

INVESTKREDIT FUNDING LIMITED

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1ST JANUARY 2017 TO 30TH JUNE 2017

INVESTKREDIT FUNDING LIMITED

REPORT OF THE DIRECTORS

The Directors present their interim report and the unaudited financial statements of Investkredit Funding Limited (the "Company") for the period 1st January 2017 to 30th June 2017. Please note that the financial report for the first half of 2017 has neither been audited nor reviewed by the Company's auditor.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 18th October 2002.

ACTIVITIES

The principal activity of the Company is the issue of Perpetual Subordinated Non-Cumulative Limited Recourse Notes (the "LRN Notes") in separate series to the value of up to €100,000,000. To date, the Company has made one issue of LRN Notes in an amount of €50,000,000. The proceeds of this issue were used to purchase a Certificate of Deposit from Investkredit International Bank plc ("IIB"). IIB's parent company, Investkredit Bank AG merged with Österreichische Volksbanken-Aktiengesellschaft ("ÖVAG") in 2012. Subsequently, on 5th October 2012 the Company agreed to the cancellation of €24,931,000 nominal amount of the Certificate of Deposit in consideration for the cancellation of €24,931,000 nominal amount of LRN Notes held by ÖVAG. On 25th February 2013 the Company acquired €25,069,000 nominal amount of Ergänzungskapital Notes ("EKN Notes") issued by ÖVAG in exchange for the cancellation of the remaining €25,069,000 nominal amount of Certificate of Deposit issued by IIB.

As set out in the Offering Circular, the LRN Notes are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in them. The LRN Notes are dually listed on Vienna Stock Exchange and Frankfurt Stock Exchange. The Home Member State is considered to be the Vienna Stock Exchange.

At an Extraordinary General Meeting held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". The demerger was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. Immigon has assumed ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG.

Under Section 3 of the Support Agreement dated 22nd October 2002 between immigon (formerly ÖVAG) and the Company, immigon has undertaken "to maintain the Company as a subsidiary for so long as any LRN Notes shall remain in issue." Under Section 2 of the Support Agreement, immigon has agreed to extend all of the obligations assumed by it pursuant to the Support Agreement to and for the benefit of the Company as if the Support Agreement were given by immigon only. Consequently, immigon is responsible for paying any of the Company's expenses that the Company is unable to pay itself and to maintain the Company as a going concern for as long as any LRN Notes remain in issue.

BUSINESS REVIEW AND GOING CONCERN REVIEW

The profit for the period amounted to €117,432 (2016: €49,163). The Directors do not recommend a dividend for the period (2016: €nil).

There were no changes in the structure of the Company itself during the period. In order to be able to continue as going concern, the Company relies on support from immigon (formerly ÖVAG) in its capacity as: issuer of the EKN Notes held by the Company; its parent company; and, counterparty to the Support Agreement. The process of formal and legal liquidation of immigon is not expected to happen before 2018 and completion of the liquidation process will very likely only be effected much later. Immigon remains confident that loans and securities whose contractual maturity falls after this date can be largely wound down using active wind-down measures. Accordingly, the Directors expect the Company to continue in existence for at least 12 months from the signing of these financial statements and therefore consider the Company to be a going concern.

INVESTKREDIT FUNDING LIMITED

REPORT OF THE DIRECTORS - (CONTINUED)

BUSINESS REVIEW AND GOING CONCERN REVIEW - (CONTINUED)

In accordance with the terms of the EKN Notes, interest of €181,362 was received on the EKN Notes during the period (2016: €200,409). Interest will only be payable on the LRN Notes to the extent that the Company has sufficient distributable funds and immigon has sufficient distributable balance sheet profits as shown in its audited individual entity financial statements for the preceding fiscal year. Immigon's audited individual entity balance sheet profit as at 31st December 2016 as reported on 24th March 2017 amounted to €nil. Consequently, no interest was payable on the LRN Notes during the year (2016: €nil). See notes 2 and 6 for further details.

The Directors have been informed that no net losses have currently been allocated to the EKN Notes held by the Company. Immigon has informed the Directors that the ultimate redemption amount that will be receivable on the EKN Notes (and therefore payable on the LRN Notes) upon liquidation of immigon is currently uncertain. However, it remains possible that the redemption amount could potentially be the full nominal value of the LRN Notes, even if the probability of such an outcome might be considered to be uncertain if the current market price of the LRN Notes is assumed to represent a reasonable approximation of the net present value of the projected cash flows payable on the LRN Notes.

On 1st December 2016, immigon resolved to accept a purchase offer from two holders of a total value of at least €12,538,000 and a maximum value of €12,618,000 of the LRN Notes issued by Investkredit Funding Limited for a cash price of 75%. Furthermore, immigon invited other holders of the LRN Notes the same offer of purchase at the same cash price during the offer period from the 2nd December 2016 to 22nd December 2016. On 23rd December upon the expiry of the offer, €1,955,000 nominal value of the LRN Notes was accepted for purchase. As a result of the purchase offer, immigon is now the majority noteholder of the LRN Notes.

