ALWAYS FIRST – WITH SPEED AND PRECISION.

Half Year Financial Report 2020
Kommunalkredit Group

KOMMUNAL
KREDIT

Kommunalkredit at a Glance

SELECTED PERFORMANCE FIGURES in EUR m / % (as applicable)	IFRS			Austrian GAAP		
	H1 2018	H1 2019	H1 2020	H1 2018	H1 2019	H1 2020
EBIT*	13.8	15.2	19.0	13.5	11.2	9.4
Profit on ordinary activities/ Profit for the period before tax	11.5	12.1	16.4	8.9	13.7	10.5
Profit for the period after tax	9.2	11.3	12.0	9.4	14.6	11.3
Cost-income ratio	64.5%	67.0%	59.8%	65.3%	69.1%	71.2%
Return on equity before tax	9.9%	9.1%	10.4%	7.6%	10.3%	6.7%

*Profit for the period before tax adjusted for net result of valuations and restructuring expense.

EUR 19.0 m

EBIT

»A-«

Premium portfolio

with average rating

20

nationalities

are a visible sign of the diversity of our corporate culture

59.8 %

CIR

61 %

of gross revenues from

infrastructure and energy financing

39 %

of gross revenues from

Public Finance business

Awards

German Brand Award

cfi Winner Europe

IJGlobal Award

Business Vision Award

Green electricity covering

100 %

of electricity consumption at the Vienna site

10.4 %

RoE before tax

EUR 354 m

Assets under management

Fidelio KA Infrastructure Debt Fund Europe I

EUR 185 m

Placement volume

Contribution to

12

Sustainable Development Goals

Clear vision. Concise mission.

What is our goal?	How do we achieve our goal?	Where have we improved in terms of our core business?	What do we need to achieve this?	How would this appeal to our shareholders?
Being the partner of choice for infrastructure investments: ▪ Increasing financing by more than double ▪ Increasing placements by more than triple	**By concentrating on our core business:** ▪ Customer focus ▪ Operational efficiency ▪ Strict placement criteria	▪ Expanding our product base ▪ Developing our fee business ▪ Enhancing productivity ▪ Boosting profitability ▪ Risk-return-centric bank management	▪ Boost our capital ▪ Invest in talent ▪ Embrace digitalisation ▪ Improve our rating ▪ Increase our underwriting capacity	▪ Increase EBIT to EUR 50m ▪ Reduce the cost-income ratio to 50% ▪ Achieve a return on equity before taxes of 10% ▪ Achieve an attractive return on investment

All figures – unless otherwise stated – reported under IFRS.

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Infra Banking Experts

Letter by the Chief Executive Officer

RECOGNISING CHALLENGES. TAKING ADVANTAGE OF OPPORTUNITIES.

Dear stakeholders,

The first six months of 2020 were challenging, but also full of opportunities. We have all seen the extent and speed with which economic and social changes impact everyday life. Within just a few days, life as we had known it for decades was turned upside down. Due to the spread of the coronavirus throughout Europe and the rest of the world, drastic but necessary measures were taken to counter the global health crisis. We are therefore all the more pleased to have achieved such a strong result in these difficult times. I would like to sincerely thank our employees and stakeholders who made this result possible with their dedication and commitment.

The COVID-19 pandemic clearly showed us how important it is to have the relevant infrastructure in place and functioning, such as hospitals and care homes, and how vital a secure energy supply and powerful communications infrastructure are. These new circumstances have made these especially sensitive points even more significant. Everyday life was dominated by social distancing (remote working/learning) and cutting down to the essentials. At the same time, a digital quantum leap took place. Not just companies, but private households, too, immediately needed the necessary digital equipment, including devices and software, in order to be able to work and study via telephone and video conferences. At Kommunalkredit, we made the hardware and digital applications available to our employees immediately, who in turn used the equipment efficiently and professionally to maintain the operative stability of the bank at all times. This rapid digitalisation, however, also made it clear to us that personal meetings would always remain important in order to swiftly and accurately process information and data and to share them with the relevant recipients.

In some cases, governments and central banks reacted quickly to the crisis with financial instruments and measures. Flexible working models, such as holiday leave and furlough schemes, were deployed to counter the collapse of individual sectors of the economy. During the lockdown, Kommunalkredit was able to maintain its ability to act without restrictions thanks to employees working from home.

Globally, the intensity and duration of the measures had noticeable economic impacts that will continue to be felt throughout the second half of 2020. Infrastructure will become even more of a focal point, not just as an asset class, but also as an essential factor for modernising and realising agendas such as digitalisation and the Green Deal. This will include the creation of jobs and the future orientation of our service-centred society. This focus on infrastructure and energy financing affirms the strategic path chosen by Kommunalkredit – consistently, resiliently and sustainably. The bank operates in a sector that has proven to be largely crisis-resistant in the past. In comparison with corporate financing, financing in these areas is usually associated with low default rates and stable recovery rates that are largely independent of economic cycles. As a result of the current health crisis and its impacts on the real economy, the maintenance and modernisation of supply, transport and social infrastructure will be at the very top of the agenda of both developed and developing countries, meaning that these areas will become even more relevant.

Our half-year results confirm this direction: at EUR 490.1m, the volume of new business was on a par with the first half of 2019. With a 25% increase in EBIT year-on-year to EUR 19.0m, the loss from the end of the service level agreement with KA Finanz AG in 2019 was more than compensated for despite the impacts of the COVID-19 pandemic. Our infrastructure and energy financing business and our public finance business contributed 60.6% and 39.4% respectively to gross income. The cost-income ratio declined to 59.8% in this still tense period of low interest rates and a return on equity before tax of 10.4% (7.6% after tax) was generated (all figures acc. to IFRS). Kommunalkredit's CET 1 capital amounts to EUR 313.7m, the CET 1 ratio is a solid 18.4%. Our non-performing loan (NPL) ratio remains at 0.0% – as it has since privatisation back in 2015.

We pursue a business approach based on close cooperation with established partners and our customers (originate and collaborate) and we pay particular attention to our ability to place our transactions on the international financing market. The volume placed with insurers, asset managers and banks in the first two quarters was EUR 185.0m (H1 2019: EUR 111.4m). Thanks to the infrastructure fund (Fidelio KA Infrastructure Debt Fund Europe 1) established in 2018, we are also capable of offering our business partners access to infrastructure and energy financing through an asset management solution. The first fund had its final closing at the end of February 2020 with a volume of around EUR 350m, outstripping the original target volume of EUR 150m by a wide margin.

Despite the downturn in the macroeconomic environment, Kommunalkredit's portfolio proved crisis-resistant – this was also reflected in the moderate increase in risk provisions of 21.7% as of 30 June 2020 to EUR 5.6m (31/12/2019: EUR 4.6m).

We aim to continuously strengthen our capital base, thus allowing us to mobilise more sustainable investment in infrastructure that meets ESG criteria. This approach has gained international interest. Recognition from renowned infrastructure magazines (Business Vision, Capital Finance International, IJGlobal, Project Finance International) affirms the strategy we have chosen to pursue. Recently we have received awards from Proximo and IJGlobal and have leapt into the top 15 most important infrastructure financiers in the EMEA area in the current ranking of the Inframation Loan League Tables Europe. In the middle of June, we were delighted to accept the marketing award with the highest reach in German-speaking Europe, the German Brand Award, for our online banking portal KOMMUNALKREDIT INVEST.

The second half of the year promises more excitement. The supportive fiscal and monetary policy course will be maintained in order to secure a sustainable recovery. Yield curves will remain flat and differences in interest rates between currencies will remain low. This will make it all the more difficult for banks to make interest income lucrative and provide credit at a profit. Banks will have to turn to alternative finance products and adapt business models. Linking Kommunalkredit's originate and collaborate approach with its infrastructure fund platform provides plenty of flexibility, confirming our strategy as a specialist in infrastructure financing.

Europe will have to move closer together to make the most of the opportunities this crisis presents. The Green Deal introduced before the outbreak of the pandemic was already an important step in pointing Europe in the right direction for the future, both economically and sustainably. With the agreement on the recovery fund totalling EUR 1.8bn reached in July, the EU member states have set the course for reinvigorating the economy. However, a good portion of courage and vision are still required to implement the steps purposefully.

Economic and social impulses will have to be more focussed to increase their positive impacts at a local, regional, national and international level. As part of our KOMMUNALE SOMMERGESPRÄCHE (Municipal Summer Talks) – an event that has been held jointly with the Austrian Association of Municipalities for 15 years – we will work on solutions and discuss the challenges, experiences and opportunities associated with this crisis together with stakeholders from the worlds of politics, business, science and media. The business and finance system must step up now to create an economic and social foundation that will provide sustainable public services and let us look securely to the future.

Kommunalkredit is ready and willing to take responsibility in this area. The bank recognises that it can make an important contribution to the economic recovery with our expertise. And it is the skills and commitment of our employees in particular that is a vital aspect of our success. In August we bolstered our second management level to acknowledge this. We appointed another Executive Vice President (Generalbevollmächtigte) with Claudia Wieser, giving the Executive Board three experienced professionals to provide direct support. With these measures, we are consistently pushing the strategic development of our company forward and strengthening our impact as an agile and innovative institution.

There can be no doubt that 2020 will remain a challenging year. Nevertheless, we want to continue to grow. We are confident that we can improve earnings again, improve our key figures further and keep the NPL ratio at 0.0%. We continue to strive for a high level of diversification, are constantly optimising our ability to act and react and are expanding our team of talented professionals. This puts us in an excellent position to achieve the goals of the strategy programme started in 2018. With 50 I 50 I 10, we aim to increase the EBIT to EUR 50m, reduce the cost-income ratio to 50% and generate a return on equity of 10% by 2022. (All figures pursuant to the Austrian GAAP.)

We have an opportunity to make something out of this crisis. Let's take advantage of it. For us and the generations to follow.

Best regards,

Bernd Fislage
Chief Executive Officer
Kommunalkredit Austria AG

Vienna, August 2020

Vision. Mission – Always first

ALWAYS COMMITTED.

The infrastructure specialist

Kommunalkredit is the specialist for infrastructure and energy financing. **Our aim** is clear: we want to establish ourselves as a leading name in the European infrastructure market. **Our mission:** we are a small and agile institution focusing on the implementation of sustainable financing and subsidy transactions – not only as a leader in our domestic market, Austria, but also as a powerful player throughout Europe. Working in partnership with our customers, we create value that sustainably improves people's lives. **Our goal** is to use our business model to achieve ongoing improvements in the standard of living of the general public. At the same time, we give our investors the opportunity to generate substantial returns in the long run.

The positive feedback from our business partners, customers, competitors and industry media serves as confirmation to us that we are on the right track in our quest to position the bank for infrastructure and energy financing as well as public finance.

This is also reflected, by way of example, in the sustainability awards we have received: first of all, the international platform "Capital Finance International" singled us out as the "Best ESG Infrastructure Finance Europe 2019". Second, "Business Vision" crowned us the "Most Sustainable Infrastructure Project Partner Central Europe 2019". In addition, Proximo awarded the "Allego – charging stations for electric vehicles" project, in which we assumed a leading role as the structuring, arranging and lending bank, the title of "EMEA EV Charging Deal of the Year", with IJGlobal granting the very same project an award in the "European Innovation" category. The marked year-on-year improvement in our ranking in the Inframation Loan League Tables Europe is also particularly encouraging: Kommunalkredit now comes in 11th, moving up the table by more than 30 places and highlighting our reputation as an infrastructure and energy specialist, even in times of global crisis. At home, the renowned business magazine "Der Börsianer" put us in third place in the "Direct Banks" category. And our online investment portal for private individuals, KOMMUNALKREDIT INVEST, won the "German Brand Award" in the "Excellent Brand – Banking & Financial Services" category in mid-June.

Our vision

We will become the most agile and nimble infrastructure bank in Europe, helping to create a better world. We combine sustainable and responsible investments with attractive returns.

Our mission

We are always first when it comes to delivering outstanding results with speed and precision. We take always first as an obligation to get better every day.

We provide benefit to the community

- We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives – not just for ourselves, but also for the coming generations.
- We see infrastructure investments as a powerful tool for answering social needs and fundamentally increasing the general well-being of communities.
- We provide tangible benefits to the population at large:
  - Economic dynamism
  - Urban development and renewal
  - Strengthening rural areas
  - Job creation
  - Social cohesion
  - Measures to combat climate change
- We focus on providing a secure, stable and sustainable yield to our investors.
- We are the partner of choice for a long-term commitment.

ALWAYS SUCCESS-DRIVEN.

Our business model

The specific structure of Kommunalkredit's business model means that it is associated with a low risk: we act as a point of contact for both corporate and financial sponsors active in the construction, acquisition and/or operation of infrastructure and energy projects. And we are on hand to assist the public sector not only when it comes to advice on, but particularly also the financing of, investments in the public finance business. Our focus: we deliver sustainable **benefits to the community** by impacting key issues including economic growth, the strengthening of rural areas, job creation, social cohesion and climate protection.

We combine in-depth industry expertise and structuring know-how to provide tailor-made solutions for our clients with speed and precision. We have strong relationships with both local authorities on the one hand and international clients and investors on the other. We make use of our ability to create solid value by providing flexible financing solutions across all layers of the capital structure – spanning all areas of the ESG (Environmental/Social/Governance) landscape. We are supported in our endeavours by two international owners with a long-term focus.

We provide an extensive range of products, from financial advisory services to structuring, arranging and underwriting of debt and subordinated capital as well as asset management through our Fidelio KA Infrastructure Debt Fund platform.

We enable the implementation and operation of infrastructure assets by matching the financing needs of project sponsors and developers with the growing number of investors seeking sustainable investment opportunities such as insurance companies, pension funds and asset managers. Our infrastructure and energy portfolio spans a broad range of different segments.

What sets us apart from our competitors

- Our unique combination of in-depth industry expertise and structuring know-how combined with the financing capabilities of a bank.
- Our access to a captive asset base and investors.
- The strong track record of our senior team in managing growth and risk when it comes to expanding business.
- Our investments in the development of our employees.
- Our expertise in calculating risk appropriately and providing our sponsors with competent advice.
- Our expertise in turning economically sustainable projects into a profitable reality.
- The benefits of an agile bank: nimble, flexible, solution-driven and goal-oriented.

Our investment segments

Energy & Environment	Communication & Digitalisation	Transport	Social Infrastructure	Natural Resources
Energy supply & distribution Renewable Energy Water supply & treatment Waste Management & disposal	Broadband Fibre optic Data centres	Roads, bridges, tunnels Airports, ports Waterways Rail/light rail, rolling stock	Nurseries, schools, universities Hospitals, nursing homes Court buildings and correction facilities Administrative buildings	LNG terminals Pipelines Storage

Our country strategy

Successful projects in our core markets provide the foundation for our **dedicated approach** in Europe's infrastructure and energy market. We mainly operate in the member states and associated countries of the European Union.

