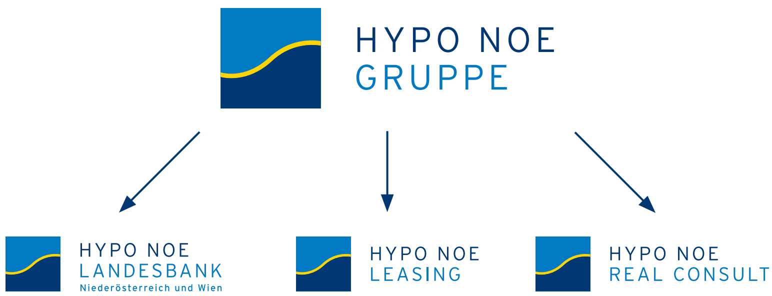
SEMI-ANNUAL FINANCIAL REPORT **2012**

HYPO NOE GRUPPE

Group structure



Current rating

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

Group financial highlights

EUR '000	**30 Jun. 2012**	31 Dec. 2011
Total assets	**14,107,918**	**13,233,058**
Core capital ratio	12.54%	13.25%
Cost/income ratio	72.7%	40.4%
Return on equity after tax	1.8%	22.0%

SEMI-ANNUAL FINANCIAL REPORT

as at 30 June 2012

HYPO NOE GRUPPE BANK AG

HYPO NOE GRUPPE

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FULL SERVICE UNDER THE BANNER OF A STRONG BRAND

2012 will go down as a year in which the HYPO NOE Group integrated its departments and subsidiaries into a more tightly knit unit, operating under a strong umbrella brand. Building on the steady improvements made in recent years, we made good progress in this direction during the first half of 2012, both organisationally, and in terms of customer relationship management and brand loyalty.

The Group's business performance over the first six months was heartening. We returned a profit after tax attributable to owners of the parent of EUR 7.7 million (m), and net interest income remained high, at EUR 69.6m. Total assets were 6.6% up on year-end 2011, at EUR 14.1 billion (bn). This was achieved in the face of harsh conditions – notably the sovereign debt crisis. Another major success marked up by HYPO NOE Gruppe Bank AG at the start of the year was winning an international tender for the purchase of 16,700 Lower Austrian housing construction loans. These assets will lend us still greater stability and continuity by generating a secure long-term income stream.

We take the new regulatory challenges presented by Basel III and IFRS 9 very seriously. Our paramount concern is giving our customers, investors and business partners the soundness and steadiness they expect of a regional bank. These qualities are underpinned by our constant efforts to safeguard the Bank's long-term liquidity, in which our role as one of the leading covered bond issuers in Austria plays a significant part.

It gives us particular pleasure to report that work on our new headquarters in St. Pölten is proceeding apace, and the official inauguration ceremony will be held in autumn 2012. Moving into a modern, environmentally friendly and striking headquarters building will help position our Group brand.

The acquisition of EVN subsidiary first facility GmbH in July 2012 will add to our range of real estate services, giving our customers a true one-stop shop. Our real estate finance experts and HYPO NOE Real Consult already enable us to offer project finance, development and management services. Thanks to first facility, in future we will be able to cater for the entire life cycle of a property.

Peter Harold
Chairman of the
Management Board

Nikolai de Arnoldi
Member of the
Management Board

INTERIM OPERATIONAL AND FINANCIAL REVIEW

AS AT 30 JUNE 2012

ECONOMIC CLIMATE

Global, European and Austrian economies

In the first half of 2012 the central banks repeatedly stepped in to create large amounts of liquidity, and cut interest rates to historic lows, but the effects on the real economy were short-lived at best. The sovereign debt crisis intensified, despite the expansion of the European Stability Mechanism and the resources available from the International Monetary Fund (IMF). Towards the end of the period two further euro zone countries – Cyprus and Spain – were forced to seek bailouts from the EU. The euro zone has been harder hit by the long drawn-out financial crisis than the rest of the world, and the statistics for 2012 as a whole are expected to show a mild recession. During the first half of the year it became clear that slow growth in the euro area and negative capital market developments were increasingly impacting other regional economies. Central banks in emerging-market and developing countries were to the fore in changing course and adopting looser monetary policies. The unconventional measures taken by the European Central Bank (ECB) have so far prevented the widespread credit crunch that was feared, but the picture in the euro zone is mixed. While economic performance and credit demand have been satisfactory in the core Economic and Monetary Union (EMU) countries, the transmission mechanism between the ECB's monetary policies and the peripheral countries has been seriously disrupted. This has come on top of the economic pain these countries are suffering from their austerity programmes, and they are likely to undergo severe recessions which will extend into 2013. Euro zone unemployment has reached an all-time high of 11.0%.

Following a run-up in oil and commodity prices until March 2012, prices retreated sharply in response to disappointing economic data. Inflation has reflected these trends, and slowed from a cyclical peak of 3.0% in the autumn of 2011 to 2.4% at the end of the reporting period. It is expected to continue falling, not just in the euro area but globally. Easing inflation worries have given the central banks leeway to head off a further deterioration in the world economy by adopting an expansionary stance.

Households are also benefiting from lower inflation, enabling personal consumption to help shore up the economy – particularly in countries with stable finances. Nevertheless, the next few months will again bring severe challenges for all economic and financial policy-makers. A lasting change for the better will not come until political and economic reforms put an end to the financial crisis in the euro zone.

Financial markets

After a very bright start to the year for bond issues, and narrowing spreads, the mounting political crisis in Greece brought issuance to a virtual standstill. The equity markets were bullish up to the end of the first quarter, but the worsening economic situation took its toll from April onwards. The bond markets were highly volatile. The upbeat phase during the first few weeks of the year was followed by a shift in sentiment in mid-March and widening spreads. Although these did not reach the previous year's highs, Spain and Italy have recently been forced to offer investors very high yields to find takers for their sovereign bonds. In this environment money and capital market interest rates have plumbed record depths. Commodity prices have also been sliding. Both these trends are symptomatic of market concern about the economic outlook.

FINANCIAL PERFORMANCE

Key developments in the first half of 2012

The Gruppe Bank segment was the main contributor to the profit attributable to owners of the parent (after tax and minorities) of EUR 7.7m (H1 2011: EUR 16.4m), but the Landesbank and Leasing segments also returned profits for the period.

Net interest income held up well, at EUR 69.6m (H1 2011: EUR 75.8m), due to consistently low interest rates and volume growth.

The cost of risk in the Bank's lending business declined by EUR 3.7m year on year to EUR 8.5m.

Net fee and commission income was EUR 2.2m higher than in H1 2011, at EUR 6.0m.

There was a net trading loss of EUR 1.3m for the first half of 2012.

General administrative expenses were up by 9.8% to EUR 50.1m. Staff costs mounted by 7.7% to EUR 27.3m, and other administrative expenses by 12.6% to EUR 20.9m, while depreciation, amortisation and impairment edged up by EUR 0.2m year on year. The rise in staff costs was largely driven by an increase in the average head count. Higher administrative costs were caused by the need for more office space.

Net other operating expense/income was positive by EUR 2.0m (H1 2011: EUR 16.2m). The previous year's high figure was largely on the back of high gains on currency translation.

There were net gains on financial assets of EUR 6.5m, which chiefly reflected the disposal of Cypriot and Spanish securities in the AFS portfolio.

These brought the profit for the period before tax to EUR 10.3m (H1 2011: EUR 21.9m).

The results trend is reflected in the following financial ratios:

Ratio	Definition	H1 2012	2011	H1 2011	2010	2009	2008
Return on equity before tax	Profit before tax/ave. equity	2.3%	29.2%	5.2%	1.9%	6.80%	4.40%
Return on equity after tax	Profit after tax/ave. equity	1.8%	22.0%	3.9%	1.8%	5.50%	3.60%
Cost/income ratio	Operating expenses/operating income	72.7%	40.4%	57.2%	76.4%	57.3%	72.60%
Risk/earnings ratio	Credit provisions/net interest income	12.3%	14.5%	16.1%	13.1%	24.60%	17.20%

Assets and liabilities

The Group's total assets as at 30 June 2012 were EUR 875m or 6.6% up year on year, at EUR 14.1bn, lifted by increases of EUR 485m in loans and advances to customers, and EUR 278m in loans and advances to banks.

On the liabilities side of the statement of financial position, debts evidenced by certificates rose by EUR 801m and deposits from customers by EUR 86m, while deposits from banks decreased by EUR 239m.

Equity (IFRS)

IFRS consolidated equity including non-controlling interests was EUR 445.1m – a gain of EUR 13.9m on the position at year-end 2011 which largely reflected the increase in the AFS reserve.

Equity (Austrian Banking Act)

Consolidated eligible capital as defined by the Austrian Banking Act was EUR 689.3m as at 30 June 2012 (2011: EUR 689.4m). Surplus capital was EUR 356.0m (2011: EUR 373.9m), compared to a capital requirement of EUR 333.3m (2011: EUR 315.5m). The core capital ratio stood at 12.54% (2011: 13.25%), and the equity ratio was 17.78% (2011: 18.79%).

OPERATIONAL PERFORMANCE

Gruppe Bank segment

The Group's parent, HYPO NOE Gruppe Bank AG, has almost 125 years' experience of working to maximise customer benefits by striving for reliability and excellence. The Bank is one of the main financial institutions in Lower Austria, and has shown itself to be a dependable source of public, business, real estate and lease finance, as well as treasury services, for customers in Austria and the Danube region. Its vast experience enables it to come up with optimum solutions across the entire range of products and services. The confirmation of the Bank's A/stable/A-1 rating by Standard & Poor's provides strong support for its strategy of working for stability and shareholder value, and concentrating on its core business.

Public Finance

Our Public Finance Department partners local and regional authorities, and public agencies, as well as infrastructure companies. During the first half of 2012 the department focused on growing its public sector and infrastructure project finance business.

Thanks to its long history of strong involvement in all aspects of housing construction, HYPO NOE has accumulated a wealth of expertise in these areas. This enabled us to win the tender for about 16,700 home construction loans against international competition in January 2012. The loan were completely refinanced at matching maturities.

True to its commitment to serving as a one-stop shop for public construction, the Group is now offering the entire process chain that makes up the life cycle of a building. Throughout the design-finance-build-operate cycle, our services are aimed at sustainable asset creation and management on behalf of public sector clients.

Due to the spending constraints faced by state governments and local authorities, public-private partnerships (PPPs) and innovative financing solutions are in growing demand. Another priority was closer cooperation with the European Investment Bank (EIB). The latter's flexible funding brings many benefits for our customers.

The department's prime objective is to offer customers sound, holistic solutions, in cooperation with other departments, and increasingly to figure as a provider of expertise and services. Public Finance always sets out to understand customers' special requirements, and provide first-class, risk-aware advice and service.

In the countries targeted by our Danube region strategy, it selectively offers regional governments and municipalities direct advice and finance.

Real Estate Finance

The Real Estate Finance Department specialises in real estate project finance. Its key strengths are the wide range of products it can offer and its ability to structure bespoke financing solutions

During the first half of 2012 the department confined itself to generating low-risk new business. Major transactions included the financing of an office and retail portfolio, and business hotels in Germany, and a shopping centre in Poland.

