



INTERIM FINANCIAL REPORT
OF KOMMUNALKREDIT GROUP

2016

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INFRA BANKING EXPERTS
AUSTRIA'S BANK FOR INFRASTRUCTURE

**KOMMUNAL
KREDIT**

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INTERIM MANAGEMENT REPORT

Economic framework

The performance of the global economy remained sluggish throughout the first half of 2016 and fell short of the expectations underlying earlier projections. This development was marked, above all, by downward trends shown in economic data from the USA and China, as well as by uncertainty in the European Union (EU) in the context of Great Britain's referendum on EU membership ("Brexit").

Despite the monetary policy measures taken by the European Central Bank (ECB) to stimulate economic activity (quantitative easing), and the low raw material prices, the growth of GDP (gross domestic product) in the euro area remained muted in the first quarter of 2016. Seasonally adjusted, real GDP grew at a rate of 0.6% in the euro area (0.8% in Austria), compared with the previous period. In contrast, the US economy started the year at a more dynamic pace, growing initially at a rate of 1.1%.

The trends in the real economy continue to receive support from measures taken at central bank level, especially by the ECB and the US Federal Reserve System (Fed), but also by the central banks of China and Japan. In March 2016, the ECB decided to step up its asset purchase programme (APP), which had been launched in March 2015 to stimulate the economy and reach the inflation target of 2% p.a., from EUR 60 billion to EUR 80 billion per month. In addition to the types of assets originally agreed, the central banks of the euro system have now extended their purchase programmes to include corporate bonds (Corporate Sector Purchase Programme – CSPP) with adequate ratings (i.e. at least BBB-). Previous restrictions on the purchase of bonds issued by supranational institutions were relaxed. Moreover, in March 2016 the ECB's key lending rate was reduced from 0.05% to a record low of 0% p.a.; at the same time, the ECB changed its negative deposit rate from -0.3% to -0.4%. In June 2016, for the first time, banks were offered the possibility of borrowing money from the ECB at the current key lending rate within the framework of the ECB's new series of targeted longer-term financing operations, which will run until March 2017 (TLTRO II); loans in a total volume of EUR 399.3 billion were taken out, most of them serving to prolong existing liabilities from TLTRO I.

These expansionary monetary-policy measures led to further significant interest rate cuts and a noticeable reduction in credit spreads on euro area government bonds. In combination with the prevailing atmosphere of uncertainty in the euro area – not least due to the referendum in the United Kingdom, in which 51.9% of the votes were in favour of Britain leaving the EU ("Brexit") – yields on ten-year German government bonds, for the first time, turned negative in June 2016.

Despite the monetary-policy measures taken by the ECB, inflation in the euro area remained very low, with consumer prices (according to the Harmonized Index of Consumer Prices – HICP) rising by only 0.1% year on year; Austria's inflation rate of 0.6% was substantially above this average.

The expansionary money supply policy in Europe and Asia (interest rate cuts by the Chinese central bank and continued quantitative easing by the Bank of Japan) contrasted with a slight trend to the contrary in the USA. After the Fed increased its key lending rate (the "federal funds rate") to a range of 0.25% to 0.5% on 16 December 2015, further interest rate hikes were considered increasingly unlikely for the rest of 2016. At its meeting in June, the Fed decided to maintain the current range of 0.25% to 0.5%. At the same time, the US federal bankers revised their December interest rate forecast for 2018 downward from 3.3% to 2.4%.

In view of the uncertainties in the wake of “Brexit” and renewed concerns over the financial health of Italian banks, expectations of an economic recovery within the euro area in the short term remain subdued. According to its spring forecast (May 2016), the European Commission (EC) expects an economic growth rate for the euro area of 1.6% in 2016 (February forecast 1.7%). Growth projections for Austria have been revised from 1.7% to 1.5%. The USA is not completely immune to the worldwide mood of uncertainty and also had to revise its original, more optimistic economic growth projections downward by 0.4% to 2.3% in May 2016.

Paradigm change in infrastructure financing

The environment for infrastructure financing in Europe has changed drastically in recent years. This has resulted in a paradigm change. As governments have hit the debt ceiling – currently, the national debt of 17 out of 28 EU Member States exceeds the Maastricht limit of 60% of GDP – the financing of infrastructure investments has become increasingly difficult. This has led, in turn, to a shift from budget financing to project financing. Moreover, new regulatory provisions for banks are making it more difficult for them to hold long-term assets, and the costs of long-term lending have increased significantly. At the same time, the historically low level of capital market yields is compelling investors to broaden their investment universe. In this environment, infrastructure investments represent an attractive asset class that is likely to generate stable cash flows in the long term, with institutional investors benefiting from a more favourable regulatory treatment of equity than in the case of corporate investments.

Demand for infrastructure investments is high, especially in the energy and transport sectors; according to estimates by the European Investment Bank (EIB), approx. EUR 2,000 billion¹ in capital expenditure will be required within the European Union (EU) during the period up to 2020, not counting other important sectors such as waste, waste water and social infrastructure. Special schemes, such as the Juncker Plan initiated in 2015 (European Fund for Strategic Investments / EFSI), through which public and private investments in the real economy in a volume of at least EUR 315 billion are to be mobilized over a period of three years, are intended to help meet this demand and stimulate economic activity.

The bridge function of Kommunalkredit

Relaunch after privatisation

Kommunalkredit Austria AG (Kommunalkredit) was established through the demerger for new incorporation of the former Kommunalkredit Austria AG (KA Old) as of 26 September 2015 and was successfully privatised on 28 September 2015, in accordance with the requirements of the European Commission (EC), General Directorate for Competition.

Since that time, 99.78% of Kommunalkredit has been owned by Gesona Beteiligungsverwaltung GmbH (Gesona), through which the English company Interritus Limited (Interritus) and the Irish company Trinity Investments Limited (Trinity) – via Satere Beteiligungsverwaltung GmbH (Satere) – hold their participations in Kommunalkredit. The remaining 0.22% continues to be held by the Association of Austrian Municipalities.

¹ EIB 2013, Private Infrastructure Finance and Investment in Europe

Strategically supported by its owners, Kommunalkredit has since then been working intensively to expand its banking operations, focusing on the structuring and financing of infrastructure projects and the management of support programmes – the latter via Kommunalkredit Public Consulting (KPC), its 90% subsidiary.

