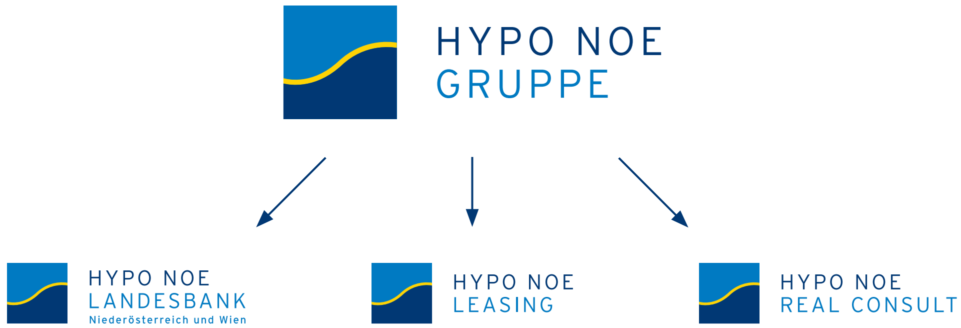
SEMI-ANNUAL FINANCIAL REPORT **2011**

HYPO NOE
GRUPPE

Group structure



Current rating

Standard&Poor's: A/Negative/A-1

Financial highlights

	30 June 2011	31 Dec. 2010
Total assets	EUR 11.8bn	EUR 12.0bn
Tier 1 ratio	12.17%	11.47%
Cost-income ratio	57.20%	76.40%
Return on equity after tax	3.90%	1.80%

SEMI-ANNUAL FINANCIAL REPORT

as at 30 June 2011

HYPO NOE GRUPPE BANK AG

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STATEMENT BY THE MANAGEMENT BOARD

Efficient. Effective. Reliable.

This year the watchword for the HYPO NOE Group is fine-tuning. We made good progress in this direction in the first half year, both organisationally and in the area of customer relationship management. We are also focusing on back office processes and control, and further development of our bank's risk management system, with a view to creating systems that will be efficient, effective and reliable.

The Group's business performance has also been moving in the right direction. We returned a profit after tax attributable to owners of the parent of EUR 16 million (m), and net interest income remained high, at EUR 75.8m. This was achieved in the face of adverse conditions – notably the sovereign debt crisis.

Despite an unmistakable worsening in the economic backdrop, the HYPO NOE Group is entering the next reporting period with clear priorities. We expect operating income and expense to be in line with our budget targets. In the second half we will continue to work hard at leveraging potential synergies and enhancing the efficiency of our internal processes, so as to fulfil our mission as the Lower Austrian state bank in all respects.

Dr. Peter Harold and Nikolai de Arnoldi (l to r),
joint chief executive officers of the HYPO NOE Group

Dr. Peter Harold
Chairman of the Management Board

Mag. Nikolai de Arnoldi
Member of the Management Board

SEMI-ANNUAL OPERATIONAL AND FINANCIAL REVIEW

AS AT 30 JUNE 2011

ECONOMIC CLIMATE

Global, European and Austrian economies

The global economy again powered ahead in the first half of 2011, although growth was slower than in 2010. Wide disparities between national growth rates are still a striking feature of the current economic picture. Large parts of Asia and Latin America remain the front runners, while most of the advanced industrial countries are still suffering from the after-effects of the 2008/2009 financial and economic crisis. Growth rates in the advanced economies are especially disappointing when compared to previous recoveries. Although the USA is the only industrial country that has not yet embarked on fiscal consolidation, growth still lags far behind that at the same stage of earlier cycles. The core Eurozone countries are performing well, with Germany leading the way. They are mainly profiting from their strong export sectors, but the chances of a self-sustaining upturn have looked up considerably. The excellent showing by the Austrian economy stands out. Not only has the pace of expansion kept up with Germany, but unemployment is extremely low in international terms. Meanwhile the economies of the peripheral Eurozone countries remain very weak, with Greece and Portugal particularly hard hit.

The downside of the robust growth performance of the world economy in the past six months was rapid inflation. The main culprit was surging commodity prices, and oil prices in particular. Apart from fundamentals, political developments in North Africa and the Middle East played a major role in the price run-up, and market conditions also favoured speculative position-taking.

With the exception of the European Central Bank (ECB), the G4 central banks have so far largely ignored the increase in inflation, and their monetary policies have been tailored to the fragile states of their respective economies. The ECB surprised many observers by opting for an early policy shift, despite the unresolved and worsening peripheral debt crisis, and signalled a restrictive stance by raising its key interest rate by 25 basis points in April.

Financial markets

For much of the first half year the equity, commodity and credit markets were relatively unperturbed by the problems caused by events in North Africa and the Middle East, and the March earthquake in Japan. Excellent company results and unbroken growth optimism set the tone, and only in May 2011 did sentiment and risk appetite begin to turn. Worse-than-expected economic data played a part, as did the impairment of industrial supply chains by the Japanese disaster. Stock markets entered a correction phase in May which persisted until the completion of this report. The upward trend in money and capital market interest rates that had begun in the autumn of 2010 continued until April. However, since May gloom about economic growth prospects has become increasingly pervasive, and this has led to a sharp fall in interest rates on capital markets. Money market rates are continuing to rise due to the ECB's tight monetary policy, but the upward trend has recently lost a lot of steam.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2011

The HYPO NOE Group again posted high net interest income in the first half of 2011 at EUR 75.8m – a period-on-period gain of EUR 5.6m. Profit after tax attributable to owners of the parent was EUR 16.4m – down by only EUR 8.2m compared to last year's period on the year despite the recognition of impairments on available-for-sale Greek government bonds.

The cost of risk in the Bank's lending business rose by EUR 2.4m to EUR 12.2m.

Net fee and commission income fell by EUR 0.8m to EUR 3.8m, mainly reflecting lower income from securities and custody account business.

Net trading income of EUR 1.1m was largely generated by interest rate and foreign exchange transactions.

General administrative expenses were up by 9.9% to EUR 45.7m. Staff costs increased by 5.1% to EUR 25.4m, and other administrative expenses by 16.7% to EUR 18.5m.

Net other operating income was positive by EUR 16.2m (H1 2010: EUR 8.4m), lifted by gains on currency translation reported under "Sundry other operating income".

There were no gains or losses on deconsolidation in the first half of 2011.

The profit for the period before tax held up well at EUR 21.9m – an excellent result, given the business environment in the first half of 2011 and the exceptionally high profit for the comparative period (H1 2010: EUR 32.8m).

The bank's relative performance is shown by the following **financial indicators:**

		1.Hj 2011	2010	1.Hj 2010	2009	2008
Return on equity before tax	Profit for the period before tax/ ave. equity	**5.2%**	1.9%	8.0%	6.8%	4.4%
Return on equity after tax	Profit for the period after tax/ ave. equity	**3.9%**	1.8%	6.0%	5.5%	3.6%
Cost-income ratio	Operating expense/operating income	**57.2%**	76.4%	49.3%	57.3%	72.6%
Risk-earnings ratio	Credit risk provisions/net interest income	**16.1%**	13.1%	14.0%	24.6%	17.2%

The figures were impacted by the effect on "Net gains or losses on financial assets" of the impairments of EUR 17.9m in respect of Greek government bonds held as available-for-sale assets.

Total assets as at 30 June 2011 were little changed from their year-earlier level, at EUR 11.8 billion (bn) (30 June 2010: EUR 12bn). The decline is chiefly attributable to lower loans and advances to customers, and loans and advances to banks – down by EUR 144.2m and EUR 47.0m, respectively.

Deposits from banks decreased by EUR 440.4m, while debt evidenced by certificates climbed by EUR 214.4m.

Consolidated equity including minority interests according to IFRS was EUR 456.0m – up by EUR 73.5m on 31 December 2010, largely as a result of increased valuations of securities classed as available for sale.

Consolidated eligible capital as defined by the Austrian Banking Act was EUR 655.6m as at 30 June 2011. Surplus capital after deduction of capital requirements (EUR 319,4m) from total eligible capital (EUR 655,6m) was EUR 336,2m. The core capital ratio was 12.17% (2010: 11.47%), and the equity ratio was 17.63% (2010: 17.30%).

MARKETPLACE TRENDS

HYPO NOE Gruppe Bank AG

Public Finance & Corporates

Austria

Our Public Finance & Corporates Austria Department gives Austrian public corporations and infrastructure companies a strong partner. During the first half of 2011 the department focused on expanding its activities into Burgenland, Styria and Upper Austria, and winning government-linked enterprises as customers.

True to its policy of offering public sector building construction companies one-stop shopping, it provides both optimum solutions for public corporations and corporate finance – mainly for the infrastructure sector. Due to the spending constraints faced by state governments and local authorities, public-private partnerships (PPPs) and innovative financing solutions are in growing demand. For instance, during the reporting period Public Finance & Corporates Austria succeeded in arranging PPPs for some major health care and road projects. Another priority was closer cooperation with the European Investment Bank (EIB). The latter's tailored loans bring many benefits for our customers.

The department's prime objective is to offer customers sustainable, holistic solutions, in cooperation with other departments, and increasingly to figure as a provider of expertise and services – for example by acting as the lead bank for lending syndicates or by structuring tenders. Public Finance & Corporates Austria always sets out to understand customers' special requirements, and provide first-class, risk-aware advice and service.

International

The Public Finance & Corporates International Department continued to build up a quality lending portfolio and cement its customer relationships. Apart from financing a variety of infrastructure projects, it also maintained its focus on the renewable energy segment. Transactions were concluded with public sector clients in some neighbouring countries.

The department's operations also included syndicated lending to highly rated "leading corporates". Most of these transactions involved West European customers and international lenders such as the EBRD and IFC. During the second half, the department will again be concentrating on extending infrastructure loans to government-linked companies and highly rated corporates, and staying in direct contact with customers.

Real Estate Finance

The first half of 2011 saw a further significant improvement in the economic and financial environment, and the international real estate market after the global crisis. Due to the economic upturn the prices of new lets rose and property values stabilised.

During the first half of 2011 the Real Estate Finance Department selectively generated new business. The main transactions were the financing of an office and retail portfolio in Germany and a shopping centre portfolio in Poland.

Operations continued to focus on our core real estate markets – Austria, Germany and the neighbouring EU member states in Central and Eastern Europe. This strategy will remain in place throughout 2011. We will continue to keep a close watch on the impact of the sovereign debt crisis on overall economic trends and regional real estate markets.

The department's primary objective in 2011 will be building up a sustainably profitable lending portfolio, and selectively acquiring new business from institutional investors, funds and property developers. The business model is still based on the office, shopping centre, retail park, logistics facility and city hotel asset classes, and on relatively conservative lending terms.

As regards risk allocation, we are continuing to restrict ourselves to cooperating with our partners on real estate projects with prime locations and particularly good prospects of stable long-term returns.

Group Treasury

The steep yield curve again resulted in a strong earnings performance from Group Treasury in the first half of 2011. Rising capital market interest rates were selectively used to accept more interest rate risk, mainly in the medium-term maturity segment. Widening credit spreads at the start of the year were chiefly exploited to build positions in covered bonds, but selective use was also made of opportunities to buy government bonds and senior unsecured bonds with highly rated issuers. However, these investments were only replacements for securities that had fallen due.

On the issuance side, the strategic emphasis was on long-term public sector covered bonds, and thanks to the Bank's Aaa rating and the clear regional focus of the cover pool, these transactions were successful. Meanwhile, Treasury pressed ahead with using money market maturities to widen its options for secured refinancing. This both ensures that adequate liquidity will be maintained in the long term and represents significant progress towards readiness for future changes in the treatment of liquidity risk which will be required by Basel III.

Foreign branches

HYPO NOE Gruppe Bank AG had no foreign branches in 2011, but operated representative offices in Budapest and Prague.

HYPO NOE Landesbank AG

HYPO NOE Landesbank AG mainly serves retail and business customers, with the emphasis on housing finance and funding for large non-profit housing association building projects.

