT.</p> <p>Cost-Income-Ratio is an indicator of how efficiently the bank is being managed, and it is an important way of determining a bank's efficiency. It is calculated as described above whereas a low ratio means the bank is in good standing.</p> <p>Calculation of Return on Equity (ROE): Operating result before change in own credit risk of the reporting period (multiplied by 4 for the respective three-month period ended 31 March 2016 and 31 March 2017 for purposes of comparison to the full year ROE) divided by the total shareholder's equity as of 1 January of the reporting period minus accumulated profits available for appropriation (unappropriated surplus reported in the separate</p>				

<p>financial statements according to the Austrian Banking Act (<i>Bankwesengesetz</i> – "BWG") and Austrian Commercial Code (<i>Unternehmensgesetzbuch</i>) for the previous financial year.</p> <p>Return on equity is a measure of profitability of a credit institution that reveals how much net income a bank earns as a percent of the amount shareholders invest. It is a measure of how well a credit institution uses investments to generate earnings growth. Both are important and in the banking sector customary benchmarks."</p>

2. "Element B.12 - Significant change in the financial and trading position" of the Summary on page 11 of the Debt Issuance Programme Prospectus shall be replaced by the following information:

"Significant change in the financial and trading position	Not applicable. There have been no significant changes in the financial or trading positions of Hypo Vorarlberg since 30 June 2017."
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3. "Element B.12 - Ausgewählte wesentliche historische Finanzinformationen" of the German Translation of the Summary on pages 29-31 of the Debt Issuance Programme Prospectus shall be supplemented by the following information:

<p>"Die folgenden Tabellen stellen ausgewählte wesentliche historische Finanzinformationen der Hypo Vorarlberg für die zum 30. Juni 2016 und 30. Juni 2017 endenden Sechsmonatszeiträume und zum 31. Dezember 2016 und 30. Juni 2017 dar, welche dem ungeprüften Konzernzwischenabschluss für den zum 30. Juni 2017 endenden Sechsmonatszeitraum entnommen oder daraus abgeleitet wurden. Der ungeprüfte Konzernzwischenabschluss wurde nach den International Financial Reporting Standards, wie sie in der EU anzuwenden sind ("IFRS") für Zwischenberichterstattung (IAS 34) erstellt.</p>					
in TEUR, sofern nicht anders angegeben		30.06.2017	31.12.2016	Veränderung	
				absolut	in %
Bilanzsumme		14.164.936	13.324.387	840.549	6,3
Forderungen an Kunden (L&R)		9.269.054	9.049.998	219.056	2,4
Verbindlichkeiten gegenüber Kunden (LAC)		5.404.687	5.282.097	122.590	2,3
Verbriefte Verbindlichkeiten (LAC)		3.151.373	2.682.267	469.106	17,5
Eigenmittel gemäß CRR		1.228.725	1.246.529	-17.804	-1,4
davon Kernkapital		1.010.598	1.005.715	4.883	0,5
Quote der Gesamteigenmittel gemäß CRR		16,32%	16,52%	-0,20%	-1,2
in TEUR, sofern nicht anders angegeben		01.01.- 30.06.2017	01.01.- 30.06.2016	Veränderung	
				absolut	in %
Zinsüberschuss nach Risikovorsorge		85.835	87.881	-2.046	-2,3
Provisionsüberschuss		17.685	16.856	829	4,9
Handelsergebnis		9.890	1.195	8.695	>100,0
Verwaltungsaufwand		-50.594	-49.727	-867	1,7
Operatives Ergebnis vor Veränderung des eigenen Bonitätsrisikos		33.276	49.015	-15.739	-32,1
Ergebnis vor Steuern		34.519	28.879	5.640	19,5

Kennzahlen	01.01.-	01.01.-	Veränderung	
	30.06.2017	30.06.2016	absolut	in %
Cost-Income-Ratio (CIR)*	59,21%	59,95%	-0,75%	-1,2
Return on Equity (ROE)*	6,40%	10,44%	-4,04%	-38,7
Personal	717	718	-1	-0,1

* Berechnung Cost-Income-Ratio (CIR): Summe aus Verwaltungsaufwand und sonstigen Aufwendungen abzüglich der sonstigen Steueraufwendungen (aufgrund der vom operativen Ergebnis unabhängigen Stabilitätsabgabe) geteilt durch die Summe der betrieblichen Erträge, bestehend aus Zinsüberschuss, Provisionsüberschuss, sonstige Erträge, sowie dem Ergebnis aus dem Handel und dem Ergebnis aus der Bewertung von Finanzinstrumenten-HFT.