Rethinking infrastructure

Against the background of a significantly changing market environment, as described above, Kommunalkredit has positioned itself as an expert in public-sector-related infrastructure project business. The bank acts as a bridge between project sponsors requiring structuring and financing solutions, on the one hand, and institutional investors (insurance companies, investment funds, etc.) looking for investment opportunities, on the other hand. The bank's direct focus is on project structuring and the financing of the construction phase, whereas long-term finance for the operational phase is provided, above all, by institutional investors, who tend to focus increasingly on asset classes with stable cash flows. In this context, public-sector-related infrastructure projects are an attractive target segment. Serving a broad customer base in Austria and the European core countries, Kommunalkredit concentrates, above all, on projects in the sectors of

- social infrastructure (care homes, health care and educational institutions, administrative buildings),
- transport (commuter transport, road and rail transport), and
- energy & environment (sustainable sources of energy).

Kommunalkredit covers the entire value chain, i.e. project consulting, project structuring and, in particular, financing of the construction phase. In an effort to meet the demand for project finance more effectively, given the limited financial latitude allowed to public budgets due to the need for budget consolidation, the bank also offers alternative forms of finance, e.g. models of availability-based compensation.

This availability-based model is well suited for public-sector projects, such as the construction and/or renovation of public facilities, e.g. schools or kindergartens, as it provides a framework not only for the construction of the facility, but also for its continuous availability over a certain contract term. The facility is planned, financed, built and operated by a special purpose company under private law on behalf of the public-sector principal and in cooperation with a private partner. Thus, availability-based models go beyond pure financing, as they also constitute a method of procurement. The expertise of private partners is used to limit the risk for the public-sector principal. Thus, the private partner assumes not only the construction risk, but also the risk of limited availability, as the compensation to be paid by the public sector-client depends of the fulfilment of a previously agreed set of specifications. Except for the availability-based compensation, models of this type do not count for the European System of Accounts (ESA) and the Maastricht criteria.

Kommunalkredit's bridge function consists in its ability to structure projects in cooperation with public-sector principals and private partners, to design a financing structure, to raise funds for the construction phase and to cover long-term refinancing during project operation together with institutional investors, such as pension funds or insurance companies. These are ideal prerequisites for an accelerated implementation of infrastructure projects. On this basis, Kommunalkredit has been involved in a number of infrastructure projects, such as the construction of a new building for a government ministry, a road rehabilitation and lighting project, and a credit facility for the renovation of a school building, all within the framework of availability-based models, in several European countries.

Business review

Development of business in the first half of 2016

Kommunalkredit recorded a sound development of business in the first half of 2016 (after its privatisation in the autumn of 2015), generating an IFRS mid-year result of EUR 27.5 million after tax.

New business was generated, in particular, through the intensification of existing customer relations and the implementation of measures planned to stimulate business in consulting, structuring and financing for public-sector-related infrastructure projects in line with the bank's overall business strategy. For instance, project finance was provided for wind power plants in Austria and the construction of a building for a government ministry in Germany. Further project financing transactions in the sectors of social infrastructure, energy & environment and transport are being planned. Kommunalkredit also cooperates with project developers on the basis of consultancy contracts.

Through Kommunalkredit Public Consulting (KPC), its 90% subsidiary, Kommunalkredit manages a broad range of support programmes, above all in the fields of environmental protection, water management and energy. In the first half of 2016, funds made available by the federal government and by Austrian provinces in the amount of EUR 150 million were disbursed to over 15,200 projects in the field of environmental protection and climate action, representing a total capital expenditure volume of EUR 782 million. These projects play an important role in stimulating economic activity at regional and local levels. KPC also performed well in its international consulting business, winning new contracts from international financial institutions, such as the EBRD.

Kommunalnet E-Government Solutions GmbH (Kommunalnet), a 45% subsidiary of Kommunalkredit, is the electronic work and information portal and the social network for Austrian local authorities. As at 30 June 2016, Kommunalnet had 13,475 registered users, mainly mayors, executive directors and directors of finance from about 2,000 Austrian local authorities and associations of local authorities. Thus, Kommunalnet has reached a market penetration of 95% in the municipal sector and holds a unique position in the Austrian market.

Balance sheet structure and earnings

Balance sheet structure according to IFRS

As at 30 June 2016, the Kommunalkredit Group reported a slight reduction of its total assets to EUR 3.9 billion, compared with EUR 4.2 billion at the end of 2015. The reduction is due, in particular, to scheduled redemptions of loans and advances to customers and the run-down of demerger-related derivative transactions.

The portfolio of loans to customers, reported under loans and advances to customers and assets at fair value, amounted to EUR 2.5 billion as at 30 June 2016 (31-12-2015: EUR 2.6 billion). The securities portfolio, reported under loans and advances to customers, assets at fair value and assets available for sale, amounted to EUR 598 million (31-12-2015: EUR 661.0 million).

Risk-weighted assets and own funds

In the further development and expansion of its banking operations, Kommunalkredit benefits from a very strong capital position, with regulatory own funds in the amount of EUR 260.0 million as at 30 June 2016 (31-12-2015: EUR 259.9 million) and common equity tier 1 of EUR 195.0 million (31-12-2015: EUR 194.9 million). With total risk-weighted assets of EUR 698.6 million (31-12-2015: EUR 761.8 million), this corresponds to a total capital ratio of 37.2% (31-12-2015: 34.1%) and a CET 1 ratio of 27.9% (31-12-2015: 25.6%); the leverage ratio stands at 5.5% (31-12-2015: 5.0%).

The capital ratios are calculated on the basis of the separate financial statements prepared in accordance with Austrian GAAP (Austrian Company Code/Austrian Banking Act). The standardised approach is used to calculate risk-weighted assets and operational risk.

Funding structure / Liquidity

Kommunalkredit's sound funding structure supports the business profile of the bank. As at 30 June 2016, Kommunalkredit reported a total volume of long-term funding in the amount of EUR 2.8 billion (31-12-2015: EUR 3.0 billion), comprising EUR 1.6 billion in senior unsecured bonds and bonded loans as well as EUR 1.1 billion in public-sector covered bonds (covered bank bonds), the latter based on a well-diversified cover pool with a nominal value of EUR 1.3 billion (84% of which rated AA or higher).