With investors shying away from financial markets because of the Greek crisis, the German commercial property market attracted still greater interest.

The department's 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 in the second half. In its target markets the department will continue to closely monitor the economic impact of the sovereign debt crisis and regional real estate trends.

The volume of transactions relating to commercial buildings is expected to hold at last year's levels during the second half of 2012.

Real Estate Finance will again be looking to build up a sustainably profitable lending portfolio, and will be selectively pitching for new business from institutional investors, funds and property developers.

The department's 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 tried-and-trusted partners on real estate projects in prime locations that have particularly good prospects of stable long-term returns.

Corporate & Project Finance

The Corporate & Project Finance Department sets out to provide customers with expert support on all of their financing and investment needs. The department offers a full range of products, and can develop new and customise existing solutions to meet special requirements.

Corporate & Project Finance is committed to selective, risk-averse, profitable growth in Austria and abroad, and to providing comprehensive services for existing customers. Efforts to achieve a more customer-driven and responsive approach brought steadily growing success in the first half of 2012.

The Austrian home market, and in particular Lower Austria, is central to the department's Danube region strategy, and a highly selective approach is being taken to operations in the other target markets. Corporate & Project Finance concentrates on serving flagship companies in Lower Austria. In other Danube region countries the focus is on transactions related to project finance for hard infrastructure and renewable energy.

For some time now the department has specialised in funding wind farm and photovoltaic projects. Biomass and biogas play a very limited role due to the additional risks associated with the availability of feedstock. All of the renewable energy activities are confined to markets within the Danube region, where feed-in compensation schemes are in place. In order to be able to create optimum financing solutions for all its clients, the department maintains close relationships with financial institutions and export credit agencies that specialise in promoting the development of the green power sector.

During the reporting period Corporate & Project Finance succeeded in attracting customer deposits. This was a direct consequence of the Bank's excellent rating and its stable ownership structure. The department sees its customer-centric philosophy as crucial to client satisfaction.

Treasury

Treasury's prime concern is maintaining long-term liquidity. The benchmark ten-year bond issue in the second quarter was extremely well received, and marked another advance towards a secure liquidity position. Large new transactions are refinanced by private placements with matching maturities. During the reporting period the department stepped up the number of roadshows in order to widen and diversify its investor base. It also staged a successful round table for analysts at Austrian banks. Opening up additional marketing channels and further diversifying its range of funding products are important goals for Treasury. The start of the year saw a spate of purchases of securities with highly attractive spreads, and these performed well over the rest of the period.

Foreign branches

HYPO NOE Gruppe Bank AG had no foreign branches in the first half of 2012, but operated representative offices in Budapest and Prague.

Landesbank segment

HYPO NOE Landesbank AG

HYPO NOE Landesbank stands for traditional values, stability and expertise. Its strategic focus on products related to the home and the family, health and education is right in line with current trends. With HYPO NOE Gruppe Bank as its parent and the Lower Austrian state government as its owner, the bank is well placed to nurture stable, long-term customer relationships. Experienced staff put together bespoke solutions designed to meet customers' highest expectations. Sustainability, reliability, customer focus and decisiveness are central to the bank's philosophy.

HYPO NOE Landesbank is continuing to concentrate on risk-aware growth, deepening existing customer relationships and boosting service business. It plans to attract more private banking and business customers, and members of the professions to its branches in Lower Austria and Vienna. The bank's housing finance and premium banking business lines will play a key role in this.

The PHÖNIX project launched in 2011, in which the entire workforce participated, was completed during the first half of 2012. It brought the following outcomes:

- Stronger customer focus through process optimisation and a reduced administrative workload for sales staff;
- Risk-aware credit management and active workout management;
- Improved profitability coupled with cost consciousness.

The significant reduction in the number of reporting levels as a result of the new structure and organisation chart introduced in January 2012 has already shown its worth. More than ever, the 28 branches are now acting as local hubs in the organisation. They are in the front line of the sales effort, and as planned they have been given a still more central role to intensify customer contact and ongoing relationships. Financial services for retail customers and holistic customer advice are pivotal to the bank's business model. Understanding the customer's wishes and financial needs enables relationship managers to devise tailored solutions.

During a number of special customer advice weeks, branches highlighted additional themes such as retirement saving, investment in securities and conventional home loan saving, and offered personal consultations. Customer advice offerings also featured special "HYPO NOE securities events" with talks on hot investment topics.

Thanks to its strong distribution network HYPO NOE Landesbank also made further inroads in the premium banking, business banking and professionals segments. Customer relationships were deepened by playing to strengths such as personal banking skills, closeness to customers, the trust that the bank enjoys and its local know-how. Special offers and activities enabled the bank to hit its targets for winning new retail customers.

HYPO NOE Landesbank positioned itself as an expert, full-line partner for its strategic target groups, and broke into new lines of business by introducing innovative lending and investment approaches based on long-term customer relationships.

Housing finance

Thanks to the close cooperation between the branches and the HYPO NOE Wohnbau-Center, HYPO NOE Landesbank was able to defend its share of its core housing finance market, and show itself still more responsive to customer needs.

The implementation on its website of a unique subsidy calculator, incorporating all the relevant forms of housing subsidy, and the establishment of a housing finance hotline manned by experts, was further testimony to the bank's service-driven approach and its importance as an interface with the state government.

HYPO NOE Landesbank not only serves private housing finance customers, but also housing associations and large-scale commercial builders in the region.

New products

During the reporting period HYPO NOE Landesbank launched special capital passbook savings accounts themed around the Golden Byzantium & the Orient exhibition at the Schallaburg stately home in Lower Austria. Take-up of the accounts – which carry an attractive interest rate, and come with two tickets to the exhibition and a one-gram gold bar – was good.

Another new product references HYPO NOE's partnership with up-and-coming football club SKN St. Pölten, whose successes include reaching the semi-final of the Austrian Cup. The HYPO NOE SKN card promotes a special account package that is accompanied by attractive offers for new customers.

Marketing and communications

The first half of 2012 saw a concerted effort to roll out the Group's new, unified branding. The main communication focus was on housing finance, retirement saving, investment, and customer acquisition and retention.

Customers were introduced to the entire product range, including online banking, home loans, housing construction loans, passbook savings accounts, pension plans and home loan savings accounts.

Leasing segment

HYPO NOE Leasing GmbH

HYPO NOE Leasing GmbH is the Group's product subsidiary for special-purpose finance solutions, and in particular for leasing. Its main line of business is lease finance for regional governments and local authorities, and public agencies. During the reporting period the company retained its leadership of the Austrian real estate leasing market, claimed in 2011.

Regional and local government leasing business is not expected to fall significantly in the second half because of the implications of the changes to value added tax brought about by the Stability Act 2012.

Other segment

HYPO NOE Real Consult GmbH

HYPO NOE Real Consult GmbH concentrates on the Lower Austrian and Viennese markets. Its services range from developing properties used by the HYPO NOE Group and investment projects through to site analyses, structural surveys, land purchases, and investor, user and tenant searches.

Close collaboration with other Group companies on lending, disposals and workout management continued in the first half of 2012.

Headline projects during the period were: the state-of-the-art 8,000-seater NV Arena St. Pölten football stadium; the Norbertinum in Tullnerbach, an agricultural college that specialises in equine husbandry; and higher education facilities including the Life Science Lab – the latest laboratory to be built at the IST Austria elite university in Maria Gugging – and the extension to the IMC University of Applied Sciences Krems.

Property disposal was introduced as a new service in June 2012, marking further progress by HYPO NOE Real Consult towards becoming a full-line real estate service provider.

Management of municipal properties is another area of the company's comprehensive portfolio of services for public sector clients. For example, after winning the contract in 2011 it has stepped up its cooperation with Traismauer Council, and has begun operating the latter's property management company.

RISK REPORT

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

All major business activities in pursuit of the Group's corporate strategic goals are planned to reflect strategic risk considerations, with very 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, and may therefore only be incurred where risk bearing capacity is sufficient and the return on risk capital is adequate. The refinement of instruments and processes designed to maintain an appropriate balance of risks and rewards is integral to the Group's long-term strategy.

The HYPO NOE Group also strives 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 front and back office functions (four-eye principle) at every level up to the Management Board. The front office functions originate business and give initial clearance to transactions, while the back office functions cast a second vote (second opinion) that confers final approval. The unanimous approval of the front and back office functions is required for decisions going beyond the limits and collaterals established by staff members' decision-making authorities. There is also a clearly defined process for the approval of exposures requiring resolutions of the Group Supervisory Board.

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. These provide comprehensive information on current risk developments.

The diclosures required by sections 26 and 26a Austrian Banking Act in conjunction with the OffV (the FMA Disclosure Order) are on a consolidated basis for the HYPO NOE Group, and are made in a separate document posted on our corporate website.

Aggregate risk 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 encompasses 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, which 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, which is designed to ensure that the Bank survives as a going concern. Here, 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.

Due to the unfavourable market environment created by the financial crisis utilisation of risk provisions as at 30 June 2012 was 80.9% of the risk limit (including an adequate buffer) and was thus slightly higher than at 31 December 2011 (78.5%).

Significant risk related developments in the first half of 2012

Exposure to the euro peripherals and Hungary

Due to the crisis in the euro zone peripherals (Cyprus, Greece, Ireland, Italy, Portugal and Spain) and Hungary, we are continuing to watch developments in these countries very closely.

During the first half of 2012 the HYPO NOE Group completely unwound its EUR 5m exposure to Portugal, and this country risk is hence no longer reported.

The exposure to Greece was reduced by EUR 10m, and the remaining EUR 20m worth of government bonds were swapped under the terms of the official offer. All of these Greek sovereigns were then sold.

Our exposure to Hungarian sovereign bonds was likewise reduced by EUR 10m during the first half of 2012.

Basel III

We have made an early start to preparations for Basel III, and thorough examination of the issues raised by it is a top priority. During the first half of 2012 the focus was on evaluating the potential impact of the planned liquidity ratios and capital buffers, as well as that of the CRD IV directive – particularly with regard to equity components and solvency.

Credit risk

The Bank's exposure to credit risk continued to be affected by an increase in the probability of defaults, particularly by small and medium-sized businesses, and private customers.

As part of an ongoing project, during the first half 2012 the theoretical and technical requirements for the introduction of the F-IRB approach in the HYPO NOE Group in the medium term were evaluated, a system designed and steps taken towards introducing it. This decision was prompted by the desire for a uniform Group-wide approach, and the expectation of minor savings in regulatory capital requirements, and as well as the prospect of improved credit risk management, and overall internal control and related processes.

Outlook for the rest of 2012

Our business performance in the first half of 2012 again showed that our long-term strategic focus on providing finance and financial services through our Public Finance and Real Estate Finance departments is bringing dividends. The approach to new exposures will continue to be highly selective and attuned to the Group's risk bearing capacity.

Basel III

During the second half of this year we will be working towards substantive and technical compliance with the regulatory requirements, which are currently expected to come into force on 1 January 2013.

Credit risk

One of the key challenges of the next few months will be the worsening probability of default trend. Both higher risk provisions (increase in expected losses) and a rise in credit value at risk (unexpected loss) are likely, and this is being taken into account in the budget planning process.