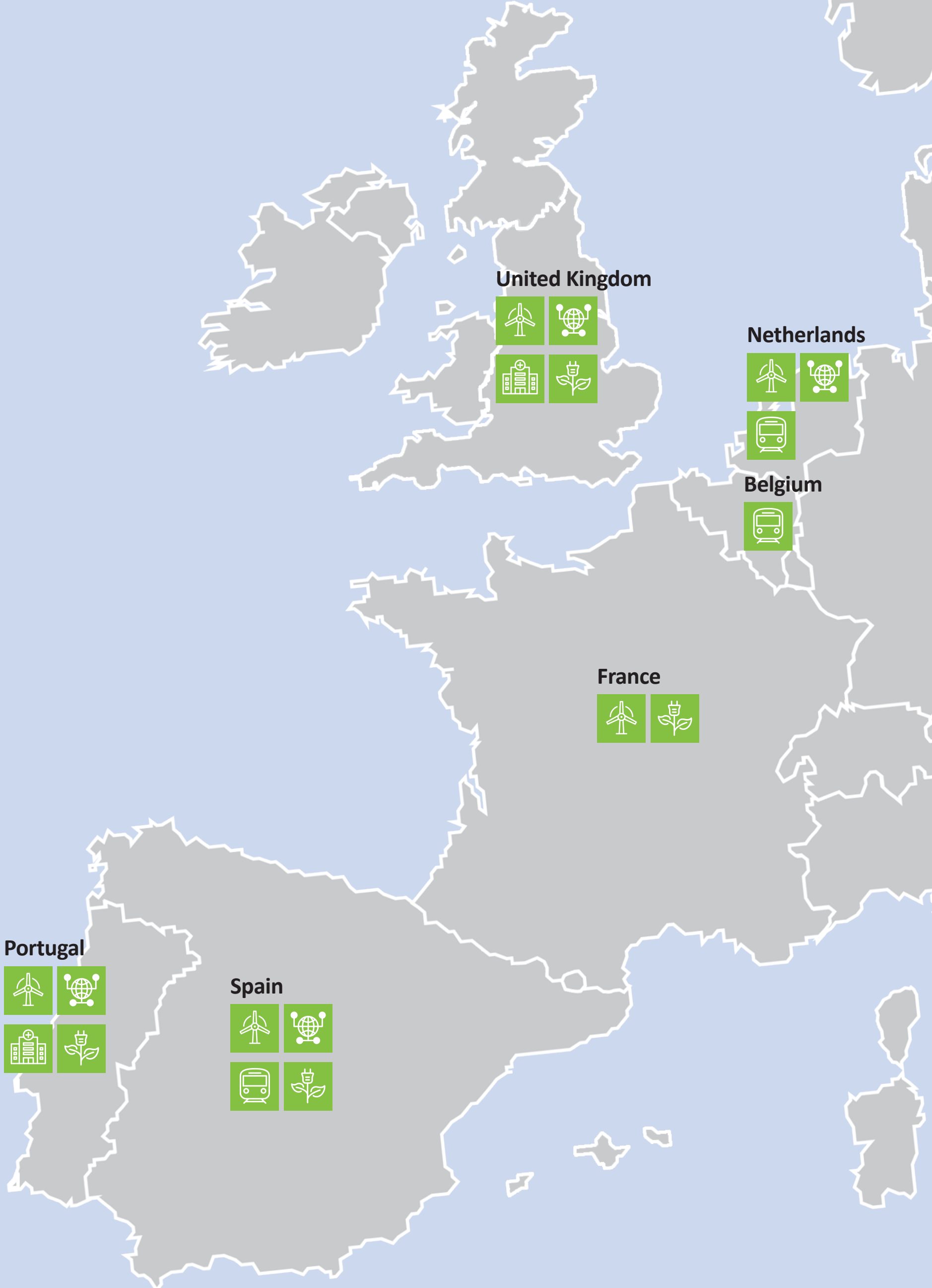
Energy & Environment

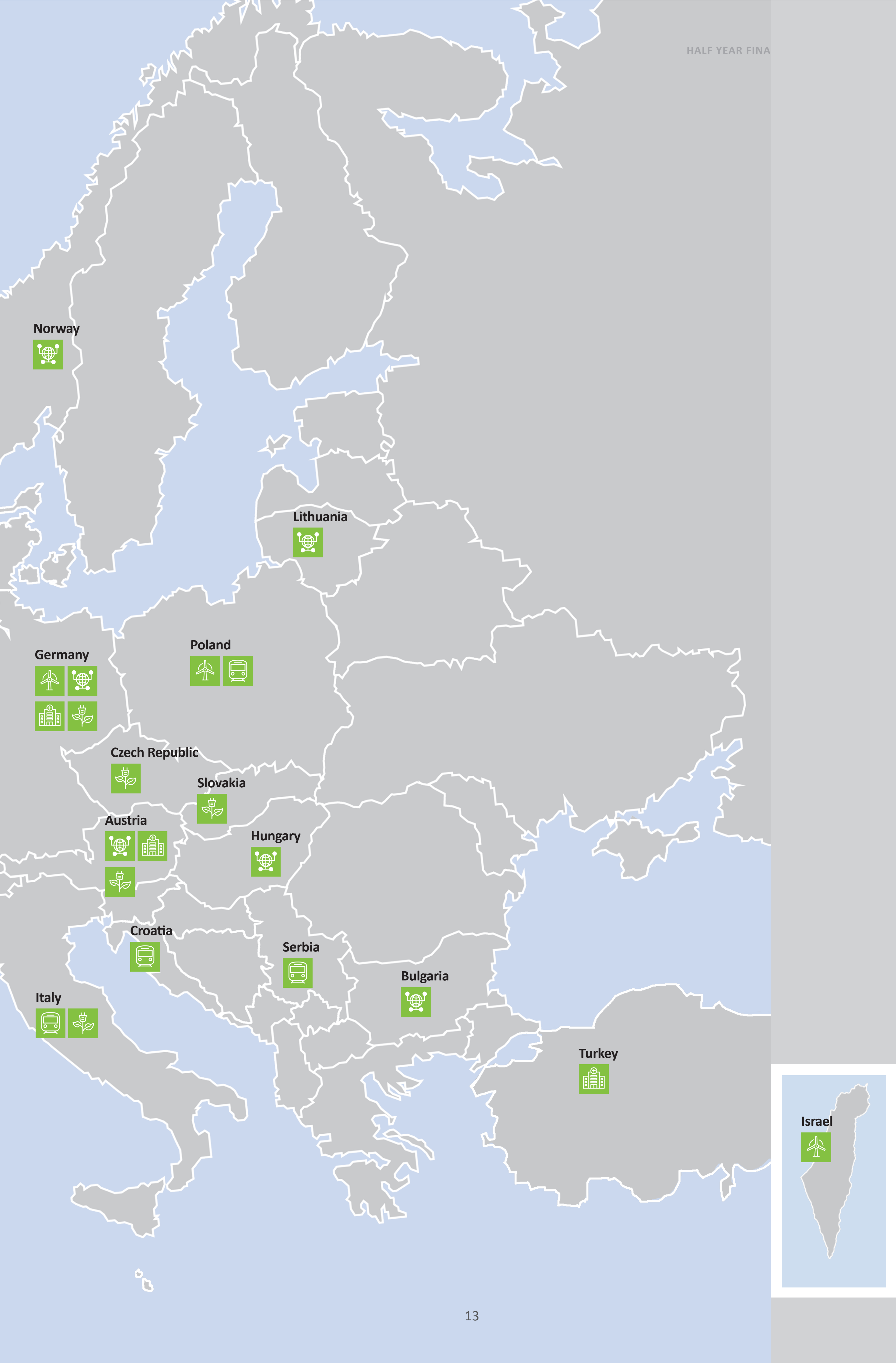
Communication & Digitalisation

Transport

Social Infrastructure

Natural Resources




Norway
Lithuania
Germany
Poland
Czech Republic
Slovakia
Austria
Hungary
Croatia
Serbia
Bulgaria
Italy
Turkey
Israel

ALWAYS AMBITIOUS.

Our objectives

Kommunalkredit launched its strategic programme back in 2018, setting out clear and ambitious targets. **Investing in sustainable infrastructure** and energy security allows us not only to establish long-term customer relationships, but also to generate attractive returns in the process, thereby strengthening our market position.

1 What is our goal?

We aim to establish Kommunalkredit as partner of choice for infrastructure investments and, as a result, a leading player in the European infrastructure market. The generation of attractive returns and the sustainable environmental deployment of capital are for us two sides of the exact same coin.

2 How will we achieve this goal?

We focus on our core business. We live customer centricity and focus on operational efficiency in keeping with the ESG (Environment, Social and Governance) criteria and clearly defined placement criteria in line with the requirements of our partners in terms of returns.

3 How do we aim to improve in our core business?

By gradually broadening our product range, growing the fee business and improving productivity and profitability on an ongoing basis. We focus strongly on risk-adjusted returns and sustainable investments.

4 What do we need to achieve this?

We aim to continuously strengthen our capital basis. This will allow us to mobilise more capital for sustainable use in infrastructure that meets ESG criteria and to benefit from economies of scale. We invest not only in our employees, but also in process digitalisation. We are committed – like in 2019 – to improving our rating.

5 Why is this attractive to our shareholders?

We aim to increase the EBIT to EUR 50m, reduce the cost-income ratio to 50% and generate RoE of over 10% by 2022. All these achievements will result in an attractive RoI.

ALWAYS RELEVANT.

Why infrastructure?

Infrastructure by its very nature is essential to the efficient functioning of society. The quality of infrastructure has a positive effect on economic growth, at local, regional, national and global levels. The latest global health crisis has illustrated yet again just how essential well-functioning infrastructure is for social and economic well-being. By giving communities improved access to essential services such as water, secure energy grids, powerful communications infrastructure, state-of-the-art hospitals and care homes, the standard of living of the public will be improved sustainably. **Infrastructure** remains an essential **backbone** of the world's developed markets, while also allowing emerging markets to make the leap to prosperity.

Infrastructure will always be relevant

Climate change and the increasing shortage of fossil fuels increase the need for solutions for sustainable energy supplies. Reducing CO_2 emissions is not only a declared aim, but is now the subject of legislative initiatives. This challenge is an absolute top priority across the globe and will have a direct impact on infrastructure in every single country. In addition, developed countries also need to maintain and upgrade their existing utility, transport and social infrastructure assets to cope with the demographic shift towards an ageing population and provide them with living conditions that meet their needs. In emerging countries with high demographic growth rates, infrastructure is crucial to sustained and balanced development.

High demand for investments in Europe

Demand for investment in infrastructure remains high. In addition to the original plans of the European Investment Bank (EIB) to inject an additional EUR 500bn into the real economy by the end of 2020[1], the European Commission proposed a European recovery plan at the end of May 2020 to drive the recovery process in the aftermath of the COVID-19 crisis. It provides for a seven-year European Union (EU) budget of EUR 1,850bn.[2] This will not, however, go far enough as to close the investment gap in the EU. There is a particular need for investment in energy – the focus being on renewable energy –, transport, social infrastructure and communications/digitalisation. Given the status quo, the public sector will increasingly have to embark on the necessary investment projects hand-in-hand with private-sector companies.

Increasingly recognised as an asset class

The way in which infrastructure projects are financed has changed significantly in recent years. On the one hand, the financial latitude of the public sector is decreasing due to government debt and budget caps, which is causing a shift from conventional budget finance to private funding. On the other side of the equation, institutional investors are increasingly seeking out alternative investment opportunities due to the pressure on returns from conventional investments as well as regulatory requirements. Infrastructure investments are proving increasingly popular and represent an attractive asset class of their own with stable returns.

Low default and high recovery rates

Compared with corporate financing, infrastructure and energy financing is a stable investment, with recovery rates that are largely independent of economic trends including a low default risk. In the period from 1983 to 2018, average default rates over the entire project term in the infrastructure (3.2%) and energy (4.1%) sectors were several times lower than in the manufacturing industry (21.3%).[3] At the same time, recovery rates on infrastructure investments average 72%.[4] Among Kommunalkredit's focus industries, recovery rates come in between 60% and 80% (for infrastructure, telecoms) or between 80% and 100% (power).[5]

1 EIB – European Investment Bank: Investment Plan for Europe, July 2018.
2 European Commission – The EU Budget Powering the Recovery Plan for Europe, 27/5/2020.
3 Moody's Investors Service: Default and Recovery Rates for Project Finance Bank Loans 1983-2018, 9/3/2020.
4 Moody's Investors Service: Infrastructure Default and Recovery Rates 1983-2018, 6/8/2019.
5 Moody's Investors Service: Default and Recovery Rates for Project Finance Bank Loans 1983-2018, 9/3/2020.

ALWAYS SUSTAINABLE.

Benefit to the community

As a specialist bank for infrastructure and energy financing, Kommunalkredit provides tangible benefit to the community. We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives. Investments in infrastructure serve as a powerful tool for answering social needs and fundamentally increasing the general well-being of communities. Efficient infrastructure bolsters economic momentum, encourages urban development, gives regions a new lease of life, helps to curb the population drift to the cities, creates jobs, promotes social cohesion and is an indispensable part of the **fight against climate change**. It meets the needs of today's generation and creates opportunities for the generations to follow.

Sustainability as a key component

The concept of sustainability is firmly embedded in Kommunalkredit's business model and processes. Back in 1997, we became the first financial services provider in Europe to establish an EMAS (Eco-Management and Audit Scheme) environmental management system and we have been enhancing it to create a holistic sustainability management system ever since. The fact that we became the first Austrian issuer of a Social Covered Bond in 2017 pays testimony to just how **important** sustainability is to us.

We actively address the key global and local infrastructure trends. We have a comprehensive view of the private sector's responsibility when it comes to doing its bit for prosperity and core ethical values within society. Sustainable business – i.e. operating responsibly in economic, social and ecological terms – and core ethical values form the basis for our activities.

Our subsidiary Kommunalkredit Public Consulting (KPC) also makes a key contribution to the sustainable implementation of environmental and climate protection projects on both a national and international scale. It develops and implements environmental as well as energy support programmes. The "Climate Austria" initiative, which allows CO_2 emissions to be offset voluntarily, was established by KPC back in 2008. It also provides the advisor to the Austrian representative in the **Green Climate Fund** (GCF). This climate fund provides funding for projects designed to help reduce greenhouse gas emissions and to allow developing countries to make the adjustments they need to make in response to climate change. In addition, KPC contributes towards the development and spread of advanced environmental and technological standards through a wide variety of international consulting projects in the areas of water management, energy and climate finance.

Sustainability as a joint contribution

Kommunalkredit has sustainability ratings from renowned agencies. imug (consultancy firm for social and ecological innovation and investment research), for example, assigned a rating of "very positive" to Kommunalkredit's covered bonds; the performance of the bank was rated "positive". These sustainability ratings are reviewed and evaluated at regular intervals.

imug ÖFFENTLICHE PFANDBRIEFE RATING 2019 VERY POSITIVE A

imug SUSTAINABILITY RATING RATING 2019 POSITIVE BB

The path we have carved out for ourselves is also reflected in two **sustainability awards** we have received: "An organisation that puts sustainability at the centre of its business model and its activities and, with current projects in the fields of energy, the environment, social infrastructure, communications and transport, shows that real sustainability can be more than just a noble aim." This is how the jury of the international "Business Vision" platform, which became aware of Kommunalkredit after we were nominated by international stakeholders, explained the rationale behind its decision to award us the title of "Most Sustainable Infrastructure Project Partner 2019 (Central Europe)".

"Capital Finance International" also bestowed the title of "Best ESG Infrastructure Finance 2019" on Kommunalkredit. Capital Finance International explained its decision by pointing to Kommunalkredit's three-pronged approach to tackling social, ecological and economic issues, as well as its strong social commitment, allowing it to promote climate protection.

The annual Sustainability Report focuses on providing information on the impact the company has on the economy, the environment and society at large. The Sustainability Report is subject to an independent external review based on GRI Standards (Global Reporting Initiative) and EMAS, as well as ISO 14001, and is available at www.kommunalkredit.at.

Sustainability as a global challenge

17 goals will change the world as we know it today. In September 2015, all of the attending heads of state and government at the United Nations General Assembly adopted the **resolution "Transforming our World: The 2030 Agenda for Sustainable Development"**. This agenda comprises a political declaration, 17 Sustainable Development Goals and 169 targets for the period from 2016 to 2030, a package of measures for implementing the goals and a system for measuring and monitoring the progress made. The Sustainable Development Goals (SDG) set out intentions that will allow us to tackle the complex global challenges of our time together and leave behind a world that is worth living in for future generations. They give equal consideration to economic, social and environmental aspects.[6]

One of the biggest global challenges facing us is **climate change**. This process of change will require extensive investment, particularly in the areas of infrastructure and energy. With our Energy & Environment, Social Infrastructure, Communications & Digitalisation, Transport and Natural Resources investment segments, we at Kommunalkredit are exploiting the opportunities that are arising as a result and facilitating sustainable infrastructure projects to improve quality of life. The comprehensive approach to sustainability is one that we put into practice both within our Group and in our day-to-day collaboration with our stakeholders. It provides the framework for making the **ESG strategy** (Environment, Social and Governance) a firm component of our corporate culture.

Kommunalkredit used a materiality analysis to evaluate whether the areas of "sustainable products", "price policy and conditions", "added value for society", "indirect impact" and "product portfolio" are balanced with regard to the three pillars of sustainability – economical, ecological and social. The areas of "business ethics" (legal and regulatory framework, compliance, data protection and client satisfaction), "employees" (initial and further training, motivation, health …) and "operational ecology" were also put under the microscope.

The analysis determined a series of ESG/SDG criteria that are being achieved with the help of the activities of Kommunalkredit and Kommunalkredit Public Consulting (KPC). We are currently in the process of preparing an in-house **ESG catalogue** that will allow us to evaluate future projects from this angle. Since 2012, a sustainability check is already being performed for every potential transaction to evaluate the ESG equirements, as well as a thorough check during each credit approval process. Kommunalkredit not only wants to set a good example in this regard, but also aims to establish itself as a trendsetter for debt financing.

6 Contributions of the Federal Ministries to the implementation of the 2030 Agenda for Sustainable Development by Austria, 2016.

Our action plan for sustainable development – status quo

1 The aim

The aim is to provide high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change.

2 What are we doing for it?

To this end, we concentrate on our investment segments:

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social Infrastructure
- Natural Resources

3 The Sustainability Check

We feel bound by the UN's 2030 Agenda and have integrated it into our corporate culture. For each infrastructure project, we identify how compliant it is with SDG criteria and which direct and indirect effects it will have on the environment and society. We are currently making contributions to the following goals:

Creating a better everyday life

We bring people together – in schools and universities, in care homes and hospitals, in railway stations and on roads. We help to ensure that renewable energies are available to use in as many areas as possible. We create value.

We participate in the **education** of around 1,100 students.

We connect over 14.6 million people with one another.

We support **infrastructure development**, financing over 480 km of roads.

We are developing the **refuelling infrastructure** for electromobility with around 10,400 charging stations.

We enable **transport solutions** for 27 million passengers per year.

We have created **support institutions** for around 1,500 patients.

We create **accommodation** for more than 8,300 elderly and disabled people.

We enable around 2.7 million households to use **renewable energy** each year.

We contribute to **eliminating** 2.4 million tonnes of **waste**.

We supply **drinking water** to 7 million people.

Group management report

Economic environment

CONFRONTING THE CRISIS. SHOWING RESILIENCE.

Back at the start of 2020, the coronavirus was a regionally contained incident that had no major impact on the rest of the world. The spread of the COVID-19 pandemic throughout Europe and worldwide in March 2020, however, meant that all economic forecasts went out of the window. The measures taken to combat the pandemic have sent economic output plummeting across the globe.

The impact of COVID-19

The world is currently in the midst of the most severe economic crisis witnessed in post-World War Two history. And it is preparing for a fresh start. COVID-19 has hit the world with full force. More than half a million people[7] lost their lives in the first six months of 2020, a figure that is likely to have been considerably higher if the majority of governments had not taken **stringent measures** very quickly. Unprecedented restrictions were imposed on freedom of movement, public and, as a result, economic life. Economic activity was shut down completely in a number of sectors (leisure, tourism, the restaurant trade, transport, the service industry, etc.). Other systemically relevant sectors of the economy – in particular healthcare, but also telecommunications and supply chains – struggled to get to grips with the situation, which was too much to handle using the resources available to some countries. The pandemic came hand-in-hand with economic turbulence and drastic job losses. In numerous countries, gross domestic product (GDP) contracted by more than 20% during the lockdown period.[8] The economic implications are putting a particular strain on countries with a high debt ratio.

In addition to comprehensive measures which were essential from a public health perspective, rapid and far-reaching monetary and fiscal policy measures have also been defined, particularly in Europe and the USA, to cushion the blow to the real economy. Social and financial safety nets were put in place within a very short space of time. Central banks and supervisory authorities alike took firm action to avert a financial crisis. The **US Fed** (Federal Reserve Bank) drastically slashed its key interest rates to a range of between 0.00% and 0.25% in the middle of March 2020. It confirmed this ultra-expansionary course at its most recent interest rate meeting and is likely to stick to its zero interest rate policy over the next few years. At the same time, the Fed started buying up corporate bonds with a volume of EUR 380m in March as part of an emergency programme designed to safeguard liquidity and stability on the financial markets. The **European Central Bank** (ECB) has left the base rate for its deposit facility, which it set at -0.50% back in September 2019, unchanged. The aim is for banks to continue to ramp up lending to the corporate sector and private households in order to boost the economy. At the same time, the ECB announced additional asset purchases of EUR 120bn in mid-March before increasing them shortly afterwards to a total volume of EUR 1,350bn[9] under the PEPP (Pandemic Emergency Purchase Programme).

