



REDEFINING INFRASTRUCTURE

Annual Report 2021
Kommunalkredit Austria AG

**KOMMUNAL
KREDIT**

Kommunalkredit at a Glance

SELECTED PERFORMANCE INDICATORS in EUR m or %	IFRS				Austrian GAAP			
	2018	2019	2020	2021	2018	2019	2020	2021
Net interest income	49.2	58.6	77.1	78.9	37.7	45.6	57.4	55.6
EBIT*	23.9	33.2	47.5	60.1	21.8	27.0	31.9	52.5
Profit on ordinary activities	32.6	27.3	48.0	67.1	29.7	28.7	32.4	56.2
Profit for the year after tax	14.3	29.6	36.4	48.9	30.4	30.3	33.6	47.1
Cost/income ratio	70.2 %	63.3 %	56.1 %	53.2 %	67.0 %	63.2 %	61.0 %	51.2 %
Return on equity before tax	14.0 %	10.3 %	15.3 %	19.5 %	12.8 %	10.8 %	10.3 %	16.3 %
Tier 1 ratio	n/a	n/a	n/a	n/a	19.9 %	18.7 %	20.3 %	20.4 %

* Operating performance as reported in accordance with the Austrian Commercial Code (UGB) plus the operating result from the sale of infrastructure/energy financing and change in the provision required under Section 57 (1) of the Austrian Banking Act (BWG), also adjusted for restructuring expenses (2018). Consolidated profit for the year before tax, not including net provisioning for impairment losses, valuation gains and operating placement result from infrastructure/energy financing.

Awards 2021

Best ESG Infrastructure Europe (cfi)
Most Sustainable Infrastructure
Project Partner (Business Vision)
Best Bank | Best Special Bank |
Best Direct Bank (Börsianer)

Focus on Europe

46

transactions in 2021

EUR **60m** EBIT + 26%

PeakSun

Joint venture with eww
for photovoltaic rooftop
installations



26

nationalities as a sign of
diversity with over
300 employees

50 | 50 | 10

m EBIT

% CIR

% RoE

Target outperformed ahead of time

UN Global Compact

Member of Initiative

Contribution to

14



Sustainable Development Goals

Pioneer

First Austrian bank in the
European Clean Hydrogen Alliance



H₂

Green hydrogen

Investment in the construction of
Austria's largest electrolysis plant
with OMV

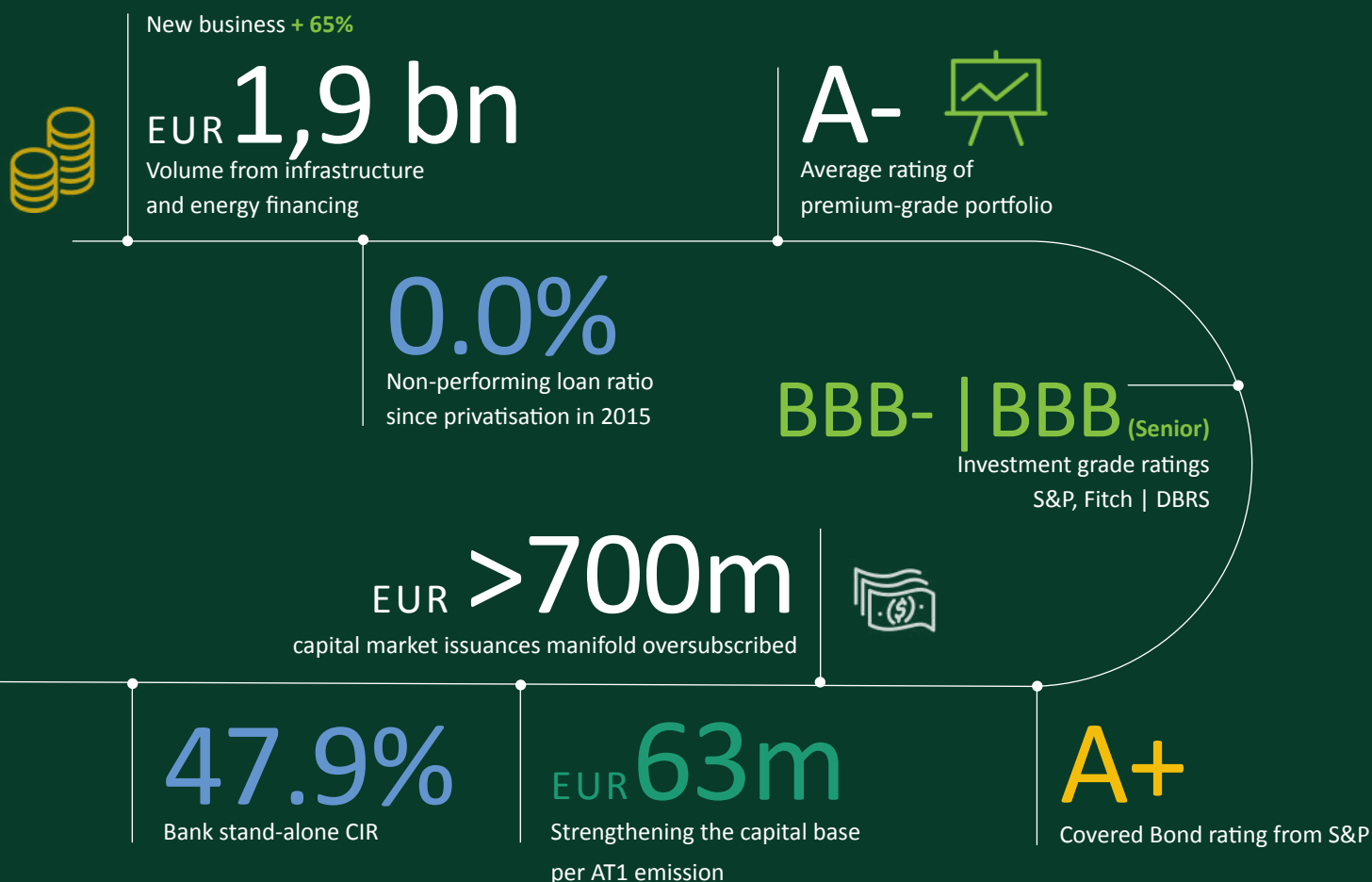


Think Tank

Green Energy Transition



All figures – unless otherwise stated – reported under IFRS.



Clear vision. Concise mission.

What is our goal?	How will we achieve our goal?	How do we improve in terms of our core business?	What do we do to achieve this?	Why is this attractive to our shareholders?
Partner of choice for infrastructure investments:	Concentration on our core business:	Looking forward and acting decisively:	Improve our market position:	Create value:
<ul style="list-style-type: none"> Driving innovation and energy transition forward Applying our financing expertise as a link between sustainability & profitability Moving the market environment towards a greater contribution to ESG/SDG 	<ul style="list-style-type: none"> Consistent customer focus Operational efficiency Future-oriented investments Unlock complementary revenue streams Stronger focus on national and international climate targets 	<ul style="list-style-type: none"> Growing the strong commission business Expanding the product range and market presence Combination of bank balance sheet and asset management platform Targeted expansion of project development activities 	<ul style="list-style-type: none"> Continue to strengthen our capital base Divert capital flows to sustainable/green infrastructure projects Drive digitalisation forward Support and integrate the best talent Increase underwriting capacity 	<ul style="list-style-type: none"> Tick all relevant valuation drivers High-velocity, low-risk balance sheet Continuous CAGR* outperformance (Loans Revenues Results) Double-digit return on equity Excellent dividend yield and attractive distribution rate

* CAGR = Compound Annual Growth Rate



Who we are.

REDEFINING INFRASTRUCTURE.

Driving Innovation. With Speed and Precision.

Annual Report 2021
Kommunalkredit Austria AG

KOMMUNALKREDIT. Nothing else.

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INFRA. BANKING. EXPERTS.

We live for infrastructure. It is an essential backbone of developed economies and enables the rise to prosperity. Demand for investment is high – and not only in times of crisis.

08	Letter by the Chief Executive Officer
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Letter by the Chief Executive Officer

Dear stakeholders,

The world is changing. We are facing new, complex tasks and challenges. The global health crisis and its effects have not yet been overcome, geopolitical tensions and military developments are exacerbating the situation. The Russia/Ukraine conflict, which has been simmering for some time, has escalated into a war. In addition to economic sanctions, sharply rising commodity prices, disruptions to supply chains and the flow of goods, the main consequence of this war is immeasurable human suffering. We are closely monitoring the current political situation to ensure we respond to potential changes quickly and appropriately, even though we do not have any material exposure in Russia or Ukraine ourselves. Apart from this humanitarian tragedy, we now face high rates of inflation, sharply rising prices, ever-increasing income inequality and demographic change. Another factor causing uncertainty is the lack of timely adjustments to interest rate policies by the central and national banks. At the same time, the fight against climate change, decarbonisation, e-mobility, ever-faster digital technologies and processes as well as cutting-edge healthcare, nursing and training centres are only some of the agendas which are increasingly occupying us. The financial sector can and should take responsibility in this regard and steer capital flows towards sustainable and future-oriented investments.

In these times that are very challenging on an economic, political and, above all, humanitarian level, Kommunalkredit has expanded its leading role as a specialist in infrastructure and energy financing as well as public finance with its resilient and sustainable business model. Despite macroeconomic changes, not least as a result of the COVID-19 pandemic, low interest rates and rising inflation, our strong performance in the 2021 financial year proves once again that the financing and implementation of innovative projects in the areas of hydrogen, green and sustainable energy production and storage, e-mobility, digital communication and data centres as well as social institutions are essential to the community. This is also a testament to the resilience of the European market for infrastructure financing, which achieved a record volume of nearly EUR 300bn despite the considerable impact of the health crisis.

Kommunalkredit responded quickly to the varied challenges, especially by focusing more on digitalisation & communication in light of working from home, distance learning and a secure and reliable energy supply. About 80% of the projects implemented in 2021 are related to these areas. With a new business volume in infrastructure and energy financing of EUR 1.9bn (2020: EUR 1.1bn), we have further expanded our position in the European infrastructure market.

Our proactive approach to global megatrends in infrastructure is also reflected in the official league tables of the industry platform Inframation: awarded fourth place for “transactions < EUR 500m” and awarded eighth place based on “number of transactions”, the bank proves its excellent standing in an environment dominated by much larger institutions.

EBIT increased significantly by 26% to EUR 60.1m compared to the same period in the previous year. The cost/income ratio of the bank is 47.9%, that of the Group (including Kommunalkredit Public Consulting) 53.2% (2020: 56.1%), while the return on equity) before taxes came to 19.5% (2020: 15.3%). We have therefore outperformed the strategic targets we set for ourselves in 2018 “50 | 50 | 10” (EBIT | cost/income ratio | return on equity) by the end of 2022, coming in well ahead of schedule.

We implemented 46 projects in 2021: wind power plants in Scandinavia, broadband expansion in the Netherlands, solar photovoltaic parks in Southern Europe, fibre-optic projects in Germany, health infrastructure in the United Kingdom and, for the first time, an export credit agency (ECA) financing for the expansion and repair of a street in Ghana, Africa.

However, Kommunalkredit operates not only in Europe and beyond, but also supports pioneering initiatives in the Austrian domestic market. We are investing in the construction of the largest electrolysis plant in Austria jointly with OMV, where up to 1,500 tonnes of green hydrogen will be produced annually from 2023 onwards, thus reducing CO₂ emissions by up to 15,000 tonnes annually. We see great potential in hydrogen technologies and plan to expand our commitment in this area. To continue promoting this promising technology in a systematic manner, clear national and international prerequisites need to be established. From holistic hydrogen strategies to a reliable regulatory framework right through to simplifying requirements relating to green electricity production (key word “additionality”) or the Ordinance on Automotive Fuels in the transportation sector. Another lighthouse project is our joint venture “PeakSun” with the Upper Austrian energy supplier eww, to finance, assemble and operate photovoltaic rooftop systems on commercial real estate.

Public finance has been another key element of our business model for many years. In 2021, we were heavily invested in Austria and supported municipalities and cities with financing worth more than EUR 200m, above all for nurseries, schools, sports and tourism facilities, commercial properties right through to water supply, sewers, sewage treatment and roads.

All our activities have a clear focus: sustainability in accordance with ESG (Environment, Social, Governance) and SDG (Sustainable Development Goals) criteria. The issue of sustainability is part of our DNA. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – forms the basis for our business model. The infrastructure and energy projects we have implemented contribute to decarbonisation, national and international climate targets and the European Union’s (EU) Green Deal. We take our socio-political responsibility and our role as a pioneer seriously: Kommunalkredit was the first Austrian financial services provider with EMAS certification, the first Austrian issuer of a social covered bond and the first Austrian bank in the European Clean Hydrogen Alliance.

We joined the UN Global Compact sustainability initiative in summer. In addition, we are engaging with national and European regulatory guidelines, the EU taxonomy and the United Nations' 2030 Agenda as well as the implementation of the requirements that they entail.

And our thinking goes beyond this. In cooperation with the international infrastructure investor Meridiam, further developed its Simpl.[®] (Sustainability Impact Measurement Platform) tool to help both borrowers and lenders assess and validate the impact of their projects. Our subsidiary Kommunalkredit Public Consulting (KPC) makes a substantial contribution to meeting national and international climate and energy targets by focusing on climate and environmental protection projects through subsidy management, project consulting and development. In 2021, just under 100,000 projects were evaluated (an increase of 142% compared to the previous year) based on a subsidy volume of more than EUR 4.5bn. Our focus on sustainable investments and our expertise in green finance is also being positively received by industry media. In 2021 alone, Kommunalkredit garnered the awards "Best ESG Infrastructure Finance Europe" (cfi), "Most Sustainable Infrastructure Project Partner" (Business Vision) and, at the beginning of 2022, we were awarded the sustainability quality seal by the Austrian daily newspaper Kurier.

The successful path that has been forged was validated by the major rating agencies. In 2021, S&P Global Ratings awarded an investment grade rating of "BBB-/A-3"; the covered bond rating was raised to "A+". Fitch Ratings assigned an investment grade rating of "BBB-/F3" to the bank. DBRS Morningstar had already raised our rating to "BBB/R-2 (high)" at the end of 2020. All ratings carry a positive outlook, emphasising the increased franchise strength arising from the collaboration with our customers and institutional investors.

In 2021, we further expanded our refinancing structure and capital market visibility: in the spring we launched an AT1 issue accounting for a volume of EUR 62.8m, which was followed in May by a EUR 300m public senior preferred bond, the bank's first publicly syndicated refinancing transaction since the issue of a social covered bond in 2017. Investor interest was massive – the closed order book, amounting to more than EUR 700m, included investors throughout all of Europe. In September, the bank placed a public covered bond amounting to EUR 250m with European investors, which was oversubscribed nearly five times over. Furthermore, about EUR 100m was issued among institutional investors as part of private placements.

2021 has once again highlighted that our employees are the most important factor contributing to our success. Our international team with its long-standing expertise in infrastructure and energy and a large number of young talented professionals who we are keen to support with training and education have shown high levels of commitment. We attach a great deal of importance to the exchange and transfer of knowledge and are gradually bolstering our various divisions by hiring more experts. Amid the difficulties caused by the pandemic – including changed living conditions due to working from home and especially for carers with school-age children, distance learning and many other restrictions in everyday life – we have done our best to contribute to increased security and well-being. Daily in-house PCR testing facilities, added flexibility in terms of organising working times, enhanced occupational health care, rigorous hygiene and protective measures were implemented. The figures for the 2021

financial year show that the concerted efforts of the entire team paid off. At this point, I would like to express my sincere thanks to them. As a sign of our appreciation, we have paid a special bonus.

We are already thinking about what lies ahead. We continue to see opportunities for growth. We intend to seize them and prepare Kommunalkredit for the future. The past months and years have shown that the infrastructure and energy sector is vital to a sustainable future while being able to withstand economic setbacks and crises. Therefore, we have defined three key strategic priorities going forward: we will invest more heavily in future-oriented solutions, expand our product range as well as our market position and thereby generate additional sources of income. We are confident as we look ahead and have set ourselves ambitious goals: we plan to strengthen our capital, double our profits and triple our revenues. And how will we achieve that? Through a constant above-average growth rate, double-digit return on equity, a decrease in the cost/income ratio by an additional 10% and a return on equity (before tax) of 15%. We aim to generate an attractive dividend yield of over 6% for our shareholders and intend to offer a high distribution rate.

We could and can only achieve our excellent performance, the path of growth we have forged and the successfully implemented sustainable projects thanks to the dedicated commitment of our employees. Together we create value. For us, our customers, our shareholders and our stakeholders – for the community.

"What we do today determines what the world of tomorrow will look like." We can only fully endorse this quotation from Marie von Ebner-Eschenbach. Let's do the right thing. Together for a sustainable future.



Best regards,

Bernd Fislage

Chief Executive Officer
Kommunalkredit Austria AG

Vienna, March 2022

Executive Committee

The Executive Committee is Kommunalkredit's central management body. It comprises the Executive Board and the management personnel from Front Office, Back Office and Strategy.

First row

Mariella Huber (Head of Corporate Services)
John Philip Weiland (Head of Banking)

Second row

Jochen Lucht (CFO, COO), until 31 December 2021
Bernd Fislage (CEO)
Sebastian Firlinger (CRO), since 1 January 2021

Third row

Andreas Schortje (Head of Risk Controlling)
Claudia Wieser (Head of Corporate Development, designated CFO from 1 April 2022)
Reinhard Fuchs (Head of Markets)





Functions within the Company

Executive Board

KARL-BERND FISLAGE

Chief Executive Officer

JOCHEN LUCHT

Member of the Executive Board, until 31 December 2021

SEBASTIAN FIRLINGER

Member of the Executive Board, since 1 January 2021

Supervisory Board

PATRICK BETTSCHIEDER

Chairman of the Supervisory Board

Appointed by Gesona Beteiligungsverwaltung GmbH;

Managing Director Gesona Beteiligungsverwaltung

GmbH and Satere Beteiligungsverwaltungs GmbH

CHRISTOPHER GUTH

Deputy chairman of the Supervisory Board,

until 30 September 2021

Appointed by Gesona Beteiligungsverwaltung GmbH

FRIEDRICH ANDREAE

Deputy chairman of the Supervisory Board,

since 30 September 2021

Previously a member of the Supervisory Board,

until 30 September 2021

Managing Director Gesona Beteiligungsverwaltung

GmbH and Satere Beteiligungsverwaltungs GmbH

TINA KLEINGARN

since 30 September 2021

Partner Westend Corporate Finance

JÜRGEN MEISCH

Managing Director Achalm Capital GmbH

MARTIN REY

Managing Director Maroban GmbH

ALOIS STEINBICHLER

Managing Director AST Beratungs- und Beteiligung GmbH

RENATE SCHNEIDER

until 1 September 2021

Nominated by the Works Council

ALEXANDER SOMER

Nominated by the Works Council

As of 17/2/2022 Gesona

Beteiligungsverwaltung GmbH was merged

into Satere Beteiligungsverwaltungs GmbH.

State Representative

PHILIPP SCHWEIZER

State Representative

Federal Ministry of Finance

MARKUS KROIHER

Deputy State Representative

Ministry of Finance

Government Representative for Cover Pool for Covered Bonds

KARIN FISCHER

Government Representative

Federal Ministry of Finance

ANNA STAUDIGL

Deputy Government Representative

Federal Ministry of Finance

Report of the Supervisory Board

The Supervisory Board of Kommunalkredit Austria AG submits its report on the 2021 financial year to the Shareholders' Meeting.

At the time of reporting, the Supervisory Board comprises four capital representatives, two independent members and one employee representative. Patrick Bettscheider, Managing Director of Gesona* Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH, delegated by Gesona Beteiligungsverwaltung GmbH, holds the position of Chairman of the Supervisory Board. Christopher Guth (Deputy Chairman of the Supervisory Board) tendered his resignation as a Supervisory Board member (delegated by Gesona Beteiligungsverwaltung GmbH) with effect from 30 September 2021, as did Friedrich Andreae (Managing Director of Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH). The latter was delegated to the Supervisory Board by Gesona Beteiligungsverwaltung GmbH with effect from 30 September 2021 and appointed Deputy Chairman of the Supervisory Board of Kommunalkredit. In addition, Tina Kleingarn was appointed a member of the Supervisory Board for the first time on 30 September 2021.

Alois Steinbichler remains a capital representative; Jürgen Meisch (Managing Director of Achalm Capital GmbH) and Martin Rey (Managing Director of Maroban GmbH) continue to exercise their mandates as independent members of the Supervisory Board. Alexander Somer and Renate Schneider were delegated by the Works Council (the latter left the Supervisory Board on 31 August 2021). The Supervisory Board thanks all members who stepped down in the 2021 financial year for their reliable and constructive collaboration.

As of 1 January 2021, Sebastian Firlinger was appointed to the Kommunalkredit Executive Board as Chief Risk Officer. Jochen Lucht (Chief Financial Officer and Chief Operating Officer) resigned his mandate as an Executive Board member with effect from 31 December 2021. At the time of reporting, the Executive Board consists of CEO Karl-Bernd Fislage (Chief Executive Officer) and Sebastian Firlinger (Chief Risk Officer). Claudia Wieser was appointed Chief Financial Officer (CFO) with effect from 1 April 2022 and will therefore assume additional responsibility on the Executive Board.

Kommunalkredit looks back on a very successful financial year in 2021. New business volume of EUR 2,145.6m in infrastructure and energy financing, as well as in public finance, exceeded the two billion mark for the first time, despite the ongoing challenges caused by the global health crisis. Profit for the year after tax increased by 34.1% to EUR 48.9m compared to the previous year and EBIT improved by 26.5% or EUR 12.6m to EUR 60.1m. The significant improvement in EBIT was also reflected in a significant reduction in the cost/income ratio to 53.2% (2020: 56.1%); individually at Kommunalkredit Austria AG, a cost/income ratio below 50% (47.9%) was achieved a year earlier than planned. The return on equity before tax increased from 15.3% the previous year to 19.5%. The bank's portfolio also proved to be robust in 2021; the non-performing loan (NPL) ratio remained constant at 0.0%.

In addition to financing projects, Kommunalkredit continued to rely on its in-depth industry expertise to intensify its activities in the fields of acquisition finance, hybrid/corporate finance and financial advisory. The bank placed EUR 711.4m with insurers, asset managers and banks in 2021. It provides its business partners with access to infrastructure and energy financing through an asset management solution in the form of its Fidelio KA infrastructure fund. A project development company for equity investments, Florestan KA GmbH, was also established mid-year to drive forward sustainable infrastructure projects through equity funding.

The Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings, one extraordinary meeting and a constituent meeting; the committees (Audit Committee, Risk Committee, Remuneration Committee and Credit Committee) also held their meetings and performed their tasks in accordance with the Articles of Association. The Rules of Procedure of the Supervisory Board were updated to reflect optimisations in the organisation of the Supervisory Board (i.e. the Risk Committee was completely abolished) and the resolution procedure. At the same time, they were adapted to the general legal principle of requesting a quorum in the case of abstentions, in accordance with § 92 (5) of the Stock Corporation Act (AktG). The Rules were also updated by virtue of the entry into force of Regulation 2019/876 of the European Parliament and Council (CRR II) and the resultant changes relating to the large exposure provisions. The Rules of Procedure of the Executive Board were adapted based on a finding of the OeNB pursuant to the OeNB's on-site audit report in 2020. In addition, due to the changes in the Executive Board and the consequent reorganisation of the divisions, the allocation of responsibilities of the Executive Board was redefined and approved.

In the course of the meetings of the Supervisory Board and its committees, as well as through direct information, the Supervisory Board was continuously updated on the development of business, the position and performance of the company and its business policy plans. In exercising its tasks conferred upon it by law, and under the Articles of Association and the Rules of Procedure, the Supervisory Board advised and supervised the Executive Board in the management of the company.

In accordance with the fit-and-proper guideline (based on the EBA/ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders, version 2021/06, and the FMA fit-and-proper circular of August 2018), the members of the Boards of the bank underwent comprehensive fit-and-proper training covering regulatory changes and/or innovations in December 2021.

These annual financial statements and the management report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit did not result in any findings and the statutory provisions were adhered to. As the annual financial statements present a true and fair view of the assets and the financial position of the company as of

* As of 17/2/2022 Gesona Beteiligungsverwaltung GmbH was merged into Satere Beteiligungsverwaltungs GmbH.

31 December 2021, the auditors issued an unqualified audit opinion. The Supervisory Board endorsed the results of the audit and approved the 2021 annual financial statements, which were therefore formally adopted, at its meeting held on 30 March

2022. Moreover, the consolidated financial statements as of 31 December 2021, including the management report, were examined and acknowledged by the Supervisory Board.



Patrick Bettscheider
Chairman of the Supervisory Board

Vienna, 30 March 2022

VISION. MISSION. ALWAYS FIRST.

We enable infrastructure. We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives. Not just for ourselves, but also for the coming generations.



16	Infrastructure is our future
17	Infrastructure specialist
19	Our business model
24	Our objective – redefining infrastructure
26	Benefit to the community

ALWAYS ESSENTIAL.