IFRS 9

International Financial Reporting Standard 9 Financial Instruments is expected to replace the current standard, IAS 39 Financial Instruments: Recognition and Measurement, on 1 January 2015. We will be carrying out a comprehensive evaluation of the new standard and its potential effects during the second half of this year.

Internal control system (ICS) and operational risk

One of our top priorities during the rest of this year will be further refinement of our methods for the identification, quantification, monitoring and management of operational risk, and of the ICS.

Risk management systems

In 2012 we will again be investing heavily in IT infrastructure, as well as process, methodology and staff development, in order to ensure that our risk control systems stay in line with the authorised levels of risk tolerance and our business objectives.

Credit risk

Credit risk is the danger 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			Corresponding external ratings	
Grade	Rating	Rating grade	Moody's	S&P
Invest-ment	Top grade	1A–1E	Aaa–Aa3	AAA–AA-
	Excellent or very good	2A–2E	A1–Baa3	A+–BBB-
Non-investment	Good, medium or acceptable	3A–3E	Ba1–B1	BB+–B+
	Unsatisfactory	4A–4B	B2	B
	Watch list	4C–4E	B3–C	B-–C
	Default	5A–5E	D	D

For internal customer credit ratings, we mainly use Österreichische Volksbanken AG (VBAG) ratings procedures under a service agreement. 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 and substantive rules, the basic principles of which are set out in the Group Risk Manual. These rules establish the decision-making authorities, credit rating and collateral classification procedures, and guidelines for lending and loan management.

The operational credit risk management departments are 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 at the individual customer level.

The main emphasis is on checking both the form and content of loan applications and providing the second opinions. The departments also have sole responsibility for the rating assessments (apart from those in the low-volume retail lending business).

In addition, the operational credit risk management departments are responsible for monitoring early warning indicators (principally generated by the Credit Services Department) in order to identify potential problem customers as early as possible so as to initiate countermeasures in good time.

The Workout Management Department is responsible for the management of non-performing loans and provisioning (recognition of individual impairment allowances).

Below a given rating level, exposures are classified as "watch loans", or transferred for intensive care by the Workout Management Department. 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.

Collective impairment allowances are recognised for reductions in the value of the Group lending portfolio (losses incurred but not reported) as at the end of the reporting period.

Credit risk monitoring and portfolio management

The Strategic Risk Management Department is responsible for monitoring credit risk at 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 related issues (transfer of accounts to the collections function, overdraft trends, etc). There are also regular reports to management on the ten largest exposures in each strategic business. Management is comprehensively briefed on the Group's risk situation, including in-depth analysis of issues, at meetings of the Risk Management Committee (RICO).

Current risk situation

The HYPO NOE Group is a universal bank. The Group's 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 investments) and – generally well collateralised – loans to housing construction companies (both large housing associations and private sector). Within 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 several tranches of subsidised home loans purchased from the Lower Austrian state government. Additional security for this lending is provided by a guarantee from the state government for the entire amount, 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 some public sector loans, infrastructure enterprises and foreign corporate customers. HYPO NOE Landesbank specialises in retail banking, large-scale housing construction (both housing associations and private sector housing) and SME finance.

The credit portfolio shows no notable concentrations of risk from a Group perspective. Most of the Bank's operations 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 possible shortfalls in risk coverage.

Group Strategic Risk Management regularly calculates the non-performing asset (NPA) ratios and NPA coverage of individual members of the Group. The non performing loan (NPL) ratio, defined as total exposure on default customers (5A-5E rated) divided by total loans and advances to customers, is calculated at Group level. As at 30 June 2012 the NPL ratio was 2.17% (31 December 2011: 2.14%).

Interest rate risk

Differences in the maturities, interest rate adjustment intervals and terms of loans, combined with refinancing on the money and capital markets, give rise to interest rate risk. In its approach to the measurement and control of interest rate risk, the HYPO NOE Group applies both period net interest income risk and present value sensitivity to interest rate changes.

Risk management

The management of interest rate risks is the responsibility of the Group Treasury Department and the ALM & Capital Management Staff Unit. Fixed interest rate risk is mainly eliminated by the use of hedges, and strategic long-term interest positions are established as recommended by the ALM & Strategic Planning Staff Unit.

Monitoring and quantification of interest rate risk is the responsibility of a back office department, Group Strategic Risk Management. The computations are performed using the SAP banking system. They generate interest rate gap and sensitivity analyses. The internal interest rate risk is subject to an absolute limit, imposed on the acceptance of risk in the banking book during the annual risk bugeting process.

Interest rate risk management is active, and reflects current market conditions, taking into account limits and risks in combination with the Group's risk bearing capacity, and the interest rate structure and contribution.

Current risk situation

The Oesterreichische Nationalbank statistics indicate that interest rate risk is moderate relative to the regulatory limit of 20% of eligible capital (30 Jun. 2012: 1.77%; 31 Dec. 2011: 1.61%).

Interest rate derivatives are used to hedge interest rate risks on own debt issues and on nostro securities and loans extended. Interest rate derivatives are used to hedge on-balance sheet positions, and therefore almost exclusively count as micro-hedges.

As part of the HYPO NOE Group's risk monitoring activities, interest rate risk sensitivity is computed twice monthly using ten scenarios.

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

Market risk

Market risks are the potential losses that may arise from negative changes in the fair value of positions held as a result of movements in exchange rates (currency risk), share prices, indexes or fund unit prices (equity risk), credit spreads (spread risk), or volatility (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 operational and disciplinary separation of trading activities from processing and control. The division of the front and back office functions ensures that the four-eye principle is adhered to. Structures, decision-making authorities and processes are laid down by the authorisation rules, the minimum requirements for investment and trading activities, and the procedures for the introduction of new products.

Market risk 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 as defined by the Austrian Banking Act. It maintains a small trading book, subject to section 22q Banking Act.

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 not entirely covered 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 the danger that the HYPO NOE Group will be unable to meet its present and future payment obligations in full and on time, or may only be able to do so at prohibitive cost.

Liquidity risk management

The task of the liquidity risk management function is to identify, measure and manage the HYPO NOE Group's liquidity risk position. Different approaches are taken to short-term (up to and including one year) and long-term liquidity management.

Group Treasury is responsible for tactical liquidity management. The issuance planning undertaken as part of the annual budgeting process plays a major role in the management of liquidity risk. We are steadily refining our liquidity risk management system.

Short-term liquidity risk (up to one year)

Group Strategic Risk Management provides Group Treasury with baseline and stress scenarios for the next 12 months to assist it with its tactical liquidity management operations. These scenarios take account of contractual payment streams, as well as the expected proceeds of new issues, income from new business, extensions of repurchase agreements, and liquidity needs arising from terminations of existing contractual relationships.

Long-term liquidity risk (more than one year)

To support strategic liquidity management and structural analysis of the liquidity risk position, we analyse the expected capital flows over the entire maturities of on and off-balance sheet transactions. Group Strategic Risk Management monitors periodic and cumulative excess capital inflows and outflows, and reports on them internally on a fortnightly basis. These reports are the basis of the strategic liquidity management activities, and in particular of the Bank's issuance planning. At least once a year the Management Board reviews and approves the long-term refinancing and issuance plan.

Contingency plan

The liquidity contingency plan is aimed at maintaining efficient liquidity management even in a crisis-hit market environment. The Group has a liquidity contingency plan that governs the lines of responsibility in an emergency, the composition of the crisis teams, the internal and external communication channels, and the action to be taken if necessary. A crisis team would take control of liquidity management in an emergency, and in some cases would also decide on the action to be taken.

Current risk situation

The liquidity situation of the HYPO NOE Group is relaxed, despite the persistent crisis of confidence on financial markets during the reporting period. The Group has sufficient access to short-term funds, and recourse to long-term sources of finance is also possible despite the adverse market environment. We are giving high priority to issues with long maturities as issues of bonds backed by state governments are due for redemption in 2017.

Operational risk

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

In the HYPO NOE Group operational risks are kept under control by regularly adapting and improving internal guidelines, and by means of 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. When 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 (the danger of loss as a result of a deterioration in the economic environment and the Bank's business relationships) and strategic risks (the danger of losses arising from decisions concerning the Bank's strategic focus and business development).

Sufficient risk capital is maintained to cover unquantifiable risks.

Legal risks

Legal risks in connection with Augustus Funding Limited

Under a notice issued by the Austrian Financial Market Authority (FMA) on 1 June 2011, an adjusted interest penalty of EUR 57,865,612.58 was imposed on HYPO NOE Gruppe Bank AG by an FMA notice dated 21 July 2011. HYPO NOE Gruppe Bank AG lodged timely appeals against this notice with the Constitutional Court and the Administrative Court of Appeal. As these appeals have no suspensive effect, the Bank paid the above penalty on 31 August 2011. On 29 November 2011 the Constitutional Court refused to consider the appeal. However the proceedings before the Administrative Court of Appeal are still pending. The existing provision was used to pay the interest penalty, and the outstanding amount arising from the lower penalty under the adjustment notice was reversed through profit or loss.

GROUP OUTLOOK FOR 2012

The economic outlook in the euro zone is clouded by the persistent difficulties of the peripherals, the effects of which are increasingly being felt in the real economies of the core countries. Some of the reforms in the problem member states are encouraging, but it will take time for the positive impact to feed through. The capital markets are evidently unwilling to wait for the reforms to bear fruit – not least because of the turn of events in Greece, which is struggling to avoid an exit from euro despite having had EUR 100 bn of its debt forgiven in March. This negative sentiment has been manifested in the steadily rising interest rates that Italy and Spain are having to pay. As a result, politicians and the European Central Bank are under even greater pressure to stabilise the euro zone. The ECB has already announced its willingness to use its monetary firepower. Thanks to sliding commodity prices in the first half, inflation has eased, giving the ECB the necessary room for manoeuvre. It is likely to keep interest rates at their current historic lows for an extended period, and may even cut them further.

We are responding to the increased competition for deposits by offering a range of products that are tailored to the requirements of our customer target groups and meet their need for financial security, and by moving towards a multi-channel distribution strategy.

Our success in acquiring first facility GmbH against competition from a large number of other bidders, in a tender at the start of July 2012, will strengthen our business model, which is based on pooling the expertise of our businesses and marketing them under a strong umbrella brand. The acquisition has extended our range of real estate management services. By linking first facility's know-how with that of other Group companies we will be able to cover the entire life cycle of a property.

Our Fit for Future programme has mapped out the main thrusts of our strategy. We attach great importance to the challenging new operating framework that will be created by Basel III and IFRS 9.

Following a strong operating performance in first half of 2012 the HYPO NOE Group can look forward to the second half with optimism, despite the deepening sovereign debt crisis. We will maintain a tight focus on our core customer target groups and regions. The volume of transactions in our various lines of business is expected to stay broadly at last year's levels during the remainder of 2012.

We are pre-empting the anticipated impact of the debt crisis by selectively winding down our risk exposures. As things stand, we still expect to hit our operating budget targets.

