
HALF YEAR
FINANCIAL
REPORT OF KOMMUNALKREDIT GROUP

2018



BUILDING BRIDGES

**WE PROVIDE TANGIBLE BENEFIT
TO THE COMMUNITY**

**WE PROVIDE
TANGIBLE BENEFIT
TO THE COMMUNITY**



Dynamic trend in origination
**Financing volume new
business EUR 532.5m**



Boost in profitability
**Operating result improved
from EUR 4.6m
to EUR 13.8m**

Focus on distribution
**Placements
increased by 20.5 %**

Stringent cost management
**General administrative
expenses down by 3.7 %**



Funding position enhanced
**Customer deposits
increased by 41.2 %**



High quality of loan portfolio
**Average rating »A«
NPL ratio 0.0 %**



Solid capital position
**CET 1 ratio 21.3 %
Total capital ratio 26.9 %**

HIGHLIGHTS OF THE FIRST HALF OF 2018

New business growth leads to further improvement of profitability

- **Significant increase in operational profitability:** The successful expansion of new business, subject to tight discipline in the placement of new financing transactions with institutional investors, led to a significant increase of the operating result to EUR 13.8m (HY1 2017: EUR 4.6m).
- **Origination:** Kommunalkredit increased its new business by 46.7%. By closing ten projects in seven countries with commitments worth EUR 532.5m the bank achieved YTD 84% of the total volume of 2017.
- **Distribution:** Kommunalkredit placed EUR 280.1m of its infrastructure business with institutional investors, which corresponds to an increase by 20.5% from the previous year's level. The successful distribution activity testifies to market conformity of new business in terms of structure, pricing and risk management.
- **Well-balanced portfolio mix of new business:** New business was highly diversified in terms of product, region and asset class with attractive risk/return profiles and shorter durations, thus contributing to an improved asset-liability match.
- **Stringent cost management:** The expansion of new business, combined with stringent cost management, led to a significant reduction of the cost/income ratio to 64.5% (HY1 2017: 85.1%). The cost efficiency programme implemented by the bank in 2017 will pay off within one year in 2018.
- **High-quality loan portfolio:** As of 30 June 2018, the average rating of the loan portfolio was "A", with 88% of the loans rated investment grade. The non-performing-loan ratio (NPL) was maintained at 0.0%. The average weighted probability of default was 0.23%.
- **Funding position enhanced:** The bank was able to increase the volume of customer deposits by 41.2% to EUR 910.0m, equally with longer duration. Approximately 50% of the bank's funding stems from sources not available at the time of Kommunalkredit's privatisation in autumn 2015.
- **Solid capital position:** As of 30 June 2018, Kommunalkredit reported a total capital ratio of 26.9% and a CET 1 ratio of 21.3%.
- **Rating:** Kommunalkredit's unsecured debt issues are rated investment grade. The bank has a long-term rating of "BBB (low)" (with negative trend) and a short-term rating of "R-2 (mid)" from DBRS. On 1 August 2018, Standard & Poor's confirmed its "A" rating of Kommunalkredit's covered bonds, which underlines the high quality of the underlying cover pool.

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INTERIM GROUP MANAGEMENT REPORT

ECONOMIC FRAMEWORK

Economic environment in the first half of 2018

The performance of the world economy in the first half of 2018 fell slightly short of expectations, but the phase of strong growth continued, driven by developments in both the industrialised world and the emerging markets. The euro zone also maintained the momentum of its upswing. Based on developments in the first half of the year, 2.3% GDP growth has been forecast for the euro zone for 2018 as a whole (2017: 2.4%).¹ GDP in Austria is expected to grow at a rate of 3.1%, the same as in 2017. A growth rate of 2.3% is projected for Germany (2017: 2.2%) and 2.0% for France (2017: 1.8%).²

The rate of inflation in the euro zone ranged between 1.0% and 1.5% in the first half of 2018. For 2018 as a whole, it is expected to reach 1.7% due to the significant increase of crude oil prices. Inflation in Austria in 2018 is projected to remain at the previous year's rate of 2.2%. The majority of the world's central banks are aiming for an inflation rate of 2.0% as their monetary-policy target.³ The positive labour market developments experienced in 2017 continued throughout the first half of 2018: The unemployment rate in the euro zone dropped from 8.6% at the beginning of the year to 8.4% at the end of June 2018. In Austria, it decreased from 5.5% to 5.0% over the same period.

The ECB (European Central Bank) kept the interest rates on its marginal lending facility and its main financing operations unchanged at 0.25% and 0.00% respectively; the interest rate on its deposit facility remained at -0.40%. During the first half of the year, the euro system continued to buy public-sector securities, covered bonds, asset-backed securities and corporate bonds, though at a reduced average volume of EUR 30bn per month (until December 2017 at a rate of EUR 60bn per month), within the framework of the Asset Purchase Programme ("Quantitative Easing"/QE). The programme is to be maintained at this level until September 2018.⁴

¹ OeNB: Macroeconomic forecast 2018 to 2020, June 2018.

² Eurostat.

³ Eurostat, ECB, Fed, Bank of England; Inflation measured by the Harmonised Index of Consumer Prices (HICP).

⁴ ECB: Account of monetary policy meeting, 2018.

In the US, the Federal Reserve System (Fed) continued to pursue its policy of moderate interest rate increases during the first half of the year, signalling its intention to maintain the pace of monetary tightening. Including the two rate hikes in March and June 2018, the Fed has increased its interest rate on the marginal lending facility a total of seven times since 2015 by 0.25 percentage points each, most recently to a range of 1.75% to 2.00%. The interest rate on the term deposit facility now stands at 1.95%.⁵

Most recently, the development of interest rates on US government bonds has given rise to concerns over an inverted yield curve, which in the past was taken as a reliable indicator of an imminent economic downturn.

THE BUSINESS MODEL OF KOMMUNALKREDIT AUSTRIA AG

Specialist in infrastructure

Infrastructure by its very nature is essential to the efficient functioning of society. Infrastructure investments serve as a powerful tool for answering to social needs and fundamentally increase the general well-being of communities. They create the basis for prosperity and a high quality of life. Modern infrastructure is an indispensable prerequisite for the sustainable use of our resources and a successful approach to deal with climate change.

Demand for investment in infrastructure is enormous. The European Investment Bank (EIB) forecasts spending required to reach the targets of the Europe 2020 strategy at EUR 150bn to EUR 200bn per annum.⁶ Investment demand is particularly high in the sectors of energy, with a special focus on renewable energy, transport, social infrastructure and communications technology.

The way in which these projects are financed has changed significantly in recent years. As the financial latitude of the public sector is decreasing on account of the high level of government debt and budget caps, a shift from classic budget finance to project finance continues to occur thanks to private funding. In 2017, more than 60% of all infrastructure schemes in Europe were implemented through project finance.⁷ Commercial banks continue to be a main source of debt for infrastructure projects. However, a host of other funders and products have appeared, given the increasing acceptance of infrastructure as an asset class in its own right. Private placements, public bonds, direct institutional debt, multilaterals and export credit agencies are also heavily contributing to the sector. For institutional investors seeking stable long-term cash flows from a sustainable asset class, this offers an opportunity for real return enhancement in the current low-yield environment.

⁵ Federal Open Market Committee: Minutes, 2018.

⁶ European Investment Bank: The Europe 2020 Project Bond Initiative – Innovative Infrastructure Financing, January 2017.

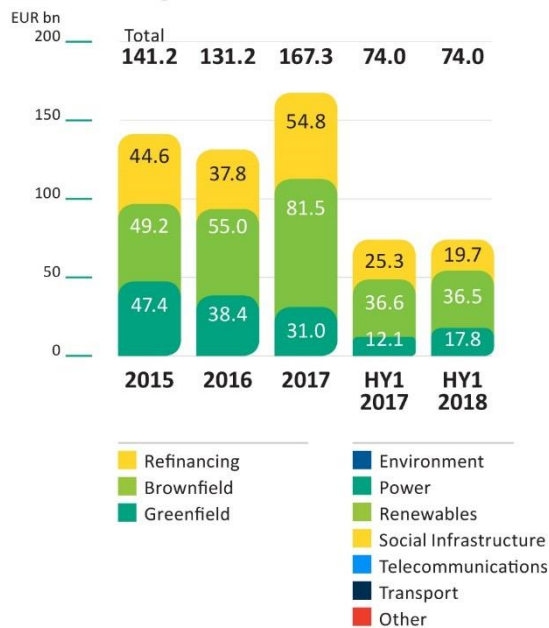
⁷ Inframotion – an Acuris Company.

The European infrastructure market in the first half of 2018

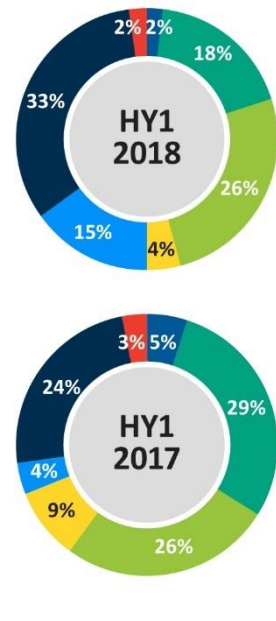
The excellent performance of the European infrastructure market continued throughout the first half of 2018.

At EUR 74.0bn, the transaction volume reached the level of the boom year 2017 (HY1 2017: EUR 74.0bn), although the number of transactions declined by 16.3% to 324 (HY1 2017: 387).⁸

Deal value by greenfield, brownfield and refinancing

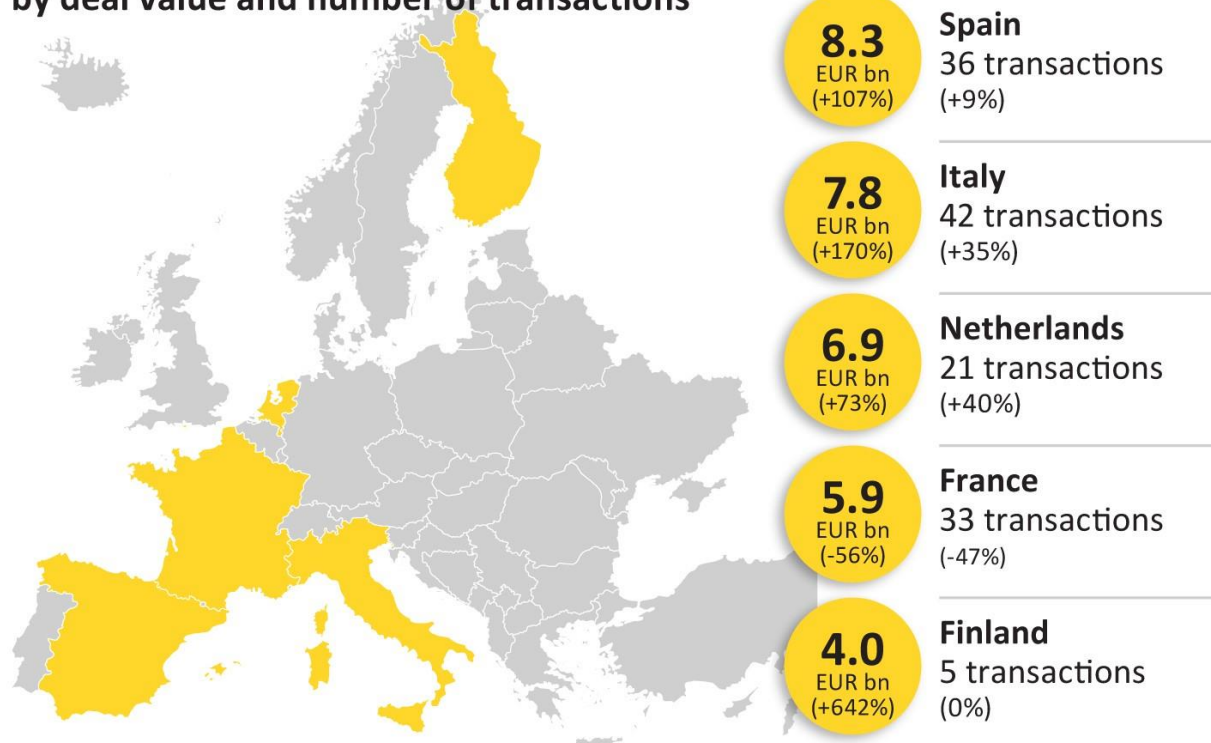


Sector breakdown by value



The volume of greenfield projects grew significantly by 47.1% to EUR 17.8bn (HY1 2017: EUR 12.1bn). This was primarily due major PPP transactions in the Netherlands, Denmark and Finland and to several mega projects in Turkey. While the volume of brownfield projects, amounting to EUR 36.5bn, remained at the high level achieved in the previous year (HY1 2017: EUR 36.6bn), the refinancing volume dropped by 22.1% to EUR 19.7bn (HY1 2017: EUR 25.3bn).

Top-5 infrastructure markets in the eurozone by deal value and number of transactions



⁸ All figures under "The European infrastructure market in the first half of 2018" according to Inframation – an Acuris Company.

Energy & environment (environment, power, renewables) accounted for 48% of the total deal value, transport for 33%, social infrastructure for 4% and communication technology for 19%.

With a financing volume of EUR 8.3bn, up by 107% from the previous period, Spain was the biggest market for infrastructure finance in the euro zone during the first half of 2018. Even stronger growth was recorded in Italy, the second biggest market of the euro zone, where the financing volume increased by 170% to EUR 7.8bn. The Netherlands ranked third with EUR 6.9bn (+73%), followed by France with EUR 5.9bn (-56%) and Finland with EUR 4.0bn (+642%). The enormous increase in Finland was due to a few major projects. Germany, which normally ranks among the top five markets, held sixth position in the first half of 2018 with a financing volume of EUR 3.7bn.