Infrastructure is our future

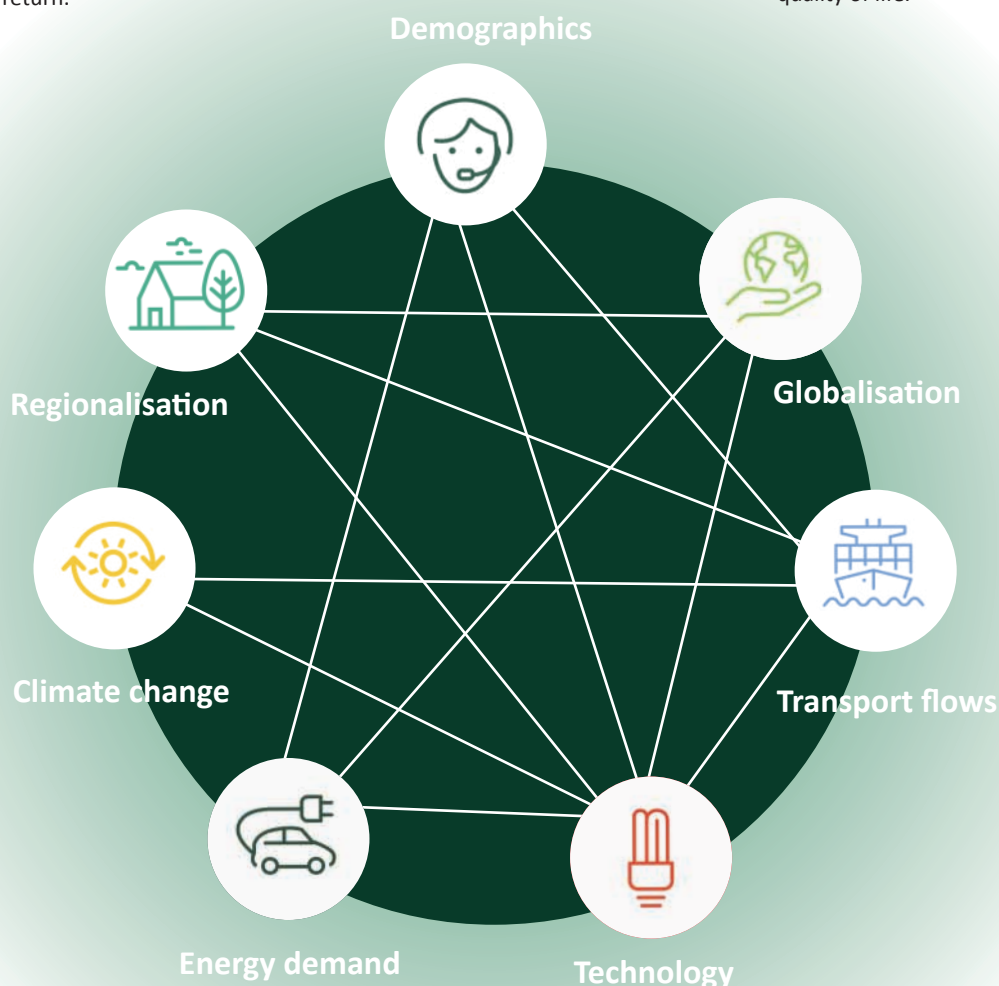
Infrastructure is, by its very nature, essential to the efficient functioning of society. Its quality has a significant impact on economic growth at local, regional, national and global levels. Megatrends such as digitalisation, decarbonisation and sustainable investment for an ever-ageing population as well as additional challenges – caused by the health crisis that has now lasted two years and the need for a change in climate policy – increase the demand for infrastructure.

Infrastructure is attractive.

Infrastructure investments are proving increasingly popular. They represent alternative investment options. They have become a separate, attractive asset class with stable rates of return.

Infrastructure is essential.

Efficient and high-quality infrastructure has a key influence on economic growth. It is absolutely crucial for social and economic wealth and sustainably increases a society's quality of life.



Infrastructure is crisis-proof.

Infrastructure and energy financing prove stable with recovery rates that are largely independent of economic trends and a low default risk. The focus is increasingly on telecommunications and renewable energies.

Infrastructure is sustainable.

Climate change increases the need for sustainable energy solutions. Infrastructure relating to utilities, transport and social facilities must be modernised and implemented in order to offer adequate living conditions and prevent any crises.

ALWAYS COMMITTED.

Infrastructure specialist

Infrastructure investments are a powerful tool for responding to social and environmental needs as well as fundamentally increasing the general well-being of communities. Infrastructure bolsters economic power, encourages urban development, gives regions a new lease of life, creates jobs, supports social cohesion and is an indispensable part of the fight against climate change. In particular, in challenging times, the relevance of high-performance infrastructure is even more noticeable.

As a specialist for infrastructure and energy financing Kommunalkredit is a strong, agile partner for businesses, innovators and the public sector when it comes to implementing economically sustainable projects in a profitable manner.

Our aim

We want to establish ourselves as a leading name in the European infrastructure market in the long term.

Our mission

We are a small and agile institution focusing on the implementation of sustainable financing and subsidy solutions – not only with a stable anchor in our domestic market, Austria, but also as a powerful player throughout Europe. Working in partnership with our customers, we create value that sustainably improves people's lives.

Our goal

We use our business model to continuously improve the standard of living in society. At the same time, we generate attractive and sustainable returns for our investors in the long run.

The positive feedback from our business partners, customers, competitors and industry media serves as confirmation to us that we are on the right track with our focus on infrastructure and energy financing and public finance.

Inframation League Table | Total Transaction Value < EUR 500m

RANK	COMPANY	EUR m	# DEALS
1	Santander	2,703	69
2	BNP Paribas	1,539	36
3	Natixis	1,449	20
4	Kommunalkredit	1,407	36
5	Crédit Agricole CIB	1,348	36
6	Société Générale	1,344	36
7	Lloyds Banking Group	1,286	22
8	UniCredit Group	1,156	19
9	NORD/LB	1,127	29
10	Intesa Sanpaolo	1,127	38

Inframation League Table | Number of Transactions

RANK	COMPANY	EUR m	# DEALS
1	Santander	6,930	94
2	Crédit Agricole CIB	7,230	70
3	BNP Paribas	6,900	69
4	Société Générale	5,228	68
5	Intesa Sanpaolo	3,448	58
6	ING Group	3,854	49
7	Natwest Group	3,231	42
8	Kommunalkredit	1,931	39
9	Banco de Sabadell	1,225	38
10	Natixis	4,300	37



*We are now
among Europe's elite
for infrastructure financing.*





*Let us be the shaper.
Not the shaped.*



Our vision

We will become the most dynamic and innovative infrastructure bank in Europe, helping to create a better world. We combine sustainable and responsible investments with attractive returns.

Our mission

We are always first when it comes to delivering outstanding results with speed and precision. We take “always first” as an obligation to get better every day.

We provide benefit to the community

We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people’s lives. Not just for ourselves, but also for the coming generations.

We see infrastructure investments as a powerful tool for responding to social needs and fundamentally increasing the general well-being of communities.

We provide tangible benefits to the population at large:

- Economic dynamism
- Urban development and renewal
- Strengthening rural areas
- Job creation
- Social cohesion
- Climate protection measures

We focus on providing a secure, stable and sustainable yield to our investors.

We are the partner of choice for a long-term commitment.

ALWAYS SUCCESS-DRIVEN.

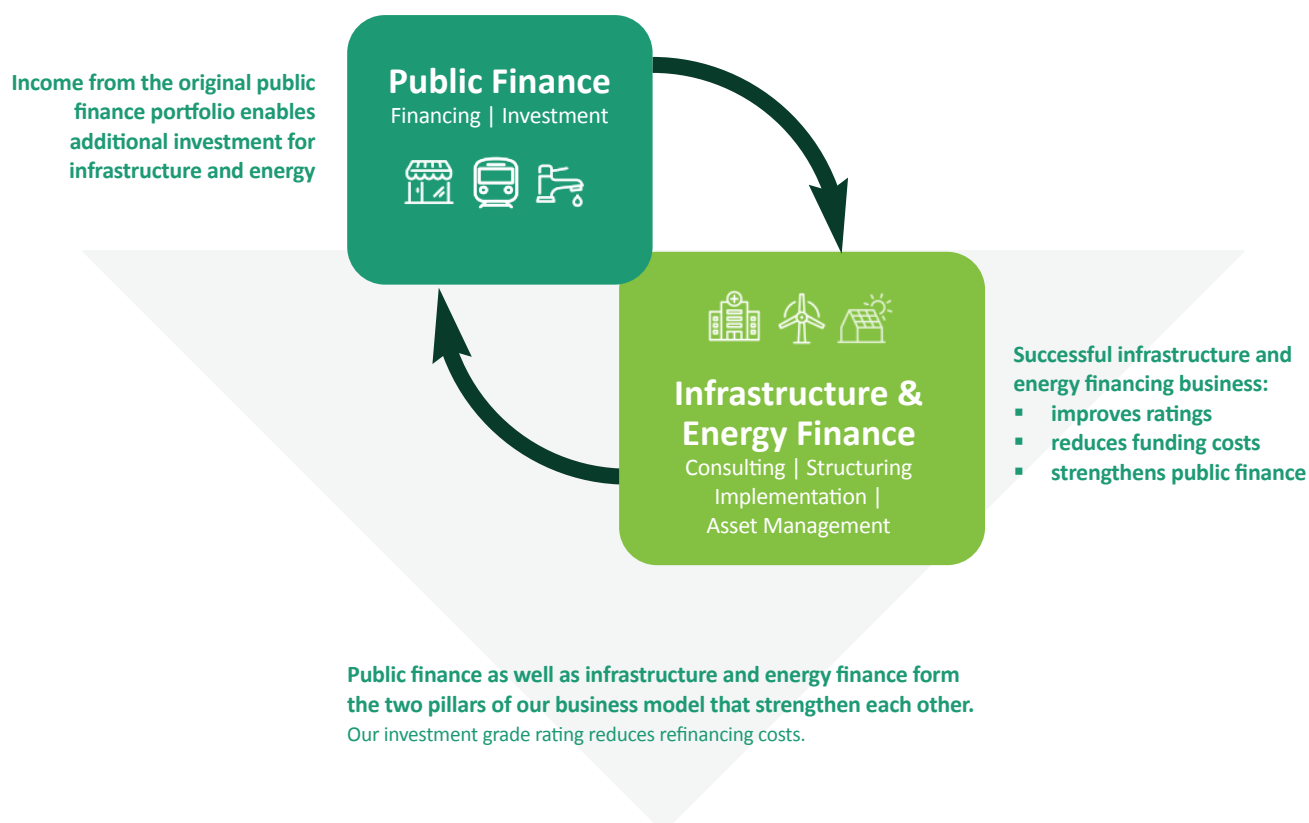
Our business model

Kommunalkredit's business model is associated with an attractive risk/reward profile due to its well-defined form. The bank is a partner for both corporate and financial sponsors active in the construction, acquisition and/or operation of infrastructure and energy projects, and is on hand to assist the public sector when it comes to providing advice and financing investments in the field of public finance.

Our focus

We help to tackle key challenges such as economic growth, regional development, job creation, social cohesion and climate protection. We enable the implementation and operation of infrastructure assets by matching the financing needs of project sponsors and developers with the growing number of investors seeking sustainable **investment opportunities** (such as insurance companies, pension funds and asset managers). We have strong relationships with international clients and investors as well as local authorities.

We offer customised **finance solutions** across the whole capital structure – from providing debt and subordinated capital, mezzanine or bridge financing to equity funding. We provide an extensive range of products, from public finance to a wide variety of financing types in the infrastructure and energy sectors such as financial advisory, corporate finance, acquisition & leverage finance, export financing and project financing, as well as asset management through our Fidelio KA Infrastructure Debt platform and equity financing for project development through our Florestan KA GmbH.



” *The world is changing.
Let’s take the opportunity to positively
design the future.* “

What sets us apart from our competitors

- Our unique combination of in-depth industry expertise and structuring know-how combined with the financing capabilities of a bank.
- Our broad network of customers and investors.
- The strong track record of our senior team in managing growth and risk when it comes to expanding business.
- Our expertise in assessing risk appropriately and providing our customers with competent advice.
- Our expertise in turning economically sustainable projects into a profitable reality.
- Our investments in the development of our employees.
- The benefits of an agile bank: nimble, flexible, solution-driven and goal-oriented.



Our sectors

We enable the development of new technologies (green hydrogen, energy storage), finance utilities, solar and wind parks, contribute to the technical infrastructure for connectivity and e-mobility, support the modernisation of care and educational institutions.



Energy & Environment

Energy supply & distribution
Renewable energy
Water supply & treatment
Waste management & disposal



Communication & Digitalisation

Broadband
Fibre optic
Data centres



Transport

Roads, bridges, tunnels
Airports, ports, waterways
Rail/public transportation, rolling stock



Social Infrastructure

Nurseries, schools, universities
Hospitals, nursing homes
Court buildings and correction facilities
Administrative buildings



Natural Resources

LNG terminals
Pipelines
Energy storage

Our markets

Whether it's supplying sustainable energy, high-speed broadband connections, vital transport routes or steps for climate change ... infrastructure knows no bounds. Successful projects in our core markets provide the foundation for our dedicated approach in the European infrastructure and energy market. We mainly operate in the member states and associated countries of the European Union.



Energy & Environment



Communication & Digitalisation



Transport



Social Infrastructure



Natural Resources





ALWAYS AMBITIOUS.

Our objective – Redefining infrastructure

In 2018 Kommunalkredit started a strategy programme with clear and ambitious objectives. 50 | 50 | 10 – EUR 50m EBIT, 50% cost/income ratio, 10% return on equity – until the end of 2022. Faithful to our motto: “Always first when it comes to delivering outstanding results with speed and precision”, we have exceeded these targets one year ahead of time.

We are therefore setting new milestones: we continue to lead positive impulses in the infrastructure and energy market. Sustainable and profitable.

1 What is our goal?

Partner of choice for infrastructure investments:

- Driving innovation and energy transition forward
- Applying our financing expertise as a link between sustainability and profitability
- Moving the market environment towards a greater contribution to ESG/SDG

2 How will we achieve our goal?

Concentration on our core business:

- Consistent customer focus
- Operational efficiency
- Future-oriented investments
- Unlock complementary revenue streams
- Stronger focus on national and international climate targets

3 How do we improve in terms of our core business?

Looking forward and acting decisively:

- Growing the strong commission business
- Expanding the product range and market presence
- Combination of bank balance sheet and asset management platform
- Targeted expansion of project development activities

4 What do we do to achieve this?

Improve our market position:

- Continue to strengthen our capital base
- Divert capital flows to sustainable/green infrastructure projects
- Drive digitalisation forward
- Support and integrate the best talent
- Increase underwriting capacity

5 Why is this attractive to our shareholders?

Create value:

- Tick all relevant valuation drivers
- High-velocity, low-risk balance sheet
- Continuous CAGR* outperformance: Loans | Revenues | Results
- Double-digit return on equity
- Excellent dividend yield and attractive distribution rate

* CAGR = Compound Annual Growth Rate

A satellite night view of Europe and North Africa, showing city lights and the curvature of the Earth against a starry background. The image is used as a background for a quote.

*Each target achieved is only
another milestone on our path
to redefine and implement
infrastructure for everybody.*

ALWAYS SUSTAINABLE.

Benefit to the community

Kommunalkredit is actively dealing with the global and local trends of modern infrastructure. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – and core ethical values form the basis for the bank. Its focus here is on efficiency and effectiveness in accordance with the ESG (Environment, Social and Governance) and SDG (Sustainable Development Goals) criteria.

Sustainability as a key component

One of the biggest **challenges** facing us is climate change. In order to counter the effects, comprehensive investment is required, in particular, for infrastructure and energy. In addition, permanently dealing with sustainable energy solutions, e-mobility, digital communication platforms, and social institutions is one of the bank's strengths. Our business model has a natural approach to detecting and seizing opportunities that arise from the ESG/SDG issue at an early stage. We are focused on sustainable investments and are experts for green finance.

We combine the expertise of our bank with the technical know-how of our subsidiary Kommunalkredit Public Consulting (KPC). It develops and implements national and international environmental and energy support programmes. The "Climate Austria" initiative, for example, which allows CO₂ emissions to be offset voluntarily, was established by KPC as far back as 2008. KPC also provides an advisor for the Austrian representative of the Federal Ministry of Finance in the **Green Climate Fund** (GCF); a fund for projects to reduce greenhouse gases and adapt to climate change in developing countries. In 2021 KPC again sent a member of the Austrian negotiation team to the **UN Climate Change** Conference on behalf of the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology (BMK). KPC also contributes to a range of international consulting projects relating to water management, energy and climate financing to develop and implement modern environmental and technological

standards.

*We are not just a bank.
We are a partner for a whole
range of solutions around
sustainable infrastructure.*

The path taken is viewed positively by the market. We have regularly received **industry awards** from renowned infrastructure magazines since 2017. In 2021 alone, Kommunalkredit was awarded "Best ESG Infrastructure Finance Europe" by Capital Finance International (cfi) and "Most Sustainable Infrastructure Project Partner" by Business Vision.

The "Sustainability Seal of Approval" by Austrian daily newspaper Kurier underlines the sustainable standing also in the home market.

We also have **sustainability ratings** from renowned agencies. Sustainability has a long tradition inside the corporate group. We have published an environmental declaration for 25 years and – following environmental developments on sustainability management – a sustainability report since 2004. The focus of the reporting are the significant effects of the company on industry, environment and society. The report is subject to an external audit using the GRI Standards (Global Reporting Initiative) and EMAS as well as ISO14001 and can be downloaded from



1992

First Austrian issuer of an environmental bond

1997

Introduction of annual environmental declaration | ISO14001 certification | first Austrian financial services provider with EMAS certification

2004

First sustainability report

2006–2008

Combined annual and sustainability report

2008

Introduction of Climate Austria for voluntary compensation of CO₂ emissions

2017

First Austrian issuer of a social covered bond

2020

First Austrian bank in the European Clean Hydrogen Alliance

**2021**

Start of cooperation with Meridiam | Sustainability analysis tool for infrastructure projects

**2021**

Membership of UN Global Compact sustainability initiative

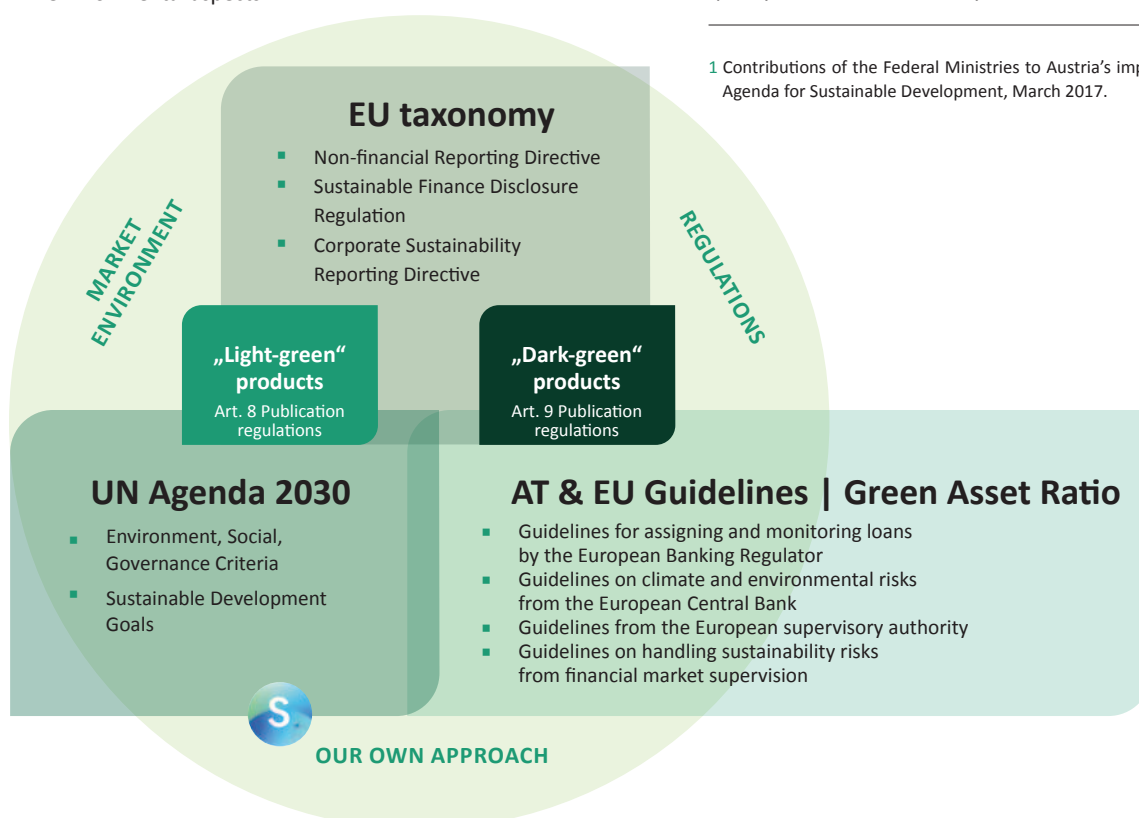
Sustainability as a global challenge

The “**Agenda 2030 for Sustainable Development**” by the United Nations comprises a political declaration, 17 Sustainable Development Goals and 169 targets for the period from 2016 to 2030, a package of measures for implementing the goals and a system for evaluating and monitoring the progress made.

The Sustainable Development Goals (SDG) set out intentions that allow us to tackle the complex global challenges of our time together and leave behind a world that is worth living in for future generations. They give equal consideration to economic, social and environmental aspects.¹

Despite the additional difficulties caused by the COVID-19 pandemic, **climate change** is and remains one of the biggest global challenges. This will require extensive investment, particularly in the areas of infrastructure and energy. The financial sector is called upon to play its part in climate protection. The aim is to redirect cash flows towards sustainable investments (Green Finance). With our focus on energy & environment, communications & digitalisation, transport, social infrastructure and natural resources, we at Kommunalkredit are taking on this challenge. And in doing so, we enable sustainable infrastructure projects that help to improve quality of life in a community.

¹ Contributions of the Federal Ministries to Austria's implementation of the 2030 Agenda for Sustainable Development, March 2017.



17 GOALS THAT WILL CHANGE THE WORLD.

How we contribute to this

1

Where do we want to go?

The aim is to provide high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change.

2

What are we doing to this end?

We concentrate on our investment sectors:

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social Infrastructure
- Natural Resources

3

How do we achieve this?

We feel bound by the UN's 2030 Agenda and have integrated it into our corporate culture. For each infrastructure project, we identify how compliant it is with SDG criteria and which direct and indirect effects it will have on the environment and society.

We are currently making contributions to the following goals:



- 1 No poverty
- 2 Zero hunger
- 3 Good health and well-being
- 4 Quality education
- 5 Gender equality
- 6 Clean water and sanitation
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 10 Reduced inequalities
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 14 Life below water
- 15 Life on land
- 16 Peace, justice and strong institutions
- 17 Partnerships for the goals

Questions for ...

Kurt Svoboda

Chief Financial and Risk Officer
UNIQA Insurance Group AG



UNIQA has put a clear focus on sustainability as part of its corporate strategy. How is this practised in daily business?

UNIQA sees the fight against the climate crisis as a key challenge in the coming years. Driven by profound conviction, UNIQA has committed itself to meeting the climate goals of the Paris Agreement. The Group aims to achieve climate neutrality in Austria by 2040 and internationally by 2050. Sustainability must become part of every company's DNA, in all its products, processes and procedures. We have set clear goals in terms of our ESG approach and intend to promote positive – and above all, sustainable – development with our investments as part of our Green Bond framework. For this reason, we attach a great deal of importance to diversification and transparency, especially with regard to asset allocation. We see this as a clear commitment to our customers, shareholders and institutional investors such as banks, funds and other insurers.

Infrastructure investments are a relatively new asset class. Was it important to you to play a leading role in this area early on?

Absolutely. We have dealt with sustainable investment options for years, and have a long-standing, reliable partnership with Kommunalkredit across several areas – which benefits both sides. Their focus on sustainability, their established market presence, proven expertise in infrastructure and energy, and innovative assertiveness are powerful factors that help us meet our investment criteria.

How do you manage the sustainable orientation of your investments?

In June 2020, UNIQA published its Green Bond framework, in which we explain how funds are used to finance and/or refinance green or sustainable projects. This category includes investments in renewable energy, prevention and reduction of environmental pollution, environmentally-friendly transport solutions and sustainable water and waste management. The investment we made in Kommunalkredit's Fidelio fund allows us to make an important contribution here as well. With a total of more than one billion euros in sustainable investments thus far that we have built up according to EU regulations, UNIQA is clearly a pioneer in the Austrian insurance industry.

UNIQA's sustainability strategy is based on these five pillars:



Sustainability as a strategic requirement

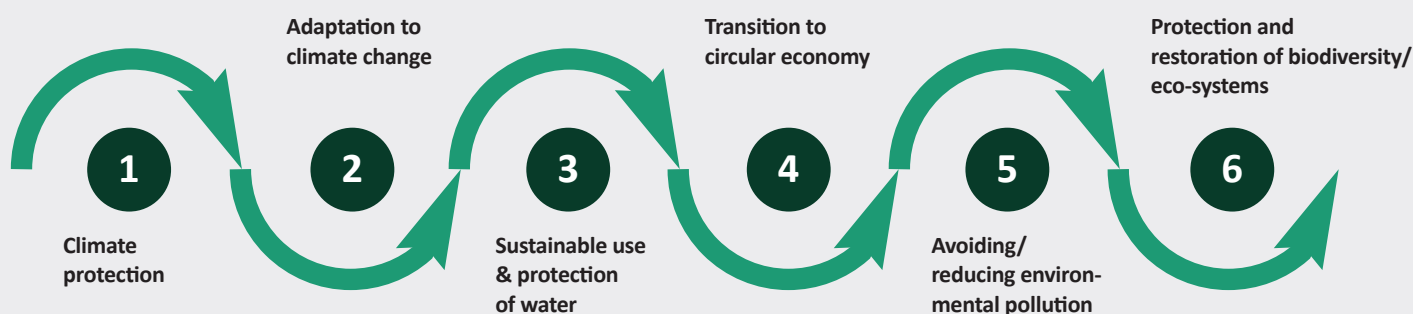
Kommunalkredit's business model is predestined to provide an important contribution to climate targets and a sustainable economy. Our projects are sustainably aligned to focus on infrastructure and energy financing, which is our advantage over our competitors and addresses a wide base of investors.

Regulators are already dealing with sustainability risks and other ESG factors. With our ESG action plan, we are creating the regulatory and strategically necessary framework for implementing the sustainable finance agenda and following their on-time implementation.

„We want to proactively drive trends forward and not be driven by them.“

The EU taxonomy is a green classification system so that investors can switch their investments to more sustainable technologies and companies and make a key contribution to climate neutrality. Only business activities that make a significant contribution to achieving

environmental objectives and at the same time do not significantly affect other environmental targets are graded as green. Finance market participants and large companies are obligated to publish revenues and investments relevant to the taxonomy.