Customer deposits have increased to a satisfactory level, not least through the relaunch of KA Direct, the online asset management platform for local authorities and public-sector-related enterprises. Including deposits by institutional customers, the total volume of deposits held amounted to EUR 70 million as at 30 June 2016. Including long-term customer deposits, amounts owed to customers come to a total of EUR 451.3 million.

Considering the large volume of assets eligible as collateral for funding, the bank's liquidity reserve came to EUR 0.9 billion as at 30 June 2016 (31-12-2015: EUR 1.0 billion). Thus, there was no need for Kommunalkredit to raise funding in the capital market in the first half of 2016, nor is a requirement for capital market funding expected to arise in the course of the year.

The structure of liabilities is as follows:

Table: Liabilities as at 30-06-2016 and 31-12-2015

in EUR billion	30-06-2016	31-12-2015
Securitised liabilities	2.3	2.5
Amounts owed to customers	0.5	0.4
Amounts owed to banks	0.4	0.5

Rating

The DBRS rating agency has awarded Kommunalkredit an investment grade rating of BBB (low) for the long-term segment and a rating of R-2 (mid) for the short-term segment.

On 4 February 2016, Moody's rating agency published its rating of Baa3 for public-sector covered bonds (covered bank bonds). Voluntary nominal over-collateralisation in the range of 10% of the redemption amount is being maintained for these bonds.

All Kommunalkredit ratings have a stable outlook.

Earnings according to IFRS

Kommunalkredit closed the first half of 2016 with a satisfactory result for the period of EUR 27.5 million after tax; its comprehensive income according to IFRS came to EUR 26.5 million.

Besides Kommunalkredit, the IFRS result also comprises the results of the fully consolidated subsidiaries, i.e. Kommunalkredit Public Consulting GmbH (KPC) and Kommunalkredit Beteiligungs- und Immobilien GmbH (KBI). Due to the demerger for new incorporation (as at 26 September 2015), comparative figures for the previous year are not available.

The material income and expenditure items of the result for the period according to IFRS are as follows:

- *Net interest income*
The solid earnings base of Kommunalkredit is reflected in a net interest income of EUR 18.7 million in the first half of 2016, resulting primarily from the asset portfolio taken over upon the demerger and as well as long-term funding taken over at the same time.
- *Net fee and commission income*
Net fee and commission income in the amount of EUR 7.9 million reflects, above all, revenues generated by KPC from support scheme management and consultancy services.
- *Loan impairment charges*
Kommunalkredit had no defaulting loans on its books in the first half of 2016. The non-performing-loan (NPL) ratio (definition of default according to Basel III) stood at 0.0%. Loan impairment charges reported in an amount of TEUR -15.1 reflect "incurred but not reported losses" according to IFRS.
- *Result from investments in associates*
The book value of Kommunalleasing GmbH, an associate measured at equity, was written down by EUR 2.3 million in the first half of 2016.
- *Net trading and valuation result*
The net trading and valuation result was positive at EUR 31.9 million, resulting mainly from the early redemption of own issues and interest-rate-related changes in the valuation of the fair value portfolio and the related derivatives.
- *General administrative expenses*
Before services charged to KA Finanz AG (KF), general administrative expenses amounted to a gross total of EUR 22.7 million. Income from personnel and other expenses re-invoiced to KF for the provision of operational services under the service agreement in the amount of EUR 5.2 million is recognised in other operating income. Thus, general administrative expenses came to a net amount of EUR 17.4 million.
- *Contributions to the Bank Resolution Fund*
The annual contribution to the Bank Resolution Fund, payable pursuant to the Bank Recovery and Resolution Act and assessed by the FMA, amounts to EUR 2.5 million.

- *Other operating result*
Amounting to EUR 3.6 million, the other operating result primarily comprises income from personnel and other administrative expenses re-invoiced to KF in the amount of EUR 5.2 million; it also includes the bank stability tax ("bank levy") in the amount of EUR 1.9 million.

Balance sheet structure and earnings according to Austrian GAAP (Austrian Company Code/Austrian Banking Act)

The profit on ordinary activities according to Austrian GAAP amounted to EUR 26.0 million; the after-tax result for the period came to EUR 29.7 million, after appropriation of EUR 25.0 million to a reserve pursuant to § 57(1) of the Austrian Banking Act. Together with a provision of EUR 15.0 million already appropriated to the fund for general banking risks pursuant to § 57(3) of the Austrian Banking Act at the end of 2015, this further strengthened the capital base of the bank.

Kommunalkredit's total assets, as reported in the separate financial statements prepared according to Austrian GAAP, amounted to EUR 3.2 billion as at 30 June 2016 (31-12-2015: EUR 3.5 billion). The reduction from the 2015 year-end value is primarily due to the run-down of asset positions and the elimination of demerger-related transactions.

Portfolio / Risk Structure

The broad customer base of Kommunalkredit Austria AG (Kommunalkredit) in the public and quasi-public sector is reflected in a stable portfolio of high asset quality. Overall, Austrian territorial authorities and public-sector-related customers account for 75.9% of the total portfolio; another 10.8% is accounted for by foreign territorial authorities and public-sector-related customers in other EU Member States. The high quality of the bank's portfolio is also reflected in the portfolio breakdown by rating: 93.7% of the portfolio is rated investment grade, 62.1% of which in the AAA/AA rating range. The capital-weighted average rating of the total portfolio is A+ (according to S&P rating scale).

Table: Breakdown of exposures by rating, in %

Rating range	30-06-2016	31-12-2015
AAA	1.7 %	1.8 %
AA	60.4 %	58.6 %
A	18.9 %	21.2 %
BBB	12.6 %	11.9 %
Total investment grade	93.7 %	93.6 %
Non-investment grade	6.3 %	6.4 %

Broken down by region, the exposures are as follows:

Table: Breakdown of exposures by region, in EUR million

30-06-2016 in EUR million	Total exposure	Share	of which securities	of which guarantees	of which loans
Austria	2,406.4	80.6%	96.4	11.6	2,263.2
EU-28 (European Union excl. Austria)	554.3	18.6%	137.6	0.4	313.8
<i>of which EU-18 (euro area excl. Austria)</i>	321.3	10.8%	11.6	0.4	229.6
Non-EU Europe	13.2	0.4%	0.0	0.0	11.6
Other	11.5	0.4%	0.0	0.0	0.0
Total	2,985.4	100.0%	234.0	12.0	2,588.6

New appointments to the Executive Board and the Supervisory Board

As of 1 February 2016, the number of Executive Board members was increased and, as planned, Jörn Engelmann was appointed to the Executive Board of Kommunalkredit as Chief Risk Officer (CRO). Prior to his appointment, Jörn Engelmann held the position of Head of Credit Risk Management (back office) at Berenberg Bank. The Executive Board now comprises Alois Steinbichler, Chairman, and Jörn Engelmann and Wolfgang Meister, Members of the Executive Board.