The bank is a subsidiary of HYPO NOE Gruppe Bank AG. Total assets at the end of the interim reporting period were up by 0.59% on year-end 2010, at EUR 2,353m (31 Dec. 2010: EUR 2,339m).

HYPO NOE Landesbank is expected to perform well over the rest of the year and post a solid profit.

It will continue to pursue a risk-aware growth strategy, and focus on deepening its customer relationships, expanding its service business and leveraging its residential property development expertise.

HYPO NOE Leasing GmbH

The leasing subsidiary hit its targets, with EUR 120,000 thousand (thsd) of real estate and EUR 33,000 thsd of equipment leasing business written. Milestones in efforts to win leasing business outside Lower Austria were a kindergarten project being financed for Vienna City Council, and alterations and an extension to a civic centre in Apetlon, Burgenland.

The company acted to cement its position as a top public sector leasing specialist by continuing its drive to develop Maastricht-compliant real estate and equipment leasing models. Product development is near completion, and talks with Vienna City Council on pilot projects have been going well.

HYPO NOE Real Consult GmbH

Project management activities included supervision of the construction of the new HYPO NOE headquarters building in Wienerstrasse, St. Pölten; the works reached street level on schedule.

Other highlights were the handover, on time, of the Tulln university and research centre (users: the University of Natural Resources and Life Sciences, Vienna and the Austrian Institute of Technology), as well as the Schulzentrum Krems multi-school building and the Niederösterreich-Haus Krems state government office building.

The commencement of works on the Niederösterreich Arena stadium in St. Pölten and the extension to the IMC University of Applied Sciences Krems made headlines.

The property management side of the business continued to grow. For example, the following contracts were won from the Lower Austrian state government: the government quarter in St. Pölten (property management consultancy); the International Anti-Corruption Academy (IACA) in Laxenburg; and the Niederösterreich Haus Krems.

The property management companies continued to prosper in the first half of 2011, and results were ahead of expectations. Cooperation with the Austrian Federal Economic Chamber and the Burgenland Economic Chamber was further intensified.

Project development activities included undertaking numerous economic feasibility studies and advancing projects to the implementation phase (e.g. the Mühlwasser project: construction of 13 detached and semi-detached houses in Vienna's 22nd district).

OUTLOOK FOR THE SECOND HALF OF 2011

The HYPO NOE Group can look back on an encouraging first half to the year. It has clearly formulated priorities, and expects to hit the related targets for the next reporting period, despite the visible deterioration in the economic climate.

Following the economic upswing in the first half, there are indications of a slowdown through to the end of the year. The main downside risks to growth could be a new wave of commodity speculation, the escalation of political crises, and restrictive monetary policies. The most serious threats are probably posed by the solvency and liquidity crises facing the Eurozone peripherals, the US debt crisis and the impact of the new Basel III regulatory standards. Our baseline scenario envisages a continued, moderate recovery of the Eurozone and US economies and a significant easing of inflation in 2012. In this situation the ECB would probably only gradually normalise its monetary policy, while the US central bank would be unlikely to adopt a more restrictive stance next year. In principle, the fundamentals point to the persistence of a low interest rate environment.

Despite this economic setting and the impairments recognised on Greek government bonds during the first half, we see operating income and expense staying in line with out budget targets. While net interest income from the retail banking business is likely to come in above target, we anticipate that the earnings contribution from maturity transformation will decline due to the flattening yield curve and unexpectedly early interest rate increases. We will drive growth in the retail business ahead selectively, in accordance with our existing development strategy.

The interest penalty imposed by the Austrian Financial Market Authority (FMA) for allegedly exceeding the limit for large investments will not affect results for 2011 as the maximum litigation risk was already provided for in 2010.

The rating review meetings with Standard & Poor's (S&P) in the first half – the outcome is likely to be known in late September – justified our belief in the Bank's strengths, and we expect the meetings with Moody's scheduled for the second half to do the same. Our self-confidence also stems from the financial stability conferred by the low-risk funding available to the public sector – notably from our sole owner, the Lower Austrian state government. This stability is demonstrated by our steady equity ratio and excellent liquidity position.

During the period under review the improvement processes under way in the Group were mainly driven by changes in organisational structures and management at HYPO NOE Landesbank. The key objectives during the remaining months of the year will be leveraging synergies and putting efficient processes in place.

There are no plans to expand into new countries this year, but the Real Estate Finance and Public Finance & Corporates departments will be looking to extend their footprints in Austria, Western Europe and the Danube region in the mid to long term, subject to the balance of risks and rewards required by our strategy.

The Public Finance segment can point to a large number of reference projects, and should have a bright future despite working in a highly competitive market. The expertise of the department's staff and its customer-friendly approach to project management should enable it to deepen existing relationships and forge new partnerships. During the rest of the year Public Finance will again be targeting the infrastructure, health, education, culture and property sectors, as well as seeking direct lending business from national and provincial governments, and local authorities.

During the period under review the Corporate and Project Finance segment continued to devise bespoke project finance solutions for government-linked infrastructure companies and utilities that have already led the way into other Danube countries, or now have such expansion plans.

The Real Estate Finance Department maintained its strong track record as a specialist provider of finance for commercial property developments, despite facing harsh market conditions. Apart from its core Austrian market, the department is active in Germany and EU member states in Central and Eastern Europe. Its key goals in 2011 will be building up a profitable lending portfolio, and selectively acquiring new business from institutional investors, funds and property developers.

Treasury has succeeded in consolidating its liquidity base, and its position on the money and capital markets by widening its range of secured refinancing products. Thanks to its financial engineering know-how it is able to act as the Group's central service function for comprehensive asset / liability management solutions.

HYPO NOE Landesbank serves some 65,000 retail customers in its core Lower Austrian and Vienna markets. It plans to attract more private banking and business customers, and members of the professions to its branches. The bank's housing finance and private banking business lines will play a key role in this. In 2012 HYPO NOE Landesbank will continue to concentrate on risk-aware growth, deepening existing customer relationships and boosting service business.

HYPO NOE Leasing GmbH will set its sights on extending its leadership in the public sector leasing market by maintaining a strong pipeline of innovative new products.

HYPO NOE Real Consult provides comprehensive real estate services, and acts as an expert, independent real estate development and management partner to its customers over the entire investment life cycle. Its extensive experience of project development, and construction and property management ensures that it will continue to meet its customers' high expectations, and act as an industry trendsetter.

RISK REPORT

The HYPO NOE Group defines risk as the possibility of unexpected, unfavourable future developments that could have adverse effects on the financial position, earnings or liquidity of the Group or of individual subsidiaries.

All major business activities in pursuit of the Group's corporate strategic goals are organised in accordance with strategic risk considerations, with particularly close attention to risk bearing capacity.

The Group attaches particular importance to ensuring that risks are incurred only where the potential rewards are commensurate. Risks are not ends in themselves; they are assumed in the interests of value creation: they may only be incurred where risk bearing capacity is sufficient and the return on risk capital is adequate. The ongoing development of instruments and processes to ensure an appropriate risk/reward ratio is considered to be a permanent component of long-term strategic development.

The HYPO NOE Group is also concerned to maintain a healthy balance between risk bearing capacity and the risks incurred. The eligible risk coverage capital is very carefully defined, and the confidence level for risk quantification (i.e. the probability of loss) is set at a conservative level.

Risk management system

Achieving business success necessarily involves taking risks. The HYPO NOE Group practises active risk transformation – risks are incurred on the basis of considered decisions. The Group's risk management objectives are to identify, quantify, monitor and actively manage all types of banking risks.

Our organisational structure provides for a clear separation of the market and control functions (four-eye principle) at every level up to the Management Board. The market functions originate business and give initial clearance to transactions, while the control functions provide the second opinion that confers final approval.

In principle, all quantifiable risks throughout the HYPO NOE Group are subject to the Group-wide, uniform limit system, which is constantly monitored. No risk may be assumed unless a corresponding limit is in place.

The Group-wide risk reporting system ensures that reporting of all risks is regular, timely and comprehensive. In addition to the ICAAP report, which provides an aggregated summary of all risks and their capital coverage, the Management and Supervisory boards receive separate, regular risk reports for each risk category which provide comprehensive information on current risk developments.

Publication as required under sections 26 and 26a of the Austrian Banking Act in conjunction with the OffV (the FMA Disclosure Order) is on a consolidated basis for the HYPO NOE Group, in a separate document posted on our Bank's website.

Total bank management and risk bearing capacity (ICAAP)

The quantification and monitoring of total bank risk at portfolio level is the responsibility of the Group Strategic Risk Management Department, and consists of the measurement, aggregation and analysis of all the risks assumed.

Maintenance of adequate risk bearing capacity is monitored by two control loops:

1) The economic capital management control loop is dedicated to creditor protection from a liquidation perspective. Risks are evaluated at a high confidence level (99.9% with a holding period of one year) and compared with the risk coverage capital available in the event of liquidation.
2) The going concern management control loop is designed to ensure that the Bank survives as a going concern. Risks are evaluated at a lower confidence level (95% with a holding period of one year) and compared with the realisable coverage capital available without endangering survival.

In spite of the unfavourable market environment resulting from the financial crisis the HYPO NOE Group's risk cover as at 30 June 2011 amounted to 86.3% of the risk limit (including an adequate buffer) and was thus slightly better than at 31 December 2010 (88.2%).

Significant risk related developments in the first half of 2011

Risk management documentation

A major upgrade of the Group's risk management documentation system was carried out in the first half of 2011. The system is now reviewed at least annually, and extended, adjusted to changed operating conditions and adapted to new developments in the HYPO NOE Group where necessary.

Augustus Funding Limited

At the instigation of the income noteholder and in conjunction with the contracting partners, in the first quarter of 2011 all of Augustus' liabilities (both senior and mezzanine financing) were retransferred to HYPO NOE Gruppe Bank without loss, in compliance with the terms (waterfall principle). Augustus will now be wound up.

Bank-wide stress testing

The annual internal bank-wide stress test, carried out in consultation with the risk management and portfolio management functions during the first half of 2011, began with a wide-ranging economic analysis, and went on to map out scenarios relevant to the Group's business model (e.g. a budget crisis), and simulate their impact on credit, investment, interest rate and liquidity risk, at subsidiary and Group level, in terms of regulatory and economic risk-bearing capacity. The results were presented to management.

PIIGS and US exposures

Due to the Greek crisis (see the comments on the economic climate), the HYPO NOE Group is keeping a close watch on developments in the Eurozone peripherals, and strict risk guidelines have been established for investments in these countries. Exposure to borrowers in Greece, Ireland and Portugal has not increased since the end of 2010. The Group still has a nominal exposure of EUR 40m to the Greek government, and a further EUR 10.7m to a Greek municipality. There are no exposures to the US federal government.

Impairments were recognised in respect of Greek government bonds classified as available for sale and they were remeasured to fair value as at 30 June 2011.

The Group is examining all the options in connection with the European Council's offer on 21 July 2011 to swap Greek bonds, including the possibility of an open market sale.

Internal control system (ICS) and operational risk

A high priority this year is the ongoing development of methods for the identification, quantification, monitoring and management of operational risk, and of the ICS.

Outlook for 2011

Our business performance in the first half of 2011 demonstrates the appropriateness of the HYPO NOE Group's long-term strategic focus on close customer relationships, and providing expert finance and financial services through its Public Finance and Real Estate Finance departments.

Our risk policy will continue to focus on remaining strictly within the limits of the Group's risk bearing capacity, and to be highly selective with regard to the acceptance of new business.

Basel III

We have made an early start to preparations for Basel III, and thorough examination of the issues raised by it is one of our top priorities. This year the focus will be on the planned liquidity ratios and capital buffers, as well as the potential impact of the CRD IV directive.

Credit risk

Over the next few months a central challenge with regard to credit risk will be the trend in borrowers' probability of default. Both higher risk provisions (increase in expected losses) and a rise in credit value at risk (unexpected loss) are to be expected, and this is being taken into account in the budget planning process.