1+2 valid from 1/1/2022 | 3-6 valid from 1/1/2023

Existing reporting obligations from the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD) and the Non-Financial Reporting Directive (NFRD) extend the taxonomy. The SFDR divides investment funds and other investment vehicles in three categories:

Art. 6 „Neutral“ products

Integration of ESG aspects or no relevance for sustainability risks

Art. 8 „Light-green“ products ESG

Taking into account ecological and social aspects

Art. 9 „Dark-green“ products Impact

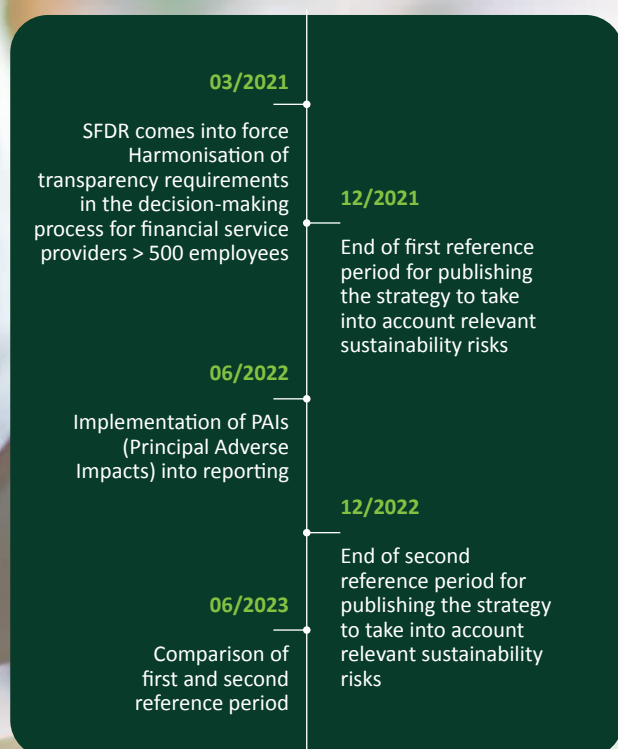
Striving for a sustainability objective | Sustainable investments

The **Green Asset Ratio** from the European Banking Authority (EBA) builds on the EU taxonomy and measures the share of green financing of the complete portfolio.

The European **Guidelines for assigning and monitoring lending** set the minimum standards for the whole loan awarding process and set strict requirements for risk management in terms of the financial stability and resistance of the banking system.

The national **guideline for handling sustainability risks** from the Austrian Financial Market Authority (FMA) refers to sustainability risks roughly as events or conditions relating to sustainability factors, the occurrence of which have actual or potentially significant negative effects on assets. The focus is on future-oriented and low-risk financial investments.

The **Green Bond Standard** and **Green Bond Principles** define requirements for setting up a bond that ensure that a financial product is following green objectives.



Sustainability as a lived practice

We live a **comprehensive sustainability approach** in the corporate group as much as in the daily cooperation with our stakeholders. It provides the framework for making the ESG strategy (Environment, Social and Governance) an integral element of our corporate culture. Kommunalkredit used a materiality analysis to initially evaluate whether the areas of “sustainable products”, “price policy and conditions”, “added value for society”, “indirect impact” and “product portfolio” are balanced with regard to the three pillars of sustainability – economical, ecological and social. The topics of “business ethics” (legal and regulatory framework, compliance, data protection and client satisfaction), “employees” (initial and further training, motivation, health, etc.) and “operational ecology” were also studied in detail.

This analysis identified a series of SDG criteria that could be achieved by means of the activities of Kommunalkredit and KPC. For each infrastructure project, we identify how compliant it is with the SDG criteria and how it will affect the environment and society.

In cooperation with the international infrastructure investor Meridiam, Kommunalkredit has further developed an innovative **instrument to measure the sustainability impact**, which enables transparency and disclosure.

WE SET NEW STANDARDS.

1 Tool to expand one's view.

We are convinced that it is not enough to simply take into account financing and funding parameters as part of an infrastructure project. We also want to give our stakeholders the opportunity to take a more detailed look at our work on an infrastructure project and to include their expertise in the sustainable assessment.

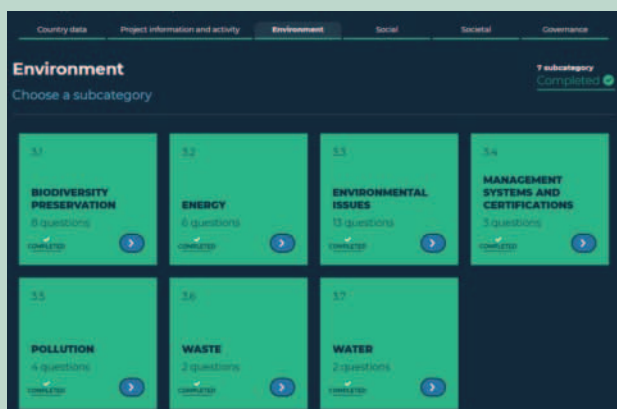
simpl.

Simpl.® (Sustainability Impact Measurement Platform) enables the analysis and measurement of the effects of each individual project or a complete portfolio for compliance with the SDG criteria using a common valuation framework. Simpl.® helps to identify potential improvements for each asset in order to develop strategies that ensure even more targeted and sustainable benefits. Up to 260 quantitative and qualitative factors are analysed for each project; the "trust index" improves the reliability of the information.

The tool enables the user to ...

- Measure, monitor and document the performance of individual assets or portfolios in regard to SDG criteria.
- Consider different SDGs for each investment class.
- Set the result in relation to the aspect of energy, environment, health, education or social justice, for example.
- Identify the strengths of an audited project and contribute suggestions for improvement.
- Compare the results with the peer group using economic and geographic factors.
- Create an SDG roadmap in close cooperation with the project company to validate measures that have positive effects on the project.
- Actively get involved with assets.
- Implement an annual review.
- Build up a new type of communication with investors.

DASHBOARD & REPORTING



Questions for ...

Thierry Déau

Founder and CEO of Meridiam



Your focus on sustainability was part of your business model from the very start. How did this come about?

This focus comes from a conviction and intuition:

- the deep conviction that investors and companies must contribute to positive, ecological and social change in their sphere of influence, which leads to strategies aligned with sustainability, and
- intuition that sustainability will soon no longer be a burden but rather an advantage for long-term investment. Not only because the company prefers positive effects but also because sustainability offers long-term protection against many risks that are associated with climate change, but also social acceptance and the economic conditions.

We have to take the future into account!

Meridiam is a pioneer when it comes to complying with ESG/SDG criteria, even more so with the introduction of "Simpli.®". Why did you decide to introduce your own tool?

We developed our own tool because we wanted our vision to match our data and stand on scientifically tenable foundations. At the same time, it should have a strong connection to the SDG framework. It had to offer a solid option for monitoring and permit reporting tailored to investors and partners. We wanted to improve our asset management and finally drive forward our investment policy to maximise the effect. To be honest, there were not many tools to monitor the effects of infrastructure investment, which also contributed to our decision.

The tool's applications can be extended through cooperation with customers such that it reflects not only the perspective of the investor but also that of the lender. Will this have an even greater effect in the long term?

Of course, investors are not the only ones to influence the term and sustainability of a project. Lenders play an important role when it comes to providing high amounts of finance to projects. This applies, in particular, to infrastructure, where they provide the majority of the funds and make a key contribution to the financial balance of the projects. When it is not only investors but also bankers and lenders who are generally moving towards measuring effects, they are significantly accelerating the transition to a more sustainable economy. This will reduce the gap that sometimes exists between the interests of the lender and

those of the more progressive fund and its partners. Using the tool, lenders have a more comprehensive overview of the assets that they have financed. It, therefore, contributes to developing an investment policy that is more closely aligned to sustainability.

What is your vision for the future in terms of green/sustainable investments?

I think that so-called "impact" investments will become a general trend, just as ESG is a general trend for current investments. With the key difference that "impact" in terms of data collection and designing investment proposals is much more demanding than ESG and enables a much deeper analysis of the – hopefully positive – effects of future finance. In my opinion, individual investors will in future not only ask for their financial yield preferences but also state the other non-financial objectives that they desire. For example, they will request a particular yield, job creation, carbon reduction or water recycling with appropriate performance indicators. This will prepare the way for more sustainable finance and contribute to financing the massive gap for infrastructure that exists due to ecological change: we are talking about billions in investments that are required over the next ten years in order to cover the rising demand for renewable energies, public transport, building renovation etc.

"We do not consider our investments in isolation but rather assess them using comparable companies and their specific economic and geographical contexts, in order to better track their performance at the regional and global level."

REFERENCE PROJECT



Waste recycling project

The project company for this waste recycling plant has the exclusive right to receive the solid residential waste collected from regional local authorities for the concession duration of 35 years. As there have to date been no landfill sites in the whole area, the waste was transported out of the region due to a lack of handling options.

The complex comprises a mechanical-biological treatment facility (MBT) and a waste-to-energy plant (WtE) with a capacity of 200,000 tonnes of residential waste. For the waste-to-energy plant, electricity is generated for the project company's own use and for sale into the electricity network. It also supplies more than 45,000 households. The emissions are significantly below the statutory limit values and thus reduce carbon emissions.

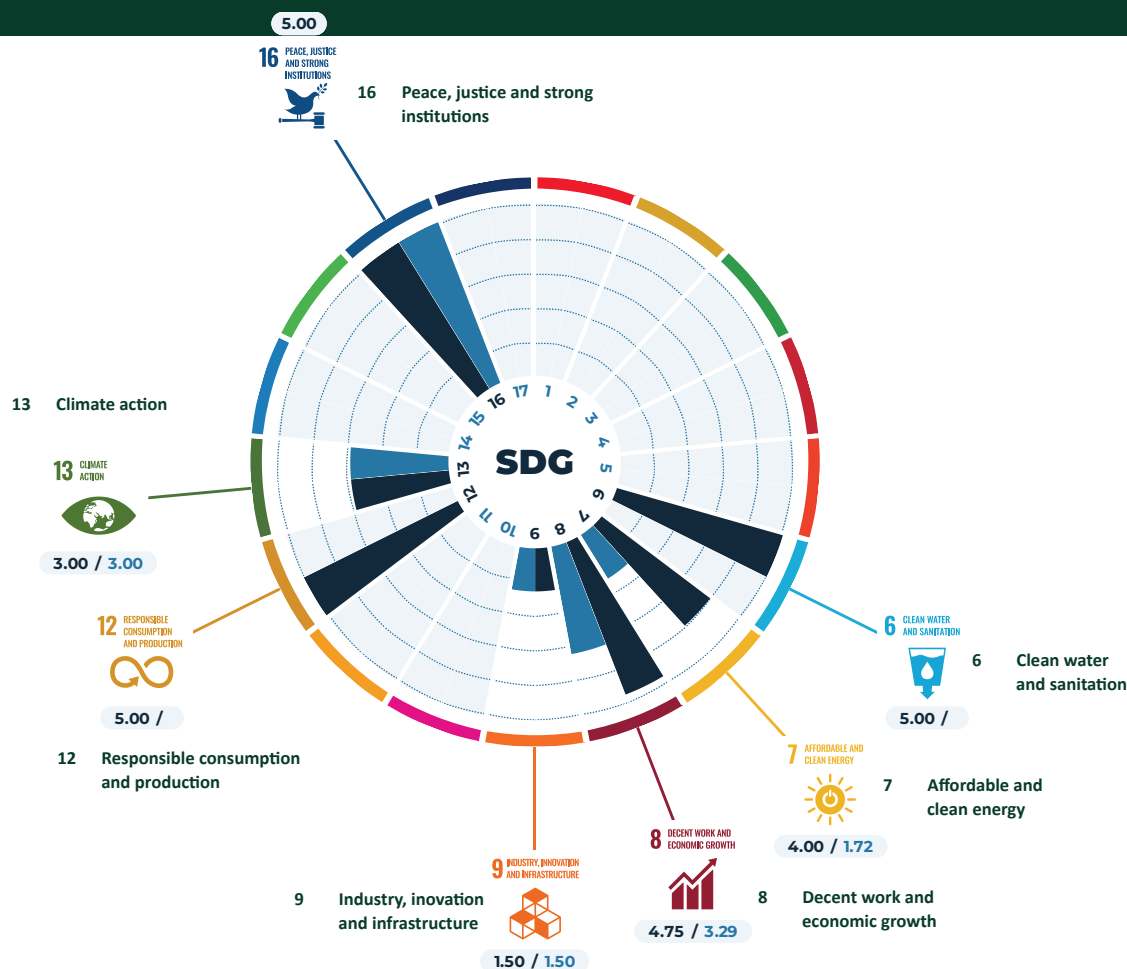
The project was analysed for SDG criteria using a comprehensive catalogue. The validation is based on documents, feedback, due diligence reports etc.

The graphic shows the comparison of the analyses of the pilot project from 2019 (light blue) and 2020 (dark blue). The values have clearly improved and were included in the assessment. The following explanations are shown as examples:

(Note: the highest grade is 5.)

- **SDG 6 Clean water and sanitation + SDG 12 Responsible consumption and production:** 5 out of 5 points thanks to obtaining the voluntary certification to ISO 14001 for the sustainability of the infrastructure
- **SDG 7 Affordable and clean energy:** 4 out of 5 points which can be improved by installing solar cells on the roof.
- **SDG 9 Industry, innovation and infrastructure:** 1.5 out of 5 points for implementing strategies and monitoring systems with reference to resistance to disasters/climate change

As of February 2022 the relevant SDG contributions and the desired improvements for 2021 of the waste recycling plant had just been analysed in order to validate the measures set, enable a year-on-year comparison and further expand the positive impact.



Kommunalkredit & the Simpl.® tool

We aspire to positively – and sustainably – change and shape society by financing and realising the right kind of projects. The Simpl.® tool allows for the qualitative and quantitative measurability and validation of the impact on different levels – from individual project treatment to entire portfolio analysis with the help of a clearly defined catalogue of criteria. At the start of the cooperation with Meridiam in mid-2021, the existing Simpl.® tool was developed further from the lender's (equity) perspective and adapted to also include the borrower's side appropriately. The positive feedback from project partners and customers has shown that it is also very important for them to implement future-oriented and sustainable projects. Our objective is, therefore, to analyse and assess our portfolio with Simpl.® and to then identify potential improvements. The first analysis step covers our energy and environment portfolio, with the particular inclusion of renewable energy assets. Currently, more than a dozen projects in the areas of wind, hydro power and solar photovoltaics are undergoing this evaluation phase. The main concern in the evaluation of these facilities is about what they contribute to the following SDGs:

- **SDG 7 Affordable and clean energy**
- **SDG 8 Decent work and economic growth**
- **SDG 15 Life on land**
- **SDG 16 Peace, justice and strong institutions**

We are in direct and intensive dialogue with the relevant borrowers and are currently assessing and validating on the basis of the comprehensive list of questions answered.

We cite three projects here as examples of the energy and environment portfolio (wind power in Scandinavia, solar photovoltaics in southern Europe) to show the positive impact of infrastructure supported by Kommunalkredit. From the quantitative and qualitative data, excellent ratings emerge for contributions to the focused SDGs. The audited facilities make a significant contribution from the perspective of the UN agenda through their concrete design and processes, such as the nature of the facility, the production of clean energy, the compliance with sustainability criteria, safety systems, protective measures for employees, diversity within the employees, preservation of biodiversity, anti-corruption measures and much more.

Kommunalkredit projects that are now in the preparation or construction phases are currently being evaluated and validated. Getting involved early makes the sustainable impact of the facilities even easier to manage and subsequently adapt and improve based on the results of the analysis. Projects are subject to annual review in which the goals achieved are audited.

The entire energy and environmental portfolio is currently being examined in detail. The results will be analysed and can be made available to project partners in order to develop further optimisation potential and to sustainably improve the quality of life for people living nearby.

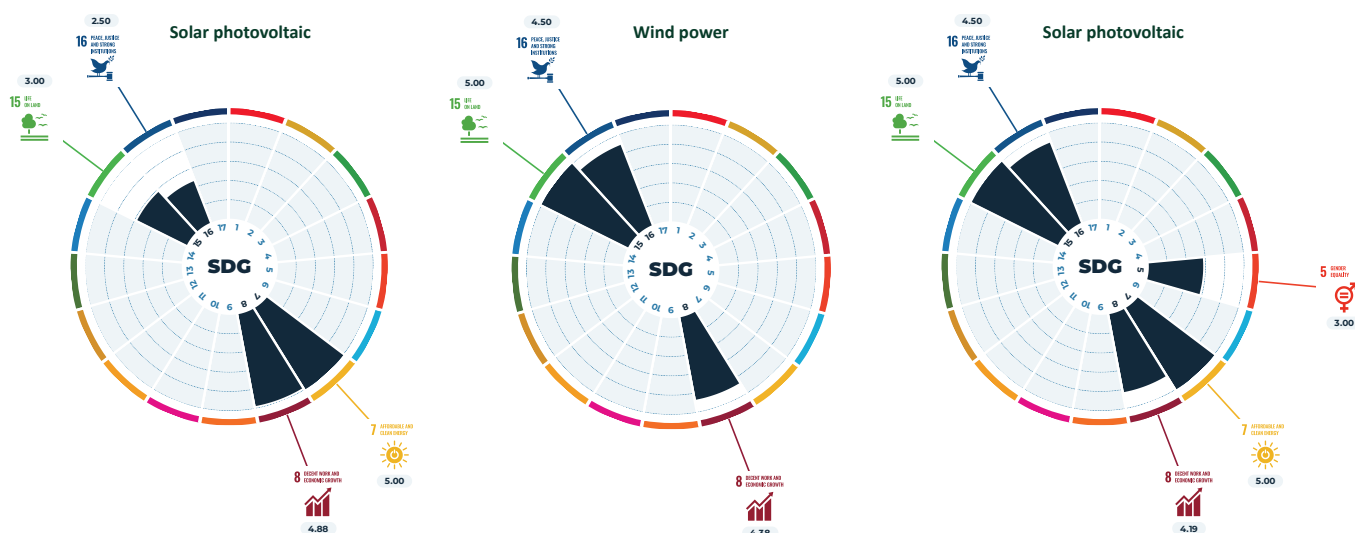
The next range of projects that we will validate with Simpl.® is from the Communication & Digitalisation sector with a focus on data centres and fibre-optic networks. We then plan to roll it out across the rest of the portfolio.

Kommunalkredit portfolio and EU taxonomy

The Kommunalkredit portfolio complies with Article 8, i.e. the transactions take ecological and social aspects into account. The ongoing assessment process will provide important impetus in the coming months to meet sustainability criteria even more precisely and quickly in the future.

In parallel, the bank is performing a taxonomy check. The exposure is checked for taxonomy relevance and ability, the fulfilment of a key contribution to the environmental objectives is raised, significant adverse effects on other environmental targets defined, attention paid to compliance with minimum social standards and a grading by taxonomy compliance and ability undertaken.

- | | |
|---|---|
| 1 No poverty | 10 Reduced inequalities |
| 2 Zero hunger | 11 Sustainable cities and communities |
| 3 Good health and well-being | 12 Responsible consumption and production |
| 4 Quality education | 13 Climate action |
| 5 Gender equality | 14 Life below water |
| 6 Clean water and sanitation | 15 Life on land |
| 7 Affordable and clean energy | 16 Peace, justice and strong institutions |
| 8 Decent work and economic growth | 17 Partnerships for the goals |
| 9 Industry, innovation and infrastructure | |



Creating a better everyday life

We connect people: in schools and universities, in hospitals and support institutions, in railway stations or on roads. We help to ensure that renewable energies are available to use in as many areas as possible. We create value.

Our services allow us to...



... connect over
24.5 million
people with
one another with
telecommunications
technology.



... contribute
to the education
of around
1,100
students.



... equip
five
highrise buildings
with an efficient
heating and cooling
energy system.



... support
infrastructure
development,
financing over
550 km
of roads.



... develop the
refuelling
infrastructure for
electromobility
with around
10,400
charging stations.



... enable transport solutions for
27 million
passengers
per year.



... create support institutions for around
1,500
patients.



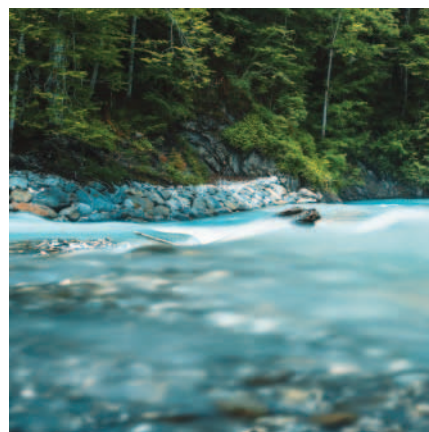
... create accommodation for more than
8,900
elderly and disabled people.



... enable around
4 million
households to use renewable energy each year.



... contribute to eliminating
3.0 million
tonnes of waste.



... supply drinking water to
9.3 million
people.



MANAGEMENT REPORT.

We invest in infrastructure. The financing of infrastructure projects has changed significantly in recent years. Let's seize the opportunity to shape this change for the better.

40	Economic environment
48	Business review
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64	Branch office and equity investments
74	Employees
77	Communication
81	Research & development
82	Other material disclosures
82	Significant events after the reporting period
84	Risk management
98	Internal Control System
101	Outlook

WORLD.MOVEMENT.

Economic environment

2021 – a lost year? No! The significance of systemically important infrastructure has certainly become evident in this challenging time. The support measures quickly introduced by governments and central banks led to a recovery of economic activity in many sectors. The progress of the vaccination campaign and a certain routine when handling the situation makes the outlook seem brighter. Principle of hope.²

Another year of restrictions – the impact on the real economy

At the time of the presentation of the European **Green Deal**³ at the end of 2019 COVID-19 was a contained virus in China. In Europe, 2020 began with a clear commitment: the transition to a modern, resource-efficient and competitive economy was initiated with the “investment plan for a sustainable Europe”. A total of EUR 1tn was earmarked to promote public and private investments and make Europe more prepared to face the climate crisis. During this dynamic period, the outbreak of the global health crisis brought with it strong headwinds. Greater demands were placed on countries; they introduced stimuli through fiscal and monetary policies in order to boost income, maintain trust and reduce uncertainty. They boosted overall economic demand through public investments.⁴

The reconstruction plan of the European Union (EU) is this kind of stimulus. Recovery and Resilience Facilities help the member states to overcome the economic and social impact of the health crisis and also ensure that their economies complete the environmental and digital transformation in order to become more sustainable and resilient.⁵

By introducing the Pandemic Emergency Purchase Programme (PEPP) in March 2020, the European Central Bank (ECB) has also wasted no time in putting a key element in place to boost the economy. It encompasses bond purchases totalling EUR 1,850bn to counteract risks which the outbreak of the pandemic poses to the monetary policy transmission mechanism and the outlook of the eurozone.⁶

Despite the challenges caused by the ongoing COVID-19 pandemic, the EU pressed ahead with its schedule to implement its climate pact. With the “Implementation of the European Green Deal”⁷ – better known as “Fit-for-55” – the 27 member states were reminded of the urgency mid-2021 to make the EU the first climate-neutral continent by 2050 by reducing emissions by at least 55% by 2030 compared to 1990. This opened up new opportunities for innovation, investment and occupational safety, particularly in infrastructure.

Ambitious goals of the EU until 2030⁸



Reduction of
car emissions by

55%

Reduction of
HGV emissions by



50%

35 million



refurbished buildings



Energy-saving targets for
final energy and primary
energy consumption

36 to 39%

160,000



additional green jobs in the
construction sector

Natural CO₂ reduction

- 310 million t



The year 2021 was under the influence of the virus and provided an uncertain environment. In the **eurozone**⁹, the gross domestic product (GDP), which saw a huge decline in 2020 (-7.5%), will probably only return to pre-COVID levels at the end 2022. The virus mutations and the measures to contain them negatively impacted economic activity – and will continue to do so; the varying rates of vaccination (from Bulgaria at 25% to Portugal at 90%) have an impact on the entire economic area. Economic activity rebounded in the first half of 2021, with the result that growth in the third quarter retained a high degree of momentum. Private consumption, which was boosted due to pent-up demand and the rise in wages, drove growth and spurred a recovery in the service sectors. At the same time, there were delays, notably in the construction and transport sectors, due to bottlenecks in the supply chain. This – in conjunction with a rise in energy prices – led to increased annual rates in overall and core inflation (as of October: 4.1% and 2%, respectively). The ECB maintained its very favourable financing conditions for public and private borrowers while expanding its Pandemic Emergency Purchase Programme (PEPP). Given that the net emergency purchases are only expected to last until March 2022, this could highlight the importance of the Public Sector Purchase Programme (PSPP). According to the ECB, even if the pressure on base interest rates increases, they should remain unchanged as per the current status.

Austria's¹⁰ economy grew more quickly than expected in the first three quarters of 2021. The service sector, in particular, was able to breathe a sigh of relief. At the same time, the shortage of raw materials put significant pressure on energy prices and prevented a more marked increase in economic activity. Consumer prices rose year-on-year by more than 3% in September and October 2021, primarily due to the Transport, Energy and Restaurant Trade sectors. The government adjusted its COVID-19 support programmes and introduced tax reforms aimed at gradually increasing carbon prices while reducing income and corporation tax, adding to the family contribution and promoting investment measures.

In the third quarter of 2021, GDP in **Germany**¹¹ was up 1.7% on the previous quarter. Although export orders in the manufacturing industry reached record levels due to global demand, industrial production declined due to a lack of raw materials (such as semi-conductors in automotive production) and intermediate products. Employment growth has picked up since the middle of the year, consumer prices had rebounded by 4.5% by October. Green financing is the key to the stimulus package: by supporting and promoting infrastructure investments, the energy transition and digitalisation were not only accelerated but private investments supported and jobs were also created.

In **France**¹² demand increased by 3.8% in the second and third quarter of 2021, confidence indices from November suggested an ongoing, albeit slow, recovery. Employment is above pre-crisis levels; overall, inflation had climbed to 3.2% by October. As the recovery takes hold, a medium-term fiscal strategy to gradually reduce public expenditure and increase its efficiency is to be implemented with resolve in order to increase growth and improve the medium-term viability of the public finances.

In **Italy**,¹³ too, growth continued from the second quarter of 2021, although to industrial production saw a more modest increase. Tourism rebounded, but is still far below pre-crisis levels.

In **Spain**¹⁴ the labour markets have proven to be more resilient compared to previous crises (capital market crisis, real estate crisis...). That said, the unemployment rate stood at 14.7% in the third quarter. GDP grew by 2% during the same period.

Production in the **United Kingdom**¹⁵ rebounded sharply in the first half of 2021, although there are strong indications that a slowdown may be imminent due to product and labour shortages. GDP rose to 1.3%. Fiscal measures need to be introduced to counter the continuing pressure on prices.

In the **USA**¹⁶ the first year did not run as smoothly for the Biden administration as the President would have liked. The continual withdrawal of fiscal support acted as a break on economic growth. That being said, the excess savings accumulated from previous fiscal stimulus measures should continue to support household consumption and corporate investments in the coming quarters.

After very high rates in previous quarters, growth in the **People's Republik of China**¹⁷ increased 4.9% year-on-year in the third quarter. Industrial production slowed down due to the strict implementation of environmental measures and power outages in more than half of the provinces, while the service sector gained further momentum. Export growth remained strong as overseas economies recovered, even though growth was affected by the port closures brought on by COVID-19.