On 6th December 2016, immigon announced that it expects in 2017 to have a positive annual net profit (Jahresüberschuss) despite negative interest income in the solo financial statements in accordance with the Austrian Commercial Code (UGB) (i.e. results before changes in reserves). Such profit is expected to be sufficient to pay interest on the outstanding supplementary capital (Ergänzungskapital), subject to the respective terms and conditions but not on other profit dependent own funds instruments, as for example the Securities issued by Investkredit Funding Limited. Regarding the supplementary capital that the Company holds – the Global Bearer Note 2002 ISIN AT0000322615 – it is the case that immigon's positive annual net profit for the years 2015 and 2016 triggered interest payments to the benefit of the Company. On the other hand, the terms and conditions of the LRN did not allow the Company to pay interest on the Notes.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks to the business relate to the use of financial instruments, in particular the uncertainty regarding the redemption amount that might be received on the EKN Notes issued by immigon (formerly ÖVAG) and ultimately returned to the holders of the LRN Notes. The specific risks arising from the Company's use of financial instruments and the Directors' strategies to manage those risks are discussed in note 9 of the financial statements.

DIRECTORS

The Directors who held office during the period and subsequently were:

C.D. Ruark (resigned 8th June 2017)

J. Gaugusch

M. Wiebogen

J.N. Pendergast (appointed 8th June 2017)

SECRETARY

The Company Secretary is Sanne Secretaries Limited.

REGISTERED OFFICE

The registered office is 13 Castle Street, St. Helier, Jersey, Channel Islands, JE4 5UT.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

INVESTKREDIT FUNDING LIMITED

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - (CONTINUED)

The Directors are required to prepare financial statements for each financial period under the Companies (Jersey) Law 1991. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- * properly select and apply accounting policies;
- * present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- * provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for keeping proper accounting records that are sufficient to show and explain its transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm they have complied with the above requirements throughout the period and subsequently.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company whose names appear on page 2 confirm to the best of their knowledge that the financial statements for the period ended 30th June 2017 give a true and fair view of the assets, liabilities and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 9 of these financial statements.

Signed on behalf of the Board of Directors by:

Director:

Date: 29th August 2017



INVESTKREDIT FUNDING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2017

	<u>Notes</u>	<u>30th Jun 17</u>	<u>31st Dec 16</u>
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	23,640,067	21,559,340
Current assets			
Trade and other receivables	3	316,910	137,818
Cash and cash equivalents	4	39,023	101,190
		355,933	239,008
TOTAL ASSETS		€ 23,996,000	€ 21,798,348
SHAREHOLDER'S EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	10,000	10,000
Retained earnings		203,648	86,216
Capital contribution	15	120,000	120,000
TOTAL SHAREHOLDER'S EQUITY		333,648	216,216
Non-current liabilities			
Financial liabilities at fair value through profit or loss	6	23,640,067	21,559,340
Current liabilities			
Trade and other payables	5	22,285	22,792
TOTAL LIABILITIES		23,662,352	21,582,132
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		€ 23,996,000	€ 21,798,348

The financial statements on pages 4 to 22 were approved and authorised for issue by the Board of Directors on the day 29th of August 2017 and were signed on its behalf by:

For and on behalf of the Board of Directors:



(The notes on pages 8 to 22 form part of these financial statements)

INVESTKREDIT FUNDING LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE PERIOD FROM 1ST JANUARY 2017 TO 30TH JUNE 2017**

	<u>Notes</u>	<u>1st Jan 17</u> <u>to</u> <u>30th Jun 17</u>	<u>1st Jan 16</u> <u>to</u> <u>30th Jun 16</u>
INCOME			
Note interest income	2	181,362	200,409
Gain on revaluation of financial assets at fair value through profit or loss	2	2,080,727	9,150,185
Realised gain on exchange		125	3,904
		<u>2,262,214</u>	<u>9,354,498</u>
EXPENDITURE			
Loss on revaluation of financial liabilities at fair value through profit or loss	6	2,080,727	9,150,185
Administration fees		11,853	19,623
Management fees		4,075	4,469
Professional fees		7,267	9,570
Legal fees		31,185	110,727
Audit fees		8,763	9,647
Annual filing fee		123	95
International Service Entity fee		117	126
Bank charges		672	893
		<u>2,144,782</u>	<u>9,305,335</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	€	117,432	€ 49,163

Other comprehensive income

There were no items of other comprehensive income in either the current period or the prior period.