At the Annual Shareholders' Meeting of 7 April 2016, Patrick Bettscheider, delegated by Interritus, was appointed Chairman of the Supervisory Board. He succeeded Ulrich Sieber, who resigned from his Supervisory Board position as of the same date.

Events after the balance sheet date

No significant events occurred after the balance sheet date.

Outlook

In the second half of 2016 Kommunalkredit will consistently pursue its efforts to further strengthen its market position as an expert in infrastructure financing. The bank intends to intensify existing customer relations and, at the same time, develop new projects. In providing finance for new projects, Kommunalkredit places a particular focus on the construction phase, introducing alternative forms of project finance, such as models of availability-based compensation. Thus, public infrastructure projects can be procured and financed on a private basis, which enables the public sector to implement projects that would otherwise have to be ruled out on account of the debt ceiling.

Based on the satisfactory results of the first half of the year and the stable earnings secured by the parameters outlined above, the bank expects to close 2016 with a positive full-year result.

The Executive Board of the
Kommunalkredit Group



Alois Steinbichler
Chairman of the Executive Board



Jörn Engelmann
Member of the Executive Board



Wolfgang Meister
Member of the Executive Board

Vienna, 25 August 2016

INTERIM FINANCIAL STATEMENTS

Balance Sheet of the Kommunalkredit Group according to IFRS¹

Assets in EUR 1,000	30-06-2016	31-12-2015
Cash and balances with central banks	183,553.9	79,693.3
Loans and advances to banks	117,888.0	240,994.6
Loans and advances to customers	2,208,693.2	2,353,017.9
Assets at fair value	747,079.7	752,691.9
Assets available-for-sale	147,178.0	151,615.3
Derivatives ²	420,540.0	544,055.9
Investments in associates	0.0	2,322.4
Property, plant and equipment	27,225.4	27,657.5
Intangible assets	289.1	383.6
Current tax assets	7.9	3.5
Deferred tax assets	0.0	1,775.8
Other assets	9,987.8	7,802.2
Assets	3,862,443.0	4,162,013.8

Liabilities and equity in EUR 1,000	30-06-2016	31-12-2015
Amounts owed to banks	437,313.1	463,975.7
Amounts owed to customers	451,306.5	383,002.3
Derivatives ²	309,103.8	427,177.4
Securitised liabilities	2,287,736.5	2,527,894.0
Subordinated liabilities	71,215.5	73,848.2
Provisions	7,802.9	7,376.9
Current tax liabilities	6,947.7	3,969.9
Deferred tax liabilities	1,704.5	0.0
Other liabilities	14,610.8	18,505.7
Equity	274,701.7	256,263.8
<i>of which subscribed capital</i>	159,491.3	159,491.3
<i>of which statutory reserves</i>	10,508.7	10,508.7
<i>of which available-for sale reserve</i>	1,027.1	1,578.1
<i>of which other reserves (incl. result for the period)</i>	103,533.9	84,527.1
<i>of which non-controlling interests</i>	140.7	158.6
Liabilities and equity	3,862,443.0	4,162,013.8

¹ The Kommunalkredit Group comprises Kommunalkredit Public Consulting GmbH (fully consolidated), Kommunalkredit Beteiligungs- und Immobilien GmbH (fully consolidated) and Kommunalleasing GmbH (included at pro-rata book value).

² Mainly interest-rate swaps and FX forward transactions made to hedge interest-rate and FX risks. The bank has no proprietary trading portfolio.

Income Statement of the Kommunalkredit Group according to IFRS¹

Income Statement in EUR 1,000	01-01-2016 to 30-06-2016
Net interest income	18,710.2
Interest and similar income	88,003.8
Interest and similar expenses	-69,293.6
Loan impairment charges	-15.1
Net fee and commission income	7,908.3
Fee and commission income	8,145.6
Fee and commission expenses	-237.3
Income from investments in associates	-2,322.4
Net trading and valuation result	31,859.0
Result from financial instruments measured at fair value	-10,656.2
Result from the redemption/buyback of own issues	41,938.4
Valuation result from fair value hedges	585.0
Foreign currency valuation	-8.2
General administrative expenses	-22,674.7
Personnel expenses	-14,646.9
Other administrative expenses	-8,027.9
Contributions to the Bank Resolution Fund²	-2,508.5
Other operating result	3,553.1
Other operating income	5,515.8
<i>of which income from re-invoicing to KF</i>	5,255.2
Other operating expenses	-1,962.7
<i>of which bank stability tax</i>	-1,930.1
Result for the period before tax	34,509.9
Taxes on income	-6,997.3
Result for the period after tax	27,512.6
of which:	
attributable to owners	27,476.3
attributable to non-controlling interests	36.3

¹ The first consolidated financial statements of Kommunalkredit were prepared for the period from 26-09-2015 to 31-12-2015 following the demerger for new incorporation effective on 26 September 2015. Therefore, comparative figures of the previous year are not available for these mid-year financial statements.

² The contribution to the Bank Resolution Fund, assessed by the Financial Markets Authority and payable pursuant to the Bank Recovery and Resolution Act, amounts to EUR 2.5 million for 2016 and was recognised in total in the first half of 2016.

Statement of Comprehensive Income¹

Comprehensive Income in EUR 1,000	01-01-2016 to 30-06-2016
Result for the period after tax	27,512.6
Items to be reclassified to the income statement	-551.0
Change in AFS reserve	-551.0
Valuation of AFS portfolio	-734.7
Deferred tax on AFS reserve	183.7
Items not to be reclassified to the income statement	-469.5
Change in actuarial gains/losses²	-469.5
Actuarial gains/losses from personnel provisions	-626.0
Deferred taxes on actuarial gains/losses from personnel provisions	156.5
Comprehensive income	26,492.1
of which:	
attributable to owners	26,455.8
attributable to non-controlling interests	36.3

¹ The first consolidated financial statements of Kommunalkredit were prepared for the period from 26-09-2015 to 31-12-2015 following the demerger for new incorporation effective on 26 September 2015. Therefore, comparative figures of the previous year are not available for these mid-year financial statements.