Kommunalkredit’s business model

Kommunalkredit contributes to the sustainable success of infrastructure projects that improve the quality of peoples’ life. The bank provides tangible benefit to the community in terms of economic dynamism, job creation, social cohesion, urban development and climate action.

We provide
tangible benefit to
the community

By combining in-depth industry expertise and structuring know-how with the financing ability of a bank and strong relationships with international clients und investors, Kommunalkredit achieves a strong impact for its clients and generates sustainable value for its stakeholders. The bank enables the implementation and operation of infrastructure, bridging the needs of project sponsors (developers and operators of infrastructure) and institutional investors, such as insurance companies, pension funds, banks, family offices and infrastructure funds.



Backed by two international and long-term oriented shareholders, Kommunalkredit aims to establish itself as a leading market player in the European infrastructure market, concentrating on energy & environment, social infrastructure & communication technology, and transport. Customers, competitors and renowned specialised media all agree that, since its reorientation, the bank has successfully positioned itself as a specialist in infrastructure.

As a specialised bank, Kommunalkredit advises, structures and funds senior debt and mezzanine financing across the entire life cycle of an infrastructure project. Kommunalkredit's investments are focused on stable, cash flow-based, project-secured transactions.



Energy & Environment

- Energy supply & distribution
- Renewable energy
- Water supply & treatment
- Waste management & disposal

For the implementation of its projects, Kommunalkredit cooperates with international institutions, such as the EBRD (European Bank for Reconstruction and Development) and the EIB (European Investment Bank).



Transport

- Roads, bridges, tunnels
- Airports, ports, waterways
- Rail/light rail, rolling stock



Social Infrastructure & Communications Technology

- Nurseries, schools, universities
- Hospitals, nursing homes
- Police & court buildings
- Administrative buildings
- Broadband / Fibre Optic / Data Center

SIGNIFICANT EVENTS OF THE FIRST HALF OF 2018

Business review

1. Strong new business development: Origination, execution, distribution

New business growth with focus on placement and a balanced portfolio

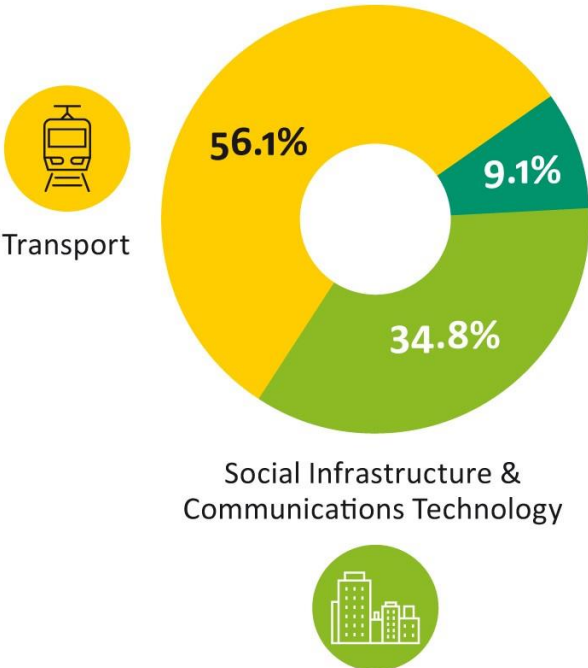
In the first half of 2018, Kommunalkredit succeeded in continuing the successful performance of 2017 and boosting its earning power. This improvement reflects the successful expansion of new business, which delivered significantly higher contributions to net interest income as well as net fee and commission income. Structuring, pricing and management of risk in combination with focused debt placement with institutional investors were instrumental in the origination of new business.

Kommunalkredit closed ten projects with commitments worth EUR 532.5m (HY1 2017: EUR 362.9m), which corresponds to a 46.7% increase to the previous year and reflects the excellent position Kommunalkredit has established for itself in the European infrastructure market. In a league table of renowned Project Finance International (PFI) Magazine, Kommunalkredit ranks among the top 25 "Initial Mandated Lead Arrangers" of project finance in the EMEA region (Europe, Middle East and Africa).

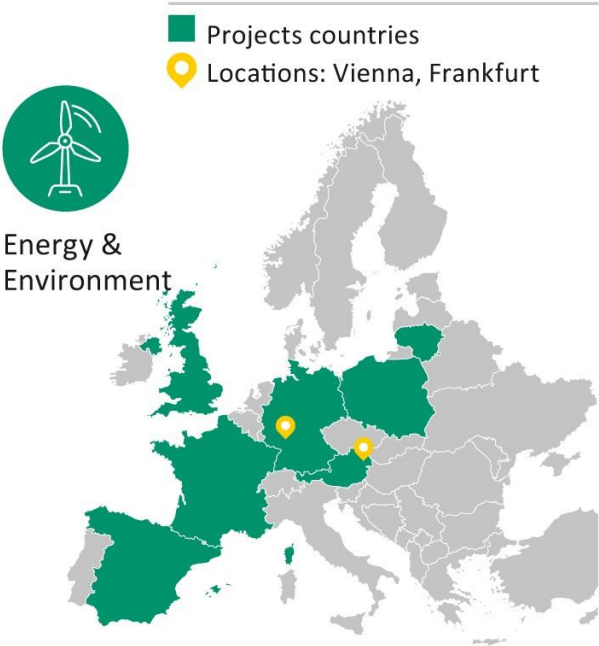
New business was highly diversified in terms of products, regions, maturities and asset classes with attractive risk/return profiles. Social infrastructure & communication technology (care and social homes, broadband, telecom towers) accounted for six projects and 34.8% of new business volumes. The energy & environment segment (electricity, water) accounted for two projects (9.1%). Transportation (roads, airports, light rail) accounted for two projects (56.1%).

Regional diversification has been high with ten projects spread across seven European countries: Austria, France, Germany, Lithuania, Poland, Spain and the UK. The bank provided financing for both brownfield projects (seven transactions) and greenfield projects (three transactions). Besides classic project finance, Kommunalkredit has been increasingly active in infrastructure acquisition finance as well as in hybrid/corporate finance. Depending on the asset class and the product concerned, the bank offers a broad range of maturities, from one to two years (bridge finance) up to 30 years. The deliberate increase in the number of transactions with shorter durations led to an improved asset-liability match. As a highly specialised bank, which is able to offer its customers a broad range of products, Kommunalkredit managed to explore new potential sources of earnings during the first half of the year.

New business by sectors: EUR 532m



10 projects in 7 countries



Not only was the bank’s new business highly diversified, but also its placement activities: Kommunalkredit placed a total of EUR 280.1m with a wide range of institutional investors across Europe such as insurance companies and asset managers. This corresponded to an increase by 20.5% over the previous year’s level (HY1 2017: EUR 232.5m). The successful distribution activities testify to the market conformity of new business in terms of structure, pricing and risk management.

Flagship projects

In the first half of 2018, Kommunalkredit participated in the financing of numerous landmark projects, playing a leading role in half of the transactions as either Mandated Lead Arranger or Co-Arranger. In the transportation sector, Kommunalkredit acted as Mandated Lead Arranger in the EUR 540m refinancing of a section of the A2 Motorway in Poland and the EUR 165m financing of a tram line in Zaragoza (Spain). Furthermore, it acted as Mandated Lead Arranger in the EUR 650m refinancing of the broadband expansion project of Deutsche Glasfaser and as Mandated Lead Arranger and Sole Lender in the EUR 46.5m financing for Niederösterreichische Glasfaserinfrastrukturgesellschaft (nÖGIG) for the roll-out of a broadband network.

Tram Line 1 in Zaragoza (Spain)



Kommunalkredit acted as Mandated Lead Arranger for Sociedad de Economía Mixta Los Tranvías de Zaragoza S.A. in the EUR 165m refinancing of a 12.8 km tram line in Zaragoza, Spain's fifth largest city with 661,000 inhabitants. The project covers the refinancing of the operation and maintenance of the Tram line 1 with 33 stations, crossing the City of Zaragoza from North to South. Since the project got fully operational in March 2013, passenger demand has continuously grown. In 2015, the tram carried ca. 23% of the total users of public transportation in Zaragoza.

A2 Section Toll Road (Poland)



Kommunalkredit acted as Joint Structuring Bank and Mandated Lead Arranger for Autostrada Wielkopolska S.A. in the EUR 540m refinancing of the A2 Section I toll road in Poland. The A2 forms part of Poland's strategic Berlin – Warsaw corridor providing one of the most important transportation links between Western and Central Europe (part of the Trans-European Transport Network). The traffic showed resilience during the economic downturn and the history shows sustained demand for traffic on the A2 corridor.

nöGIG Broadband (Austria)



Kommunalkredit acted as Mandated Lead Arranger, Structuring Bank and Sole Lender for nöGIG in the financing of EUR 46.5m senior debt for the roll-out of ultra-high-speed broadband in selected rural areas. nöGIG, a subsidiary of the province of Lower Austria, was founded to establish the fibre network expansion in rural regions where commercial network operators refrain from providing the infrastructure due to economic reasons. For Kommunalkredit the deal is an ideal opportunity to play a decisive role in the first project finance broadband transaction in its home market Austria.

Deutsche Glasfaser (Germany)



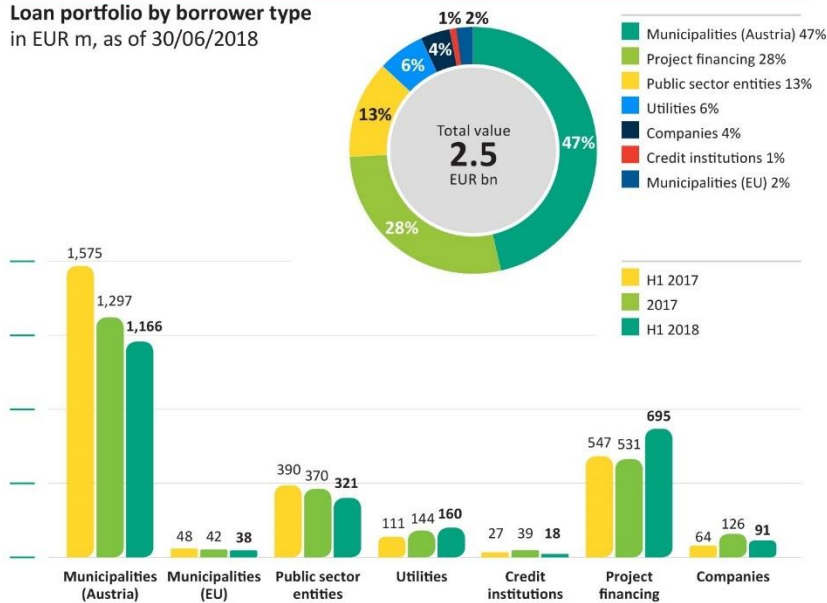
Kommunalkredit acted as Mandated Lead Arranger for Deutsche Glasfaser Asset I GmbH and subsequent and identical asset companies in the refinancing of a debt package worth EUR 650m for the broadband-expansion in rural Germany. Deutsche Glasfaser is Germany's leading FttH-player (Fibre-to-the-Home), providing retail customers in rural areas with ultra-high-speed broadband connectivity. The company intends to spend EUR 1.5bn on the expansion of its rural broadband network to reach 1m households and companies over the next few years.

Collaboration between public entities and private partners as an efficient form of procurement

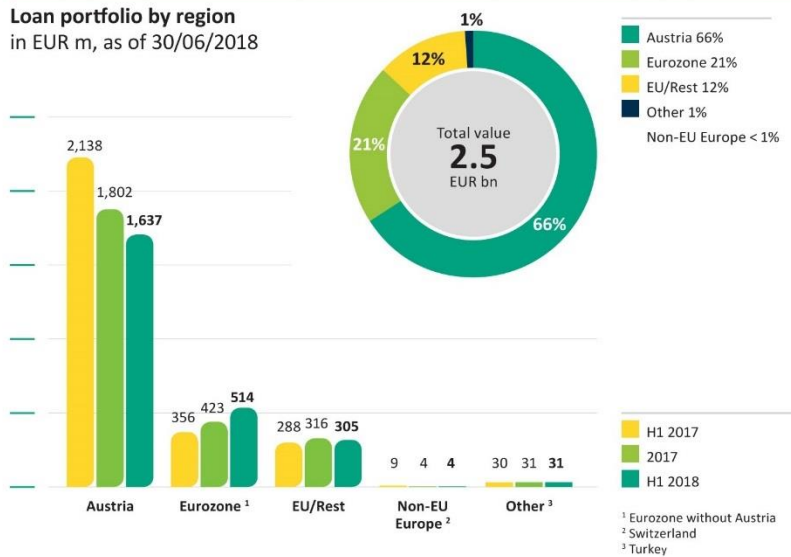
Against the background of the limited financial latitude allowed to public budgets, the collaboration between public entities and private partners offers an efficient and transparent form of procurement for the public sector. In such cooperation schemes, the private partner (usually a special purpose company with significant private-investor participation) agrees to deliver a public infrastructure project and service under a long-term contract. The private partner assumes various project risks, notably with regard to designing, building, operating and financing the project. In practice, two models are widely used: The public authority either pays an availability fee to the private partner as soon as the infrastructure is available (availability-based model) or grants the private partner the right to generate revenues from the provision of the infrastructure (concession-based model).

2. High quality of the loan portfolio

Loan portfolio by borrower type
in EUR m, as of 30/06/2018



Loan portfolio by region
in EUR m, as of 30/06/2018



The bank holds a loan portfolio of high asset quality without a single loss in the reporting year. As of 30 June 2018, the average rating was “A”, with 88% of the loans being investment grade.