(The notes on pages 8 to 22 form part of these financial statements)

INVESTKREDIT FUNDING LIMITED

STATEMENT OF CHANGES IN EQUITY**FOR THE PERIOD FROM 1ST JANUARY 2017 TO 30TH JUNE 2017**

	<u>Share capital</u>	<u>Retained earnings/ (accumulated loss)</u>	<u>Capital contribution</u>	<u>Total</u>
Balance at 1st January 2017	10,000	86,216	120,000	216,216
Total comprehensive income for the period	-	117,432	-	117,432
Balance at 30th June 2017	€ 10,000	€ 203,648	€ 120,000	€ 333,648
Balance at 1st January 2016	10,000	(131,554)	120,000	(1,554)
Total comprehensive income for the period	-	49,163	-	49,163
Balance at 30th June 2016	€ 10,000	€ (82,391)	€ 120,000	€ 47,609

(The notes on pages 8 to 22 form part of these financial statements)

INVESTKREDIT FUNDING LIMITED**STATEMENT OF CASH FLOWS****FOR THE PERIOD FROM 1ST JANUARY 2017 TO 30TH JUNE 2017**

	<u>Notes</u>	<u>1st Jan 17 to 30th Jun 17</u>	<u>1st Jan 16 to 30th Jun 16</u>
Cash flows from operating activities			
Total comprehensive income for the period		117,432	49,163
Interest income		(181,362)	(200,409)
Gain on revaluation of financial assets at fair value through profit or loss	2	(2,080,727)	(9,150,185)
Loss on revaluation of financial liabilities at fair value through profit or loss	6	2,080,727	9,150,185
Decrease/(increase) in trade and other receivables		(179,092)	(102,191)
(Decrease)/increase in trade and other payables		(507)	38,562
Net outflow from operating activities		<u>(243,529)</u>	<u>(214,875)</u>
Cash flows from investing activities			
Interest received		181,362	200,409
Net cash flows from investing activities		<u>181,362</u>	<u>200,409</u>
Net increase in cash and cash equivalents		(62,167)	(14,466)
Cash and cash equivalents at the beginning of the period		101,190	55,457
Cash and cash equivalents at the end of the period		<u>€ 39,023</u>	<u>€ 40,991</u>
Reconciliation of movement in net debt			
	Liabilities	Cash	Net Debt
Opening balance as at 1st January 2017	(21,582,132)	101,190	(21,480,942)
Movement in period	(2,080,220)	(62,167)	(2,142,387)
Opening balance as at 30th June 2017	<u>€ (23,662,352)</u>	<u>€ 39,023</u>	<u>€ (23,623,329)</u>

(The notes on pages 8 to 22 form part of these financial statements)

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

Going concern

The Limited Recourse Notes ("LRN Notes") issued by the Company are perpetual financial instruments as they have no specified maturity date, being redeemable only at the option of the Company. Interest on the LRN Notes is payable on each Interest Payment Date at the rate specified in the Statement of Rights of the LRN Notes as set out in the Offering Circular dated 28th November 2002 (the "OC") if the conditions specified therein are met. Although the trigger for interest payments are different, the repayment of the LRN Notes will depend on the repayment of the Ergänzungskapital Notes ("EKN Notes") issued by immigon [formerly Österreichische Volksbanken-Aktiengesellschaft ("ÖVAG")]. In the event that one or more interest payments are not made, such interest is non-cumulative (i.e. the right of the holders of the LRN Notes to receive such interest lapses) and no interest is payable on such unpaid interest.

At an Extraordinary General Meeting held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". This was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. Immigon has assumed ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG.

Under Section 3 of the Support Agreement dated 22nd October 2002 between immigon (formerly ÖVAG) and the Company, immigon has undertaken "to maintain the Company as a subsidiary for so long as any LRN Notes shall remain in issue." Under Section 2 of the Support Agreement, immigon has agreed to extend all of the obligations assumed by it pursuant to the Support Agreement to and for the benefit of the Company as if the Support Agreement were given by immigon only. Consequently, immigon is responsible for paying any of the Company's expenses that the Company is unable to pay itself and to maintain the Company as a going concern for as long as any LRN Notes remain in issue.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES - (CONTINUED)

Going concern - (continued)

There were no changes in the structure of the Company itself during the period. In order to be able to continue as going concern, the Company relies on support from immigon (formerly ÖVAG) in its capacity as: issuer of the EKN Notes held by the Company; its parent company; and, counterparty to the Support Agreement. The process of formal and legal liquidation of immigon is not expected to happen before 2018 and completion of the liquidation process will very likely only be effected much later. Immigon remains confident that loans and securities whose contractual maturity falls after this date can be largely wound down using active wind-down measures. Accordingly, the Directors expect the Company to continue in existence for at least 12 months from the signing of these financial statements and therefore consider the Company to be a going concern.

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current period

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, other than those listed below, there are no other mandatory New Accounting Requirements applicable in the current period that are relevant and/or material to the Company. The Company has not early adopted any New Accounting Requirements that are not mandatory.