2 Based on the main work of the German philosopher Ernst Bloch. The work was originally supposed to be called "The dreams of better life".

3 European Parliament (EP) – Green Deal: Key to a climate-neutral and sustainable EU, press release, 29/6/2020.

4 OECD – Economic Outlook, September 2020.

5 European Council – A Development Plan for Europe, 18/12/2020.

6 ECB – Press Release, 10/12/2020.

7 European Commission: Communication, 14/7/2021.

8 European Commission – European Green Deal, Communication, 14 July 2021.

9 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

10 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

11 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

12 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

13 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

14 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

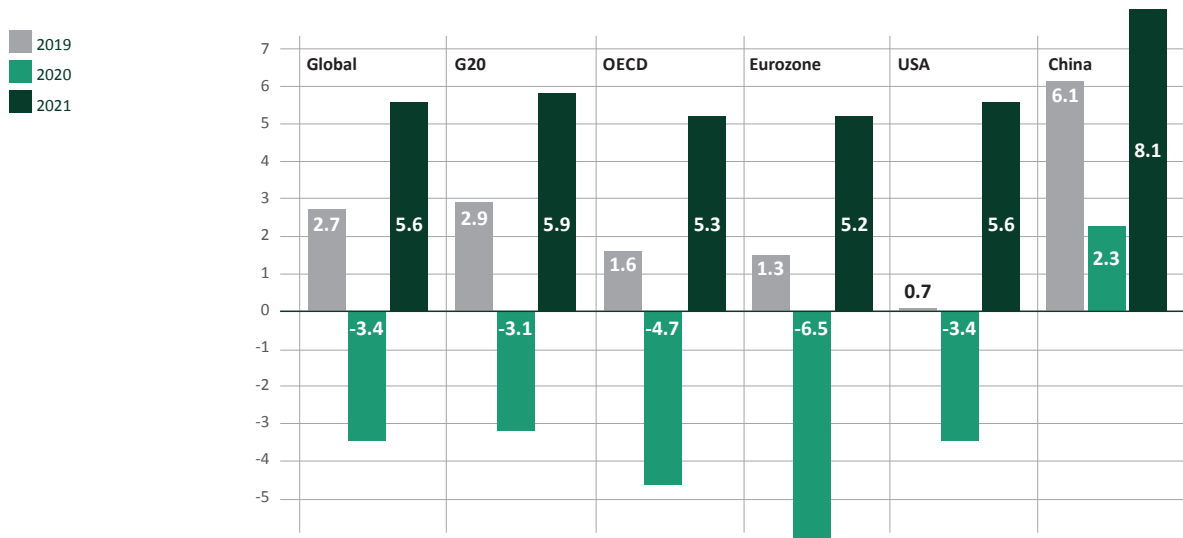
15 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

16 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

17 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

GDP growth/decline in %¹⁸

(Source OECD)



We are currently experiencing the next mutation of the COVID-19 virus. It is difficult to predict how long the restrictions in place due to the pandemic will last and how severe they will continue to be. The progress of the vaccination campaign will, to some extent, determine this duration. Hopefully, we will soon reach the post-COVID age. This would benefit the economy and, more especially, society at large.

Another year of challenges – the return to inflation

The general conclusion is: the COVID-19 pandemic also impacted the world in 2021. However, the global economy managed to stage a recovery in 2021 due to vast fiscal and monetary support measures.

Scarce resources, a sudden increase in energy prices and difficulties with global supply chains resulted in a significant increase in producer prices in 2021, which were ultimately reflected in consumer prices, too. In the United States, the annual inflation rate as of December 2021 climbed to 7%, while inflation in the eurozone stood at 5% as of December 2021, driven by a rise in energy prices of 26%.

The **Federal Reserve Bank** (FED) also responded to the sharp rise in inflation and increasingly scaled back its securities purchases. Economists expect up to four base interest rate hikes in 2022. The **European Central Bank**¹⁹ (ECB) is of the view that the increase in inflation is primarily of a temporary nature and should lose steam once one-off effects are eliminated. For 2023 and 2024 it forecasts an inflation rate of 1.8%, and that is why it has adopted a wait-and-see approach with regard to possible key interest rate hikes. In view of recent global changes, it remains to be seen whether and to what extent the ECB will remain on this course. The extraordinary securities purchases as part of the PEPP will prospectively come to an end in March 2022, with the increase in purchases in the PSPP to be reduced in the months thereafter concurrent with the expiration of the PEPP. The total value of securities in the purchase programmes of currently approx. EUR 4.7tn will continue to rise in the first months of 2022, although it will slow down thereafter. Interest rates will remain unchanged for the time being.

The last tranche of the targeted longer-term refinancing operations (TLTRO III), that have been improved many times, and that were introduced by the ECB to strengthen the banks, was offered in December 2021. A follow-up programme has yet to be determined.

With regard to the regulatory requirements for banks, the regulatory authorities are being more restrictive. For example, Germany introduced a countercyclical capital buffer (0.75% of the risk-weighted assets, in addition to a system risk buffer for mortgage loans amounting to 2% of the risk-weighted assets, in each case as of February 2023). Other European countries, too, have established or increased countercyclical capital buffers, including Bulgaria, Denmark, the Republic of Estonia, Norway, Romania, Sweden and the Czech Republic.

Another year of opportunities – the relevance of infrastructure

From a global perspective, the infrastructure sector was not only – as in the 2nd quarter of 2020 – highly crisis-resistant in 2021, but increasingly **a reliable guarantor of growth** in a global economy still impacted by the pandemic. Extremely positive developments in many sub-sectors, especially those in the fields of digital infrastructure and renewable energy, outweighed any ongoing challenges (in particular disruptions in the supply chain). A sharp increase in gas and electricity prices, as well as inflationary trends, meant that 2022 got off to an uncertain start. That being said, this uncertainty has and will have been more than offset by positive market developments and political momentum.

This proactive intensification of megatrends that impact the infrastructure sector, such as decarbonisation, digitalisation and investments in growing social/health infrastructure, has also driven the European market for infrastructure financing to a new volume record in 2021. As a result, the total volume for Europe (including the United Kingdom) in 2021, stood at EUR 299bn and thus beat the previous pre-COVID record year of 2018 by approximately 16%. Nevertheless, the appeal and resilience of the infrastructure sector over the past years has also led to a growing field of market participants and, as a result, increased liquidity and competition – not only in the equity sector, but also in credit financing.

Inframation League Table | Total Transaction Value < EUR 500m

RANK	COMPANY	EUR m	# DEALS
1	Santander	2,703	69
2	BNP Paribas	1,539	36
3	Natixis	1,449	20
4	Kommunalkredit	1,407	36
5	Crédit Agricole CIB	1,348	36
6	Société Générale	1,344	36
7	Lloyds Banking Group	1,286	22
8	UniCredit Group	1,156	19
9	NORD/LB	1,127	29
10	Intesa Sanpaolo	1,127	38

Inframation League Table | Number of Transactions

RANK	COMPANY	EUR m	# DEALS
1	Santander	6,930	94
2	Crédit Agricole CIB	7,230	70
3	BNP Paribas	6,900	69
4	Société Générale	5,228	68
5	Intesa Sanpaolo	3,448	58
6	ING Group	3,854	49
7	Natwest Group	3,231	42
8	Kommunalkredit	1,931	39
9	Banco de Sabadell	1,225	38
10	Natixis	4,300	37

Kommunalkredit was able to build on its positive performance in recent years and has established itself as a leading player in the European market for infrastructure financing. In the official league tables of the infrastructure platform Inframation it is, based on the number of transactions, already ranked 8th (2020: 16), alongside much bigger banks. IJGlobal currently lists the bank in place 11 of the Mandated Lead Arranger (2020: 42). An achievement attributable to specialisation, flexibility, strong customer focus and high-level expertise.

Geographically, the United Kingdom (+30%), Spain (+35%) and Italy (+50%), in particular, were highly attractive markets for Kommunalkredit, as were Germany (+10%) and France (+2%). Kommunalkredit seized the opportunities that arose, in particular those in the fields of digital infrastructure and renewable energy.

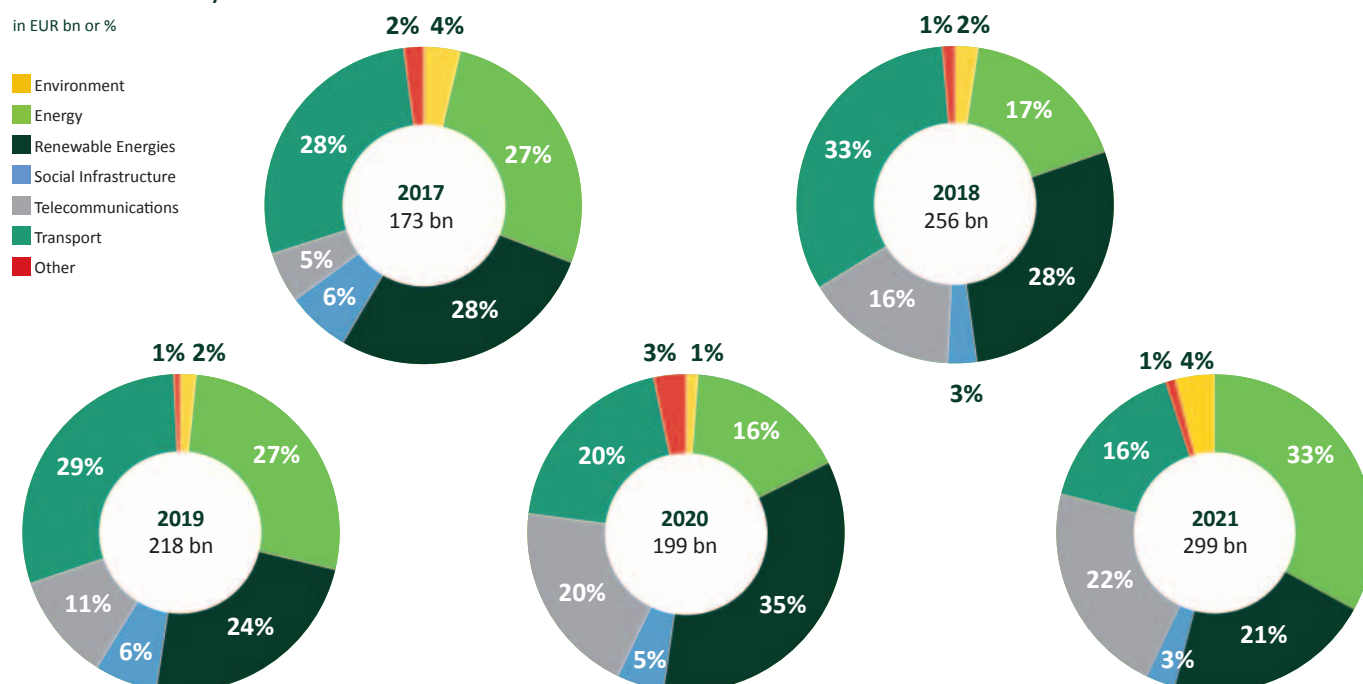
¹⁸ OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

¹⁹ ECB – Press Release, 03/02/2022.

The European infrastructure market 2017-2021:

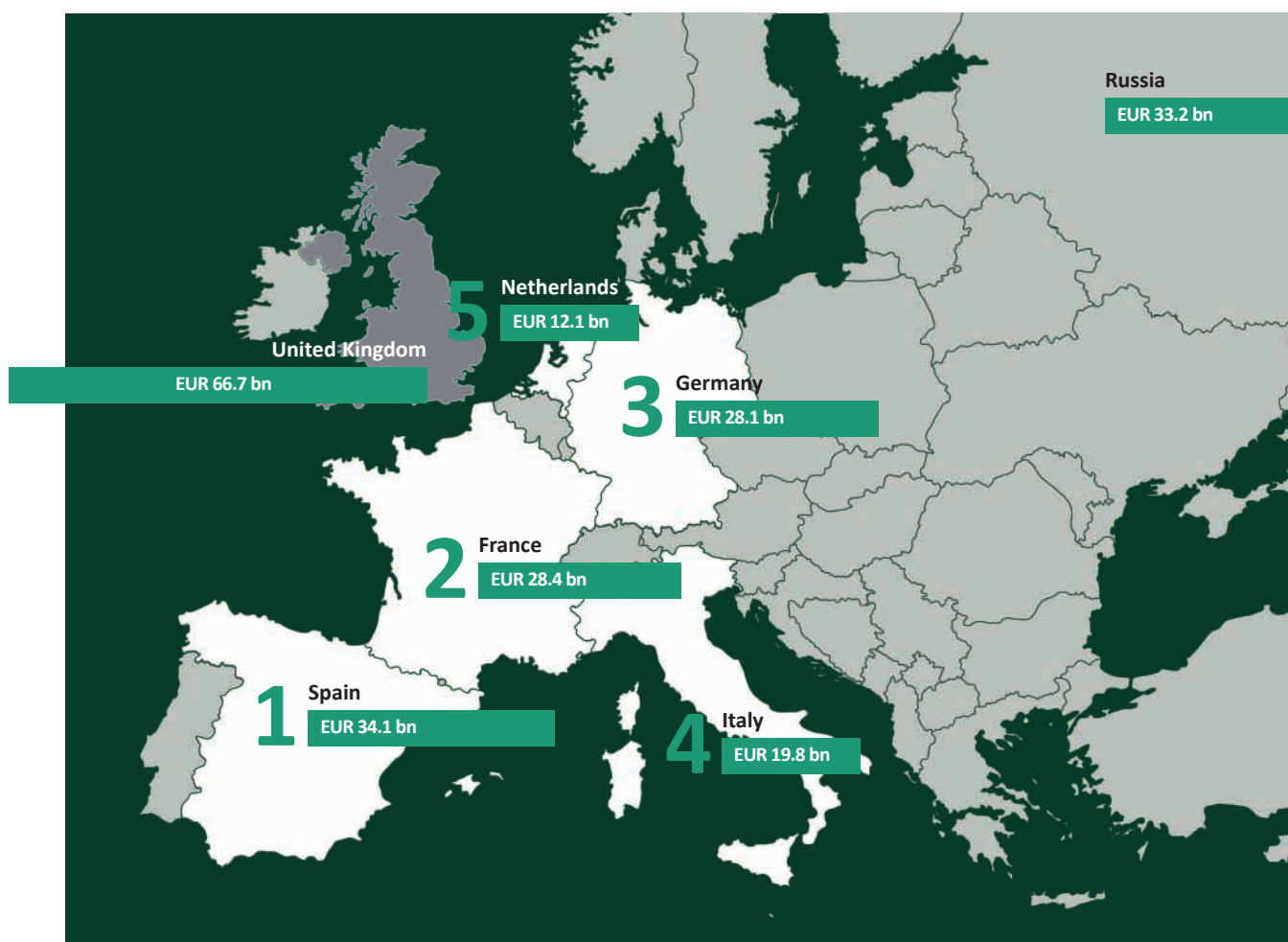
Transaction volumes by sector

in EUR bn or %



The largest infrastructure markets in the eurozone 2021

by volume ²² (United Kingdom and Russia for comparison)



Given not only how the performance of the various sectors is diverging so heavily but also the nature of the concluded transactions in Europe, the volume of greenfield transactions²⁰ rose by 59% to EUR 97bn (2020: EUR 61bn), of brownfield/M&A transactions²¹ by 46% to EUR 136bn (2020: EUR 93bn). The market for refinancing, too, posted transactions amounting to EUR 97 bn, an upward trend (2020: EUR 61bn).

The United Kingdom was the dominant infrastructure market in Europe with 262 transactions and a volume of EUR 67bn. It was in digital infrastructure, above all, that Kommunalkredit succeeded in entering into transactions with leading equity investors such as Antin, Cube and Infracapital. In the Energy & Environment as well as Social Infrastructure sectors, the bank supported leading sponsors such as AMG Capital or EIG, both with acquisition financing and with refinancing.

In Germany, fibre optics/fibre-to-the-home (FTTH) transactions reached a new high in 2021, driven by the EUR 6bn refinancing of Deutsche Glasfaser, which was acquired by EQT Infrastructure and OMERS Infrastructure. Kommunalkredit provided, including its Fidelio KA Debt Fund Platform, a ticket amounting to EUR 150m. In addition, it managed to support long-standing customers such as Basalt Infrastructure and iCon Infrastructure with their FTTH roll-outs. As for meeting climate targets, Germany is increasingly relying on energy transition sectors (EV charging, battery storage, hydrogen). The bank assisted with the launch of the first battery storage project in 2021.

Renewable energy continues to dominate the infrastructure market in Spain. Kommunalkredit had a major presence here (photovoltaics/solar), and also financed a bioenergy project together with DWS Infrastructure. In other markets, Kommunalkredit was also able to expand its activities proactively. In France, it supported InfraVia, among others, in its effort to expand its B2B fibre optics assets Celeste, in the booming Italian market, several solutions that were agreed bilaterally and tailored to the needs of customers in PV/solar, water infrastructure and health-care were implemented. Transactions in countries such as Finland, the Netherlands, Poland, Portugal, Hungary extended its reach.

²⁰ Greenfield projects are new infrastructure assets erected on undeveloped ("green") land, which may involve construction phases of varying lengths and financing requirements – depending on the sector and nature of the project – before they can enter service.

²¹ Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).

²² Infraction & Sparksread Database – An Acuris Company, 31/12/2021. An adjustment to the measurement method may lead to changes in comparative values from the past.

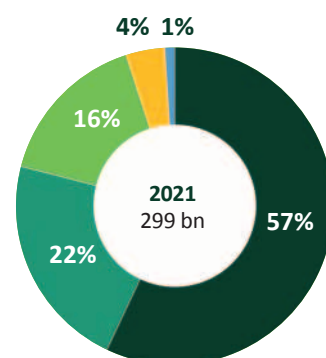
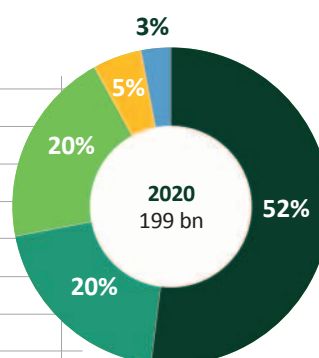
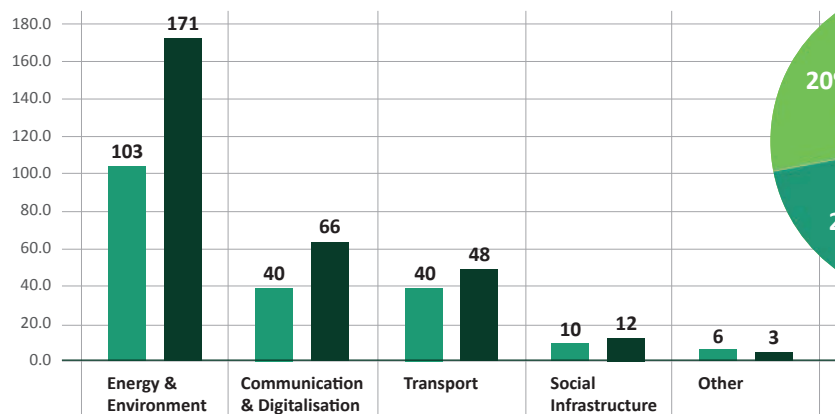
Kommunalkredit contributed to sustainability in the important domestic market of Austria in 2021. In cooperation with OMV, it is currently investing in the largest electrolysis plant in Austria producing green hydrogen. Jointly with the SORAVIA Group, it helped develop the innovative heating and cooling system for the building complex Trillple and Austrotower in Vienna. And with the Upper Austrian energy provider eww, it launched the joint venture PeakSun for rooftop photovoltaic systems.

With its specialisation in the Energy & Environment, Communication & Digitalisation, Transport, Social Infrastructure and Natural Resources sectors, Kommunalkredit is well-positioned to meet the future challenges in the infrastructure market. It addresses green energy solutions, e-mobility, digitalisation and social infrastructure head-on and, in doing so, has a clear focus: sustainability that meets SDG/ESG criteria.

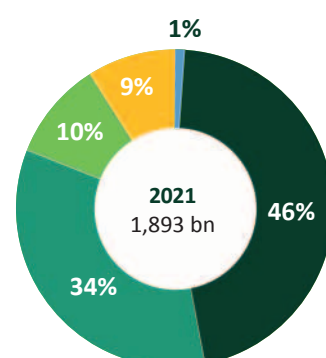
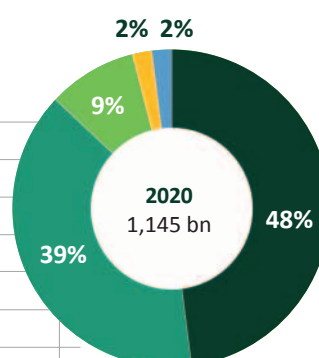
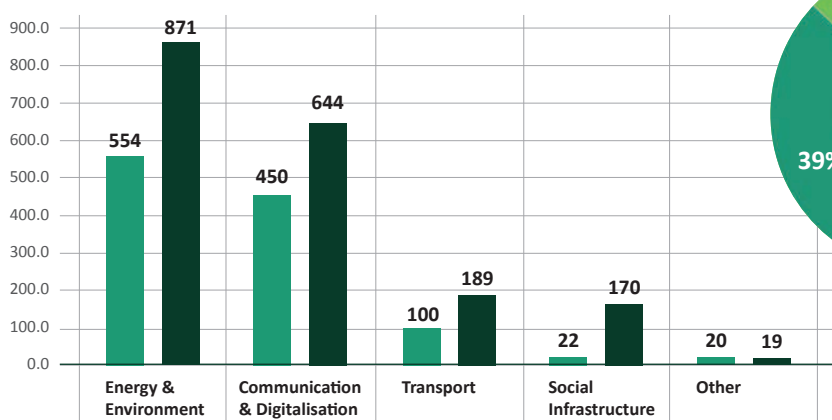
Our projects are intended to serve as a role model for green and energy-efficient infrastructure.

Transaction volume by sector in EUR bn | EUR m

EUROPE



KOMMUNALKREDIT



■ Energy & Environment
 ■ Communication & Digitalisation
 ■ Transport
 ■ Social Infrastructure
 ■ Other

■ 2020
 ■ 2021

Questions for ...

Cameron Hepburn

Professor of Environmental
Economics at Oxford University

Moritz P. Schwarz

Climate Economist at Oxford University

What major variables do you have to grapple with when predicting climate change?

When predicting climate change, there are three major variables. First, we already have a very good understanding of our climate and weather system, although it is not perfect. There are numbers of factors, such as the exact climate effect of clouds, which makes an exact long-term prediction difficult. Second: the climate system, as a chaotic system, has a certain variability that we cannot predict. Third: the most important variable when it comes to predicting climate change is human activity. Trying to predict what direction a society will take is extremely challenging – but this aspect is obviously the most interesting from an economic point of view.

Does humanity even have an alternative?

The 2015 Paris Agreement was based on a general consensus globally that humanity has no other alternative. Of course, lip service by politicians is not enough, and the implementation of an effective climate policy is now the top priority. That is where we see just how difficult it is to implement politically popular climate policy in society. For instance, the Fit for 55 package of measures proposed by the European Union certainly includes aspects that could lead to conflict. The consumer has noticed changes, such as higher petrol prices. Of course, this is deliberate, as prices can send a signal that a combustion engine emits more CO₂ than an electric vehicle charged with renewable power. However, the impact of this increase in price, particularly on the poorer sections of the population, has been ignored in political and economic discourse for far too long. The redistribution of income from the national CO₂ pricing through the EU regional climate bonus or the proposed social fund (note: EUR 72bn per annum is available to lower-income households and investments) are designed to lessen the impact of this predicament.

Climate policy stimulus packages have a long-term benefit – if they are tailored.

The COVID crisis has led to a historic economic downturn, the likes of which we have never seen before. The impact on unemployment, sovereign debt, economic growth is known, but was relatively short-lived historically speaking. In 2020, more specifically, the main priority was to provide economic stimulus so things could get back on track and to prevent even greater damage from being inflicted on society. From a climate perspective, when proposing such stimulus packages and future investments, we need to consider which sectors and parts of the economy are worth supporting in order to protect jobs and decarbonise in the long term.



What stimulus must be provided in this regard?

An example in Austria is the expansion of the network infrastructure for renewable energy. Such a measure is a major macroeconomic multiplier. It is also apparent that solar and wind energy creates about twice as many jobs as a similar investment in gas or coal-fired power plants. Another example is the replacement of grimy heating systems in our houses and the thermal rehabilitation that it entails. Oil heating has absolutely no place in a future where we seek to combat climate change successfully. Research & development now needs to focus on the fundamental changes in the economy coming over the next 20-30 years so we can develop breakthrough technologies. Otherwise, we will miss out on a major opportunity and will have to buy these key technologies in a few years. We also have to be aware that climate change will become increasingly apparent in Austria – today's ski tourism region must prepare for a future with different conditions.

“Climate change means society now faces very different challenges, challenges which we never had to solve before. However, the global trend towards decarbonisation is now unstoppable – the only question is what role do we want to play.”



INFRASTRUCTURE.NEEDS.

Business review

The last two years have shown us to spectacular effect how important a powerful infrastructure is. With its focus on infrastructure and energy financing, Kommunalkredit's business model has proven to be largely crisis-resistant and secure even before the outbreak of the COVID 19 pandemic. Now the bank is showing how it is setting the course for the future.

Redefining infrastructure

The global health crisis has highlighted the limitations of society in many areas. The existence and functioning of relevant infrastructure such as hospitals and nursing homes, a secure energy supply, a powerful communications infrastructure or the maintenance of public transportation increasingly became the focus of attention. A number of these systematically important sectors were already stretched before COVID-19. However, the additional challenges now led to partial or total collapse. After-effects that were felt around the world. The bank specialises in precisely these areas of critical infrastructure.

Infrastructure will become even more of a focal point in future, not just as an asset class, but as an essential factor for preventing new epidemics and economic collapse as well as for modernising and realising agendas such as digitalisation and the Green Deal. This is where Kommunalkredit has been active throughout Europe and beyond. This path – combined with the years of experience in the public finance sector – has also proven to be correct in the year of 2021. With its in-depth market expertise, a high level of diversification and quick reactions, Kommunalkredit has successfully **continued** on its **growth path**. The contribution made by the core business to gross revenues rose to 70.4% (31/12/2020: 70.0%) under IFRS and to 80.2% (31/12/2020: 75.0%) under the Austrian Commercial Code (UGB).