EVENTS AFTER THE REPORTING PERIOD

first facility GmbH

On 2 July 2012 NÖ Hypo-Beteiligungsholding GmbH, a wholly owned subsidiary of HYPO NOE Gruppe Bank AG, fully acquired first facility GmbH, Vienna, from EVN AG, Maria Enzersdorf.

St. Pölten, 29 August 2012

The Management Board

Peter Harold
Chairman of the Management Board

Nikolai de Arnoldi
Member of the Management Board

SEMI-ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Income statement (EUR '000)	(Notes)	H1 2012	H1 2011
Interest and similar income	(3.1)	263,192	228,896
thereof: income from investments accounted for using the equity method		*1,432*	*2,533*
Interest and similar expense	(3.2)	-193,627	-153,085
Net interest income		**69,565**	**75,811**
Credit provisions	(3.4)	-8,522	-12,224
Net interest income after risk provisions		**61,043**	**63,587**
Fee and commission income		8,130	4,747
Fee and commission expense		-2,134	-951
Net fee and commission income	(3.5)	5,996	3,796
Net trading income	(3.6)	-1,267	1,095
General administrative expenses	(3.7)	-50,121	-45,654
Net other operating income	(3.8)	2,008	16,173
Net gains or losses on available-for-sale financial assets	(3.9)	-6,311	-16,280
Net gains or losses on financial assets designated as at fair value through profit or loss	(3.10)	-226	-948
Net gains or losses on financial assets held to maturity	(3.11)	-	44
Net gains or losses on hedges	(3.12)	-876	72
Net gains or losses on other financial investments	(3.14)	24	27
Profit before tax		**10,270**	**21,912**
Income tax expense	(3.15)	-2,600	-5,498
Profit after tax		**7,670**	**16,414**
Non-controlling interests	(3.16)	-18	-50
Profit attributable to owners of the parent		**7,652**	**16,364**

Other comprehensive income (EUR '000)	H1 2012	H2 2011
Profit attributable to owners of the parent	**7,652**	**16,364**
Change in available-for-sale financial instruments (after tax)	19,115	57,423
Change in available-for-sale financial instruments (before tax)	*25,487*	*76,564*
Change in deferred tax	*-6,372*	*-19,141*
Change in cash flow hedge (after tax)	-965	-327
Change in cash flow hedge (before tax)	*-1,287*	*-436*
Change in deferred tax	*322*	*109*
Total other comprehensive income	**18,150**	**57,096**
Total comprehensive income attributable to owners of the parent	**25,802**	**73,460**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (EUR '000)	(Notes)	30 Jun. 2012	31 Dec. 2011
Cash and balances at central banks	(4.1)	99,346	78,739
Loans and advances to banks	(4.2)	862,343	583,997
Loans and advances to customers	(4.3)	10,187,541	9,702,478
Risk provisions	(4.4)	-110,006	-104,006
Assets held for trading	(4.5)	546,384	471,080
Positive fair value of hedges (hedge accounting)	(4.6)	555,548	471,809
Available-for-sale financial assets	(4.7)	1,765,990	1,837,180
Financial assets designated as at fair value through profit or loss	(4.8)	4,454	4,560
Financial assets held to maturity	(4.9)	10,013	15,031
Investments accounted for using the equity method	(4.10)	48,864	47,942
Investment property	(4.11)	45,356	43,411
Intangible assets	(4.12)	551	765
Property, plant and equipment	(4.12)	43,093	35,237
Current tax assets	(4.13)	4,668	4,068
Deferred tax assets	(4.13)	12,696	19,214
Other assets	(4.14)	31,077	21,553
Total assets		**14,107,918**	**13,233,058**

Equity and liabilities (EUR '000)			
Deposits from banks	(4.15)	2,145,269	2,384,461
Deposits from customers	(4.16)	2,559,785	2,473,410
Debts evidenced by certificates	(4.17)	7,632,595	6,831,752
Liabilities held for trading	(4.18)	457,360	380,474
Negative fair value of hedges (hedge accounting)	(4.19)	509,555	409,916
Provisions	(4.20)	43,769	46,859
Current tax liabilities	(4.21)	11,186	8,901
Deferred tax liabilities	(4.21)	12,351	11,961
Other liabilities	(4.22)	87,406	51,945
Subordinated capital		203,586	202,244
Equity (including minority interests)*	(4.23)	445,056	431,135
Parent shareholders' equity		444,510	430,608
Non-controlling interests		546	527
Total equity and liabilities		**14,107,918**	**13,233,058**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Jun. 2012 EUR '000	Balance at 1 Jan. 2012	Profit/loss after tax	Dividends paid	Other comprehensive income	Transfers	Balance at 30 Jun. 2012
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	294,652	-	-	-	5,955	300,607
thereof: leasing revaluation reserve	*188,815*	-	-	-	*1,486*	*190,301*
IAS 19 reserve	-3,439	-	-	-	-	-3,439
Available-for-sale reserve	-88,240	-	-	19,115	-	-69,125
Cash flow hedge reserve	2,592	-	-	-965	-	1,627
Consolidated profit/loss	-15,837	7,652	-11,900	-	-5,955	-26,040
Differences arising on first-time adoption of IFRS (equity portion)	-2,924	-	-	-	-	-2,924
Parent shareholders' equity	**430,608**	**7,652**	**-11,900**	**18,150**	**-**	**444,510**
Non-controlling interests	528	18	-	-	-	546
Total equity	**431,135**	**7,670**	**-11,900**	**18,150**	**-**	**445,056**

30 Jun. 2011 EUR '000	Balance at 1 Jan. 2011	Profit/loss after tax	Dividends paid	Other comprehensive income	Transfers	Balance at 30 Jun. 2011
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	258,740	-	-	-	4,526	263,266
thereof: leasing revaluation reserve	*185,300*	-	-	-	*1,181*	*186,481*
IAS 19 Rücklage	-1,628	-	-	-	-	-1,628
Available-for-sale reserve	-46,300	-	-	57,423	-	11,123
Cash flow hedge reserve	920	-	-	-327	-	593
Consolidated profit/loss	-70,586	16,364	-	-	-4,526	-58,748
Differences arising on first-time adoption of IFRS (equity portion)	-2,924	-	-	-	-	-2,924
Parent shareholders' equity	**382,026**	**16,364**	**-**	**57,096**	**-**	**455,486**
Non-controlling interests	462	50	-	-	-	512
Total equity	**382,488**	**16,414**	**-**	**57,096**	**-**	**455,998**

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 differences between the carrying amounts and present value are recognised in "Retained earnings".

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	30 Jun. 2012	31 Dec. 2011
Cash and cash equivalents at end of previous period	**78,739**	**39,613**
Cash flows from/net cash used in operating activities	44,014	-84,407
Net cash used in/ cash flows from investing activities	-12,849	123,818
Net cash used in financing activities	-10,558	-285
Cash and cash equivalents at end of period	**99,346**	**78,739**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2012

1. Accounting principles

The interim financial statements of the HYPO NOE Gruppe Bank AG Group (hereafter "Hypo NOE Group") as at 30 June 2012 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 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 2011.

The same accounting policies were applied to the interim report as to the financial statements as at 31 December 2011.

2. Changes in scope of consolidation as at 30 June 2012

Legal changes:
HYPO Real Estate Advisory GmbH, a consolidated subsidiary, was renamed HYPO NOE Valuation & Advisory GmbH.

3. Notes to the statement of comprehensive income

3.1 Interest and similar income

3.1.a Interest and similar income

EUR '000	H1 2012	H1 2011
Interest income from:		
Cash and balances at central banks	54	121
Loans and advances to banks	3,897	3,882
Loans and advances to customers	131,740	108,791
Interest rate derivatives (economic hedges)	-	110
Bonds, public debt certificates and other fixed-income securities	32,332	34,471
Hedges (hedge accounting)	60,907	58,059
Other interest income	23,412	14,406
thereof: income from investments accounted for using the equity method	*1,432*	*2,533*
thereof: income from investment property	*891*	*148*
rental income	*1,596*	*412*
depreciation	*-705*	*-264*
Current income from:		
Leases	9,917	7,152
Shares and other variable-income securities	933	-
Investments in associates	-	1,904
Total	**263,192**	**228,896**

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

EUR '000	H1 2012	H1 2011
Interest and similar income from:		
Loans and receivables (LAR)	137,960	115,936
Available-for-sale (AFS) assets	33,037	35,670
Assets held to maturity (HTM)	113	558
Assets measured using the fair value option (FVO)	116	148
Assets held for trading (HFT)	17,657	7,606
Interest rate derivatives (economic hedges)	-	110
Impaired loans and advances (unwinding)	96	61
Hedges (hedge accounting)	60,907	58,059
Interest income attributable to other periods	75	164
Income from investments accounted for using the equity method	1,432	2,533
Income from investment property	891	148
rental income	*1,596*	*412*
depreciation	*-705*	*-264*
Current lease income	9,917	7,152
Current origination and commitment fees (IAS 18)	991	751
Total	**263,192**	**228,896**

3.2 Interest and similar expense

3.2.a Interest and similar expense

EUR '000	H1 2012	H1 2011
Interest expense on:		
Liabilities to central banks	-2,142	-2,676
Deposits from banks	-11,729	-10,378
Deposits from customers	-24,297	-21,530
Debts evidenced by certificates	-97,444	-72,739
Subordinated capital	-2,121	-2,305
Interest rate derivatives (economic hedges)	-	-104
Hedges (hedge accounting)	-37,433	-33,984
Other interest expense	-18,461	-9,369
Total	**-193,627**	**-153,085**

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

EUR '000	H1 2012	H1 2011
Interest expense on:		
Financial liabilites measured at amortised cost (LAC)	-138,665	-110,832
Financial liabilities held for trading (HFT)	-17,529	-8,165
Interest rate derivatives (economic hedges)	-	-104
Hedges (hedge accounting)	-37,433	-33,984
Total	**-193,627**	**-153,085**

3.3 Impairment losses (summary table)

H1 2012 EUR '000				
		(-)	**(+)**	**Total recognised in reporting period**
Impairment losses on financial assets not measured at fair value through profit or loss:		**-17,617**	**6,736**	**-10,881**
Available-for-sale (AFS) financial assets	(3.9)	-2,249	421	-1,828
Loans and receivables (LAR) (inc. finance leases) measured at at amortised cost	(3.4)	-15,368	6,315	-9,053
Total		**-17,617**	**6,736**	**-10,881**

H1 2011 EUR '000				
		(-)	**(+)**	**Total recognised in reporting 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) (inc. finance leases) measured at at amortised cost	(3.4)	-19,738	7,527	-12,211
Total		**-37,768**	**7,684**	**-30,084**

3.4 Credit provisions

The risk provisions for on and off-balance sheet transactions are made up as follows:

EUR '000		H1 2012	H1 2011
Allocations to:		**-15,236**	**-16,411**
Individual impairment allowances	(3.3)	-14,077	-13,947
Collective impairment allowances	(3.3)	-1,142	-2,261
Other credit provisions		-17	-203
Reversals of:		**6,426**	**7,406**
Individual impairment allowances	(3.3)	5,017	6,289
Collective impairment allowances	(3.3)	860	928
Other credit provisions		549	189
Receipts from impaired assets	(3.3)	**438**	**311**
Direct write-offs	(3.3)	**-149**	**-3,530**
Total		**-8,522**	**-12,224**

The "Direct write-offs" item in the comparative period related to the write-off of loans to Hungarian municipalities.