IAS 7, "Statement of Cash Flows" (amendments) – effective retrospectively for accounting periods commencing on or after 1st January 2017 (early adoption is permitted)

IAS 7 has been amended to improve disclosure on an entity's liabilities. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Non-mandatory New Accounting Requirements adopted during the current period

The Company has not early adopted any New Accounting Requirements that are not mandatory except for IFRS 9 which was adopted during 2014. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

Use of estimates, judgements and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of uncertainty and critical judgements are surrounding the fair value estimation. Further details in relation to the key assumptions made in determining fair value are disclosed in the "Fair value estimation" accounting policy and in note 9.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES - (CONTINUED)

Financial assets at fair value through profit or loss

In accordance with IFRS 9, the Company classifies the EKN Notes as financial assets measured at fair value through profit or loss ("FVTPL") as the contractual terms of the EKN Notes do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model adopted by the Company does not include the sale of financial assets. The relevant contractual terms are: (i) the fact that interest may only be paid on the EKN Notes to the extent that immigon has recorded an annual surplus in its individual entity financial statements; and (ii) the fact that, prior to the liquidation of immigon, the EKN Notes may only be redeemed subject to a pro rata deduction from the principal outstanding on the EKN Notes of the net losses of ÖVAG and now immigon which have accrued since the issue date of the EKN Notes. The EKN Notes are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Upon initial recognition, the EKN Notes are measured at fair value excluding transaction costs that are directly attributable to the acquisition of such assets. Subsequently, they are measured at fair value with changes thereof being recognised directly in the Statement of Comprehensive Income. Financial assets at FVTPL are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership.

Impairment

As required by IFRS 9, all financial assets, except those carried at fair value through profit or loss, are subject to review for impairment at each reporting date. However, the Company's only material financial assets (the "EKN Notes") are classified as at FVTPL and are therefore not subject to review for impairment.

Financial liabilities at fair value through profit or loss

The LRN Notes are designated at FVTPL, as permitted under IFRS 9, in order to eliminate the accounting mismatch that would otherwise occur in the Company's Statement of Financial Position and statement of comprehensive income if the EKN Notes were to be measured at FVTPL whilst the LRN Notes would otherwise be measured at amortised cost. Consequently the LRN Notes are initially and subsequently measured at FVTPL. The Directors have considered the characteristics of the LRN Notes, and the requirements of "Financial Instruments: Presentation" ("IAS 32"), and consider that the most appropriate classification of these securities is debt. Therefore, the LRN Notes are presented within non-current liabilities in the statement of financial position. Financial liabilities at FVTPL are recognised on the trade date and derecognised when the Company has transferred substantially all of its financial obligations relating thereto.

Statements on the conditions of interest payments on the EKN Notes and LRN Notes

Interest will accrue on the EKN Notes to the extent that immigon has recorded an annual net surplus in its individual entity financial statements for the preceding fiscal year and no losses have been allocated to the EKN Notes held by the Company. Meanwhile, interest will accrue on the LRN Notes to the extent that (a) the Company has sufficient distributable funds and (b) immigon has sufficient balance sheet profits in its audited individual entity financial statements for the preceding fiscal year at least equal to the aggregate amount of such interest payments on the LRN Notes and dividends or other distributions or payments on Parity Securities, if any, pro rata on the basis of distributable profits for such preceding fiscal year.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES - (CONTINUED)

Statements on the conditions of interest payments on the EKN Notes and LRN Notes - (continued)

Such balance sheet profit includes the annual surplus or loss, plus any profit or less any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the Austrian Commercial Code, the provisions of the Banking Act and other applicable Austrian law then in effect.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables and payables

Trade and other receivables and payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Capital contribution

Funding received from the Company's parent company is treated as a Capital contribution and received on a non-recurring and non-repayable basis.

Share capital

Ordinary shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

Foreign currency translation

a) Functional currency and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is Euro. The financial statements are presented in Euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the statement of financial position date of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES - (CONTINUED)

Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform a regular review of the operating results of the Company and make decisions using financial information at the entity level. Accordingly, the Directors believe that the Company has only one operating segment (see note 10).

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

The terms of the EKN Notes are identical in all material respects to those of the LRN Notes, except for the fact that the EKN Notes bear interest at 3 month Euribor plus 1.75%, whilst the LRN Notes bear interest at 3 month Euribor plus 1.65%. Accordingly, in the Directors' opinion the fair value of the EKN Notes and the LRN Notes was estimated to be approximately equal and opposite at all times.

The fair value estimation methodology is disclosed in note 9.