New business volume, at EUR 2,145.6m (including public finance), exceeded the two billion limit for the first time (31/12/2020: EUR 1,213.4m). The bank has a balance of diversity in terms of its asset classes, regions, terms, and product and customer segments. Business acquisitions focus on clearly defined selection criteria and efficient use of capital. In addition to the risk-and-return profile of a transaction, attention is also paid to the ability to place it among institutional investors.

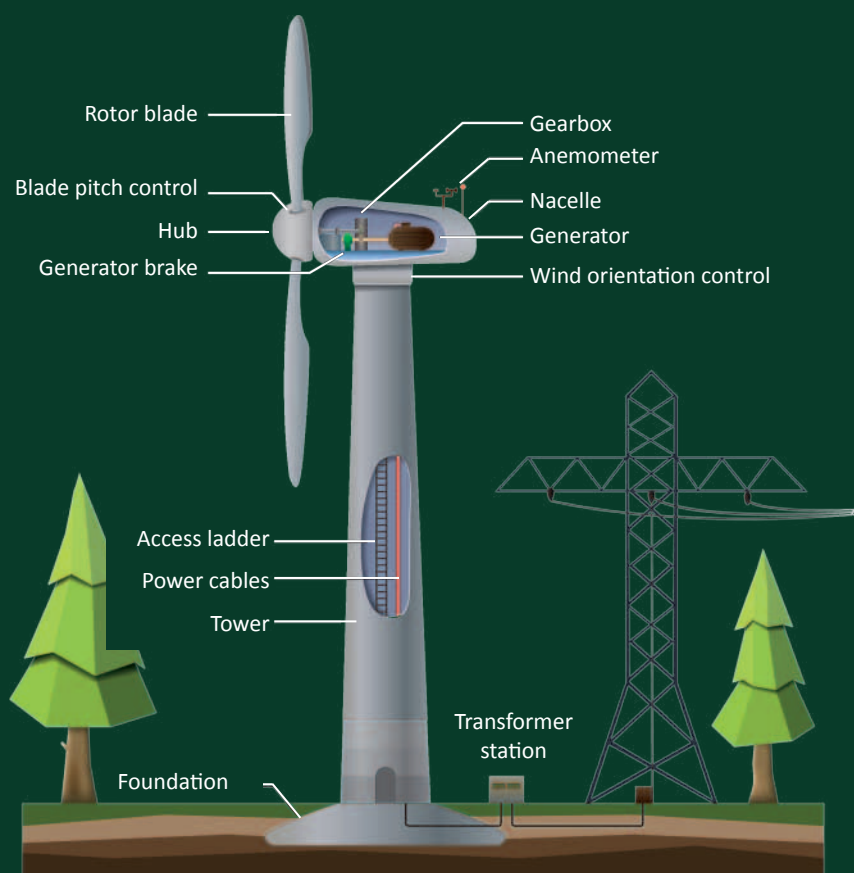
As in the previous year, digital infrastructure (not least due to the increase in working and learning activities in private households) and the switch to renewable energy in relation to the European Green Deal dominated activities. 46.5% of the financing volume was attributable to the Energy & Environment sector, 34.0% to Communication & Digitalisation. Transport (9.7%), Social Infrastructure (9.1%) and Natural Resources (0.7%) played a lesser

role in the financial year. Geographically, business was consistently diverse across the European Union and the EU's associated countries. Kommunalkredit was especially active in Spain and France as well as in the United Kingdom, which left the EU Single Market on 1 January 2021. Three sustainable projects were launched in the domestic market of Austria through projects with the oil, gas and chemical group OMV (electrolysis plant for green hydrogen), the real estate group SORAVIA (innovative heating/cooling system for building complex) and the energy provider eww (photovoltaic rooftop systems). The bank also had exposure in Africa for the first time with an export credit agency guarantee.

The bank conducts business in a manner that is geared towards collaborative endeavours with established partners (**originate and collaborate**). It focuses in particular on its ability to place its transactions with its business partners on the international financing market. The volume placed with insurers, asset managers and banks in 2021 was EUR 711.4m (2020: EUR 603.6m). Thanks to its infrastructure fund (Fidelio KA Infrastructure Debt Fund Europe 1) established in 2018, Kommunalkredit is also capable of offering its business partners access to infrastructure and energy financing through an asset management solution. With the launch of Florestan KA GmbH in May 2021, the bank is in a position to support innovative project concepts and developments with equity funding in an even more focused way. In cooperation with the Upper Austrian energy provider eww it established PeakSun, a company specialising in the assembly of rooftop photovoltaic systems.

In the 2021 financial year, transactions helping to reach climate targets and expand digital communication channels topped the agenda: these included the financing of broadband initiatives in Southern and Western Europe; the expansion of photovoltaic systems and solar parks on the Iberian peninsula; the construction of wind farms in Finland; the construction of data centres in the Netherlands and Switzerland; the outfitting of healthcare and nursing facilities in the United Kingdom.

REFERENCE PROJECTS



Soidinmäki – wind power (Finland)

To realise its plan to be CO₂-neutral by 2035, the Finnish government has opted for wind power. About ten per cent of electricity production comes from this sustainable source so far – and it's a fast-growing trend. The wind farm in Soidinmäki comprises seven power plants, with construction scheduled to be completed by the end of 2022. The project will have an installed output of 38.5 MW and consists of seven 5.5 MW turbines that will be provided under a commercially typical turbine service agreement. The maintenance agreement covers a period of 30 years and includes operational and maintenance services for the internal network and the substation. The overall cost was put at EUR 49.3m, to be financed by equity attributable to the sponsors and interim financing by Kommunalkredit as Sole Mandated Lead Arranger. It is the second wind farm financing involving Kommunalkredit in Finland in 2021 and is further proof of the bank's structuring expertise in the renewable energy sector.

REFERENCE PROJECTS

**Roots – broadband
(Netherlands)**

The Netherlands is a front-runner when it comes to broadband connectivity in Europe; two thirds of households have fast internet connections. To further expand the fibre optics infrastructure in high-density, urban areas, Open Dutch Fiber will provide at least 1 million additional households and companies with fibre optics-based broadband services (FTTH) by 2025. The aim is to upgrade the T-Mobile Netherlands network so it can deliver speeds of 1 gigabyte per second. The financing comprises a CAPEX facility of EUR 540m with a maturity of seven years, a five-year availability period and a repayment on maturity. The investments will be provided through a combination of debt from merchant banks and equity attributable to the two owners. Kommunalkredit acted as the Lead Arranger. Through this commitment, the bank makes its own contribution to meeting the UN Sustainable Development Goals (SDG). Fast internet connections help to increase location appeal, speed up the success of local companies and promote social and cultural integration. In addition, its importance in times when more people are working from home and engaging in distance learning has become more apparent.





Siberie – biomass plant (Netherlands)

The project comprises a biomass plant including heating network with a capacity of 15 MW thermally and 1 MW electrically. The plant processes about 25,000 tonnes of biomass from wood per annum and is operated using locally produced waste wood from the public and private sector as well as from the recycling industry. Bionenergy is the most sustainable primary energy supply. It can be used for heat and cold, electricity and transport. Kommunalkredit refinanced the transaction with a green bond equal to EUR 19m, which was transferred in full to the Fidelio KA debt fund.

The sums stated correspond to the total volume of the respective transaction.

Public Finance in Austria Kommunalkredit in 2021



*We are committed
to our home market*



Public finance has a long tradition and is a key part of the bank's business. Countries, federal states and municipalities are a major economic driver. With investments in essential infrastructure that is used directly by citizens, municipalities and their public institutions create and protect jobs and help to keep the economy going.

In the 2021 financial year, Kommunalkredit closed new financing deals amounting to EUR 203m, notably in the Social Infrastructure (schools, nurseries, sports facilities, fire brigade, builder's yard), Energy & Environment (wastewater disposal, sewage treatment, sewer construction) and Transport (roads and pavements) sectors, among others.

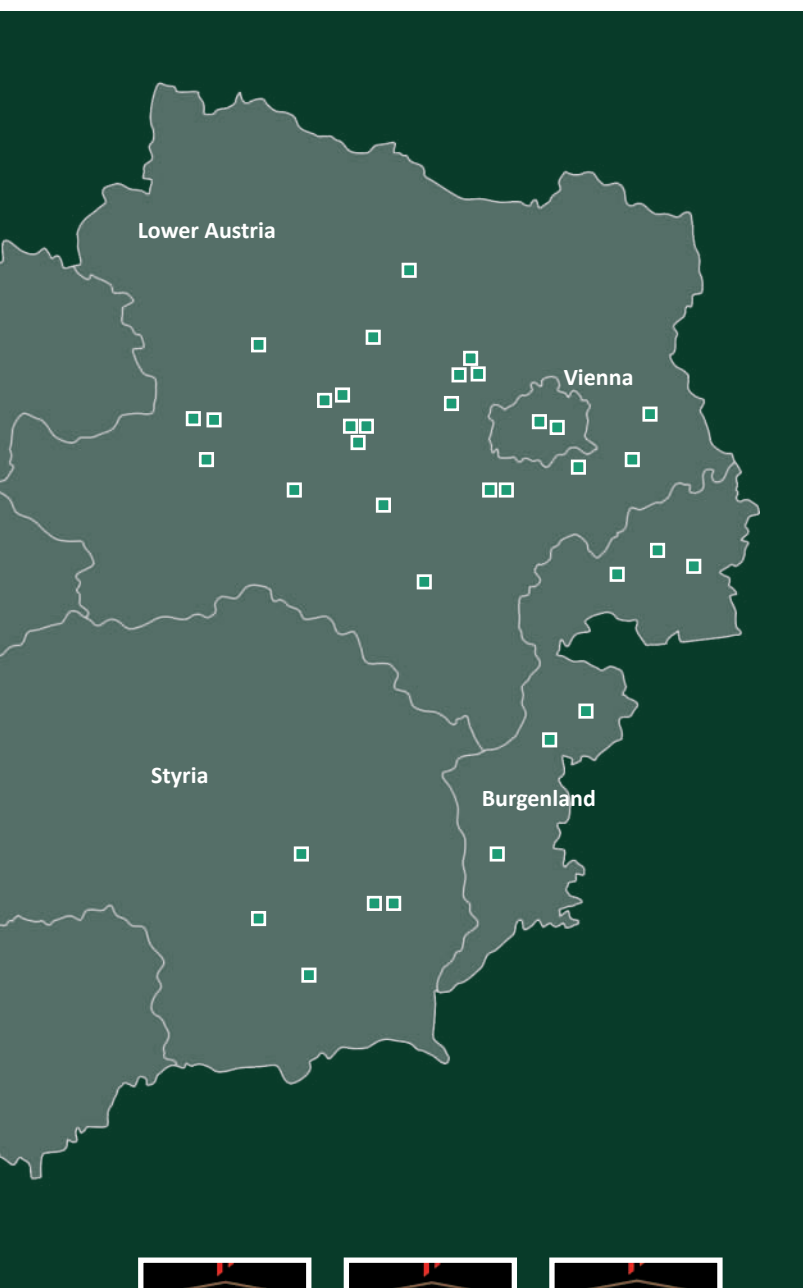
Industry awards & level of recognition

The bank's success has also been noticed by the market. One look at the **rankings of the infrastructure trade media** shows that Kommunalkredit leaves behind a footprint as a valued stake-

holder and contact of interest within Europe. We are consistently in the top rankings in this highly competitive environment (such as Inframation: Social Infrastructure #1 | Solar #4 | Deals Europe #8; IJGlobal: Telecoms #7 | Renewables #18).

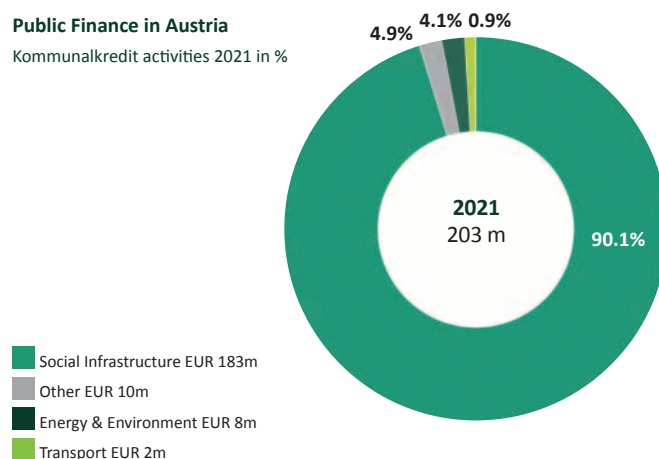
Kommunalkredit won its first **industry awards** in 2017. This was followed by numerous awards from renowned leading infrastructure magazines (Business Vision, cfi Capital Finance International, IJ Global, PFI Project Finance International from Thomson Reuters). In 2021, Business Vision recognised the bank as the "Most Sustainable Infrastructure Project Partner", cfi awarded it the title "Best ESG Infrastructure Finance Europe". The Austrian business magazine Börsianer awarded the institution the three titles of "Best Bank", "Best Specialist Bank" and "Best Direct Bank".

At the turn of the year, Kommunalkredit was awarded the "Quality seal for sustainability" and the "Quality seal for popular employers" by the Austrian daily newspaper Kurier.



Public Finance in Austria

Kommunalkredit activities 2021 in %



Social Infrastructure EUR 183m
 Other EUR 10m
 Energy & Environment EUR 8m
 Transport EUR 2m

Strong performance in Europe | opportunities seized

We have positioned ourselves successfully in the European infrastructure and energy market over the past number of years. Through developing new hydrogen technologies, financing water supply companies, expanding photovoltaic systems and solar parks, constructing wind farms, implementing broadband projects, providing the healthcare sector with high-tech equipment.

#4

total transaction value
< EUR 500m*

#8

for the number of transactions*

#24

Overall ranking among Europe's
infrastructure financiers*

#1

for Social Infrastructure
transactions*

#4

for Solar | PV
transactions*

#7

for Telecommunications
transactions**

#18

for Renewable Energy transactions**

* Inframation – An Acuris Company
** IJGlobal (as of 10/2/2022)



MOST SUSTAINABLE
 INFRASTRUCTURE PROJECT PARTNER
 CENTRAL EUROPE



A solid basis

In times of crisis, two key issues become a major focus at any bank: the quality of the portfolio and sufficient liquidity. Kommunalkredit manages a balanced overall portfolio and all transactions are backed by sufficient liquidity. As of 31 December 2021, no requests have been submitted for deferral or restructuring in the field of infrastructure and energy – despite the ongoing economically strained environment caused by the COVID-19 pandemic.

High asset quality

Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank holds a **total portfolio** of high asset quality without a single loan loss in the 2021 reporting year. As of 31 December 2021, it had an average rating of "A-", with 67.6% of the exposure rated as investment grade.

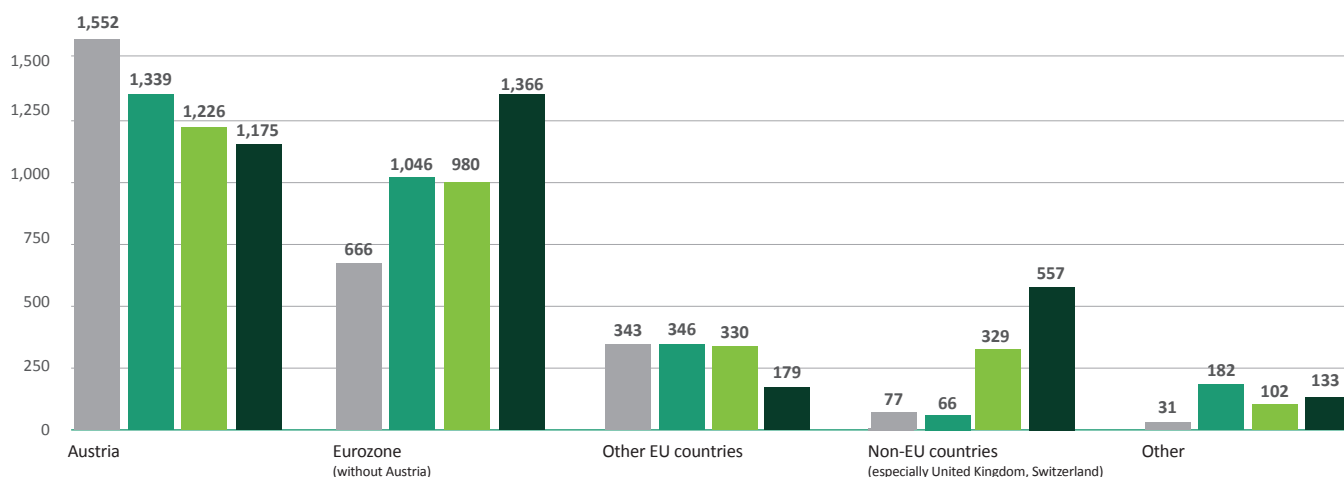
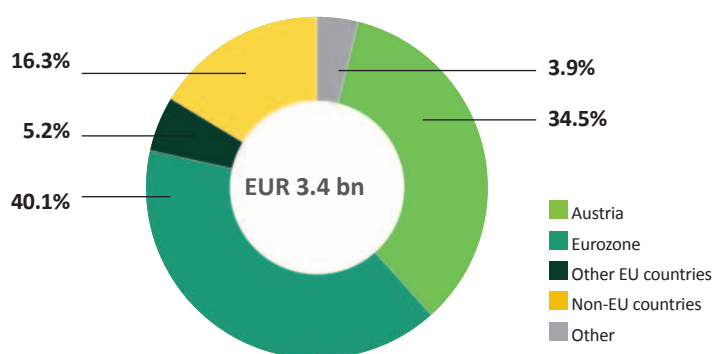
The **loan portfolio** is well-balanced, comprising an increasing proportion of infrastructure and energy financing transactions and a significant volume of public finance loans. As of the end of the year, loans to municipalities accounted for 29% of the portfolio (almost exclusively Austrian municipalities), infrastructure and energy financing transactions accounted for 47%, while loans to public sector enterprises had a share of 7%. Since privatisation in 2015, the non-performing loan ratio (NPL) has been kept at 0.0%. This is a testament to the considerable resilience of the assets in the field of public finance as well as infrastructure and energy.

Geographically, 35% was attributable to Austria (2020: 41%), followed by the rest of the eurozone (40%) and other EU countries (5%) (2019: 33% and 11%, respectively).

0.0% NPL ratio since 2015 is a sign of our considerable resilience.

Loan portfolio by region
in EUR m, as of 31/12/2021

2018
2019
2020
2021



Stable and diversified refinancing structure

As of 31 December 2021, Kommunalkredit reported a strong **liquidity position** of EUR 971.0m. The bank held cash and cash equivalents and balances with central banks of EUR 543.4m (31/12/2020: EUR 808.6m). Furthermore, Kommunalkredit had access to a free liquidity reserve consisting of high-quality liquid securities (HQLA) of EUR 427.6m (31/12/2020: EUR 268.1m).

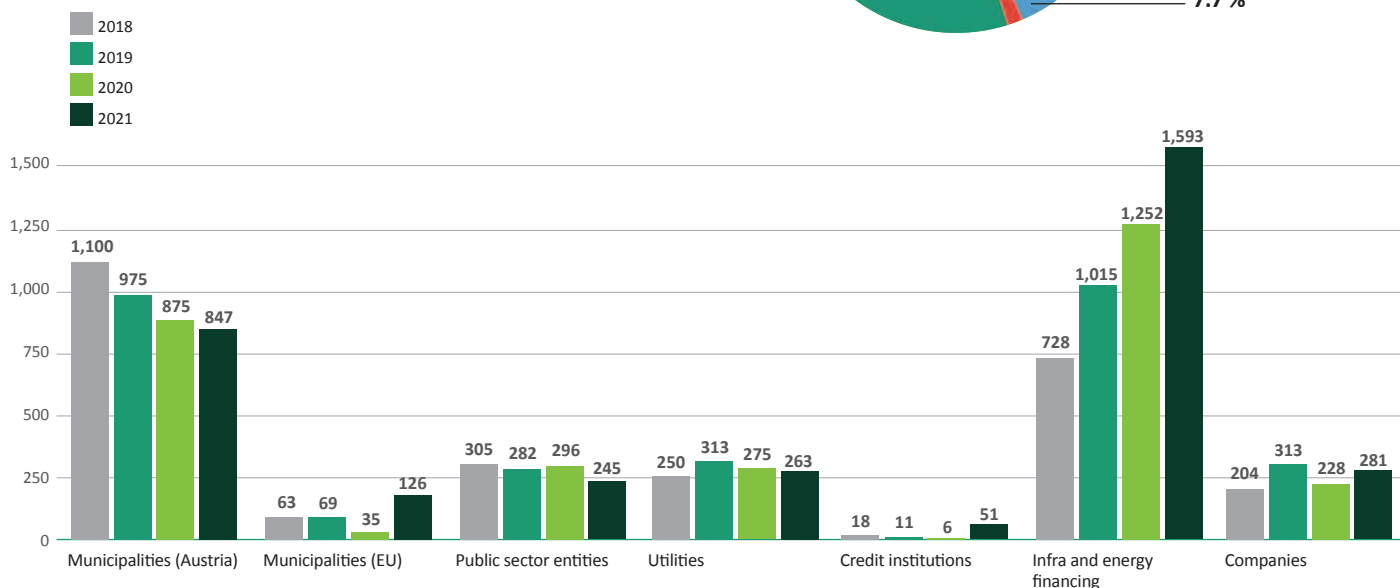
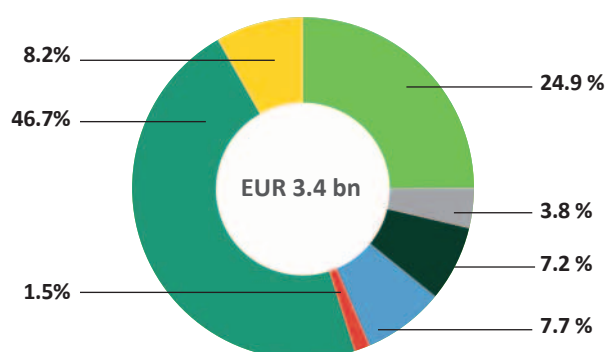
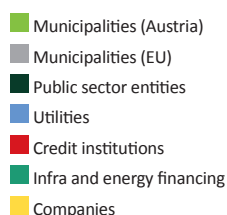
A diversified **refinancing structure** remains a major focal point. Gradually, existing funding sources have been expanded and new ones established over recent years. In order to adequately manage liquidity risks, it is important to not be dependent on any single refinancing source. As a European financial institution,

Kommunalkredit focuses on infrastructure and energy financing projects – many of which provide a social and/or environmental benefit to the community. This is precisely why its products appeal to investors, as they enable sustainable investments.

The bank continued to expand its diversified refinancing strategy in 2021. After spending the past few years concentrating on developing and expanding a solid deposit base, the focus in 2021 was on entering the capital market to further diversify funding sources and strengthen the capital base.

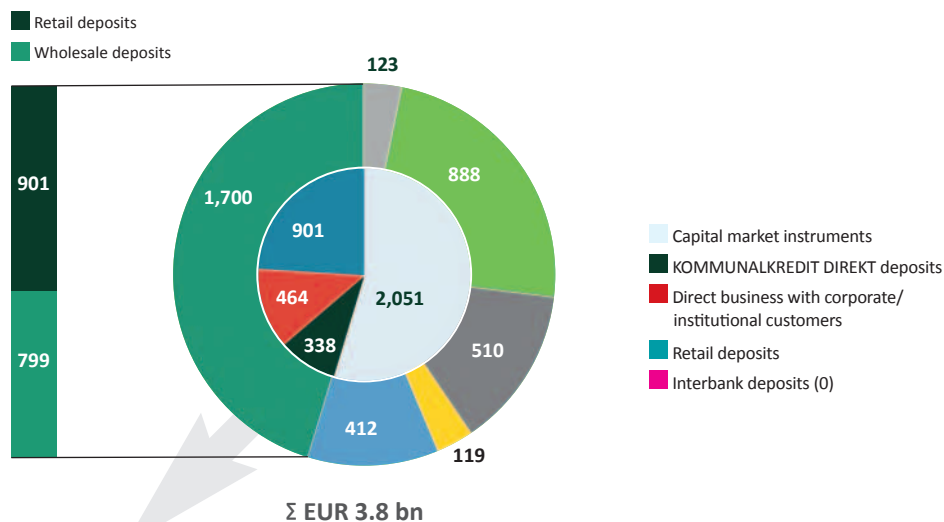
Loan portfolio by borrowers

in EUR m, as of 31/12/2021

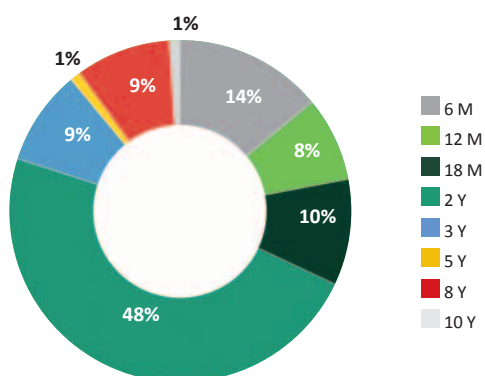


Refinancing structure in EUR m, as of 31/12/2021

Subordinates
Covered Bonds
Senior Unsecured
Promissory notes
TLTRO III
Customer deposits
Interbank deposits (0)



Maturities of deposits in %



Public sector covered bonds | cover pool

As of 31 December 2021, Kommunalkredit had a well-diversified cover pool with a value of EUR 1,026.6m, while public sector covered bonds denominated in EUR and CHF amounting to approximately EUR 887.9m were outstanding. The cover pool as of

31 December 2021 consisted of assets from Austria (92.4%), Portugal (3.4%), France (2.6%) and Germany (1.6%). 85.5% of the cover pool had a rating of "AAA" or "AA"; 9.8% had a rating of "A". The level of surplus cover as of 31 December 2021 was 13.4%.

Rating

S&P Global Ratings

BBB-
A-3
Stable

Fitch Ratings

BBB-
F3
Stable

DBRS Morningstar

BBB
R-2 (high)
Stable

Covered Bond S&P Global Ratings

A+
Stable

The investment grade ratings from S&P Global Ratings and Fitch Ratings were newly awarded on 24 February 2021 and 22 March 2021, respectively. In addition to the continuously increasing operational profitability, particular attention was paid to the brand strength in partnerships with our customers and institutional investors as well as the demand for our infrastructure fund Fidelio KA based on the "originate and collaborate" approach.

Moreover, the resilience of the business model in the COVID-19 crisis and the stable liquidity, risk-bearing capacity and capital strength have been listed as major factors for the awarded ratings. The **covered bond rating** for Kommunalkredit awarded by S&P Global Ratings was increased from "A" to "A+" with a stable outlook as of 4 March 2021.

