

PRESS RELEASE

KOMMUNALKREDIT AUSTRIA AG

Kommunalkredit Austria AG half-year results 2019: Infrastructure and energy financing drive growth strategy forward

- Adjusted result for the period from EUR 7.6m (H1 2018) to EUR 17.2m (H1 2019)
- At EUR 496m, new business volume is almost par to the previous year; average margin of 3.96%
- Infrastructure and energy financing increased to over 54%
- High credit quality with a NPL ratio of 0.0%
- Customer deposits increased by 16% to EUR 1,166m
- Cost-income ratio at 65.0%
- Solid capital resources with a common equity tier 1 ratio at 17.5%

(Vienna, 22 August 2019) – Kommunalkredit Austria AG (Kommunalkredit) reports a successful first half of 2019. After adjustments to reflect changes in valuations due to interest rates, the operating result rose to EUR 17.2m (H1 2018: EUR 7.6m); at EUR 11.3m, profit for the period remained above the prior year figure by EUR 2.1m (H1 2018: EUR 9.2m) despite the discontinuation of services for KA Finanz AG. At EUR 495.6m, new business volume reached a value slightly below that of the prior year (H1 2018: EUR 532.5m); gross revenues from infrastructure and energy financing increased by 44.7% to EUR 22.6m. Customer deposits recorded an increase of 16.3%. The bank has a high-quality portfolio without a single credit loss in the reporting period as well as a solid capital basis with an equity ratio of 20.9% and a common equity tier 1 ratio of 17.5%.

Kommunalkredit CEO Bernd Fislage: “The first half of 2019 saw Kommunalkredit resolutely forging ahead with the implementation of its growth strategy as a specialist bank for infrastructure. We considerably increased the contribution of infrastructure and energy business once again. As we continue to expand our infrastructure and energy business, we will retain a tight focus on price, structure and placeability of transactions, as well as on the efficient employment of capital.”

Main highlights of the first half of 2019

- **Profitable growth:** The contribution of the infrastructure and energy business to the gross revenues increased to 54.2% (H1 2018: 41.0%). With a slightly lower new business volume of EUR 495.6m (H1 2018: EUR 532.5m), Kommunalkredit significantly increased the gross revenues from the infrastructure and energy business by 44.7% to EUR 22.6m (H1 2018: EUR 15.6m). This includes projects in the areas of biomass, solar energy, fibre optics, electric vehicle charging stations and local public transport.
- **Successful placement:** In addition to the acquisition of new business, the placement of financing with end investors is a strategic core goal of Kommunalkredit. The bank placed a volume of EUR 111.4m from its portfolio with renowned international institutional investors. The successful placement activity confirms the market conformity of the origination activities in relation to structure, pricing and risk management.

- **Increased customer deposits:** The bank increased customer deposits by 16.3% to EUR 1,165.9m (31/12/2018: EUR 1,002.5). Currently, the refinancing is mainly being carried out through the direct investment product for municipalities “KOMMUNALKREDIT DIREKT” and the online retail investment platform “KOMMUNALKREDIT INVEST”.
- **High-quality portfolio:** As of 30 June 2019, the average rating of Kommunalkredit’s portfolio was “A-”. 74.3% of its loans have an investment grade status. The non-performing-loan ratio (NPL) remained constant at 0.0%.
- **Solid capital resources:** Kommunalkredit reported a total capital ratio of 20.9%; the common equity tier 1 ratio came in at 17.5%.

Main items of the IFRS statement

- The **operating result** (without valuation result) increased to EUR 14.6m (H1 2018: EUR 13.8m) and is composed of the following elements:
 - **Net interest income** increased by 17.7% to EUR 27.9m (H1 2018: EUR 23.7m). The lion’s share of this was comprised by EUR 14.7m (H1 2018: EUR 10.4m) from the infrastructure and energy business and EUR 8.4m from the public finance business (H1 2018: EUR 10.3m).
 - **Net fee and commission income** increased slightly by 3.9% to EUR 10.8m (H1 2018: EUR 10.4m). The contribution made by the management of support programmes and consultancy business of the subsidiary Kommunalkredit Public Consulting came to EUR 7.3m in the first half of 2019 (H1 2018: EUR 7.0m).
 - Kommunalkredit’s business model pursues an originate-to-distribute approach, which produced a **result from the placement of financial assets in other comprehensive income** of EUR 1.7m (H1 2018: EUR 1.9m).
 - The **net provisioning for impairment losses** again recorded a non-performing-loan ratio of 0.0%; there were no credit losses.
 - **General administrative expenses** increased by 1.1% to EUR 25.3m (H1 2018: EUR 25.0m). The cost reduction effects resulting from the capacity adjustments triggered by the discontinuation of the services for KA Finanz AG (the service agreement expired with effect from 31 March 2019) will have a full impact in profit or loss in 2020. This mainly includes personnel expenses of EUR 16.5m (H1 2018: EUR 16.2m) and other administrative expenses of EUR 8.8m (H1 2018: EUR 8.8m).
 - In the first half of the year, the bank made a **contribution to the Bank Resolution Fund** of EUR 1.6m (H1 2018: EUR 1.6m).
 - **Other operating income** was down by 65.9% to EUR 1.5m (H1 2018: EUR 4.4m). This drop is due to the termination of the services for KA Finanz AG with effect from 31 March 2019. The income from these services fell to EUR 1.8m (H1 2018: EUR 4.7m). Another component of other operating income was the expense related to the stability tax payable by Austrian banks in the amount of EUR -0.3m (H1 2018: EUR -0.3m).
- The **net result of asset valuation and realised gains and losses** was negative at EUR -2.5m (H1 2018: EUR 0.2m). On the one hand, this reflects valuation changes of EUR -5.9m resulting from the market drop in long-term market interest rates. On the other hand, there was a positive one-off effect resulting from the buyback of own issues in the amount of EUR 3.8m. This buyback strengthened the bank’s equity and helped to reduce the foreign currency risk even further.

- **Taxes on income** came to EUR -0.8m (H1 2018: EUR -2.3m).
- The **profit for the period after tax** was up by 23.1% to EUR 11.3m (H1 2018: EUR 9.2m).
- The **operating result** rose by 5.8% to EUR 14.6m (H1 2018: EUR 13.8m).
- The **return on equity after tax** was 8.5% (IFRS/H1 2018: 7.9%), respectively 11.0% (local GAAP/H1 2018: 8.0%).

Outlook

Kommunalkredit has a healthy project pipeline and confidently looks ahead to the second half of 2019. The fact that its capital base has been strengthened by EUR 50.4m as against the previous year will bolster growth: the bank's underwriting capacity is increasing and it is benefiting from economies of scale. As it continues to expand its infrastructure and energy business, Kommunalkredit will retain a tight focus on price, structure and placeability of transactions, as well as on the efficient employment of capital.

Kommunalkredit's financial report for the first half of 2019 will be available from 22 August 2019 at <https://www.kommunalkredit.at/en/investor-relations/investor-relations/>.

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