The non-performing-loan ratio (NPL) was maintained at 0.0% in the first half of 2018. The weighted average probability of default was 0.23% as of 30 June 2018.

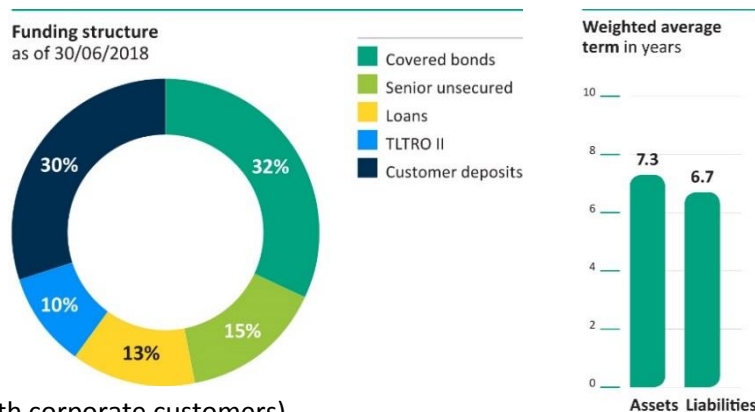
Kommunalkredit’s loan portfolio is well-balanced with increasing project finance transactions and a prevalence of municipalities. As of 30 June 2018, municipalities accounted for 49% of the portfolio (with Austrian municipalities making up 47%). Project financing accounted for 28%, while public sector enterprises had a share of 13%.

Regionally, Austria contributed 66% to the loan portfolio, followed by the rest of the euro zone with 21% and other EU countries with 12%.

3. Funding position strengthened

As of 30 June 2018, Kommunalkredit continued to report a very strong liquidity position with a free liquidity reserve of EUR 201.1m (31/12/2017: EUR 283.1m). This included high-quality liquid assets (HQLA) in the amount of EUR 109.1m (31/12/2017: EUR 133.1m). Moreover, another EUR 92.0m (31/12/2017: EUR 150.0m) were eligible for funding via the ECB tender or Eurex GC Pooling.

In the first half of 2018, the bank succeeded in further strengthening its funding structure and broadening its investor base. Approximately 50% of the bank's funding stems from sources not available at the time of Kommunalkredit's privatisation in autumn 2015: retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate customers).



Amounts owed to customers increased to a total of EUR 1,264.0m (31/12/2017: EUR 1,038.0m). This positive development was primarily driven by the increase in customer deposits by 41.2% to EUR 910.0m (31/12/2017: EUR 644.4m). Amounts owed to customers also included long-term private placements of EUR 297.8m (31/12/2017: EUR 329.9m) and liabilities from collateral received in connection with derivatives of EUR 56.3m (31/12/2017: EUR 63.7m).

Customer deposits up by 41.2%

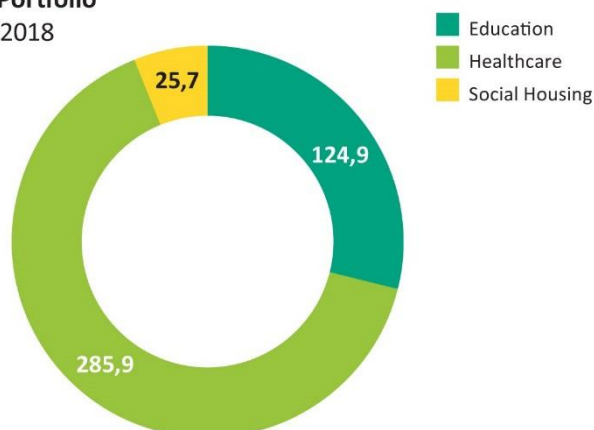
- Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its retail business via its online retail platform KOMMUNALKREDIT INVEST. After the market launch in Austria in September 2017, KOMMUNALKREDIT INVEST went live in the German retail market in January 2018. KOMMUNALKREDIT INVEST takes sight deposits as well as term deposits for terms of up to ten years. As of 30 June 2018, the bank had approx. 3,300 retail customers (31/12/2017: 1,900). Compared to the year-end value of 2017, the volume of deposits increased by 56.4% to EUR 180.9m (31/12/2017: EUR 115.7m). The share of term deposits increased significantly to 57.3% (31/12/2017: 13.1%), with 36.5 percentage points accounted for by 12-month term deposits and 20.8 percentage points by term deposits with maturities of more than 12 months.
- Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and corporates. The continued strong growth of the platform testifies to Kommunalkredit's close connection with its traditional municipal customer base in Austria. Deposits by corporates stabilised at a high level. In total, wholesale deposits increased by 37.9% to EUR 729.0m in the first half of 2018 (31/12/2017: EUR 528.8m). The trend towards longer maturities continued throughout the first half of 2018. With an average volume of about EUR 2.5m, wholesale deposits were highly granular.

Capital market funding

In the first half of 2018, Kommunalkredit's capital market activities were focused, in particular, on private placements of senior unsecured bonds with international investors. Within the framework of its Debt Issuance Programme launched in 2017, the volume of bonds issued by Kommunalkredit as at 30/06/2018 resulted in EUR 56m.

Social covered bond – Social asset reporting as of 30/06/2018

Social Asset Portfolio
as of 30/06/2018
in EUR m



Kommunalkredit committed itself to report once a year on the use of proceeds retained from the issuance of its social covered bond. As at 30 June 2018, the social asset portfolio comprised 80 loans with a total volume of EUR 436m originated in the fields of education, healthcare and social housing. In the reporting period, new financing in a volume of approx. EUR 98m was provided for three new social infrastructure projects, i. e. in the sector of healthcare.

Strong liquidity ratios

The liquidity coverage ratio (LCR), which measures the short-term resilience of a bank's liquidity risk profile over a 30-day scenario, is closely monitored as part of the bank's early warning system. With a ratio of 528.7% as of 30 June 2018 (31/12/2017: 449.9%), Kommunalkredit significantly exceeded the new regulatory minimum ratio of 100% effective since 1 January 2018.

The net stable funding ratio (NSFR), which will require banks in the future under Basel III to maintain a stable funding profile in relation to the composition of its assets and off-balance-sheet activities, stood at 112.0% as of 30 June 2018 (31/12/2017: 101.5%). The final definition of the ratio and the related timeframe for implementation has not yet been confirmed by the regulatory authorities.

4. Rating

Kommunalkredit's unsecured debt issues have a long-term rating of "BBB (low)" (negative trend) and a short-term rating of "R-2 (mid)" from DBRS. On 1 August 2018, Standard & Poor's confirmed its "A" rating of Kommunalkredit's covered bonds, which underlines the high quality of the underlying cover pool.

Participations

Through its 90% subsidiary **Kommunalkredit Public Consulting (KPC)**, Kommunalkredit manages national and EU-funded support programmes, especially in the fields of environmental protection, water management and energy, and provides consultancy services for international organisations and financial institutions. In the first half of 2018, KPC disbursed funding provided by the Federal Government and the Austrian provinces in the amount of EUR 129m for a total 11,900 environmental protection and climate action projects. The total volume of investments supported by such grants amounted to EUR 763m, which acts as a significant stimulus for economic developments at regional and local level.

Moreover, KPC successfully managed its international consulting business and was awarded new contracts by international financial institutions, such as the EBRD (European Bank for Reconstruction and Development).

Kommunalnet E-Government Solutions GmbH (Kommunalnet), a 45% subsidiary of Kommunalkredit, is the digital information portal and social network of Austrian local authorities. As of 30 June 2018, Kommunalnet had 14,447 registered users, in particular mayors, administrative directors and finance directors from 2,048 Austrian local authorities and associations of local authorities. Thus, Kommunalkredit has an exceptionally high market penetration rate of 96% in the municipal sector and holds a unique position in the Austrian market.

Since April 2018, Kommunalnet has cooperated with Loanbox, a fin-tech company operating an online platform for municipal loans, in the field of municipal financing. With just a few clicks, local authorities can submit financing enquiries to numerous potential providers of capital via this platform. In Switzerland and Germany, Loanbox has already received financing enquiries for a total volume of CHF 10bn from over 1,000 users. Kommunalnet cooperates with Loanbox as its distribution partner in Austria.

In the first half of 2018, Kommunalkredit established three companies for strategic options in the field of fund and asset management to fiducially manage 3rd party funds for infrastructure & energy investments: **Fidelio KA Beteiligung GmbH**, **Fidelio KA Investment Advisory GmbH** and **Fidelio KA Infrastructure Opportunities Fund GP S.à r.l.**

ASSETS, FINANCIAL POSITION AND INCOME

Financial performance indicators of Kommunalkredit Group according to IFRS

Selected balance sheet figures in EUR million	IFRS 9 30/06/2018	IAS 39 31/12/2017
Total assets	3,865.5	3,663.2
Equity	289.0	283.1
Loans and advances to customers	1,965.3	2,091.9
Assets at fair value recognized in equity	862.0	211.6
Amounts owed to banks	522.8	532.8
Amounts owed to customers	1,264.0	1,038.0
Securitised liabilities	1,493.6	1,468.6

Selected P&L figures in EUR million	IFRS 9 01/01-30/06/2018	IAS 39 01/01-30/06/2017
Net interest income	25.5	16.4
Net fee and commission income	10.4	8.8
General administrative expenses	-25.0	-25.9
Contributions to the Bank Resolution Fund	-1.6	-0.9
<i>Operating result</i>	13.8	4.6
Restructuring expenditure	-2.5	0.0
Net results of asset valuation and realised gains and losses	0.2	6.3
Result for the period before tax	11.5	10.8
Taxes on income	-2.3	3.1
Result for the period	9.2	13.9
Comprehensive income (excl. changes in equity)	4.0	13.7
Cost/income ratio (excl. restructuring expense/asset valuation result)	64.5%	85.1%

Regulatory indicators in EUR million and/or %	30/06/2018	31/12/2017
Risk-weighted assets	1,091.5	992.4
Own funds	293.7	297.2
Total capital ratio	26.9%	29.9%
Common equity tier 1	232.9	233.0
CET 1 ratio	21.3%	23.5%

Rating	30/06/2018	31/12/2017
Long-term DBRS	BBB (low)	BBB (low)
Short-term DBRS	R-2 (mid)	R-2 (mid)
Covered bonds S&P	A	A

First-time adoption of IFRS 9

As of 1 January 2018, IAS 39, the standard previously applied in accounting for financial instruments, was replaced by IFRS 9. First adoption of IFRS 9 as of 1 January 2018 resulted in the following material effects:

- Increase in equity by EUR 13.4m
- Recognition of a provision for expected credit losses of EUR 1.0m

Detailed presentations of the material restatements are contained in the Selected Explanatory Notes to the Condensed Consolidated Interim Financial Information.

Balance sheet structure

As of 30 June 2018, Kommunalkredit's total assets according to IFRS stood at EUR 3.9bn (31/12/2017: EUR 3.7bn). The balance sheet items "Loans and advances to customers" and "Assets at fair value recognised in equity" included loans worth EUR 2.2bn (31/12/2017: EUR 2.2bn) and securities of EUR 529.6m (31/12/2017: EUR 584.8m). The securities portfolio included high-quality liquid assets (HQLA) in the amount of EUR 109.1m (31/12/2017: EUR 133.1m).

The structure of liabilities according to IFRS book values was as follows:

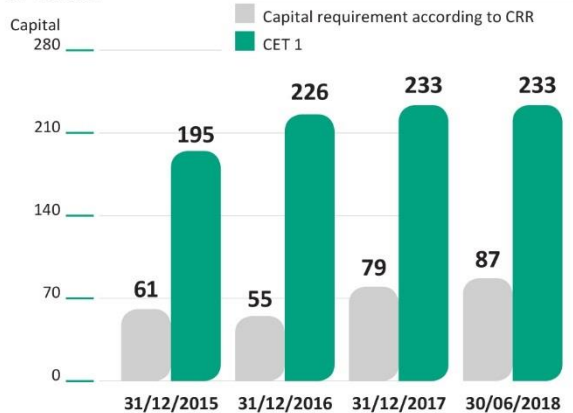
Structure of liabilities 30/06/2018 and 31/12/2017 in EUR bn	30/06/2018	31/12/2017
Securitised liabilities	1.5	1.5
Amounts owed to customers	1.3	1.0
Amounts owed to banks, including ECB	0.5	0.5

The bank's main funding components were senior and covered bonds reported under securitised liabilities worth EUR 452.3m and EUR 970.5m respectively (31/12/2017: EUR 416.7m and EUR 965.3m respectively).

Amounts owed to customers increased to a total of EUR 1,264.0m in the first half of the year (31/12/2017: EUR 1,038.0m), comprising customer deposits of EUR 910.0m (31/12/2017: EUR 644.4m), private placement of EUR 297.8m (31/12/2017: EUR 329.9m) and liabilities from collateral received in connection with derivatives of EUR 56.3m (31/12/2017: EUR 63.7m). Amounts owed to banks primarily comprised funds drawn under the long-term tender programme (LTTRO II) of the European Central Bank (ECB) in the amount of EUR 313.9m (31/12/2017: EUR 313.9m), deposits by banks in the amount of EUR 3.0m (31/12/2017: EUR 43.0m) as well as liabilities from collateral received for derivatives in the amount of EUR 108.9m (31/12/2017: EUR 96.2m).

Risk-weighted assets and regulatory own funds

Capital position in EUR m



As of 30 June 2018, Kommunalkredit's own funds totalled EUR 293.7m (31/12/2017: EUR 297.2m) and its common equity tier 1 (CET 1) stood at EUR 232.9m (31/12/2017: EUR 233.0m). During the first half of 2018, risk-weighted assets increased by 10.0% to EUR 1,091.5m (31/12/2017: EUR 992.4m) owing to a higher weighting of new business in infrastructure project finance compared to the decreasing portfolio with mostly Austrian public entities.