This year a project team has been making plans for the introduction of the F-IRB approach in the medium term, and the first steps have been made in this direction. This decision is justified by the need to improve credit risk management and the associated processes, as well as a uniform Group-wide approach and savings in regulatory capital requirements.

Liquidity risk

The successful policy of balanced duration management of liabilities will remain in place. Additional liquidity indicators are being introduced – in particular, with an eye to future regulatory measures of liquidity.

Further refinements to the risk management system

This year we are again investing considerable sums in IT infrastructure, and processes, methodology and staff development, in order to ensure that our risk control systems are compatible with the authorised levels of risk tolerance and the Group's business objectives.

Refining our credit risk management system is seen as a long-term strategic growth driver for the HYPO NOE Group. This includes improving organisational processes for the management of risk (watchlist and continuous evaluation of provisions), tighter monitoring, and active portfolio management (risk transfer and use of modern risk management techniques).

In addition, we are targeting other significant, sustainable improvements by developing and implementing a new risk-return management system.

Credit risk

Credit risk is the risk of a deterioration in creditworthiness, and ultimately the risk of default by a counterparty.

The HYPO NOE Group calculates regulatory capital for credit risks using the standardised approach required by section 22a Banking Act, and the "simple" credit risk mitigation method.

The internal risk management system uses the 25-level HYPO master scale, which is shown in condensed form below:

HYPO NOE Group master scale			Überleitung externe Ratings	
Grade	Rating	Rating grade	Moody´s	S&P
Invest	Highest quality	1A - 1E	Aaa - Aa3	AAA - AA-
Invest	Excellent or very good quality	2A - 2E	A1 - Baa3	A+ - BBB-
Non-invest	Good, average or acceptable quality	3A - 3E	Ba1 - B1	BB+ - B+
Non-invest	Inadequate quality	4A - 4B	B2	B
Non-invest	Watch list	4C - 4E	B3 - C	B- - C
	Default	5A - 5E	D	D

Internal ratings are generally used for credit risks and investment risks. Unrated customers are comparatively few, and they are constantly monitored. Unrated loans are generally assigned a conservative 4A rating.

Credit risk analysis

Lending is the HYPO NOE Group's core business, and assuming and managing credit risks, and keeping them within limits is one of the Bank's core competencies. Lending activities, the valuation and classification of collateral, and credit ratings are all governed by strict organisational rules and procedures. The Group Strategic Risk Management Department is responsible for the full range of activities related to the assessment, monitoring and management of all risks associated with on and off-balance sheet lending transactions at the individual customer level.

The main emphasis is on checking the form and content of loan applications, providing second opinions, and assessing early warning signs of potential problem loans.

For customers whose situation requires close observation, relationship managers are required to prepare reviews as necessary, and in all events at least once a year, irrespective of the amount of any liabilities and of the credit ratings. The reviews are submitted for the attention of the managers responsible for the exposures.

The department's responsibilities also include the management of non-performing loans and determining the necessary risk provisions (individual impairment allowances). Below a certain rating level, loans are transferred for workout or recovery.

The HYPO NOE Group applies rigorous standards as to what constitutes default.

Risk provisions

Individual or collective impairment allowances are recognised for identifiable lending risks.

The individual impairment allowances are determined on the basis of an assessment of the customer's financial situation, taking into account the current valuations of collaterals, the repayment structure, and the projected cash flows and maturities.

The Group recognises collective impairment allowances for reductions in the value of the lending portfolio (losses incurred but not reported) at the reporting date.

Credit risk monitoring and portfolio management

The Strategic Risk Management Department is responsible for monitoring credit risk at the portfolio level.

Management is kept up to date with changes in credit risks by monthly credit risk reports, and regular or case-by-case reports on risk issues (transfer of accounts to the collections function, changes in overdrafts, etc). There are also regular reports to management on the Group's ten largest exposures in each department. The Group's overall risk situation is discussed with management at meetings of the Risk Management Committee (RICO), which also deal with selected issues in depth.

Current risk situation

The HYPO NOE Group is a universal bank. Its portfolio of loans and investments largely consists of low-risk loans to public sector borrowers such as sovereigns, the federal government, state governments and local authorities (and their associated enterprises), as well as loans to banks with good external ratings (predominantly own investments, derivatives and money market transactions) and – generally well collateralised – loans to housing construction companies (both large housing associations and private sector). In these low-risk areas there are nevertheless significant risk concentrations (unsecured lending per individual borrower) in the loan portfolio.

A considerable part of the lending is represented by the purchase of a tranche of subsidised home loans from the Lower Austrian state government. Additional security for this lending is provided by a guarantee from the state government, and the credit risk on these exposures is therefore not a cause for concern.

HYPO NOE Gruppe Bank also finances property projects with excellent or good credit ratings, as well as selectively extending loans to the public sector, infrastructure enterprises and selected corporates abroad.

HYPO NOE Landesbank specialises in retail, large-scale housing construction (both cooperative and private sector housing) and SME financing.

From a Group perspective, the credit portfolio shows no notable concentrations of risk. Most of the Bank's business activities relate to lending to the Austrian public sector.
The HYPO NOE Group regularly calculates the statistically expected loss associated with credit risk exposures on the basis of the default probabilities and the collateral structure. The aim is to ensure that the expected loss on the overall portfolio is adequately covered by risk provisions and that a conservative approach is taken to any shortfalls in risk management.

The Group Strategic Risk Management Department regularly calculates the non-performing loan (NPL) ratios at Group and subsidiary level. The NPL ratio is defined as the total exposure on all default (5A-5E rated) customers divided by the total credit risk exposure (excluding home loans, which are all fully collateralised both by mortgages and by the guarantee from the state government. Home loans totalled EUR 1.044bn at the interim reporting date (end-2010: EUR 1.042bn)). As at 30 June 2011 the NPL ratio was 1.99%.

Interest rate risk

Interest rate risk is the risk of changes in the value of assets or liabilities resulting from potential movements in interest rates or discount factors.

Risk management

The management of interest rate risk is the responsibility of the Group Treasury & ALM Department. Fixed interest rate risks are by and large eliminated by the use of hedges, and strategic long-term interest positions are established as recommended by the Asset Liability Committee (ALCO).

Monitoring and quantification of this risk is the responsibility of the Strategic Risk Management Department, which has no involvement in market operations. The reports include all the information currently needed for risk management, ranging from OeNB interest rate statistics to changes in the present value of eligible capital allowing for selected shifts.

The ALCO manages the interest structure and the mismatch contribution closely and actively in the light of current market conditions, taking into account limits and risks in combination with the Group's risk bearing capacity.

Current risk situation

In light of the OeNB interest rate risk statistics, interest rate risk can be seen to be at a moderate level compared with the regulatory limits (20% of eligible capital).

Derivative products are used to hedge interest rate risks on own debt issues and on nostro securities and bank loans, and to manage the Bank's interest rate structure. Derivatives are at present predominantly used as hedging instruments for on-balance sheet positions, and therefore generally count as micro hedges.

As part of the HYPO NOE Group's risk monitoring activities, interest rate risk is computed twice a month on the basis of ten interest rate scenarios and an internal interest rate forecast.

In addition to parallel shifts (100 and 200 base points), twists in the yield curve (both in money markets and in capital markets) are also modelled. The resulting effects on present value are regularly reported internally and reviewed by the ALCO.

Market risk

Market risks are the potential losses that may arise from changes in the market value of exposures as a result of movements in exchange rates (currency risk), share prices, indexes and fund unit prices (equity risk), credit spreads (spread risk) and volatility risk.

Risk management

Management of the HYPO NOE Group's market risks is the responsibility of the Group Treasury & ALM Department.

The organisation of treasury business is based on a clear separation of trading activities from processing and control: the division between front and back office functions ensures that the four-eye principle is applied. Structures, responsibilities and processes are laid down by the authorisation rules, the requirements for investment and trading activities, and the procedures for the introduction of new products.

Market risks may only be incurred within the authorised limits and with respect to authorised products.

Current risk situation

The Group does not engage in any business that requires it to maintain a large trading book in the meaning of the Banking Act. It has maintained a small trading book, subject to the provisions of section 22q Banking Act, since the third quarter of 2006.

Matching currency refinancing and the use of forex derivatives to all intents and purposes eliminate the HYPO NOE Group's exposure to exchange risk. Where foreign currency exposures are left uncovered to a limited extent they are subject to strict limits.

There are additional market risks, particularly in connection with the Group's own investments, which are managed on an ongoing basis in accordance with the risk management guidelines for investments.

Liquidity risk

Liquidity risk is made up of late payment risk, withdrawal risk and structural liquidity risk (refinancing risk). Comparing payment obligations with expected receipts enables a bank to monitor its liquidity. Simple mismatches in the timing of receipts and payments can constitute a liquidity risk, as can late repayments (timing risk) and unexpectedly high cash outflows (call risk).

Group Treasury & ALM is responsible for liquidity management. Issuance planning as part of the annual budgeting process plays a major part in the management of these risks.

A major contribution to limiting liquidity risk is made by day-to-day market monitoring and the maintenance of close contacts with banks in Austria and abroad for the purpose of structuring issues and taking up short-term refinancing lines.

Importance is also attached to close cooperation with the Bank's rating agencies.

Liquidity risk is initially measured using static analysis. Receipts and payments for the period are compared, and the difference calculated. The excess of payments over receipts for the period and cumulatively should be covered by the liquidity reserve. The necessary reporting system, based on two selected liquidity ratios, is already in place. A dynamic model, taking into account inflows and outflows from additional business activities, is under development.

HYPO NOE Landesbank finances itself largely from savings and term deposits, and if necessary from transfers from the parent HYPO NOE Gruppe Bank, which in turn refinances itself on the money and capital markets (mainly Aaa-rated covered bonds placed internationally). Short-term liquidity requirements are largely met from money market lines inside Austria, ECB tenders and repo transactions.

Despite the difficult market environment caused by the financial crisis, the HYPO NOE Group's liquidity situation gives no cause for concern.

The primary focus of funding activities is on assuring that long-term finance is available.

The fact that the cover pool is Aaa rated by Moody's considerably increases the scope for placement of public covered bonds.

There are sufficient securities eligible for ECB tender available as protection in the event that markets freeze up again. A limit has been set to the use of this type of finance.

Operational risk

Operational risk is the danger of losses arising directly or indirectly from the inadequacy or failure of internal processes, people or systems, or from external events.

Operational risks in the HYPO NOE Group are kept under control by means of regular adaptation and improvement of internal guidelines, and by emergency plans, systems of internal checks, staff training and development, and insurance of various risks.

The Management Board is aware that operational risk control calls for a strong commitment from top management because this form of risk is harder to measure than market or credit risk, and there is insufficient statistical data (small number of high-loss events and large number of low-loss events).

Reputational risk

The HYPO NOE Group attaches great importance to avoiding reputational risk, and it is therefore treated as a separate risk category. In making business decisions, great care is taken to avoid damage to the reputation of the HYPO NOE Group and the state of Lower Austria.

Other risks

"Other risks" consist largely of business risk (danger of loss as a result of deterioration in the economic environment and the Bank's business affairs) and strategic risks (danger of losses arising from decisions concerning the Bank's strategic focus and business development). Approaches to measuring these risks based on those applied to credit or market risks are currently being developed.