Das Cost-Income-Ratio ist eine Kennziffer die angibt, wie effizient die Bank geführt wird, und sie ist eine wichtige Form der Bestimmung der Effizienz einer Bank. Sie wird wie oben beschrieben berechnet, wobei eine niedrige Kennziffer bedeutet, dass die Bank in guter Verfassung ist.

Berechnung Return on Equity (ROE): Operatives Ergebnis vor Veränderung des eigenen Bonitätsrisikos (multipliziert mit 4 für den entsprechenden Dreimonatszeitraum endend zum 31. März 2016 und 31. März 2017 zum Zwecke des Vergleichs mit dem ROE für das volle Jahr) geteilt durch die Summe Eigenkapital Stand 1. Januar der Berichtsperiode abzüglich des verwendungsfähigen Bilanzgewinns (im Einzelabschluss nach Bankwesengesetz ("BWG") bzw. Unternehmensgesetzbuch ausgewiesener Bilanzgewinn) für das vorangegangene Geschäftsjahr.

Der Return on Equity ist ein Rentabilitätsmaß eines Kreditinstituts, das beschreibt, welchen Ertrag eine Bank im Verhältnis zu dem Betrag, den Aktionäre investiert haben, verdient. Es ist ein Maßstab dafür, wie gut ein Kreditinstitut Investitionen einsetzt, um Ertragswachstum zu generieren. Beides sind wichtige, und im Bankensektor gebräuchliche, Messlatten."

4. "Element B.12 - Signifikante Veränderungen in der Finanz- bzw. Handelsposition" of the Summary on page 31 of the Debt Issuance Programme Prospectus shall be replaced by the following information:

"Signifikante Veränderungen in der Finanz- bzw. Handelsposition	Nicht anwendbar. Seit dem 30. Juni 2017 kam es zu keiner wesentlichen Veränderung der Finanzlage oder der Handelsposition der Hypo Vorarlberg."
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5. The section "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – SELECTED FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES – Selected Historical Financial Information" on pages 351-353 of the Debt Issuance Programme Prospectus shall be supplemented by the following information:

"The following tables show selected historical key financial information of Hypo Vorarlberg for the six-month periods ended 30 June 2016 and 30 June 2017 and as of 31 December 2016 and 30 June 2017 extracted or derived from the unaudited interim consolidated financial statements of Hypo Vorarlberg as of and for the six-month period ended 30 June 2017. These unaudited interim consolidated financial statements have been prepared on the basis of International Financial Reporting Standards as adopted by the EU ("IFRS") on interim financial reporting (IAS 34).

in '000 EUR, unless otherwise indicated	30.06.2017	31.12.2016	Change	
			absolute	in %
Total assets	14,164,936	13,324,387	840,549	6.3
Loans and advances to customers (L&R)	9,269,054	9,049,998	219,056	2.4
Amounts owed to customers (LAC)	5,404,687	5,282,097	122,590	2.3
Liabilities evidenced by certificates (LAC)	3,151,373	2,682,267	469,106	17.5
Own funds according to CRR	1,228,725	1,246,529	-17,804	-1.4
thereof Tier 1 capital	1,010,598	1,005,715	4,883	0.5
Total capital ratio according to CRR	16.32%	16.52%	-0.20%	-1.2-

in '000 EUR, unless otherwise indicated	01.01.-	01.01.-	Change	
	30.06.2017	30.06.2016	absolute	in %
Net interest income after loan loss provisions	85,835	87,881	-2,046	-2.3
Net fee and commission income	17,685	16,856	829	4.9
Net trading result (not including change in own credit risk)	9,890	1,195	8,695	>100.0
Administrative expenses	-50,594	-49,727	-867	1.7
Operating result before change in own credit risk	33,276	49,015	-15,739	-32.1
Earnings before taxes	34,519	28,879	5,640	19.5

Key figures	01.01.-	01.01.-	Change	
	30.06.2017	30.06.2016	absolute	in %
Cost-Income-Ratio (CIR)*	59.21%	59.95%	-0.75%	-1.2
Return on Equity (ROE)*	6.40%	10.44%	-4.04%	-38.7
Employees	717	718	-1	-0.1

* Calculation of Cost-Income-Ratio (CIR): The sum of administrative expenses and other expenses minus other tax expenses (by reason of the stability fee being independent from the operating results) divided by the sum of operating income consisting of net interest income, net fee and commission income, other income as well as the trading results and the result from the valuation of financial instruments-HFT.