Measures were also taken simultaneously to make the conditions for longer-term bank refinancing operations (TLTRO III) more attractive, a series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs) were launched and additional short-term refinancing operations were offered for the transition period leading up until the next TLTRO III tender to ultimately ensure favourable refinancing and sufficient liquidity for banks. Banks were also granted relief regarding the utilisation of existing capital and liquidity buffers in order to maintain the credit supply to the real economy. This also involved temporarily loosening the regulatory requirements regarding the capital ratios defined by the Pillar 2 Guidance together with the capital conservation buffer and the countercyclical capital buffer, and allowing institutions to fall below the liquidity coverage ratio (LCR) if need be.

Falling numbers of COVID-19 infections and associated measures to ease the restrictions are allowing public life to normalise to a certain degree, although the term “normalise” is to be used with some caution. The question as to how the global economy will react to the easing measures will depend, among other things, on whether we are hit by further waves of infection.

7 World Health Organization, Dashboard.
8 OECD: Economic Outlook, Volume 2020/1.
9 ECB – European Central Bank: Press release, 4/6/2020.

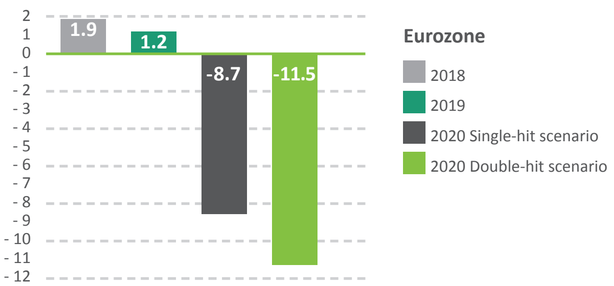
Macroeconomic environment in the first half of 2020

Even before the outbreak of the COVID-19 pandemic, the economy was already at risk from the establishment of further trade barriers (phase of de-globalisation), persistent uncertainty regarding the consequences of Brexit, and the actual effect of the political measures planned to prevent an intensification of the economic slowdown in China.

The outbreak of the virus sent global economic activity on an abrupt downward spiral, sparking a dramatic slump in production, spending, demand and employment. This translated into significant revenue losses, dwindling consumer confidence and rising unemployment, developments that caught small and medium-sized enterprises in the service industry, in particular, unprepared. The impact on the individual sectors also varies depending on the extent to which they were affected by the measures to contain the virus.

Rescue measures were taken, in particular in a quest to safeguard jobs and investments, to support incomes and to allow the labour market to recover and pave the way towards a sustainable economic recovery. The European Commission expects the economies of the 19 eurozone states to shrink by 8.7% in 2020, with the EU economy set to contract by 8.3%.[10] If we are hit by a second wave of the virus, then the OECD predicts that GDP will drop by 11.5% in the eurozone, 8.5% in the USA and 7.6% at global level.[11]

GDP growth in %



The major Eurozone economies have had to pay a high price, with estimated production losses of between 25% and 30% compared with normal economic activity. The slump in the service sector (particularly in areas that require direct contact between providers and customers), interruptions in automotive production due to disrupted supply chains and the partial standstill in the construction industry caused a drastic drop in GDP and, as a result, a slump in investment activity. Assuming, however, that the continent will only be hit by one wave of infection (single-hit scenario), Europe is further down the road back to normality than any other region. In the aftermath of a severe recession, however, any recovery is associated with substantial risks. A clear fiscal policy response will be essential in order to contribute to a supportive stance and foster a dynamic economic recovery in the eurozone.

Germany is facing a deep recession, with GDP tipped to fall by 6.6%. Although the fast action taken to safeguard against the virus helped to mitigate the economic downturn, uncertainty and lower demand in key sectors have left a significant mark on corporate investment and export activity. **France** expects to see real GDP drop by 11.4%. Despite the increased use of furlough schemes, unemployment will reach a high of 12.4%. The crisis has also illustrated that France needs to move more quickly with measures to expand its hospital and testing capacities. In terms of infection figures, **Italy** was one of the hardest hit countries in Europe. GDP is predicted to fall by 11.3%. While industrial production is already starting up again, the recovery in the tourism sector and in consumer-related services is likely to be a sluggish one.

A study conducted by the British research group Economist Intelligence Unit[12] confirms **Austria's** excellent performance in managing the COVID crisis. Together with Germany, Austria comes in in second place behind New Zealand. Economic activity has picked up speed again thanks to the gradual easing of restrictions from mid-April onwards. As a result, GDP looks set to decline by a relatively moderate 6.2%. The economic recovery will nevertheless take time, with unemployment likely to drop only gradually and production expected to continue to languish below the pre-crisis level until at least the end of 2021.[13]

The economic climate of the **United Kingdom** in 2019 was dominated by the political debate surrounding the solution of Brexit. The nationwide lockdown on 23 March 2020 brought day-to-day economic life in the United Kingdom to a standstill. GDP is projected to fall by 11.5%. Rapid moves to introduce income support measures, state loan guarantees, tax deferrals and an improved arbitration mechanism as an alternative to insolvency are designed to keep the country's economic engine alive. In light of this situation, there has been talk on a temporary extension of the existing trade relations with the European Union (Brexit).

The COVID-19 pandemic brought the most prolonged economic upswing in the history of the USA to an abrupt end. As recently as in 2019, the **USA** was economically the most dynamic region from a global perspective with the longest period of economic expansion it had ever seen. In the first quarter of 2020 alone, GDP contracted by 5.0% while the unemployment rate soared (coming in at 15% in April), putting a damper on consumer demand. Private households and companies alike have, however, been fairly well protected thanks to the large-scale action taken on the monetary and fiscal policy side.

Due to the existing trade conflicts between **China** and the USA, economic growth in the Middle Kingdom had already dwindled to 6.2% in 2019. As the country where the pandemic originated, China expects its GDP to have dropped by around 2.7% at the end of the year. At the same time, however, the country is continuing to push ahead with large-scale road transport, rail, telecommunications and energy projects in order to maintain growth.[14]

10 European Commission: Summer Forecast, 7/7/2020.
11 OECD: Economic Outlook, Volume 2020/1.
12 Economist Intelligence Unit: Press release 7/6/2020.
13 OECD: Economic Outlook, Volume 2020/1; all figures are based on the assumption of a single-hit scenario.
14 OECD: Economic Outlook, Volume 2020/1; all figures are based on the assumption of a single-hit scenario.

The global outbreak of the COVID-19 pandemic in March 2020 and the associated restrictions sent share prices nosediving on the international financial markets. As mentioned earlier, central banks and governments have taken extensive monetary, fiscal and economic policy measures to counteract the slump. These include both rescue packages running into the billions that were adopted at short notice to support the economy as well as various regulatory relief measures passed by central banks and supervisory authorities. The fairly marked recovery in share prices does not, however, reflect the severity of the macroeconomic situation. The medium- and long-term effects of these aid programmes are still impossible to estimate from our current standpoint.

In retrospect, banks had a stronger position going into the current crisis due to their experience of the financial crisis of 2008/2009 and the associated regulatory and supervisory measures imposed. The lessons learned from the financial crisis had left the banking sector with sufficient equity, adjusted loan portfolios and a solid refinancing base. Coupled with the regulatory relief provided in the current situation, the scope for lending and operating banking business has been increased. These are all measures designed to strengthen financial stability.[15]

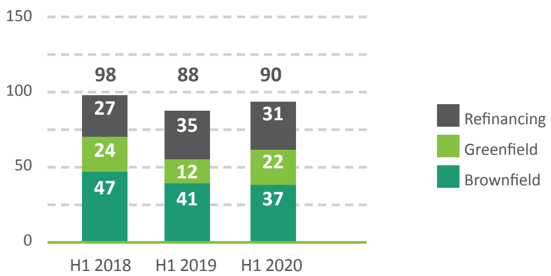
The European infrastructure market in the first half of 2020

At the end of 2019, the expectations for 2020 were positive through and through. The European market for infrastructure financing proved to be robust with a total volume of EUR 194bn, down by only around 8% on the absolute boom year of 2018. At the same time, the absolute number of transactions concluded rose by 6% to a total of 921 projects.[16] The reduced average size of the transactions resulting from this is reflective in part of a higher share of mid-sized deals, which in turn entails greater compatibility with Kommunalkredit's strategic focus.

This **initially positive underlying sentiment** also characterised the first two months of 2020. A high level of liquidity on both the equity and the banking side coupled with the prospect of favourable interest rates persisting led to a number of significant greenfield[17], brownfield[18]/M&A transactions and refinancing deals. Within this environment, Kommunalkredit, too, was able to make use of its expertise and customer loyalty, for example in the refinancing of Deutsche Glasfaser (telecommunications).

Transaction volumes broken down into greenfield, brownfield and refinancing [19]

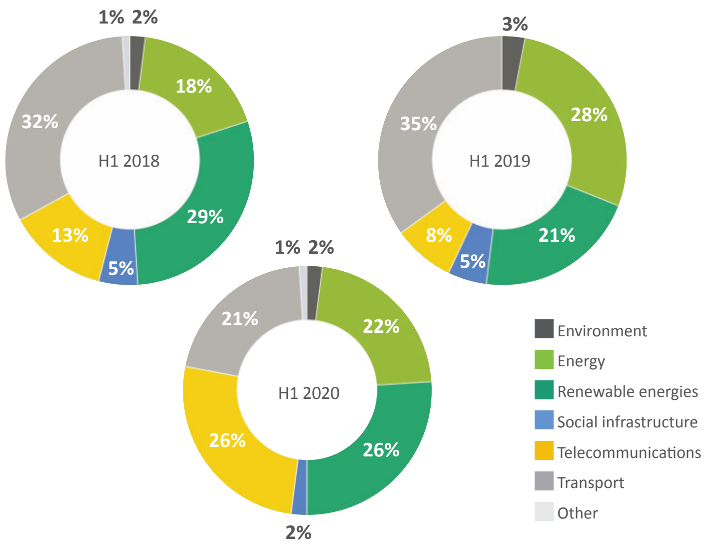
in EUR bn



By the beginning of March, it was becoming increasingly clear that even the fundamentally robust infrastructure market was facing real challenges due to **COVID-19**. A number of deals that were already at advanced stages involving substantial transaction volumes in markets that are considered stable, such as **Germany** (for example, the takeover of the fibre-optic provider inexio and subsequently of Deutsche Glasfaser by the Swedish company EQT Infrastructure and the Canadian pension fund Omers), the **Netherlands** (the refinancing of two power plants by Castleton Commodities International) or **France** (the expansion of the next section of motorway on the Route Centre-Europe-Atlantique) were basically completed by employees working from home already. The general uncertainty surrounding how long the COVID-19 measures would last, huge restrictions on mobility and high levels of volatility on the financial markets resulted in a temporary drop in the number of new transactions.

It was during this phase that the varying impact on individual sectors came to the fore: while **transport** was the hardest hit sector (share in H1 2019: 35% | H1 2020: 21%), **digital infrastructure**, in particular, proved to be more than just crisis-resistant (share in H1 2019: 8% | H1 2020: 26%). A number of large-scale transactions in this sector played a key role in explaining why the total volume in the European infrastructure market came to EUR 89.6bn in the first half of the year, which is actually up slightly in a year-on-year comparison (EUR 87.4bn). These transactions include projects such as Illiad-FTTH in France, Altice-FTTH in Portugal and Deutsche Glasfaser. At the same time, the cancellation or postponement of brownfield/M&A transactions had a significant impact, as corresponding valuations were impossible to maintain due to lost income (for airports, toll roads). As a result, a number of banks were more or less "closed for new business", rendering large underwriting projects impossible.

Transaction volume by sector[20]



15 Oesterreichische Nationalbank: 39th Financial Stability Report, 14/7/2020.
16 All figures in this section provided by Inframation – An Acuris Company.
17 Greenfield projects are new infrastructure assets built "on greenfield land". Depending on the sector/characteristics, they are characterised by construction phases of varying length and by a variety of financing requirements up until the time of operation.
18 Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).
19 Inframation & SparkSpread Data base, H1 2020.
20 Inframation & SparkSpread Data base, H1 2020.

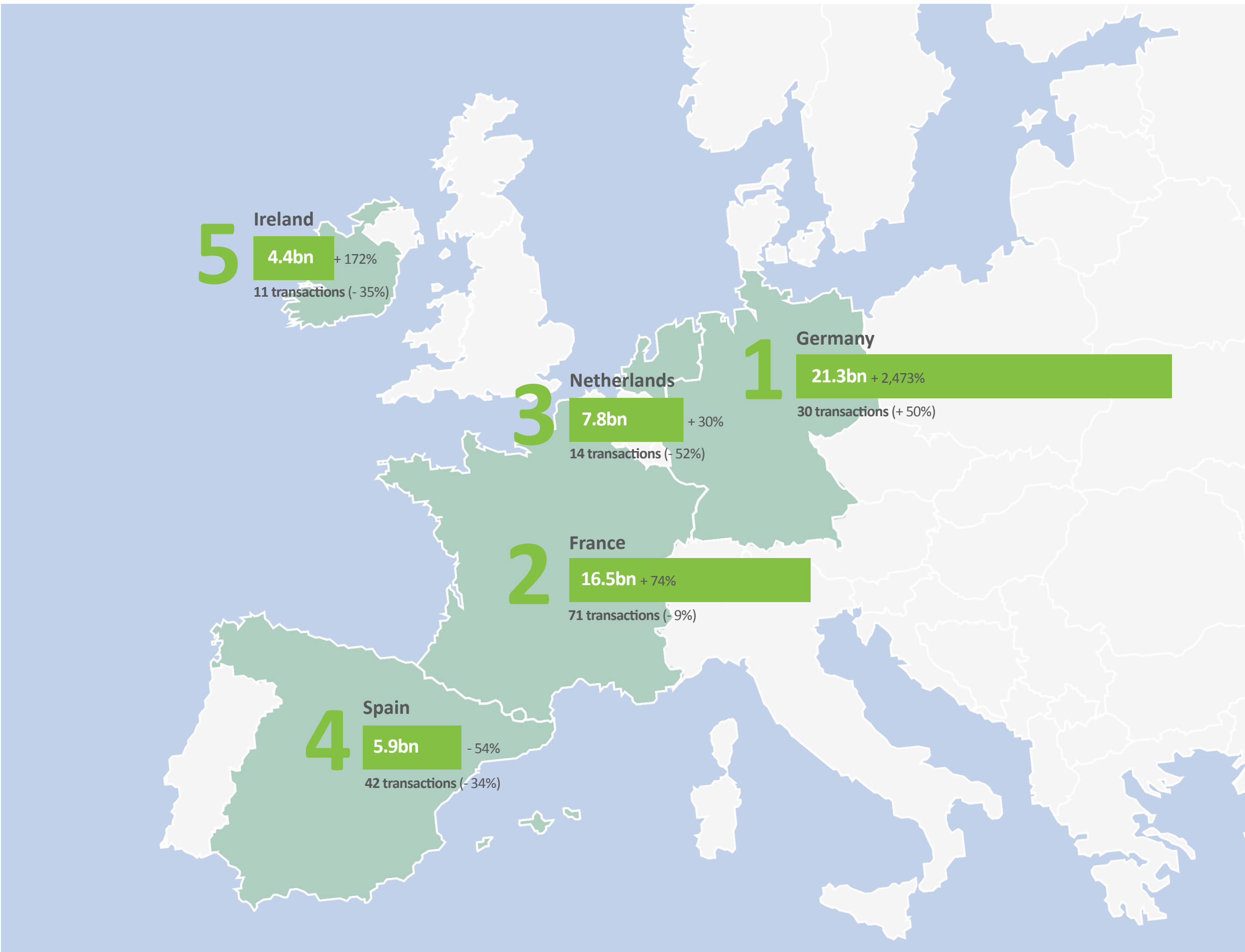
The **refinancing market**, which had made a promising start to 2020, was heavily affected right away due to mounting borrowing costs, potential rating downgrades and increased volatility. Both equity investors and lenders had to focus much of their attention on the impact of COVID-19 on their existing portfolio.

The **situation started to ease** considerably in mid-May. The healthcare crisis demonstrated just how essential well-functioning infrastructure is, and broad sections of the infrastructure market showcased this resistance to crisis. Kommunalkredit, too, made the decision very early on to see the crisis as a source of selective opportunities and to provide its customers with targeted support with crisis-proof transactions, even in challenging times. This meant that, when the first clear signs that the situation was easing slightly started to emerge, Kommunalkredit had a head start, which – in spite of all of the challenges faced – laid the foundation for a **successful first half of the year**.

If we take a closer look at the individual segments, we can see that the **transport sector** will have to expect a significant negative impact in the longer term due to the severe restrictions on (international) mobility. By contrast, rays of hope are emerging in areas such as digital infrastructure and renewable energy, which Kommunalkredit is actively working to promote. The focus on working from home, distance learning and video conferencing pushed the importance of broadband connections and the related infrastructure further into the spotlight. Examples include the cooperation initiative launched by France's third-largest mobile phone provider Bougyes Telecom with Vauban and Cellnex to develop regions with poor digital infrastructure, the stake acquired by private investors in the Spanish telecommunications company Másmóvil and the purchase of 10,000 German telecoms masts by Telefónica.

In the **renewable energy** segment, photovoltaics, onshore wind power and a number of more specialised areas, such as water infrastructure and combined cycle gas turbine (CCGT) plants, proved to be particularly crisis-resistant. In line with this trend, Kommunalkredit was able to provide support to key customers such as F2i (with the takeover of the leading CCGT platform in Italy) and Castleton (with the refinancing of high-quality CCGT assets in the Netherlands).

The five largest infrastructure markets in the eurozone
by volume in EUR bn and number of transactions H1 2020 [21]



21 Inframation & SparkSpread Data base, H1 2020.

Business review

REMAINING RESILIENT. EXPLOITING OPPORTUNITIES.

The demand for sustainable and intact infrastructure has become even more relevant as a result of the COVID-19 pandemic. Public-sector and private-sector decision makers have become increasingly aware of the need to maintain, modernise and expand state-of-the-art infrastructure assets in the areas of supply, digitalisation, communication, transport and social infrastructure. It is precisely in this sort of environment that Kommunalkredit is well positioned as a specialist bank for energy and infrastructure financing, and it will continue to do its part to overcome the effects of the crisis.