Fair value hierarchy

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date,

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active and

Level 3 – Inputs that are not based upon observable market data.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

1. ACCOUNTING POLICIES - (CONTINUED)

Fair value hierarchy - (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "active" and/or "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument. In choosing between alternative sources of market data, the Directors give consideration to factors such as the frequency and volume of trades, the consistency of market data between sources, and other matters arising in their determination of the principal and most advantageous market.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

25,069 ÖVAG Ergänzungskapital Notes of €1,000 each (31st December 2016: 25,069)

	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Opening balance	21,559,340	8,398,115
Gain on revaluation of financial assets at fair value through profit or loss	2,080,727	13,161,225
Closing balance	<u>€ 23,640,067</u>	<u>€ 21,559,340</u>

The proceeds of the issue of LRN Notes in 2002, were used to purchase a Certificate of Deposit from Investkredit International Bank plc ("IIB"). IIB's parent company, Investkredit Bank AG, merged with ÖVAG in 2012. Subsequently, on 5th October 2012 the Company agreed to the cancellation of €24,931,000 nominal amount of the Certificate of Deposit in consideration for the cancellation of €24,931,000 nominal amount of LRN Notes held by ÖVAG. On 25th February 2013 the Company acquired €25,069,000 nominal amount of EKN Notes issued by ÖVAG in exchange for the cancellation of the remaining €25,069,000 nominal amount of Certificate of Deposit issued by IIB.

At an Extraordinary General Meeting held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". This was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG and ÖVAG's obligations to the Company under the Support Agreement remain with immigon.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The obligations under the EKN Notes constitute unsecured and subordinated obligations of immigon (Upper Tier 2) ranking pari passu among themselves and junior to the subordinated obligations of immigon (Lower Tier 2) and senior to any preferred or preference share or other security issued by immigon or its subsidiaries. Pursuant to the old provisions of paragraph 23 sec 7 (3) BWG (Austrian Banking Act in its version before 1st January 2014) the EKN Notes are loss absorbing and may be redeemed only after deduction of a pro-rata share of net losses which occurred since the issue date.

Interest is receivable on the EKN Notes at a rate of 3 month Euribor plus 1.75% and is due quarterly in arrears on each 31st March, 30th June, 30th September and 31st December. Interest income on the EKN Notes is non-cumulative. The EKN Notes have no scheduled maturity date. As disclosed in note 1, interest will only accrue to the extent that immigon has recorded an annual surplus in its individual entity financial statements for the preceding fiscal year. No interest income was received on the EKN Notes from 2013 until 31st December 2015 relating to their relevant preceding fiscal years. Due to there being an annual surplus in immigon's audited individual entity financial statements for the preceding fiscal year ended 31st December 2016, the Company received an interest of €181,362 during the year (2016: €200,409).

No net losses have currently been allocated to the EKN Notes issued by Investkredit Bank AG (merged into ÖVAG on 16th September 2012). Immigon has informed the Directors that the ultimate redemption amount that will be receivable on the EKN Notes (and therefore payable on the LRN Notes) upon its liquidation is currently uncertain, but it remains possible that such redemption amount currently could potentially amount to the full nominal value of the EKN and LRN Notes, even if the probability of such an outcome might be considered to be uncertain if the current market price of the LRN Notes is assumed to represent a reasonable approximation of the net present value of the projected cash flows payable on the LRN Notes.

On 6th December 2016, immigon announced that it expects in 2017 to have a positive annual net profit (Jahresüberschuss) despite negative interest income in the solo financial statements in accordance with the Austrian Commercial Code (UGB) (i.e. results before changes in reserves). Such profit is expected to be sufficient to pay interest on the outstanding supplementary capital (Ergänzungskapital), subject to the respective terms and conditions, but not on other profit dependent own funds instruments, as for example the Securities issued by Investkredit Funding Limited.

3. TRADE AND OTHER RECEIVABLES

	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Restricted funds - OeNB	220,000	-
Legal fee reimbursement - immigon	-	131,659
Prepayments	6,229	6,159
Interest receivable	90,681	-
	<u>€ 316,910</u>	<u>€ 137,818</u>

On 28th December 2016, immigon agreed to reimburse the Company for legal fees incurred in relation to legal proceedings. An amount of €131,659 was received by the Company on 2nd January 2017.

On 2nd May 2017, the Company entered into a Trust Agreement with immigon on the investment, on a trust basis, of funds with the Austrian Central Bank (Oesterreichische Nationalbank "OeNB") and other banks. The funds shall be invested based on the terms and conditions of the bank with which the funds are being invested.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

4. CASH AND CASH EQUIVALENTS	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Volksbank Wien AG	€ 39,023	€ 101,190
	<u> </u>	<u> </u>
5. TRADE AND OTHER PAYABLES	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Audit fees	7,979	16,775
Administration fees	14,126	4,847
Professional fees	180	1,170
	<u> </u>	<u> </u>
	€ 22,285	€ 22,792
	<u> </u>	<u> </u>
6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
25,069 Perpetual Subordinated Non-Cumulative Limited Recourse Notes of €1,000 each (2016: 25,069)	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Opening balance	21,559,340	8,398,115
Loss on revaluation of financial liabilities at fair value through profit or loss	2,080,727	13,161,225
	<u> </u>	<u> </u>
Closing balance	€ 23,640,067	€ 21,559,340
	<u> </u>	<u> </u>

The Company issued 50,000 Perpetual Subordinated Non-Cumulative Limited Recourse Notes (the "LRN Notes"), in 2002, at an issue price of €1,000 per LRN Note. The LRN Notes have no fixed maturity date and are redeemable, at par value, only at the option of the Company, on any interest payment date falling on or after 31st December 2008. The LRN Notes are dually listed on the Vienna Stock Exchange and Frankfurt Stock Exchange.