St. Pölten, 26 August 2011

The Management Board

Dr. Peter Harold
Chairman of the Management Board

Mag. Nikolai de Arnoldi
Member of the Management Board

SEMI-ANNUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2011

Income statement €'000	Notes	H1 2011	H1 2010
Interest and similar income	(3.1)	228,896	220,669
thereof income from investments accounted for using the equity method		*2,533*	*1,822*
Interest and similar expenses	(3.2)	-153,085	-150,502
Net interest income		**75,811**	**70,167**
Credit risk provisions	(3.4)	-12,224	-9,830
Net interest income after risk provisions		**63,587**	**60,337**
Fee and commission income		4,747	5,753
Fee and commission expenses		-951	-1,126
Net fee and commission income	(3.5)	**3,796**	**4,627**
Net trading income	(3.6)	1,095	535
General administrative expenses	(3.7)	-45,654	-41,539
Net other operating expense/income	(3.8)	16,173	8,425
Net gains or losses on available-for-sale financial assets	(3.9)	-16,280	1,160
Net gains or losses on financial assets designated as at fair value through profit or loss	(3.10)	-948	246
Net gains or losses on financial assets held to maturity	(3.11)	44	0
Loss/income from hedging activities	(3.12)	72	-954
Income from other financial investments	(3.14)	27	7
Profit before tax		**21,912**	**32,844**
Income tax	(3.15)	-5,498	-8,211
Profit after tax		**16,414**	**24,633**
Minority interests	(3.16)	-50	-30
Profit attributable to owners of the parent		**16,364**	**24,603**

Other comprehensive income (€'000)	H1 2011	H1 2010
Profit attributable to owners of the parent	**16,364**	**24,603**
Change in available-for-sale financial instruments (after tax)	57,423	-13,223
Change in available-for-sale financial instruments (before tax)	*76,564*	*-17,631*
Change in deferred tax	*-19,141*	*4,408*
Change in cash flow hedge (after tax)	-327	1,252
Change in cash flow hedge (before tax)	*-436*	*1,669*
Change in deferred tax	*109*	*-417*
Other changes	0	-2
Total other comprehensive income	**57,096**	**-11,973**
Total comprehensive income attributable to owners of the parent	**73,460**	**12,630**

Other comprehensive income is attributable to the owners of the parent.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

Assets €'000	(Notes)	30 June 2011	31 Dec. 2010
Cash	(4.1)	32,524	39,613
Loans and advances to credit institutions	(4.2)	385,502	432,511
Loans and advances to customers	(4.3)	8,734,764	8,878,928
Risk provisions	(4.4)	-109,752	-103,164
Assets held for trading	(4.5)	239,265	240,174
Positive fair value of hedges (hedge accounting)	(4.6)	240,165	276,205
Available-for-sale financial assets	(4.7)	2,088,679	2,014,702
Financial assets designated as at fair value through profit or loss	(4.8)	4,593	9,406
Financial assets held to maturity	(4.9)	50,111	70,106
Investments accounted for using the equity method	(4.10)	47,175	46,149
Investment property	(4.11)	23,539	24,443
Intangible assets	(4.12)	849	1,033
Property, plant and equipment	(4.12)	31,813	27,514
Current tax assets	(4.13)	5,796	4,529
Deferred tax assets	(4.13)	5,333	21,452
Other assets	(4.14)	21,100	20,850
Total assets		**11,801,456**	**12,004,451**

Equity and liabilities (€'000)			
Deposits from credit institutions	(4.15)	2,183,778	2,624,226
Deposits from customers	(4.16)	2,304,505	2,326,693
Debts evidenced by certificates	(4.17)	6,159,804	5,945,431
Liabilities held for trading	(4.18)	142,273	152,989
Negative fair value of hedges (hedge accounting)	(4.19)	176,858	204,380
Provisions	(4.20)	98,135	98,276
Current tax liabilities	(4.21)	64	71
Deferred tax liabilities	(4.21)	19,652	10,890
Other liabilities	(4.22)	56,609	56,478
Subordinated capital		203,780	202,529
Equity (including minority interests)*	(4.23)	455,998	382,488
Owners' equity		455,486	382,026
Minority interests		512	462
Total equity and liabilities		**11,801,456**	**12,004,451**

*A detailed presentation is given in the statement of changes in equity, overleaf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 June 2011 (€'000)

	Balance at 1 Jan. 2011	Profit/ loss after tax	Allocations	Other comprehensive income	Transfers	Balance at 30 June 2011
Share capital	51,981	0	0	0	0	51,981
Capital reserves	191,824	0	0	0	0	191,824
Contribution towards a capital increase	0	0	0	0	0	0
Retained earnings	258,740	0	0	0	4,526	263,266
thereof leasing revaluation reserve	*185,300*	*0*	*0*	*0*	*1,181*	*186,481*
IAS 19 reserve	-1,628	0	0	0	0	-1,628
Available-for-sale reserve	-46,300	0	0	57,423	0	11,123
Cash flow hedge reserve	920	0	0	-327	0	593
Consolidated profit/loss	-70,586	16,364	0	0	-4,526	-58,748
Goodwill netted in equity (equity component)	-2,924	0	0	0	0	-2,924
OWNERS' EQUITY	**382,026**	**16,364**	**0**	**57,096**	**0**	**455,486**
Minority interests	462	50	0	0	0	512
EQUITY	**382,488**	**16,414**	**0**	**57,096**	**0**	**455,998**

as at 30 June 2010 €'000

	Balance at 1 Jan. 2010	Profit/ loss after tax	Allocations	Other comprehensive income	Transfers	Balance at 30 June 2010
Share capital	47,619	0	0	0	4,362	51,981
Capital reserves	166,102	0	0	0	25,722	191,824
Contribution towards a capital increase	30,084	0	0	0	-30,084	0
Retained earnings	242,880	0	134	0	10,174	253,188
thereof leasing revaluation reserve	*180,966*	*0*	*0*	*0*	*3,597*	*184,563*
IAS 19 reserve	-822	0	0	0	0	-822
Available-for-sale reserve	-17,736	0	0	-13,223	0	-30,959
Cash flow hedge reserve	635	0	0	1,252	0	1,887
Consolidated profit/loss	-61,810	24,603	-134	-2	-10,174	-47,517
Differences arising on consolidation (equity portion)	-2,924	0	0	0	0	-2,924
OWNERS' EQUITY	**404,028**	**24,603**	**0**	**-11,973**	**0**	**416,658**
Minority interests	415	30	0	0	0	445
EQUITY	**404,443**	**24,633**	**0**	**-11,973**	**0**	**417,103**

Additional information is given in Note 4.23.
The reason for the cumulative losses shown under "Consolidated profit/loss" is the manner in which the leasing companies' results are reported. The corresponding differences between carrying amounts and present value are recognised in "Retained earnings".

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

€'000	30 June 2011	31 Dec. 2010
Cash and cash equivalents at end of previous period	**39,613**	**70,658**
Cash flows from operating activities	-3,643	-51,028
Cash flows from investing activities	-4,697	20,331
Other cash flows from financing activities	1,251	-349
Cash and cash equivalents at end of period	**32,524**	**39,613**

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2011

1. Accounting policies

The semi annual financial statements of the HYPO NOE Gruppe Bank AG Group (hereafter "Hypo NOE Group") as at 30 June 2011 were drawn up in accordance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Committee (IFRIC).

The consolidated financial statements have been prepared in accordance with the IFRS/IAS standards and interpretations adopted and published by the European Union, and applicable to the business activities of the HYPO NOE Group.

IAS 34, including the amendment adopted by the European Commission on 18 February 2011, under Regulation (EU) No 149/2011, was applied to preparation of this interim report.

The interim statements do not contain all of the information required for full annual financial statements, and should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2010.

The same accounting policies were applied to the interim report as to the financial statements as at 31 December 2010.

2. Changes in scope of consolidation as at 30 June 2011

Changes in holdings: On 20 January 2011 HYPO NOE Gruppe Bank sold its 30% interest in HYPO Real Invest AG to IVG Immobilien AG, a listed German company, at a profit. The net profit is reported under the "Income from investments accounted for using the equity method" sub-item of "Interest and similar income" (Note 3.1).

Legal changes: Due to its impending closure, Augustus Funding Limited, an entity accounted for by the equity method, was renamed "Augustus Funding Limited – In Voluntary Liquidation".

Formation: Orchisgasse 66 Liegenschaftserrichtungs- und verwertungs GmbH was registered on 17 May 2011 as a wholly owned subsidiary of HYPO NOE Real Consult GmbH. The new company is included in the consolidated financial statements of the HYPO NOE Group.

3. Notes to the comprehensive income statement

All amounts stated in €'000

3.1 Interest and similar income

The "Income from investments accounted for using the equity method" sub-item reflects the positive effect of the disposal of the 30% interest in HYPO Real Invest AG, an entity accounted for by the equity method, for EUR 319thsd.

3.1.a Interest and similar income

€'000	H1 2011	H1 2010
Interest income from:		
Cash and cash balances at central banks	121	124
Loans and advances to credit institutions	3,882	7,125
Loans and advances to customers	108,791	102,958
Interest derivatives (economic hedges)	110	88
Bonds, public debt certificates and other fixed-income securities	34,471	32,960
Hedges (hedge accounting)	58,059	62,062
Other interest income	14,406	8,259
thereof income from investments accounted for using the equity method	*2,533*	*1,822*
thereof income from investment property	*148*	*164*
thereof rent receivable	*412*	*398*
thereof depreciation and amortisation	*-264*	*-234*
Similar income from:		
Leasing	7,152	5,561
Shares and other variable income securities	0	984
Investments in associates	1,904	548
Total	**228,896**	**220,669**

3.1.b Interest and similar income by IAS 39 measurement categories

€'000	H1 2011	H1 2010
Interest and similar income from:		
Loans and receivables (LAR)	115,936	107,450
Available-for-sale (AFS) assets	35,670	33,545
Assets held to maturity (HTM)	558	802
Fair value option (FVO)	148	144
Assets held for trading (HFT)	7,606	7,589
Interest derivatives (economic hedges)	110	88
Impaired loans and advances (unwinding)	61	0
Hedges (hedge accounting)	58,059	62,062
Interest income attributable to other periods	164	23
Share of results of investments accounted for using the equity method	2,533	1,822
Income from investment property	148	164
thereof rent receivable	*412*	*398*
thereof depreciation and amortisation	*-264*	*-234*
Leasing	7,152	5,561
Current origination and commitment fees (IAS 18)	751	1,419
Total	**228,896**	**220,669**

3.2 Interest and similar expense

3.2.a Interest and similar expense

€'000	H1 2011	H1 2010
Interest expense from:		
Liabilities to central banks	-2,676	-5,707
Deposits from credit institutions	-10,378	-5,639
Deposits from customers	-21,530	-21,271
Debts evidenced by certificates	-72,739	-71,535
Subordinated capital	-2,305	-2,656
Interest rate derivatives (economic hedges)	-104	-119
Hedges (hedge accounting)	-33,984	-37,994
Other interest expense	-9,369	-5,581
Total	**-153,085**	**-150,502**

3.2.b Interest and similar expense by IAS 39 measurement categories

€'000	H1 2011	H1 2010
Interest expense from:		
Liabilities at cost (LAC)	-110,832	-104,451
Liabilities at fair value (FVO)	0	-2
Liabilities held for trading (HFT)	-8,165	-7,936
Interest rate derivatives (economic hedges)	-104	-119
Hedging derivatives (hedge accounting)	-33,984	-37,994
Total	**-153,085**	**-150,502**

3.3 Summary of IFRS 7 impairment allowances

€'000		H1 2011		
		Additions (-)	Reversals (+)	TOTAL Current period
Impairment losses on financial assets not measured at fair value through profit or loss:		**-37,768**	**7,684**	**-30,084**
Available-for-sale (AFS) financial assets	(3.9)	-18,030	157	-17,873
Loans and receivables (LAR) measured at amortised cost (incl. finance lease)	(3.4)	-19,738	7,527	-12,211
Total		**-37,768**	**7,684**	**-30,084**

€'000		H1 2010		
		Additions (-)	Reversals (+)	TOTAL Current period
Impairment losses on financial assets not measured at fair value through profit or loss:		**-13,771**	**3,819**	**-9,952**
Available-for-sale (AFS) financial assets	(3.9)	-4	33	29
Loans and receivables (LAR) measured at amortised cost (incl. finance lease)	(3.4)	-13,767	3,786	-9,981
Total		**-13,771**	**3,819**	**-9,952**

3.4 Credit risk provisions

An analysis of risk provisions for on and off-balance sheet transactions is shown below.