Stable income thanks to crisis-proof infrastructure

The implementation of Kommunalkredit's business strategy is showing results. Despite the global economic restrictions, Kommunalkredit remained on its growth path in the first half of 2020. The contribution of the core business to gross revenues rose to 60.6% (H1 2019: 54.2%). New business came to EUR 490.1m, up yet again in a year-on-year comparison (H1 2019: EUR 495.6m), despite the temporary decline in new transactions on the European infrastructure market.

Kommunalkredit has a **balance of diversity** in its new business in terms of its investment classes, regions, product and customer segments. Business acquisitions focus on clearly-defined selection criteria and efficient use of capital. This involves not only preparing a risk-and-return profile for a transaction but also assessing its value for positioning among institutional investors.

New business in the first six months generated attractive risk-adjusted returns. In particular, the bank was able to make use of its wealth of expertise in financing digital infrastructure, an area that is in particularly high demand now that more work is being done from private households (working from home, distance learning): 43,9% of the financing volume was attributable to the Communication & Digitalisation segment, 39,8% to Energy & Environment and 16,3% to Transport. Regionally, business was consistently diverse across the European Union (EU) and the EU's associated countries. Kommunalkredit was especially active in Germany, France, the Netherlands, Portugal and the United Kingdom.

Public Finance remains a key part of the bank's business, with new financing deals being concluded in the first six months of the year, among them nurseries, schools, residential properties, commercial properties, roads and sewer networks.

In Structured Finance, Kommunalkredit applied its in-depth **industry expertise** to engage in project financing as well as further develop its activities in the fields of acquisition finance, hybrid/corporate finance and financial advisory.

The bank conducts business in a manner that is geared towards **collaborative endeavours with established partners** (originate and collaborate) and therefore is particularly focused on its ability to place its transactions on the international financing market. The volume placed with insurers, asset managers and banks in the first two quarters was EUR 185.0m (H1 2019: EUR 111.4m). Thanks to its infrastructure fund (Fidelio KA Infrastructure Debt Fund Europe 1) established in 2018, Kommunalkredit is also capable of offering its business partners access to infrastructure and energy financing through an asset management solution. The fund had its final closing at the end of February 2020 with a volume of EUR 350m, outstripping the original target volume of EUR 150m by a wide margin.

The bank's success has not gone unnoticed by the market. Numerous industry awards presented by renowned infrastructure journals (Business Vision, cfi – Capital Finance International, IJGlobal, PFI – Project Finance International from Thomson Reuters) over the last two years were followed by further distinctions in the first half of the year: Proximo crowned the "Allego – charging stations for electric vehicles" project in which Kommunalkredit was involved as "EMEA EV Charging Deal of the Year", while IJGlobal awarded the very same project an award in the "European Innovation" category. In the Inframation Loan League Tables Europe half-yearly ranking, Kommunalkredit moved up the table by more than 30 places as against last year to come in 11th. This serves as encouraging testimony to the bank's strengths in the infrastructure segment, particularly in times of global crisis. This also allowed Kommunalkredit to address new customer groups that have turned to Kommunalkredit as a key partner, especially in the lending process. In mid-June, the bank received the "German Brand Award" in the "Excellent Brand – Banking & Financial Services" category for its in-house online investment portal for private customers, KOMMUNALKREDIT INVEST.

Broadband projects and financing deals in the Energy & Environment, Natural Resources and Transport segments were the focal point at Kommunalkredit in the first half of the year. The Communication & Digitalisation segment, in particular, gained additional momentum as a result of the global health crisis.

Reference projects

Fibre-optic network (Eurofiber/Netherlands)

Kommunalkredit played a pioneering role as the Lender in the EUR 850m refinancing of the Dutch fibre-optic network operator Eurofiber. Eurofiber currently operates an "open access" fibre-optic network spanning more than 36 kilometres in the Netherlands, Belgium and France.

Broadband internet (Deutsche Glasfaser/Germany)

EUR 1.8bn went into the refinancing of around 540,000 homes passed and into the ongoing introduction of broadband in rural areas within Germany. As Mandated Lead Arranger, Kommunalkredit held a leading position in this transaction. Deutsche Glasfaser is planning to use its unique approach to scale its business up, a move that will see the business model change from a retail strategy focused on end consumers to a wholesale strategy over the next few years.

Combined cycle gas turbine plant (Camden/Netherlands)

As the Mandated Lead Arranger, Kommunalkredit played a key role in the EUR 194m refinancing of two combined cycle gas turbine plants with a total capacity of 861 MW in the port of Rotterdam. Both gas-fired plants are highly efficient and rank among the three largest combined cycle gas turbine plants currently in operation in the Netherlands.

Fibre-optic network (Adamo/Spain)

Kommunalkredit acted as Mandated Lead Arranger and Global Coordinator for the EUR 250m refinancing deal, as well as for further financing to support the future expansion of a fibre-optic network in rural Spain. Adamo is a fast-growing telecommunications company that had already achieved around one million homes passed by the close of 2019. This project supports the connection of economically underdeveloped regions of Spain.

The total values stated here represent the total volume of the transaction in question.

A solid basis

Particularly in times of crisis, two key issues move into focus at any bank: the quality of the portfolio and sufficient liquidity. Kommunalkredit manages a balanced overall portfolio and all transactions are backed by sufficient liquidity. As of 30 June 2020, no requests had been made for deferral or restructuring in the field of infrastructure and energy – despite COVID-19.

Total portfolio with high asset quality

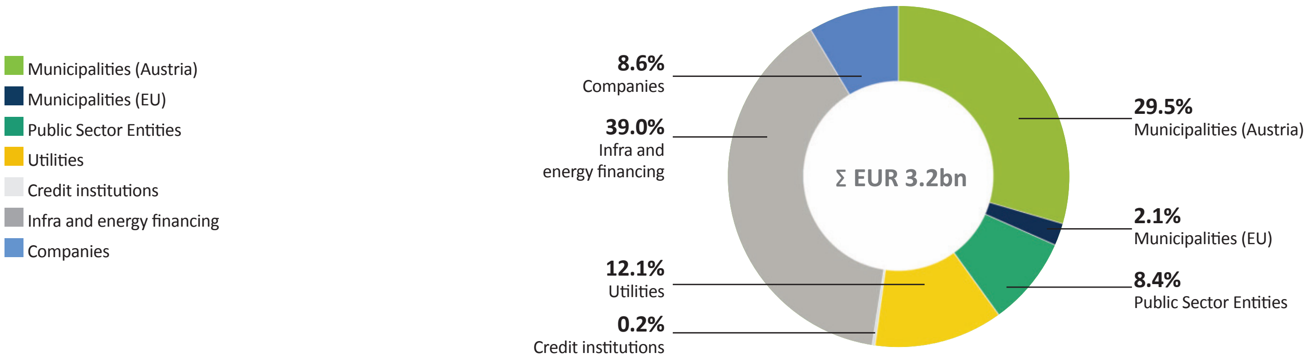
Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank holds a total portfolio of high asset quality **without a single loan loss** in the 2020 reporting year. As of 30 June 2020, it had an average rating of "A-" with 74.2% of the exposure rated as investment grade.

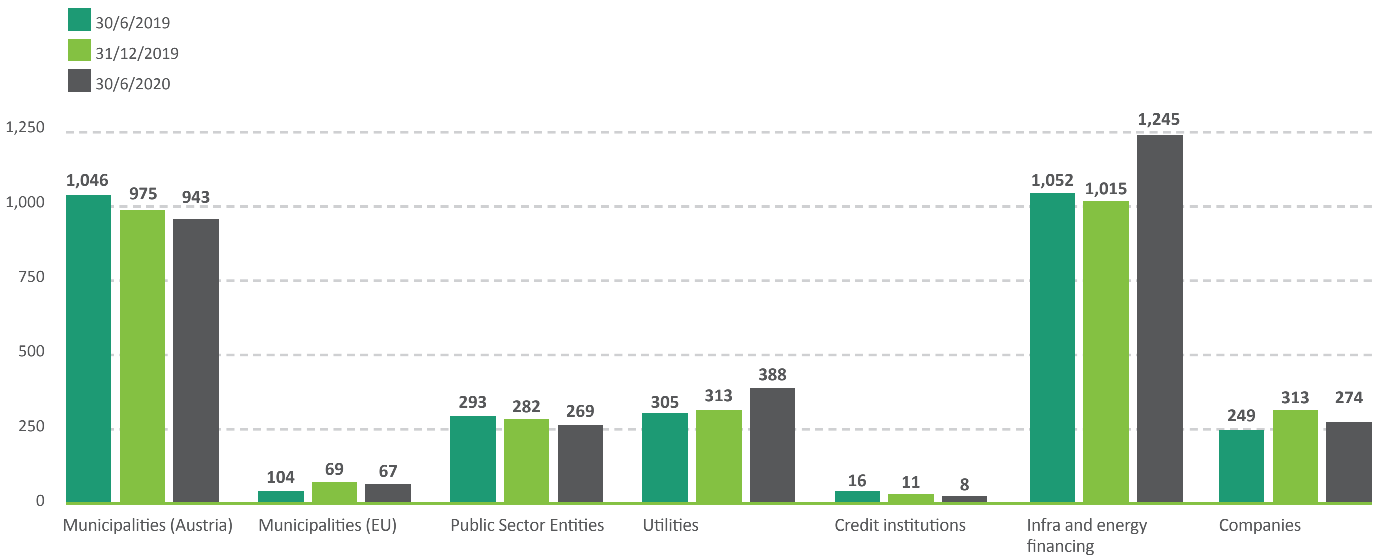
The loan portfolio is well balanced, comprising an increasing proportion of infrastructure and energy financing transactions and a significant volume of public sector loans. As of 30 June 2020, loans to municipalities accounted for 32% of the portfolio (almost exclusively Austrian municipalities), infrastructure and energy financings accounted for 39%, while loans to public sector enterprises had a share of 9%. Since privatisation in 2015, the **non-performing loan ratio (NPL)** has been kept at **0.0%**.

Geographically, 40% was attributable to Austria (31/12/2019: 45%), followed by the rest of the eurozone (39%) and other EU countries (13%) (31/12/2019: 35% and 12% respectively).

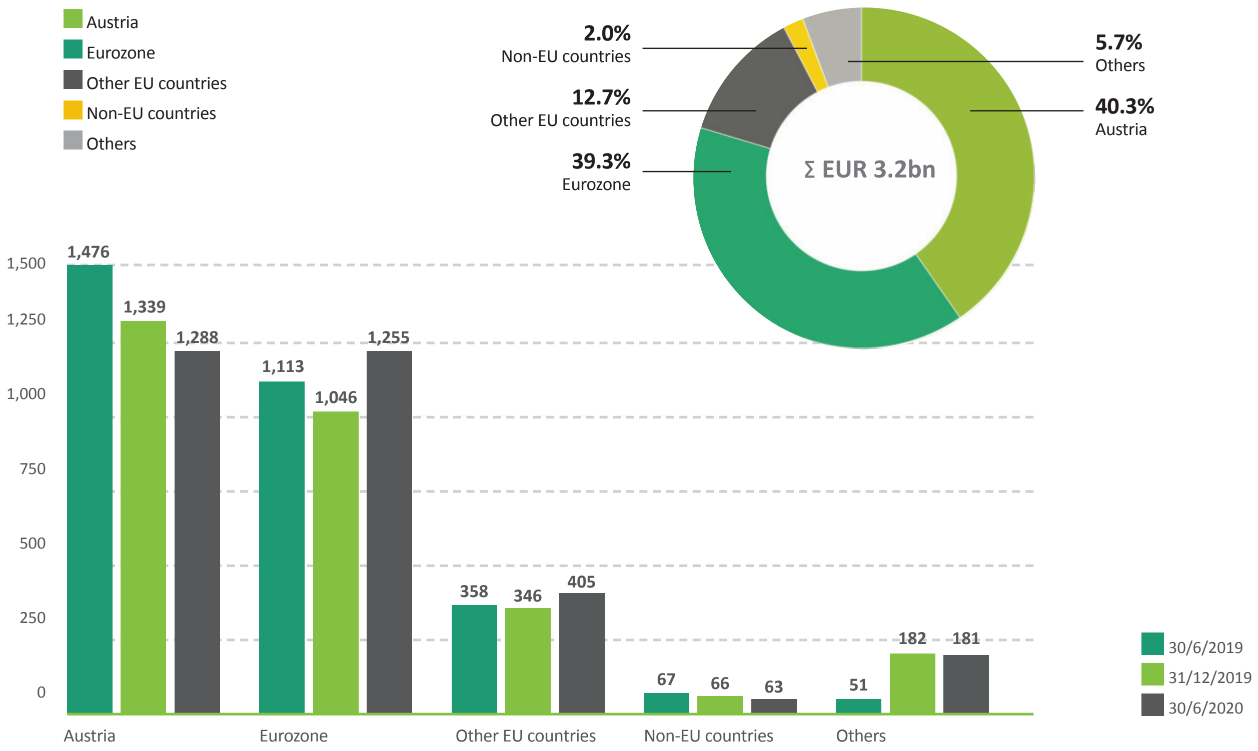
Loan portfolio by borrowers

in EUR m, as of 30/6/2020





Loan portfolio by regions
in EUR m, as of 30/6/2020



Stable and diversified refinancing structure

As of 30 June 2020, Kommunalkredit reported a **strong liquidity position** with a free liquidity reserve of EUR 290.7m (31/12/2019: EUR 308.5m). This included high-quality liquid securities amounting to EUR 283.7m (nominal value) (31/12/2019: EUR 303.8m). The bank also held liquid securities of EUR 9.0m (nominal value) (31/12/2019: EUR 59.0m) and cash, cash equivalents and bank balances with central banks of EUR 635.4m (31/12/2019: EUR 462.6m).

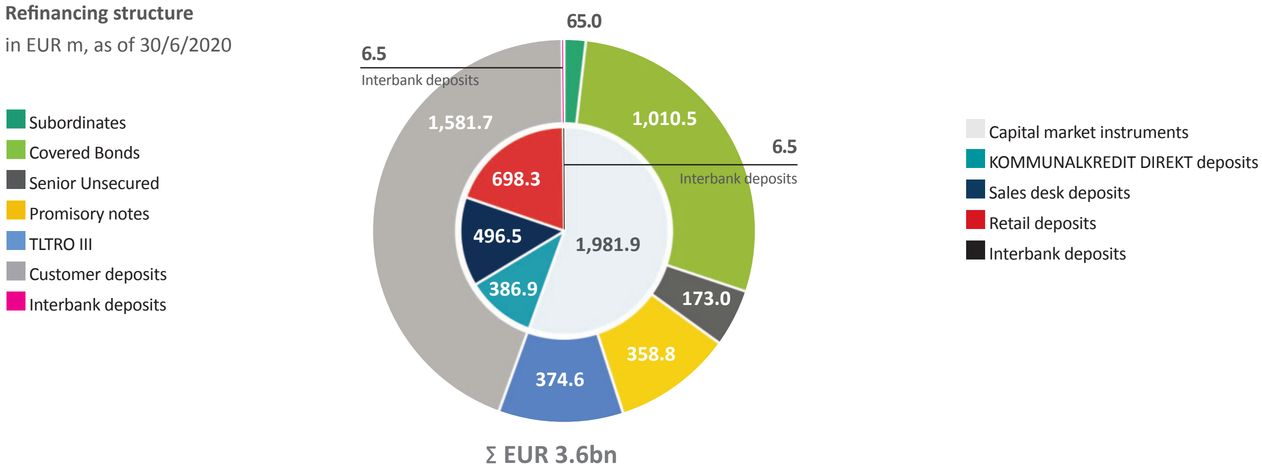
Since its privatisation in September 2015 and based on historical experience, Kommunalkredit has placed great value in ensuring great diversity in its funding profile. Gradually, existing funding sources have been expanded and new ones established over recent years. In order to adequately manage liquidity risks, it is important to not be dependent on any single refinancing source. As a European bank, it focuses on infrastructure and energy financing – many of which are beneficial for society at large in terms of their social and/or environmental impact. This is precisely why its products appeal to investors, as they enable sustainable investments.

The bank continued to expand its **diversified refinancing strategy** in the first half of 2020. Funding is based on a balanced mix of retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and corporates with close ties with municipal authorities, and direct business with corporate/institutional customers). All three customer refinancing sources proved to be very stable in the first six months of 2020 – even in difficult overall conditions. Thanks to targeted market measures in the period under review, retail deposits further strengthened the foundation, with continuous growth in long maturities.

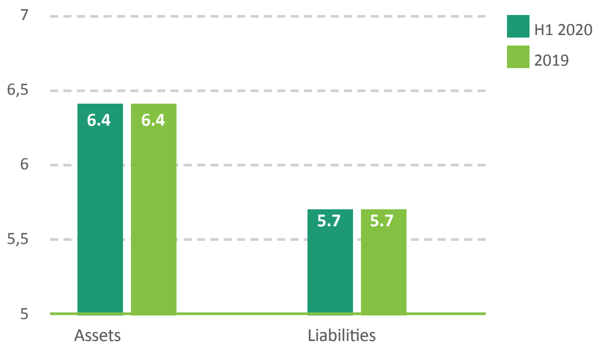
Amounts owed to customers increased to a total of EUR 2,149.9m (31/12/2019: EUR 1,876.3m). This positive development was in part driven by the increase in customer deposits by 14.2% to EUR 1,590.2m (31/12/2019: EUR 1,393.0m). Amounts owed to customers also include long-term private placements of EUR 289.4m (31/12/2019: EUR 285.1m), liabilities from collateral received in connection with derivatives of EUR 53.2m (31/12/2019: EUR 58.9m) and other long-term liabilities to customers in the amount of EUR 217.1m (31/12/2019: EUR 139.3m).