² Owing to the reduced level of interest in the first half of 2016, the actuarial discount rates for pension provisions of 2.25% for pensions and 1.75% for severance pay as at 31-12-2015 were reduced to 1.75% for pensions and 1.25% for severance pay as at 30-06-2016; this resulted in an increase of pension provisions by EUR 0.6 million.

Condensed Statement of Cash Flows

Statement of Cash Flows in EUR 1,000	01-01-2016 to 30-06-2016
Cash and cash equivalents at the end of the previous period	79,693.3
Cash flow from operating activity	74,333.7
Cash flow from investing activity	-390.4
Cash flow from financing activity	29,917.4
Cash and cash equivalents at the end of the period	183,553.9

Statement of Changes in Equity

Changes in equity HY 1 2016 in EUR 1,000	Subscribed capital	Statutory reserves ¹	Revenue reserves and other reserves	Result for the period (attributable to owner)	Available-for-sale reserve ²	Actuarial result IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Equity
As at 01-01-2016	159,491.3	10,508.7	78,690.4	5,540.4	1,578.1	296.4	256,105.2	158.6	256,263.8
Result for the period	0.0	0.0	0.0	27,476.3	0.0	0.0	27,476.3	36.3	27,512.6
Change in AFS reserve	0.0	0.0	0.0	0.0	-551.0	0.0	-551.0	0.0	-551.0
Valuation of AFS portfolio	0.0	0.0	0.0	0.0	-551.0	0.0	-551.0	0.0	-551.0
Recycling of AFS reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in actuarial losses	0.0	0.0	0.0	0.0	0.0	-469.5	-469.5	0.0	-469.5
Comprehensive income	0.0	0.0	0.0	27,476.3	-551.0	-469.5	26,455.8	36.3	26,492.1
Distributions ³	0.0	0.0	-8,000.0	0.0	0.0	0.0	-8,000.0	-54.2	-8,054.2
Reclassification of the result of the previous period	0.0	0.0	5,540.4	-5,540.4	0.0	0.0	0.0	0.0	0.0
As at 30-06-2016	159,491.3	10,508.7	76,230.8	27,476.3	1,027.1	-173.1	274,561.0	140.7	274,701.7

Changes in equity 26-09 to 31-12-2015 in EUR 1,000	Subscribed capital	Statutory reserves ¹	Revenue reserves and other reserves	Result for the period (attributable to owner)	Available-for-sale reserve ²	Actuarial result IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Equity
As at 26-09-2015	159,491.3	10,508.7	78,690.4	0.0	1,781.6	0.0	250,471.9	148.6	250,620.5
Result for the period	0.0	0.0	0.0	5,540.4	0.0	0.0	5,540.4	10.0	5,550.5
Change in AFS reserve	0.0	0.0	0.0	0.0	-203.5	0.0	-203.5	0.0	-203.5
Valuation of AFS portfolio	0.0	0.0	0.0	0.0	-203.5	0.0	-203.5	0.0	-203.5
Recycling of AFS reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in actuarial losses	0.0	0.0	0.0	0.0	0.0	296.4	296.4	0.0	296.4
Comprehensive income	0.0	0.0	0.0	5,540.4	-203.5	296.4	5,633.3	10.0	5,643.3
Distributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusting entries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31-12-2015	159,491.3	10,508.7	78,690.4	5,540.4	1,578.1	296.4	256,105.2	158.6	256,263.8

¹ Statutory reserves as at 30-06-2016 comprise statutory revenues reserves of TEUR 508.7 (31-12-2015: TEUR 508.7) and liability reserves pursuant to the Austrian Banking Act of TEUR 10,000.0 (31-12-2015: TEUR 10,000.0).

² The available-for-sale reserve included deferred taxes of TEUR 342.4 (31-12-2015: TEUR 526.0).

³ The net profit for 2015 shown in the separate financial statements of Kommunalkredit prepared in accordance with the Austrian Company Code/Austrian Banking Act, i.e. the relevant amount for profit distribution, totalled TEUR 18,281.3.

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP

1. General principles

These condensed Interim Financial Statements of the Kommunalkredit Group were prepared on the basis of the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as well as all interpretations of the International Financial Reporting Committee (IFRICs and SICs), as endorsed by and applied on a mandatory basis in the European Union.

These Interim Financial Statements for the period from 1 January to 30 June 2016 are in compliance with IAS 34 (“Interim Financial Reporting”). The condensed Interim Financial Statements do not contain all the information and disclosures required in the consolidated annual financial statements and therefore have to be read in conjunction with the 2015 annual financial statements of the Kommunalkredit Group. The accounting and valuation methods applied in the interim reporting period were the same as those applied for the financial statements as at 31 December 2015.

2. Other disclosures

a. Development of earnings

For information on the development of earnings in the first half of 2016 and a description of the most significant events, please refer to the Interim Management Report.

b. Development of regulatory own funds

In accordance with the provisions of the CRR, own funds requirements and eligible own funds were calculated on the basis of the separate financial statements of Kommunalkredit prepared in accordance with the Austrian Company Code/Austrian Banking Act. Interim profits of the first half of 2016 were not taken into account. The composition and development of own funds requirements and eligible own funds were as follows:

Assessment base pursuant to Part 3 CRR (in EUR 1,000)	30-06-2016	31-12-2015
Risk-weighted assets relative to credit risk pursuant to CRR	514,869.9	544,673.4
Own funds requirements		
of which credit risk	41,189.6	43,573.9
of which operational risk	8,715.8	7,755.6
of which CVA charge	5,947.2	9,611.7
of which default fund for a qualified counterparty	37.4	6.1
Total (own funds requirement)	55,889.9	60,947.3

Own funds actual in EUR 1,000	30-06-2016	31-12-2015
Common equity tier-1 after deductible items	194,992.2	194,897.7
Additional own funds after deductible items	65,000.0	65,000.0
Eligible own funds (tier 1 and tier 2)	259,992.2	259,897.7
Free equity	204,102.3	198,950.4
Total capital ratio	37.2%	34.1%
Common equity tier-1 ratio	27.9%	25.6%

c. Contingent liabilities

As at 30 June 2016, contingent liabilities were as follows:

in EUR 1,000	30-06-2016	31-12-2015
Contingent liabilities		
Sureties and guarantees	11,966.4	3,260.4
Other obligations		
Loan commitments and unused lines	32,491.2	36,598.9

d. Dividends paid

The EUR 8.0 million profit distribution in the first half of 2016 is reported separately in the Statement of Changes in Equity. The net profit for 2015 shown in the separate financial statements prepared pursuant to the Austrian Company Code/Austrian Banking Act, i.e. the relevant amount for profit distribution, totalled EUR 18.3 million. The 2015 net profit of EUR 10.3 million remaining after the distribution of EUR 8.0 million was appropriated to other reserves.