As of 30 June 2018, Kommunalkredit reported a total capital ratio of 26.9% (31/12/2017: 29.9%) and a CET 1 ratio of 21.3% (31/12/2017: 23.5%). The decreasing capital ratios are due to the efficient use of capital resulting from significant increase in new business, which had a positive impact on earnings. As of 30 June 2018, the leverage ratio stood at 6.7% (31/12/2017: 7.3%).

Kommunalkredit has to comply with own funds requirements as stipulated in Article 92 CRR and the related Supervisory Review and Evaluation Process (SREP). Under these parameters, Kommunalkredit had to maintain a minimum CET 1 ratio of 6.76%, a minimum core capital ratio of 8.36% and a minimum total capital ratio of 10.56% as of 30 June 2018. These ratios are significantly exceeded by the bank. The foregoing figures reflect the regulatory capital indicators based on the non-consolidated financial statements of Kommunalkredit pursuant to the Austrian Company Code/Austrian Banking Act.

Kommunalkredit is part of a group of credit institutions whose parent is Satere Beteiligungsverwaltungs GmbH (Satere). As of 30 June 2018, the consolidated total capital ratio stood at 26.3% (31/12/2017: 29.2%) and the consolidated CET 1 ratio at 20.7% (31/12/2017: 22.8%).

Public sector covered bonds / Cover pool

As of 30 June 2018, Kommunalkredit had a well-diversified cover pool with a value of EUR 1.2bn. At the same time, EUR- and CHF-denominated public sector covered bonds worth approx. EUR 970.5m were outstanding. As of 30 June 2018, the cover pool comprised assets from Austria (96.9%), Germany (2.0%) and Poland (1.1%). 90.3% of the cover pool was rated "AAA" or "AA"; 9.7% of the cover pool assets had an "A" rating.

For its covered bonds in circulation, Kommunalkredit committed itself to maintaining a voluntary nominal over-collateralisation of approx. 10% of the redemption amount. As of 30 June 2018, the level of over-collateralisation was 19.7%.

Profit & Loss Account of the Group according to IFRS

In the first half of 2018, Kommunalkredit Group reported a significant increase in the operating result of EUR 13.8m (HY1 2017: EUR 4.6m). This increase reflects the successful expansion of new business and its positive contribution to net interest income, which increased by 56.1%. Moreover, the bank's growing emphasis on consultancy and structuring activities led to an 18.3% increase in risk-free net fee and commission income and, consequently, an improved quality of earnings. Compared to the previous year, the operating result also contained a positive effect of EUR 4.8m resulting from the first-time adoption of IFRS 9.

The cost efficiency programme implemented by Kommunalkredit in 2017 resulted in a reduction of the cost base in the first half of 2018 and will pay off within one year in 2018. Given that the provision of services to KA Finanz AG will be discontinued at the end of the first quarter of 2019, the bank will implement further capacity adjustments, for which a restructuring provision of EUR 2.5m has been set up. The significant improvement of the operating result came together in a notable reduction of the cost/income ratio (excluding restructuring expenditure and net valuation result) to 64.5% (HY1 2017: 85.1%). After the restructuring provision and without the positive one-off effect from the sale of own issuances in the previous year, the result for the period increased to EUR 11.5m (HY1 2017: EUR 10.8m). The after-tax result for the period came to EUR 9.2m (HY1 2017: EUR 13.9m).

The material income and expense items of the consolidated IFRS financial statements for the first half of 2018 are as follows:

- **Operating result**

The operating result (excl. the net valuation result, extraordinary income and extraordinary expenses) of EUR 13.8m (HY1 2017: EUR 4.6m) is comprised of the following components:

- **Net interest income**

Net interest income increased by 56.1% to EUR 25.5m (HY1 2017: EUR 16.4m). Of the total, EUR 10.4m was accounted for by new business (HY1 2017: EUR 2.5m) and EUR 10.3m by the in-force portfolio, including the costs of liquidity (HY1 2017: EUR 13.8m). Moreover, an accounting effect in the amount of EUR 4.8m resulted from the first-time adoption of IFRS 9.

- **Net fee and commission income**

The bank's growing emphasis on consultancy and structuring activities led to an 18.3% increase in risk-free net fee and commission income to EUR 10.4m (HY1 2017: EUR 8.8m) and, consequently, a significantly improved quality of earnings. Net fee and commission income was accounted for by the support programme management and consulting activities of KPC, Kommunalkredit's subsidiary, in the amount of EUR 7.0m (HY1 2017: EUR 7.7m) and by new business in the amount of EUR 3.4m (HY1 2017: EUR 1.1m).

- **Net provisioning for impairment losses**

The non-performing-loan ratio (NPL/definition of default according to Basel III) remained at 0.0%. No loan defaults were recorded during the first six months of the year. The loan impairment charge of EUR 0.05m reported for the first half of 2018 (HY1 2017: EUR -0.1m) reflects the change in the statistically calculated provision for expected credit losses according to IFRS 9. As of 30 June 2018, the provision amounted to EUR 1.4m.

- **General administrative expenses**
Disciplined cost management led to a reduction in general administrative expenses by 3.7% to EUR 25.0m (HY1 2017: EUR 25.9m). The cost efficiency programme implemented by the bank in 2017 will pay off within one year in 2018. General administrative expenses comprised personnel expenses of EUR 16.2m (HY1 2017: EUR 17.2m) and other administrative expenses of EUR 8.8m (HY1 2017: EUR 8.7m).

- **Contribution to the Bank Resolution Fund**
In the first half of 2018, the bank contributed an amount of EUR 1.6m to the Bank Resolution Fund (HY1 2017: EUR 1.7m, with only EUR 0.9m carrying through profit or loss due to the release of a provision).

- **Other operating result**
Amounting to EUR 4.4m (HY1 2017: EUR 6.3m), this position mainly included revenue generated from the provision of operational services for KA Finanz AG of EUR 4.7m (HY1 2017: EUR 6.4m) and expenditure for the stability tax payable by Austrian banks, amounting to EUR 0.3m (HY1 2017: EUR 0.3m).

- **Restructuring expenditure**
After a public tender, the service agreement with KA Finanz AG will be transferred to new service providers, effective as of end of March 2019. The provision of services to KA Finanz AG by Kommunalkredit and the related reimbursement of expenses will therefore cease. This requires capacity adjustments in the bank's back office, for which a provision of EUR 2.5m has been set up.

- **Net result of valuation and realised gains and losses**
The net result of valuations and realised gains and losses was almost balanced at EUR 0.2m (HY1 2017: EUR 6.3m). The previous year's value included a positive extraordinary one-off effect from the buyback of own issuances in the amount of EUR 5.2m.

- **Taxes on income**
Income tax for the first half of 2018 amounted to EUR -2.3m (HY1 2017: EUR 3.1m). The positive tax effect of the previous year resulted primarily from the capitalisation of deferred taxes from tax losses carry-forwards.

Profit & Loss Account of Kommunalkredit Austria AG according to Austrian GAAP

Selected P&L figures in EUR million	01/01-30/06/2018	01/01-30/06/2017
Net interest income	18.4	15.2
Net fee and commission income	8.7	3.0
General administrative expenses <i>of which contributions to the Bank Resolution Fund</i> <i>of which provision for restructuring expenditure</i>	-23.7 -1.6 -2.5	-20.8 -0.9 0.0
Other operating income <i>of which income from services provided to KA Finanz AG & Kommunalkredit Public Consulting</i>	5.8 5.7	7.7 7.5
Other operating expenses <i>of which stability tax</i>	-0.3 -0.3	-0.3 -0.3
Operating result	9.1	5.6
Loan impairment, valuation and sales result	-0.2	5.0
Appropriation to provision (§ 57 (1) Austrian Banking Act)	0.9	0.0
Profit on ordinary activities	8.9	10.6
Taxes on income	0.5	0.3
Profit for the year after tax	9.4	10.8

Kommunalkredit's financial statements for the first half of 2018 prepared in accordance with Austrian GAAP showed an operating result of EUR 9.1m (HY1 2017: EUR 5.6m). This figure reflects the growing new business volume, which also led to rising fee and commission income. Profit on ordinary activities totalled EUR 8.9m in 2018 (HY1 2017: EUR 10.6m), while the after-tax profit for the year amounted to EUR 9.4m (HY1 2017: EUR 10.8m). The reduction from the previous year's level resulted mainly from the fact that positive one-off effects from the buyback of own issues did not materialise to the same extent as in 2016 and 2017. The loan impairment charge of EUR -0.9m (HY1: EUR -0.1m) reported for the first half of 2018 results from the first-time recognition of a provision for expected credit losses calculated according to IFRS 9. No credit losses were recorded in the first half of 2018, and Kommunalkredit's non-performing-loan ratio (NPL) (definition of default according to Basel III) remained at 0.0%.

As of 30 June 2018, total assets according to Austrian GAAP amounted to EUR 3.5bn (31/12/2017: EUR 3.3bn), with loans and advances to customers of EUR 2.4bn (31/12/2017: EUR 2.4bn) and bonds and debt securities worth EUR 0.3bn (31/12/2017: EUR 0.3 bn) accounting for the major part thereof.

Changes on the Executive Board and the Supervisory Board

After 40 years of activity in the banking industry, Alois Steinbichler, having reached the age of 66, will hand over the chair of the Executive Board to Bernd Fislage on 1 September 2018 and subsequently be elected to the Supervisory Board during the course of the third quarter of 2018. Bernd Fislage has been a member of the Executive Board since February 2017 and Co-Chief Executive Officer since March 2018. Thus, the targeted management continuity has been ensured.

Moreover, Jochen Lucht was appointed to the Executive Board as of 1 July 2018. Wolfgang Meister stepped down from the Executive Board effective as of 6 March 2018. As of 1 September, the Executive Board of the bank will consist of Bernd Fislage (Chief Executive Officer), Jörn Engelmann (Chief Risk Officer) and Jochen Lucht (Chief Financial Officer /Chief Operating Officer).

OTHER MATERIAL DISCLOSURES

Service Agreement between Kommunalkredit and KA Finanz AG

Under the service agreement (SA), which has been in place since 2009, Kommunalkredit provides operational services for the banking operations of KA Finanz AG. As of 30 June 2018, 14 staff members were delegated to KA Finanz AG on a full-time basis within the framework of a staff leasing agreement. Kommunalkredit's expenses under the SA are charged to KA Finanz AG.

Within the framework of a public tender in the second quarter of 2018, KA Finanz AG decided to award the contract for the provision of services to another group of bidders. For good order's sake, Kommunalkredit terminated the existing SA effective as of 31 March 2019. On the basis of the agreed migration plan, Kommunalkredit actively supports the hand-over to the new service provider. Upon conclusion of the hand-over process at the end of March 2019, Kommunalkredit and KA Finanz AG will be clearly separated in organizational terms as well.

OUTLOOK

The outlook for 2018 is positive for the global economy as a whole. Significant growth of 2.3% has been forecast for the euro zone. However, the world economy is exposed to notably higher risks in the medium term. This is mainly due to uncertainty about the future direction of US trade policy and the resulting geopolitical factors: Following the imposition by the US of punitive import tariffs in a magnitude of USD 50bn on Chinese goods as well as tariffs of 25% on imports of aluminium and steel from the EU, Mexico and Canada, there is a great deal of uncertainty about possible countermeasures by trading partners and an escalation of the situation. The outlook for Europe is also blurred by additional factors, such as Italy's political orientation and the Brexit negotiations.⁹ Kommunalkredit itself does not expect a substantial impact of Brexit on its business.

The ECB (European Central Bank) announced its intention to continue its asset purchases within the framework of the QE programme only until September 2018 at the latest. It is expected that the ECB's QE programme will be phased out completely by the end of 2018. For the time being, an increase in key lending rates is not foreseeable.¹⁰ The Fed, however, is expected to increase interest rates further two times in the course of 2018, which would mean a total of four rate hikes this year, i.e. one more than previously indicated. A further normalisation of US monetary policy is also anticipated.

The outlook for the European infrastructure market in the second half of the year is positive. Demand for infrastructure investments remains high and numerous transactions are in the pipeline. This includes renewable energy projects in Spain, Portugal and Italy as well as refinancing transactions for motorways and airports in South-Eastern Europe. Broadband projects are being prepared in Germany, France, Scandinavia and Austria. In the first half of the year, Kommunalkredit financed the first phase of broadband roll-out in the Province of Lower Austria by nöGIG, a company owned by the provincial government. A public tender for the second phase has been launched.

⁹ OeNB: Macroeconomic forecast 2018 to 2020, June 2018.

¹⁰ ECB: Account of monetary policy meeting, 2018.

Kommunalkredit started the business year 2018 with a clear strategy and clear operational parameters. In the first half of the year, the bank achieved a substantial increase in operational profitability. This improvement reflects the successful expansion of new business, which delivered significantly higher contributions to net interest income as well as net fee and commission income. Structuring, pricing and management of risk in combination with focused debt placement with institutional investors are instrumental in the origination of new business. Kommunalkredit's objective is to place 30% to 70% of its financing volume.

Combined with the bank's stringent cost management regime, the increase in profitability led to a significant reduction of the cost/income ratio from 85.1% to 64.5%. The cost efficiency programme initiated by Kommunalkredit in 2017 will pay off within one year in 2018. By successfully implementing this programme, the bank demonstrated its ability to improve its cost base efficiently and in a socially acceptable manner. It will continue to pursue this line in the course of the year in connection with the capacity adjustments resulting from the discontinuation of services to KA Finanz AG.