Cost-Income-Ratio is an indicator of how efficiently the bank is being managed, and it is an important way of determining a bank's efficiency. It is calculated as described above whereas a low ratio means the bank is in good standing.

Calculation of Return on Equity (ROE): Operating result before change in own credit risk of the reporting period (multiplied by 4 for the respective three-month period ended 31 March 2016 and 31 March 2017 for purposes of comparison to the full year ROE) divided by the total shareholder's equity as of 1 January of the reporting period minus accumulated profits available for appropriation (unappropriated surplus reported in the separate financial statements according to the Austrian Banking Act (*Bankwesengesetz* – "**BWG**") and Austrian Commercial Code (*Unternehmensgesetzbuch*) for the previous financial year.

Return on equity is a measure of profitability of a credit institution that reveals how much net income a bank earns as a percent of the amount shareholders invest. It is a measure of how well a credit institution uses investments to generate earnings growth. Both are important and in the banking sector customary benchmarks."

6. In the section "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – SELECTED FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES – Significant change in the Issuer's financial or trading position" on page 353 of the Debt Issuance Programme Prospectus the sentence shall be replaced by the following information:

"There have been no significant changes in the financial or trading positions of Hypo Vorarlberg since 30 June 2017."

7. The list in the section "Documents Incorporated by Reference" on pages 370 of the Debt Issuance Programme Prospectus shall be supplemented by the following information:

"– Consolidated Interim Financial Statements for the first half-year of 2017 (English Version) included in the Half-Year Report as at 30 June 2017 of Hypo Vorarlberg."

8. The table in the section "Documents Incorporated by Reference - Comparative Table of Documents Incorporated by Reference" on pages 370-371 of the Debt Issuance Programme Prospectus shall be supplemented by the following information:

"(page numbers refer to the Interim Report as source document)

Page	Section of Prospectus	Documents Incorporated by Reference
351	Hypo Vorarlberg, Historical Financial Information	<p>Unaudited consolidated interim financial statements as of and for the six-month period ended 30 June 2017 (English Version) included in the Half-Year Report as at 30 June 2017</p> <p>Statement of comprehensive income (<i>Gesamtergebnisrechnung</i>) for the period 1 January to 30 June 2017 (pages 12-13)</p> <p>Balance sheet (<i>Bilanz</i>) dated 30 June 2017 (page 14)</p> <p>Statement of changes in shareholders' equity (<i>Eigenkapitalveränderungsrechnung</i>) (page 15)</p> <p>Condensed cash flow statement (<i>verkürzte Geldflussrechnung</i>) (page 16)</p> <p>Notes (<i>Erläuterungen/Notes</i>) (pages 16-28)"</p>

ADDRESSES

Issuer

Vorarlberger Landes- und Hypothekenbank
Aktiengesellschaft
Hypo-Passage 1
6900 Bregenz
Republic of Austria

Fiscal and Paying Agent

Deutsche Bank Aktiengesellschaft
Issuer 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
Hypo-Passage 1
6900 Bregenz
Republic of Austria

Listing Agent in the Grand Duchy of Luxembourg

Banque de Luxembourg
14, boulevard Royal
2449 Luxembourg
Grand Duchy of Luxembourg

**Second Supplement dated 10 October 2017
to the Prospectus dated 27 July 2017
as supplemented by the First Supplement dated 5 September 2017**

*This document constitutes a supplement (the "**Second 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: (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 Second Supplement is supplemental to, and should be read in conjunction with the Debt Issuance Programme Prospectus dated 27 July 2017 as supplemented by the First Supplement dated 5 September 2017 (together, the "**Supplemented Prospectus**").

The purpose of this Second Supplement is to reflect in the Supplemented Prospectus that Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft changed its legal name to Hypo Vorarlberg Bank AG.

The term "**Issuer**" for purposes of this Second Supplement thus means Hypo Vorarlberg Bank AG, which was formerly known as Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft.

The debt issuance programme to which the Prospectus relates, which was known as

"Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft
EUR 6,500,000,000 Debt Issuance Programme"

is renamed accordingly and referred to as

Hypo Vorarlberg Bank AG

**EUR 6,500,000,000
Debt Issuance Programme**

and the term "**Programme**" for purposes of this Second Supplement means the debt issuance programme so renamed.