Refinancing structure

in EUR m, as of 30/6/2020

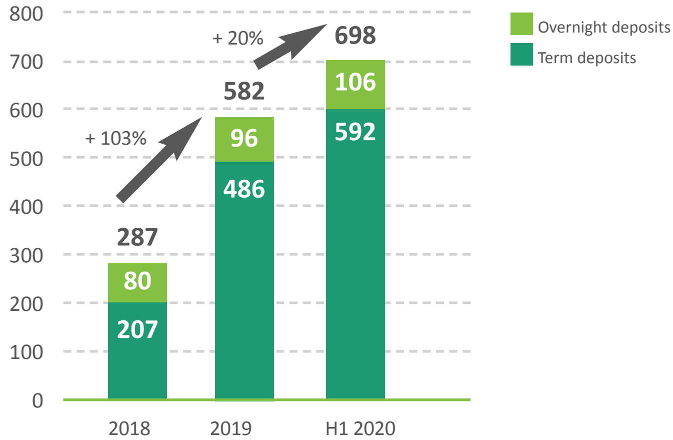


Weighted average term in years



Retail deposits (KOMMUNALKREDIT INVEST)

in EUR m, as of 30/6/2020



Share attributable to private customers up by 23.4%

Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its retail business in Austria and Germany via its online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 30 June 2020, the bank had 12,086 retail customers (31/12/2019: 9,790), this represents an increase of 23.4%.

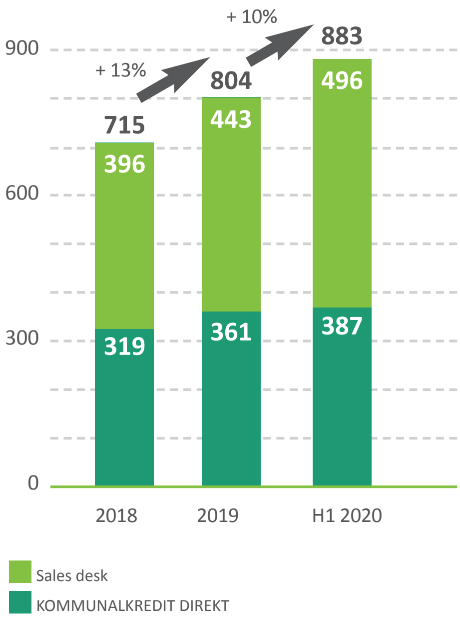
The average deposit volume per customer of EUR 57,778 remains at a high level (31/12/2019: EUR 59,401). The share of term deposits continued to increase and came to 84.8% as of 30 June 2020 (31/12/2019: 83.5%). The average term length of term deposits is at an all-time high of 26.0 months (31/12/2019: 22.9 months). The deposit volume as of the end of the first half of the year came to EUR 698.3m (31/12/2019: EUR 581.5m), up by 20.0%.

Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and corporates with close ties to municipal authorities. The reporting period saw an extensive relaunch of this digital platform, giving customers using KOMMUNALKREDIT DIREKT a state-of-the art online platform. New customers will register using a completely digital onboarding process. The clear, user-oriented design allows customers to manage their investments (including automatic re-investments) themselves in a transparent manner, as well as to monitor any financing arrangements.

The investment made to enhance the platform confirms Kommunalkredit's close connection with its traditional municipal customer base in Austria. This is also reflected by the fact that around a third of KOMMUNALKREDIT DIREKT depositors are also borrowers. In spite of the difficult economic environment resulting from COVID-19, wholesale deposits have increased by a total of 9.9% in 2020 to date to total EUR 883.4m (31/12/2019: EUR 804.1m).

Wholesale deposits

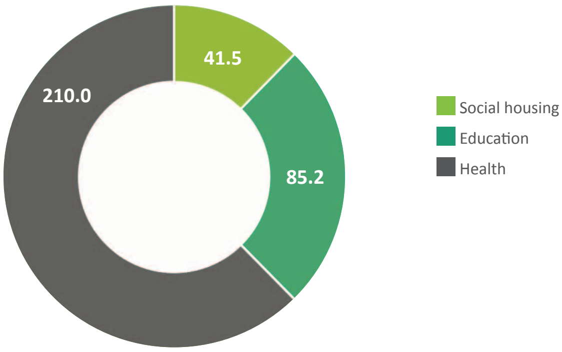
in EUR m, as of 30/6/2020



Social covered bond – social asset reporting as of 30 June 2020
As of 30 June 2020, Kommunalkredit's social asset portfolio encompassed 53 loans with a total volume of EUR 336.7m in the fields of education, healthcare and social housing. Kommunalkredit reports annually the use of proceeds from the issuance of its social covered bond (as of 30 June in each case).

Social asset portfolio

in EUR m, as of 30/6/2020



Strong liquidity ratios
The liquidity coverage ratio (LCR) measures the short-term resilience of a bank's liquidity risk profile over a 30-day scenario and is closely monitored as part of the bank's early warning system. With a ratio of 525.8% as of 30 June 2020 (31/12/2019: 765.5%), Kommunalkredit **significantly exceeded the regulatory minimum ratio** of 100%.

The structural liquidity ratio (net stable funding ratio, NSFR) was also increased further in 2020. According to the CRR (Capital Requirements Regulation), this requires banks to maintain a stable refinancing fund in terms of their assets and off-balance-sheet activities. As of 30 June 2020, the NSFR was 115.8% 31/12/2019: 111.9%).

Rating

Kommunalkredit's unsecured debt issues have a long-term rating of "BBB (low)" and a short-term rating of "R-2 (mid)" from rating agency DBRS Morningstar, with an **outlook** that remains **positive**. Standard & Poor's covered bond rating ("A") was most recently confirmed on 11 May 2020, although the outlook was lowered from "stable" to "negative" due to the COVID-19 crisis and the deterioration in the operating environment in Austria and Europe. This was consistent with the development seen at a large number of other European banks.

Assets, financial position and income

KOMMUNALKREDIT GROUP IFRS FINANCIAL PERFORMANCE INDICATORS.

Selected performance indicators according to IFRS

in EUR m or %	1/1–30/6/2020	1/1–30/6/2019
Total assets (30/6/2020 and 31/12/2019)	4,543.5	4,305.3
Total capital (30/6/2020 and 31/12/2019)	349.8	343.2
Net interest income	**33.6**	**27.9**
Net fee and commission income	13.4	10.8
Result from the disposal of assets measured at fair value through other comprehensive income	0.0	1.7
General administrative expenses	-26.2	-25.3
Income from services provided to KA Finanz AG	0.0	1.8
EBIT[1]	**19.0**	**15.2**
Net provisioning for impairment losses	-1.0	-0.5
Net result of asset valuation and realised gains and losses	-1.7	-2.5
Profit for the period before tax	**16.4**	**12.1**
Income taxes	-4.4	-0.8
Profit for the period after tax	**12.0**	**11.3**
Cost/income ratio (based on EBIT)	59.8%	67.0%
Return on equity before tax[2]	10.4%	9.1%

1 EBIT = Profit for the period before tax, not including net provisioning for impairment losses or measurement gains/losses.
2 Return on equity before tax = profit for the period before tax annualised/Tier 1 capital as of 1 January.

Regulatory performance indicators

in EUR m or % for Kommuncalkredit Austria AG	30/6/2020	31/12/2019
Risk-weighted assets	1,701.9	1,675.7
Total capital	364.1	366.5
Total capital ratio	21.4%	21.9%
CET 1 ratio	18.4%	18.7%

Rating

	30/6/2020	31/12/2019
Long-term DBRS Morningstar	BBB (low) positive outlook	BBB (low) positive outlook
Short-term DBRS Morningstar	R-2 (mid)	R-2 (mid)
Covered bonds Standard & Poor’s	A	A

The first half of 2020 was dominated by the global impact of the COVID-19 pandemic. Nevertheless, the positive trend from the previous year continued in the first six months of this year – despite an increase in loan loss provisions. Kommunalkredit can therefore look back on a strong half-year result.

Selected performance indicators according to the Austrian Commercial Code (UGB)

in EUR m or %	1/1–30/6/2020	1/1–31/12/2019
Total assets (30/6/2020 and 31/12/2019)	3,976.2	3,802.8
Equity (30/6/2020 and 31/12/2019)	285.1	273.9
Net interest income	**23.9**	**21.7**
Net fee and commission income	6.8	6.4
General administrative expenses	-22.7	-21.9
Other operating income[1]	1.3	2.9
EBIT[1]	**9.4**	**11.2**
Net provisioning for impairment losses	-1.0	-2.0
Net result of asset valuation and realised gains and losses	2.1	4.6
Profit on ordinary activities	**10.5**	**13.7**
Income taxes	0.7	0.9
Profit for the period after tax	**11.3**	**14.6**
Cost-income ratio	71.2%	69.1%
Return on equity before tax	6.7%	10.3%

1 Mainly income from services provided for KA Finanz AG/Kommunalkredit Public Consulting GmbH.

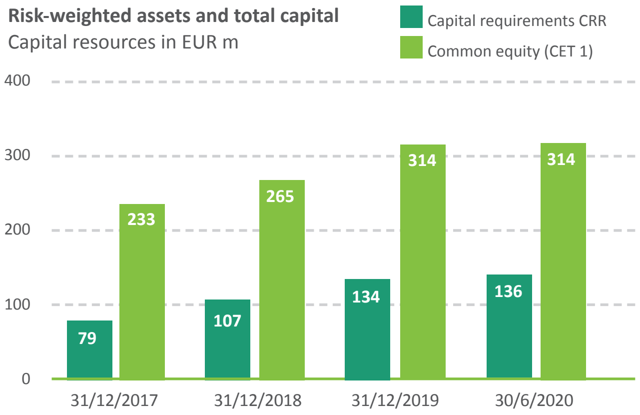
Balance sheet structure

Kommunalkredit's total assets according to IFRS amounted to EUR 4.5bn as of 30 June 2020 (31/12/2019: EUR 4.3bn). The main balance sheet item was loans and advances to customers amounting to EUR 1.9bn (31/12/2019: EUR 1.8bn). A further EUR 1.2bn (31/12/2019: EUR 1.3bn) is attributable to financing transactions intended for opportunistic placement, which are reported under the item "Assets at fair value through other comprehensive income". Furthermore, the bank held cash and cash equivalents of EUR 0.6bn as of 30 June 2020 (31/12/2019: EUR 0.5bn).

The structure of Kommunalkredit's liabilities based on the IFRS carrying amounts is as follows:

in EUR bn	30/6/2020	31/12/2019
Securitised liabilities	1.2	1.3
Amounts owed to customers	2.1	1.9
Amounts owed to banks, including ECB	0.5	0.5

The bank's main funding sources were once again securitised liabilities and amounts owed to customers. The senior and covered bonds reported under securitised liabilities amounted to EUR 173.0m and EUR 1,010.5m respectively (31/12/2019: EUR 227.2m and EUR 1,001.1m respectively). Amounts owed to customers increased by EUR 273.6m in the first half of 2020 to a total of EUR 2,149.9m (31/12/2019: EUR 1,876.3m).



Risk-weighted assets and total capital

As of 30 June 2020, Kommunalkredit reported total capital of EUR 364.1m (31/12/2019: EUR 366.5m) and common equity tier 1 capital (CET 1) of EUR 313.7m (31/12/2019: EUR 313.6m). Risk-weighted assets rose slightly in the first half of 2020 to EUR 1,701.9m (31/12/2019: EUR 1,675.7m). As of 30 June 2020, Kommunalkredit once again reported strong capital ratios: the total capital ratio came to 21.4% (31/12/2019: 21.9%) and the common equity tier 1 ratio to 18.4% (31/12/2019: 18.7%). The leverage ratio came to 7.9% as of 30 June 2020 (31/12/2019: 8.2%). Kommunalkredit's capital amounts are based on the non-consolidated financial statements of Kommunalkredit pursuant to Austrian GAAP. Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). As of 30 June 2020, the consolidated total capital ratio came to 21.1% (31/12/2019: 21.6%) and the consolidated CET 1 ratio to 18.1% (31/12/2019: 18.4%).

Public sector covered bonds | cover pool

As of 30 June 2020, Kommunalkredit had a well-diversified cover pool with a value of EUR 1,118.5m, while public sector covered bonds denominated in EUR and CHF in an amount of approximately EUR 1,010.5m were outstanding. The cover pool as of 30 June 2020 consisted of assets from Austria (95.0%), Germany (1.4%) and Portugal (3.6%). 87.3% of the cover pool had a rating of "AAA" or "AA" and 9.1% had a rating of "A". The level of surplus cover as of 30 June 2020 was 10.7%.

Income statement of the Kommunalkredit Group under IFRS

The Kommunalkredit Group increased its EBIT to EUR 19.0m in the first half of 2020 (H1 2019: EUR 15.2m). The increase can be traced back to the continued growth in the field of infrastructure and energy, in which both financing activities and the consulting and structuring business were expanded further. This resulted in a marked increase in the Kommunalkredit Group's net fee and commission income. A total of 60.6% of the gross income from banking business came from infrastructure & energy financing (H1 2019: 54.2%).

The significant improvement in EBIT caused a marked reduction in the cost/income ratio to 59.8% (H1 2019: 67.0%). The consolidated profit for the period before tax came to EUR 16.4m (H1 2019: EUR 12.1m) and resulted in return on equity before tax of 10.4% (H1 2019: 9.1%). The profit for the period after tax came to EUR 12.0m (H1 2019: EUR 11.3m).

The main income and expense items under IFRS for 2020:

EBIT

EBIT (profit for the year before tax, not including net provisioning for impairment losses or measurement gains/losses) of EUR 19.0m (H1 2019: EUR 15.2m) comprises the following components:

- **Net interest income**
  Net interest income rose by 20.6% to EUR 33.6m (H1 2019: EUR 27.9m). The increase is due primarily to the further expansion of the infrastructure and energy business since 30 June 2019.

- **Net fee and commission income**
  Net fee and commission income increased by 24.1% to EUR 13.4m (H1 2019: EUR 10.8m). Fee and commission income from the bank's credit and services business came to EUR 7.0m (H1 2019: EUR 4.5m), while fee and commission expenses came to EUR 0.9m (H1 2019: EUR 1.0m). Net fee and commission income also includes income from the subsidy management and consulting business of the subsidiary Kommunalkredit Public Consulting GmbH (KPC), which was stable against the previous year at EUR 7.3m (H1 2019: EUR 7.3m).

- **Result from the disposal of assets at fair value through other comprehensive income**
  Placement activities slowed during the coronavirus lockdown period, meaning that the result from the disposal of assets at fair value through other comprehensive income was down considerably year-on-year at EUR 0.0m (H1 2019: EUR 1.7m).

- **General administrative expenses**
  General administrative expenses rose by 3.7% or EUR 0.9m to EUR 26.2m (H1 2019: EUR 25.3m), with EUR 18.2m attributable to personnel expenses (H1 2019: EUR 16.5m) and EUR 8.0m to other administrative expenses (H1 2019: EUR 8.8m).

- **Other operating performance/income from services provided for KA Finanz AG**
  Other operating performance came to EUR -0.3m (H1 2019: EUR +1.5m) and primarily includes the expense related to the stability tax payable by Austrian banks in the amount of EUR 0.3m (H1 2019: EUR 0.3m). The EUR -1.8m drop in other operating performance against the same period of the previous year is due to the termination of the Service Level Agreement with KA Finanz AG with effect from 31 March 2019.

Net provisioning for impairment losses

Kommunalkredit's loan portfolio is solid despite the impact of the COVID-19 pandemic: the non-performing loan ratio remained constant at 0.0% as of 30 June 2020 and there were no loan defaults. The doubling of net provisioning for impairment losses to EUR -1.0m (H1 2019: EUR -0.5m) mainly reflects the development in statistically calculated provisions for expected losses pursuant to IFRS 9, as well as the increase in the probability of default in connection with the coronavirus crisis. Risk provisions rose by 21.1% to EUR 5.6m as of 30 June 2020 (31/12/2019: EUR 4.6m).

Net result of asset valuation and realised gains and losses

The net result of asset valuation and realised gains and losses was EUR -1.7m in the first half of 2020 (H1 2019: EUR -2.5m). This item included a positive result from the repurchase of own issues amounting to EUR 3.0m (H1 2019: EUR 3.8m), as well as negative valuation effects of EUR -4.7m (H1 2019: EUR -6.3m) resulting mainly from the increase in credit risk premiums and the drop in long-term market interest rates.

Income taxes

Income taxes of EUR -4.4m (H1 2019: EUR -0.8m) are due to the utilisation of the asset item booked for deferred tax assets from capitalised loss carryforwards.

Impact of COVID-19 on risk provisions

COVID-19 prompted an ad hoc evaluation of, and update to, the IFRS 9 probabilities of default (PDs), which serve as the basis for calculating ECL (expected credit loss), in the first half of 2020. The model evaluation did not result in any need to change the methodology used, and the definition of the macroeconomic scenarios, including their weightings, also remained unchanged.

One key driver of the IFRS 9 PDs, however, is the development in macroeconomic input parameters. As a result, the weaker macroeconomic environment due to COVID-19 (first and foremost the drop in GDP, increase in the unemployment rate) pushed the IFRS 9 PDs up again, prompting a further increase in the ECL.

In addition, there were individual rating downgrades in the infrastructure portfolio in the first half of 2020 due to COVID-19, primarily affecting financing that involved market or transport risks, which have a negative impact on the ECL. Nevertheless, loans in the infrastructure portfolio were serviced in a due and proper manner.

In the Austrian municipal authorities' portfolio/portfolio with close links to municipal authorities, there were isolated deferrals due to temporary liquidity bottlenecks (loan volume of EUR 24.7m, deferred interest and redemption payments of EUR 1.2m). There were no long-term financial difficulties/deteriorations in credit ratings as of 30 June 2020.

Risk provisions increased by 22.1% or EUR 1.0m in the period from 1 January to 30 June 2020 to EUR 5.6m. EUR 0.8m of this increase was due to the adjustments made to the IFRS 9 PDs, while EUR 0.2m can be traced back to rating changes, new business and syndication agreements.

Income statement of Kommunalkredit Austria AG in the non-consolidated financial statements according to Austrian GAAP

Kommunalkredit Austria AG has reported an operating performance of EUR 9.5m for the first half of 2020 in accordance with Austrian GAAP (H1 2019: EUR 10.1m). The other loan impairment, valuation and sales result came to EUR 1.1m (H1 2019: EUR 2.5m), the main components of which were EUR 3.2m from the repurchase of own issues (H1 2019: EUR 4.1m), the change in statistically calculated provisions for expected losses of EUR -1.0m (H1 2019: EUR -2.0m) and EUR -1.2m from the valuation of current assets strictly at the lower of cost or market value (H1 2019: EUR 0.1m).