No redemption of LRN Notes may take place if the Company has insufficient distributable funds to pay the Redemption Price of the LRN Notes and to pay in full the corresponding interest, accrued and unpaid. As at 30th June 2017, the nominal amount of LRN Notes outstanding was €25,069,000 (31st December 2016: €25,069,000).

Interest will accrue on the LRN Notes at a rate per annum equal to 3 month Euribor plus 1.65% and is payable quarterly in arrears. Interest payments are only made to the extent that (a) the Company has sufficient distributable funds and (b) immigon has an amount of balance sheet profits in its audited individual entity financial statements for the preceding fiscal year at least equal to the aggregate amount of such interest payments on the LRN Notes and dividends or other distributions or payments on Parity Securities, if any, pro rata on the basis of distributable profits for such preceding fiscal year. The holders of the LRN Notes will have no right to receive payment in respect of any missed or reduced interest payments. The audited individual entity balance sheet profit of immigon as at 31st December 2016 as reported on 24th March 2017 amounted to €nil. Consequently, no interest was payable on the LRN Notes during the period (2016: €nil).

If there are sufficient distributable funds of the Company and sufficient distributable profits of immigon, the Company shall not be required to make interest payments on the LRN Notes on any Payment Date to the extent that, pursuant to applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidation basis, immigon would be limited in making payments on the LRN Notes or Parity Securities, or if on such date, there is in effect an order of the Regulatory Authority prohibiting immigon from making any distribution or profits. Interest on the LRN Notes is non-cumulative.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Immigon (formerly ÖVAG) has entered into a Support Undertaking whereby immigon undertakes to ensure that the Company will at all times be in a position to meet its net obligations. The Support Undertaking has been amended in 2012 to enable the partial cancellation of the EKN Notes. After the demerger of ÖVAG on 4th July 2015, immigon has assumed the obligations of ÖVAG under the Support Undertaking and will continue to ensure that the Company will be able to meet its net obligations.

7. SHARE CAPITAL

	<u>30th Jun 17</u>	<u>31st Dec 16</u>
AUTHORISED, ISSUED AND FULLY PAID:		
10,000 €1 par value Ordinary Shares issued for €1 each	€ 10,000	€ 10,000

These shares entitle holders to voting rights at any general meeting of the Company, to ordinary dividends as may be declared by the Directors from time to time, and to participate in the winding up of the Company.

Capital management

The Company is not exposed to externally imposed capital requirements. The Company manages its finances in order to ensure that there is sufficient capital, in the opinion of the Directors, to support the transactions and level of business undertaken by the Company.

8. TAXATION

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0% (2016: 0%).

9. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing those risks. This note also provides further quantitative disclosures in relation to the Company's financial instruments.

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board deems its sole involvement as sufficient to monitor the risks faced by the Company and need not delegate any specific duties to Board committees.

The principal activity of the Company is the issue of LRN Notes. The proceeds from the issue have been used to acquire EKN Notes. Therefore, the role of financial assets and financial liabilities is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company along with the income and expenditure.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

9. FINANCIAL INSTRUMENTS - (CONTINUED)

All short-term receivables, payables and cash have been excluded from the following disclosures as they are not significant.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the EKN Notes held by the Company.

The Directors believe that there is no net material credit risk to the Company since its obligations to holders of the LRN Notes are limited to the amounts due and receivable under the EKN Notes. The Company therefore has no net exposure to any non-performing financial agreements or credit risk. The Company's gross maximum exposure to credit risk is the equivalent of the nominal amount of the Notes, €25,069,000 (31st December 2016: €25,069,000). All credit risk is ultimately borne by the holders of the LRN Notes. See note 2 for the credit risk associated with immigon.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Distribution payments under the LRN Notes are non-cumulative, and are dependent on the repayment of the EKN Notes as disclosed in note 1.

Due to the nature of the Company's operations, the Directors consider the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest on the LRN Notes. The Directors consider its available cash resources, the support received under the Support Agreement and the capital contribution received during the prior year (see note 15 for further details) as sufficient. Any liquidity risk is ultimately borne by the holders of the LRN Notes.