€'000		H1 2011	H1 2010
Allocations to:			
Individual impairment allowances	(3.3)	-13,947	-9,047
Collective impairment allowances	(3.3)	-2,261	-4,579
Other credit risk provisions		-203	0
Reversals of:			
Individual impairment allowances	(3.3)	6,289	3,297
Collective impairment allowances	(3.3)	928	324
Other credit risk provisions		189	151
Receipts from impaired assets	(3.3)	311	165
Direct write-offs	(3.3)	-3,530	-141
Total		**-12,224**	**-9,830**

The increase in the "Direct write-offs" item resulted from the write-off of a loan to a Hungarian municipality.

3.5 Net fee and commission income

€'000	H1 2011	H1 2010
Fee and commission income from:		
Loans and advances	158	96
Securities and securities account business	1,536	2,238
Payment transactions	1,221	1,237
Foreign exchange, foreign notes and coins, and precious metals	105	142
Other services	1,518	1,851
Diversification	207	185
Other fee and commission income	2	4
Total	**4,747**	**5,753**

€'000	H1 2011	H1 2010
Fee and commission expense from:		
Loans and advances	-21	-30
Securities and securities account business	-481	-641
Payment transactions	-271	-269
Other services	-14	-13
Diversification	-164	-173
Total	**-951**	**-1,126**

3.6 Net trading income

€'000	H1 2011	H1 2010
Interest rate transactions	749	214
Foreign exchange transactions	281	79
Other transactions	65	242
Total	**1,095**	**535**

3.7 General administrative expenses

General administrative expenses comprise staff costs, other administrative expenses, and depreciation and amortisation. These items were as follows:

€'000	H1 2011	H1 2010
Staff costs	-25,406	-24,166
Other administrative expenses	-18,516	-15,866
Depreciation and amortisation	-1,731	-1,508
Total	**-45,654**	**-41,539**

3.7.1 Staff costs

€'000	H1 2011	H1 2010
Wages and salaries	-19,112	-17,656
Social security costs	-3,953	-3,783
Cost of voluntary employee benefits	-630	-633
Retirement benefit costs	-1,016	-1,191
Termination benefit costs	-695	-903
Total	**-25,406**	**-24,166**

3.7.2 Other administrative expenses

€'000	H1 2011	H1 2010
Premises	-2,856	-2,606
Office and communication expenses	-806	-807
IT expenses	-3,320	-3,542
Legal and consultancy costs	-2,035	-1,507
Advertising and promotion costs	-3,057	-3,301
Liability costs	-850	-650
Sundry administrative expenses	-5,592	-3,453
Total	**-18,516**	**-15,866**

3.7.3 Depreciation and amortisation

€'000	H1 2011	H1 2010
Intangible assets	-11	-5
Buildings used by Group companies	-151	-116
Equipment, fixtures and furnishings (including low value assets)	-1,569	-1,387
Total	**-1,731**	**-1,508**

As in 2010, it was not necessary to recognise any impairments on assets under IAS 36.

3.8 Net other operating expense/income

€'000	H1 2011	H1 2010
Other rental income	**110**	**152**
Gains/losses on		
disposal of intangible assets, and property, plant and equipment	35	8
Gains/losses on recognition and reversal of provisions	**103**	**3,291**
Sundry other operating expenses/income		
Sundry other operating income	16,336	5,508
Sundry other operating expenses	-411	-533
Total	**16,173**	**8,425**

"Sundry other operating expenses/income" includes income and expenses arising from foreign currency (see Note 3.13).

3.9 Net gains or losses on available-for-sale financial assets

€'000		H1 2011	H1 2010
Income from financial assets			
Gains on disposal	(3.13)	2,092	3,038
Write-ups	(3.3)	157	33
Expenses arising from financial assets			
Losses on disposal	(3.13)	-499	-1,907
Impairment losses	(3.3)	-18,030	-4
Total		**-16,280**	**1,160**

The impairments recognised largely relate to the following securities:

Griechenland										
ISIN	**Security**	**Due**	**Asset class**	**Face value**	**Cur-rency**	**Amortised cost**	**Price**	**Fair value**	**Impairment**	**Carrying amount**
GR0114023485	6.1% Griechenland 10-15	20.08.2015	AFS	20,000	€'000	20,000	58,05	11,610	-8,390	11,610
GR0124028623	3.6% Griechenland 06/16	20.07.2016	AFS	10,000	€'000	9,912	52,16	5,216	-4,696	5,216
GR0124028623	3.6% Griechenland 06/16	20.07.2016	AFS	10,000	€'000	10,000	52,16	5,216	-4,784	5,216
Total				**40,000**		**39,912**		**22,042**	**-17,870**	**22,042**

Supplementary information on the Greek exposures as at 17 August 2011:						
ISIN	**Security**	**Price on 30 Jun. 2011**	**Price on 17 Aug. 2011**	**Fair value on 30 Jun. 2011**	**Fair value on 17 Aug. 2011**	**Difference**
GR0114023485	6.1% Griechenland 10-15	58,05	59,34	11,610	11,868	258
GR0124028623	3.6% Griechenland 06/16	52,16	54,90	5,216	5,490	274
GR0124028623	3.6% Griechenland 06/16	52,16	54,90	5,216	5,490	274
Total				**22,042**	**22,848**	**806**

Remeasurement to fair value was on the basis of the market prices on 30 June and 17 August 2011.

3.10 Net gains or losses on financial assets designated as at fair value through profit or loss

€'000	H1 2011	H1 2010
Net gains or losses on financial assets		
Debt instruments	-948	246
Total	**-948**	**246**

3.11 Net gains or losses on financial assets held to maturity

€'000	H1 2011	H1 2010
Income from financial assets		
Gains on disposal/redemption	44	0
Total	**44**	**0**

3.12 Loss/income from hedging activities

Gains or losses on the hedged items attributable to the hedged risk and gains or losses on remeasurement of hedging instruments at fair value (hedge accounting) are recognised under "Net gains or losses on hedges". Gains or losses on derivative financial instruments used for economic hedges in connection with banking book management are also reported under this item.

€'000	H1 2011	H1 2010
Hedge accounting		
Gains or losses on hedged items	1,620	-44,289
Gains or losses on hedging derivatives	-1,289	43,888
Total	**331**	**-401**

€'000	H1 2011	H1 2010
Other derivative financial instruments (economic hedges)		
Interest rate transactions	-52	-469
Foreign exchange transactions	-207	-84
Total	**-259**	**-553**

3.13 Net gains or losses on financial assets and liabilities

€'000		H1 2011	H1 2010
Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss, net		**1,706**	**1,204**
Available-for-sale financial assets	(3.9)	1,593	1,131
Held to maturity financial investments	(3.11)	44	0
Other		69	73
Gains (losses) on financial assets and liabilities held for trading, net	**(3.6)**	**1,095**	**535**
Interest rate instruments and related derivatives		750	214
Foreign exchange trading		281	79
Other (including hybrid derivatives)		64	242
Gains (losses) on financial assets and liabilities designated as at fair value through profit or loss, net	**(3.10)**	**-948**	**246**
Gains (losses) from hedge accounting , net	**(3.12)**	**72**	**-954**
Gains on currency translation, net	**(3.8)**	**11,932**	**1,182**
Total		**13,857**	**2,213**

3.14 Income from other financial investments

€'000	H1 2011	H1 2010
Investment propertie	**-44**	**-55**
Proceeds from sales	709	725
Carrying amounts of disposals	-640	-652
Let investment properties	-111	-128
Vacant investment properties	-2	0
Net income from other financial investments	**71**	**62**
Other income from other financial assets	71	62
Total	**27**	**7**

3.15 Income tax

This item includes all taxes payable on profits for the interim reporting period.

€'000	H1 2011	H1 2010
Current income tax	349	-8,776
Deferred income tax	-5,847	565
Total	**-5,498**	**-8,211**

3.16 Minority interests

€'000	H1 2011	H1 2010
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	-50	-32
SATORIA Grundstückvermietung GmbH (former Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H.)	0	2
Total	**-50**	**-30**

HYPO NOE Leasing GmbH acquired as of 28.10.2010 all shares of Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H. Its interest in the latter company was previously 51%. The acquiree was renamed SATORIA Grundstückvermietung GmbH.

4. Detailed notes to the statement of financial position

All amounts stated in €'000

4.1 Cash

€'000	30 June 2011	31 Dec. 2010
Cash on hand	12,126	13,264
Balances at central banks	20,398	26,349
Total	**32,524**	**39,613**

Only amounts that are repayable on demand are reported under "Balances at central banks".

4.2 Loans and advances to credit institutions

€'000	30 June 2011	31 Dec. 2010
Domestic banks	128,290	114,356
Foreign banks		
Central and Eastern Europe (CEE)	52,014	52,441
Rest of the world (ROW)	205,198	265,714
Total	**385,502**	**432,511**

4.3 Loans and advances to customers

4.3.1 Customer group analysis

€'000	30 June 2011	31 Dec. 2010
Public sector customers	4,363,186	4,515,212
Business customers	1,570,595	1,565,311
Housing associations	1,224,571	1,217,219
Retail customers	1,462,643	1,462,096
Professionals	113,769	119,090
Total	**8,734,764**	**8,878,928**

4.3.2 Geographical analysis

€'000	30 June 2011	31 Dec. 2010
Domestic customers	7,288,656	7,433,058
Foreign customers		
Central and Eastern Europe (CEE)	590,239	524,130
Rest of the world (ROW)	855,869	921,740
Total	**8,734,764**	**8,878,928**

4.4 Risk provisions and credit risk provisions

Default risk arising from lending business is accounted for by recognising individual and collective impairment allowances, and provisions for off-balance sheet commitments. The collective impairment allowances reflect estimates of impairments affecting the loan portfolio which occurred before the end of the reporting period, but were not yet known.

4.4.1 Analysis of risk provisions and credit risk provisions by customer groups

€'000	As at 1 Jan. 2011	Allocations	Reversals	Utilisation	Unwinding	FX differences	Other changes	As at 30 June 2011
Risk provisions for customers: individual impairment allowances	**-97,320**	**-13,947**	**6,289**	**2,346**	**61**	**-3**	**0**	**-102,575**
Public sector customers	-5,635	0	66	0	24	0	0	-5,545
Business customers	-53,750	-11,135	3,663	1,643	37	-3	-192	-59,738
Housing associations	-156	-4	11	0	0	0	129	-19
Retail customers	-33,380	-2,409	2,367	683	0	0	-80	-32,819
Professionals	-4,399	-399	181	20	0	0	143	-4,453
Risk provisions for customers: collective impairment allowances	**-5,844**	**-2,261**	**928**	**0**	**0**	**0**	**0**	**-7,177**
Subtotal: risk provisions for customers	**-103,164**	**-16,208**	**7,217**	**2,346**	**61**	**-3**	**0**	**-109,752**
Credit risk provisions	-5,795	-203	189	206	-10	0	0	-5,613
Total	**-108,959**	**-16,412**	**7,406**	**2,552**	**51**	**-3**	**0**	**-115,364**

€'000	As at 1 Jan. 2010	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 31 Dec. 2010
Risk provisions for customers: individual impairment allowances	**-83,548**	**-30,274**	**11,735**	**5,108**	**303**	**-644**	**0**	**-97,320**
Public sector customers	-11,332	0	5,638	611	92	-644	0	-5,635
Business customers	-41,963	-19,121	2,119	3,470	0	0	1,745	-53,750
Housing associations	-135	-23	1	0	180	0	-180	-156
Retail customers	-27,020	-9,744	3,762	1,021	30	0	-1,431	-33,380
Professionals	-3,098	-1,386	214	6	0	0	-134	-4,399
Risk provisions for customers: collective impairment allowances	**-7,127**	**-1,566**	**2,849**	**0**	**0**	**0**	**0**	**-5,844**
Subtotal: risk provisions for customers	**-90,675**	**-31,840**	**14,585**	**5,108**	**303**	**-644**	**0**	**-103,164**
Credit risk provisions	-5,557	-395	157	0	0	0	0	-5,795
Total	**-96,232**	**-32,234**	**14,741**	**5,108**	**303**	**-644**	**0**	**-108,959**