Offering its customers a broad range of products across asset classes, financing instruments and maturities, Kommunalkredit is well positioned to take advantage of market opportunities in the second half of the year. Given its buoyant project pipeline for the second half of 2018, Kommunalkredit expects to overperform the 2017 full-year results, creating value for the community, providing benefit to the people, and yield to its investors.

Vienna, 8 August 2018

The Executive Board of
Kommunalkredit Austria AG



Alois Steinbichler
CEO



Karl-Bernd Fislage
Co-CEO



Jörn Engelmann
Member of the Board



Jochen Lucht
Member of the Board

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Balance Sheet of Kommunalkredit Group according to IFRS

Assets in EUR 1,000	30/06/2018	31/12/2017
Cash and balances with central banks	641,471.0	318,109.1
Loans and advances to banks	123,989.3	140,197.5
Loans and advances to customers	1,965,324.3	2,091,879.7
Assets at fair value	0.0	605,731.1
Assets at fair value through equity	862,075.9	0.0
Assets available for sale	0.0	211,564.2
Derivatives ¹	210,381.5	232,616.8
Portfolio hedge	270.2	0.0
Investments in associates	0.0	0.0
Property, plant and equipment	25,319.0	25,850.3
Intangible assets	227.1	191.4
Current tax assets	1,831.6	476.5
Deferred tax assets	20,608.7	27,243.6
Other assets	14,007.8	9,370.4
Assets	3,865,506.4	3,663,230.7

Liabilities and equity in EUR 1,000	30/06/2018	31/12/2017
Amounts owed to banks	522,762.3	532,838.2
Amounts owed to customers	1,264,038.8	1,038,002.0
Derivatives ¹	201,549.2	244,709.4
Securitised liabilities	1,493,571.7	1,468,582.1
Subordinated liabilities	67,685.3	68,922.1
Provisions	10,008.8	7,594.2
Current tax liabilities	1,659.0	599.8
Other liabilities	15,197.3	18,857.9
Equity	289,033.9	283,125.0
<i>of which Subscribed capital</i>	159,491.3	159,491.3
<i>of which Statutory reserves</i>	14,241.5	14,241.5
<i>of which Reserve for assets at fair value through equity</i>	110,367.2	0.0
<i>of which Available-for-sale reserve</i>	0.0	892.4
<i>of which Other reserves (incl. result for the period)</i>	4,799.7	108,339.7
<i>of which Non-controlling interests</i>	134.3	160.1
Liabilities and equity	3,865,506.4	3,663,230.7

¹ Interest rate swaps and FX forwards concluded primarily to hedge against interest rate and FX risks. The bank has no proprietary trading portfolio.

Income Statement of Kommunalkredit Group according to IFRS

Income Statement in EUR 1,000	01/01-30/06/2018	01/01-30/06/2017
Net interest income	25,549.2	16,368.5
<i>Interest income</i>	85,595.9	63,065.2
<i>Income similar to interest income</i>	0.0	14,788.3
<i>Interest expenses</i>	-58,577.6	-48,332.6
<i>Expenses similar to interest expenses</i>	-1,469.1	-13,152.4
Net fee and commission income	10,381.4	8,773.6
<i>Fee and commission income</i>	11,009.4	9,237.6
<i>Fee and commission expenses</i>	-627.9	-464.0
Net provisioning for impairment losses	49.6	-127.3
General administrative expenses	-24,996.1	-25,943.3
<i>Personnel expenses</i>	-16,167.7	-17,225.8
<i>Other administrative expenses</i>	-8,828.4	-8,717.5
Contributions to the Bank Resolution Fund	-1,571.0	-949.5
Income from investments	0.0	137.6
Other operating result	4,367.1	6,292.0
<i>Other operating income</i>	4,800.4	6,643.2
<i>of which Services charged to KA Finanz AG</i>	4,717.4	6,423.0
<i>Other operating expenses</i>	-433.3	-351.3
<i>of which Bank stability tax</i>	-288.0	-337.0
Restructuring expenditure	-2,500.0	0.0
Net result of valuations and realised gains and losses	233.1	6,284.2
Result from the derecognition of financial assets recognised at amortised cost	-21.5	0.0
Result for the period before tax	11,491.7	10,835.8
Taxes on income	-2,307.4	3,099.6
Result for the period	9,184.4	13,935.4

<i>of which attributable to owners</i>	9,163.9	13,912.1
<i>of which attributable to non-controlling interests</i>	20.5	23.3

Statement of Comprehensive Income

Comprehensive income in EUR 1,000	01/01-30/06/2018	01/01-30/06/2017
Result for the period after tax	9,184.4	13,935.4
Items to be recycled to the Income Statement	-5,144.9	-426.7
Change in assets at fair value through equity	-5,144.9	0.0
<i>Recognition of assets at fair value through equity</i>	-8,833.2	0.0
<i>Change in credit risk provisions</i>	-39.1	0.0
<i>Recycled to the Income Statement</i>	2,012.3	0.0
<i>Deferred tax on assets at fair value through equity</i>	1,715.0	0.0
Change in available-for-sale reserve	0.0	-426.7
<i>Valuation of AFS portfolio</i>	0.0	-568.9
<i>Deferred tax on available-for-sale reserve</i>	0.0	142.2
Items not to be recycled to the Income Statement	0.0	202.7
Change in actuarial gains and losses	0.0	202.7
<i>Actuarial result for pension provisions</i>	0.0	270.3
<i>Deferred tax on actuarial result from pension provisions</i>	0.0	-67.6
Comprehensive income	4,039.5	13,711.4

<i>of which attributable to owners</i>	4,019.0	13,688.1
<i>of which attributable to non-controlling interests</i>	20.5	23.3

Statement of Changes in Equity

Development of equity HY1 2018	Subscribed capital	Statutory reserves ¹	Retained earnings and other reserves (incl. result for the period)	Fair value OCI reserve ²	Available-for-sale reserve	Actuarial result IAS 19	Equity excl. non- controlling interests	Non-controlling interests	Equity
in EUR 1,000									
As of 01/01/2018	159,491.3	14,241.5	107,416.0	0.0	892.4	923.7	282,964.9	160.2	283,125.0
Changes due to first-time adoption of IRFS 9	0.0	0.0	-101,203.9	115,512.1	-892.4	0.0	13,415.8	0.0	13,415.8
Restated as of 01/01/2018	159,491.3	14,241.5	6,212.1	115,512.1	0.0	923.7	296,380.7	160.2	296,540.8
Result for the period	0.0	0.0	9,163.8	0.0	0.0	0.0	9,163.8	20.5	9,184.4
Change in assets at fair value through equity	0.0	0.0	0.0	-5,144.9	0.0	0.0	-5,144.9	0.0	-5,144.9
<i>Measurement of assets at fair value through equity</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-6,624.9</i>	<i>0.0</i>	<i>0.0</i>	<i>-6,624.9</i>	<i>0.0</i>	<i>-6,624.9</i>
<i>Recycling of assets at fair value through equity</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>1,509.3</i>	<i>0.0</i>	<i>0.0</i>	<i>1,509.3</i>	<i>0.0</i>	<i>1,509.3</i>
<i>Change in credit risk provisions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-29.3</i>	<i>0.0</i>	<i>0.0</i>	<i>-29.3</i>	<i>0.0</i>	<i>-29.3</i>
Change of actuarial losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income	0.0	0.0	9,163.8	-5,144.9	0.0	0.0	4,018.9	20.5	4,039.5
Distributions	0.0	0.0	-11,500.0	0.0	0.0	0.0	-11,500.0	-61.7	-11,561.7
Changes in scope of consolidation from first-time consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.3	15.3
As of 30/06/2018	159,491.3	14,241.5	3,876.0	110,367.2	0.0	923.7	288,899.7	134.3	289,033.9

Development of equity HY1 2017	Subscribed capital	Statutory reserve ¹	Retained earnings and other reserves (incl. result for the period)	Fair value OCI reserve	Available-for-sale reserve ³	Actuarial result IAS 19	Equity excl. non- controlling interests	Non-controlling interests	Equity
in EUR 1,000									
As of 01/01/2017	159,491.3	13,298.2	122,346.6	0.0	1,290.9	197.6	296,624.6	154.5	296,779.0
Result for the period	0.0	0.0	13,912.1	0.0	0.0	0.0	13,912.1	23.3	13,935.4
Change in AFS reserve	0.0	0.0	0.0	0.0	-426.7	0.0	-426.7	0.0	-426.7
<i>Valuation of AFS portfolio</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-426.7</i>	<i>0.0</i>	<i>-426.7</i>	<i>0.0</i>	<i>-426.7</i>
<i>Recycling of AFS reserve</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Change in actuarial losses	0.0	0.0	0.0	0.0	0.0	202.7	202.7	0.0	202.7
Comprehensive income	0.0	0.0	13,912.1	0.0	-426.7	202.7	13,688.2	23.3	13,711.4
Distributions	0.0	0.0	-32,000.0	0.0	0.0	0.0	-32,000.0	-54.9	-32,054.9
As of 30/06/2017	159,491.3	13,298.2	104,258.7	0.0	864.2	400.4	278,312.7	122.8	278,435.5

¹ Statutory reserves include retained earnings of TEUR 4,241.5 and liability reserves of the parent pursuant to § 57 (5) of the Austrian Banking Act of TEUR 10,000.0.

² As of 30/06/2018, the reserve for assets at fair value through equity includes deferred taxes of TEUR 36,789.1.

³ As of 30/06/2017, the available-for-sale reserved includes deferred taxes of TEUR 288.1.

Statement of Cash Flows

in EUR 1,000	01/01-30/06/2018	01/01-30/06/2017
Result for the period after tax	9,184.4	13,935.4
Non-cash items included in the profit for the period and reconciliation to cash flow from operating activities		
Depreciation, and amortization of property, plant and equipment and intangible assets	764.7	903.6
Appropriation to/release of provisions	2,130.3	256.2
Non-realised gains/losses from exchange rate fluctuations	0.5	-15.6
Gains/losses from the valuation of financial assets and profit from the buyback of own issues	-233.1	-6,415.5
Income tax deferrals	1,869.9	-3,465.2
Profit and loss participation in companies valued according to the equity method	0.0	0.0
Non-cash deferrals/accruals and other adjustments	-1,869.5	-3,016.6
Sub-total	11,847.3	2,182.4
Change in assets and liabilities from operating activities after correction for non-cash items		
Loans and advances to banks	-12,975.7	-6,504.6
Loans and advances to customers	89,551.2	180,474.5
Assets at fair value through equity	35,860.8	0.0
Assets available for sale and fair value option	0.0	66,509.8
Derivatives	-44,356.8	125,280.6
Other assets from operating activities	-6,074.4	3,767.9
Amounts owed to banks	-11,490.1	-99,266.0
Amounts owed to customers	234,810.0	241,503.2
Securitised liabilities	41,953.4	-579,279.7
Other liabilities from operating activities	-3,660.6	4,580.6
Cash flow from operating activities	335,465.1	-60,751.2
Proceeds from the sale/redemption of		
Property, plant and equipment and intangible assets	0.6	0.0
Outflows from the acquisition of		
Property, plant and equipment and intangible assets	-269.7	-199.1
Cash flow from investing activities	-269.1	-199.1
Cash inflow from capital increases/cash outflows from capital reductions	0.0	0.0
Dividend payments attributable to the owners of the parent	-11,500.0	-32,000.0
Dividend payments attributable to non-controlling interests	-61.7	-54.9
Change in funds from other financing activities (subordinated capital)	-272.4	478.3
Cash flow from financing activities	-11,834.1	-31,576.6
Cash and cash equivalents at the end of the previous period	318,109.1	310,457.4
Cash flow from operating activities	335,465.1	-60,751.2
Cash flow from investing activities	-269.1	-199.1
Cash flow from financing activities	-11,834.1	-31,576.6
Cash and cash equivalents at the end of the period	641,471.0	217,930.5
of which Cash flows contained in cash flow from operating activities:		
Interest received	68,561.9	50,498.1
Interest paid	-55,485.7	-31,244.4
Taxes on income paid	136.3	47.9
Dividends received	0.0	137.6
Development of subordinated liabilities	2018	2017
As of 01/01	68,922.1	69,846.8
Changes recognised as cash items	-272.3	-840.6
Changes recognised as non-cash items (mainly from hedge accounting)	-964.5	-84.1
As of 30/06/2018 and 31/12/2017 respectively	67,685.3	68,922.1

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF KOMMUNALKREDIT GROUP

1. General principles

These Condensed Consolidated Interim Financial Information of 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 Condensed Consolidated Interim Financial Information for the period from 1 January to 30 June 2018 are in compliance with IAS 34 (“Interim Financial Reporting”). The Condensed Consolidated Interim Financial Information 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 2017 annual financial statements of Kommunalkredit Group. Changes in the accounting and measurement methods applied in the interim reporting period, as compared to the annual financial statements as of 31 December 2017, are outlined under Note 2.

2. Changes in accounting and measurement methods

a. IFRS 9 (Financial Instruments)

IFRS 9 “Financial Instruments”, published in July 2014 and applicable to annual periods beginning on or after 1 January 2018, replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 comprises three parts:

1. Classification and measurement of financial instruments
2. Risk provisioning on the basis of the expected-credit-loss model
3. Hedge accounting

The new provisions have been applied by Kommunalkredit since 1 January 2018 with the practical expedients permitted under the standard. At the time of first adoption of IFRS 9, i. e. 1 January 2018, all portfolios were reclassified; the effects of first-time adoption of IFRS 9 are reflected in equity. Comparative values for the year 2017 are not restated.