The profit on ordinary activities came to EUR 10.5m (H1 2019: EUR 13.7m). Profit for the period after tax came to EUR 11.3m (H1 2019: EUR 14.6m).

The total assets in accordance with Austrian GAAP came to EUR 4.0bn as of 30 June 2020 (31/12/2019: EUR 3.7bn).

Selected income statement

in EUR m	1/1–30/6/2020	1/1–30/6/2019
Net interest income	23.9	21.7
Net fee and commission income	6.8	6.4
General administrative expenses	-22.7	-21.9
of which contributions to the Bank Resolution Fund	*-1.8*	*-1.6*
Other operating income	1.3	2.9
of which income from services provided for KA Finanz AG & Kommunalkredit Public Consulting	*1.2*	*2.7*
Other operating expenses	-0.3	-0.3
of which stability tax	*-0.3*	*-0.3*
Operating result	**9.5**	**10.1**
Operating result from sale of infrastructure/energy financing	-0.1	1.1
EBIT	**9.4**	**11.2**
Loan impairment, valuation and sales result	1.1	2.5
Profit on ordinary activities	**10.5**	**13.7**
Taxes on income	0.7	0.9
Profit for the period after tax	**11.3**	**14.6**
Number of shares	71.2%	69.1%
Return on equity before tax	6.7%	10.3%

Branch office and equity investments

MAKING THE MOST OF EXISTING STRUCTURES. PUTTING FOCUS INTO PRACTICE.

Alongside its headquarters in Vienna, Kommunalkredit also has a representative office in Frankfurt am Main. Together with Vienna, the banking centre at the heart of Europe is the hub from which Kommunalkredit focuses on its role as a specialist in infrastructure and energy financing.

Focus on core business

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), the companies of the Fidelio KA Debt Fund platform and Kommunalnet E-Government Solutions GmbH (Kommunalnet) are strategic investments/holdings of affiliated companies, while the companies relating to the bank's real estate (serving as head office) primarily serve to support the core business.

TrendMind IT Dienstleistung GmbH (TrendMind), an IT specialist for financial products, SAP and subsidy processing software that was also held to support the core business, was reorganised and sold in the first half of 2020. This step was taken in the interests of structural efficiency and involved reincorporating some of TrendMind's services into the bank, making it easier to focus on internal areas of responsibility. All employees were taken on by the bank. The solution has allowed the bank to bundle economic synergies and use the resources available in an even more target-oriented manner.

Kommunalkredit Public Consulting GmbH (KPC)

Kommunalkredit uses the 90%-owned subsidiary Kommunalkredit Public Consulting GmbH (KPC) to manage national and EU subsidy programmes, primarily in the field of environmental protection, water management and energy. This allows KPC to act as the **point of contact** between the subsidisers who provide the financial resources and the applicants. It oversees the entire process of a project. The company also offers consultancy services for international organisations and financing institutions.

In the first half of 2020, KPC awarded European Union (EU), federal government and state subsidies amounting to EUR 190m. The subsidies went to 13,800 environmental and climate protection projects with a total investment volume of EUR 998m. This will provide a key **boost for economic development** at regional and local level. In line with the efforts made by the Austrian federal government to promote climate protection and revive the economy in times of COVID-19, the subsidies available for all climate-related subsidy instruments have been increased significantly in 2020.

As a consultancy, KPC continued its consultancy activities for international financing institutions such as the EBRD (European Bank for Reconstruction and Development) in spite of the international travel restrictions. The mandate with the Western Balkan Energy Efficiency Facility, for example, was extended by another year.

KPC H1 2020

13,800 project assessments

EUR **998**m investment volume

EUR **190**m subsidy volume

Fidelio KA Infrastructure Opportunities Fund platform

With the establishment of the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA, Kommunalkredit created an infrastructure debt fund platform in 2018 that gives institutional investors diversified access to the bank's infrastructure pipeline.

The successful launch of the first infrastructure debt fund saw the bank expand its range of products to include **asset management**.

Investors benefit from Kommunalkredit's strong origination, structuring and portfolio management expertise in the field of sustainable European infrastructure and energy transactions that benefit the public. In return, the bank benefits from deeper strategic partnerships with fund investors, ultimately translating into an increased number of transactions and higher volumes. The first subfund "Fidelio KA Infrastructure Debt Fund Europe 1", for example, which had its final closing at the end of February 2020 with a volume of EUR 350m, outstripping the original target volume of EUR 150m by a wide margin, is already almost fully invested. This is despite the COVID-19-related challenges that plagued the first half of 2020, when investments were made in four additional renewable energy and digital infrastructure projects based on attractive conditions in April and May alone.

Unlike with the conventional asset management approach, the fact that Kommunalkredit makes its own investments in parallel with the fund allows it to present itself as a strong partner with aligned interests.

Encouraged by the strong investor demand, Kommunalkredit is currently planning further fund concepts, including the launch of another European infrastructure fund focusing on infrastructure and energy projects in Europe with investment grade ratings on average, as well as a high-yield fund with more of a focus on returns in the sub-investment grade/mezzanine segment. The marketing of these funds is scheduled to start in the second half of 2020.

Kommunalnet E-Government Solutions GmbH (Kommunalnet)

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet). Another 45% is held by the Austrian Association of Municipalities, while the other 10% is held by three state associations of the Austrian Association of Municipalities. Kommunalnet is the digital work and information portal for Austrian municipalities, mayors and municipal civil servants. It offers the latest news for municipalities and access to important databases for municipal authorities, and serves as an information and communication hub for the federal, state and municipal authorities. Kommunalnet is an official component of the Austrian **e-Government Roadmap**.

In the first half of 2020, and in spite of the COVID-19 crisis, numerous projects were launched and have already been implemented to provide municipal authorities with even better assistance in their day-to-day tasks, to further expand the business segment and to leverage growth potential. Major projects included the relaunch of the Kommunalnet website (www.kommunalnet.at), which was restructured, modernised and equipped with a large number of new functions. The "GemNet Salzburg" project was launched in collaboration with the Salzburg provincial government. The project represents an important step in the involvement of the provinces and can serve as a forerunner.

With 16,061 registered users from 2,068 Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (96%) and thus enjoys a **unique position** in the Austrian market.

Since mid-2018, Kommunalnet has been cooperating with loanboox, a fintech company that operates an online platform for municipal loans. The platform went live in January 2019 and now 170 municipalities and banks are already represented on it. A total of 480 municipalities have been contacted, and over 70 financing requests have been published to date via the portal.

Kommunalkredit TLI Immobilien GmbH & Co KG

Kommunalkredit TLI Immobilien GmbH & Co KG holds and maintains the properties at Tuerkenstrasse 9 and Liechtensteinstrasse 13. The office premises of the properties are mainly leased to Group companies.

Kommunalleasing GmbH

Kommunalleasing GmbH is a joint venture with BAWAG P.S.K. (50:50). The company finances a portfolio of around EUR 60m in the municipal leasing sector. The company has not engaged in any new business since August 2008 due to changes in tax law.

Significant events after the balance sheet date

NO EVENTS.

No significant events arose between the balance sheet date of 30 June 2020 and the publication of this half-year report.

Outlook

RISING TO CHALLENGES. ILLUSTRATING OPPORTUNITIES.

2020 will end differently than forecast. 2020 will remain an interesting year. The global economic recovery will take several years and will prove a challenge. In this turbulent environment, Europe has a particular opportunity to deliberately exploit the geopolitical advantages open to it.

Economic development

The economic outlook is uncertain and depends to a considerable degree on whether we will be hit by a second wave of the COVID-19 pandemic (double-hit scenario) and when a suitable vaccine will be available on the market. While the first wave has not yet been consigned to the history books, most countries have it fairly well under control. As a result, measures to loosen the compulsory measures to curb the virus are gradually bearing fruit. Differences in individual country, regional and sectoral strategies, however, mean that the scenarios regarding their development continue to vary.

The **economy** has to get **back up-and-running** again not only to stop the downward spiral, but to turn the trend around and send it in the opposite direction. Given this major uncertainty factor, agile and flexible policies are required, first of all to get the engine back up to speed, and second to ensure that appropriate exit strategies are in place should the virus return.

The **supportive fiscal and monetary policy course** definitely has to be maintained in order to secure a sustainable recovery. A large number of problem areas now have to be tackled. Unemployment in the OECD countries, for example, which had reached its lowest level seen in 50 years at the end of 2019, is expected to have already more than doubled to around 11.5% by the middle of this year. In the USA, the rate will have risen by 10% by the end of the year. The marked drop in corporate revenues creates a heightened risk of insolvency, with some sectors only slowly starting to get back on track. Policymakers are called upon to get the recovery back up-and-running in this environment, to come up with packages of measures designed to promote reallocation between different sectors, support individual and corporate incomes, and minimise any longer-term damage to the economy.[22] Inflation in the eurozone is likely to fall again in the summer, as core inflation edges towards its previous record low of 0.6%.

There are also **glimmers of hope on the horizon**: the OECD expects this year's deterioration in the public budget situation to be offset to some degree by cyclical budget improvements and the expiry of the measures taken in response to the crisis in as early as 2021, meaning that the deep recession we are currently facing will be followed by a slow recovery.[23]

Trends on the European infrastructure market

In summary, the fact remains that – despite figures that are more or less stable – 2020 will continue to paint a very varied picture, meaning that it will remain very challenging. The main focus will be on the ongoing expansion of **digital infrastructure**, as well as on investment in the **renewable energy** sector, where Kommunalkredit is very well positioned thanks to its expertise and high levels of customer acceptance. **Social infrastructure** should also be a target of increased attention as a result of the COVID-19 crisis, although this effect is likely to be somewhat delayed. As far as the hard-hit **transport sector** is concerned, no significant recovery appears to be on the cards between now and the end of 2020, not least given the ongoing difficulties in the USA and Latin America and the fundamental fear of a second wave.

Central banks will continue to use **asset purchase programmes** to keep longer-term interest rates at a low level. Measures to strengthen liquidity will also be seen in the second half of 2020. In addition, supervisory authorities in both the world's advanced economies and the emerging markets have eased their prudential bank regulation to promote bank lending. Banks remain only very reluctant to support large-scale transactions with underwriting activity, and many institutional investors will continue to adopt a wait-and-see approach indefinitely, even though volatility levels have dropped again on the financial market and market participants can expect the low interest rates to remain in the long term.

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22 OECD: Economic Outlook, Volume 2020/1.
23 OECD: Economic Outlook, Volume 2020/1.

In this dynamic environment, and once the health crisis and its consequences have been overcome, Europe has an opportunity to leverage its **geopolitical advantages**. Europe will have to move closer together to emerge from the crisis as a strong, united force (EU recovery fund). Even before the outbreak of the pandemic in Europe, the European Union had made a commitment to a **Green Deal**: in the period leading up to 2030, an additional EUR 1,000bn in total (EUR 100bn each year) is to be invested to make Europe climate-neutral by 2050.[24] Infrastructure investments will be made in the fields of clean energy, sustainable transport and a transition to a circular economy. As an experienced and established specialist bank for infrastructure and energy financing, Kommunalkredit is ready and willing to serve as a partner in light of the EU's new strategic and political direction.

Kommunalkredit in 2020

The challenges resulting from the drastic but necessary restrictions imposed on public life in response to this global health crisis show just how **essential well-functioning infrastructure** is for the social and economic well-being. In particular, this includes ensuring that the relevant social infrastructure (such as hospitals and care homes) is available and in good working order, but also securing energy supplies and a powerful communications infrastructure.

With its focus on infrastructure and energy financing, Kommunalkredit operates in a **sector** that has proven to be largely **crisis-resistant** in the past. Unlike with corporate financing, financing in these areas is associated with low default rates and stable recovery rates that are largely independent of economic cycles. Similarly, as a result of the current health crisis and its impact on the real economy, the maintenance and modernisation of supply, transport and social infrastructure will be at the very top of the agenda of both developed and developing countries, meaning that these areas will become even more relevant.

24 European Commission: Press release "Financing the green transition: The European Green Deal Investment Plan and Just Transition Mechanism", 14/1/2020.

Despite our focus, we are aware that the second half of the year will be challenging. European and global economic performance is expected to continue to fall. The medium and long-term stimulus provided by the aid packages initiated by confederations of states, governments, central banks and supervisory authorities will first have to prove itself. If the number of cases increases noticeably again or if a second wave of the COVID-19 pandemic sweeps the world, the effects on the real economy will be impossible to predict.

Depending on how long this unique situation lasts, the resulting challenges (increase in unemployment rate, decline in consumer demand) will have an increasingly negative impact on the financial situation of the companies. This will subsequently have an impact on the financial markets. Liquidity bottlenecks with companies and projects could lead to provisioning at Kommunalkredit and affect the volume of new business. As the situation is developing quickly and the ultimate impact cannot yet be predicted, no quantitative estimate can be made on how Kommunalkredit will be affected.

Nevertheless, given our fundamental market expertise, high level of diversification and ability to react quickly, KommunalKredit will be continuing along our established path in the second half of the year, too. Particular emphasis will be placed on our **network** of project sponsors and investors. At the same time, public sector financing will continue to be an integral part of our business. With the Austrian Association of Municipalities as a minority owner, Kommunalkredit has traditionally been well-known among Austrian town, city and municipal authorities and is familiar with their investment needs.

The successful close of Kommunalkredit's very first own infrastructure debt fund in the spring of 2020 allowed us to attract **investors interested in sustainable infrastructure projects** as an ideal investment opportunity.

Kommunalkredit is more than just a bank. We see ourselves as a point of contact for the full range of topics related to infrastructure and as a vehicle for investments in areas of immense importance for our society. And that applies now more than ever before.

Vienna, August 2020

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board

Interim consolidated financial statements

Consolidated statement of financial position

ASSETS in EUR 1,000	**30/6/2020**	**31/12/2019**
Cash and balances with central banks	635,441.3	462,613.8
Loans and advances to banks	345,759.8	282,138.9
Loans and advances to customers	1,865,075.7	1,790,149.7
Assets at fair value through other comprehensive income	1,201,667.4	1,280,575.1
Assets at fair value through profit or loss	291,380.0	254,657.3
Derivatives	152,322.7	184,954.6
Portfolio fair value hedge	4,484.1	3,372.4
Property, plant and equipment	24,991.7	25,470.6
Intangible assets	199.6	246.6
Current tax assets	738.3	4,568.9
Deferred tax assets	6,650.4	9,141.8
Other assets	14.807.7	7,460.0
Assets	**4,543,518.8**	**4,305,349.7**

LIABILITIES AND EQUITY in EUR 1,000	**30/6/2020**	**31/12/2019**
Amounts owed to banks	519,867.9	487,210.5
Amounts owed to customers	2,149,886.7	1,876,254.5
Derivatives on the liabilities side	229,537.4	219,537.3
Securitised liabilities	1,193,393.7	1,272,827.2
Subordinated liabilities	67,509.3	68,536.4
Provisions	6,874.8	7,003.4
Current tax liabilities	1,817.6	1,107.1
Other liabilities	24,832.6	29,690.7
Total capital	349,798.8	343,182.8
of which subscribed capital	*172,659.5*	*172,659.5*
of which fixed reserves	*29,682.6*	*29,620.4*
of which reserves for assets at fair value through other comprehensive income	*104,305.9*	*109,611.9*
of which other reserves (incl. profit for the period)	*43,014.6*	*31,126.8*
of which non-controlling interests	*136.2*	*164.2*
Liabilities and equity	**4,543,518.8**	**4,305,349.7**

Consolidated income statement

CONSOLIDATED INCOME STATEMENT in EUR 1,000	1/1–30/6/2020	1/1–30/6/2019
Net interest income	33,633.4	27,880.9
Interest income*	70,797.3	83,032.0
Income similar to interest income	7,602.6	100.4
Interest expenses	-43,279.1	-53,882.6
Expenses similar to interest expenses	-1,487.3	-1,369.0
Net fee and commission income	13,388.4	10,788.9
Fee and commission income	14,237.8	11,775.1
Fee and commission expenses	-849.3	-986.2
Result from the derecognition of assets at fair value through other comprehensive income	23.4	1,708.1
Net provisioning for impairment losses	-1,011.9	-535.3
General administrative expenses	-26,213.3	-25,281.7
Personnel expenses	-18,187.4	-16,457.2
Other administrative expenses	-8,026.0	-8.824,5
Contributions to the Bank Resolution Fund	-1,764.8	-1,614.8
Income from investments	302.0	216.1
Other operating result	-345.0	1,487.0
Other operating income	84.8	1,886.1
of which services invoiced to KA Finanz AG	*0.0*	*1,764.6*
Other operating expenses	-429.9	-399.1
of which bank stability tax	*-327.3*	*-302.4*
Net result of asset valuation and realised gains and losses	-1,656.9	-2,542.7
Profit for the period before tax	**16,355.3**	**12,106.4**
Income taxes	-4,381.9	-799.7
Profit for the period after tax	**11,973.4**	**11,306.7**
of which attributable to owners	*11,950.0*	*11,271.0*
of which attributable to non-controlling interests	*23.4*	*35.8*

* TEUR 53,133.9 (H1 2019: TEUR 47,948.5) calculated according to the effective interest method.