4.4.2 Risk provisions: geographical analysis

€'000	30 June 2011	31 Dec. 2010
Domestic	-99,605	-93,723
Foreign		
Central and Eastern Europe (CEE)	-3,490	-2,417
Rest of the world (ROW)	-6,657	-7,024
Total risk provisions for customers	**-109,752**	**-103,164**

4.4.3 Analysis of risk provisions according to regulatory reporting segmentation

€'000	As at 1 Jan. 2011	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 30 June 2011
Risk provisions for customers: individual impairment allowances	**-97,320**	**-13,947**	**6,289**	**2,346**	**61**	**-3**	**0**	**-102,575**
Loans to non-banks (financial service companies)	-5,272	0	21	0	21	0	0	-5,230
Loans to corporate customers	-53,065	-10,626	3,395	1,644	40	-3	3,761	-54,855
Loans to retail customers	-38,983	-3,321	2,872	702	0	0	-3,761	-42,491
Risk provisions for customers: collective impairment allowances	**-5,844**	**-2,261**	**928**	**0**	**0**	**0**	**0**	**-7,177**
Total risk provisions for customers	**-103,164**	**-16,208**	**7,217**	**2,346**	**61**	**-3**	**0**	**-109,752**

€'000	As at 1 Jan. 2010	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 31 Dec. 2010
Risk provisions for customers: individual impairment allowances	**-83,548**	**-30,274**	**11,735**	**5,108**	**303**	**-644**	**0**	**-97,320**
Loans to non-banks (financial service companies)	-6,032	0	483	0	113	0	163	-5,272
Loans to corporate customers	-41,251	-17,650	9,016	3,946	189	-644	-6,671	-53,065
Loans to retail customers	-36,265	-12,624	2,236	1,162	0	0	6,508	-38,983
Risk provisions for customers: collective impairment allowances	**-7,127**	**-1,566**	**2,849**	**0**	**0**	**0**	**0**	**-5,844**
Total risk provisions for customers	**-90,675**	**-31,840**	**14,585**	**5,108**	**303**	**-644**	**0**	**-103,164**

4.4.4 Risk provisions for customers by maturities of underlying transactions (regulatory reporting segmentation)

30 June 2011 €'000	Not past due	Less than 90 days overdue	More than 90 days overdue	Total
Risk provisions for customers: individual impairment allowances	**-27,739**	**-1,555**	**-73,281**	**-102,575**
Loans to non-banks (financial service companies)	0	0	-5,230	-5,230
Loans to corporate customers	-18,486	-757	-34,937	-54,179
Loans to retail customers	-9,253	-798	-33,115	-43,166
Risk provisions for customers: collective impairment allowances	**-6,950**	**-227**	**0**	**-7,177**
Total risk provisions for customers	**-34,688**	**-1,782**	**-73,281**	**-109,752**

31 Dec. 2010 €'000	Not past due	Less than 90 days overdue	90 or more days overdue	Total
Risk provisions for customers: individual impairment allowances	**-29,836**	**-2,884**	**-64,601**	**-97,320**
Loans to non-banks (financial service companies)	0	0	-5,272	-5,272
Loans to corporate customers	-17,195	-2,059	-27,627	-46,881
Loans to retail customers	-12,641	-824	-31,701	-45,167
Risk provisions for customers: collective impairment allowances	**-5,601**	**-242**	**-1**	**-5,844**
Total risk provisions for customers	**-35,437**	**-3,125**	**-64,601**	**-103,164**

4.4.5 Disclosures of maturities and collaterals in accordance with IFRS 7

The table below sets out the eligible collaterals for regulatory purposes. The receivables of the leasing sub-group, amounting to some EUR 1,239,186thsd (2010: EUR 1,247,741thsd), are shown without collateral.
The collaterals are also discussed in the risk report which forms part of the operational and financial review.

30 June 2011 €'000	Gross carrying amount (not individually impaired)	Gross carrying amount (individually impaired)	Renegotiated terms (para. 36(d) IFRS 7)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	8,907,485	65,858	0	-6,950	-27,739	8,938,655
Less than 90 days overdue	34,066	3,372	0	-227	-1,555	35,656
90 or more days overdue	10,667	119,115	0	0	-73,281	56,501
Total	**8,952,219**	**188,345**	**0**	**-7,177**	**-102,575**	**9,030,812**

30 June 2011 €'000	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, debt instruments and other financial assets not past due or individually impaired	8,907,485	3,755,438
Loans and advances to customers and banks, debt instruments and other financial assets overdue but not individually impaired	44,733	54,410
Loans and advances to customers and banks, debt instruments and other financial assets individually impaired (overdue and not past due)	188,345	39,711
Total	**9,140,563**	**3,849,559**

31 Dec. 2010 €'000	Gross carrying amount (not individually impaired)	Gross carrying amount (individually impaired)	Renegotiated terms (para. 36(d) IFRS 7)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	8,984,385	64,545	209	-5,601	-29,836	9,013,701
Less than 90 days overdue	149,826	9,400	0	-242	-2,884	156,101
90 or more days overdue	20,423	102,674	0	-1	-64,601	58,495
Total	**9,154,633**	**176,619**	**209**	**-5,844**	**-97,320**	**9,228,298**

31 Dec. 2010 €'000	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, debt instruments and other financial assets not past due or individually impaired	8,984,385	3,224,335
Loans and advances to customers and banks, debt instruments and other financial assets overdue but not individually impaired	170,249	53,173
Loans and advances to customers and banks, debt instruments and other financial assets individually impaired (overdue and not past due)	176,619	37,361
Total	**9,331,253**	**3,314,870**

4.5 Assets held for trading

€'000	30 June 2011	31 Dec. 2010
Positive fair value of derivatives held for trading (banking book)		
Interest rate derivatives	218,595	214,949
Foreign exchange derivatives	10,310	11,880
Other assets held for trading	10,360	13,345
Total	**239,265**	**240,174**

4.6 Positive fair value of hedges (hedge accounting)

An analysis of the positive fair value of hedges eligible for hedge accounting under IAS 39, according to the hedged items, is shown below.

€'000	30 June 2011	31 Dec. 2010
Assets		
Loans and advances to banks	249	355
Loans and advances to customers	4,688	6,368
Financial assets	7,878	6,450
Liabilities		
Deposits from banks	0	3,947
Deposits from customers	53,120	66,238
Debts evidenced by certificates	174,230	192,847
Total	**240,165**	**276,205**

4.7 Available-for-sale financial assets

€'000	30 June 2011	31 Dec. 2010
Shares and other variable income securities	653	24,878
Bonds, public debt certificates and other fixed-income securities	2,000,836	1,966,909
Interests in non-consolidated subsidiaries (over 50%)	226	226
Interests in associates (20–50%)	465	465
Other investments	86,499	22,224
Total	**2,088,679**	**2,014,702**

4.8 Financial assets designated as at fair value through profit or loss

€'000	30 June 2011	31 Dec. 2010
Bonds, public debt certificates and other fixed income securities	4,593	9,406
Total	**4,593**	**9,406**

4.9 Financial assets held to maturity

€'000	30 June 2011	31 Dec. 2010
Bonds, public debt certificates and other fixed income securities	50,111	70,106
Total	**50,111**	**70,106**

4.10 Investments accounted for using the equity method

€'000	30 June 2011	31 Dec. 2010
Banks	2,640	2,543
Other	44,535	43,606
Total	**47,175**	**46,149**

No associate accounted for using the equity method made a semi annual or cumulative loss that the Bank was obliged to recognise under paragraph 30 IAS 28.

4.11 Investment property

€'000	30 June 2011	31 Dec. 2010
Investment property	23,539	24,443

4.12 Property, plant and equipment, and intangible assets

€'000	30 June 2011	31 Dec. 2010
Intangible assets		
Software	849	1,033
Total intangible assets	**849**	**1,033**
Property, plant and equipment		
Land and buildings	23,527	19,181
IT equipment	632	495
Equipment	7,655	7,838
Total property, plant and equipment	**31,813**	**27,514**

The increase in the “Land and buildings” item was due to the addition to assets in the course of construction represented by the new headquarters building in St. Pölten.

4.13 Tax assets

€'000	30 June 2011	31 Dec. 2010
Current tax assets	5,796	4,529
Deferred tax assets	5,333	21,452
Total	**11,129**	**25,981**

4.14 Other assets

€'000	30 June 2011	31 Dec. 2010
Deferred items	951	1,791
Other receivables and assets	19,347	18,023
thereof value added tax (VAT) and other tax credits (except for income tax)	*5,901*	*3,820*
thereof emergency acquisition held for sale	*716*	*680*
Positive fair value of derivatives	802	1,036
Total	**21,100**	**20,850**

The positive fair value relates to derivatives used as economic hedges in connection with banking book management; these do not qualify for hedge accounting.

4.15 Deposits from credit institutions

€'000	30 June 2011	31 Dec. 2010
Domestic banks	1,280,467	1,689,734
Foreign banks		
Rest of the world (ROW)	903,311	934,492
Total	**2,183,778**	**2,624,226**

The deposits from banks include repurchase agreements entered into by the Bank as a transferor.

Repurchase agreements entered into as a transferor
The repurchase agreements were of the type described by AG51(a) IAS 39, in that the assets sold under them were loaned, and the Bank, as the transferor, retained substantially all the risks and rewards of ownership. These transactions were largely tri-party repos and collateralised loans from the ECB and the Oesterreichische Nationalbank.

€'000	30 June 2011	31 Dec. 2010
Liabilities to banks under repo agreements	680,000	1,354,987

4.16 Deposits from customers

4.16.1 Customer group analysis

€'000	30 June 2011	31 Dec. 2010
Savings deposits	766,845	775,156
Demand and time deposits		
Public sector customers	140,911	167,628
Business customers	1,099,848	1,088,157
Housing associations	43,610	50,326
Retail customers	207,026	203,825
Professionals	46,265	41,601
Total	**2,304,505**	**2,326,693**

4.16.2 Geographical analysis

€'000	30 June 2011	31 Dec. 2010
Domestic customers	1,388,714	1,398,564
Foreign customers		
Central and Eastern Europe (CEE)	7,457	9,433
Rest of the world (ROW)	908,334	918,696
Total	**2,304,505**	**2,326,693**

4.17 Debts evidenced by certificates

€'000	30 June 2011	31 Dec. 2010
Covered and municipal bonds	1,993,656	1,812,519
Other bonds	4,165,496	4,131,159
Profit-sharing certificates	652	1,753
Total	**6,159,804**	**5,945,431**

4.18 Liabilities held for trading

€'000	30 June 2011	31 Dec. 2010
Negative fair value of derivative financial instruments (banking book)		
Interest rate derivatives	131,575	128,935
Foreign exchange derivatives	338	10,648
Other trading liabilities	10,360	13,406
Total	**142,273**	**152,989**

4.19 Negative fair value of hedges (hedge accounting)

An analysis of the negative fair value of hedges eligible for hedge accounting under IAS 39, according to the hedged items, is shown below.

€'000	30 June 2011	31 Dec. 2010
Assets		
Loans and advances to customers	126,998	142,047
Available-for-sale financial assets	25,564	38,714
Liabilities		
Deposits from banks	1,996	932
Deposits from customers	55	0
Debts evidenced by certificates	22,244	22,687
Total	**176,858**	**204,380**

4.20 Provisions

€'000	30 June 2011	31 Dec. 2010
Long-term employee benefit provisions	**34,020**	**33,819**
Provisions for pensions	24,023	24,328
Provisions for termination benefits	8,733	8,305
Provisions for jubilee benefits	1,264	1,186
Credit risk provisions	**5,613**	**5,795**
Other provisions	**58,502**	**58,662**
Total	**98,135**	**98,276**

Provision continued to be made for the possibility that the pending proceedings related to Augustus Funding Limited will result in the imposition of an interest penalty of EUR 57,934thsd by the Austrian Financial Market Authority.