Classification and measurement

IFRS 9 provides for all financial assets to be measured either at amortised cost or at fair value, depending on the business model and the terms and conditions of the contractual cash flows. Measurement at fair value is possible either through equity (Other result) or through profit or loss.

Assets held within the framework of a business model aimed at generating contractual cash flows (business model “hold-to-collect”) which are solely payments of principal and interest (SPPI criterion) on the capital outstanding, are to be accounted for at amortised cost in subsequent periods. If the financial assets exclusively generate cash flows meeting the SPPI criterion and are held within the framework of a business model intended to generate income both through contractual cash flows and through sales (business model “hold-to-sell”), these assets are accounted for at fair value through equity. All other financial assets have to be accounted for at fair value through profit or loss.

Moreover, companies can elect to measure financial instruments at fair value at the time of purchase or origination, if incongruences resulting from different measurement methods can thus be eliminated or reduced (fair value option). For the time being, Kommunalkredit does not elect to apply the fair value option.

At Kommunalkredit, the assessment in respect of the contractual cash flows, including the business model allocation of newly generated business, is performed at individual asset level. All positions held exclusively to generate net interest income are allocated to the “hold and collect” business model. Financial instruments under syndication requirements or intended for syndication are allocated to the “hold to collect and sell” business model. Assets held for trading and/or with the intention to generate short-term profit are allocated to the “sell” business model; for the time being, this business model is of little relevance to Kommunalkredit and there are no portfolios held under this business model.

Equity instruments not held for trading can be measured at fair value through equity; Kommunalkredit has elected to apply this option to all equity instruments.

The classification and measurement of financial liabilities within the framework of IFRS 9 remains mostly unchanged compared to the rules applicable under IAS 39. The only exception are changes in the fair value of financial liabilities in the fair value option resulting from changes in the company’s own credit risk; Kommunalkredit is not concerned by this change, as it does not carry any financial liabilities in its fair value portfolio, neither according to IAS 39 nor according to IFRS 9.

Risk provisioning on the basis of the expected-credit-loss model

The new impairment model of IFRS 9 requires the recognition of impairments on the basis of expected credit losses instead of credit losses incurred, as was the case under IAS 39. This concerns financial instruments measured at amortised cost or at fair value through equity.

The risk provision is to be recognised either in the amount of the expected 12-month credit loss (stage 1) or the full lifetime expected credit loss (stage 2), depending on whether the risk of default has increased significantly since the initial recognition of the asset. To assess whether the risk of default has increased significantly (stage transfer), Kommunalkredit considers quantitative and qualitative factors. These comprise, in particular:

- Absolute amount of the credit risk
- Relative change in credit risk based on the probability of default and taking into account default-preventing collateral
- Changes in internal price indicators, with terms and conditions remaining the same
- Possible significant change in contractual conditions if the financial instrument were newly issued
- Changes in external market indicators of a comparable financial instrument

Given the high asset quality of Kommunalkredit's current portfolio (89.4% of the portfolio rated investment grade as of 31 December 2017, 46.4% of which in the AAA/AA range), only one counterparty is currently allocated to stage 2. Kommunalkredit has no exposure to be allocated to stage 3, nor does Kommunalkredit have any financial assets in its portfolio that were already impaired at the time of first recognition on the balance sheet ("Purchased or Originated Credit Impaired Financial Assets – POCI").

The calculation of the expected credit loss is probability-weighted and considers all expected cash outflows and inflows as well as the maximum contractual term during which Kommunalkredit is exposed to a risk of default. The input parameters for the calculation of the expected credit losses, such as exposure at default (EAD), probability of default (PD) and loss given default (LGD), are derived from a combination of internal and external data in accordance with the rules.

Forecasts of future events to be included in establishing the input parameters are based on a macroeconomic model taking into account GDP growth, the rate of unemployment and changes in various indices. When deriving macroeconomic scenarios as a basis for the probability-weighted calculation of expected credit losses, the specific features of Kommunalkredit's portfolios are taken into account; these scenarios are subject to periodic validation.

Hedge Accounting

In micro hedge accounting Kommunalkredit applies the IFRS 9 rules. However, first-adoption of IFRS 9 does not result in any future material changes or effects. Existing fair value hedges according to IAS 39 are recognised unchanged under IFRS 9.

As macro hedge accounting is not part of the published IFRS 9, the IAS 39 rules governing the fair-value-hedge portfolio continue to apply. Within the framework of the reclassification of financial assets according to IFRS 9, positions previously accounted for at fair value through profit or loss according to IAS 39 are now measured at amortised cost or at fair value through equity. In order to be able to continue the past practice of offsetting changes in hedging derivatives through the valuation of the underlying transactions in the Income Statement, Kommunalkredit as of 1 January 2018 defined a portfolio hedge for assets allocated to the "hold-to-collect" business model and a portfolio hedge for assets allocated to the "hold-to-sell" business model.

To model the hedged underlying transaction, Kommunalkredit applies the "bottom-layer approach". The fair value change resulting from the hedged risk is recognised separately in the balance sheet item "portfolio hedge". Through these portfolio hedges, positive pull-to-par effects from derivatives with negative market values are recognised in net interest income (01/01-30/06/2018: TEUR 4.870.3); under IAS 39, such effects were contained in the net result of valuation and realised gains and losses.

Effects of first-time adoption of IFRS 9

First-time adoption of IFRS 9 results in an increase in equity by TEUR +13,415.8, broken down as follows:

- TEUR +14,143.8 resulting from the adjustment of the carrying amounts within the framework of the reclassification of assets and the related deferred taxes.
- TEUR -728.0 resulting from the increase in risk provisions based on the application of the expected-credit-loss model according to IFRS 9 rules.

The following table provides an aggregated overview of the changes resulting from reclassification and re-measurement and the reconciliation of expected credit losses from IAS 39 as of 31 December 2017 to IFRS 9 as of 1 January 2018:

Financial assets in EUR 1,000	31/12/2017 IAS 39	Reclassification	Re-measurement	01/01/2018 IFRS 9
Amortised cost	2,232,525.5	-14,059.4	-50,549.8	2,167,916.3
At fair value through equity	211,564.2	619,790.6	70,599.8	901,954.6
<i>of which IAS 39: Assets available for sale</i>	211,564.2	-211,564.2	0.0	0.0
<i>of which IFRS 9: Assets at fair value through equity</i>	0.0	831,354.8	70,599.8	901,954.6
At fair value through profit or loss	605,731.1	-605,731.1	0.0	0.0
Deferred tax assets	27,243.6	0.0	-4,469.0	22,774.6
Other assets	9,370.4	0.0	-1,437.0	7,933.4
Expected losses	-448.4	0.0	-493.2	-941.6

Liabilities and equity in EUR 1,000	31/12/2017 IAS 39	Reclassification	Re-measurement	01/01/2018 IFRS 9
Amortised cost	3,108,344.4	0.0	0.0	3,108,344.4
Provisions – expected losses	0.0	0.0	234.8	234.8
Equity ¹	283,125.0		13,415.8	296,540.8
<i>of which Re-measurement of assets</i>			18,612.9	
<i>of which Expected losses</i>			-728.0	
<i>of which Deferred tax</i>			-4,469.0	
Increase in equity resulting from first-time adoption of IFRS 9 as of 01/01/2018:				
13,415.8				

¹ The expected losses on assets measured at fair value through equity as of 01/01/2018 amounted to TEUR -240.2.

The analyses performed by Kommunkredit within the framework of the implementation of IFRS 9 led to the conclusion that the financial assets held as of 1 January 2018 (mainly loans and securities) meet the SPPI criterion and therefore have to be classified in accordance with the relevant business model. This classification resulted in the following changes of the accounting and measurement categories, as compared to IAS 39:

- Financial assets in an IAS 39 carrying amount of TEUR 828,524.4 as at 31 December 2017, which according to the business model are taken into consideration for placement with institutional investors, are allocated to the “hold to sell” portfolio. According to IAS 39, this portfolio was accounted for partly at amortised cost (TEUR 472,863.4) and partly at fair value through profit or loss (TEUR 355,661.0). As of 1 January 2018, the corresponding IFRS 9 carrying amount of assets previously accounted for at amortised cost is TEUR 543,463.1; the IFRS 9 carrying amount of assets previously accounted for at fair value through profit or loss remains unchanged at TEUR 355,661.0. This reclassification resulted in a re-measurement effect of TEUR +70,599.8.
- Financial assets in an IAS 39 carrying amount of TEUR 250,070.1 are allocated to the “hold to collect portfolio”, as these positions are to be held in the long term, whereas according to IAS 39 they were accounted for at fair value through profit or loss. The corresponding IFRS 9 carrying amount as of 1 January 2018 is TEUR 200,037.8. This reclassification resulted in a re-measurement effect of TEUR -50,032.2.
- Securities portfolios which, according to IAS 39, were allocated to the available-for-sale category, have to be allocated to the “hold to collect” business model. As of 31 December 2017, the carrying amount was TEUR 208,733.8. The corresponding IFRS 9 carrying amount as of 1 January 2018 is TEUR 201,218.4, recognised under loans and advances to customers, and TEUR 6,997.8, recognised under loans and advances to banks. This reclassification resulted in a cumulative re-measurement effect of TEUR -517.6.

The following table shows a detailed reconciliation of the carrying amounts and the risk provisions for expected losses from IAS 9 as of 31 December 2017 to IFRS 9 as of 1 January 2018:

Assets in EUR 1,000	31/12/2017		Reconciliation Carrying amounts		Reconciliation Expected losses		01/01/2018	Effect from first-time adoption
	IAS 39	Reclassification	Re-measurement	IAS 39	Re-measurement	IFRS 9	IFRS 9	
Cash and balances with central banks	318,109.1						318,109.1	0.0
Loans and advances to banks (IFRS 9; IAS 39: amortised cost)	140,197.5	-31,395.9	6.0	0.0	-3.5		108,804.1	-31,393.5
from Assets available for sale (IAS 39: at fair value through equity)		6,991.8	6.0				6,997.8	
to Financial assets at fair value through equity (IFRS 9: at fair value through equity)		-38,387.7					-38,387.7	
Loans and advances to customers (IFRS 9; IAS 39: amortised cost)	2,092,328.0	17,336.5	-50,555.8	-448.4	-489.7		2,058,170.7	-33,709.0
from Assets at fair value through profit or loss (IAS 39: at fair value through profit or loss)		250,070.1	-50,032.2				200,037.8	
from Assets available for sale (IAS 39: at fair value through equity)		201,742.0	-523.6				201,218.4	
to Financial assets at fair value through equity (IFRS 9: at fair value through equity)		-434,475.6					-434,475.6	
Assets at fair value through profit or loss (IAS 39: at fair value through profit or loss)	605,731.1	-605,731.1	0.0	0.0	0.0		0.0	-605,731.1
to Loans and advances to customers (IFRS 9: amortised cost)		-250,070.1					-250,070.1	
to Financial assets at fair value through equity (IFRS 9: at fair value through equity)		-355,661.0					-355,661.0	
Financial assets at fair value through equity (IFRS 9: at fair value through equity)	0.0	831,354.8	70,599.8	0.0	0.0		901,954.6	901,954.6
from Loans and advances to banks (IAS 39: amortised cost)		38,387.7	-434.8				37,952.9	
from Loans and advances to customers (IAS 39: amortised cost)		434,475.6	71,034.6				505,510.2	
from Assets at fair value through profit or loss (IAS 39: at fair value through profit or loss)		355,661.0					355,661.0	
from Assets available for sale (IAS 39: at fair value through equity)		2,830.4					2,830.4	
Assets available for sale (IAS 39: at fair value through equity)	211,564.2	-211,564.2	0.0	0.0	0.0		0.0	-211,564.2
to Loans and advances to banks (IFRS 9: amortised cost)		-6,991.8					-6,991.8	
to Loans and advances to customers (IFRS 9: amortised cost)		-201,742.0					-201,742.0	
to Financial assets at fair value through equity (IFRS 9: fair value through equity)		-2,830.4					-2,830.4	
Derivatives	232,616.8	0.0	0.0	0.0	0.0		232,616.8	0.0
Property, plant and equipment	25,850.3	0.0	0.0	0.0	0.0		25,850.3	0.0
Intangible assets	191.4	0.0	0.0	0.0	0.0		191.4	0.0
Current tax assets	476.5	0.0	0.0	0.0	0.0		476.5	0.0
Deferred tax assets	27,243.6	0.0	-4,469.0	0.0	0.0		22,774.6	-4,469.0
Other assets	9,370.4	0.0	-1,437.0	0.0	0.0		7,933.4	-1,437.0
Assets	3,663,679.0	0.0	14,143.9	-448.4	-493.2		3,676,881.4	13,650.7

Liabilities and equity in EUR 1,000	31/12/2017		Reconciliation Carrying amounts		Reconciliation Expected losses		01/01/2018	
	IAS 39	Reclassification	Re-measurement	IAS 39	Re-measurement	IFRS 9	Delta	
Amounts owed to banks (IFRS 9; IAS 39: amortised cost)	532,838.2	0.0	0.0	0.0	0.0		532,838.2	0.0
Amounts owed to customers (IFRS 9; IAS 39: amortised cost)	1,038,002.0	0.0	0.0	0.0	0.0		1,038,002.1	0.0
Derivatives	244,709.4	0.0	0.0	0.0	0.0		244,709.4	0.0
Securitised liabilities (IFRS 9; IAS 39: amortised cost)	1,468,582.1	0.0	0.0	0.0	0.0		1,468,582.1	0.0
Subordinated liabilities (IFRS 9; IAS 39: amortised cost)	68,922.1	0.0	0.0	0.0	0.0		68,922.1	0.0
Provisions	7,594.1	0.0	0.0	0.0	234.8		7,828.9	234.8
Current tax liabilities	599.8	0.0	0.0	0.0	0.0		599.8	0.0
Other liabilities	18,857.9	0.0	0.0	0.0	0.0		18,857.9	0.0
Equity	283,125.0	0.0	13,415.8	0.0	0.0		296,540.8	13,415.8
Liabilities and equity	3,663,230.7	0.0	13,415.8	0.0	234.8		3,676,881.4	13,650.7

b. Change in the recognition of interest income and expenses from financial instruments measured at fair value through profit or loss

On 23 March 2018, the IFRS Interpretations Committee (IFRIC) published a decision on the recognition of interest income in the income statement. The IFRIC came to the conclusion that only interest income from financial instruments measured at amortised cost or at fair value through equity is to be recognised under “interest income”. Likewise, interest income and expenses from derivatives in hedge accounting can be reported under this position. The change applies as of 1 January 2018; the previous period’s figures have to be restated.