Successful entry into the capital market

Kommunalkredit further expanded its access to the capital markets in 2021. A new **debt issuance programme** (DIP 4) was launched in 2020 amounting to EUR 800m, which was updated in April 2021 and approved by the Financial Market Supervision in Austria (FMA). Issues under this programme are listed in Vienna and highlight Kommunalkredit's sense of solidarity with its domestic capital market.

AT1 bonds: EUR 62.8m in subordinate AT1 issues were floated in 2021. Following the first-time issue of an AT1 bond to the value of EUR 6m at the start of the year, another AT1 bond of EUR 56.8m was issued and successfully placed with multiple investors following the publication of the investment grade ratings from S&P and Fitch. The issue of the AT1 bonds has strengthened and optimised the bank's capital base.

Public senior preferred bond: The bank's capital market activities were further expanded in May 2021 with the issue of Kommunalkredit's senior preferred bond to the value of EUR 300m. It was the first publicly syndicated refinancing transaction for the bank since the issue of a social covered bond in 2017. Due to massive investor interest, the final emission volume was significantly oversubscribed. The closed order book amounting to around EUR 700m encompassed over 70 investors throughout Europe. In addition to the bank's home market of Austria, the bond was also placed among investors in the asset management, insurance and banking sectors in Germany, the Benelux countries, Scandinavia, the United Kingdom and southern Europe.

Public covered bond: After the repayment of the social covered bond to the value of EUR 300m in July 2021, Kommunalkredit issued a public covered bond to the value of EUR 250m and with a maturity of seven years in September 2021. There was massive investor interest in this issue as well (oversubscribed 4.8 times over). The issue was placed among 59 investors in the asset management, insurance and banking sectors primarily in Austria, Germany, Scandinavia and southern Europe.

Private placements of capital market issues: In addition to the issue of public issues, EUR 79m in private placements of senior preferred bonds and a EUR 20m covered private placement were also placed among institutional investors in 2021.

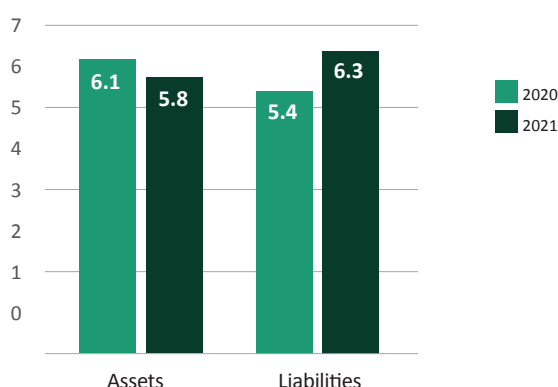
With the capital market issues, Kommunalkredit has further strengthened and diversified its refinancing structure while also increasing its visibility on the market in 2021.

Amounts owed to customers decreased to a total of EUR 1,866.9m (31/12/2020: EUR 2,104.6m). The deposits included in this amount remained stable at EUR 1,718.4m (31/12/2020: EUR 1,773.9m). Amounts owed to customers also include long-term private placements, which decreased to EUR 108.9m (31/12/2020: EUR 273.2m) due to optimisation measures in the funding structure, and liabilities from collateral received in connection with derivatives of EUR 39.5m (31/12/2020: EUR 57.5m).

Development of deposit business

Deposit business also shows, amid the continuing difficult economic environment in relation to COVID-19, a **balanced ratio** between retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and public-sector companies and direct business with corporates and institutional customers). In view of the more than sufficient liquidity situation, the wholesale deposits were deliberately reduced in favour of capital market funding in 2021. In addition, the maturity and cost structures in the deposit business were optimised.

Weighted average term in years



Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its business with private customers in Austria and Germany via its online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 31 December 2021, the bank had 16,043 private customers (31/12/2020: 14,489), which represents an increase of 10.7%.

The average deposit volume per customer of EUR 56,168 remains at a high level (31/12/2020: EUR 58,416). The share of term deposits as of 31 December 2021 remained stable at 84% (31/12/2020: 86%); the average term length of term deposits was 26 months (31/12/2020: 26 months). The deposit volume at the end of the year came to EUR 901m (31/12/2020: EUR 846m), up by 6.5%. More than half of the term deposits is invested to mature in three to ten years.

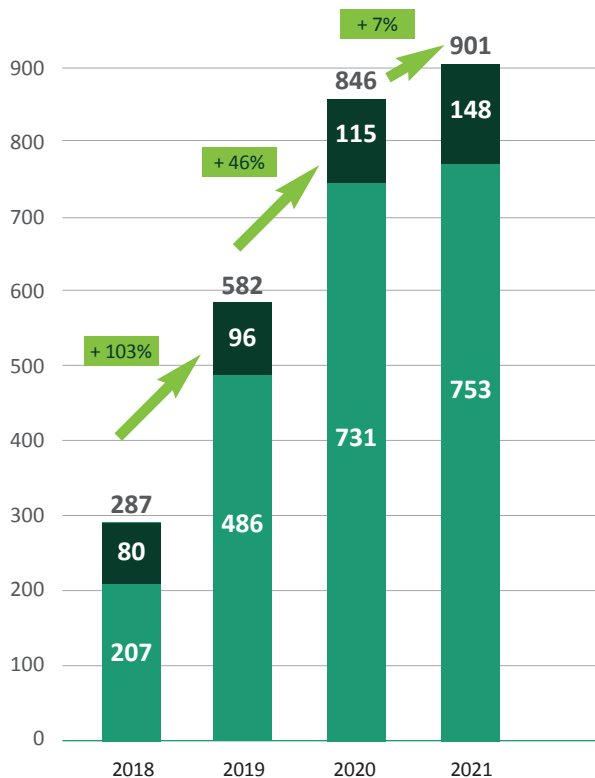
Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and corporates with close ties to municipal authorities. KOMMUNALKREDIT DIREKT provides customers with a cutting edge platform. New customers register using a completely digital onboarding process; the clear, user-centric design allows customers to easily manage their investments (including automatic reinvestments) themselves in a transparent manner and to monitor any financing arrangements.

Wholesale deposits declined by 12.7% in 2021 and stood at EUR 799m at year-end (31/12/2020: EUR 916m). As previously mentioned, the deposits were deliberately reduced in favour of capital market funding in order to prevent excess liquidity.

Retail deposits (KOMMUNALKREDIT INVEST)

in EUR m, as of 31/12/2021

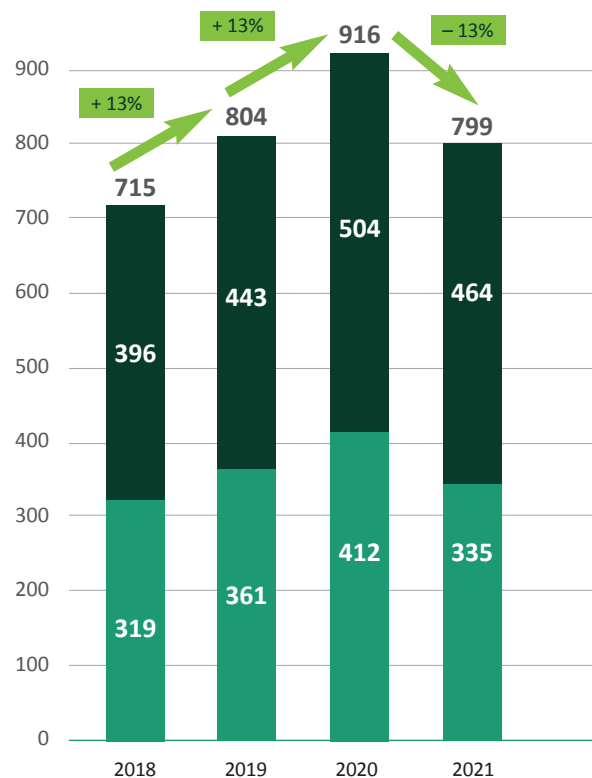
Overnight deposit
Term deposit



Wholesale deposits

in EUR m, as of 31/12/2021

Direct business with corporate/institutional customers
KOMMUNALKREDIT DIREKT



Strong liquidity ratios

The liquidity coverage ratio (LCR), in accordance with the CRR (Capital Requirements Regulation), measures the short-term resilience of a bank's liquidity risk profile over a 30-day scenario and is closely monitored as part of the bank's early warning system. With a ratio of 735% as of 31 December 2021 (31/12/2020: 421%), Kommunalkredit continued to significantly exceed the regulatory minimum ratio of 100%.

LCR
735%

NSFR
122%

Banks are also required to maintain a stable long-time refinancing fund in terms of their assets and off-balance-sheet activities. The structural liquidity ratio (net stable funding ratio, NSFR) was also increased further in 2021. According to the CRR, this requires banks to maintain a stable refinancing fund in terms of their assets and off-balance-sheet activities. As of 31 December 2021, it was 122% (31/12/2020: 118%).

Questions for ...

Marcus Wadsak

Meteorologist, TV Presenter,
Non-Fiction Writer

How do you explain climate change in 30 seconds?

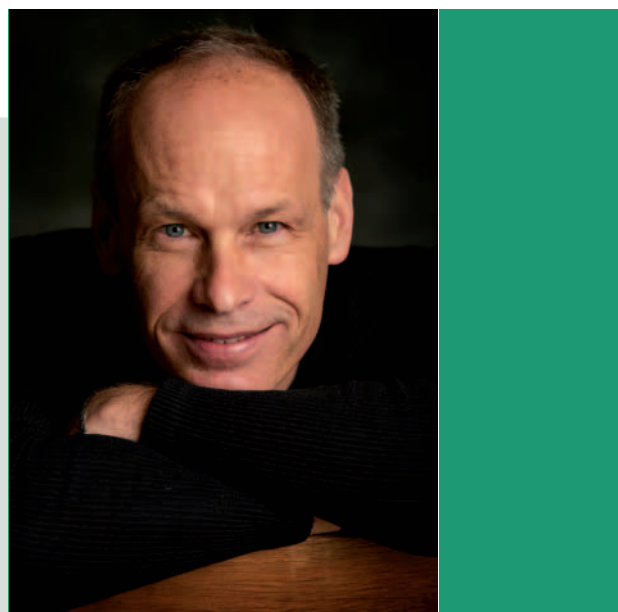
It is getting warmer and warmer, our earth is heating up. We humans have caused this warming by emitting greenhouse gases. Extreme weather events are on the rise. What we are now experiencing – heavy rainfall, floods, heatwaves, drought and forest fires – are the direct result of climate change.

That being said, there are people who still dispute the effects of climate change.

The number of people denying climate change is gradually declining. These groups notice that and are therefore becoming more vocal. Certain social networks offer a platform where false theories can be broadcast across a wide spectrum. And there are people who simply have other interests. Industries that want to hold on to their fossil fuels, for example, give a lot of money to climate deniers. When the facts are there for all to see – and they have been since the 1970s – you cannot argue climate change out of existence.

Why is climate change such an emotional issue?

I'm afraid it still isn't a really emotional issue because it is very abstract for many people and remote geographically speaking. The image of polar bears on ice floes stays with you, but this reality is far too removed from everyday life. The truth is: climate change has been around for some time. Austria is warming twice as much as the global average: 2 degrees more than in the pre-industrial age. The glaciers are melting, there are more heat waves, periods of drought are lasting longer, crop failures, floods, extreme weather events with damage caused by hail, storms ... all of this is happening more frequently in Austria.



Austria has set itself the goal of being climate-neutral by 2040 and must therefore take appropriate action. With this in mind, what will the region of the future look like?

We will have regions that will and must remain untouched. And we will have regions that will clearly change. I, myself, can see huge wind turbine fields from my bedroom in Burgenland. They are far from houses, make no noise, and do not disturb anybody. Having said that, each wind turbine is the subject of a discussion. Generally, people are all for them. There are specific requirements and nobody wants them right on their doorstep. What is the alternative? A coal-fired power plant, a nuclear power plant ...? Solar and wind power have enormous potential and are increasingly attracting attention. You always have to keep in mind that they produce sustainable, clean energy – unlike things that pollute our air and pose a risk to our health.

“We are the first generation to feel the effects of climate change. And we are the last who can do something about it.”

PERFORMANCE.INDICATORS.

Assets, financial position and income

The 2021 financial year was a record year for Kommunalkredit. With profit for the year of EUR 47.1m, up 40%, we continued on our path of growth with impressive results. With its focus on infrastructure and energy financing as well as public finance, Kommunalkredit's business model has proven to be largely crisis-resistant and profitable even amid the challenges posed by the COVID 19 pandemic. This was corroborated at the beginning of the year by the rating agencies S&P Global Ratings and Fitch Ratings with the award of an investment grade rating.

Financial performance indicators according to Austrian GAAP Selected performance indicators

in EUR m or %	2021	2020
Total assets	4,230.4	4,108.7
Total capital (subscribed capital, reserves, additional tier 1)	334.1	307.4
Net interest income	55.6	57.4
Net fee and commission income	29.6	20.4
General administrative expenses	-51.9	-47.4
Other operating income	18.4	3.0
Other operating expenses	-2.8	-1.7
Operating result	49.8	33.1
Operating result from the sale of infrastructure/energy financing*	3.3	-0.3
Net allocation to provision (§ 57 (1) Austrian Banking Act)*	-0.7	-0.9
EBIT	52.5	31.9
Other loan impairment, valuation and sales result*	3.7	0.5
Profit on ordinary activities	56.2	32.4
Taxes on income	-9.0	1.2
Profit for the year after tax	47.1	33.6
Cost/income ratio (based on EBIT)	51.2 %	61.0 %
Return on equity before tax	16.3 %	10.3 %

* Included in items 11 to 13 of the income statement.

Regulatory performance indicators of Kommunalkredit Austria AG according to Austrian GAAP

in EUR m or %	31/12/2021	31/12/2020
Risk-weighted assets	2,026.5	1,692.2
Total capital (CET 1, additional Tier 1, Tier 2)	458.2	392.8
CET 1 ratio	17.3 %	20.3 %
Common equity ratio	20.4 %	20.3 %
Total capital ratio	22.6 %	23.2 %

Rating

Issuers rating	S&P GLOBAL RATINGS	FITCH RATINGS	DBRS MORNINGSTAR
Long-term rating	BBB-	BBB-	BBB
Short-term rating	A-3	F3	R-2 (high)
Outlook	stable	stable	stable

Structure of statement of financial position

The total assets under Austrian GAAP came to EUR 4.2bn as of 31 December 2021 (31/12/2020: EUR 4.1bn). The main asset items in the statement of financial position were loans and advances to customers amounting to EUR 2.7bn (31/12/2020: EUR 2.6bn). The increase in customer receivables of EUR 162.9m is mainly attributable to the continued growth in the field of infrastructure and energy financing. In 2021, new payouts reflected in the statement of financial position of EUR 1.1bn were made, while the placement volume of EUR 0.7bn was increased significantly. Bonds and debt securities, which mainly include securities from the liquidity book, amounted to EUR 0.7bn as of 31 December 2021 (31/12/2020: EUR 0.5bn).

Customer liabilities of EUR 1.9bn (31/12/2020: EUR 2.1bn) and securitised liabilities of EUR 1.3bn (31/12/2020: EUR 1.0bn) are the largest refinancing items under equity and liabilities. The increase in issue activities in 2021 to diversify funding sources was reflected in particular in a EUR 300m public senior preferred bond and a EUR 250m public sector covered bond transaction. Furthermore, AT1 bonds with a nominal value of EUR 62.8m to diversify the bank's capital base were successfully issued for the first time. Kommunalkredit's equity amounted to EUR 334.1m as of 31 December 2021 (31/12/2020: EUR 307.4m). The bank also has EUR 40.0m from a fund for general bank risks according to § 57 (3) of the Austrian Banking Act.

Income

Kommunalkredit Austria AG reported an operating result of EUR 49.8m for 2021 in accordance with Austrian GAAP (2020: EUR 33.1m). EBIT, which adds the operating result from infrastructure/energy and the change in the provision pursuant to § 57 (1) of the Austrian Banking Act (BWG), also illustrates, with an impressive increase of 64.4% or EUR 20.6m to EUR 52.5m (2020: EUR 31.9m), the changes in the bank's operating earnings power in the 2021 financial year combined with targeted measures in interest rate and liquidity management. Based on EBIT, this results in a significantly reduced cost/income ratio of 51.2% (2020: 61.0%).

The other loan impairment, valuation and sales result came to EUR 3.7m (2020: EUR 0.5m). The statistically calculated provisions for expected credit losses decreased slightly by EUR 0.1m and amounted to EUR 6.2m as of 31 December 2021. Furthermore, there is a general risk provision pursuant to § 57 (1) of the Austrian Banking Act (BWG) amounting to EUR 4.1m. There were no credit losses in 2021, either; the NPL rate is still 0.0%.

The profit on ordinary activities of EUR 56.2m was 73.5% or EUR 23.8m above the previous year's figure of EUR 32.4m. After the full utilisation of the tax loss carryforwards, the tax expense for 2021 came to EUR 9.0m (2020: tax income of EUR 1.2m). The profit for the year after tax nevertheless increased by 40.3% to EUR 47.1m (2020: EUR 33.6m).

The main income and expense items were, with a detailed breakdown, as follows:

Net interest income

The net interest income came to EUR 55.6m (2020: EUR 57.4m). The slight decrease compared to the previous year mainly results from increased charges linked to negative interest for liquidity reserves held with the central bank.

Net fee and commission income

Net fee and commission income increased by 45.2% to EUR 29.6m (2020: EUR 20.4m) in 2021. The main activities of the range of services that are continually expanded by Kommunalkredit include arranging and structuring infrastructure and energy financing as well as the consulting and service business. Fee and commission income of EUR 33.8m (2020: EUR 22.5m) were offset by fee and commission expenses of EUR 4.2m (2020: EUR 2.1m). The increase in fee and commission expenses is attributable to the accelerated issue activities in the capital in the 2021 financial year.

General administrative expenses

General administrative expenses increased by 9.5% to EUR 51.9m (2020: EUR 47.4m). EUR 33.8m (2020: EUR 29.8m) was attributable to personnel expenses – mostly to performance-linked remuneration due to outperformance and the difficult working conditions under COVID-19 restrictions –, EUR 16.0m (2020: EUR 15.8m) to other administrative expenses and EUR 2.0m to the contribution to the Bank Resolution Fund (2020: EUR 1.8m). The increase is reflective of the growth in capacity and the strategic expansion of the team, both in the front and back office, with international know-how and substantial experience in the infrastructure and energy sectors resulting from the growth path taken and the broadening of the product range. The cost/income ratio decreased despite increased general administrative expenses to 51.2% after 61.0% the previous year.

Other operating income

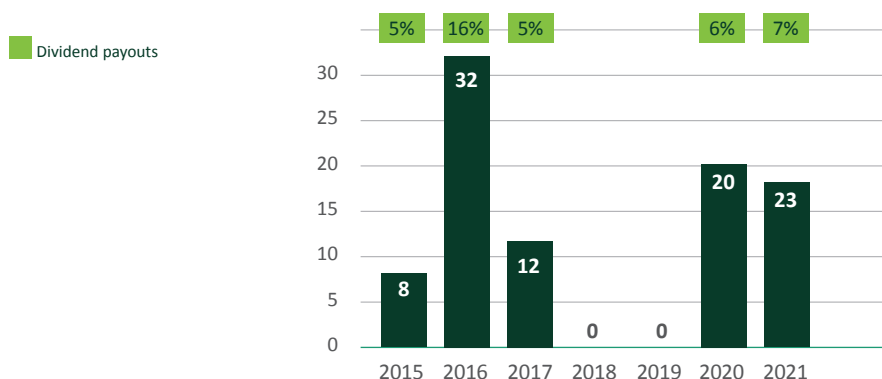
Other operating income amounted to EUR 18.4m in 2021 (2020: EUR 3.0m) and mainly includes realised income of EUR 14.9m from the repurchase of customer liabilities in the amount of EUR 155.5m and the reversal of related interest rate hedges. The rating improvements in 2021 triggered by the positive and stable business development in the infrastructure and energy business enabled a further diversification of funding sources. This way, access to the capital market was expanded and equity and debt capital issues were successfully implemented. As part of the optimisation of the funding structure, repurchases of promissory note loans were carried out with a positive effect on the result, taking into account sufficient liquidity. Furthermore, income from the provision of operating services for Kommunalkredit Public Consulting GmbH amounting to EUR 3.1m (2020: EUR 2.7m) is also included.

Other operating expenses

Other operating expenses came to EUR 2.8m (2020: EUR 1.7m) and were mainly the contribution to the deposit guarantee fund and stability tax paid by Austrian banks.

Dividend payouts since 2015

in EUR m

**Operating result from the sale of infrastructure/energy financing**

Income of EUR 3.3m was realised from the sale of infrastructure and energy financing (2020: EUR -0.3m).

Loan impairment, valuation and sales result

The loan impairment, valuation and sales result came to EUR 3.7m (2020: EUR 0.5m), the main components of which were EUR 2.0m from the sale of the equity share in Kommunal-leasing GmbH and EUR 1.1m from the reversal of impending losses relating to the syndication of public finance loans in 2016. The net provisioning for impairment losses resulting from the change in statistically calculated provisions for expected credit losses came to EUR 0.1m. As of 31 December 2021, risk provisions, therefore, came to EUR 6.2m (31/12/2020: EUR 6.3m). Furthermore, the bank has a general risk provision pursuant to § 57(1) of the Austrian Banking Act (BWG) amounting to EUR 4.1m (31/12/2020: EUR 3.3m). There were no credit losses in 2021, either; the non-performing loan ratio remains at 0.0%.

Developments in risk provisions taking COVID-19 into account

The risk provisions for statistically expected credit losses are taken into account based on a risk provisioning model with statistically calculable empirical values (in accordance with IFRS 9). The expected loss is determined as the product of the probability of default (PD) based on forward-looking information, the loss given default, and the exposure at default.

One of the key drivers of the PDs is changes in macroeconomic input parameters. Despite the current increase in COVID-19 case numbers, the outlook for 2022 is very positive, and a sustainable economic recovery with significant economic growth as well as a decline in rates of unemployment is forecast. The economic recovery in 2021 has already resulted in more rating upgrades than downgrades once again being recorded in the portfolio. In 2021, this positive economic environment resulted in a noticeable reduction in PDs, which are currently marginally below the long-term through-the-cycle PDs again and are still deemed to be sufficiently conservative.

Based on structural risk mitigation factors typical of infrastructure financing, the bank's portfolio has proven very stable in 2021, too. A lot of the project financing benefits from availability models, fixed feed-in rates or long-term contracts and also include additional risk-mitigating contractual agreements such as extensive payment monitoring, restrictive financial covenants and reserve accounts. Based on sensitivity analyses, the financing structures and the repayment profiles are defined so as to ensure that there are sufficient reserves in place for servicing loans in a due and proper manner. All loans in the infrastructure portfolio were serviced in accordance with contract terms, taking into account two cases where the repayment profile was adjusted (forbearance). As of 31 December 2021, four exposures from the infrastructure portfolio with an exposure amounting to EUR 95.3m were recognised in ECL 2 (lifetime ECL).

Isolated deferrals (deferred interest payments and repayments totalling EUR 2.3m) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages caused by the COVID pandemic. There were no long-term financial difficulties/deteriorations in credit ratings as of 31 December 2021; all exposures are classified as belonging to P&L 1.

Kommunalkredit has reacted quickly to the to the changing demands, in particular the increased focus on digitalisation & communication due to home office, distance learning and a secure and resilient energy supply.

Risk-weighted assets and total capital

As of 31 December 2021, Kommunalkredit individually had common equity tier 1 capital (CET 1) of EUR 350.8m (31/12/2020: EUR 344.0m), core capital (tier 1) of EUR 413.6m (i.e. CET 1 plus EUR 62.8m additional tier 1 – AT1) (31/12/2020: EUR 344.0m) and total capital of EUR 458.2m (i.e. tier 1 plus EUR 44.6m tier 2) (31/12/2020: EUR 392.8m). To diversify the capital base and optimise the capital structure, additional Tier 1 capital (AT1) amounting to EUR 62.8m was successfully placed on the capital market in the first half of 2021. The difference between the regulatory total capital individually (EUR 458.2m) and at Group level (EUR 412.8m) largely results from the imputation restriction pursuant to Article 81 ff CRR (“minority deduction”).

As of 31 December 2021, Kommunalkredit therefore once again reported strong capital ratios: the total capital ratio came to 22.6% (31/12/2020: 23.2%), the Tier 1 capital ratio came to 20.4% (31/12/2020: 20.3%), and the common equity Tier 1 ratio came to 17.3% (31/12/2020: 20.3%).

The values shown reflect the total capital performance indicator basis of Kommunalkredit’s separate financial statements according to Austrian GAAP, taking into account the profit for the year in 2021 after a planned dividend of EUR 23.0m.

Questions for ...

Werner Krammer

Mayor of Waidhofen an der Ybbs

How does a small town in the north of Austria feel the effects of climate change?

The rise in certain weather extremes is also impacting us in this region. Since Waidhofen is located in a valley, we see little flooding despite the increase in heavy rainfall. However, more water is coming down the slopes, which means our sewer network is often pushed to its capacity limits. We know that we need to make some changes here.

To kick-start the energy transition, you began launching initiatives a few years ago.

We were one of the first towns to switch completely to LED lighting. We have had our own hydro power plant on the Ybbs since 2012. We believe energy groups offer huge potential. And, as a first step, we have fitted the municipal buildings with photovoltaics. Our relationship with the citizens is excellent in this regard. Many of them are actively addressing climate issues and, by joining forces with us, are raising awareness.

“We must try to organise mobility using urban concepts so that not everyone needs to take their own car.”



How does the Renewable Energy Expansion Act support the implementation of municipal projects?

At the moment, it is primarily the energy groups that are being heavily promoted, as this allows us to motivate people to opt for sustainable electricity – both as a producer and as a consumer. We need to keep issues such as blackout in mind; we have invested heavily in photovoltaics. Wind power, however, is not an issue due to spatial planning. From a transport policy perspective, we have an advantage in that we are located right beside the Rudolfsbahn, which is connected to the western axis via Amstetten. We have a regional bus system that goes in all directions on the hour; downtown, we have a relic in the Ybbs Valley Railway, which covers the main frequency points every half hour. We round it off with a city bus system. But then we have reached our limits. Some districts are not connected. That’s why we have thought about introducing new mobility services: we are stepping up efforts to establish mobility associations that provide transportation on a voluntary basis, especially for younger age groups or the elderly.

Keyword mobility: What about electric cars and infrastructure?