4.21 Tax liabilities

€'000	30 June 2011	31 Dec. 2010
Current tax liabilities	64	71
Deferred tax liabilities	19,652	10,890
Total	**19,716**	**10,961**

The deferred tax liabilities are the potential additional tax burden due to temporary differences between the IFRS carrying amounts of assets and liabilities, and the tax bases.
Deferred tax assets are only set off against deferred tax liabilities of the same entities.

4.22 Other liabilities

€'000	30 June 2011	31 Dec. 2010
Accrued and deferred liabilities	13,636	10,548
Sundry other liabilities	42,445	45,426
thereof outstanding bills	*1,348*	*6,611*
thereof VAT and other tax liabilities (except for income tax)	*-1,584*	*4,505*
thereof legal and consultancy expenses	*1,080*	*1,594*
Negative fair value of derivatives	529	504
Total	**56,609**	**56,478**

The negative fair value relates to derivatives used as economic hedges in connection with banking book management; these do not qualify for hedge accounting.

4.23 Equity

€'000	30 June 2011	31 Dec. 2010
Share capital	51,981	51,981
Capital reserves	191,824	191,824
Revaluation reserves	10,088	-47,008
Retained earnings	201,594	185,229
Owners' equity	**455,486**	**382,026**
Minority interests	512	462
Total	**455,998**	**382,488**

The share capital of EUR 51,981thsd is divided into 7,150,000 no par registered voting shares. The capital reserves consist of:

- The appropriated reserve: EUR 94,624thsd
- The unappropriated capital reserves: EUR 97,200thsd

4.24 Capital resources of the HYPO NOE Group, calculated in accordance with the requirements of the Austrian Banking Act

€'000	30 June 2011	31 Dec. 2010
Share capital	51,981	51,981
Reserves, differences and minority interests	402,929	402,929
Intangible assets	-683	-1,027
Core capital (tier 1)	**454,227**	**453,883**
Deductions pursuant to sections 23(13) and 29 (1-2) Banking Act	-1,809	-1,743
Eligible core capital	**452,418**	**452,140**
Reserves in the meaning of section 57(1) Banking Act	5,000	5,000
Qualifying subordinated debt according to section 23(8) Banking Act	200,000	226,941
Supplementary capital (tier 2)	**205,000**	**231,941**
Deductions pursuant to sections 23(13) and 29 (1-2) Banking Act	-1,809	-1,743
Qualifying supplementary capital (after deductions)	**203,191**	**230,198**
Total qualifying capital	**655,609**	**682,338**
Capital requirement	**319,430**	**334,437**
Surplus capital	**336,179**	**347,901**
Coverage ratio	205.24%	204.03%
Core capital ratio	12.17%	11.47%
Equity ratio	17.63%	17.30%

Movements in the risk weighted assessment base as defined by the Banking Act and the resultant capital requirements were as follows:

€'000	30 June 2011	31 Dec. 2010
Risk weighted assessment base according to section 22(2) Banking Act	3,718,138	3,943,131
thereof minimum capital requirement of 8%	297,451	315,450
Capital requirement for operational risk	21,979	18,987
Total capital requirement	**319,430**	**334,437**

5. Segment information

5.1 Business segment information

5.1.1 Segment profit or loss

H1 2011 €'000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Interest and similar income	201,501	40,764	8,818	-22,187	228,896
thereof investments accounted for using the equity method	*2,112*	*81*	*340*	*0*	*2,533*
Interest and similar expense	-147,753	-16,976	-7,298	18,942	-153,085
Credit risk provisions	-7,733	-4,491	0	0	-12,224
Net interest income after risk provisions	**46,015**	**19,297**	**1,519**	**-3,245**	**63,586**
Net fee and commission income	1,179	2,632	-15	0	3,796
Net trading income	1,133	153	0	-192	1,095
General administrative expenses	-24,139	-20,176	-1,614	275	-45,654
Other operating income	12,499	436	1,826	1,412	16,173
Expenses/income arising from financial assets	-17,407	210	0	13	-17,184
Expenses/income arising from hedging activities	-540	689	0	-77	72
Income from other investments	0	0	69	-42	27
Profit before tax	**18,741**	**3,242**	**1,785**	**-1,855**	**21,912**
Income tax	-4,222	32	-1,339	31	-5,498
Profit after tax	**14,519**	**3,274**	**445**	**-1,824**	**16,414**
Minority interests	0	0	-50	0	-50
Profit attributable to owners of the parent	**14,519**	**3,274**	**395**	**-1,824**	**16,364**

Gruppe Bank
The main features of the Gruppe Bank segment's earnings performance in the first half of 2011 were continued high net interest income and heavy impairment losses on Greek government bonds due to the country's sovereign debt crisis. As these securities are reported as available-for-sale assets, they were impaired to fair value on 30 June 2011.

Landesbank
The main factor behind the Landesbank segment's increased half-yearly profit was the improvement in net interest income. Thanks to last year's review of the bank's retail and business lending portfolios, and restructuring of its credit and workout management systems, its credit risk provisions are declining, and this also made a positive contribution to the interim segment result.

Leasing
Prevailing interest rates have a major influence on the Leasing segment's earnings, as they affect the capital and interest components of the annuities. The segment's profit performance also reflected the final settlement of a real estate leasing project with a total investment cost of EUR 39,000thsd. The preliminary lease payments due since handover have been based on the total investment cost estimated by the construction engineers. The final settlement and calculation of the total investment cost will result in further interest rate effects owing to the revision of the preliminary lease payments.

H1 2010 €'000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Interest and similar income	188,570	37,362	7,492	-12,755	220,669
thereof investments accounted for using the equity method	*1,050*	*157*	*616*	*0*	*1,822*
Interest and similar expense	-141,925	-15,355	-4,985	11,764	-150,501
Credit risk provisions	-4,019	-5,811	0	0	-9,830
Net interest income after risk provisions	**42,626**	**16,196**	**2,507**	**-992**	**60,337**
Net fee and commission income	1,785	2,842	0	0	4,627
Net trading income	289	246	0	0	535
General administrative expenses	-20,495	-19,420	-1,670	46	-41,540
Other operating income	5,717	396	1,866	446	8,425
Expenses/income arising from financial assets	1,377	30	0	-1	1,406
Expenses/income arising from hedging activities	-1,053	99	0	0	-954
Income from other investments	0	0	73	-66	7
Profit before tax	**30,247**	**389**	**2,776**	**-567**	**32,844**
Income tax	-7,527	163	-819	-28	-8,211
Profit after tax	**22,720**	**552**	**1,957**	**-595**	**24,633**
Minority interests	0	0	-30	0	-30
Profit attributable to owners of the parent	**22,720**	**552**	**1,926**	**-595**	**24,603**

Interest income is no longer aggregated in the segmental profit or loss statement, but is shown under separate "Interest and similar income" and "Interest and similar expense" items. The comparatives were adjusted to this presentation.

5.1.2 Segment assets and liabilities

30 June 2011 €'000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Assets					
Cash	12,772	19,752	0	0	32,524
Loans and advances to credit institutions	966,898	53,342	57,598	-692,336	385,502
Loans and advances to customers	6,772,836	1,958,392	1,293,186	-1,289,651	8,734,764
Risk provisions	-27,170	-81,791	-790	0	-109,752
Financial assets held for trading	239,264	316	0	-315	239,265
Positive fair value of hedges (hedge accounting)	237,048	8,434	0	-5,318	240,165
Available-for-sale financial assets	2,195,027	369,308	6,255	-481,910	2,088,679
Financial assets designated as at fair value through profit or loss	4,593	0	0	0	4,593
Financial assets held to maturity	40,087	10,024	0	0	50,111
Investments accounted for using the equity method	31,726	1,437	14,010	1	47,175
Investment property	0	0	1,442	22,096	23,539
Intangible assets	664	12	170	3	849
Property, plant and equipment	6,603	5,038	563	19,608	31,813
Tax assets	5,796	3,107	2,104	121	11,129
Other assets	20,875	5,546	45,697	-51,018	21,100
Total assets	**10,507,019**	**2,352,917**	**1,420,236**	**-2,478,717**	**11,801,456**
Equity and liabilities					
Deposits from credit institutions	2,150,428	639,076	1,273,467	-1,879,194	2,183,778
Deposits from customers	1,221,457	1,148,028	571	-65,550	2,304,505
Debts evidenced by certificates	6,111,059	390,401	652	-342,309	6,159,804
Liabilities held for trading	142,223	307	0	-257	142,273
Negative fair value of hedges (hedge accounting)	175,144	6,955	0	-5,241	176,858
Provisions	89,780	7,491	530	333	98,135
Tax liabilities	8,142	40	11,510	24	19,716
Other liabilities	30,099	16,131	16,158	-5,779	56,609
Subordinated capital	191,864	51,916	0	-40,000	203,780
Equity (inc. minority interests)	386,822	92,571	117,349	-140,744	455,998
Owners' equity	386,822	92,571	116,836	-140,744	455,486
Minority interests	0	0	512	0	512
Total equity and liabilities	**10,507,019**	**2,352,917**	**1,420,236**	**-2,478,717**	**11,801,456**

31 Dec. 2010 €'000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Assets					
Cash	147	39,466	0	0	39,613
Loans and advances to credit institutions	1,049,106	55,128	64,169	-735,892	432,511
Loans and advances to customers	6,956,855	1,915,094	1,247,741	-1,240,763	8,878,928
Risk provisions	-22,938	-79,435	-790	0	-103,164
Assets held for trading	240,172	324	0	-323	240,174
Positive fair value of hedges (hedge accounting)	272,022	10,346	0	-6,163	276,205
Available-for-sale financial assets	2,122,322	367,802	6,251	-481,672	2,014,702
Financial assets designated as at fair value through profit or loss	9,406	0	0	0	9,406
Financial assets held to maturity	55,083	15,023	0	0	70,106
Investments accounted for using the equity method	31,077	1,357	13,715	1	46,149
Investment property	0	0	2,123	22,320	24,443
Intangible assets	888	20	119	6	1,033
Property, plant and equipment	6,607	5,180	593	15,134	27,514
Tax assets	20,090	3,298	2,490	103	25,981
Other assets	20,313	5,854	43,740	-49,058	20,850
Total assets	**10,761,149**	**2,339,457**	**1,380,151**	**-2,476,306**	**12,004,451**
Equity and liabilities					
Deposits from credit institutions	2,592,571	675,350	1,228,073	-1,871,768	2,624,226
Deposits from customers	1,259,556	1,137,378	396	-70,637	2,326,693
Debts evidenced by certificates	5,933,668	352,071	1,753	-342,060	5,945,431
Liabilities held for trading Liabilities held for trading	152,991	321	0	-323	152,989
Negative fair value of hedges (hedge accounting)	196,556	13,988	0	-6,163	204,380
Provisions	90,052	7,408	500	316	98,276
Tax liabilities	0	0	10,890	71	10,961
Other liabilities	29,173	9,076	21,635	-3,405	56,478
Subordinated capital	190,703	51,826	0	-40,000	202,529
Equity (inc. minority interests)	315,879	92,040	116,903	-142,334	382,488
Owners' equity	315,879	92,040	116,441	-142,334	382,026
Minority interests	0	0	462	0	462
Total equity and liabilities	**10,761,149**	**2,339,457**	**1,380,151**	**-2,476,306**	**12,004,451**

5.1.3 Geographical information

The main balance sheet items are broken down into domestic and foreign business.

