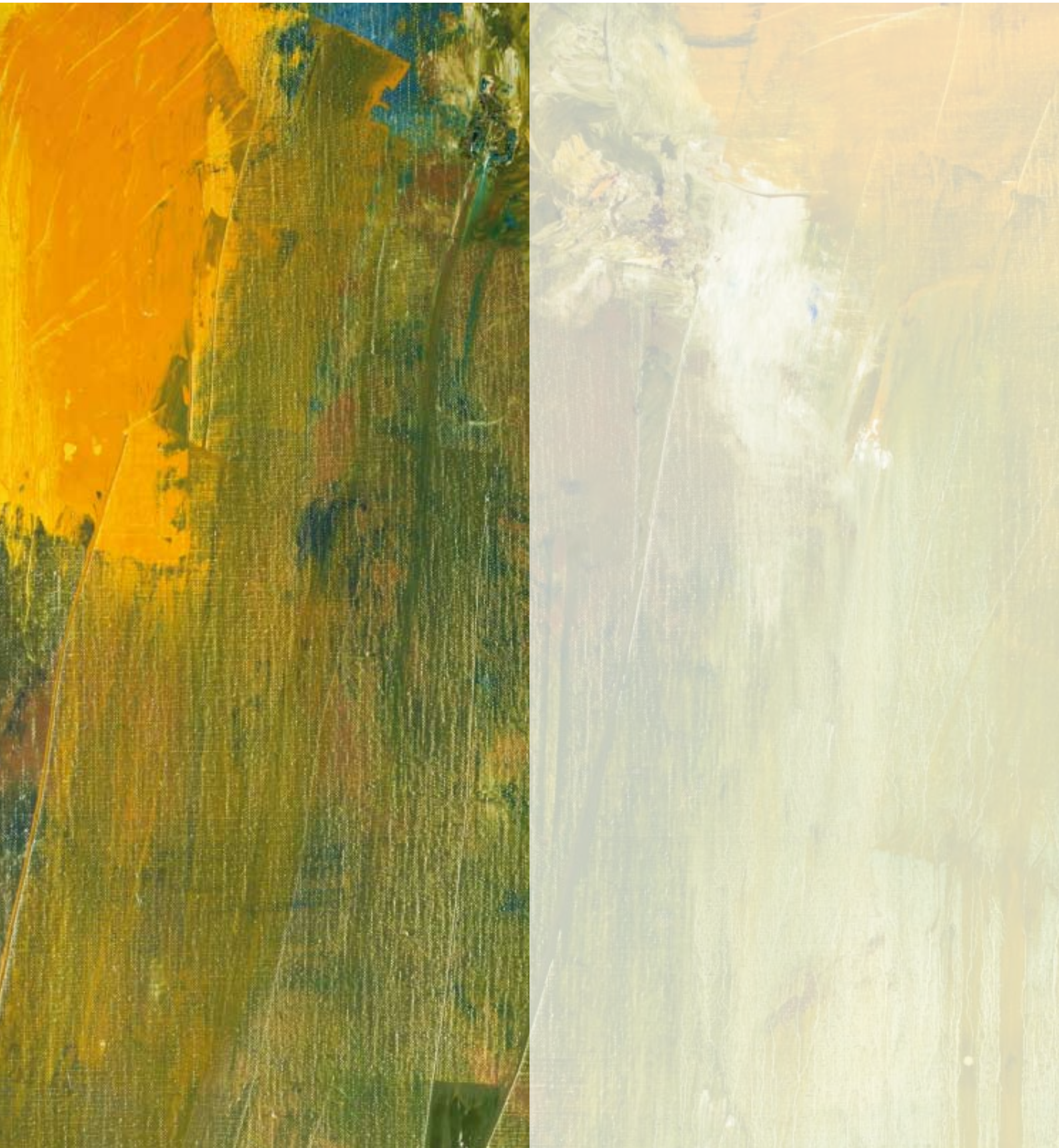


KOMMUNALKREDIT INTERNATIONAL BANK LTD

SEMI-ANNUAL REPORT 2008



KEY FIGURES.

TABLE 1: KEY FIGURES.

