

PRESS RELEASE OF KOMMUNALKREDIT AUSTRIA AG

Annual results of the Kommunalkredit Group: Strong performance again in the 2019 financial year

- New business breaks the billion barrier yet again – EUR 1,036.3m
- EBIT +39% despite expiry of SLA with KA Finanz AG – EUR 33.2m
- Cost-income ratio further reduced– 63.3%
- Further improvement in return on equity before tax – 10.3%
- Placement volume with focus on distribution – EUR 462.4m
- Fidelio KA debt fund target volume surpassed by a wide margin – EUR 264m
- Capital for further growth – EUR 50.4m

(Vienna, 2 April 2020) – Kommunalkredit Austria AG (Kommunalkredit) has released its annual results for 2019 today. The bank once again continued successfully along the path it has carved out for itself in the 2019 financial year. New business came to EUR 1,036.3m, once again breaking the billion barrier. The marked 39% improvement in EBIT to EUR 33.2m – despite the expiry of the service level agreement with KA Finanz AG with effect from the end of March 2019 – and common equity tier 1 (CET 1) capital of EUR 303.6m reflect the strong growth in new business in the field of infrastructure and energy financing. This area is already responsible for 69% of the gross income from banking business. Even in times characterised by a tense low interest rate environment, the bank cut its cost-income ratio to 63.3% according to IFRS (63.2% pursuant to the Austrian GAAP) and generated a return on equity before tax of 10.3% (Austrian GAAP: 10.8%), with a CET 1 ratio of 17.8% (Austrian GAAP: 18.1%). The non-performing loan ratio (NPL) remained unchanged at 0.0%. The volume placed with insurers, asset managers, banks and Kommunalkredit's own asset management platform, Fidelio KA, comes to EUR 462.4m. The target volume for the Fidelio debt fund of EUR 250m was already exceeded in 2019 with a volume of EUR 264m. The final close happened in February 2020 with a volume in excess of EUR 350m. The measure to strengthen the capital base by EUR 50.4m implemented in the first half of 2019 will support the bank's organic growth.

Kommunalkredit CEO Bernd Fislage: "The strategic path we have embarked upon is proving to be the right approach. Investments in infrastructure and measures to combat climate change are essential for our society. They form the very core of our business model. Investing in sustainable infrastructure and energy security allows us not only to establish long-term customer relationships, but also to generate attractive returns in the process, thereby strengthening our market position. We made good use of these opportunities on the European market in 2019. We support sustainable investments in projects that will foster prosperity for generations and promote social peace, quality of life and security in the future."

In view of the current situation surrounding the coronavirus outbreak, Fislage adds: "The challenges resulting from the drastic but necessary restrictions in response to this global health crisis show just how essential well-functioning infrastructure is for social and economic well-being. In particular, this includes ensuring that the relevant social infrastructure (such as hospitals and care homes) is available and in good working order, but also securing energy supplies and a powerful communications infrastructure. We want to continue doing our part within this context."

Key facts and figures for 2019

- **New business:** New business came to EUR 1,036.3m, once again breaking the billion barrier. 71% of the financing volume was attributable to the Energy & Environment segment, 19% to Communication & Digitalisation and 10% to Transport. Regionally, business was diverse across the European Union and the EU's associated countries. Kommunalkredit was involved in the realisation of wind and solar parks, biomass installations, charging stations for electric vehicles and in the expansion of fibre-optic networks and local public transport.
- **Awards:** The bank was recognised by the international platform "Capital Finance International" as the "Best ESG Infrastructure Finance Europe 2019" and by "Business Vision" as the "Most Sustainable Infrastructure Project Partner Central Europe 2019". In addition, one deal that Kommunalkredit helped to implement relating to a transport project was crowned "Europe Bond Deal of the Year" by the internationally renowned Thomson Reuters magazine PFI – Project Finance International, with another deal, this time relating to a wind farm, being recognised as the "Europe Power Deal of the Year".
- **Placement & asset management:** Kommunalkredit placed a volume of EUR 462.4m of its new business with international investors. Thanks to its fund established in 2018 (Fidelio KA Infrastructure Debt Fund Europe 1), the bank is also capable of offering its business partners access to infrastructure and energy financing through an asset management solution. Following the fund's launch in 2018, the second close came in the third quarter of 2019, and the final close happened in February 2020.
- **Funding profile:** The bank succeeded in further diversifying its funding structure and broadening its investor base. This was primarily driven by the increase in customer deposits by 39.0% to EUR 1,393.0m (31/12/2018: EUR 1,002.5m), which was accompanied by an increase in the average deposit period at the same time. In particular, the direct investment product for municipalities KOMMUNALKREDIT DIREKT (increase of 13% to EUR 361m) and the online retail investment platform KOMMUNALKREDIT INVEST (increase of 103% to EUR 582m) showed very positive development.
- **Loan portfolio:** Kommunalkredit has a high-quality loan portfolio with an average rating of "A-". The non-performing loan ratio (NPL) is unchanged at 0.0%.
- **Strengthened capital base:** Kommunalkredit has a solid capital base that was strengthened further to facilitate future growth. In the second quarter of the year, a capital increase of EUR 20m was executed as planned. In combination with the retention of the 2018 annual profit in the amount of EUR 30.4m, this strengthens the bank's capital by an amount of EUR 50.4m. The common equity tier 1 ratio came to 17.8% according to IFRS as of 31 December 2019 (Austrian GAAP: 18.1%), with the total capital ratio coming to 21.0% (Austrian GAAP: 21.3%).

