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EANS-News: Kommunalkredit Austria AG / results for 2016

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annual report

Steinbichler: "A highly positive year after privatisation"
Kommunalkredit Austria AG reports its results for 2016

- * IFRS profit after tax of EUR 49.0 million
- * Continued strengthening of equity base: total capital ratio 42.3%; common equity tier 1 ratio 32.9%
- * No credit defaults in 2016
- * Positive development of business expected for 2017

(Vienna, 10 March 2017) - In 2016, the first full business year after its privatisation, Kommunalkredit Austria AG (Kommunalkredit) generated an IFRS after-tax profit for the year of EUR 49.0 million. The bank holds a loan portfolio of high asset quality without a single default in the reporting year, and its capital base was further strengthened in 2016: the total capital ratio increased to 42.3% and the common equity tier 1 ratio to 32.9%. Customer deposits increased from EUR 9.0 million to EUR 210.8 million in the course of the year. The bank generated new business in a volume of EUR 242.6 million.

As Alois Steinbichler, CEO of Kommunalkredit, notes, "The first full business year after privatisation in the autumn of 2015 was very successful. Kommunalkredit generated solid results in 2016. With our excellent capitalisation and our clearly defined business model, we are very well positioned as a specialist bank in the fast growing market of infrastructure finance."

Strategy and development of business: Kommunalkredit acts as a bridge

As a bank specialising in infrastructure finance, Kommunalkredit acts as a bridge between infrastructure developers, such as municipalities, public-sector enterprises or private project operators, on the one hand, and institutional investors, such as insurance companies or pension funds, on the other hand. Kommunalkredit meets the complementary interests of both side: While infrastructure developers require structuring and financing solutions, investors are increasingly looking out for asset classes with stable cash flows in the long term. Kommunalkredit's focus is on projects in the areas of energy and the environment (especially sustainable sources of energy), social infrastructure (care homes, health care and educational facilities, administrative buildings) and transport (commuter transport, road and rail transport). With its business model, the bank is able to use the opportunities offered by the infrastructure market. According to estimates by the European Commission, capital expenditure in a volume of EUR 150 billion to EUR 200 billion per year will be required to reach the targets of the Europe 2020 strategy. In Austria, too, major investments will have to be made in the coming years.

In 2016, Kommunalkredit played a leading role in the financing of numerous infrastructure projects in European core countries. These projects included wind farms in France, the North Sea and Austria, a broadband network in Germany, a toll road in Spain, road infrastructure, including road lighting, in a large city in Great Britain, and the administrative headquarters of a German

government ministry. Overall, Kommunalkredit generated new business in a volume of EUR 242.6 million in 2016; the prolongation of loans in its existing portfolio accounted for another EUR 64.5 million.

Income position: IFRS after-tax profit for the year of EUR 49.0 million

In 2016, Kommunalkredit generated an IFRS after-tax profit for the year of EUR 49.0 million. A comparison with 2015 is of limited value, as the previous year's figures only cover the abridged business year from the date of privatisation on 26 September 2015 to 31 December 2015.

Kommunalkredit reports net interest income of EUR 36.5 million and net commission income of EUR 16.8 million; net general administrative expenses amount to EUR 38.5 million. Thus, the bank's operating result comes to EUR 15.4 million. Its net trading and valuation result of EUR 36.2 million comprises income from the early redemption of own issues and the resulting closure of hedging transactions, as well as valuations of the fair-value portfolio.

In 2016, Kommunalkredit contributed EUR 2.5 million to the Bank Resolution Fund and paid EUR 11.6 million in stability tax ("bank levy") under the Stability Tax Act. In addition to the current stability tax for 2016 of EUR 3.9 million, this expense item also comprises the non-recurrent special payment of EUR 7.7 million pursuant to the 2016 Tax Amendment Act. After this special payment, the financial burden resulting from the recurring stability tax payable for 2017 will be significantly reduced (expected stability tax expense in 2017: EUR 0.7 million). The tax result for the reporting period is positive at EUR 13.5 million due to the capitalisation of tax losses carried forward.

The Annual Shareholders' Meeting on 10 March 2017 decided to distribute a dividend in the amount of EUR 32.0 million. Thus, Kommunalkredit's equity, after distribution of the dividend, increased by EUR 40.5 million to EUR 296.8 million. With the intention of supporting future growth, the Shareholders' Meeting also decided to grant authorized capital in an amount of EUR 79.7 million.