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 Second Supplement has been granted, with a certificate of such approval (the "**Notification**") attesting that the Second 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 Second 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 Debt Issuance Programme Prospectus relates to an offer of Notes to the public, investors who have already agreed to purchase or subscribe for Notes before this Second Supplement is published have the right, exercisable within a time limit of two working days after the publication of this Second Supplement, until 12 October 2017, 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 Second Supplement may only be used for the purpose for which it has been published as set out below. This Second 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 Second Supplement does not constitute an offer or an invitation to subscribe for or purchase any of the Notes.

The Issuer with its registered office in Bregenz, the Republic of Austria, is solely responsible for the information given in this Second Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Second 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 Supplemented Prospectus have the same meaning in this Second Supplement unless otherwise defined herein.

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

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

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

The Issuer has confirmed to the Dealers that the Supplemented Prospectus and this Second 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 Supplemented Prospectus and this Second 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 Supplemented Prospectus or this Second 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 Supplemented Prospectus or this Second Supplement, excluding the Issuer, is responsible for the information contained in the Supplemented Prospectus or this Second 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.

Replacement information pertaining to the legal name of the Issuer

References made in the Supplemented Prospectus to "*Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft*" shall be deemed to be replaced by "*Hypo Vorarlberg Bank AG*", where the context so permits, and references made in the Supplemented Prospectus to "*Hypo Landesbank Vorarlberg*" shall be deemed to be replaced by "*Hypo Vorarlberg*", where the context so permits, except as otherwise indicated in this Second Supplement.

Supplemental information pertaining to the SUMMARY – Section B – Issuer

"Element B.1 – Legal and Commercial name" of the Summary on page 8 of the Supplemented Prospectus shall be replaced by the following information:

	"Legal and Commercial name"	The Issuer's legal name is Hypo Vorarlberg Bank AG (" Hypo Vorarlberg ", the " Issuer " or the " Bank "), the commercial name is Hypo Vorarlberg."
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"Element B.13 – Recent Events" of the Summary on page 11 of the Supplemented Prospectus shall be supplemented by the following information:

	"Recent events"	"Effective as of 1 October 2017, the legal name of the Issuer changed from Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft to Hypo Vorarlberg Bank AG. All of the company's information (legal relationships, business addresses, telephone numbers, VAT number and companies register number) remain unchanged."
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**Supplemental information pertaining to the German translation of the Summary
ZUSAMMENFASSUNG – Abschnitt B – Emittentin**

"Element B.1 – Gesetzliche und kommerzielle Bezeichnung" of the Summary on page 28 of the Supplemented Prospectus shall be replaced by the following information:

	"Gesetzliche und kommerzielle Bezeichnung"	Der juristische Name der Emittentin lautet "Hypo Vorarlberg Bank AG" (" Hypo Vorarlberg ", die " Emittentin " oder die " Bank "). Der kommerzielle Name der Emittentin ist "Hypo Vorarlberg"."
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"Element B.13 – Letzte Ereignisse" of the Summary on page 31 of the Supplemented Prospectus shall be supplemented by the following information:

	"Letzte Ereignisse"	Mit Wirkung zum 1. Oktober 2017 hat sich der Firmenwortlaut der Emittentin von Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft in Hypo Vorarlberg Bank AG geändert. Sämtliche Firmendaten (Rechtsverhältnisse, Geschäftsadressen, Telefonnummern, Umsatzsteuer Nummer
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		und Firmenbuchnummer) bleiben unverändert."
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Supplemental information pertaining to Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer

The first paragraph of the section "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – INFORMATION ABOUT THE ISSUER – Legal Name, Registration, Date of Incorporation" on page 342 of the Supplemented Prospectus shall be replaced by the following information:

"The Issuer's legal name is Hypo Vorarlberg Bank AG, the commercial name is Hypo Vorarlberg."

The section "Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as Issuer – RECENT DEVELOPMENTS AND OUTLOOK" on page 353 of the Supplemented Prospectus shall be supplemented by the following information:

"Effective as of 1 October 2017, the legal name of the Issuer changed from Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft to Hypo Vorarlberg Bank AG. All of the company's information (legal relationships, business addresses, telephone numbers, VAT number and companies register number) remain unchanged."