We have electric charging points and are currently expanding the network. It’s not that easy because energy providers are unable to direct the electricity everywhere. The cables need to be properly dimensioned, although we sometimes lack the infrastructure for this. As for PV, we have inspected all our municipal buildings for statics, solar radiation ... First, you are pleased that you have large areas, but then you become disillusioned because the local transformer is unable to draw the electricity. There is a need for action, something that is not within the remit of the municipality.

KNOW-HOW.PROVIDERS.

Branch office and equity investments

Vienna (headquarters) and Frankfurt (branch office) are the main hubs from which Kommunalkredit performs its function as a specialist for infrastructure and energy financing. The company operates across all of Europe from these two economic hubs. The 188 employees in the bank and 113 in the environmental subsidisation and consulting subsidiary are responsible for the performance.

Focus on core business

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), the companies of the Fidelio KA Debt Fund platform, Florestan KA GmbH and Kommunalnet E-Government Solutions GmbH are strategic investments or investments in affiliated companies, while the companies relating to the bank's real estate (serving as head office) primarily serve to support the core business.

Kommunalkredit Public Consulting GmbH

Investments in infrastructure and measures to combat climate change are essential for our society. With its two areas of business **subsidy management** and **consulting**, Kommunalkredit Public Consulting GmbH (KPC) makes a major contribution to these goals. It is an expert and competent partner for climate and environmental protection projects in the fields of renewable energy, energy efficiency, climate-friendly mobility, urban water management, protective water management and remediation of contaminated sites. 90% of its shares are owned by Kommunalkredit. With its broad and specific knowledge of topics regarding the environment, climate and energy, KPC is a recognised partner in the field of **sustainable finance** and for the recognition of ESG and SDG criteria in daily business.

Subsidy management

The high demand for environment support schemes persisted in 2021. KPC awarded subsidies of EUR 773m, in particular on behalf of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), the Federal Ministry for Agriculture, Regions and Tourism (BMLRT) and the Climate and Energy Fund. The subsidies consequently went to 98,298 environmental and climate protection projects with a total investment volume of EUR 4,559m. This is equivalent to an increase of about 81% against the same period in 2020.

In keeping with the efforts made by the Austrian federal government to promote climate protection at regional and local level and revive the economy in times of COVID-19, funding was increased significantly in 2021 for any climate-related subsidy instruments. There has never been more funding available. As a result, demand for subsidies surged; applications increased by 110% compared to the previous year.

KPC acts as the **point of contact** between the subsidisers who provide the financial resources and the applicants. They oversee the entire process of a project. Its duties also include the development and implementation of support programmes. In 2021, these were, for example, subsidy programmes to promote wooden construction in the Waldfonds investment fund, numerous subsidies within the framework of the Austrian Recovery and Resilience Plan and the introduction of a subsidy to decarbonise district heating.

KPC in 2021



98,298

Project assessments

+142%



EUR 4,559_m

Investment volume

+81%

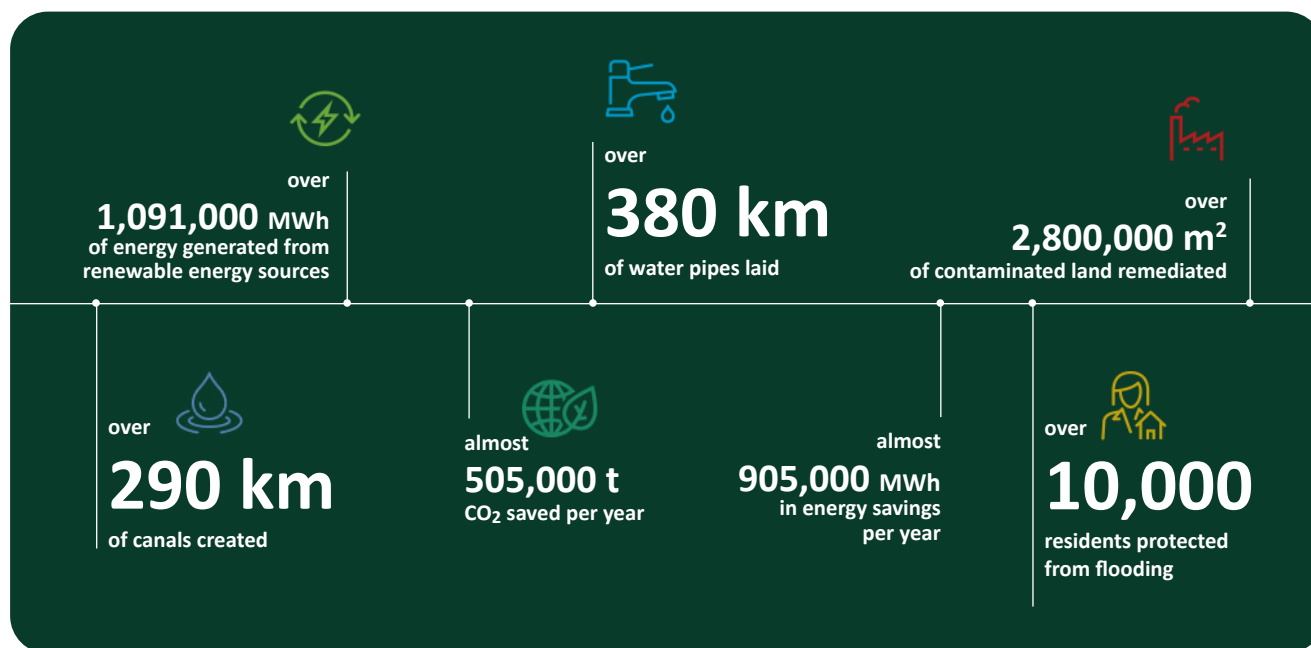


EUR 773_m

Subsidy volume

+73%

Effects of environmental support in 2021



Consultancy services

As a consultancy, KPC provides services for renowned national and international development organisations and financial institutions. Its range of services includes technical and economic consulting, the preparation of (market) studies, the implementation of evaluation projects and the development of sustainable credit facilities, as well as capacity development and policy advice. In international consulting, KPC focuses more specifically on consultancy services in the field of energy, climate protection and sustainable finance. In addition, it focuses increasingly on services in the field of ESG (Environment, Social & Governance) and on issues associated with green financing and the EU taxonomy. For example, KPC was accredited as a **verifier of green bonds** in accordance with the CBI (Climate Bond Initiative) standard.

Clients include renowned institutions such as the World Bank, the European Commission, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Organisation for Economic Cooperation and Development (OECD) or the German Kreditanstalt für Wiederaufbau (KfW).

On behalf of the BMK, KPC appointed a member of the Austrian negotiation team in the climate negotiations at EU level and in the context of the international climate negotiations in Glasgow (**COP 26**) again in 2021. The contribution of donor countries to funding for international climate projects under the Paris Agreement will be negotiated as part of this mandate, and the position of the Member States at EU level will be agreed upon. KPC also acts as an advisor to the Austrian representative in the **Green Climate Fund** (GCF), an instrument for funding for international climate projects that provides money for projects to reduce greenhouse gas emissions and for enabling adjustments to climate change in developing countries.

In the field of bilateral climate project funding, the KPC manages climate protection projects funded directly by the BMK to support climate protection measures in developing countries and emerging markets.

In 2021, KPC received new attractive commissions as well as extensions for existing appointments to support Green Financing Facilities in the energy efficiency segment. One example is the implementation of the EBRD support programme “Green Economic Financing Facility – Western Balkan” for the thermal rehabilitation of buildings in the Balkans. The aim of this programme is to ensure a significant reduction in the use of woodfuels in inefficient ovens in uninsulated buildings in order to counter environmental pollution (especially particulate matter) and the waste of local wood resources. KPC is implementing the project with local banks in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. It also conducts training sessions, calculates the amount of subsidies for each rehabilitation project and markets the programme.

The seven-year term of the Pilot Auction Facility for Methane and Climate Change (PAF), which stimulates private investments in climate protection measures, will come to an end in 2022. This pilot project launched by the World Bank is intended to revitalise the lack of financial incentives in CO₂ trade with the purpose of providing more finance to projects that combat climate change. About USD 55m has been contributed in the auctions. KPC supports the World Bank as a “Verification Agent” in this process by verifying project credits related to the climate protection projects using tender conditions.

KPC has also offered a platform for the voluntary offsetting of CO₂ emissions in the form of “Climate Austria” since 2008, which has now become one of the leading tools in Austria. In cooperation with Austrian Airlines, passengers can offset their journeys.

Project development

For KPC, too, 2021 was dominated by the expansion of the fields of business. The aim of the new area of focus, “project development in the field of renewable energy”, is to take advantage of KPC’s technical know-how combined with Kommunalkredit’s financial background and develop projects in Austria as well as in

the EU. A team of experts, tasked with developing photovoltaic or wind power projects within KPC and through partnerships with other companies and implementing them together with the bank, is currently being set up.

REFERENCE PROJECTS



PeakSun – photovoltaic rooftop facilities (Austria)

By joining forces with the Upper Austrian energy provider eww, Kommunalkredit formed a joint venture for the development, construction and operation of rooftop photovoltaic systems in Austria. The business model is structured in such a manner that customers do not need to make initial investments, and there is no technical risk. Under a contracting agreement, the company constructs, finances and leases the system on the roof areas provided by the customers. The electricity produced is either used in the building itself or fed into the public power grid. If the customer uses the electricity produced by the system, this can result in substantial cost savings compared to conventional electricity procurement. The system can be taken over after 15 years or leased again.



Europe’s largest photovoltaics park (Spain)

Cobra Concesiones is one of the leading sponsors and project developers in the field of renewable energy. The company is an expert in project development and has many years of experience in the construction and operation of renewable energy projects. Europe’s largest photovoltaics park in the region of Murcia in Spain covers an area of 1,088 hectares; 494 megawatt hours of solar power are produced. Kommunalkredit acted as a Senior Lender for the project, the consultants at KPC were on hand to provide support for the technical requirements during the entire construction phase and start-up of the project.

*“The unique combination
of financial expertise and technical
know-how from one single
source makes us special.”*



Questions for ...

**Frank Hasselwander,
Gerlinde Mayerhofer-Fras, Christopher Giay**
KPC Management Board



2021 was an intense year, project assessments increased by almost 150%. What are your expectations for 2022?

In subsidisation management, environmental support in Austria, the climate fund and thermal rehabilitation will be given a lot more funding to support the national climate targets. In addition, there are new subsidies available from the European Reconstruction and Resilience Fund (RRF) to achieve the EU target of climate neutrality by 2050 and set the stage for digital change. And we are waiting in the wings for the implementation of new subsidy schemes such as circular economy, repair service bonus or a support programme for farms transitioning to energy self-sufficiency. This means that there will be a sharp increase in the number of applications.

Sustainable finance is becoming more of a priority for consulting. ESG and SDG are becoming increasingly important, including in the regulations. A new field of business?

Providing consulting services for sustainability issues is part of our DNA. Of course, new opportunities arise, and we intend to take advantage of them. One example is the focus of companies on the implementation of an EU-compliant sustainability strategy in accordance with the Paris Goals as well as non-financial reporting including disclosure of taxonomy compliance in accordance with the CSRD Directive. In the field of green financing we support companies with the preparation of green or social bond frameworks right through to verification of green bonds in accordance with the standards of the Climate Bonds Initiative. And we are involved in sustainable risk management, assessing climate risks and incorporating these risks in traditional business risks. In Austria alone, 2,000 companies will need to take the new reporting on board over the coming years. We can and would like to offer our expertise in this area.

In 2021, international project development was added to the portfolio. An initial summary?

We launched that in March 2021. The aim is to establish a strong team that focuses initially on the development and implementation of PV and wind projects in Austria and the EU. In conjunction with Kommunalkredit and through joint ventures with local project developers, we identify and develop MW class projects. This year we expect to complete the > 250 MW range with local developers and to implement the first PV project from this pipeline. Additional projects are in the pipeline and pursue the objective of the "Green Deal" in the EU and the decarbonisation of our economy.

KPC is a sought-after partner in international consulting, has been sending a representative to the World Climate Conference for years. What else is happening on the international stage?

We have been a partner for international financing institutions and consultants in the areas of water, climate change, environment and energy for over 25 years. Our services include technical and commercial studies (feasibility studies, cost-benefit analysis, preliminary planning), the management and implementation of projects, the development of sustainable credit and subsidy facilities, capacity development and policy advice. For our clients, we are a global player, our principal business areas at the present being Central, Eastern and Southern Europe as well as the Caucasus and the Mediterranean region. There is huge demand. A greater focus will therefore be on the acquisition of new business; the stage is set for this.

Florestan KA GmbH

In May 2021 the project development company “Florestan KA GmbH” was founded for equity investments. The aim is to provide equity funding for infrastructure and energy projects with development and growth potential.

In this connection, Kommunalkredit is investing in the construction of the largest electrolysis plant in Austria at Schwechat Refinery jointly with OMV, Austria’s leading oil, natural gas and chemical group. With an annual production of up to 1,500 tonnes of green hydrogen, the carbon footprint is reduced by up to 15,000 tonnes per year.

Questions for ...

Dirk Langhammer

Vice President Business Transformation OMV*

“Let’s allow hydrogen to play its true role: Not as an exclusive, high-priced product such as champagne, but as the bottled water of the energy transition.”



The largest electrolysis plant in Austria, for the production of green hydrogen, is currently being constructed at Schwechat Refinery. 1,500 tonnes will be produced each year in the future.

What can you do with it?

Just picture it: with this amount you can make 17 million kilometres of HGV or bus travel CO₂-free. This is equivalent to roughly 150 heavy goods vehicles per year. We can decarbonise these accordingly.

How is green hydrogen produced?

Water (H₂O) is separated during electrolysis. Alternating current is rectified, producing a positive and a negative pole. Oxygen collects at the positive pole and hydrogen at the negative pole. We use PEM electrolysis featuring a so-called proton exchange membrane, which is needed to exchange particles. Hydrogen is then considered green when the energy for production comes from renewable power.

Can the residual products from the process also be used?

The use of the oxygen recovered is often only economically viable if used in larger plants. Gas has to be collected, processed, compressed and liquefied. Waste heat is also produced, which can be used via a heat pump. Our plant, therefore, focuses on hydrogen.

If you look at the automotive industry, it is opting for electricity. Does green hydrogen even have a good chance of being adopted in this segment?

That is true when it comes to cars, at least in Europe, although the debate on production and use of batteries has yet to come to a satisfactory conclusion. As for HGV and bus transportation, there is no doubt that an alternative solution to the diesel combustion engine must be found. Here the fuel cell in HGVs is an indispensable solution for long distances and heavy loads.

What role will green hydrogen play in the energy transition?

Its potential knows no bounds. And hydrogen has many applications. In refineries, it can replace grey and blue hydrogen, be a key component in heavy goods vehicles, be used to decarbonise entire industries. Hydrogen is not a scarce commodity. We need to ensure that we get it at the right price. This requires technological development and openness, exciting partnerships and regulations to truly achieve decarbonisation. My vision is that we actually reach net carbon zero.

* at the time of the interview, as of 1/1/2022

Vice President Strategy & Group Development Borealis

REFERENCE PROJECTS



Green hydrogen – investment in electrolysis plant (Austria)

The largest electrolysis plant in Austria is currently being constructed at Schwechat Refinery. From the second half of 2023, the 10 MW polymer electrolyte membrane electrolysis will produce up to 1,500 tonnes of green hydrogen each year. This means a reduction of 15,000 tonnes of fossil CO₂, which corresponds to about 17 million kilometres of bus or HGV travel per year. OMV, the integrated, international oil, gas and chemical company with its registered office in Vienna and Kommunalkredit are investing EUR 25m in the construction of the plant. Hydrogen plays a pivotal role in meeting the climate targets and therefore has potential for the future.

The sums stated correspond to the total volume of the respective transaction.

Kommunalkredit has formed a joint venture with the Austrian energy provider eww for the development, construction and operation of rooftop photovoltaic systems in Austria. As part of the proposed “contracting model”, customers do not need to make an initial investment, as the company finances the rooftop pho-

tovoltaic systems erected on the roof areas provided by the customers and leased to the customers. The customers receive all the electricity produced by the system and can use it in the building itself or feed it into the public power grid.

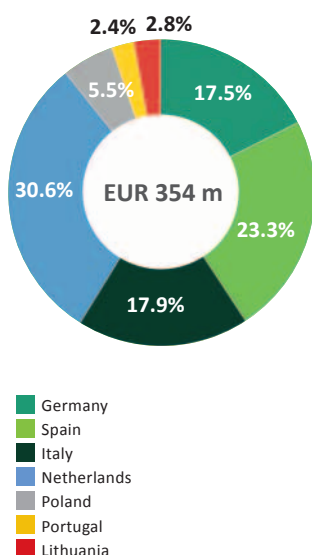
Fidelio KA Debt Fund platform

Kommunalkredit has established an independent infrastructure debt fund platform that gives institutional investors diversified access to the bank's infrastructure pipeline with the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA. The successful launch of the first infrastructure debt fund saw the bank expand its range of products to include **asset management solutions**. The formation of Fidelio KA Investment Advisory GmbH, which acts as Investment Advisor, is linked to this.

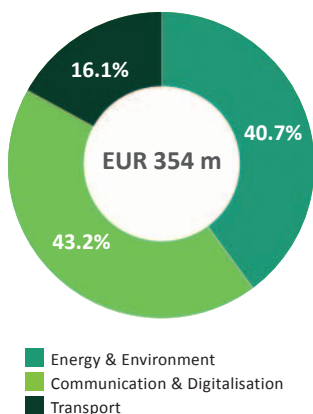
Investors benefit from Kommunalkredit's strong origination, structuring and portfolio management expertise in the field of sustainable European infrastructure and energy transactions. The bank benefits from deeper strategic partnerships with fund investors, ultimately translating into an increased number of transactions and higher volumes. The "Fidelio KA Infrastructure Debt Fund Europe 1" **sub-fund**, for example, which had its final close at the end of February 2020 with a volume of EUR 354m, outstripping the original target volume of EUR 150m by a wide margin, is already closed and fully invested with 17 projects. The portfolio overcame the COVID-19 challenges of the last two years without its performance being compromised and has no defaults or impairments.

Facts on Fidelio KA Infrastructure Debt Fund Europe 1 as of 31/12/2021

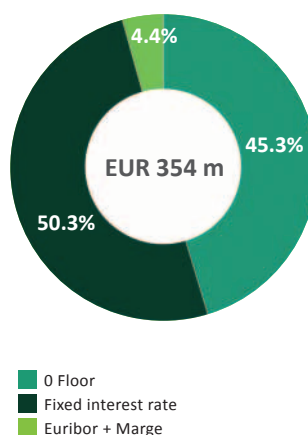
Geographical allocation
in %



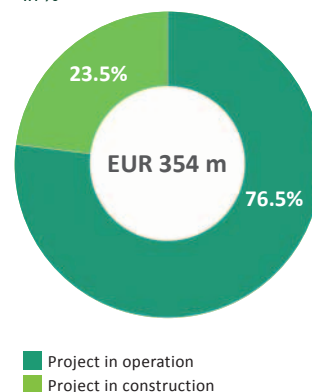
Sector diversification
in %



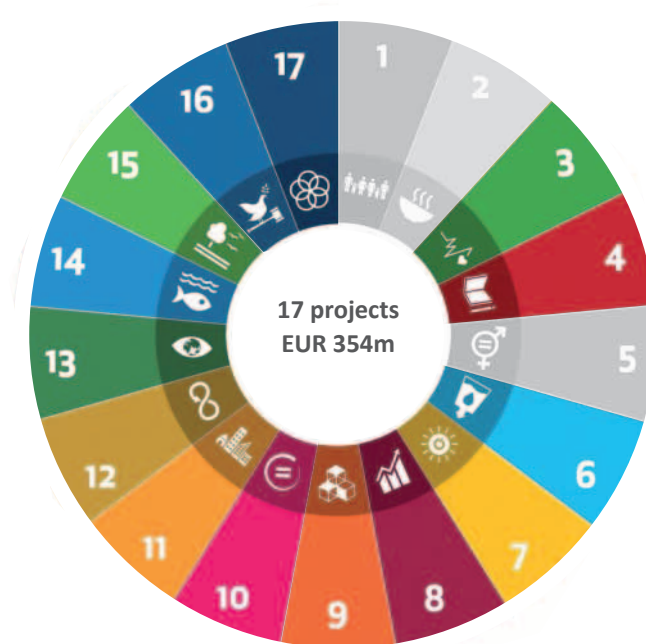
Interest rate
in %



Portfolio status
in %



Fidelio combines a broad range of sustainable projects linked to infrastructure and energy investments that benefit the public and offers much sought-after access to an attractive asset pipeline. The projects combined in the fund make a major contribution to the Social Development Goals.



The fact that Kommunalkredit makes its own investments in parallel with the fund allows it to present itself as a dependable partner with aligned interests. At year-end 2021, the bank invested EUR 268.5m in infrastructure and energy transactions in parallel with the first sub-fund. Due to strong **investor demand**, other fund concepts are planned. The second European infrastructure fund focusing on infrastructure and energy projects in

Europe with average ratings of investment grade will include in particular the areas of renewable energy and digitalisation.

**Kommunalkredit Co-Funding
EUR 268.5m**

Questions for ...

Susanne Riess
CEO Wüstenrot

Why has the Wüstenrot Group been so successful for almost 100 years?

Wüstenrot brought building society savings to Austria in 1925, in the process creating a highly successful model to counter the dramatic rise in housing shortages. Building society financing has always enabled people with a low income to afford their own home. The foundation of Wüstenrot Versicherungs-AG in 1976 marked a key turning-point in the expansion of this business area. Today, Wüstenrot is a financial group serving over 1.2 million customers in Austria, providing all-in-one solutions from a single source in the areas of saving, financing, pension planning and insurance. In-house sales activities across the Group, a distinct customer and service focus as well as tailored solutions enable Wüstenrot to establish long-standing customer relations. In applying for a bank licence to expand and add to the business, Wüstenrot is set to become the only genuine all-round financial services provider in Austria.

What are the trends for the next few years?

The key issue of our time is what kind of world do we want our children to inherit? Today's globalised world provides major opportunities, although policymakers and economists – including in the world of finance – are also facing new challenges. The Austrian insurance industry alone, worth EUR 110bn, has major leverage which allows it to support the implementation of climate targets. The Wüstenrot Group represents a business model where the promotion of ESG targets in the building society and insurance segments was and continues to be of major importance. This is especially obvious in the Group's responsible investment policy. Kommunalkredit's Fidelio infrastructure fund combines a broad range of sustainable products in the infrastructure and renewable energy sectors, which benefits the society and constitutes a sustainable investment option for investors such as Wüstenrot.



Creating your own home is one of the key milestones in life and has become even more important in light of the COVID-19 pandemic. But, people are faced with a real estate market marked by sharply increasing prices in both the purchasing and rental sectors, making the financing of housing a real issue for many people. Building society loans offer even people with a lower income the opportunity to build or renovate their own houses. In 2021, the Wüstenrot Group, which posted a record result of EUR 889.9m in new business, was also a key economic engine driving the domestic economy.

Digitalisation is changing both our business and personal lives. The last two years have dramatically accelerated this trend. In the insurance industry, digitalisation is driving forward new innovative business models and products due to artificial intelligence (AI) and e-mobility and has a much further reach than the simple automation of business processes. This is a trend Wüstenrot Versicherung can take advantage of.

What are your main goals for 2022?

Needless to say, launching our digital retail bank is our top priority. As a building society and insurance provider – and soon to be a bank, too – we intend to offer our existing customers all-in-one solutions from a single source for current accounts and cards, saving, financing, pension planning and insurance. This is a unique offering for retail customers in Austria.

Questions for ...

Mariella Huber, Frank Schramm
Fidelio Management Board

After the success of the first sub-fund, the question of continuation arises. What are your plans?

The next senior debt fund is to be launched as an Article 8 fund from the outset. It will focus specifically on renewable energy and digital projects. Hence, we are currently structuring the seed portfolio.

What makes the fund so attractive?

The value of Fidelio KA evolves to ensure an attractive return in an all-time low-interest-rate environment. This enables investors to enjoy benefits that traditional investment products do not.

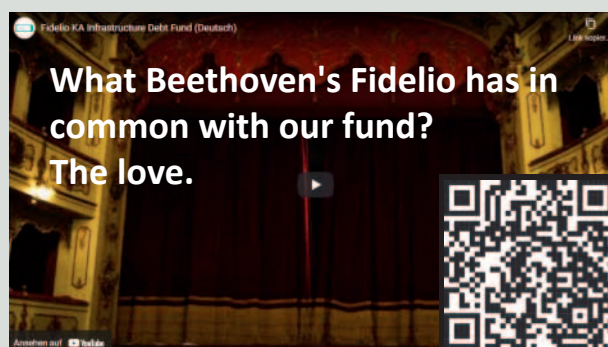
To what extent has the issue of ESG gained a foothold in the fund landscape?

ESG is becoming more important, including in terms of fund structures. Clear-cut exclusion criteria have been established, which the investment advisor is aware of. In future, all projects will be reviewed for their Article 8 features, and a more detailed report about ESG will be contained in the portfolio.

Can you give an example?

Prime examples are wind, solar and water projects. However, there has been a high demand for digital solutions (broadband, data centres) in recent times.

„The fund will focus even more on ESG criteria in the future.“



Kommunalnet E-Government Solutions GmbH

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet). Another 45% is owned by the Austrian Association of Municipalities, while the other 10% is owned by three state associations of the Austrian Association of Municipalities. Kommunalnet is the digital work and information portal for Austrian municipalities, mayors and municipal civil servants. It offers the latest news for municipalities and access to important databases for municipal authorities, and serves as an information and communication hub for the federal, state and municipal authorities. Kommunalnet is an official component of the Austrian **eGovernment Roadmap**.

With 16,629 registered users from 2,075 Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (97%) and thus enjoys a unique position.

In 2021, and in spite of the COVID-19 crisis, numerous projects were launched and have already been implemented to provide municipal authorities with even better assistance in their day-to-day tasks, to further expand the business segment and to therefore generate growth potential. The most important project has been "GemNet Salzburg" in collaboration with the Salzburg provincial government – a pioneer in integrating federal states. The services went online in July and have attracted a lot of interest from the Salzburg municipalities.

Thanks to the partnership with Regionalmedien Austria, regional news has been exported automatically to www.kommunalnet.at since mid-2021 via an interface. This enables Kommunalnet to provide optimum coverage of relevant regional news in its communications and offers users digital access to regional information tailored to their needs.