e. Legal risks

As at 30 June 2016 and unchanged from 31 December 2015, Kommunalkredit was not exposed to any material legal risks.

f. Other obligations

No relevant changes to Kommunalkredit's other obligations occurred during the interim reporting period.

g. Disclosures regarding fair value measurement

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

Level 1: Quoted prices are available in an active market for identical financial instruments. For this level of the fair value hierarchy, Kommunalkredit refers to bid quotes for assets from Bloomberg and Reuters.

Level 2: The inputs for the valuation are observable in the market. This category includes the following pricing methods:

- Pricing on the basis of benchmark instruments
- Pricing on the basis of market-derived spreads (benchmark spreads)

Level 3: The inputs cannot be observed in the market. This category includes, above all, prices based mainly on expert estimates.

Level 3 financial instruments are measured by means of an internal model based on the net-present-value method. The cash flows are discounted on the basis of current yield curves with due consideration given to credit spreads.

According to IFRS 13, counterparty default risk and own credit risk (credit value adjustment and debt value adjustment) are considered in measuring the fair value of derivatives. BCVA is calculated by the potential exposure method (based on Monto Carlo simulations) at counterparty level according to IFRS 13.48.

The following table shows the fair-value hierarchy of financial instruments recognised at fair value, broken down by class of instruments:

in EUR 1,000	30-06-2016			31-12-2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available for sale	143,687.9	0.0	0.0	148,600.3	0.0	0.0
At fair value through profit or loss: Fair-value option	0.0	738,282.4	8,797.3	0.0	743,604.1	9,087.8
At fair value through profit or loss: held for trading (from asset-side items) ¹⁾	0.0	40,984.8	0.0	0.0	136,746.5	0.0
At fair value through profit or loss: held for trading (from liability-side items) ¹⁾	0.0	-194,322.2	0.0	0.0	-294,332.3	0.0
Derivatives designated as hedging instruments (from asset-side items)	0.0	379,555.2	0.0	0.0	407,309.4	0.0
Derivatives designated as hedging instruments (from liability-side items)	0.0	-114,781.6	0.0	0.0	-132,845.1	0.0

¹⁾ exclusively derivatives not designated as hedging instruments, which are concluded to hedge interest rate and FX risks at macro level; Kommunalkredit does not make use of the fair-value option for liabilities.

The following table shows the fair-value hierarchy of financial instruments not recognised at fair value, broken down by class of instruments:

in EUR 1,000	30-06-2016			31-12-2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Loans and receivables: loans and advances to banks	0.0	117,888.0	0.0	0.0	240,994.6	0.0
Loans and receivables: loans and advances to customers	20,848.1	2,165,601.8	162,407.7	52,515.4	2,245,448.6	177,742.4
Liabilities at amortised cost	0.0	-2,968,246.1	0.0	0.0	-3,083,658.2	0.0

In the current reporting period, no financial instruments measured at fair value were reclassified from level 2 to level 3. Moreover, no migrations between level 2 and level 1 or vice versa occurred in the reporting period.

As of the balance sheet date, two financial instruments with a book value of EUR 8.8 million, recognised at fair value, were classified as level 3. Classification as level 3 is based on the non-observability of credit spreads. To measure such financial instruments, the Kommunalkredit Group uses expert estimates which, in particular, consider the market spreads of comparable bonds and the probability of occurrence of defined scenarios. An absolute change in the measurement spreads of the level-3 financial instruments by +1 bp results in a market value effect of TEUR -4 for these two financial instruments; a change in the measurement spread by -1 bp results in a market value effect of TEUR +4.

The following table shows the reconciliation of financial instruments measured at fair value and classified as level 3 of the measurement hierarchy.

in EUR 1,000	At fair value through profit or loss: fair-value option
As at 31-12-2015	9,087.8
Disposals / Redemptions	-465.1
Carrying through profit or loss	174.7
<i>of which realised (net interest result)</i>	349.4
<i>of which non-realised (net trading and valuation result)</i>	-174.7
Other result carrying through profit or loss	0.0
As at 30-06-2016	8,797.3

h. Classes of financial instruments

Meeting the requirement to classify financial instruments in groups, the Kommunalkredit Group distinguishes the classes of financial instruments shown in the following table. The table also shows the book values and fair values broken down by class of financial instruments.

The fair values of financial instruments not measured at fair value are determined in accordance with the fair-value hierarchy described above. Maturity-, rating- and instrument-specific measurement parameters, in combination with prevailing measurement methods, are used to determine the fair value according to IFRS 13.

The values as at 30 June 2016 are as follows:

30-06-2016 Classes:	Cash and balances with central banks	At fair value through profit or loss: held for trading	At fair value through profit or loss: fair-value option	Loans and receivables: loans and advances to banks	Loans and receivables: loans and advances to customers	Available- for-sale	Liabilities at amortised cost	Derivatives designated as hedging instruments	Book value	Fair value
In EUR million										
Cash and balances with central banks	183.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	183.6	183.6
Loans and advances to banks	0.0	0.0	0.0	117.9	0.0	0.0	0.0	0.0	117.9	117.9
Loans and advances to customers	0.0	0.0	0.0	0.0	2,208.7	0.0	0.0	0.0	2,208.7	2,348.9
Assets at fair value	0.0	0.0	747.1	0.0	0.0	0.0	0.0	0.0	747.1	747.1
Assets available for sale	0.0	0.0	0.0	0.0	0.0	147.2	0.0	0.0	147.2	147.2
Derivatives	0.0	41.0	0.0	0.0	0.0	0.0	0.0	379.6	420.5	420.5
Other assets	0.0	0.0	0.0	4.7	5.3	0.0	0.0	0.0	10.0	10.0
Amounts owed to banks	0.0	0.0	0.0	0.0	0.0	0.0	437.3	0.0	437.3	435.2
Amounts owed to customers	0.0	0.0	0.0	0.0	0.0	0.0	451.3	0.0	451.3	395.8
Derivatives	0.0	194.3	0.0	0.0	0.0	0.0	0.0	114.8	309.1	309.1
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	2,287.7	0.0	2,287.7	2,081.3
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	71.2	0.0	71.2	55.9
Other liabilities	0.0	0.0	0.0	0.1	14.5	0.0	0.0	0.0	14.6	14.6