3.5 Net fee and commission income

EUR '000	H1 2012	H1 2011
Fee and commission income from:	**8,130**	**4,747**
Loans and advances	770	158
Securities and custody account business	2,387	1,536
Payment transactions	2,938	1,221
Foreign exchange, foreign notes and coins, and precious metals	143	105
Other services	1,611	1,518
Diversification	259	207
Other fee and commission income	22	2
Fee and commission expense from:	**-2,134**	**-951**
Loans and advances	-27	-21
Securities and custody account business	-1,312	-481
Payment transactions	-618	-271
Other services	-8	-14
Diversification	-169	-164
Total	**5,996**	**3,796**

3.6 Net trading income

EUR '000	H1 2012	H1 2011
Interest rate transactions	-2,007	749
Foreign exchange transactions	951	281
Other transactions	-211	65
Total	**-1,267**	**1,095**

3.7 General administrative expenses

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

EUR '000	H1 2012	H1 2011
Staff costs	-27,327	-25,406
Other administrative expenses	-20,849	-18,516
Depreciation, amortisation and impairment	-1,945	-1,731
Total	**-50,121**	**-45,654**

Due to the large number of sub-items there are rounding differences.

3.7.1 Staff costs

EUR '000	H1 2012	H1 2011
Wages and salaries	-20,470	-19,112
Social security costs	-4,349	-3,953
Cost of voluntary employee benefits	-610	-630
Retirement benefit costs	-1,094	-1,016
Termination benefit costs	-804	-695
thereof: expenses for provident fund	*-191*	*-169*
Total	**-27,327**	**-25,406**

	H1 2012	1.1.-31.12.2011
Average number of employees (inc. staff on parental leave)	691	658

3.7.2 Other administrative expenses

EUR '000	H1 2012	H1 2011
Premises	-3,968	-2,856
Office and communication expenses	-916	-806
IT expenses	-3,598	-3,320
Legal and consultancy costs	-2,377	-2,035
Advertising and entertainment costs	-2,985	-3,057
Cost of transfers of liability	-779	-850
Other administrative expenses	-6,226	-5,592
Total	**-20,849**	**-18,516**

3.7.3 Depreciation and amortisation

EUR '000	H1 2012	H1 2011
Depreciation and amortisation	**-1,945**	**-1,731**
Intangible assets	-55	-11
Buildings used by Group companies	-144	-151
Equipment, fixtures and furnishings (including low value assets)	-1,746	-1,569
Total	**-1,945**	**-1,731**

3.8 Net other operating expenses/income

EUR '000	H1 2012	H1 2011
Other rental income	**130**	**110**
Gains/losses on	**1,192**	**35**
disposal of intangible assets, and property, plant and equipment	1,192	35
Gains/losses on recognition and reversal of provisions	**42**	**103**
Sundry other operating expenses/income:	**644**	**15,925**
Sundry other operating income	4,648	16,336
Sundry other operating expenses	-4,004	-411
Total	**2,008**	**16,173**

The increase in the "Gains/losses on disposal of intangible assets, and property, plant and equipment" item was due to the sale of a property used by the Bank.
"Sundry other operating expenses/income" includes a net loss of EUR 1,555thsd (2011: EUR +11,932thsd) on currency translation (see Note 3.13).

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

EUR '000		H1 2012	H1 2011
Income from financial assets		**2,458**	**2,249**
Gains on disposal	(3.13)	2,037	2,092
Write-ups	(3.3)	421	157
Expenses arising from financial assets		**-8,768**	**-18,529**
Losses on disposal	(3.13)	-6,519	-499
Impairment losses	(3.3)	-2,249	-18,030
Total		**-6,311**	**-16,280**

The increase in "Losses on disposal" was chiefly due to the disposal of Cypriot and Spanish AFS securities.
The Portuguese exposure was completely unwound in the first quarter of 2012.
The Greek exposure was reduced by a nominal amount of EUR 20,000thsd in the first quarter of 2012. The Bank accepted the exchange option for the remaining Greek exposure of EUR 10,000thsd, and all of the exchanged securities were sold during the second quarter of 2012.
The heavy impairment losses in the comparative period were occasioned by the remeasurement of the Greek AFS securities to fair value.

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

EUR '000	H1 2012	H1 2011
Net gains or losses on financial assets	**-226**	**-948**
Equity instruments	-5	-
Debt instruments	-221	-948
Total	**-226**	**-948**

3.11 Net gains or losses on financial assets held to maturity

EUR '000	H1 2012	H1 2011
Income from financial assets	**-**	**44**
Gains on disposal/redemption	-	44
Total	**-**	**44**

3.12 Net gains or losses on hedges

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

EUR '000	H1 2012	H1 2011
Hedge accounting	**-1,658**	**331**
Gains or losses on hedged items	10,917	1,620
Gains or losses on hedging instruments	-12,575	-1,289
Other derivative financial instruments (economic hedges)	**782**	**-259**
Interest rate transactions	-	-52
Foreign exchange transactions	782	-207
Total	**-876**	**71**

3.13 Net gains or losses on financial assets and liabilities

EUR '000		H1 2012	H1 2011
Realised gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net		**-4,388**	**1,706**
Available-for-sale financial assets	(3.9)	-4,482	1,593
Loans and receivables (inc. finance leases)	(3.14)	94	-
Financial assets held to maturity	(3.11)	-	44
Other		-	69
Gains (losses) on financial assets and liabilities held for trading, net	(3.6)	**-1,267**	**1,095**
Interest rate instruments and related derivatives		-2,008	750
Foreign exchange trading		951	281
Other (including hybrid derivatives)		-210	64
Gains (losses) on financial assets and liabilities measured at fair value through profit or loss	(3.10)	**-226**	**-948**
Gains (losses) on hedge accounting, net	(3.12)	**-876**	**72**
Gains on currency translation, net	(3.8)	**-1,555**	**11,932**
Total		**-8,312**	**13,857**

3.14 Net gains or losses on other financial investments

EUR '000	H1 2012	H1 2011
Net gains or losses on receivables and promissory notes	**94**	**-**
Investment property	**-141**	**-44**
Proceeds of disposals	-	709
Carrying amounts of disposals	-	-640
Let investment property	-138	-111
Vacant investment property	-3	-2
Net gains or losses on other financial investments	**71**	**71**
Other income from other financial assets	71	71
Total	**24**	**27**

3.15 Income tax expense

EUR '000	H1 2012	H1 2011
Current income tax	-1,743	349
Deferred tax	-857	-5,847
Total	**-2,600**	**-5,498**

EUR '000	H1 2012	H1 2011
Deferred tax recognised directly in equity:		
Available-for-sale (AFS) financial instruments	-6,372	-19,141
Cash flow hedge (effective portion)	322	109
Total	**-6,050**	**-19,032**

3.16 Non-controlling interests

EUR '000	H1 2012	H1 2011
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	-42	-50
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	24	-
Total	**-18**	**-50**

4. Notes to the statement of financial position

4.1 Cash and balances at central banks

EUR '000	30 Jun. 2012	31 Dec. 2011
Cash on hand	12,234	12,853
Balances at central banks	87,112	65,886
Total	**99,346**	**78,739**

4.2 Loans and advances to banks

EUR '000	30 Jun. 2012	31 Dec. 2011
Domestic banks	238,420	111,209
Foreign banks		
Central and Eastern Europe (CEE)	55,723	57,384
Rest of the world (ROW)	568,200	415,404
Total	**862,343**	**583,997**

4.3 Loans and advances to customers

4.3.1 Customer group analysis

EUR '000	30 Jun. 2012	31 Dec. 2011
Public sector customers	4,831,234	5,083,150
Business customers	1,768,641	1,647,368
Housing associations	1,483,903	1,236,914
Retail customers	2,006,526	1,624,799
Professionals	97,237	110,247
Total	**10,187,541**	**9,702,478**

4.3.2 Geographical analysis

EUR '000	30 Jun. 2012	31 Dec. 2011
Domestic customers	8,549,257	8,187,506
Foreign customers		
Central and Eastern Europe (CEE)	629,632	598,937
Rest of the world (ROW)	1,008,652	916,035
Total	**10,187,541**	**9,702,478**

4.4 Risk provisions and credit provisions

4.4.1 Analysis of risk provisions and credit provisions by customer groups

EUR '000	As at 1 Jan. 2012	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 30 Jun.
Risk provisions for customers: individual impairment allowances	**-99,008**	**-14,077**	**5,017**	**3,261**	**96**	**-15**	**-**	**-104,725**
Public sector customers	-5,101	-	635	-	47	-	-	-4,419
Business customers	-55,608	-11,812	2,401	2,722	46	-15	344	-61,921
Housing associations	-14	-	-	-	-	-	4	-11
Retail customers	-34,079	-2,092	1,766	313	3	-	-129	-34,218
Professionals	-4,206	-173	215	227	-	-	-219	-4,157
Risk provisions for customers: collective impairment allowances	**-4,998**	**-1,142**	**860**	**-**	**-**	**-**	**-**	**-5,281**
Subtotal: risk provisions for customers	**-104,006**	**-15,219**	**5,877**	**3,261**	**96**	**-15**	**-**	**-110,006**
Credit provisions	-10,165	-17	549	3,000	-	-3	-	-6,636
Total	**-114,171**	**-15,236**	**6,426**	**6,261**	**96**	**-18**	**-**	**-116,642**

EUR '000	As at 1 Jan. 2011	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 31 Dec.
Risk provisions for customers: Individual impairment allowances	**-97,320**	**-20,403**	**9,342**	**9,132**	**243**	**-2**	**-**	**-99,008**
Public sector customers	-5,635	-	338	102	94	-	-	-5,101
Business customers	-53,750	-13,701	4,660	7,019	144	-2	22	-55,608
Housing associations	-156	-4	16	-	-	-	129	-14
Retail customers	-33,380	-5,683	3,739	1,734	5	-	-494	-34,079
Professionals	-4,399	-1,016	588	277	-	-	343	-4,206
Risk provisions for customers: collective impairment allowances	**-5,844**	**-1,350**	**2,195**	**-**	**-**	**-**	**-**	**-4,998**
Subtotal: risk provisions for customers	**-103,164**	**-21,753**	**11,537**	**9,132**	**243**	**-2**	**-**	**-104,006**
Credit provisions	-5,795	-4,749	163	206	-	9	-	-10,165
Total	**-108,959**	**-26,502**	**11,700**	**9,338**	**243**	**7**	**-**	**-114,171**

4.4.2 Geographical analysis of risk provisions

EUR '000	30 Jun. 2012	31 Dec. 2011
Domestic	-93,298	-99,483
Foreign		
Central and Eastern Europe (CEE)	-10,162	-1,005
Rest of the world (ROW)	-6,546	-3,518
Total risk provisions	**-110,006**	**-104,006**