ADDRESSES

Issuer

Hypo Vorarlberg Bank AG
Hypo-Passage 1
6900 Bregenz
Republic of Austria

Fiscal and Paying Agent

Deutsche Bank Aktiengesellschaft
Issuer 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)

Hypo Vorarlberg Bank AG
Hypo-Passage 1
6900 Bregenz
Republic of Austria

Listing Agent in the Grand Duchy of Luxembourg

Banque de Luxembourg
14, boulevard Royal
2449 Luxembourg
Grand Duchy of Luxembourg

**Third Supplement dated 8 November 2017
to the Prospectus dated 27 July 2017
as supplemented by the First Supplement dated 5 September 2017
and the Second Supplement dated 10 October 2017**

This document constitutes a supplement (the "Third 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 Hypo Vorarlberg Bank AG (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 Third Supplement is supplemental to, and should be read in conjunction with the Debt Issuance Programme Prospectus dated 27 July 2017 as supplemented by the First Supplement dated 5 September 2017 and the Second Supplement dated 10 October 2017 (together, the "**Supplemented Prospectus**").

Hypo Vorarlberg Bank AG

EUR 6,500,000,000

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 act 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 Third Supplement has been granted, with a certificate of such approval (the "**Notification**") attesting that the Third 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 Third 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 on Prospectuses, where the Debt Issuance Programme Prospectus relates to an offer of Notes to the public, investors who have already agreed to purchase or subscribe for Notes before this Third Supplement is published have the right, exercisable within a time limit of two working days after the publication of this Third Supplement, until 10 November 2017, to withdraw their acceptances provided that the new factor, mistake or inaccuracy referred to in Article 13 paragraph 1 of the Luxembourg Law on Prospectuses arose before the final closing of the offer to the public and the delivery of the Notes.

This Third Supplement may only be used for the purpose for which it has been published as set out below. This Third 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 Third Supplement does not constitute an offer or an invitation to subscribe for or purchase any of the Notes.

Hypo Vorarlberg Bank AG ("**Hypo Vorarlberg**", the "**Issuer**" or the "**Bank**") with its registered office in Bregenz, the Republic of Austria, is solely responsible for the information given in this Third Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Third 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 Supplemented Prospectus have the same meaning in this Third Supplement unless otherwise defined herein.

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

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

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

The Issuer has confirmed to the Dealers that the Supplemented Prospectus and this Third 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 Supplemented Prospectus and this Third 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 Supplemented Prospectus or this Third 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 Supplemented Prospectus or this Third Supplement, excluding the Issuer, is responsible for the information contained in the Supplemented Prospectus or this Third 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 purpose of this Third Supplement is to update the ratings assigned to the Issuer by Standard & Poor's Credit Market Services Europe Ltd.

Supplemental information pertaining to the Summary – Section B – Issuer

"Element B.17 – Credit Ratings of the Issuer or its debt securities" of the Summary on page 13 of the Supplemented Prospectus shall be replaced by the following information:

"B.17	Credit Ratings of the Issuer or its debt securities	<p>The Issuer is rated by Moody's Deutschland GmbH ("Moody's") and Standard & Poor's Credit Market Services Europe Ltd. ("S&P") (each a "Rating Agency")¹. As of the date of this Third Supplement, the ratings assigned to the Issuer by each Rating Agency are as follows:</p> <p>Moody's²</p> <p>Bank Deposit Rating: Baa1 / P-2</p> <p>Outlook: Stable</p> <p>Baseline Credit Assessment: Baa3</p> <p>Senior Unsecured MTN: Baa1</p> <p>Subordinate MTN – Dom. Curr.: Ba1</p> <p>Public Pfandbriefe: Aa1</p> <p>Mortgage Pfandbriefe: Aa1</p> <p>S&P²</p> <p>Long term issuer rating: A</p> <p>Short term issuer rating: A-1</p> <p>Outlook: Positive"</p>
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Supplemental information pertaining to the German Translation of the Summary – Abschnitt B – Emittentin

¹ A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

² Moody's and S&P are established in the European Community and are registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 of the CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

"Element B.17 – Kreditratings der Emittentin oder ihrer Schuldtitel" of the German Translation of the Summary on page 33 of the Supplemented Prospectus shall be replaced by the following information:

"B.17	Kreditratings der Emittentin oder ihrer Schuldtitel	<p>Die Emittentin ist von Moody's Deutschland GmbH ("Moody's") und Standard & Poor's Credit Market Services Europe Ltd. ("S&P") geratet³. Zum Zeitpunkt der Veröffentlichung dieses Dritten Nachtrags stellen sich die Ratings für die Emittentin wie folgt dar:</p> <p>Moody's⁴</p> <p>Bankeinlagen Rating: Baa1 / P-2</p> <p>Ausblick: Stabil</p> <p>Baseline Credit Assessment: Baa3</p> <p>Nicht nachrangige Fremdmittel: Baa1</p> <p>Nachrangige Fremdmittel: Ba1</p> <p>Öffentliche Pfandbriefe: Aa1</p> <p>Hypothekarische Pfandbriefe: Aa1</p> <p>S&P⁴</p> <p>Langfristiges Emittentenrating: A</p> <p>Kurzfristiges Emittentenrating: A-1</p> <p>Ausblick: Positiv</p>
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Supplemental information pertaining to Risk Factors – Risk Factors regarding Hypo Vorarlberg

The second paragraph in the section "Risk Factors – Risk Factors regarding Hypo Vorarlberg" on pages 49 to 50 of the Supplemented Prospectus shall be replaced by the following information:

"Hypo Vorarlberg is rated by Moody's Deutschland GmbH ("**Moody's**") and Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**") (each a "**Rating Agency**"). As of the date of this Third Supplement, the ratings assigned to Hypo Vorarlberg by each Rating Agency are as follows:

³ Ein Kreditrating ist eine Einschätzung der Kreditwürdigkeit einer Rechtsperson und informiert den Anleger daher über die Wahrscheinlichkeit mit der die Rechtsperson in der Lage ist, angelegtes Kapital zurückzuzahlen. Es ist keine Empfehlung Wertpapiere zu kaufen, zu verkaufen oder zu halten und kann jederzeit durch die Ratingagentur geändert oder zurückgenommen werden.

⁴ Moody's und S&P haben ihren Sitz in der Europäischen Gemeinschaft und sind gemäß der Verordnung (EG) Nr. 1060/2009 des Europäischen Parlaments und des Rates vom 16. September 2009 über Ratingagenturen, in der jeweils geltenden Fassung, (die "**Ratingagentur-Verordnung**") registriert. Die Europäische Wertpapier und Marktaufsichtsbehörde veröffentlicht auf ihrer Website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) ein Verzeichnis der nach der Ratingagentur-Verordnung registrierten Ratingagenturen. Dieses Verzeichnis wird innerhalb von fünf Werktagen nach Annahme eines Beschlusses gemäß Artikel 16, 17 oder 20 der Ratingagentur-Verordnung aktualisiert. Die Europäische Kommission veröffentlicht das aktualisierte Verzeichnis im Amtsblatt der Europäischen Union innerhalb von 30 Tagen nach der Aktualisierung.

Moody's⁵:

Bank Deposit Rating:	Baa1 / P-2
Outlook:	Stable
Baseline Credit Assessment:	Baa3
Senior Unsecured MTN:	Baa1
Subordinate MTN – Dom. Curr.:	Ba1
Public Pfandbriefe:	Aa1
Mortgage Pfandbriefe:	Aa1

S&P⁵:

Long term issuer rating:	A
Short term issuer rating:	A-1
Outlook:	Positive"

The subsection "Risk Factors – Risk Factors regarding Hypo Vorarlberg – Rating Definitions by S&P:" on page 50 of the Supplemented Prospectus shall be replaced by the following information:

"A (Long term issuer rating):

An "A" rating assigned by S&P means that the Issuer has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

A-1 (Short term issuer rating):

An obligor rated "A-1" has strong capacity to meet its financial commitments. It is rated in the highest category by S&P Global Ratings. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong."

Supplemental information pertaining to Hypo Vorarlberg Bank AG as Issuer

The section "Hypo Vorarlberg Bank AG as Issuer – RECENT DEVELOPMENTS AND OUTLOOK – Rating of Hypo Vorarlberg – S&P" on page 354 of the Supplemented Prospectus shall be replaced by the following information:

"On 31 October 2017, the rating agency S&P announced a new rating for Hypo Vorarlberg. The Bank was given a credit rating of A for long-term senior debt and A-1 for short-term senior debt, with a positive outlook."

⁵ Moody's and S&P are established in the European Community and are registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 of the CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

ADDRESSES

Issuer

Hypo Vorarlberg Bank AG
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6900 Bregenz
Republic of Austria

Fiscal and Paying Agent

Deutsche Bank Aktiengesellschaft
Issuer 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)

Hypo Vorarlberg Bank AG
Hypo-Passage 1
6900 Bregenz
Republic of Austria

Listing Agent in the Grand Duchy of Luxembourg

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14, boulevard Royal
2449 Luxembourg
Grand Duchy of Luxembourg