The values as at 31 December 2015 are as follows:

31-12-2015 Classes:	Cash and balances with central banks	At fair value through profit or loss: held for trading	At fair value through profit or loss: fair-value option	Loans and receivables: loans and advances to banks	Loans and receivables: loans and advances to customers	Available- for-sale	Liabilities at amortised cost	Derivatives designated as hedging instruments	Book value	Fair value
In EUR million										
Cash and balances with central banks	79.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	79.7	79.7
Loans and advances to banks	0.0	0.0	0.0	241.0	0.0	0.0	0.0	0.0	241.0	241.0
Loans and advances to customers	0.0	0.0	0.0	0.0	2,353.0	0.0	0.0	0.0	2,353.0	2,475.7
Assets at fair value	0.0	0.0	752.7	0.0	0.0	0.0	0.0	0.0	752.7	752.7
Assets available for sale	0.0	0.0	0.0	0.0	0.0	151.6	0.0	0.0	151.6	151.6
Derivatives	0.0	136.7	0.0	0.0	0.0	0.0	0.0	407.3	544.1	544.1
Other assets	0.0	0.0	0.0	1.7	6.1	0.0	0.0	0.0	7.8	7.8
Amounts owed to banks	0.0	0.0	0.0	0.0	0.0	0.0	464.0	0.0	464.0	456.5
Amounts owed to customers	0.0	0.0	0.0	0.0	0.0	0.0	383.0	0.0	383.0	308.8
Derivatives	0.0	294.3	0.0	0.0	0.0	0.0	0.0	132.8	427.2	427.2
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	2,527.9	0.0	2,527.9	2,264.7
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	73.8	0.0	73.8	53.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	18.5	0.0	18.5	18.5

i. Related party disclosures

Ownership structure

Name of the company	Relation to Kommunalkredit	Registered office	Shares held
Gesona Beteiligungsverwaltung GmbH	Direct parent	Vienna, Austria Company Register No 428969m	99.78% in Kommunalkredit
Satere Beteiligungsverwaltungs GmbH	Controlling parent	Vienna, Austria Company Register No FN 428981f	100% in Gesona

The owners of Satere Beteiligungsverwaltungs GmbH (Satere) are Interritus Limited, holding 55%, and Trinity Investments Limited, holding 45%; the two shareholders exercise joint control over Satere on the basis of contractual arrangements. Thus, Satere is to be classified as a joint arrangement according to IFRS 11 and the controlling parent of the Kommunalkredit Group. As of the balance sheet date, there are no business relations between the Kommunalkredit Group and the aforementioned companies.

Relations with associates

The following relations exist with Kommunalleasing, an associate included at equity:

- Loans receivable in the amount of TEUR 44,828.8 (31-12-2015: TEUR 45,739.2)
- Contingent liabilities in the form of guarantees in the amount of TEUR 1,350.0 (31-12-2015: TEUR 1,350.0)
- Other off-balance-sheet obligations in the form of committed but unused lines in the amount of TEUR 1,581.6 (31-12-2015: TEUR 1,582.2)

j. Relations with KA Finanz AG

Kommunalkredit was established as of 26 September 2015 through the demerger for new incorporation of the former Kommunalkredit (KA Old); the residual part of KA Old was merged into KA Finanz AG on the same day, the latter being wholly owned by the Republic of Austria. Since the privatisation of Kommunalkredit, there has been no connection between Kommunalkredit and KA Finanz AG at Executive and Supervisory Board level.

After its privatisation, Kommunalkredit continues to provide operational services for the banking operations of KA Finanz AG under a service agreement (SA) and a service level agreement (SLA). As at 30 June 2016, 14 employees of Kommunalkredit were working for KA Finanz AG on the basis of a staff leasing agreement. They are responsible for portfolio management, risk management and the company's operational business under the leadership of the Executive Board of KA Finanz AG. To avoid conflicts of interest, the function of a relationship manager has been installed in both Kommunalkredit and KA Finanz AG.

In order to ensure the separation of assets and liabilities and the related division of derivative transactions, temporary derivative transactions (mirror swaps) had to be concluded between Kommunalkredit and KA Finanz AG. Since the framework agreements for derivatives concluded with the counterparties (ISDA – framework agreements based on ISDA standard, DRV – German framework agreements, ÖRV – Austrian framework agreements) could only be transferred in their entirety to one bank (either Kommunalkredit or KA Finanz AG), mirror swaps were made between Kommunalkredit and KA Finanz AG, which have been continuously eliminated since the implementation of the demerger through the establishment of new framework agreements and subsequent novation of the underlying transactions. As at 30 June 2016, the market value of the remaining mirror swaps amounted to TEUR 146,963.1 (31-12-2015: TEUR 230,103.9).

Moreover, Kommunalkredit holds in trust and manages in its own name, but at the cost and risk of KA Finanz AG, financial instruments with a nominal value of TEUR 218,983.6 (31-12-2015: TEUR 231,581.8).

The business relations between Kommunalkredit and KA Finanz AG exclusively comprise banking transactions conducted at arm's length terms and conditions.

3. Issues, buyback transactions and redemptions of bonds or equity instruments

In the reporting period Kommunalkredit bought back securitised liabilities in the amount of EUR 146.0 million of the maturity date and redeemed EUR 93.2 million on schedule.

4. Segment reporting

The business activities of the Kommunalkredit Group primarily consist in municipal and infrastructure-related project business and the management of support programmes for the Republic of Austria. There are no business segments subject to reporting obligations.

The Executive Board of the
Kommunalkredit Group



Alois Steinbichler
Chairman of the Executive Board



Jörn Engelmann
Member of the Executive Board



Wolfgang Meister
Member of the Executive Board

Vienna, 25 August 2016

STATEMENT BY THE LEGAL REPRESENTATIVES ON THE INTERIM FINANCIAL REPORT

We herewith **confirm** to the best of our knowledge that the condensed **Consolidated Interim 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 **Interim Management Report** of the Group presents a true and fair view of the assets, the financial position and the income of the Group as regards the important events during the first six months of the business year and their impact on the condensed Consolidated Interim Financial Statements, and as regards the material risks and uncertainties of the remaining six months of the business year.