Applying the IFRIC decision from the Condensed Consolidated Interim Financial Information as of 30 June 2018 onwards, Kommunalkredit reports interest income and expenses from assets measured at fair value through profit or loss in the newly created items “Income similar to interest income” and “Expenses similar to interest expenses”. The previous period’s comparative figures were restated, with TEUR 14,788.3 from “Interest income” and TEUR -13,152.4 from “Interest expenses” now reported separately und “Income similar to interest income” and “Expenses similar to interest expenses”.

c. Change in the recognition of non-amortized fees from the effective interest rate

Fees which are an integral part of the effective interest rate of a financial instrument are distributed over the term of the underlying transaction at a constant effective interest rate. The result of continuous amortization at a constant effective interest rate is recognised in net interest income. Derecognition of the corresponding asset results in the immediate recognition as income of fees not yet amortised at the time of derecognition. From the business year 2018 onwards, Kommunalkredit recognises such effects at the time of their occurrence in net interest income. In the previous year, they were recognised in the net result of valuations and realised gains and losses. Therefore, the comparative figures of the previous year were restated through the reclassification of TEUR 146.9 from “Net result of valuations and realised gains and losses” to “Net interest income”.

3. Other disclosures

a. Review of earnings

For detailed explanations on the development of earnings in the first half of 2018 and a description of the most significant events, please refer to the Interim Group Management Report.

b. Scope of consolidation

In the first half of the year, Kommunalkredit established three companies with a view to strategic possibilities in the field of fund and asset management: Fidelio KA Beteiligung GmbH, Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GP S.à.r.l., which are included in the consolidated financial statements as fully consolidated companies. For the time being, none of the aforementioned companies is operational. The scope of consolidation of Kommunalkredit Group comprises the following companies, besides Kommunalkredit as the parent, as of 30 June 2018:

Name and registered office	Financial statement disclosures (IFRS)							
	Investment		Share in capital 30/06/2018 in %	Share in capital 31/12/2017 in %	Last financial statements	Total assets	Equity	Profit/loss for the year
	direct	indirect				in EUR 1,000	in EUR 1,000	in EUR 1,000
1. Subsidiaries								
Fully consolidated subsidiaries								
Kommunalkredit Public Consulting GmbH, Vienna	x		90.00%	90.00%	31/12/2017	7,235.4	1,695.2	420.3
Kommunalkredit KBI Immobilien GmbH, Vienna	x		100.00%	100.00%	31/12/2017	34.9	34.9	-0.1
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	x		100.00%	100.00%	31/12/2017	32,081.4	32,081.4	0.0
KOMMUNALKREDIT TLI Immobilien GmbH & Co KG, Vienna		x	100.00%	100.00%	31/12/2017	32,057.2	32,019.0	-45.4
Fidelio KA Beteiligung GmbH (Germany)	x		85.00%	-	N/A	N/A	N/A	N/A
Fidelio KA Infrastructure Opportunities Fund GP S.A.R.L (Luxemburg)		x	85.00%	-	N/A	N/A	N/A	N/A
Fidelio KA Investment Advisory GmbH (Germany)		x	85.00%	-	N/A	N/A	N/A	N/A
2. Associates								
Associates included at equity								
Kommunalleasing GmbH, Vienna	x		50.00%	50.00%	31/12/2017	81,191.2	5,187.0	126.6

c. Development of regulatory own funds

The provisions of Article 92 CRR regarding own funds requirements apply to Kommunalkredit (CET 1 ratio 4.5%, core capital ratio 6%, total capital ratio 8%). Taking into account the capital conservation buffer, the anticyclical buffer and the surcharge from the Supervisory Review and Evaluation Process (SREP), a common equity tier 1 ratio of 6.76%, a core capital ratio of 8.36% and a total capital ratio of 10.56% are required. The statutory requirements were met at all times during the reporting period.

Regulatory group of credit institutions

Kommunalkredit is part of a group of credit institutions whose parent is Satere Beteiligungsverwaltungs GmbH (Satere), which holds 100% of Gesona Beteiligungsverwaltung GmbH (Gesona). Gesona owns 99.78% of Kommunalkredit. Given that both Satere and Gesona are to be classified as financial holding companies as defined in CRR, Kommunalkredit – pursuant to Art. 11 para. 2 and para. 3 CRR – is the only credit institution obliged to meet the requirements of Part 2 to 4 (Own Funds, Capital Requirements, Large Exposures), Part 6 (Liquidity) and Part 7 (Leverage) of CRR on a consolidated basis. 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.

Besides Satere, Gesona and Kommunalkredit, Kommunalkredit KBI Immobilien GmbH, Kommunalkredit KBI Immobilien GmbH & Co KG and Kommunalkredit LTI Immobilien GmbH & Co KG, as providers of ancillary services, form part of the regulatory group of credit institutions.

Own funds and own funds requirements of the group of credit institutions pursuant to the Austrian Company Code/Austrian Banking Act, calculated in accordance with the provisions of CRR, show the following composition and development; interim profits of the first half of 2018 have not been taken into account:

Basis for calculation in EUR 1,000	pursuant to Art. 92 CRR 30/06/2018	pursuant to Art. 92 CRR 31/12/2017
Total risk exposure amount pursuant to Art. 92 CRR	1,088,895.8	991,206.5
<i>of which Credit risk</i>	965,435.2	871,504.6
<i>of which Operational risk</i>	107,711.1	102,095.6
<i>of which CVA charge</i>	15,642.9	17,502.1
<i>of which Default fund of a qualifying counterparty</i>	106.7	104.2

Own funds actual	30/06/2018	31/12/2017
Common equity tier 1 after deductible items (CET 1)	225,625.7	225,661.4
Additional own funds after deductible items	60,816.2	64,195.6
Own funds (tier 1 und tier 2)	286,441.9	289,857.0
Total capital ratio	26.3%	29.2%
Common equity tier 1 ratio	20.7%	22.8%

Regulatory own funds of Kommunalkredit Austria AG

Own funds and own funds requirements, as reported in the separate financial statements of Kommunalkredit pursuant to the Austrian Company Code/Austrian Banking Act, calculated in accordance with the provisions of CRR, show the following composition and development; interim profits of the first half of 2018 have not been taken into account:

Basis for calculation in EUR 1,000	pursuant to Art. 92 CRR 30/06/2018	pursuant to Art. 92 CRR 31/12/2017
Total risk exposure amount pursuant to Art. 92 CRR	1,091,545.4	992,393.5
<i>of which Credit risk</i>	969,479.9	874,843.9
<i>of which Operational risk</i>	106,315.9	99,943.4
<i>of which CVA charge</i>	15,642.9	17,502.1
<i>of which Default fund of a qualifying counterparty</i>	106.7	104.2

Own funds actual	30/06/2018	31/12/2017
Common equity tier 1 after deductible items (CET 1)	232,928.1	232,963.8
Additional own funds after deductible items	60,816.2	64,195.6
Own funds (tier 1 and tier 2)	293,744.3	297,159.4
Total capital ratio	26.9%	29.9%
Common equity tier 1 ratio	21.3%	23.5%

d. Contingent liabilities

As at 30 June 2018, contingent liabilities were as follows:

in EUR 1,000	30/06/2018	31/12/2017
Contingent liabilities		
Sureties and guarantees	5,641.0	6,291.1
Other obligations		
Loan commitments and unused lines	176,259.8	135,370.9

The increase in loan commitments and unused lines primarily includes loans committed but not yet paid out from the origination of infrastructure projects in the first half of 2018.

e. Dividends paid

The EUR 11.5m profit distribution in the first half of 2018 is reported separately in the Statement of Changes in Equity. The net profit for 2017 shown in the separate financial statements of Kommunalkredit prepared in accordance with the Austrian Company Code/Austrian Banking Act, which is the relevant amount for profit distribution, totalled EUR 30.9m. The IFRS net profit remaining after the distribution of EUR 19.4m is recognised under other reserves.

f. Legal risks

As at 30 June 2018 and unchanged from 31 December 2017, Kommunalkredit is not exposed to any legal risks that would influence the assets, financial position and income of the Group.

g. Other obligations

Compared to the corresponding reporting period of 2017, no relevant changes in Kommunalkredit's other obligations occurred during the interim reporting period.

h. Disclosures on fair value measurement

Depending on the availability of market data, different methods are applied for fair value measurement:

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 and/or containing non-observable data. Level 3 financial instruments are measured by means of an internal measurement model based on the net-present-value method. Cash flows are discounted on the basis of current yield curves, with credit spreads taken into account.

Financial instruments recognised at fair value

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

in EUR 1,000	30/06/2018		
	Level 1	Level 2	Level 3
At fair value through equity ¹	0.0	634,352.7	226,555.5
At fair value through profit or loss: Held-for-trading (from asset-side positions)	0.0	12,259.7	0.0
At fair value through profit or loss: Held-for-trading (from liability-side positions)	0.0	-117,642.3	0.0
Derivatives designated as hedging instruments (from asset-side positions)	0.0	198,121.9	0.0
Derivatives designated as hedging instruments (from liability-side positions)	0.0	-83,906.9	0.0

¹ The corresponding value for Level 3 according to IFRS 9 as of 01/01/2018 is TEUR 266,610.4.

Level 3 financial instruments recognised at fair value relate to project finance. Given that parameters observable on the market (e. g. benchmark spreads) are not available for these complex financial instruments, they have all been allocated to level 3.

The comparable values of the previous period, classified according to IAS 39, are as follows:

in EUR 1,000	31/12/2017		
	Level 1	Level 2	Level 3
Available for sale	208,733.8	0.0	0.0
At fair value through profit or loss: Fair value option	0.0	605,731.1	0.0
At fair value through profit or loss: Held-for-trading (from asset-side positions)	0.0	10,788.8	0.0
At fair value through profit or loss: Held-for-trading (from liability-side positions)	0.0	-167,305.3	0.0
Derivatives designated as hedging instruments (from asset-side positions)	0.0	221,828.0	0.0
Derivatives designated as hedging instruments (from liability-side positions)	0.0	-77,404.1	0.0

No migrations of financial instruments recognised at fair value between levels were recorded in the current interim reporting period.

The following table shows the reconciliation of financial instruments recognised at fair value allocated to level 3 of the measurement hierarchy:

in EUR 1,000	At fair value through equity
As of 01/01/2018	266,610.4
Inflows / outflows	82,260.4
Disposals / redemptions	-122,403.2
Carrying through P&L	126.8
of which realised (interest result)	126.8
of which non-realised (net trading and valuation result)	0.0
In equity through OCI	-38.9
As of 30/06/2018	226,555.5

Financial instruments not recognised at fair value

The following table shows the breakdown of financial instruments not recognised at fair value by class of financial instruments:

in EUR 1,000	30/06/2018		
	Level 1	Level 2	Level 3
Amortised cost: Assets	200,158.2	1,609,384.5	360,960.4
Amortised cost: Liabilities	0.0	-3,273,889.3	0.0

Level 3 financial instruments not recognised at fair value also relate to project finance.

The comparative values of the previous year, classified according to IAS 39, are as follows:

in EUR 1,000	31/12/2017		
	Level 1	Level 2	Level 3
Loans and receivables: Loans and advances to banks	0.0	122,032.1	17,730.6
Loans and receivables: Loans and advances to customers	0.0	1,656,979.4	538,125.6
Liabilities at amortised cost	0.0	-3,010,250.9	0.0

No migrations of financial instruments not recognised at fair value between levels were recorded in the current interim reporting period.

i. **Classes of financial instruments**

In compliance with the requirement to classify financial instruments in groups, 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 conjunction with prevailing measurement methods, are used to determine the fair values in conformity with IFRS 13.