Balance sheet structure: Strengthened capital base and higher customer deposits

As at 31 December 2016, Kommunalkredit's consolidated total assets according to IFRS amounted to EUR 3.8 billion, down by EUR 0.4 billion from EUR 4.2 billion as at 31 December 2015. The reduction is primarily due to the runoff of asset positions and the elimination of derivative transactions. The bank's total assets include loans to customers in the amount of EUR 2.4 billion (31/12/2015: EUR 2.6 billion). The securities portfolio amounts to EUR 560.8 million (31/12/2015: EUR 661.0 million).

Kommunalkredit further strengthened its capital position, reporting the equity in a total amount of EUR 296.8 million (31/12/2015: EUR 256.3 million) and common equity tier 1 of EUR 225.5 million (31/12/2015: EUR 194.9 million). Thus, as at 31 December 2016, the bank's total capital ratio came to 42.3% (31/12/2015: 34.1%) and the CET 1 ratio to 32.9% (31/12/2015: 25.6%); the leverage ratio as at 31 December 2016 was 7.2% (31/12/2015: 5.0%).

Kommunalkredit has a sound funding structure. In 2016, amounts owed to customers increased to a total of EUR 552 million (31/12/2015: EUR 383 million). This increase resulted from the steep rise in customer deposits from EUR 9.0 million as at 31 December 2015 to EUR 210.8 million as at 31 December 2016. The increase came from deposits by corporate customers as well as deposits acquired via the KA Direct online platform. KA Direct is an efficient investment and cash management product for municipalities and enterprises operating in the municipal sector.

Outlook

Kommunalkredit has started the new business year from a promising position. The macro-economic fundamentals and the high demand for infrastructure investments

in Europe create a favourable environment for the bank. Public authorities show a growing interest in using funds provided by institutional investors to carry out public infrastructure projects. As a strong and effective bank specializing in infrastructure finance, Kommunalkredit is strategically very well positioned in this environment.

After its satisfactory performance in 2016, Kommunalkredit expects to generate another sound result in 2017, although extraordinary income from the early redemption of own issues will not be as high as in 2016. Kommunalkredit will continue to consistently implement its strategy in 2017. The bank's objective is to increase the volume of its new business as well as the volume of issues to be placed in the market, especially with institutional investors. As regards funding, the bank intends to further increase the volume of deposits in 2017, in line with the positive development seen in the reporting year.

SELECTED INDICATORS OF THE IFRS INCOME STATEMENT OF THE KOMMUNALKREDIT GROUP

Selected Income Statement

figures in EUR Million	01/01-31/12/2016	6/09-31/12/2015 1)
Net interest income	36.5	9.3
Net fee and commission income	16.8	4.6
Net administrative expenses after services invoiced to KF	-38.5	-10.2
Operating result	15.4	4.1
Net trading and valuation result	36.2	1.7
Contributions to Bank Resolution Fund	-2.5	-0.8
Stability tax	-11.6	-1.0
Consolidated profit for the year before tax	35.4	4.0
Taxes on income	13.5	1.6
Consolidated profit for the year after tax	49.0	5.6
Comprehensive income (incl. changes in equity)	48.6	5.6

1) Owing to the new incorporation of the company as of 26/09/2015,

the figures for the previous year only cover the period from 26/09/2015-31/12/2015 and are therefore not comparable with the current reporting period from 01/01/2016-31/12/2016.

SELECTED INDICATORS OF THE IFRS BALANCE SHEET
OF THE KOMMUNALKREDIT GROUP

Assets in EUR 1,000	31/12/2016	31/12/2015
Cash and balances with banks	310,457.4	79,693.3
Loans and advances to Banks	101,865.4	240,994.6
Loans and advances to customers	2,138,929.0	2,353,017.9
Assets at fair value	91,616.0	752,691.9
Derivatives	337,156.4	544,055.9
Assets	3,790,805.0	4,162,013.8

Liabilities and equity in EUR 1,000	31/12/2016	31/12/2015
Amounts owed to banks	795,027.9	463,975.7
Amounts owed to customers	552,093.0	383,002.3
Derivatives	263,347.5	427,177.4
Securitised liabilities	1,779,165.4	2,527,894.0
Equity	296,779.0	256,263.8
Liabilities and equity	3,790,805.0	4,162,013.8

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