The Executive Board of the
Kommunalkredit Group



Alois Steinbichler
Chairman of the Executive Board



Jörn Engelmann
Member of the Executive Board



Wolfgang Meister
Member of the Executive Board

Vienna, 25 August 2016

REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2016

Introduction

We have reviewed the accompanying condensed Consolidated Interim Financial Statements of Kommunalkredit Austria AG, Vienna, for the period from 1 January to 30 June 2016. The condensed Consolidated Interim Financial Statements comprise the condensed consolidated balance sheet as at 30 June 2016, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the period from 1 January to 30 June 2016, as well as explanatory notes.

The legal representatives of the company are responsible for the preparation and presentation of these condensed Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards for interim financial reporting, as applicable in the European Union.

Our responsibility is to express a conclusion on these condensed Consolidated Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with the legal provisions and the professional standards applicable in Austria as well as the International Standard on Review Engagements ISRE 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit 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.

Result of review

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed Consolidated Interim Financial Statements have not been prepared in accordance with the International Financial Reporting Standards for interim financial reporting, as applicable in the European Union.

Comment on the Consolidated Interim Management Report and the Statement by the Legal Representatives pursuant to § 87 of the Stock Exchange Act

We have read and examined the consolidated interim management report as to the presence of apparent contradictions to the condensed consolidated interim financial statements. According to our assessment, the consolidated interim management report does not contain any apparent contradictions to the condensed consolidated interim financial statements.

The interim financial statements contain the statement by the legal representatives required pursuant to § 87 (1.3) of the Stock Exchange Act.

Vienna, 25 August 2016

PwC Wirtschaftsprüfung GmbH

signed:

Günter Wiltschek
Certified Public Accountant

Balance Sheet of Kommunkredit Austria AG according to the Austrian Company Code/Austrian Banking Act¹

Assets in EUR 1,000	30-06-2016	31-12-2015
Cash and balances with central banks	183,437.8	79,693.0
Public-sector debt instruments eligible as collateral for central bank funding	105,189.3	108,076.2
Loans and advances to banks	117,055.2	240,233.7
Loans and advances to customers (after provision pursuant to § 57(1) Austrian Banking Act of EUR 25.0 million)	2,600,386.8	2,771,338.6
Bonds and other fixed-income securities	117,191.8	255,891.4
Participations	2,300.1	1,825.1
Investments in associates	6,339.8	6,339.8
Intangible non-current assets	289.1	383.6
Property, plant and equipment	1,904.2	1,904.2
Other assets	52,098.8	67,475.4
Accruals/deferrals	12,251.1	6,883.5
Total assets	3,198,443.9	3,540,044.6

Liabilities in EUR 1,000	30-06-2016	31-12-2015
Amounts owed to banks	439,544.4	469,214.3
Amounts owed to customers	424,239.0	372,939.1
Securitised liabilities	1,986,532.8	2,310,774.5
Other liabilities	32,684.4	92,350.4
Accruals/deferrals	6,415.3	8,050.0
Provisions	17,990.4	15,909.7
Fund for General Banking Risks	15,000.0	15,000.0
Additional capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	66,043.8	67,525.2
Subscribed capital	159,491.3	159,491.3
Revenue reserve	508.7	508.7
Statutory reserve pursuant to § 57(5) Austrian Banking Act	10,000.0	10,000.0
Net profit	39,993.8	18,281.3
<i>of which profit carryforward</i>	10,281.3	18,281.3
<i>of which result for the period</i>	29,712.6	0.0
Total liabilities	3,198,443.9	3,540,044.6

¹ In contrast to the Consolidated Financial Statements according to IFRS – where Kommunkredit Austria AG is treated as an economic entity including Kommunkredit Public Consulting GmbH and Kommunkredit Beteiligungs- und Immobilien GmbH (KBI) – this balance sheet shows the banking operations of Kommunkredit Austria AG according to Austrian GAAP (Austrian Company Code/Austrian Banking Act).

Income Statement of Kommunalkredit Austria AG according to the Austrian Company Code/Austrian Banking Act¹

in EUR 1,000	01-01-2016 to 30-06-2016
Net interest income	18,549.6
Interest and similar income	88,088.1
Interest and similar expenses	-69,538.5
Income from investments	487.4
Net fee and commission income	-56.8
Income from financial transactions	-8.2
Other operating income	6,584.5
<i>of which re-invoicing of administrative expenses to KF/KPC</i>	6,286.3
Operating income	25,556.5
General administrative expenses	-19,460.9
Personnel expenses	-10,951.5
Other administrative expenses (non-personnel)	-6,000.8
Bank Resolution Fund ²	-2,508.5
Depreciation	-142.2
Other operating expenses	-1,930.1
<i>of which bank stability tax</i>	-1,930.1
Operating expenses	-21,533.2
Operating result	4,023.3
Result from valuations and realisations	22,001.2
<i>of which realisation from early redemption of own issues</i>	42,466.2
<i>of which realisation from securities, loans and derivatives</i>	4,550.0
<i>of which change in provision pursuant to § 57(1) Austrian Banking Act</i>	-25,000.0
<i>of which change in valuation adjustments</i>	-15.1
Profit on ordinary activities	26,024.5
Taxes on income	3,715.6
Other taxes	-27.5
Result for the period	29,712.6

¹ Due to the demerger for new incorporation (as at 26 September 2015), comparative figures of the previous year are not available.

² The contribution to the Bank Resolution Fund, assessed by the Financial Markets Authority and payable pursuant to the Bank Recovery and Resolution Act, amounts to EUR 2.5 million for 2016 and is to be recognised in total in the first half of 2016.

Key Indicators of Kommunalkredit Austria AG's Regulatory Own Funds according to the Austrian Banking Act

in EUR 1,000	30-06-2016	31-12-2015
Risk-weighted assets relative to credit risk according to Basel III	514,869.9	544,673.4
Total own funds requirement	55,889.9	60,947.3
Own funds	259,992.2	259,897.7
Total capital ratio	37.2%	34.1%
Common equity tier 1	194,992.2	194,897.7
Common equity tier-1 ratio	27.9%	25.6%

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