Ratios in EUR 1,000 and/or %	30-06-2008	31-12-2007
Balance-sheet figures		
Total assets	11,231,686.5	10,846,177.3
Loans and advances to customers	2,209,942.0	2,142,088.8
Financial investments	5,036,742.1	5,304,740.9
Securitised liabilities	6,054,244.9	6,054,771.1
Income figures		
	30-06-2008	30-06-2007
Net interest income	16,300.9	14,717.2
Net fee and commission income	585.7	2,494.2
Pre-tax profit for the year	12,461.3	21,419.4
Return on equity after-tax	12.5%	27.5%
Cost-income ratio	14.5%	7.4%
Equity ratios		
	30-06-2008	31-12-2007
Risk-weighted assets	3,872,152.0	3,852,760.6
Own funds	501,628.0	539,804.0
Own funds rate	13.0%	14.0%
Core capital – Tier 1	297,465.0	371,849.0
Core capital ratio	7.7%	9.7%

INFORMATION ON THE DEVELOPMENT OF BUSINESS.

TABLE 2: SELECTED BALANCE-SHEET FIGURES.

in EUR 1,000	30-06-2008	31-12-2007
Total assets	11,231,686.5	10,846,177.3
Loans and advances to customers	2,209,942.0	2,142,088.8
Financial investments	5,036,742.1	5,304,740.9
Securitised liabilities	6,054,244.9	6,054,771.1

Since its establishment in 2002, Kommunalkredit International Bank's (KIB) business is based on a policy of sustainable and stable growth. Despite the persistent impact of the financial crisis on the international capital markets, this development continued throughout the first half of the year. KIB continued to be an active market participant which was very well perceived by its business partners and clients. During the first six months of 2008, the bank's total assets grew to EUR 11.2 billion and pre-tax profit for the year amounted to EUR 12.5 million.

The bank's activities are focused primarily on generating long-term and sustainable earnings through the provision of finance in any form of debt capital market products or loans (bilateral loans, club deals, syndicated loans) for projects of public-sector and infrastructure sector clients. Much more attractive credit spreads compared to previous

years secure sustainable future earnings, which enables the bank to pursue its growth course even in a difficult market environment and to take advantage of attractive opportunities arising against the background of current market uncertainties.

During the first six months of 2008, the bank's activities were concentrated on further development of the Cypriot and Greek municipal and PPP markets and provision of finance for quasi-sovereign utilities in the field of energy, oil and gas and transport.

With successful arrangements of smaller syndication transactions and further distribution activities the bank managed to generate new fee income. These activities will be pushed further in the second half of the year 2008 – the project pipeline looks very promising.

TABLE 3: SELECTED INCOME FIGURES.

in EUR 1,000 and/or %	30-06-2008	30-06-2007
Net interest income	16,300.9	14,717.2
Net fee and commission income	585.7	2,494.2
General administrative expenses	-2,092.7	-1,750.8
Pre-tax profit for the year	12,461.3	21,419.4
After-tax profit for the year	11,040.4	19,498.8
Return on equity after tax	12.5%	27.5%
Cost-income ratio	14.5%	7.4%

TABLE 4: SELECTED EQUITY RATIOS.

in EUR 1,000 and/or %	30-06-2008	31-12-2007
Risk-weighted assets	3,872,152.0	3,852,760.6
Equity requirement	387,215.2	385,276.1
Own funds	501,628.0	539,804.0
Total capital ratio	13.0%	14.0%
Core capital – Tier 1	297,465.0	371,849.0
Core capital ratio	7.7%	9.7%
Economic capital for credit risk	84,501.1	81,977.0
Equity required/Economic capital for credit risk	4.6	4.7
Core capital/Economic capital for credit risk	3.5	4.5

OWN FUNDS AND RISK-WEIGHTED ASSETS.

As of 30-06-2008, KIB's **own funds** amounted to EUR 502 million. KIB's core capital stood at EUR 298 million.

As of the beginning of 2008, the calculation of capital adequacy requirements was changed to comply with the provisions of Basel 2. Since 01-04-2008, the foundation IRB (FIRB) approach for corporates has been used by KIB. Valuations in the corporate segment are based on the FIRB approach, while the slotting-criteria approach is applied to special financing models. As of 01-07-2009, the FIRB approach will be used by banks; the corresponding bank rating system is already in use. For the time being, the standard approach will continue to be applied in the sovereign segment, including regional governments and local authorities as well as public entities. The standard approach is also used for operational risks.

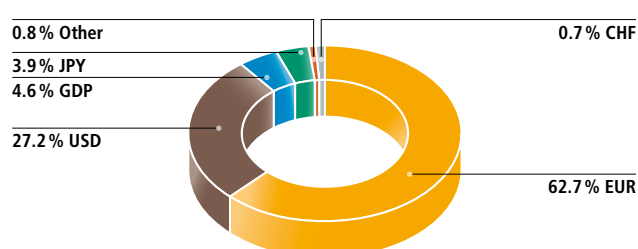
As of 30-06-2008, KIB's **risk-weighted assets**, calculated according to Basel 2, stood at EUR 3.9 billion. Thus, the tier-1 capital ratio as of 30-06-2008 is a satisfying 7.7%, with a total capital ratio of 13.0%. Thanks to these satis-

factory capital ratios, KIB is able to pursue its strategic objective of continued growth on a sound basis.