The values as of 30 June 2018 are as follows:

30/06/2018 Classes - IFRS 9: in EUR million.	Cash and balances with central banks	At fair value through profit or loss: Held for trading ¹	At fair value through profit or loss: obligatory	At fair value through profit or loss: Fair value option	Assets at amortised cost	At fair value through equity	Liabilities at amortised cost	Derivatives designated as hedging instruments	Book value	Fair value
Cash and balances with central banks	641.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	641.5	641.5
Loans and advances to banks	0.0	0.0	0.0	0.0	124.0	0.0	0.0	0.0	124.0	123.8
Loans and advances to customers	0.0	0.0	0.0	0.0	1,965.3	0.0	0.0	0.0	1,965.3	2,046.7
Assets at fair value through equity	0.0	0.0	0.0	0.0	0.0	862.1	0.0	0.0	862.1	862.1
Derivatives	0.0	12.3	0.0	0.0	0.0	0.0	0.0	198.1	210.4	210.4
Amounts owed to banks	0.0	0.0	0.0	0.0	0.0	0.0	522.8	0.0	522.8	522.7
Amounts owed to customers	0.0	0.0	0.0	0.0	0.0	0.0	1,264.0	0.0	1,264.0	1,231.5
Derivatives	0.0	117.6	0.0	0.0	0.0	0.0	0.0	83.9	201.5	201.5
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	1,493.6	0.0	1,493.6	1,462.1
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	67.7	0.0	67.7	57.7

The values as of 31 December 2017 are as follows:

31/12/2017 Classes – IAS 39 in EUR million	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
Cash and balances with central banks	318.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	318.1	318.1
Loans and advances to banks	0.0	0.0	0.0	140.2	0.0	0.0	0.0	0.0	140.2	139.8
Loans and advances to customers	0.0	0.0	0.0	0.0	2,091.9	0.0	0.0	0.0	2,091.9	2,195.1
Assets at fair value through profit or loss	0.0	0.0	605.7	0.0	0.0	0.0	0.0	0.0	605.7	605.7
Assets available for sale	0.0	0.0	0.0	0.0	0.0	211.6	0.0	0.0	211.6	211.6
Derivatives	0.0	10.8	0.0	0.0	0.0	0.0	0.0	221.8	232.6	232.6
Amounts owed to banks	0.0	0.0	0.0	0.0	0.0	0.0	532.8	0.0	532.8	532.9
Amounts owed to customers	0.0	0.0	0.0	0.0	0.0	0.0	1,038.0	0.0	1,038.0	997.7
Derivatives	0.0	167.3	0.0	0.0	0.0	0.0	0.0	77.4	244.7	244.7
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	1,468.6	0.0	1,468.6	1,421.2
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	68.9	0.0	68.9	58.4

¹ Interest rate swaps and FX forwards concluded primarily to hedge interest rate and foreign exchange risks. The bank has no proprietary trading portfolio.

j. Related parties

Related party transactions are made on the same terms and conditions as transactions with unrelated counterparties.

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 428981f	100% in Gesona

Satere Beteiligungsverwaltungs GmbH (Satere) is held by Interritus Limited (Interritus), holding 55%, and Trinity Investments Designated Activity Company Limited (Trinity), 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.

Kommunalkredit assumes the fiduciary administration of loans for a related party of Trinity under a framework agreement. On the basis of a trust agreement, positions in an amount of EUR 371.2m (31/12/2017: EUR 239.2m) were held in trust as at 30 June 2018. As Kommunalkredit has no rights or obligations relative to the underlying loan transactions, the criteria for recognition on the balance sheet do not apply. Fee and commission income in the amount of TEUR 562.0 (01/01-30/06/2017: TEUR 258.4) was generated from the fiduciary administration of these transactions in the interim reporting period, of which open balances in the amount of TEUR 360.2 (31/12/2017: TEUR 474.1) as at 30 June 2018 are reported under other assets.

Tax group

Effective as of 2016, a tax group pursuant to § 9 of the Corporate Income Tax Act was formed, with Satere Beteiligungsverwaltungs GmbH as the group parent and Gesona Beteiligungsverwaltung GmbH, Kommunalkredit, KBI, KPC and TrendMind IT Dienstleistung GmbH (TrendMind) as group members.

Relations with associates

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

- Loans and receivables in the amount of TEUR 36,220.2 (31/12/2017: TEUR 37,246.4)
- Contingent liabilities in the form of guarantees in the amount of TEUR 1,350.0, unchanged from the previous year
- Other off-balance-sheet obligations in the form of committed but unused lines in the amount of TEUR 0.0 (31/12/2017: TEUR 1,581.0)

Transactions with persons in key positions

Persons in key positions are persons directly or indirectly in charge of and responsible for the planning, management and supervision of the activities of Kommunalkredit. The members of the Executive Board and the Supervisory Board are understood to be persons in key positions at Kommunalkredit.

A member of the Executive Board of Kommunalkredit and a close relative of that member exercise a controlling influence over a company holding 15% in Fidelio KA Beteiligung GmbH, which was established in the first half of 2018 with a share capital of EUR 25.000.00. Fidelio KA Beteiligung GmbH was established for the purpose of acquiring and holding investments in business areas such as alternative investment funds, asset management and advisory; it holds investments in Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GP S.à.r.l, which were also established in the first half of 2018. For the time being, none of the aforementioned companies is operational.

As of 30 June 2018 and unchanged from 31 December 2017, no loans/advances to members of the Executive Board or members of the Supervisory Board were outstanding. No guarantees were issued by Kommunalkredit for Board members.

Furthermore, there were no business relations between Kommunalkredit and the members of its Executive Board and its Supervisory Board during the interim reporting period, nor were there any open balances between Kommunalkredit and its Board members.

k. Relations with KA Finanz AG

Kommunalkredit Austria AG (Kommunalkredit) provides operational services for the banking operations of KA Finanz AG, which are defined in a service agreement (SA) and a service level agreement (SLA). As of 30 June 2018, 14 employees of Kommunalkredit (31/12/2017: 15 employees) were working directly and exclusively for KA Finanz AG on the basis of a staff leasing agreement. These employees are responsible for portfolio management, risk management and the company's operational business under the leadership of the Executive Board of KA Finanz AG.

Between 1 January and 30 June 2018, services in the amount of TEUR 4,717.4 (01/01-30/06/2017: TEUR 6,423.0) were charged to KA Finanz AG under this heading. Other assets include receivables for services invoiced to KA Finanz AG in the amount of TEUR 1,500.6 (31/12/2017: TEUR 3,678.8).

Within the framework of a public tender KA Finanz AG decided in the second quarter to 2018 to award the services previously provided by Kommunalkredit under a service agreement and a service level agreement to another group of bidders. For good order's sake, Kommunalkredit therefore terminated the service agreement as of 31 March 2019. As of 30 June 2018, Kommunalkredit set up a restructuring provision of TEUR 2,500.0 for capacity adjustments necessary in the wake of the discontinuation of service provision; the provision takes into account, in particular, voluntary expenses for employees to be expected within the framework of a company agreement concluded between the bank and the workers' council.

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

In the reporting period, Kommunalkredit redeemed securitised liabilities worth EUR 13.9m (01/01-30/06/2017: EUR 337.9m) on schedule upon maturity; no securitised liabilities were bought back/redeemed early (01/01-30/06/2017: EUR 128.0m).

5. Segment reporting

Kommunalkredit Group operates primarily in the field of municipal and infrastructure-related project business and manages support programmes for the Republic of Austria. The activities of the Group are concentrated in a single business segment, the results of which are reported regularly to the Executive Board and the Supervisory Board through the consolidated financial statements prepared according to IFRS. The disclosures relating to the business segment are presented in the Balance Sheet and the Income Statement of the Group. Reconciliation is therefore not required.

Vienna, 8 August 2018

The Executive Board of
Kommunalkredit Austria AG



Alois Steinbichler
CEO



Karl-Bernd Fislage
Co-CEO



Jörn Engelmann
Member of the Board




Jochen Lucht
Member of the Board

STATEMENT BY THE LEGAL REPRESENTATIVES ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

We herewith **confirm** to the best of our knowledge that the **Condensed Consolidated Interim Financial Information**, 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, that the Interim Group Management Report presents the important events of the first six months of the business year and their effects on the Interim Condensed Consolidated Financial Information in such a way that it conveys a true and fair view of the assets, the financial position and the income of the Group, and that the Management Report describes the material risks and uncertainties to which the Group is exposed in the remaining six months of the business year.

Vienna, 8 August 2018

The Executive Board of
Kommunalkredit Austria AG



Alois Steinbichler
CEO



Karl-Bernd Fislage
Co-CEO



Jörn Engelmann
Member of the Board



Jochen Lucht
Member of the Board

REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF 30 JUNE 2018 (TRANSLATION)

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Kommunalkredit Austria AG, Vienna, for the period from January 1, 2018 to June 30, 2018. The condensed consolidated interim financial information comprises the consolidated balance sheet as of June 30, 2018, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the period from January 1, 2018 to June 30, 2018, and selected explanatory notes.

The Company's management is responsible for the preparation of these condensed consolidated interim financial information in accordance with International Financial Reporting Standards on Interim Reporting, as adopted by the EU.

Our responsibility is to provide a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

In performing the review, we adhered to the relevant expert opinions and standards in accordance with laws and regulations applicable in Austria, in particular the 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We draw attention to the fact that a review is significantly less in scope than an audit and requires less evidence, 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.

Review summary

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards applicable to Interim Reporting, as adopted by the EU.

Comment on the Interim Group Management Report and the Declaration of the Company's legal representatives pursuant to Section 125 of the Austrian Stock Exchange Act (BörseG)

We have read the Interim Group Management Report in order to conclude whether it is not obviously inconsistent with the condensed consolidated interim financial information. In our opinion, the Interim Group Management Report is not obviously inconsistent with the condensed consolidated interim financial information.

The Interim Group Management Report includes the declaration of the Company's legal representatives required by Sect. 125 para. 1 fig. 3 of the Austrian Stock Exchange Act (BörseG).

Vienna, 8 August 2018

PwC Wirtschaftsprüfung GmbH

signed:

Dorotea-E. Rebmann

Austrian Certified Public 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.

Balance Sheet of Kommunalkredit Austria AG pursuant to the Austrian Company Code/Austrian Banking Act¹

Assets in EUR 1,000	30/06/2018	31/12/2017
Cash and balances with central banks	641,408.2	318,108.1
Public-sector debt instruments eligible as collateral for central bank funding	136,774.7	196,613.9
Loans and advances to banks	98,953.1	139,452.6
Loans and advances to customers	2,390,463.0	2,439,396.9
Bonds and other fixed-income securities	140,910.4	88,784.9
Participations	345.1	2,014.1
Investments in affiliated companies	32,670.7	32,612.9
Intangible non-current assets	227.1	191.4
Property, plant and equipment	2,815.4	2,960.8
Other assets	26,595.3	38,650.1
Accruals/deferrals	10,063.2	7,271.2
Deferred tax assets	7,904.4	7,432.4
Total assets	3,489,130.6	3,273,489.2

Liabilities in EUR 1,000	30/06/2018	31/12/2017
Amounts owed to banks	522,762.6	534,704.7
Amounts owed to customers	1,269,190.1	1,038,874.6
Securitised liabilities	1,325,301.7	1,289,836.7
Other liabilities	29,440.1	65,728.8
Accruals/deferrals	13,852.5	12,413.6
Provisions	20,010.8	19,748.3
Fund for general banking risks	40,000.0	40,000.0
Additional tier 1 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	66,042.0	67,527.3
Subscribed capital	159,491.3	159,491.3
Revenues reserves	4,241.5	4,241.5
Statutory reserve pursuant to § 57 (5) of the Austrian Banking Act	10,000.0	10,000.0
Net profit	28,798.0	30,922.4
<i>of which profit carry-forward</i>	19,422.4	12,999.9
<i>of which result for the period</i>	9,375.6	17,922.5
Total liabilities	3,489,130.6	3,273,489.2

¹ Unlike the consolidated financial statements according to IFRS, where Kommunalkredit Austria AG and the fully consolidated companies within the scope of consolidation of Kommunalkredit Group form an economic entity, this balance sheet reflects the banking operations of Kommunalkredit Austria AG pursuant to the Austrian Company Code/Austrian Banking Act.

Income Statement of Kommunalkredit Austria AG pursuant to the Austrian Company Code/Austrian Banking Act

in EUR 1,000	01/01/2018 - 30/06/2018	01/01/2017 - 30/06/2017
Net interest income	18,408.0	15,184.9
Interest and similar income	77,702.2	76,986.9
Interest and similar expenses	-59,294.2	-61,801.9
Income from participations	630.4	813.1
Net fee and commission income	8,703.8	3,039.5
Income from financial transactions	0.5	15.6
Other operating income	5,768.7	7,740.6
<i>of which Administrative services invoiced to KA Finanz/KPC</i>	<i>5,673.5</i>	<i>7,470.1</i>
Operating income	33,511.4	26,793.8
General administrative expenses	-23,680.2	-20,766.7
Personnel expenses	-14,685.5	-12,747.3
<i>of which Restructuring provision</i>	<i>-2,500.0</i>	<i>0.0</i>
Other administrative expenses (non-personnel)	-7,423.7	-7,069.9
Bank Resolution Fund	-1,571.0	-949.5
Impairment charges to tangible assets	-378.8	-130.3
Other operating expenses	-334.7	-337.0
<i>of which bank stability tax</i>	<i>-288.0</i>	<i>-337.0</i>
Operating expenses	-24,393.8	-21,234.1
Operating result	9,117.6	5,559.7
Net result of valuations and realised gains and losses	-226.7	5,008.9
<i>of which Realised gains and losses from early redemption of own issues</i>	<i>131.3</i>	<i>5,149.6</i>
<i>of which Realised gains and losses from securities, loans and derivatives</i>	<i>-316.0</i>	<i>-13.4</i>
<i>of which Change in provision pursuant to § 57 (1) Austrian Banking Act</i>	<i>900.0</i>	<i>0.0</i>
<i>of which Change in loan loss provisions</i>	<i>-942.0</i>	<i>-127.3</i>
Profit on ordinary activities	8,890.9	10,568.5
Taxes on income	505.3	263.5
Other taxes	-20.7	-12.0
Profit for the period	9,375.6	10,820.0

Regulatory Own Funds of Kommunalkredit Austria AG pursuant to the Austrian Banking Act

in EUR 1,000	30/06/2018	31/12/2017
Total risk exposure amount pursuant to Art. 92 CRR	969,479.9	992,393.5
Common equity tier 1 after deductible items (CET 1)	232,928.1	232,963.8
Own funds (tier 1 und tier 2)	293,744.3	297,159.4
Total capital ratio	26.9%	29.9%
Common equity tier 1 ratio	21.3%	23.5%

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