4.4.3 Analysis of risk provisions according to regulatory reporting segmentation

EUR '000	As at 1 Jan. 2012	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 30 Jun.
Risk provisions for customers: individual impairment allowances	**-99,008**	**-14,077**	**5,017**	**3,261**	**96**	**-15**	**-**	**-104,725**
Non credit institutions	-4,909	-	635	-	42	-	-	-4,231
Corporates	-50,298	-11,790	1,953	2,620	51	-15	164	-57,316
Retail	-43,801	-2,287	2,429	642	3	-	-164	-43,178
Risk provisions for customers: collective impairment allowances	**-4,998**	**-1,142**	**860**	**-**	**-**	**-**	**-**	**-5,281**
Total risk provisions	**-104,006**	**-15,219**	**5,877**	**3,261**	**96**	**-15**	**-**	**-110,006**

EUR '000	As at 1 Jan. 2012	Allocations	Reversals	Utilisation	Unwinding	Exchange differences	Other changes	As at 30 Jun.
Risk provisions for customers: individual impairment allowances	**-97,320**	**-20,403**	**9,342**	**9,132**	**243**	**-2**	**-**	**-99,008**
Non credit institutions	-5,272	-	338	102	85	-	-162	-4,909
Corporates	-53,065	-13,359	4,384	7,000	153	-2	4,592	-50,298
Retail	-38,983	-7,044	4,620	2,030	5	-	-4,429	-43,801
Risk provisions for customers: collective impairment allowances	**-5,844**	**-1,350**	**2,195**	**-**	**-**	**-**	**-**	**-4,998**
Summe Risikovorsorgen	**-103,164**	**-21,753**	**11,537**	**9,132**	**243**	**-2**	**-**	**-104,006**

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

30.06.12 EUR '000	Not past due	Less than 90 days overdue	More than 90 days overdue	**Total**
Analysis of risk provisions for customers: individual impairment allowances	**-27,142**	**-4,737**	**-72,846**	**-104,725**
Non credit institutions	-4,231	-	-	-4,231
Corporates	-15,279	-1,670	-40,426	-57,375
Retail	-7,632	-3,067	-32,420	-43,119
Analysis of risk provisions for customers: collective impairment allowances	**-5,079**	**-133**	**-69**	**-5,281**
Total risk provisions	**-32,221**	**-4,870**	**-72,915**	**-110,006**

31 Dec. 2011 EUR '000	Not past due	Less than 90 days overdue	More than 90 days overdue	**Total**
Analysis of risk provisions for customers: individual impairment allowances	**-31,921**	**-3,714**	**-63,374**	**-99,008**
Non credit institutions	-4,909	-	-	-4,909
Corporates	-15,582	-2,315	-32,402	-50,298
Retail	-11,430	-1,399	-30,972	-43,801
Analysis of risk provisions for customers: collective impairment allowances	**-4,814**	**-117**	**-67**	**-4,998**
Total risk provisions	**-36,735**	**-3,830**	**-63,441**	**-104,006**

4.4.5 Disclosures of maturities and collaterals in accordance with IFRS 7

The table below shows the fair value of the collateral received as calculated for regulatory purposes. The receivables of the leasing subsidiary, amounting to approximately EUR 1,378,588thsd (2011: EUR 1,344,676thsd) are shown gross of collateral. Further information on credit risk is given in the risk report contained in the operational and financial review.

30 Jun. 2012 EUR '000	Gross carrying amount (not individually impaired)	Gross carrying amount (individually impaired)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	10,824,891	73,678	-5,079	-27,142	10,866,348
Less than 90 days overdue	37,413	8,918	-133	-4,737	41,461
90 or more days overdue	15,851	119,594	-69	-72,846	62,530
Total	**10,878,155**	**202,190**	**-5,281**	**-104,725**	**10,970,339**

30 Jun. 2012 EUR '000	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, and debt instruments not past due or individually impaired	10,824,891	4,967,809
Loans and advances to customers and banks, and debt instruments overdue but not individually impaired	53,263	37,663
Loans and advances to customers and banks, and debt instruments individually impaired (overdue and not past due)	202,190	44,025
Total	**11,080,345**	**5,049,498**

31 Dec. 2011 EUR '000	Gross carrying amount (not individually impaired)	Gross carrying amount (individually impaired)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	10,073,287	73,143	-4,814	-31,921	10,109,696
Less than 90 days overdue	43,722	6,670	-117	-3,714	46,562
90 or more days overdue	10,235	100,823	-67	-63,374	47,617
Total	**10,127,244**	**180,636**	**-4,998**	**-99,008**	**10,203,874**

31 Dec. 2011 EUR '000	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, and debt instruments not past due or individually impaired	10,073,287	4,261,774
Loans and advances to customers and banks, and debt instruments overdue but not individually impaired	53,957	31,282
Loans and advances to customers and banks, and debt instruments individually impaired (overdue and not past due)	180,636	41,538
Total	**10,307,880**	**4,334,594**

4.5 Assets held for trading

This item comprises the positive fair value of derivative financial instruments measured at fair value.

EUR '000	**30 Jun. 2012**	**31 Dec. 2011**
Positive fair value of derivatives held for trading (banking book):		
Interest rate derivatives	524,689	446,749
Foreign exchange derivatives	12,489	10,581
Other assets held for trading	9,206	13,750
Total	**546,384**	**471,080**

4.6 Positive fair value of hedges (hedge accounting)

The positive and negative fair value of hedges is reported separately, on the assets, and equity and liabilities sides of the consolidated statement of financial position, provided that they qualify for hedge accounting under IAS 39.

The positive fair value of hedges is classified according to the nature of the underlying transactions, as follows:

EUR '000	30 Jun. 2012	31 Dec. 2011
Assets	**4,203**	**7,127**
Loans and advances to banks	-	145
Loans and advances to customers	707	1,052
Financial assets	3,495	5,931
Liabilities	**551,345**	**464,682**
Deposits from banks	1,342	739
Deposits from customers	105,785	98,220
Debts evidenced by certificates	444,218	365,723
Total	**555,548**	**471,809**

4.7 Available-for-sale financial assets

EUR '000	30 Jun. 2012	31 Dec. 2011
Shares and other variable-income securities	128	125
Bonds, public debt certificates and other fixed-income securities	1,761,612	1,831,482
Interests in non-consolidated subsidiaries (over 50%)	206	226
Interests in associates (20–50%)	475	475
Other investments	3,569	4,872
Total	**1,765,990**	**1,837,180**

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

EUR '000	30 Jun. 2012	31 Dec. 2011
Bonds, public debt certificates and other fixed income securities	4,454	4,560
Total	**4,454**	**4,560**

4.9 Financial assets held to maturity

Bonds held to maturity are reported under this item.

EUR '000	30 Jun. 2012	31 Dec. 2011
Bonds, public debt certificates and other fixed income securities	10,013	15,031
Total	**10,013**	**15,031**

4.10 Investments accounted for using the equity method

EUR '000	30 Jun. 2012	31 Dec. 2011
Banks	2,829	2,730
Non-banks	46,035	45,212
Total	**48,864**	**47,942**

4.11 Investment property

EUR '000	30 Jun. 2012	31 Dec. 2011
Investment property	45,356	43,411

4.12 Intangible assets, and property, plant and equipment

EUR '000	30 Jun. 2012	31 Dec. 2011
Intangible assets		
Software	551	765
Total intangible assets	**551**	**765**
Property, plant and equipment		
Land and buildings	33,435	25,739
IT equipment	700	757
Equipment, fixtures and furnishings	8,958	8,741
Total property, plant and equipment	**43,093**	**35,237**

The increase in the "Land and buildings" item is largely due to an addition to assets in the course of construction, in the shape of the HYPO NOE headquarters building in St. Pölten – a self-managed project.

4.13 Tax assets

EUR '000	30 Jun. 2012	31 Dec. 2011
Current tax assets	4,668	4,068
Deferred tax assets	12,696	19,214
Total	**17,364**	**23,282**

4.14 Other assets

The "Other assets" item chiefly relates to accruals and deferrals, other non-bank receivables (e.g. trade receivables and amounts due from the tax authorities in respect of other taxes), and derivatives used in connection with banking book management.

The positive fair value of derivative financial instruments is reported under "Other assets" if they do not qualify for hedge accounting and instead represent economic hedges used in connection with banking book management.

EUR '000	30 Jun. 2012	31 Dec. 2011
Deferred items	1,654	2,383
Other receivables and assets:	28,808	19,020
thereof: value added tax (VAT) and other tax credits (other than income tax)	*8,799*	*8,514*
property classified as inventory	*4,720*	*4,624*
trade receivables	*3,279*	*1,249*
emergency acquisitions held for sale	*-*	*36*
Positive fair value of derivatives	615	150
Total	**31,077**	**21,553**

4.15 Deposits from banks

EUR '000	30 Jun. 2012	31 Dec. 2011
Domestic banks	1,274,885	1,656,345
Foreign banks:		
Central and Eastern Europe (CEE)	50,076	45,008
Rest of the world (ROW)	820,308	683,108
Total	**2,145,269**	**2,384,461**

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

Repurchase agreements entered into as a transferor
Assets were loaned subject to contractual obligations to return them, as described by example AG51(a) IAS 39. 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.

EUR '000	30 Jun. 2012	31 Dec. 2011
Liabilities to banks under repo agreements	640,000	950,000

4.16 Deposits from customers

4.16.1 Customer group analysis

EUR '000	30 Jun. 2012	31 Dec. 2011
Savings deposits	**802,007**	**780,002**
Demand and time deposits	**1,757,778**	**1,693,408**
Public sector customers	165,117	186,220
Business customers	1,300,719	1,214,770
Housing associations	39,438	47,779
Retail customers	219,372	210,775
Professionals	33,132	33,864
Total	**2,559,785**	**2,473,410**

8.21.2 Geographical analysis

EUR '000	30 Jun. 2012	31 Dec. 2011
Domestic customers	1,474,768	1,421,985
Foreign customers		
Central and Eastern Europe (CEE)	9,226	9,680
Rest of the world (ROW)	1,075,791	1,041,745
Total	**2,559,785**	**2,473,410**

4.17 Debts evidenced by certificates

EUR '000	30 Jun. 2012	31 Dec. 2011
Covered and municipal bonds	3,665,116	2,633,854
Other bonds	3,966,967	4,197,395
Profit-sharing certificates	512	503
Total	**7,632,595**	**6,831,752**

4.18 Liabilities held for trading

EUR '000	30 Jun. 2012	31 Dec. 2011
Negative fair value of derivative financial instruments (banking book):		
Interest rate derivatives	438,233	358,159
Foreign exchange derivatives	9,921	8,991
Other liabilities held for trading	9,206	13,324
Total	**457,360**	**380,474**

4.19 Negative fair value of hedges (hedge accounting)

The negative fair value of hedges is reported separately, on the equity and liabilities side of the consolidated statement of financial position, provided that they qualify for hedge accounting under IAS 39.