IFRS key figures of the Kommunalkredit Group for 2019

- **EBIT:** EBIT (profit for the year before tax, not including measurement gains/losses or restructuring expenses) rose by 39.0% to EUR 33.2m (2018: EUR 23.9m).
- **Profit for the year:** The consolidated profit for the year came to EUR 29.6m, more than twice as high as in the previous year (2018: EUR 14.3m).
- The clear increase in EBIT was reflected in a reduced **cost-income ratio** (based on EBIT) to 63.3% (2018: 70.2%). **The return on equity before tax** fell to 10.3% (2018: 14.0%).
- **Net interest income:** Net interest income rose by 19.0% to EUR 58.6m (2018: EUR 49.2m). EUR 33.2m of this was attributable to the infrastructure and energy financing business (2018: EUR 19.1m) and EUR 25.4m to the public finance portfolio (2018: EUR 30.1m).
- **Net fee and commission income:** The continued expansion of consulting and structuring activities enabled the bank to increase its risk-free net fee and commission income by 34.8% to EUR 24.9m (2018: EUR 18.5m), marking a significant improvement in its income quality.
- **Net provisioning for impairment losses:** The non-performing loan ratio (NPL) remained constant at 0.0% in 2019. There were no loan defaults. The EUR -2.5m net provisioning for impairment losses reported (2018: EUR -0.7m) reflects the change in the statistically calculated provision for expected credit losses under IFRS 9.

- **Other operating result:** The other operating result came to EUR 1.4m (2018: EUR 8.3m). This mainly comprises income from the provision of operating services for KA Finanz AG in the first quarter of 2019 amounting to EUR 1.7m (2018: EUR 8.6m). The decline of EUR -6.9m is the result of the termination of the Service Agreement with KA Finanz AG with effect from 31 March 2019.
- **Income taxes:** Income taxes of EUR 2.3m (2018: EUR -18.3m) included a EUR 9.4m contribution from the capitalisation of tax loss carryforwards (2018: EUR -9.5m amortisation of capitalised tax loss carryforwards).

Outlook

The demand for sustainable and functioning infrastructure will remain high in the future and will become even more relevant as a result of the coronavirus pandemic. Public-sector and private-sector decision makers will become increasingly aware of the need to expand, maintain and modernise supply and transport as well as social and digitalisation infrastructure.

Given the bank's deep infrastructure expertise, the high level of diversification and quick reaction capabilities, Kommunalkredit is confident that it will do its part to overcome the effects of the crisis in this environment, which is challenging for everyone.

Kommunalkredit's annual financial report for 2019 is available now at <https://www.kommunalkredit.at/en/investor-relations/financial-reports/>.

Further information:

Kommunalkredit Austria AG
Corporate Communications
Phone: +43 1 31631-593 or +43 1 31631-153
<mailto:communication@kommunalkredit.at>; www.kommunalkredit.at

Selected performance indicators according to IFRS

Selected performance indicators in EUR m	2019	2018
Total assets (31/12)	4,305.3	3,941.8
Total capital (31/12)	343.2	294.8
Net interest income	58.6	49.2
Net fee and commission income	24.9	18.5
Result from the disposal of assets measured at fair value through other comprehensive income ¹	4.3	3.5
General administrative expenses	-54.6	-54.1
Income from services provided to KA Finanz AG	1.7	8.6
EBIT ²	33.2	23.9
Net provisioning for impairment losses	-2.5	-0.7
Restructuring expense	0.0	-2.5
Net result of asset valuation and realised gains and losses	-3.4	11.9
Consolidated profit for the year before tax	27.3	32.6
Income taxes	2.3	-18.3
Consolidated profit for the year	29.6	14.3
Cost/income ratio (based on EBIT)	63.3%	70.2%
Return on equity before tax ³	10.3%	14.0%

¹ In the prior-year period, the result from the disposal of assets measured at fair value through other comprehensive income was reported under net interest income.

² EBIT = Profit for the year before tax, not including net provisioning for impairment losses, measurement gains/losses or restructuring expense.

³ Return on equity before tax = consolidated profit for the year before tax/Tier 1 capital as of 1 January

Selected performance indicators according to Austrian GAAP

Selected performance indicators in EUR m	2019	2018
Total assets (31/12)	3,802.8	3,478.8
Total capital (31/12)	273.9	223.6
Net interest income	45.6	37.7
Net fee and commission income	15.5	14.1
General administrative expenses	-44.8	-45.4
Other operating income ¹	4.8	11.1
Operating result	21.8	16.8
Operating result from sale of infrastructure/energy financing ²	4.8	1.6
Net allocation to provision (§ 57 (1) Austrian Banking Act) ²	0.4	0.9
EBIT (excluding restructuring expense)	27.0	21.8
Other loan impairment, valuation and sales result ²	1.8	10.4
Profit on ordinary activities	28.7	29.7
Taxes on income	1.6	0.7
Profit for the year after tax	30.3	30.4
Cost/income ratio (based on EBIT)	63.2%	67.0%
Return on equity before tax	10.8%	12.8%

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

² Included in items 11 & 12 of the income statement.