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR 1,000	**1/1–30/6/2020**	**1/1–30/6/2019**
Consolidated profit for the year	**11,973.4**	**11,306.7**
Items to be recycled to the Income Statement	**-5,056.2**	**-61.3**
Changes in debt capital instruments at fair value through other comprehensive income	**-5,056.2**	**-61.3**
Valuation of debt capital instruments at fair value through other comprehensive income	-6,831.4	-1,245.5
Recycled to the Income Statement	89.8	885.4
Deferred tax on debt capital instruments at fair value through other comprehensive income	1,685.4	298.7
Items not to be recycled to the Income Statement	**-249.8**	**-478.2**
Change in actuarial gains/losses	**0.0**	**-478.2**
Actuarial result from pension provisions	0.0	-637.6
Deferred tax on actuarial result from pension provisions	0.0	159.4
Changes in equity instruments at fair value through other comprehensive income	**-249.8**	**0.0**
Valuation of equity instruments at fair value through other comprehensive income	-333.0	0.0
Deferred tax on changes in equity instruments at fair value through other comprehensive income	83.3	0.0
Total	**6,667.4**	**10,767.2**
of which attributable to owners	*6,644.0*	*10,743.4*
of which attributable to non-controlling interests	*23.4*	*23.9*

Consolidated statement of changes in equity

STATEMENT OF CHANGES IN EQUITY 1/1–30/6/2020 in EUR 1,000	Subscribed capital	Fixed reserves[1]	Retained earnings (incl. profit for the period)
as of 1/1/2020	**172,659.5**	**29,620.4**	**29,975.5**
Profit for the period	0.0	0.0	11,950.0
Changes in assets at fair value through other comprehensive income	0.0	0.0	0.0
Valuation of assets at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Recycling of assets at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Change in actuarial gains/losses	0.0	0.0	0.0
Changes in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Total	**0.0**	**0.0**	**11,950.0**
Capital increase	0.0	0.0	0.0
Profit distribution	0.0	0.0	0.0
Appropriation to fixed reserves	0.0	62.2	-62.2
as of 30/6/2020	**172,659.5**	**29,682.6**	**41,863.4**

1 The fixed reserves include statutory retained earnings of TEUR 7,277.1, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 15,573.7 and fixed capital reserves of the parent company of TEUR 6,831.8.

STATEMENT OF CHANGES IN EQUITY 1/1–30/6/2019 in EUR 1,000	Subscribed capital	Fixed reserves[1]	Retained earnings (incl. profit for the period)
as of 1/1/2019	**159,491.3**	**17,868.2**	**5,367.9**
Profit for the period	0.0	0.0	11,271.0
Changes in assets at fair value through other comprehensive income	0.0	0.0	0.0
Valuation of assets at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Recycling of assets at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Change in actuarial gains/losses	0.0	0.0	0.0
Changes in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Total	**0.0**	**0.0**	**11,271.0**
Capital increase	13,168.2	6,831.8	0.0
Profit distribution	0.0	0.0	0.0
Appropriation to fixed reserves	0.0	2,946.0	-2,946.0
as of 30/6/2019	**172,659.5**	**27,646.0**	**13,692.8**

1 The fixed reserves include statutory retained earnings of TEUR 5,761.9, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 15,052.2 and fixed capital reserves of the parent company of TEUR 6,831.8.

Reserve for assets at fair value through other comprehensive income[2]	Actuarial gains/losses IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Total capital
109,611.9	**1,151.3**	**343,018.6**	**164.2**	**343,182.8**
0.0	0.0	11,950.0	23.4	11,973.4
-5,056.2	0.0	-5,056.2	0.0	-5,056.2
-5,123.5	*0.0*	*-5,123.5*	*0.0*	*-5,123.5*
67.3	*0.0*	*67.3*	*0.0*	*67.3*
0.0	0.0	0.0	0.0	0.0
-249.8	0.0	-249.8	0.0	-249.8
-5,306.0	**0.0**	**6,644.0**	**23.4**	**6,667.4**
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	-51.4	-51.4
0.0	0.0	0.0	0.0	0.0
104,305.9	**1,151.3**	**349,662.6**	**136.2**	**349.798.8**

2 As of 30/6/2020, the reserves for assets at fair value through other comprehensive income included deferred taxes of TEUR -34,768.6.

Reserve for assets at fair value through other comprehensive income[2]	Actuarial gains/losses IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Total capital
110.364.1	**1,505.8**	**294,597.2**	**164.8**	**294,762.0**
0.0	0.0	11,271.0	35.8	11,306.7
-61.3	0.0	-61.3	0.0	-61.3
-725.4	*0.0*	*-725.4*	*0.0*	*-725.4*
664.1	*0.0*	*664.1*	*0.0*	*664.1*
0.0	-466.3	-466.3	-11.9	-478.2
0.0	0.0	0.0	0.0	0.0
-61.3	**-466.3**	**10,743.4**	**23.9**	**10,767.2**
0.0	0.0	20,000.0	0,0	20,000.0
0.0	0.0	0.0	-55.9	-55.9
0.0	0.0	0.0	0.0	0.0
110,302.8	**1,039.5**	**325,340.5**	**132.9**	**325,473.4**

2 As of 30/6/2019, the reserves for assets at fair value through other comprehensive income included deferred taxes of TEUR 36,119.7.

Consolidated statement of cash flows

The consolidated statement of cash flows shows the status quo and the change of cash items of the Kommunalkredit Group. The cash and cash equivalents reported include, clearly differentiated, the cash on hand and balances with central banks.

CASHFLOW STATEMENT in EUR 1,000	1/1–30/6/2020	1/1–30/6/2019
Consolidated profit for the year after tax	**11,973.4**	**11,306.7**
Non-cash items included in the profit for the year and reconciliation to cash flow from operating activities		
Depreciation and amortisation/reversals of depreciation and amortisation on property, plant and equipment and intangible assets	707.9	677.3
Appropriation to/release of provisions and risk provisions	883.3	1,051.6
Non-realised gains/losses from exchange rate fluctuations	-4.9	-4.0
Gains/losses from the valuation of financial assets and gains from the buyback of own issues	1,656.9	1,932.3
Income tax deferrals	5,611.5	-730.0
Non-cash deferrals/accruals and other adjustments	4,024.1	-2,295.5
Sub-total	**24,852.2**	**11,938.4**
Change in assets and liabilities from operating activities after correction for non-cash items		
Loans and advances to banks	-63,607.3	-48,059.5
Loans and advances to customers	-75,529.0	-15,128.2
Assets at fair value through other comprehensive income	79,640.4	-100,179.6
Assets at fair value through profit or loss	-36,861.9	-116,205.2
Derivatives and portfolio hedge	31,781.8	25,774.3
Other assets from operating activities	-7,347.7	2,953.5
Amounts owed to banks	28,608.2	27,509.4
Amounts owed to customers	267,655.4	173,391.7
Securitised liabilities	-71,812.4	-37,356.8
Other liabilities from operating activities	-4,858.1	11,297.3
Cash flow from operating activities	**172,521.6**	**-64,064.6**
Proceeds from the sale/redemption of property, plant and equipment and intangible assets	0.0	0.0
Payments for the acquisition of property, plant and equipment and intangible assets	-87.7	-43.2
Cash flow from investing activities	**-87.7**	**-43.2**
Cash inflow from capital increases / cash outflow from capital reductions	0.0	20,000.0
Dividend payments attributable to the owners of the parent	0.0	0.0
Dividend payments attributable to non-controlling interests	-51.4	0.0
Change in funds from other financing activities (subordinated capital)	454.3	2,661.8
Cash outflow from repayments on lease liabilities	-7.9	0.0
Cash flow from financing activities	**395.1**	**22,605.9**
Cash and cash equivalents at the end of the previous period	**462,613.8**	**314,408.9**
Cash flow from operating activities	172,521.6	-64,064.6
Cash flow from investing activities	-87.7	-43.2
Cash flow from financing activities	395.1	22,605.9
Cash and cash equivalents at the end of the period	**635,442.7**	**272,907.6**
of which cash flows contained in cash flow from operating activities:		
Interest received	*68,175.7*	*79,047.8*
Interest paid	*-38,566.4*	*-48,971.8*
Income taxes paid	*103.1*	*77.5*
Dividends received	*302.0*	*0.0*

Selected explanatory notes on the interim consolidated financial statements

1. General principles

These interim consolidated financial statements of the Kommunalkredit Group were produced based on all obligatory International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committees (IFRICs and SICs) approved and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

These interim consolidated financial statements for the period from 1 January to 30 June 2020 are in line with IAS 34 ("Interim Financial Reporting") and were subject to review by the auditor. The interim consolidated financial statements do not contain all the information and disclosure requirements required by the consolidated financial statements and must therefore be read in conjunction with the consolidated financial statements of the Kommunalkredit Group for 2019. The accounting and valuation methods used in the interim consolidated financial statements are consistent with those used for the 2019 consolidated financial statement.

2. Other information

a. Scope of consolidation

The scope of consolidation of the Kommunalkredit Group has not changed since 31 December 2019 and encompasses, as of 30 June 2020, the following companies in addition to the parent company Kommunalkredit:

NAME AND REGISTERED OFFICE	FINANCIAL STATEMENT DISCLOSURES			
	Investment		Share in capital 30/6/2020 in %	Share in capital 31/12/2019 in %
	direct	indirect		
1. Affiliated companies				
Fully consolidated affiliated companies				
Kommunalkredit Public Consulting GmbH, Vienna	x		90.0%	90.0%
Kommunalkredit KBI Immobilien GmbH, Vienna	x		100.0%	100.0%
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	x		100.0%	100.0%
Kommunalkredit TLI Immobilien GmbH & Co KG, Vienna		x	100.0%	100.0%
Fidelio KA Beteiligung GmbH, Germany	x		85.0%	85.0%
Fidelio KA Infrastructure Opportunities Fund GP S. à r. l., Luxembourg		x	85.0%	85.0%
Fidelio KA Investment Advisory GmbH, Germany		x	85.0%	85.0%
Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF, Luxembourg		x	85.0%	85.0%
2. Associates				
Associates included using the equity method*				
Kommunalleasing GmbH, Vienna	x		50.0%	50.0%

* For reasons of materiality, Kommunalkredit's 45.0% investment in Kommunalnet E-Government Solutions GmbH is not recognised as an associate using the equity method, but is reported under assets recognised at fair value through other comprehensive income.

b. Securitised liabilities

In the reporting period, Kommunalkredit redeemed securitised liabilities in the amount of TEUR 50,100.4 (1/1–30/6/2019: TEUR 29,612.1) at maturity according to schedule, and bought back/prematurely redeemed securitised liabilities with a value of TEUR 19,761.4 (1/1–30/6/2019: TEUR 21,454.1).

c. Total capital

There was no distribution of dividends in the first half of 2020. In order to further strengthen the capital base, Kommunalkredit's profit for the year in 2019 under Austrian GAAP of TEUR 30,303.1 was retained in its entirety to increase the total capital.

d. Development of result

The profit for the period after tax was up by 5.9% in a year-on-year comparison to TEUR 11,973.4 (H1 2019: TEUR 11,306.7), while the EBIT rose by 25,3% to TEUR 19,024.1 (H1 2019: TEUR 15,184.4).

The positive development of the result is due primarily to the improvement in net interest income and net fee and commission income, mainly as a result of the further expansion of the infrastructure and energy business.

The Kommunalkredit Group's net provisioning for impairment losses came to TEUR -1,011.9 (H1 2019: TEUR -535.3) and reflects the increase in loan loss provisions on the basis of the statistically calculated provisions for expected losses. This increase was driven primarily by adjustments to the probability of default in connection with COVID-19.

Further details on the development of the result are set out in the management report.

e. Revenue from contracts with customers

Kommunalkredit receives fee and commission income from various services that it provides for its customers. This is reported under net fee and commission income. The fee and commission income of TEUR 14,237.8 (H1 2019: TEUR 11,775.1) was largely shaped by the revenue from Kommunalkredit Public Consulting GmbH (KPC) in relation to the management of support programmes and consultancy business amounting to TEUR 7,277.7 (H1 2019: TEUR 7,271.7). Fee and commission income from the lending business came to TEUR 5,516.4 (H1 2019: TEUR 3,951.2) and mostly includes fees related to the new lending business. These primarily include commission and transaction-related fees concerning financial instruments measured at fair value through profit or loss. Income from other service business in the amount of TEUR 1,443.7 (H1 2019: TEUR 552.2) is also included.

f. Impact of COVID-19 on risk provisions

COVID-19 prompted an ad hoc evaluation of, and update to, the IFRS 9 probabilities of default (PDs), which serve as the basis for calculating ECL (expected credit loss), in the first half of 2020. The model evaluation did not result in any need to change the methodology used, and the definition of the macroeconomic scenarios, including their weightings, also remained unchanged.

One key driver of the IFRS 9 PDs, however, is the development in macroeconomic input parameters. As a result, the weaker macroeconomic environment due to COVID-19 (first and foremost the drop in GDP, increase in the unemployment rate) pushed the IFRS 9 PDs up again, prompting a further increase in the ECL.

In addition, there were individual rating downgrades in the infrastructure portfolio in the first half of 2020 due to COVID-19, primarily affecting financing that involved market or transport risks, which have a negative impact on the ECL. Nevertheless, loans in the infrastructure portfolio were serviced in a due and proper manner.

In the Austrian municipal authorities' portfolio/portfolio with close links to municipal authorities, there were isolated deferrals due to temporary liquidity bottlenecks (loan volume of EUR 24.7m, deferred interest and redemption payments of EUR 1.2m). There were no long-term financial difficulties/deteriorations in credit ratings as of 30 June 2020.

Risk provisions increased by 22.1% or TEUR 1,011.9 in the period from 1 January to 30 June 2020 to TEUR 5,593.2. TEUR 846.0 of this increase was due to the adjustments made to the IFRS 9 PDs, while TEUR 165.9 can be traced back to rating changes, new business and syndication agreements.

This means that the loan portfolio is solid overall and there was no significant increase in the risk of default (SICR) or level transfer in the first half of 2020. As of 30 June 2020, there were still two Level 2 exposures with a total amount of EUR 20.6m.

g. Contingent liabilities

Contingent liabilities as of 30 June 2020 are presented as follows:

in EUR 1,000	30/6/2020	31/12/2019
Contingent liabilities: Sureties and guarantees	3,295.0	3,806.5
Other obligations: Credit lines and promissory notes	339,827.6	407,737.1

h. Legal risks

Immediately prior to the spin-off of Kommunalkredit to form a new company on 26 September 2015 and the merger of the remaining part of the former Kommunalkredit Austria AG (former KA) with KA Finanz AG (as the absorbing company), compensation was paid to the holders of participation capital at Kommunalkredit which bore interest at a rate of 8% of the nominal value p.a. assuming sufficient coverage by distributable annual profit. A former holder of participation capital claims that this constitutes the unlawful termination of participation capital and is asserting a claim for damages of EUR 25.2m plus interest against Kommunalkredit and KA Finanz AG, as jointly and severally liable parties, in a legal dispute pending in the first instance or, in the alternative, the granting of commercially equivalent rights in Kommunalkredit since 26 September 2015 based on a nominal value of EUR 22.3m, or a ruling establishing the continuation of the participation capital. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income.

Furthermore, KA Finanz AG has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

i. Other obligations

As opposed to the 2019 interim period, there were no relevant changes in other obligations.

j. Development of regulatory total capital

Just as in the previous year, we adhered to the statutory total capital requirements at all times throughout the reporting year. These included a capital conservation buffer, countercyclical capital buffer and premium from the supervisory review and evaluation process (SREP). Operational monitoring and management takes the form of not only ongoing monitoring activities but also monthly reports to the Executive Board.

Regulatory group of credit institutions
Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere), which holds 100% of Gesona. Gesona owns 99.80% of Kommunalkredit's equity. Given that both Satere and Gesona are classified as financial holding companies as defined by CRR, Kommunalkredit – as per article 11 (2) and (3) CRR – is the only credit institution obliged to fulfil the requirements of consolidated position specified in Parts 2 to 4 (Own funds, Capital Requirements, Large Exposures), Part 6 (Liquidity), Part 7 (Debt) and Part 8 (Disclosure) CRR. Kommunalkredit also meets the definition of a superordinate credit institution pursuant to § 30 (5) of the Austrian Banking Act, which is responsible for compliance with the provisions of the Austrian Banking Act applicable to groups of credit institutions.

In addition to Satere, Gesona and Kommunalkredit, the regulatory group of credit institutions also includes Kommunalkredit KBI Immobilien GmbH, Kommunalkredit KBI Immobilien GmbH & Co KG and Kommunalkredit TLI Immobilien GmbH & Co KG as providers of additional services.

Total capital and the total capital requirements of the group of credit institutions pursuant to the Austrian Banking Act, calculated in accordance with CRR, show the following structure and development; interim results from the first half of 2020 were not included:

BASIS FOR CALCULATION in EUR 1,000	pursuant to Art. 92 CRR **30/6/2020**	pursuant to Art. 92 CRR **31/12/2019**
Total risk exposure amount pursuant to Art. 92 CRR	**1,697,492.8**	**1,671,045.2**
of which credit risk	*1,551,546.3*	*1,539,779.1*
of which operational risk	*132,852.2*	*116,693.8*
of which CVA charge	*13,010.4*	*14,445.6*
of which default fund of a qualifying counterparty	*83.8*	*126.7*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	**30/6/2020**	**31/12/2019***
Common equity tier 1 after deductible items (CET 1)	307,445.5	307,336.4
Tier 2 capital after deductible items	50,398.1	52,889.9
Total capital (tier 1 and tier 2)	**357,843.7**	**360,226.3**
Total capital ratio	21.1 %	21.6 %
CET 1 ratio	18.1 %	18.4 %

* 2019 values take into consideration the full retention of the 2019 profit for the year.

Regulatory total capital of Kommunalkredit Austria AG
The total capital reported according to the requirements set out by CRR and the capital requirements pertaining to the income statement of Kommunalkredit as per the Austrian GAAP show the following structure and development; interim results from the first half of 2020 were not included:

BASIS FOR CALCULATION in EUR 1,000	pursuant to Art. 92 CRR **30/6/2020**	pursuant to Art. 92 CRR **31/12/2019**
Total risk exposure amount pursuant to Art. 92 CRR	**1,701,915.8**	**1,675,668.2**
of which credit risk	*1,557,282.7*	*1,545,515.6*
of which operational risk	*131,538.8*	*115,580.3*
of which CVA charge	*13,010.4*	*14,445.6*
of which default fund of a qualifying counterparty	*83.8*	*126.7*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	**30/6/2020**	**31/12/2019***
Common equity tier 1 after deductible items (CET 1)	313,730.1	313,620.9
Tier 2 capital after deductible items	50,398.1	52,889.9
Total capital (tier 1 and tier 2)	**364,128.2**	**366,510.8**
Total capital ratio	21.4%	21.9%
CET 1 ratio	18.4%	18.7%

* 2019 values take into consideration the full retention of the 2019 profit for the year.

k. Categories of financial instruments

In accordance with requirement to distinguish between groups of financial instruments, the Kommunalkredit Group categorises financial instruments as presented in the following table. The book values and attributive fair values per category can also been found in the table.