The negative fair value of hedges is classified according to the nature of the underlying transactions, as follows:

EUR '000	30 Jun. 2012	31 Dec. 2011
Assets	**508,697**	**403,116**
Loans and advances to customers	422,462	331,295
Available-for-sale financial assets	86,235	71,821
Liabilities	**858**	**6,800**
Deposits from banks	374	1,046
Debts evidenced by certificates	484	5,754
Total	**509,555**	**409,916**

4.20 Provisions

EUR '000	30 Jun. 2012	31 Dec. 2011
Employee benefit provisions	**36,300**	**35,938**
Provisions for pensions	25,596	25,801
Provisions for termination benefits	9,370	8,889
Provisions for jubilee benefits	1,334	1,248
Credit provisions	**6,636**	**10,165**
Other provisions	**833**	**756**
Total	**43,769**	**46,859**

4.21 Tax liabilities

EUR '000	30 Jun. 2012	31 Dec. 2011
Current tax liabilities	11,186	8,901
Deferred tax liabilities	12,351	11,961
Total	**23,537**	**20,862**

The deferred tax liabilities represent 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

The negative fair value of financial instruments is reported under "Other liabilities" if they do not qualify for hedge accounting and instead represent economic hedges used in connection with banking book management.

EUR '000	30 Jun. 2012	31 Dec. 2011
Deferred items	13,449	10,966
Sundry other liabilities	73,848	40,554
thereof: trade payables	*11,867*	*10,706*
outstanding invoices	*20,621*	*6,617*
VAT and other tax liabilities (other than income tax)	*4,349*	*5,190*
legal and consultancy costs	*880*	*1,203*
Negative fair value of derivatives	109	425
Total	**87,406**	**51,945**

4.23 Equity

EUR '000	30 Jun. 2012	31 Dec. 2011
Share capital	51,981	51,981
Capital reserves	191,824	191,824
thereof: appropriated reserve	*94,624*	*94,624*
unappropriated reserve	*97,200*	*97,200*
Revaluation surplus	-70,937	-89,087
Retained earnings	271,642	275,891
Parent shareholders' equity	**444,510**	**430,608**
Non-controlling interests	546	527
Total	**445,056**	**431,135**

4.24 Consolidated capital resources and regulatory capital adequacy requirements

The capital resources of the HYPO NOE Group, calculated in accordance with the requirements of the Austrian Banking Act, had the following components:

EUR '000	30 Jun. 2012	31 Dec. 2011
Share capital	51,981	51,981
Reserves, differences and non-controlling interests	436,905	436,905
Intangible assets	-569	-757
Core capital (tier 1 capital)	**488,317**	**488,129**
Deductions pursuant to sections 23(13) and 29 (1–2) Banking Act	-2,002	-1,864
Eligible core capital	**486,315**	**486,265**
Undisclosed reserves in the meaning of section 57(1) Banking Act	5,000	5,000
Eligible subordinated debt according to section 23(8) Banking Act	200,000	200,000
Supplementary capital (tier 2)	**205,000**	**205,000**
Deductions pursuant to sections 23(13) and 29 (1–2) Banking Act	-2,002	-1,864
Eligible supplementary capital (after deductions)	**202,998**	**203,136**
Total eligible core capital	**689,313**	**689,401**
Capital requirement	**333,289**	**315,497**
Surplus capital	**356,024**	**373,904**
Coverage ratio	206.82%	218.51%
Core capital ratio	12.54%	13.25%
Equity ratio	17.78%	18.79%

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

EUR '000	30 Jun. 2012	31 Dec. 2011
Risk-weighted assessment base according to section 22(2) Banking Act	3,876,625	3,668,983
thereof: 8% minimum capital requirement	*310,130*	*293,518*
Capital requirement for operational risk	23,159	21,979
Total capital requirement	**333,289**	**315,497**

5. Segment information

5.1 Business segment information

5.1.1 Segment profit or loss

H1 2012 EUR '000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Interest and similar income	235,380	38,841	11,387	-22,416	263,192
thereof: investments accounted for using the equity method	*1,157*	*116*	*160*	-	*1,432*
Interest and similar expense	-185,668	-18,646	-8,832	19,518	-193,627
Credit provisions	-7,144	-1,377	-	-	-8,522
Net interest income after risk provisions	**42,568**	**18,817**	**2,556**	**-2,898**	**61,043**
Net fee and commission income	1,590	4,422	-16	-	5,996
Net trading income	-1,480	213	-	-	-1,267
General administrative expenses	-28,437	-20,839	-1,798	953	-50,121
Net other operating income/expenses	478	865	1,854	-1,189	2,008
Net gains or losses on financial assets	-6,449	-82	5	-11	-6,537
Net gains or losses on hedges	-1,073	197	-	-	-876
Net gains or losses on other financial investments	94	-	-	-70	24
Profit before tax	**7,291**	**3,593**	**2,601**	**-3,215**	**10,270**
Income tax expense					-2,600
Profit after tax					**7,670**
Non-controlling interests					-18
Profit attributable to owners of the parent					**7,652**

Gruppe Bank
The profit returned by the Gruppe Bank segment again reflected high net interest income in the first half of 2012, but was impacted by losses on the disposal of Cypriot and Spanish securities. Due to an increased head count the staff costs and office space expenses reported under "General administrative expenses" increased.

Landesbank
In comparison to the like period in 2011, the Landesbank segment's results for the first half of 2012 show stable income from its core business and virtually unchanged credit provision charges thanks to good workout management.

Leasing
New municipal business was the main factor behind the improved profit posted by the Leasing segment.

Other & Consolidation
The increase in the adjustments recorded under Other & Consolidation was largely due to higher dividend payments.

H1 2011 EUR '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*	-	*2,533*
Interest and similar expense	-147,753	-16,976	-7,298	18,942	-153,085
Credit provisions	-7,733	-4,491	-	-	-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	-	3,796
Net trading income	1,133	153	-	-192	1,095
General administrative expenses	-24,139	-20,176	-1,614	275	-45,654
Net other operating income/expenses	12,499	436	1,826	1,412	16,173
Net gains or losses on financial assets	-17,407	210	-	13	-17,184
Net gains or losses on hedges	-540	689	-	-77	72
Net gains or losses on other financial investments	-	-	69	-42	27
Profit before tax	**18,741**	**3,242**	**1,785**	**-1,855**	**21,912**
Income tax expense					-5,498
Profit after tax					**16,414**
Non-controlling interests					-50
Profit attributable to owners of the parent					**16,364**

5.1.2 Segment assets and liabilities

Although HYPO NOE Landesbank has a profit and loss transfer agreement with HYPO NOE Gruppe Bank AG, the deferred tax arising from temporary differences is attributed to the Landesbank segment.

30 Jun. 2012 EUR '000	**Gruppe Bank**	**Landesbank**	**Leasing**	**Other & Consolidation**	**Total**
Assets					
Cash and balances at central banks	74,768	24,578	-	-	99,346
Loans and advances to banks	1,368,079	105,753	56,640	-668,130	862,343
Loans and advances to customers	8,280,355	1,916,025	1,378,588	-1,387,427	10,187,541
Risk provisions	-28,963	-80,253	-790	-	-110,006
Assets held for trading	546,384	203	-	-202	546,384
Positive fair value of hedges (hedge accounting)	542,179	32,581	-	-19,213	555,548
Available-for-sale financial assets	1,875,253	319,840	6,267	-435,370	1,765,990
Financial assets designated as at fair value through profit or loss	4,454	-	-	-	4,454
Financial assets held to maturity	10,013	-	-	-	10,013
Investments accounted for using the equity method	34,934	1,371	12,560	-	48,864
Investment property	-	-	2,653	42,703	45,356
Intangible assets	368	70	114	-	551
Property, plant and equipment	5,146	5,933	545	31,470	43,093
Tax assets	12,204	3,985	1,047	128	17,364
Other assets	7,218	7,449	46,781	-30,371	31,077
Total assets	**12,732,392**	**2,337,535**	**1,504,405**	**-2,466,413**	**14,107,918**
Equity and liabilities					
Deposits from banks	2,193,551	525,897	1,337,710	-1,911,889	2,145,269
Deposits from customers	1,412,233	1,218,459	265	-71,172	2,559,785
Debts evidenced by certificates	7,511,347	412,550	512	-291,813	7,632,595
Liabilities held for trading	457,368	195	-	-202	457,360
Negative fair value of hedges (hedge accounting)	524,773	3,994	-	-19,213	509,555
Provisions	31,387	11,488	510	384	43,769
Tax liabilities	11,169	-	12,351	17	23,537
Other liabilities	23,919	20,113	34,948	8,426	87,406
Subordinated capital	191,656	52,008	-	-40,078	203,586
Equity (inc. non-controlling interests)	374,989	92,831	118,109	-140,873	445,056
Parent shareholders' equity	374,989	92,831	117,564	-140,873	444,510
Non-controlling interests	-	-	546	-	546
Total equity and liabilities	**12,732,392**	**2,337,535**	**1,504,405**	**-2,466,412**	**14,107,918**

31 Dec. 2011 EUR '000	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Assets					
Cash and balances at central banks	53,411	25,328	-	-	78,739
Loans and advances to banks	1,145,086	70,523	53,175	-684,786	583,997
Loans and advances to customers	7,769,141	1,958,530	1,344,676	-1,369,869	9,702,478
Risk provisions	-22,528	-80,688	-790	-	-104,006
Assets held for trading	471,079	237	-	-236	471,080
Positive fair value of hedges (hedge accounting)	464,152	23,273	-	-15,615	471,809
Available-for-sale financial assets	1,943,959	318,689	6,263	-431,732	1,837,180
Financial assets designated as at fair value through profit or loss	4,560	-	-	-	4,560
Financial assets held to maturity	15,031	-	-	-	15,031
Investments accounted for using the equity method	34,147	1,377	12,418	-	47,942
Investment property	-	-	244	43,167	43,411
Intangible assets	541	74	142	8	765
Property, plant and equipment	6,899	5,945	568	21,826	35,237
Tax assets	17,926	3,873	1,295	187	23,282
Other assets	9,537	4,485	47,635	-40,104	21,553
Total assets	**11,912,940**	**2,331,645**	**1,465,626**	**-2,477,154**	**13,233,058**
Equity and liabilities					
Deposits from banks	2,383,737	603,818	1,318,906	-1,922,000	2,384,461
Deposits from customers	1,390,362	1,146,116	357	-63,425	2,473,410
Debts evidenced by certificates	6,719,575	403,558	503	-291,885	6,831,752
Liabilities held for trading	380,484	226	-	-236	380,474
Negative fair value of hedges (hedge accounting)	417,067	8,464	-	-15,615	409,916
Provisions	34,539	11,483	474	364	46,859
Tax liabilities	8,850	-	11,961	51	20,862
Other liabilities	24,057	14,307	17,271	-3,690	51,945
Subordinated capital	190,707	51,537	-	-40,000	202,244
Equity (inc. non-controlling interests)	363,562	92,137	116,154	-140,718	431,135
Parent shareholders' equity	363,562	92,137	115,626	-140,718	430,608
Non-controlling interests	-	-	527	-	527
Total assets	**11,912,940**	**2,331,645**	**1,465,626**	**-2,477,154**	**13,233,058**

5.1.3 Geographical information

The table below breaks the main balance sheet items down into domestic and foreign business.