FUNDING STRUCTURE.

KIB's treasury team successfully managed to further optimise the capital structure and funding costs of the bank although the persistent impact of last year's financial market crisis made issuing activities for financials more difficult in the first half of 2008. The bank benefits from long-standing relationships within the financial community and achieved to keep the funding cost in this difficult market environment almost at the same low level compared to previous years.

To meet its short-term funding needs, KIB not only relies on its two Commercial Paper Programmes (CP), but also resorted to repo transactions and other short term funding possibilities. The total outstanding CP's end of June increased compared to the end of the year to EUR 2.8 billion. For long-term funding, KIB has full access to the placement capacities of its parent Kommunalkredit Austria AG and provides its assets for the parents covered bond programme.

DIAGRAM 1: CURRENCY STRUCTURE.

RISK MANAGEMENT.

The economic valuation and control of the risks managed by KIB is performed through the monthly determination of economic capital. On that basis, the level of equity required to cover all risks with a statistical possibility of materialising within a time horizon of one year at a 99.97% level of confidence is established.

The targeted allocation of equity to different types of risks in accordance with the bank's willingness and ability to take risks is decided by the Executive Board within the framework of the Asset Liability Committee (ALCO).

As of 30-06-2008, the bank's economic capital requirement (credit, market and operational risk) amounted to EUR 132 million (EUR 123 million as of 31-12-2007), the increase in economic capital being primarily due to higher market vola-

tility. The capital backing provided by the bank's actual core capital of EUR 298 million thus stands at 226%.

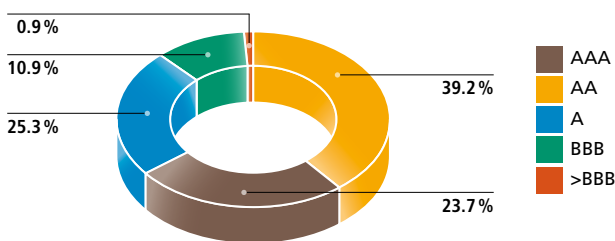
CREDIT RISK.

As of 30-06-2008, the economic capital required to cover the credit risk, measured in terms of credit at risk for the entire portfolio for a time horizon of one year and a confidence level of 99.97%, minus expected loss, amounts to EUR 85 million. As of the same date, KIB's core capital stands at 350% of its economic capital for credit risk, which clearly reflects the strong equity backing of KIB relative to the risk represented by its public-finance-dominated credit portfolio. Given its focus on the provision of finance to sovereign states, regions, provinces, municipalities and local authorities, KIB's credit portfolio comprises fewer customers than that of universal banks. As of 30-06-2008, the bank was engaged in transactions exceeding 10% of its own funds with 31 clients. However, the resulting risk – as well as the corresponding economic capital requirement – is low on account of the excellent risk quality of these customers.

The excellent quality of the portfolio of loans and advances is reflected in the weighted average rating of the total portfolio, which corresponds to a composite rating of AA3 (Moody's and Fitch). This is illustrated by the detailed breakdown of risks by rating category. The quality of KIB's portfolio is also reflected in the fact that since the establishment of KIB in the year 2002, there have been no defaults.

TABLE 5: ECONOMIC CAPITAL.

in EUR, for 99.97% confidence interval, risk horizon 1 year	30-06-2008	31-12-2007
Economic capital credit risk	84,501,120.0	81,977,018.0
Economic capital market risk banking book	40,518,430.0	35,467,461.0
Economic capital market risk FX	2,642,868.0	1,710,506.0
Economic capital operational risk	3,975,542.0	3,975,542.0
Total economic capital	131,637,960.0	123,130,527.0
Core capital	297,465,000.0	371,848,860.0
Surplus cover core capital : economic capital	226%	302%

DIAGRAM 2: CREDIT RISK STRUCTURE.

MARKET RISK – BANKING BOOK.

KIB's ALM control system provides the basis for the integrated and efficient optimisation of the bank's asset and liability position according to agreed interest-rate expectations and permits the exact control of the market risk for each currency, depending on the bank's willingness and ability to take risks.

As of 30-06-2008, the economic capital for the market risk carried in the banking book, measured in terms of value-at-risk for the interest-rate risk and normalised for a time horizon of one year and a confidence level of 99.97%, amounts to EUR 41 million.