	30 June 2011		**31 Dec. 2010**	
€'000	Domestic	Foreign	Domestic	Foreign
Loans and advances to credit institutions	128,290	257,212	114,356	318,155
Loans and advances to customers	7,288,656	1,446,108	7,433,058	1,445,870
Available-for-sale financial assets	944,811	1,143,868	1,028,499	986,203
Financial assets designated as at fair value through profit or loss	4,078	515	4,095	5,310
Financial assets held to maturity	0	50,111	0	70,106
Deposits from credit institutions	1,280,467	903,311	1,689,734	934,492
Deposits from customers	1,388,714	915,791	1,398,563	928,129
Debts evidenced by certificates	2,137,372	4,022,431	1,997,413	3,948,019

The debts evidenced by certificates that relate to listed securities are categorised according to the country of issue.

6 Supplementary information

6.1 Fair value of financial instruments

Fair value hierarchy

Level 1: quoted prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value measurement		
30 June 2011 €'000	Level 1	Level 2	Level 3
Assets			
Assets held for trading	0	10,226	229,039
Positive fair value of hedges	0	240,165	0
Financial assets designated as at fair value through profit or loss	0	4,593	0
Available-for-sale financial assets	921,796	1,071,284	95,599
Other assets	0	802	0
Total assets	**921,796**	**1,327,070**	**324,638**
Liabilities			
Liabilities held for trading	0	128,867	13,406
Negative fair value of hedges	0	176,858	0
Other liabilities	0	529	0
Total liabilities	**0**	**306,254**	**13,406**

There were no material reclassifications between levels in the first half of 2011. The changes in the amounts at Level 1 and Level 2 largely relate to new and matured transactions. The change in Level 3 is chiefly due to the remeasurement to fair value of an available-for-sale investment on the basis of an independent valuation.

	Fair value measurement		
31 Dec. 2010 €'000	Level 1	Level 2	Level 3
Assets			
Assets held for trading	0	18,001	222,173
Positive fair value of hedges	0	276,205	0
Financial assets designated as at fair value through profit or loss	0	9,406	0
Available-for-sale financial assets	836,657	1,143,735	34,310
Other assets	0	1,036	0
Total assets	**836,657**	**1,448,382**	**256,483**
Liabilities			
Liabilities held for trading	0	139,583	13,406
Negative fair value of hedges	0	204,380	0
Other liabilities	0	504	0
Liabilities	**0**	**344,466**	**13,406**

6.2 Derivatives

Derivatives: nominal and fair value

€'000	30 June 2011			31 Dec. 2010		
	Nominal	Fair value		Nominal	Fair value	
Interest rate transactions	value	Positive	Negative	value	Positive	Negative
Interest rate swaps	12,894,792	394,262	290,820	13,793,242	437,134	326,031
Basis swaps	1,049,705	14,960	5,075	0	0	0
Options on interest rate transactions	843,123	12,606	12,649	841,295	16,108	16,166
Other similar contracts	20,000	9,740	0	20,000	7,640	0
Total	**14,807,620**	**431,568**	**308,543**	**14,654,537**	**460,881**	**342,197**
Foreign exchange related transactions						
Cross-currency (interest rate) swaps	356,450	47,694	10,923	475,431	52,676	12,905
Forward exchange operations	78,824	389	193	304,008	3,261	2,693
Total	**435,274**	**48,082**	**11,117**	**779,439**	**55,937**	**15,598**
Share price and index-linked transactions						
Share index linked options	7,501	582	0	7,501	596	78
Total	**7,501**	**582**	**0**	**7,501**	**596**	**78**

6.3 Analysis of assets and liabilities by IAS 39 measurement categories

30 June 2011 €'000	Loans and receivables (LAR)	Liabilities cost (LAC)	Held for trading (HFT)	Designated as at fair value through profit or loss (FVO)	Available-for-sale (AFS)	Held to maturity (HTM)	Fair value hedges	Cash flow hedges	Financial assets/liabilities at measured at amortised cost	Total
Cash	0	0	0	0	0	0	0	0	32,524	32,524
Loans and advances to credit institutions	385,502	0	0	0	0	0	0	0	0	385,502
Loans and advances to customers	8,734,764	0	0	0	0	0	0	0	0	8,734,764
Risk provisions	-109,752	0	0	0	0	0	0	0	0	-109,752
Assets held for trading	0	0	239,265	0	0	0	0	0	0	239,265
Positive fair value of hedges	0	0	0	0	0	0	239,373	791	0	240,164
Available-for-sale financial assets	0	0	0	0	2,088,679	0	0	0	0	2,088,679
Financial assets designated as at fair value through profit or loss	0	0	0	4,593	0	0	0	0	0	4,593
Financial assets held to maturity	0	0	0	0	0	50,111	0	0	0	50,111
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	47,175	47,175
Investment property	0	0	0	0	0	0	0	0	23,539	23,539
Positive fair value of banking book derivatives[1]	0	0	802	0	0	0	0		0	802
Other financial assets[1]	19,347	0	0	0	0	0	0		0	19,347
Total financial assets	**9,029,861**	**0**	**240,067**	**4,593**	**2,088,679**	**50,111**	**239,373**	**791**	**103,238**	**11,756,713**
Deposits from credit institutions	0	2,183,778	0	0	0	0	0	0	0	2,183,778
Deposits from customers	0	2,304,505	0	0	0	0	0	0	0	2,304,505
Debts evidenced by certificates	0	6,159,804	0	0	0	0	0	0	0	6,159,804
Liabilities held for trading	0	0	142,273	0	0	0	0	0	0	142,273
Negative fair value of hedges	0	0	0	0	0	0	176,858	0	0	176,858
Subordinated capital	0	203,780	0	0	0	0	0	0	0	203,780
Negative fair value of banking book derivatives[1]	0	0	529	0	0	0	0	0	0	529
Other financial liabilities[1]	0	42,445	0	0	0	0	0	0	0	42,445
Total financial liabilities	**0**	**10,894,312**	**142,802**	**0**	**0**	**0**	**176,858**	**0**	**0**	**11,213,972**

[1] Shown under "Other assets" or "Other liabilities" in the statement of financial position.

31 Dec. 2010 €'000	Loans and receivables (LAR)	Liabilities measured at amortised cost (LAC)	Held for trading (HFT)	Designated as at fair value through profit or loss (FVO)	Available-for-sale (AFS)	Held to maturity (HTM)	Fair value hedges	Cash flow hedges	Financial assets/liabilities at measured at amortised cost	Total
Cash	0	0	0	0	0	0	0	0	39,613	39,613
Loans and advances to credit institutions	432,511	0	0	0	0	0	0	0	0	432,511
Loans and advances to customers	8,878,928	0	0	0	0	0	0	0	0	8,878,928
Risk provisions	-103,164	0	0	0	0	0	0	0	0	-103,164
Assets held for trading	0	0	240,174	0	0	0	0	0	0	240,174
Positive fair value of hedges	0	0	0	0	0	0	274,978	1,227	0	276,205
Available-for-sale financial assets	0	0	0	0	2,014,702	0	0	0	0	2,014,702
Financial assets designated as at fair value through profit or loss	0	0	0	9,406	0	0	0	0	0	9,406
Financial assets held to maturity	0	0	0	0	0	70,106	0	0	0	70,106
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	46,149	46,149
Investment property	0	0	0	0	0	0	0	0	24,443	24,443
Positive fair value of banking book derivatives[1]	0	0	1,036	0	0	0	0	0	0	1,036
Other financial assets[1]	18,023	0	0	0	0	0	0	0	0	18,023
Total financial assets	**9,226,298**	**0**	**241,210**	**9,406**	**2,014,702**	**70,106**	**274,978**	**1,227**	**110,205**	**11,948,132**
Deposits from credit institutions	0	2,624,226	0	0	0	0	0	0	0	2,624,226
Deposits from customers	0	2,326,693	0	0	0	0	0	0	0	2,326,693
Debts evidenced by certificates	0	5,945,431	0	0	0	0	0	0	0	5,945,431
Liabilities held for trading	0	0	152,989	0	0	0	0	0	0	152,989
Negative fair value of hedges	0	0	0	0	0	0	204,380	0	0	204,380
Subordinated capital	0	202,529	0	0	0	0	0	0	0	202,529
Negative fair value of banking book derivatives[1]	0	0	504	0	0	0	0	0	0	504
Other financial liabilities[1]	0	45,424	0	0	0	0	0	0	0	45,424
Total financial liabilities	**0**	**11,144,303**	**153,493**	**0**	**0**	**0**	**204,380**	**0**	**0**	**11,502,176**

1) Shown under „Other assets“ or „Other liabilities“ in the statement of financial position.

6.4 Disclosures on related party relationships

30 June 2011 €'000	Non-consolidated subsidiaries >50%	Associates	Investments accounted for using the equity method	Key management personnel
Loans and advances to customers	0	29	1,104	735
Equity instruments (equity investments, shares, etc.)	226	465	47,175	0
Deposits from banks	0	0	0	0
Deposits from customers	2	157	485	1,545
31 Dec. 2010 €'000				
Loans and advances to customers	98,777	15,474	245,798	1,055
Equity instruments (equity investments, shares, etc.)	226	465	46,149	0
Deposits from banks	0	0	216	0
Deposits from customers	2,976	292	9,048	1,986

The transfer prices charged to each other by HYPO NOE Gruppe AG and related parties are at normal market levels.
The key management personnel comprises: all members of the management and supervisory boards of HYPO NOE Gruppe Bank AG; heads of departments that carry out Group functions; and the management boards of HYPO NOE Landesbank AG, HYPO NOE Leasing GmbH and HYPO NOE Real Consult GmbH.

6.5 Contingent liabilities, credit risk and latent legal risk

6.5.1 Contingent liabilities

€'000	30 June 2011	31 Dec. 2010
Acceptances and endorsements	327	327
Liabilities arising from guarantees and furnishing of collateral	155,711	156,718

6.5.2 Credit risk

€'000	30 June 2011	31 Dec. 2010
Credit risk	1,554,153	1,650,398

6.6 Events after the reporting period

No events specific to the Group which could have a material influence on its earnings took place after the reporting period.

6.7 Governing bodies of HYPO NOE Gruppe Bank AG

Management Board
Dr. Peter Harold, Chairman
Günther Ritzberger, MBA, member (until 30 April 2011)
Mag. Nikolai de Arnoldi, member

Supervisory Board
Präsident Gen.Dir. kommR Herbert Fichta, Chairman
Dr. Burkhard Hofer, Deputy Chairman
Dr. Michael Lentsch
LAbg. Dipl.-Ing. Willibald Eigner
Klubobmann LAbg. Mag. Klaus Schneeberger
Bürgermeister Mag. Karl Schlögl
Bürgermeister Karl Sonnweber

Delegated by the Works Council
Hermann Haitzer
Peter Böhm
Franz Gyöngyösi
Franz Siegl

State commissioners
Dipl.-Kfm Dipl.Soz. Michael Svoboda, Federal Ministry of Finance
Amtsdirektor RegR Franz Ternyak, Federal Accounting Agency

Supervisory Commissioners
Hofrat Dr. Reinhard Meissl, office of the Lower Austrian state government
Hofrat Mag. Helmut Frank, office of the Lower Austrian state government

St. Pölten, 26 August 2011

The Management Board

Dr. Peter Harold
Chairman of the Management Board

Mag. Nikolai de Arnoldi
Member of the Management Board

DECLARATION BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby confirm that to the best of our knowledge the condensed semi-annual consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as required by the applicable accounting standards, and that the group interim operational and financial review gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed semi-annual consolidated financial statements, and of the principal risks and uncertainties to which the Group will be exposed during the remaining six months of the financial year.

The semi-annual financial report was neither fully audited nor reviewed by independent auditors.

The same accounting policies were applied to the interim report of the HYPO NOE Group as on 31 December 2010.

St. Pölten, 26 August 2011

The Management Board

Dr. Peter Harold
Chairman of the Management Board

responsible for Public Finance & Corporates,
Real Estate, Treasury, Participations,
Communications, Human Resources,
Controlling, IT/Organisation and Audit

Mag. Nikolai de Arnoldi
Member of the Management Board

responsible for Risk, Legal, Accounting,
Credit and Treasury Services

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