EUR '000	30 Jun. 2012		31 Dec. 2011	
	Domestic	Foreign	Domestic	Foreign
Loans and advances to banks	238,420	623,923	111,209	472,788
Loans and advances to customers	8,549,257	1,638,284	8,187,506	1,514,972
Available-for-sale financial assets	791,704	974,286	839,498	997,682
Financial assets designated as at fair value through profit or loss	3,938	516	4,056	504
Financial assets held to maturity	-	10,013	-	15,031
Deposits from banks	1,274,885	870,384	1,656,345	728,116
Deposits from customers	1,474,768	1,085,017	1,421,985	1,051,425
Debts evidenced by certificates	3,196,723	4,435,872	2,695,457	4,136,295

The geographical presentation analyses the debts evidenced by certificates that relate to listed securities by the countries of issue.

6. Supplementary information

6.1 Fair value of financial instruments

6.1.1 Fair value hierarchy disclosures

30 Jun. 2012 EUR '000		**Fair value measurement**		
	Fair value Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Assets held for trading	546,384	-	20,073	526,311
Positive fair value of hedges	555,548	-	555,548	-
Financial assets designated as at fair value through profit or loss	4,454	-	4,454	-
Available-for-sale financial assets	1,765,990	929,659	827,273	9,058
Sundry other assets	615	-	615	-
Total assets	**2,872,991**	**929,659**	**1,407,963**	**535,369**
Liabilities				
Liabilities held for trading	457,360	-	447,288	10,072
Negative fair value of hedges	509,555	-	509,555	-
Other liabilities	109	-	109	-
Total liabilities	**967,024**	**-**	**956,952**	**10,072**

There were no material reclassifications between levels in the first half of 2012. The changes in the amounts at the various levels largely relate to new and matured transactions, disposals and fluctuations in fair value.

31 Dec. 2011 EUR '000		**Fair value measurement**		
	Fair value Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Assets held for trading	471,080	-	16,196	454,883
Positive fair value of hedges	471,809	-	471,809	-
Financial assets designated as at fair value through profit or loss	4,560	-	4,560	-
Available-for-sale financial assets	1,837,180	920,725	904,595	11,859
Sundry other assets	150	-	150	-
Total assets	**2,784,777**	**920,725**	**1,397,310**	**466,742**
Liabilities				
Liabilities held for trading	380,474	-	367,151	13,324
Negative fair value of hedges	409,916	-	409,916	-
Other liabilities	425	-	425	-
Total liabilities	**790,816**	**-**	**777,492**	**13,324**

6.2 Derivatives

Derivatives: nominal and fair value

	30 Jun. 2012			31 Dec. 2011		
		Fair value			Fair value	
EUR '000	Nominal value	Positive	Negative	Nominal value	Positive	Negative
Interest rate risk						
Interest rate swaps	14,958,513	986,179	938,717	13,637,281	827,658	759,528
Basis swaps	1,125,705	22,715	4,241	1,175,705	20,181	3,849
Options on interest rate instruments	552,989	10,177	10,169	675,781	15,293	14,855
Other similar contracts	20,000	10,268	-	20,000	9,556	-
Total	**16,657,207**	**1,029,339**	**953,127**	**15,508,767**	**872,688**	**778,232**
Currency risk						
Cross-currency (interest rate) swaps	377,569	70,746	12,705	375,798	69,295	11,911
Forward exchange operations	122,494	1,675	1,107	111,028	351	584
Total	**500,064**	**72,421**	**13,812**	**486,825**	**69,646**	**12,495**
Share price and index-linked transactions						
Equity and other index-linked options	7,501	788	86	7,501	705	88
Total	**7,501**	**788**	**86**	**7,501**	**705**	**88**

6.3 Analysis of assets and liabilities by IAS 39 measurement categories

30 Jun. 2012 EUR '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 hedge	Cash flow hedge	Financial assets/liabilites at cost (at amortised cost)	Total
Cash and balances at central banks	-	-	-	-	-	-	-	-	99,346	99,346
Loans and advances to banks	862,343	-	-	-	-	-	-	-	-	862,343
Loans and advances to customers	10,187,541	-	-	-	-	-	-	-	-	10,187,541
Risk provisions	-110,006	-	-	-	-	-	-	-	-	-110,006
Assets held for trading	-	-	546,384	-	-	-	-	-	-	546,384
Positive fair value of hedges	-	-	-	-	-	-	553,378	2,169	-	555,547
Available-for-sale financial assets	-	-	-	-	1,765,990	-	-	-	-	1,765,990
Financial assets designated as at fair value through profit or loss	-	-	-	4,454	-	-	-	-	-	4,454
Financial assets held to maturity	-	-	-	-	-	10,013	-	-	-	10,013
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	48,864	48,864
Investment property	-	-	-	-	-	-	-	-	45,356	45,356
Positive fair value of banking book derivatives[1]	-	-	615	-	-	-	-	-	-	615
Other financial assets[1]	28,807	-	-	-	-	-	-	-	-	28,807
Total financial assets	**10,968,685**	**-**	**546,999**	**4,454**	**1,765,990**	**10,013**	**553,378**	**2,169**	**193,566**	**14,045,254**
Deposits from banks	-	2,145,269	-	-	-	-	-	-	-	2,145,269
Deposits from customers	-	2,559,785	-	-	-	-	-	-	-	2,559,785
Debts evidenced by certificates	-	7,632,595	-	-	-	-	-	-	-	7,632,595
Liabilities held for trading	-	-	457,360	-	-	-	-	-	-	457,360
Negative fair value of hedges	-	-	-	-	-	-	509,555	-	-	509,555
Subordinated capital	-	203,586	-	-	-	-	-	-	-	203,586
Negative fair value of banking book derivatives[1]	-	-	109	-	-	-	-	-	-	109
Other financial liabilities[1]	-	73,848	-	-	-	-	-	-	-	73,848
Total financial liabilities	**-**	**12,615,083**	**457,469**	**-**	**-**	**-**	**509,555**	**-**	**-**	**13,582,107**

31 Dec. 2011 EUR '000										
Cash and balances at central banks	-	-	-	-	-	-	-	-	78,739	78,739
Loans and advances to banks	583,997	-	-	-	-	-	-	-	-	583,997
Loans and advances to customers	9,702,478	-	-	-	-	-	-	-	-	9,702,478
Risk provisions	-104,006	-	-	-	-	-	-	-	-	-104,006
Assets held for trading	-	-	471,080	-	-	-	-	-	-	471,080
Positive fair value of hedges	-	-	-	-	-	-	468,353	3,456	-	471,809
Available-for-sale financial assets	-	-	-	-	1,837,180	-	-	-	-	1,837,180
Financial assets designated as at fair value through profit or loss	-	-	-	4,560	-	-	-	-	-	4,560
Financial assets held to maturity	-	-	-	-	-	15,031	-	-	-	15,031
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	47,942	47,942
Investment property	-	-	-	-	-	-	-	-	43,411	43,411
Positive fair value of banking book derivatives[1]	-	-	150	-	-	-	-	-	-	150
Other financial assets[1]	19,022	-	-	-	-	-	-	-	-	19,022
Total financial assets	**10,201,491**	**-**	**471,230**	**4,560**	**1,837,180**	**15,031**	**468,353**	**3,456**	**170,092**	**13,171,393**
Deposits from banks	-	2,384,461	-	-	-	-	-	-	-	2,384,461
Deposits from customers	-	2,473,410	-	-	-	-	-	-	-	2,473,410
Debts evidenced by certificates	-	6,831,752	-	-	-	-	-	-	-	6,831,752
Liabilities held for trading	-	-	380,474	-	-	-	-	-	-	380,474
Negative fair value of hedges	-	-	-	-	-	-	409,916	-	-	409,916
Subordinated capital	-	202,244	-	-	-	-	-	-	-	202,244
Negative fair value of banking book derivatives[1]	-	-	425	-	-	-	-	-	-	425
Other financial liabilities[1]	-	40,554	-	-	-	-	-	-	-	40,554
Total financial liabilities	**-**	**11,932,421**	**380,899**	**-**	**-**	**-**	**409,916**	**-**	**-**	**12,723,236**

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

6.4 Disclosures on related party relationships

30 Jun. 2012 EUR '000	Non-consolidated subsidiaries (less than 50%)	Associates	Investments accounted for by the equity method	Key management personnel
Loans and advances to banks	-	-	-	-
Loans and advances to customers	102,491	13,001	146,827	2,096
Equity instruments (shareholdings, etc.)	206	475	48,864	-
Deposits from banks	-	-	147	-
Deposits from customers	874	1,373	6,771	5,896
31 Dec. 2011 EUR '000				
Loans and advances to banks	-	-	1	-
Loans and advances to customers	103,064	12,868	159,359	1,953
Equity instruments (shareholdings, etc.)	226	475	47,942	-
Deposits from banks	-	-	333	-
Deposits from customers	2,456	851	5,468	5,497

The transfer prices charged to each other by HYPO NOE Gruppe AG and related parties are at normal market levels. "Key management personnel" refers to "identified staff" under the legal framework governing variable remuneration at banks created by CRD III and section 39b Austrian Banking Act.

6.5 Contingent liabilities, credit risk and latent legal risk

6.5.1 Contingent liabilities

EUR '000	**30 Jun. 2012**	**31 Dec. 2011**
Acceptances and endorsements	327	327
Liabilities arising from guarantees and furnishing of collateral	124,124	132,741

6.5.2 Credit risk

EUR '000	**30 Jun. 2012**	**31 Dec. 2011**
Credit risk	1,608,393	1,284,930

6.6 Events after the reporting period

On 2 July 2012 NÖ Hypo-Beteiligungsholding GmbH, a wholly owned subsidiary of HYPO NOE Gruppe Bank AG, fully acquired first facility GmbH, Vienna, from EVN AG, Maria Enzersdorf.

6.7 Governing bodies of HYPO NOE Gruppe Bank AG

The following persons were members of the Management and Supervisory boards during the reporting period:

Management Board
Peter Harold, Chairman
Nikolai de Arnoldi, member

Supervisory Board
Burkhard Hofer, Chairman (since 1 January 2012)
Michael Lentsch, Deputy Chairman (since 1 January 2012)
Klaus Schneeberger
Karl Schlögl
Karl Sonnweber
Engelbert Josef Dockner (since 1 January 2012)
Hubert Schultes (since 1 January 2012)

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

State commissioners
Hans Georg Kramer, CFP, Federal Ministry of Finance (since 1 January 2012)
Franz Ternyak, Federal Accounting Agency

Supervisory commissioners
Reinhard Meissl, office of the Lower Austrian state government
Helmut Frank, office of the Lower Austrian state government

St. Pölten, 29 August 2012
The Management Board

Peter Harold
Chairman of the Management Board

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 2011.

St. Pölten, 29 August 2012

The Management Board

Peter Harold
Chairman of the Management Board

responsible for Public Finance & Corporates, Real Estate, Treasury, Participations, Communications, Audit, Human Resources, IT/Organisation, Business Development and Facility Management

Nikolai de Arnoldi
Member of the Management Board

responsible for Risk, Legal, Controlling, Accounting, Credit and Treasury Services, Payment Administration and Custodian Bank Services www.hyponoe.at

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