The calculation of the fair values of financial instruments not recognised at fair value takes place based on the fair value hierarchy described above. The calculation of fair value uses maturity-, rating- and instrument-specific measurement parameters in connection with standard valuation methods in line with IFRS 13.

The maximum credit risk for each category of financial instruments matches the carrying amounts shown in the table. The maximum credit risk for financial guarantees and irrevocable credit commitment corresponds to the nominal values of TEUR 3,295.0 (31/12/2019: TEUR 3,806.5) and TEUR 339,827.6 (31/12/2019: TEUR 407,737.1) respectively.

The values as of 30 June 2020 are as follows:

CATEGORIES 30/6/2020 in EUR 1,000	Cash and balances with central banks	At amortised cost	At fair value through other comprehensive income
Assets			
Cash and balances with central banks	635,441.3	0.0	0.0
Loans and advances to banks	0.0	345,759.8	0.0
Loans and advances to customers	0.0	1,865,075.7	0.0
Assets recognised at fair value through other comprehensive income	0.0	0.0	1,201,667.4
Assets at fair value through profit or loss	0.0	0.0	0.0
Derivatives	0.0	0.0	0.0
Liabilities			
Amounts owed to banks	0.0	519,867.9	0.0
Amounts owed to customers	0.0	2,149,886.7	0.0
Derivatives	0.0	0.0	0.0
Securitised liabilities	0.0	1,193,393.7	0.0
Subordinated liabilities	0.0	67,509.3	0.0

The values as of 31 December 2019 are as follows:

CATEGORIES 31/12/2019 in EUR 1,000	Cash and balances with central banks	At amortised cost	At fair value through other comprehensive income
Assets			
Cash and balances with central banks	462,613.8	0.0	0.0
Loans and advances to banks	0.0	282,138.9	0.0
Loans and advances to customers	0.0	1,790,149.7	0.0
Assets recognised at fair value through other comprehensive income	0.0	0.0	1,280,575.1
Assets at fair value through profit or loss	0.0	0.0	0.0
Derivatives	0.0	0.0	0.0
Liabilities			
Amounts owed to banks	0.0	487,210.5	0.0
Amounts owed to customers	0.0	1,876,254.5	0.0
Derivatives	0.0	0.0	0.0
Securitised liabilities	0.0	1,272,827.2	0.0
Subordinated liabilities	0.0	68,536.4	0.0

At fair value through profit or loss	At fair value through profit or loss: mandatory	Derivatives designated as hedging instruments	Carrying amount	Fair value
0.0	0.0	0.0	635,441.3	635,441.3
0.0	0.0	0.0	345,759.8	344,547.6
0.0	0.0	0.0	1,865,075.7	1,912,747.7
0.0	0.0	0.0	1,201,667.4	1,201,667.4
230,271.0	61,109.0	0.0	291,380.0	291,380.0
11,573.5	0.0	140,749.2	152,322.7	152,322.7
0.0	0.0	0.0	519,867.9	518,932.6
0.0	0.0	0.0	2,149,886.7	2,096,149.8
45,463.7	0.0	184,073.7	229,537.4	229,537.4
0.0	0.0	0.0	1,193,393.7	1,165,521.8
0.0	0.0	0.0	67,509.3	63,287.8

At fair value through profit or loss	At fair value through profit or loss: mandatory	Derivatives designated as hedging instruments	Carrying amount	Fair value
0.0	0.0	0.0	462,613.8	462,613.8
0.0	0.0	0.0	282,138.9	282,085.0
0.0	0.0	0.0	1,790,149.7	1,872,697.8
0.0	0.0	0.0	1,280,575.1	1,280,575.1
215,874.2	38,783.1	0.0	254,657.3	254,657.3
12,941.4	0,0	172,013.2	184,954.6	184,954.6
0.0	0.0	0.0	487,210.5	487,259.2
0.0	0.0	0.0	1,876,254.5	1,852,840.6
47,896.8	0.0	171,640.5	219,537.3	219,537.3
0.0	0.0	0.0	1,272,827.2	1,259,477.3
0.0	0.0	0.0	68,536.4	62,731.1

I. Disclosures relating to fair value measurement (fair value hierarchy)

In general, the methods used to measure fair value can be classified in three categories:

Level 1: There are quoted prices in an active market for identical financial instruments. The bid quotes for assets in this hierarchy level are obtained from Bloomberg or Reuters.
Level 2: The input factors for the valuation can be observed in the market. This category includes the following price determination methods:

- Price determination based on comparable securities
- Price determination through spreads derived from market data (benchmark spreads)

Level 3: The input factors cannot be observed in the market. This includes, in particular, prices based mainly on the estimates of experts and/or that contain non-observable data. Level 3 financial instruments are measured by means of an internal model based on the present value method. Cash flows are discounted on the basis of current yield curves, taking credit spreads into account.

Financial instruments recognised at fair value
The following table shows the breakdown of financial instruments recognised at fair value by category of financial instruments according to the fair value hierarchy:

CARRYING AMOUNTS for financial instruments recognised at fair value in EUR 1,000	30/6/2020			
	Level 1	Level 2	Level 3	Total
Assets				
At fair value through other comprehensive income	25,609.6	744,713.3	431,344.5	**1,201,667.4**
At fair value through profit or loss	0.0	60,481.8	181,362.8	**241,844.5**
At fair value through profit or loss: mandatory	0.0	0.0	61,109.0	**61,109.0**
Liabilities				
At fair value through profit or loss (derivatives only)	0.0	45,463.7	0.0	**45,463.7**
Derivatives designated as hedging instruments				
Derivatives designated as hedging instruments (from asset-side positions)	0.0	140,749.2	0.0	**140,749.2**
Derivatives designated as hedging instruments (from liability-side positions)	0.0	-184,073.7	0.0	**-184,073.7**

As of 30 June 2020, Kommunalkredit had Level 3 financial assets measured at fair value in the amount of TEUR 673,816.3 (31/12/2019 : TEUR 644,295.2). The Level 3 classification concerns infrastructure and energy financing and is based on the non-observability of the credit spreads required for the discounted cash flow method.

An adjustment was made to the level assignment in the current reporting period, and the comparative figure from the previous year was adjusted accordingly. In the past, all infrastructure and energy financing was classified as Level 3. From now on, those infrastructure and energy financings whose credit spreads are calculated based on benchmark bonds will be reported under Level 2.

The adjusted values compared to the previous year are as follows:

CARRYING AMOUNTS for financial instruments recognised at fair value in EUR 1,000	31/12/2019			
	Level 1	Level 2	Level 3	Total
Assets				
At fair value through other comprehensive income	26,154.8	782,035.7	472,384.6	**1,280,575.1**
At fair value through profit or loss	50,024.0	45,664.0	133,127.6	**228,815.6**
At fair value through profit or loss: mandatory	0.0	0.0	38,783.1	**38,783.1**
Liabilities				
At fair value through profit or loss (derivatives only)	0.0	47,896.8	0.0	**47,896.8**
Derivatives designated as hedging instruments				
Derivatives designated as hedging instruments (from asset-side positions)	0.0	172,013.2	0.0	**172,013.2**
Derivatives designated as hedging instruments (from liability-side positions)	0.0	-171,640.5	0.0	**-171,640.5**

The following table shows a reconciliation table of financial instruments recognised at fair value included in Level 3 of the valuation hierarchy:

RECONCILIATION **of financial instruments measured at fair value** in EUR 1,000	**1/1–30/6/2020**
as of 1/1/2020	640,055.5
Additions/disbursements	202,717.0
Sold/redeemed	-177,891.3
Total gains and losses	
recognised in other comprehensive income	1,817.1
recognised in profit or loss (net interest income)	6,896.6
recognised in profit or loss (net result of asset valuation and realised gains and losses)	221.4
as of 30/6/2020	**673,816.3**

The adjusted values compared to the previous year are as follows:

RECONCILIATION **of financial instruments measured at fair value** in EUR 1,000	**1/1–31/12/2019**
as of 1/1/2019	328,150.1
Additions/disbursements	461,229.8
Sold/redeemed	-162,374.8
Total gains and losses	
recognised in other comprehensive income	5,133.9
recognised in profit or loss (net interest income)	9,682.8
recognised in profit or loss (net result of asset valuation and realised gains and losses)	-1,766.3
as of 30/6/2019	**640,055.5**

Financial instruments not recognised at fair value
The breakdown of categories of fair values of financial instruments not recognised at fair value is as follows:

FAIR VALUES of financial instruments not recognised at fair value in EUR 1,000	30/6/2020		
	Level 1	Level 2	Level 3
Assets at amortised cost	414,785.3	1,500,367.8	342,140.9
Liabilities at amortised cost	0.0	3,830,134.6	13,757.4

An adjustment was made to the level assignment in the current reporting period, and the comparative figure from the previous year was adjusted accordingly. In the past, all infrastructure and energy financing was classified as Level 3. From now on, those infrastructure and energy financings whose credit spreads are calculated based on benchmark bonds will be reported under Level 2.

The adjusted values compared to the previous year are as follows:

FAIR VALUES of financial instruments not recognised at fair value in EUR 1.000	31/12/2019		
	Level 1	Level 2	Level 3
Assets at amortised cost	398,947.8	1,423,774.7	332,060.2
Liabilities at amortised cost	0.0	3,647,523.1	14,785.2

m. Significant events after the balance sheet date

No significant events arose between the balance sheet date of 30 June 2020 and the publication of this half-year report.

n. Related party disclosures

Transactions with affiliated companies and people are executed under the same conditions as transactions with independent business partners.

Ownership structure

Name of the company	Relationship with Kommunalkredit	Registered office	Shares held
Gesona Beteiligungsverwaltung GmbH	Direct parent	Vienna, Austria Comp.Reg.no 428969m	99,80 % in Kommunalkredit
Satere Beteiligungsverwaltungs GmbH	Controlling parent company	Vienna, Austria Comp.Reg.no 428981f	100 % in Gesona

Satere Beteiligungsverwaltungs GmbH (Satere) is owned by Interritus Limited (Interritus) and Trinity Investments Designated Activity Company (Trinity), who hold 55% and 45%, respectively, unchanged as of 31 December 2019; the two companies exercise joint control over Satere through contractual agreements. Satere thus qualifies as a joint venture according to IFRS 11 and is classified as the controlling parent company of the Kommunalkredit Group.

Kommunalkredit assumes the fiduciary administration of loans for a related party of Trinity under a framework agreement. As of 30 June 2020, positions of EUR 314.3m (31/12/2019: EUR 314.1m) are held in trust on the basis of an trust agreement; as Kommunalkredit has no rights or obligations relative to the underlying lending business, the criteria for balance sheet recognition do not apply. In the interim period, the fiduciary administration of these transactions generated fee and commission income of TEUR 585.4 (1/1–30/6/2019: TEUR 552.1). As of 30 June 2020, there are open balances of TEUR 422.0 (31/12/2019: TEUR 582.1) resulting from this contract, which are reported under “Other assets”.

Tax group
Effective as of 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 30 June 2020 include Gesona, Kommunalkredit and Kommunalkredit Public Consulting GmbH (KPC).

Relationships with associates
The following positions exist for communal lending using the equity method:

- Loans receivable of TEUR 30,515.4 (31/12/2019: TEUR 32,886.2); these resulted in interest income of TEUR 15.4 (H1 2019: TEUR 7.8)
- Contingent liabilities in the form of liabilities in the unchanged amount of TEUR 1,350.0
- Other off-balance sheet liabilities in the form of promissory notes of TEUR 1,266.4 (31/12/2019: TEUR 1,374.2)

Transactions with key management personnel
Key management personnel are people with direct or indirect authority and responsibility for the planning, management and supervision of activities at Kommunalkredit. Kommunalkredit considers the members of the Executive Board and the Supervisory Boards to be key management personnel.

There is a company that holds a capital interest of 15% in Fidelio KA Beteiligung GmbH; this company is within the range of influence of an Executive Board member of Kommunalkredit and a close relative. Fidelio KA Beteiligung GmbH was established for the purpose of acquiring and holding participating interests, among others in the fields of business of alternative investment funds, asset management and advisory; it holds participating interests in Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. By way of an assignment agreement dated 3 July 2020, Kommunalkredit Austria AG transferred a further 10% of the shares in Fidelio KA Beteiligung GmbH to a company that falls within the sphere of influence of an Executive Board member.

As of 30 June 2020, just like as of 31 December 2019, there were no outstanding loans/advances to members of the Executive Board or to members of the Supervisory Board, and there were no liabilities with Kommunalkredit for them either.

Furthermore, there were no business relationships nor balances open during the interim period between Kommunalkredit and the members of the Executive and Supervisory Boards as of the reporting date.

3. Segment reporting

The business activities of the Kommunalkredit Group unfold primarily in the area of municipal and infrastructure-related project financing as well as in the management of support programmes for the Republic of Austria. The bank's activities are concentrated in a single business segment, the results of which are reported regularly to the Executive Board and the Supervisory Board in the form of the consolidated financial statements prepared according to IFRS. The disclosures relating to the business segment are presented in the statement of financial position (IFRS) and the income statement of the Group. Reconciliation is therefore not required.

Vienna, 21 August 2020

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board

Statement by the legal representatives

We hereby **confirm** to the best of our knowledge that the **interim consolidated financial statements** prepared in accordance with the relevant accounting standards present a true and fair view of the assets, the financial position and the income of the Group, and that the Group Management Report for the first half of the year conveys a true and fair view of the assets, the financial position and the income of the Group with regard to the main events during the first six months of the financial year and their impact on the interim consolidated financial statements, as well as with regard to the essential risks and uncertainties for the remaining six months of the financial year.

Vienna, 21 August 2020

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board

Report on the Review of the condensed Interim Consolidated Financial Statements

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Kommunalkredit Austria AG, Vienna, for the period from 1 January 2020 to 30 June 2020. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of 30 June 2020 and the condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the interim consolidated management report for the 6 month period ended 30 June 2020 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the interim consolidated management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 21 August 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed
Bernhard Mechtler
Engagement Partner
Wirtschaftsprüfer
(Austrian Chartered Accountant)

We draw attention to the fact that the english translation of this review report is presented for the convenience of the reader only and that the german wording is the only legally binding version.

Appendix:
Figures of Kommunalkredit Austria AG according to Austrian Reporting Regulations

Statement of financial position of Kommunalkredit Austria AG according to Austrian reporting regulations

Assets in EUR 1,000	**30/6/2020**	**31/12/2019**
Cash on hand, balances with central banks	635,440.9	462,612.8
Debt securities from public issuers that are eligible for refinancing at the central bank	173,557.0	160,039.0
Loans and advances to banks	176,323.3	113,404.4
Loans and advances to customers	2,563,652.1	2,577,990.5
Bonds and other fixed-income securities	327,168.7	322,941.4
Shares and other non-fixed-income securities	0.0	50,024.0
Equity participations	23,964.1	23,964.1
Shares in subsidiaries	32,543.4	32,671.1
Non-current intangible assets	199.6	246.6
Property, plant and equipment	2,551.5	2,590.2
Other assets	24,162.5	40,614.7
Accruals/deferrals	6,065.6	5,885.5
Deferred tax assets	10,593.9	9,834.8
Total assets	**3,976,222.7**	**3,802,819.1**

Equity and liabilities in EUR 1,000	**30/6/2020**	**31/12/2019**
Amounts owed to banks	520,357.0	487,373.7
Amounts owed to customers	1,923,511.7	1,732,320.5
Securitised liabilities	1,084,838.4	1,137,195.5
Other liabilities	25,920.7	30,338.1
Accruals/deferrals	11,655.1	12,501.9
Provisions	18,775.8	21,696.6
Fund for general banking risks	40,000.0	40,000.0
Additional tier 1 capital under Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013	66,043.8	67,525.2
Subscribed capital	172,659.5	172,659.5
Fixed capital reserves	6,831.8	6,831.8
Retained earnings	68,277.1	68,277.1
Risk reserve under § 57 (5) Austrian Banking Act	15,573.7	15,511.5
Net profit	21,778.2	10,587.7
of which profit carried forward	*10,587.7*	*205.0*
of which profit for the period (after appropriation to reserves)	*11,190.6*	*10,382.6*
Total equity and liabilities	**3,976,222.7**	**3,802,819.1**

Regulatory capital ratios of Kommunalkredit Austria AG according to CRR

in EUR 1,000 or %	**30/6/2020**	**31/12/2019**
Total risk exposure amount pursuant to Art. 92 CRR	1,701,915.8	1,675,668.2
Common equity tier 1 after deductible items (CET 1)	313,730.1	313,620.9
Own funds (tier 1 and tier 2)	364,128.2	366,510.8
Total capital ratio	21.4%	21.9%
CET 1 ratio	18.4%	18.7%

Income statement of Kommunalkredit Austria AG according to Austrian reporting regulations

in EUR 1,000	1/1 – 30/6/2020	1/1 – 30/6/2019
Net interest income	**23,902.8**	**21,690.9**
Income from investments	764.5	1,609.4
Net fee and commission income	6,779.2	6,379.5
Income from financial transactions	12.1	-4.0
Other operating income	1,302.9	2,869.6
of which general administrative expenses re-invoiced to KF/KPC	*1,201.2*	*2,720.4*
Operating income	**32,761.5**	**32,545.4**
General administrative expenses	**-22,706.9**	**-21,947.3**
Personnel expenses	-13,705.6	-12,758.8
Other administrative expenses (non-personnel)	-7,236.4	-7,573.7
Bank Resolution Fund	-1,764.8	-1,614.8
Depreciation of property, plant and equipment	-181.7	-244.0
Other operating expenses	-327.3	-302.4
of which bank stability tax	*-327.3*	*-302.4*
Operating expenses	**-23,215.8**	**-22,493.7**
Operating result	**9,545.7**	**10,051.7**
Net result of valuations and realised gains and losses	985.0	3,655.6
of which realised from the early redemption of own issues	*3,209.0*	*4,098.9*
of which realised / valuation from securities, loans and derivatives	*-1,198.1*	*1,601.3*
of which change in valuation allowances	*-1,025.9*	*-2,044.7*
Profit on ordinary activities	**10,530.7**	**13,707.3**
Taxes on income	742.6	952.4
Other taxes	-20.5	-15.3
Net profit for the period	**11,252.7**	**14,644.4**

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