The contractual undiscounted maturity profile of the Company's financial assets and liabilities is as follows:

	<u>30th Jun 17</u>	<u>31st Dec 16</u>
Financial assets at fair value through profit or loss		
No contractual maturity (note 2)	€ 25,069,000	€ 25,069,000
Financial liabilities at fair value through profit or loss		
No contractual maturity (note 6)	€ (25,069,000)	€ (25,069,000)

As the redemption of liabilities is directly linked to the redemption of the assets, the Directors believe that there is no significant net liquidity risk to the Company.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Market risk - (continued)

Although the trigger for interest payments are different, the repayment of the LRN Notes depend on the repayment of the EKN Notes therefore the Directors consider the Company's net exposure to market risk to be insignificant, with the main risks being discussed below.

Interest rate risk

Interest rate risk occurs when there is a mismatch between the interest rates of the Company's assets and liabilities.

The Company finances its operations through the issue of LRN Notes. Interest is payable on the LRN Notes at 3 month Euribor plus 1.65% whilst interest is receivable on the EKN Notes at 3 month Euribor plus 1.75%. Therefore, the amount by which the Company's interest income will exceed its interest expense is at least 0.10%. Also, interest will not be payable unless there are sufficient distributable funds to do so. Accordingly, the Directors believe that there is no material net interest rate risk to the Company and all interest rate risk is borne by the LRN Note holders.

The interest rate profile of the Company's financial assets and liabilities is as follows:

		<u>30th Jun 17</u>			<u>31st Dec 16</u>	
	Interest charging basis		Carrying value	Interest charging basis		Carrying value
<i>Financial assets:</i>						
Financial assets at fair value through profit or loss	Floating	€	23,640,067	Floating	€	21,559,340
			<u> </u>			<u> </u>
<i>Financial liabilities:</i>						
Financial liabilities at fair value through profit or loss	Floating	€	(23,640,067)	Floating	€	(21,559,340)
			<u> </u>			<u> </u>

Interest rate risk - sensitivity analysis

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." From the Company's perspective, any change in the interest rate attached to the EKN Notes would be matched by an equal and opposite change in the interest rate attached to the LRN Notes (subject to meeting the conditions disclosed in note 1). Consequently a change in interest rates would have no significant net effect on profit or loss and/or equity. Therefore, in the Directors' opinion, no sensitivity analysis in respect of interest rates is required to be disclosed.

Currency rate risk

Currency rate risk occurs when there is a mismatch between the currencies of the Company's assets and liabilities.

Substantially all of the Company's assets and liabilities are denominated in Euro, consequently, the Directors believe that there is no material currency risk to the Company or to the holders of the LRN Notes.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Currency rate risk - (continued)

	<u>30th Jun 17</u>		<u>31st Dec 16</u>	
<i>Denominated in Euro:</i>				
Financial assets at fair value through profit or loss	€	23,640,067	€	21,559,340
Financial liabilities at fair value through profit or loss	€ (23,640,067)	€ (21,559,340)

Counterparty risk

Counterparty risk is the risk that a party to an agreement with the Company fails to meet its obligations.

If the proceeds of the EKN Notes on redemption were to be insufficient to meet the Company's obligations on maturity of the LRN Notes, the Company would rely upon the Support Agreement with immigon (formerly ÖVAG). Accordingly, the Company bears significant counterparty risk exposure to immigon.

On 27th August 2015, Fitch downgraded immigon's long term Issuer Default Rating from B to CCC and then subsequently withdrew its rating. On 19th June 2017, Moody's upgraded the long term credit rating of immigon from B1 to Ba1.

In the Directors' opinion, the amounts payable by the Company under the LRN Notes are linked, in commercial substance, to the amounts receivable by the Company from the EKN Notes and/or the Support Agreement. Therefore, in the Directors' opinion, despite the Company's exposure to counterparty risk with respect to immigon, there is no net material counterparty risk to the Company and all counterparty risk is ultimately borne by the LRN Note holders.

The main part of trade and other receivables as at 30th June 2017 is deposited, on a trust basis, at Austrian Central Bank to minimise counterparty risk from the company's liquidity.

Volksbank Wien AG is a member of the Austrian Volksbanken-Verbund rated by Fitch Ratings. The Long-Term Rating of the Volksbanken-Verbund is BBB- (2016: BB+).

Fair values

The fair values of the Company's assets and liabilities are as follows:

	<u>30th Jun 17</u>		<u>31st Dec 16</u>	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through profit or loss	€ 23,640,067	€ 23,640,067	€ 21,559,340	€ 21,559,340
Financial liabilities at fair value through profit or loss	€ (23,640,067)	€ (23,640,067)	€ (21,559,340)	€ (21,559,340)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values - (continued)

The Directors based the fair value of the LRN Notes on an unadjusted traded price of 94.3% which was observed on the Frankfurt Stock Exchange on 30th June 2017 (2016: unadjusted traded price of 86.0% observed from the Frankfurt Stock Exchange on 30th December 2016) being the trade closest to the period end. The Directors have considered the frequency and volume of trades observed and noted that these appeared to be higher on the Frankfurt Stock Exchange than Vienna Stock Exchange where information is available to the Company. Given there was no trading on the Vienna Stock Exchange as at 30th June 2017, the Directors consider the price on the Frankfurt Stock Exchange as the most appropriate estimate of the fair value as at 30th June 2017.