OPERATIONAL RISK.

Within the Kommunalkredit Group, operational risk is defined as the possibility of losses due to the inadequacy or failure of internal processes, people and/or systems or as a result of external events. The specified goal of operational risk management (ORM) is not only to identify and assess operational risks, but also to generate added value for the bank from the ORM process. A clear division of tasks in the operational risk management process has been agreed upon. The operational default database (retrospective view) and the annual self-assessments (prospective view), the latter serving to identify risks and subjectively assess them for their severity, provide the basis for the management of operational risks.

USE OF DERIVATIVES.

KIB's sustainability-oriented risk policy is also reflected in its use of derivatives. As of 30-06-2008, 69.92% are used as micro-hedges and 30.08% serve for risk control at the portfolio level.

BALANCE SHEET OF KOMMUNALKREDIT INTERNATIONAL BANK (AS OF 30-06-2008).

Assets in EUR 1,000	30-06-2008	31-12-2007
Cash and balances with central bank	15,644.8	80,802.8
Loans and advances to banks	3,385,677.5	2,959,340.7
Loans and advances to customers	2,209,942.0	2,142,088.8
Investment in subsidiaries	2,710.1	2,631.2
Financial investments	5,036,742.1	5,304,740.9
Property and equipment	701.3	673.4
Other assets	580,268.7	355,899.5
Total assets	11,231,686.5	10,846,177.3

Liabilities in EUR 1,000	30-06-2008	31-12-2007
Amounts owed to banks	3,909,907.2	3,682,542.0
Amounts owed to customers	111,814.0	109,936.9
Securitised liabilities	6,054,244.9	6,054,771.1
Provisions	3,426.0	6,024.7
Other liabilities	629,941.7	461,674.2
Subordinated capital	321,297.9	327,872.5
Equity	201,054.8	203,355.9
Total liabilities	11,231,686.5	10,846,177.3

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE-SHEET LIABILITIES.

in EUR 1,000	30-06-2008	31-12-2007
Contingent liabilities		
Guarantees (CDS)	6,666,318.6	5,756,000.9
Other liabilities		
Credit lines and advance commitments	371,986.2	343,726.1

INCOME STATEMENT.

in EUR 1,000	01-01-2008 to 30-06-2008	01-01-2007 to 30-06-2007
Interest and similar income	367,952.8	325,043.8
Interest and similar expenses	-351,651.9	-310,326.6
Net interest income	16,300.9	14,717.2
Net credit risk provisions	0.0	-650.0
Fee and commission income	3,230.2	3,401.6
Fee and commission expense	-2,644.5	-907.4
Net Fee and commission income	585.7	2,494.2
Trading result	-86.5	59.4
Net income from investments	-2,246.2	6,522.4
General administrative expenses	-2,092.7	-1,750.8
Other operating results	0.0	27.0
Pre-tax profit for the year	12,461.3	21,419.4
Taxes on income	-1,420.9	-1,920.6
After-tax profit for the year	11,040.4	19,498.8

EARNINGS PER SHARE.

	01-01-2008 to 30-06-2008	01-01-2007 to 31-12-2007
After-tax profit for the year in EUR	11,040.4	24,860.2
Weighted average number of ordinary shares outstanding	340,500.0	311,742.5
Earnings per share in EUR	64.85	79.75

STATEMENT OF CHANGES IN EQUITY.

in EUR 1,000	Issued share capital	Share premium	General revenue reserve	Profit & loss account	Available for sale reserve	Equity
As of 01-01-2007	31,000.0	54,000.0	41,800.0	5,620.9	-23.1	132,397.8
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	-5,580.1	0.0	-5,580.1
Allocation to general revenue reserve	0.0	0.0	0.0	0.0	0.0	0.0
After-tax profit for the year	0.0	0.0	0.0	19,498.8	0.0	19,498.8
Available for sale reserve	0.0	0.0	0.0	0.0	4,485.1	4,485.1
As of 30-06-2007	31,000.0	54,000.0	41,800.0	19,539.6	4,462.0	150,801.6
As of 01-01-2008	34,050.0	130,950.0	59,600.0	5,709.7	-26,953.8	203,355.9
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	-6,637.8	0.0	-6,637.8
Allocation to general revenue reserve	0.0	0.0	18.0	0.0	0.0	18.0
After-tax profit for the year	0.0	0.0	0.0	11,040.4	0.0	11,040.4
Available for sale reserve	0.0	0.0	0.0	0.0	-6,721.8	-6,721.8
As of 30-06-2008	34,050.0	130,950.0	59,618.0	10,112.3	-33,675.6	201,054.7