The EKN Notes are neither quoted nor traded in an active market, being held exclusively by the Company. Consequently, no quoted market price exists for the EKN Notes. Due to immigon being a wind-down company, any future interest on the EKN Notes is highly uncertain therefore any adjustment relating to the timing of interest payments between the EKN Notes and the LRN Notes is considered to be insignificant. Accordingly, in the Directors' opinion the fair value of the EKN Notes is estimated to be equal and opposite to the fair value of the LRN Notes.

Fair values - sensitivity analysis

Market participants will make assumptions about future interest rates when determining the quoted prices observed for the LRN Notes. The fair values of the LRN Notes as at 30th June 2017 and 31st December 2016 were based on an observable traded price as disclosed above. Disregarding the effect of interest payments, any change in the fair value of the LRN Notes will be matched by an equal and opposite change in the fair value of the EKN Notes.

Fair value hierarchy

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active; and

Level 3 – Inputs that are not based upon observable market data.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "active" and/or "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair value estimation and hierarchy - (continued)

The LRN Notes are classified within Level 2 (31st December 2016: Level 2) of the fair value hierarchy on the basis that the fair value was derived from an observable traded price however the level of trading observed on the Frankfurt Stock Exchange constitutes an inactive market as defined by IFRS 13.

The EKN Notes are classified within Level 2 (31st December 2016: Level 2) of the fair value hierarchy on the basis that the fair value of the EKN Notes has been determined directly from the fair value of the LRN Notes, which is a Level 2 fair value.

The Directors apply transfers between levels in the fair value hierarchy as at the end of each reporting period. There have been no transfers between levels during the period and the prior period.

10. OPERATING SEGMENT

Geographical information

All of the Company's revenues are generated from external sources which are analysed as follows:

	<u>30th Jun 17</u>		<u>30th Jun 16</u>
Austria	€ 181,362	€	200,409

Non-current assets

The Company does not have any non-current assets other than the financial asset at fair value through profit or loss.

Major investment company

The Company's note interest income is derived solely from immigon (formerly ÖVAG), the issuer of the EKN Notes.

11. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Company is owned by immigon (formerly ÖVAG), which owns 100% of the issued ordinary shares of the Company.

On 1st December 2016, immigon resolved to accept a purchase offer from two holders of a total value of at least €12,538,000 and a maximum value of €12,618,000 of the LRN Notes issued by Investkredit Funding Limited for a cash price of 75%. Furthermore, immigon invited other holders of the LRN Notes the same offer of purchase at the same cash price during the offer period from the 2nd December 2016 to 22nd December 2016. On 23rd December upon the expiry of the offer, €1,955,000 nominal value of the LRN Notes was accepted for purchase. As a result of the purchase offer, immigon is now the majority noteholder of the LRN Notes.

Immigons holding of the LRN Notes as at 30th June 2017 and 31st December 2016 was €14,573,000.

INVESTKREDIT FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2017 TO 30TH JUNE 2017

12. RELATED PARTIES

Sanne Fiduciary Services Limited ("SFSL") and Sanne Secretaries Limited ("SSL") provide ongoing administration and/or secretarial services respectively to the Company at commercial rates. Each of SSL and SFSL is a member of the "Sanne Group" (where the "Sanne Group" means Sanne Group PLC and all of its subsidiaries and affiliates of the same). C.D. Ruark and J.N. Pendergast is/was a Director and/or employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group.

J. Gaugusch and M. Wiebogen are employees of immigon.

In the Directors' opinion, there are no additional related party transactions that require disclosure, other than those in notes 2, 3, 6, 11 and 13. Administration fees and management fees payable during the period are disclosed on the face of the Statement of Comprehensive Income.

13. COMPANY EXPENSES

Under the terms of the Support Agreement dated 22nd October 2002 between the Company and immigon (formerly ÖVAG), the Company's expenses are met by immigon to the extent that the Company has insufficient funds to meet its own expenses.

14. KEY MANAGEMENT PERSONNEL

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Company. Accordingly, no emoluments in respect of the Directors applicable to the Company have been disclosed.

15. CAPITAL CONTRIBUTION

In 2015, the Company received a non-recurring and non-repayable amount of €60,000 from immigon on 19th February 2015 and a further €60,000 on 21st October 2015 in order to strengthen the Company's liquidity and equity positions. These amounts have been classified as capital contributions received. The aggregate amount of capital contributions received is €120,000 (31st December 2016: €120,000).

16. EVENTS AFTER THE PERIOD END

There were no events subsequent to the statement of financial position date, which require adjustments to, or disclosure in, the financial statements.