ID Austria will provide a special means of identity for digital applications and services. It represents an evolution of the smartphone signature and the Citizen Card and is currently undergoing a pilot trial.

Regarding loanboox, the online platform implemented in 2018 for local authority loans, over 1,000 municipal authorities have been contacted to date, and two-thirds have expressed interest. In 2021, 89 financing requests accounting for a volume of EUR 105m (2020: EUR 58m) were published via the portal.

Kommunalkredit TLI Immobilien GmbH & Co KG

Kommunalkredit TLI Immobilien GmbH & Co KG holds and manages the properties at Tuerkenstrasse 9 and Liechtensteinstraße 13. The office premises of the real estate are mainly leased to Group companies.

Kommunalleasing GmbH

Kommunalleasing GmbH is a joint venture with BAWAG P.S.K. (with each holding 50%). This company finances a portfolio of around EUR 59m in the municipal leasing sector. The company did not engage in any new business due to changes in municipal tax law. The 50% stake held by Kommunalkredit was sold to the syndicate partner BAWAG P.S.K. in November 2021.

Questions for ...

Lucas Sobotka

Kommunalnet Managing Director



Almost 1,000 users joined Kommunalnet last year. Was that because of the crisis?

It was partly due to the pandemic restrictions, but mainly because of the appeal of the portal itself, which has attracted more and more users over the years. With our 24/7 service, Kommunalnet has become an indispensable source of information in Austrian municipalities. Common challenges involving fast communication are state-of-the-art. That's why the network works so well.

Does an overload of information mean important details may be overlooked?

We live in a digital society where each person can now share their views with just a few clicks. It's about interacting with these channels in an appropriate way and using them selectively. When I read the newspaper, I don't have to read all the sections. Kommunalnet offers variety, but it is tailored to the public readership and is clearly structured. Each user has their own individual settings and therefore receives the information required for their work "anywhere on the screen".

What are the next steps?

We launched a partnership with Regionalmedien Austria in June 2021. As a result, regional news is automatically sent to our portal via an interface and, depending on the region, is passed on to our users. This is very well received. Given that whistleblowing is becoming an increasingly important issue, we are planning to set up an appropriate platform for municipalities with more than 10,000 inhabitants with a long-term legal partner. And, in conjunction with a local company, we are in the process of setting up a rental space for municipal technology, given the amount of interest in this area.

"Combined municipal knowledge – that is our strength."

TEAM.STRENGTH.

Employees

Kommunalkredit's most important asset is its employees. Satisfaction and success go hand in hand. The bank's good performance largely depends on the commitment and the success of each individual. We can only achieve our goals by working as a team.

More than a bank

The green infrastructure business is as varied as the individual knowledge and personal skills of our employees. The **diversity** of our employees is a fundamental asset and indicative of a modern, dynamic business. As of 31 December 2021, 26 nationalities contributed to a strong corporate culture. Respect and appreciation, fairness and acknowledgement of each other's skills, privacy and individual needs – all these are key aspects of the corporate culture. Discrimination due to gender, origin, nationality, skin colour, sexual identity, age, disability, religion or world view and any form of bullying have no place at Kommunalkredit.

Responsible business management is the basis of our long-term success. Professional standards and basic ethics are the norm in our day-to-day business and codified in our Code of Conduct. We consider compliance with this **Code of Conduct** to be essential for the reputation and continued existence of the company and a positive contribution to the public image of the financial industry. Appreciation, problem-solving, performance and innovation – both internally and externally – are key pillars of how we engage with one another every single day. Respectful interaction, transparency and commitment are fundamental.

The work environment, corporate culture and career opportunities were also key factors in our company being designated one of the most popular employers in Austria based on a study conducted by the Institute for Management and Economic Research. The entity commissioning the survey – the Austrian daily newspaper Kurier – awarded us the corresponding seal of quality at the turn of the year. As an employer, we offer attractive employment opportunities in a dynamic and exciting environment. We realise infrastructure projects every day, which improve the quality of people's lives and provide tangible benefits for society. Creativity, initiative and personal development are encouraged in order to provide top-class results with precision and speed.

Having the trust of customers, partner banks, investors, owners, regulatory authorities and supervisory authorities, as well as all of our colleagues, is important to us. We always engage in **proactive and transparent dialogue** with our stakeholders. We see it as a chance to exchange knowledge and evolve, and as an opportunity to pass on our experience. The primary objective is to foster and strengthen trust in our company.

Internal governance encourages and ensures fair competition and protects our customers' interests. The **principle of sustainability** in our business strategy is also reflected in the bank's internal organisation. The procurement and care of materials, the supply of working resources, the handling of company property and proper disposal of waste must satisfy the high standards of environmental protection and sustainability. An interdisciplinary sustainability team with a broad-based approach promotes understanding and ensures compliance with the internal criteria catalogue.

Understanding complexities

We have a top-class team with extensive international know-how and a broad range of **experience in the infrastructure business**. This dynamic, entrepreneurial environment offers attractive employment opportunities with room for creativity, initiative and personal development. We, therefore, invest specifically in talents to build on our competitive advantage.

Recruiting and retaining talented and motivated employees and ensuring their continued development is something that we see as an essential aspect of our management duties. For us, personal contact is just as important as the quick digital point of contact for interested individuals.

*“We are a team with a broad-based approach,
from different professional backgrounds.”*

Corporate Development





Training, education and personnel development are essential in ensuring that employees can identify with the company and are thus key to the success of Kommunalkredit itself. We ensure professional as well as personal development by not only holding specialist workshops, but also offering practical courses for everyday scenarios that empower the individual – right across all management levels. As a company operating on an international scale with multicultural employees, language courses and work-life balance programmes are also on the agenda, as are insights into project financing, financial models or legal and GDPR issues. Personnel development for us means helping employees in a targeted manner to do their jobs as best they can and to overcome the challenges that they encounter in their working environment. We also understand personnel development to be a link between the corporate strategy and the employees. Its purpose is to encourage commitment and drive development among the employees and managers. And it plays an important role in ensuring that together, we remain true to our vision and our mission and achieve our goals.

Employees should see themselves not only as employees, but rather as contributors and shapers. Our common goal is to create an environment where people can develop and apply their talents and gifts to the fullest. The working environment should be challenging and performance-centric, but also positive, respectful and healthy. Our approach also involves commitment to a **healthy work-life balance**. This creates the space needed and gives a perspective to generate momentum, produce ideas and foster creativity.

Providing for safety

The health and safety of our employees has top priority. Current risks and health burdens are identified, assessed and are quickly counteracted. This enables us to guarantee continuous improvement in the workplace and provide a **high level of safety** for people in the company.

Especially in these times where health is at greater risk, this is a topic that is not without its controversies. Kommunalkredit switched its working approach in March 2020 (!) with the first measures of the Austrian federal government against the growing COVID-19 pandemic. The majority of the employees relocated their workplace to their homes in order to keep the risks of infection as low as possible. Needs for mobile devices, office utensils and ergonomic furniture were met immediately; physical meetings and business trips were reduced to an absolute minimum. Making the core hours rule more flexible for the colleagues that were still working in the office spaces has helped them to avoid rush hour on public transport. It was also evident that this rule offered colleagues with school-age children a significant advantage in looking after their children.

Room occupancy, disinfectants, masks, safe distances and rules of conduct as well as the restricted use of lifts, kitchen areas, etc. have helped to minimise the potential risk of infection. The 2021 financial year was dominated by these “requirements” that were agreed upon with the occupational physicians given the epi-

demiological situation and adapted as necessary. We carried out tests on a daily basis on-site, and an on-site testing area was introduced. The **“coronavirus crisis management team”** unifies all of the COVID-19 information channels and is in permanent contact with the Executive Board. Regular, open and personal communication with all employees by email or video gave them an additional feeling of trust. At the moment, almost all of the employees have been vaccinated many times – the result of a vaccination campaign initiated by the company. Clear safety precautions are still in place. Some employees are still or have reverted to working from home.

The period of physical absence has also made **IT security** even more important to a level that is more than standard for financial institutions. There are an increasing number of cyber attacks and cases of fraud worldwide which take advantage of vulnerabilities caused by restricted communication and the use of private devices. Employees were therefore made more aware of potential dangers.

Development in figures

The company’s employees are the motor that drives it. As of 31 December 2021, the number of employees of the Kommunalkredit Group was 301 full-time equivalents (31/12/2020: 272). 188 of these worked at Kommunalkredit Austria AG (31/12/2020: 168), while 113 worked for Kommunalkredit Public Consulting GmbH (31/12/2020: 104). Of the 188 banking employees, 14 work from the branch office in Frankfurt am Main.

The share of women in the Kommunalkredit Group was 44% (33% in management positions) as of 31 December 2021. An aspect that is impressive and compares favourably and was explicitly highlighted in the context of the diversity challenge set by the business magazine sheconomy. The average age was 42. The share of academics remained at a high level at 67%. Seven women were on parental leave as of 31 December 2021; during the year, three employees took paternity leave, and four employees took a “dad month” – as established in the collective bargaining agreements for births since 1 July 2011 – or “family leave” – as established for births since 1 March 2017.

Short internal channels enable quick decision-making.
Credit Risk

DIALOGUE.OPENNESS.

Communication

In a world of constant change, open dialogue is fundamental for the ability to take effective action. Kommunalkredit places great value in communicating transparently with its stakeholders – the company, customers, business partners, investors, the media, regulatory authorities, shareholders and, of course, its employees.

Establishing a dialogue

Given its size and specialisation, Kommunalkredit is a “hidden champion”. That is precisely what makes it increasingly more attractive – with partners, potential employees, competitors and the media. In the 2021 financial year, communication measures again, therefore, focused on **clearly positioning** the bank as a specialist for infrastructure and energy financing as well as public finance; whether as an in-demand advisor and financier for the public sector or as a point of contact for businesses and investors involved in the creation, acquisition and/or operation of infrastructure or energy projects; or as a pioneer for sustainable approaches, especially in the domestic market of Austria.

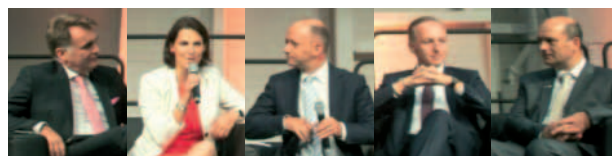


To engage with our stakeholders, we use a broad spectrum of communication channels. These include personal communication methods as well as digital media, conventional PR efforts and direct marketing. We report on completed transactions, sustainability-related achievements and exciting events through our **online channels**. We provide an insight into the genesis of the bank and the DNA of our employees. And we get national and international experts to take the microphone and talk about sustainable infrastructure for our series of videos or our own podcast “Stadt | Land | Fluss”. The COVID restrictions were utilised to further enhance the bank’s social media presence. The new website was launched mid-June 2021; it allows visitors to immerse themselves in the modern world of sustainable infrastructure.

External communications focused on intensifying discussions with the media, both in the Austrian domestic market and with international specialist infrastructure-related media. Activities were performed both for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for private customers). We began to roll out our latest product at the end of the year: PeakSun is a joint venture with the Upper Austrian energy provider eww to construct rooftop photovoltaic systems. By combining the strengths of both companies, we plan to contribute to the achievement of climate targets.

We are more than a bank. We see ourselves as a think tank, sparring partner and arranger in the universe of sustainable infrastructure.

Kommunalkredit is traditionally rooted in Austrian town, city and municipal authorities. A key aspect of our business model is providing consulting for and financing in relation to public-sector infrastructure investments (public finance). In 2021, too, we continued our partnerships with the two most important municipal decision-makers in Austria and were represented both at the Congress of City & Town Authorities held by the Austrian Association of Cities & Towns and the Congress of Municipalities held by the Austrian Association of Municipalities.



Congress of Municipalities 2021:

expert talk “Digitalisation & Energy Transition” | Bernd Fislage, Federal Minister Karoline Edtstadler, Policy Advisor Thomas Hofer, APG Board Member Gerhard Christner, Head of the Association of Municipalities for Lower Austria Johannes Pressl (from left to right)

Our event forum **KOMMUNALE SOMMERGESPRÄCHE** (Municipal summer talks), which has been held together with the Austrian Association of Municipalities for 17 years, took place safely and without incident at the start of September despite coronavirus restrictions with an extensive COVID-19 prevention concept discussed with the municipal authorities in conjunction with the Austrian Red Cross. It brought together guests from political, business, academic and media circles to Bad Aussee for active discussions on the impact, consequences and challenges associated with the energy transition.



KOMMUNALE SOMMER- GESPRÄCHE 2021

Snippets



Verbund CEO Michael Strugl, ORF Meteorologist Marcus Wadsak, Kommunalkredit CEO Bernd Fislage, Federal Minister Leonore Gewessler, President of the Association of Municipalities Alfred Riedl, State Secretary Magnus Brunner (now Federal Minister), Mayor of Bad Aussee Franz Frosch (f. l. t. r.)



"I know: many municipalities are already a step ahead ... whether PV facilities or local heating, sustainable investments have been part of municipal life for years."

Leonore Gewessler, Federal Minister for Climate Action, Environment, Energy, Mobility, Innovation and Technology



"If Austria continues to consume as much energy until 2050 as it does today, climate neutrality will only be achieved if there is a huge expansion in the area of renewable energy."

Karl Steininger, Economist and Climate Researcher, University of Graz

"Climate change is the biggest issue facing modern society. We, therefore, need to have more public debate about the climate issue."

Christoph Badelt, Head of WIFO, the Austrian Institute for Economic Research (since 1/10/2021 President Fiskalrat Austria)



"The most recent extreme weather events are a very clear proof that climate change is a reality. But there is already something we can do at a regional level. From local providers via agriculture all the way to future-oriented forestry, we can all contribute something."

Johann Seitingner, Councilman Styria



"Domestic energy independence is a key issue. To achieve this, we need to make investments in domestic energy production, implement the Renewable Energy Expansion Act, establish renewable energy groups and cut down on bureaucracy."

Magnus Brunner, State Secretary (Federal Minister for Finance since 6/12/2021)



"The current climate change is man-made. We can still change our habits and ensure that the climate crisis doesn't become a climate disaster."

Marcus Wadsak, Meteorologist and ORF Weatherman



"Awareness of climate protection and sustainability has increased in recent years. The European Green Deal has geo-strategic relevance. Europe must therefore set global standards: 70% of the current buildings in Europe, for example, have not been thermally rehabilitated!"

Johannes Hahn, EU Commissioner

With regard to our investor relations activities, we are permanently in close contact with investors, analysts and business partners. Our experts from the bank and also from our subsidiary Kommunalkredit Public Consulting (KPC) are highly sought-after speakers at numerous specialist events within Austria and abroad. KPC is also well-positioned in the Austrian market in the field of subsidy processing and sponsors sustainable initiatives such as the Neptune Water Award (from the Federal Ministry for Agriculture, Regions and Tourism) or the Phönix Waste Management Award (from the Federal Ministry for Climate Protection, the Environment, Energy, Mobility, Innovation and Technology and the Austrian Water and Waste Management Association (Österreichischer Wasser- und Abfallwirtschaftsverband). KPC also participated as a member of Austria's official negotiating delegation in the 2021 **UN Climate Change Conference** in Glasgow.

Questions for ...

Alfred Riedl

President of the Austrian Association of Municipalities

Everything takes place in the municipalities: from childcare to schools, from medical care to nursing, from local providers to recreational activities. Can the municipality manage all that in the long term?

The lives of citizens are played out in the municipalities – today more than ever. With the coronavirus pandemic, people are no longer attracted to the cities, with many moving to the countryside. People appreciate living where it's green, the regional focus, the local community, short distances – in a nutshell, the quality of life. That's why I believe that the municipalities should take advantage of this trend. In order for rural areas to remain attractive, full broadband coverage must be provided – without any 'ifs' or 'buts'. The coronavirus pandemic has shown which areas have good broadband coverage and which areas still have some catching up to do. The government has recognised this shortcoming and earmarked EUR 1.4bn for the expansion of broadband coverage in rural areas. This is the only way we can create equal conditions for everyone. This surge in investment for broadband expansion gives an important impulse to the life-lines in the municipalities, particularly in rural areas. After all, working at home and distance learning are only two areas of our life that will remain after the pandemic. Our everyday lives are becoming increasingly digitalised in the areas of health, care, tourism, administration, etc. It is important to stay the course, because competition and the quality of the municipalities' location are at stake. If the municipalities accept these challenges, they will survive in the long term.

The municipalities are reputed to be pioneers of progress, especially when it comes to climate protection. Is this true?

The municipalities have been role models, trendsetters and disseminators for decades as far as climate and environmental protection is concerned. We have been demonstrating for decades how to protect the climate and the environment, how this ultimately benefits us, and how easy it is for citizens to replicate it. Countless photovoltaic systems, thousands of climate and energy projects, many energy communities and customised mobility solutions are testimony to the fact that municipalities play

in **internal communications**, we place great value in an open flow of information and respectful conduct within the company. In times of increased challenges and social distancing, up-to-date and transparent information increasingly helps to counteract the feeling of uncertainty. That's why – in light of the restrictions still in place as a result of the pandemic – we predominantly used video and online formats, newsletters and the Intranet in 2021 to keep in regular contact with our employees. We increasingly use our employees as "testimonials" to provide a more personal insight into Kommunalkredit via our website or social media. Information from the Sustainability Team and the Works Council helped actively drive discussions.



a key role in the implementation of the energy transition. The municipalities often act as a kind of laboratory by demonstrating and trying new things in the village which people can easily understand and implement. That's why it's clear to us that the energy transition can only succeed with the help of municipalities. Local innovativeness combined with people's ideas create new, sustainable solutions.

Has the pandemic seriously affected the local economic engine?

Despite the global economic collapse, short-time working arrangements, high unemployment and several lockdowns, the municipalities have done their best even during these years of crisis to safeguard the infrastructures of public services while investing in the future. Last but not least, the government's municipal packages have secured the liquidity of the municipalities and provided support for investments in the local and regional economy. The packages undoubtedly averted a deeper downturn – this was confirmed not least by WIFO. Overall, the municipalities have clearly shown how important they are in the economy as a whole. As regional economic engines, they also invested in the regions during the pandemic and thereby supported the local economy and thousands of jobs.

“Working from home is here to stay. This is a key factor, especially for municipalities.”

SOLUTION.COMPETENCE.

Research and development

At Kommunalkredit, no research activities are conducted within the meaning of § 243 (3) Z 3 of the Austrian Commercial Code (UGB). However, its activities as a specialist bank for infrastructure and energy financing involve a clear strategic focus in a broad spectrum of different sectors and a high level of diversification in products and customers.

The development of made-to-order products and the optimisation of the digital portals are key to the intensification of our customer relationships.

Tailored solutions – analogue as well as digital

In the high-growth infrastructure finance market, Kommunalkredit acts as the bridge between project sponsors on the one hand (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds on the other. We link industry expertise with structuring know-how, the financing opportunities of a bank and the technical background of our subsidiary specialising in environmental support schemes. Kommunalkredit caters to the entire infrastructure financing value chain – from consulting, arranging and structuring to financing and risk hedging, we develop a broad range of tailored, **individual solutions** for our customers and partners. This area of operations also encompasses investment opportunities for municipalities, businesses, institutional and private customers, as well as recognition of support instruments. Our strategic innovations linked to our business model were awarded three first places by Austrian trade magazine “Der Börsianer” in 2021.

In conjunction with Meridiam, an independent Investment Benefit Corporation under French law, which specialises in the development, financing and long-term management of a sustainable public infrastructure in the core areas of mobility, energy transition, environment and social infrastructure, Kommunalkredit is working on a methodology to analyse and measure the **impact** of an infrastructure project **on the Sustainable Development Goals**.

Through this increased transparency, potential improvements for each asset are identified in order to be employed in a more sustainable manner in the future. The tool can, if used in a wide range of applications, make a major contribution to the achievement of international climate targets in the future.



Since 2018, Kommunalkredit has been working on a comprehensive **internal Management Information System (MIS)**, which provides a quick and reliable 360° view of the bank. With the establishment of a data warehouse, which collects all data and documents including history in all details, the basis was created. Together with an external provider, we implemented the solution for reporting and analysis in all areas.

MIS enables a view of the portfolio, the development of deposits, sales pipeline, syndication progress, the current budget, limits, forecasts and much more. Through the linking of the data, it is possible, for example, to view a portfolio at project level down to each individual booking. The modular kits can be combined as required.

In 2022, the focus will be on the support of cost and revenue reporting.



STRUCTURE.STRENGTH.

Other material disclosures

Clearly defined structures and short decision-making processes within the organisation help drive forward-looking development.

Strengthening management

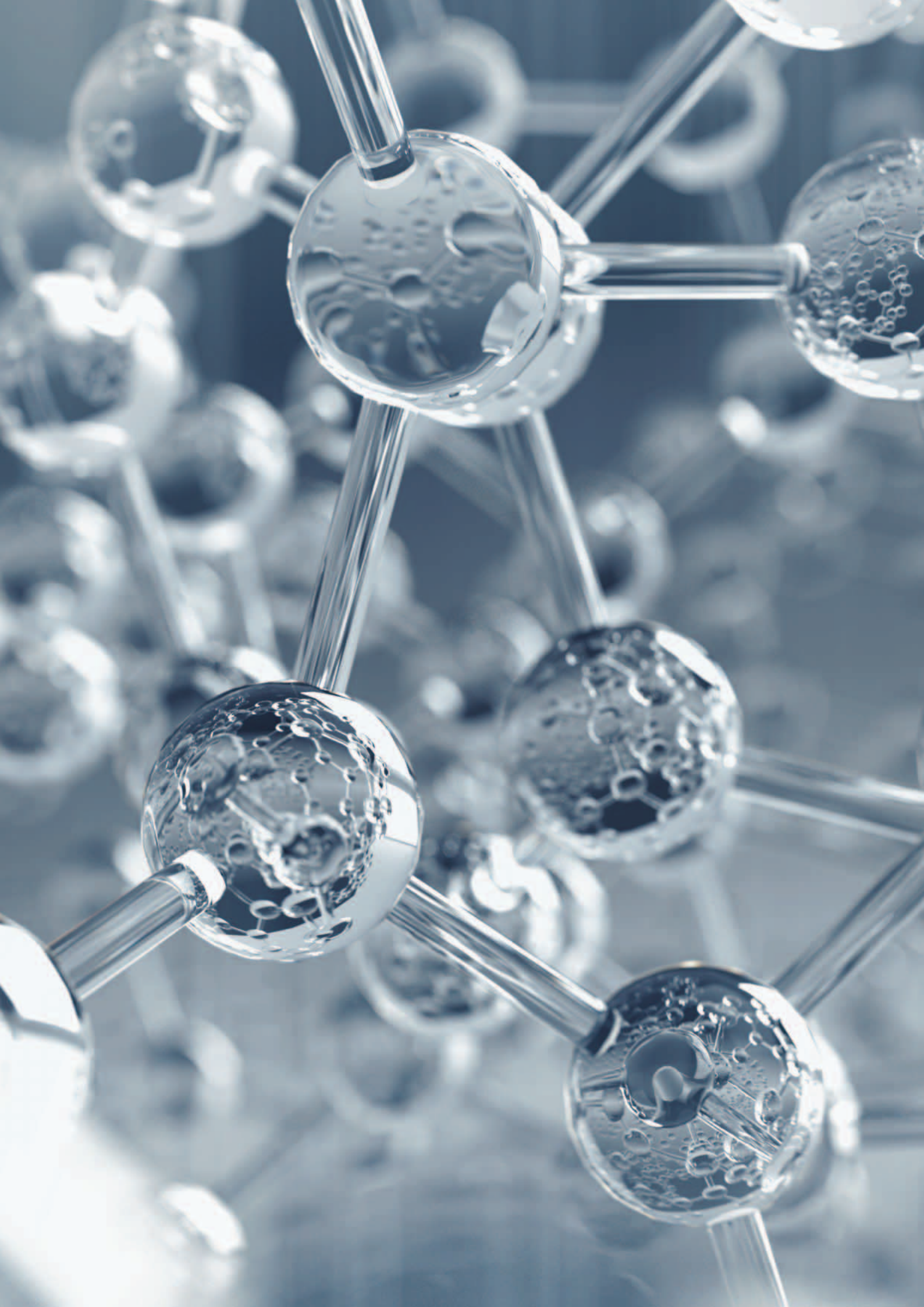
As of 1 January 2021, Sebastian Firlinger has been appointed to the Kommunalkredit Executive Board as Chief Risk Officer (CRO). His in-depth industry experience benefits the top management. As of 31 December 2021, Jochen Lucht (CFO, COO) left Kommunalkredit. As of 1 January 2022, the Executive Board, therefore,

consists of Bernd Fislage (CEO) and Sebastian Firlinger (CRO). Claudia Wieser was appointed to the Executive Board as Chief Financial Officer (CFO) from 1 April 2022. She has been working at Kommunalkredit in various leadership capacities for more than 20 years, most recently as Executive Vice President.

Significant events after the reporting period

For optimisation and efficiency reasons, the owners of Kommunalkredit Austria AG, Interritus Limited and Trinity Investments, decided to simplify the ownership structure that had existed up until now. Gesona Beteiligungsverwaltung GmbH was therefore merged into Satere Beteiligungsverwaltungs GmbH. The approval procedure of the European Central Bank (ECB) has now been positively completed and the merger was cleared on 31 January 2022. As of 17 February 2022 this ownership structure has been registered in the Austrian commercial register and is therefore legally valid.

The development of the conflict between Russia and Ukraine and the sanctions imposed by the European Union in reaction to it have no direct material impact on Kommunalkredit since it has no direct exposure to these two countries, with the exception of a project with a net exposure of EUR 0.5m. Indirect consequences such as volatility on the financial markets, restrictions in oil and gas delivery or expenses resulting from deposit insurance cannot be ruled out. Due to its business model, no material negative impact on Kommunalkredit's assets, financial position and income is expected.



ACTION.VISION.

Risk management

Based on Kommunalkredit's corporate objectives, business activities are developed taking risk strategy into account and paying particular attention to risk-bearing capacity. The bank places special focus on the risk-income calculation and the sustained increase in the aggregate risk cover.

Organisation of risk management

The risk drivers of the business model are identified and measured using annual assessments, from which Kommunalkredit derives a risk map. The risk map serves to establish a uniform understanding of the risk concept, a bank-wide view of risk priorities, to review the system for completeness and identify potential control gaps to be closed to ensure the continuous development of risk management.

The economic capital required for the main types of risk (in particular: credit risk, liquidity risk and market risk) is calculated using internal methods based on generally recognised principles of bank management. Additionally, a risk buffer is available for risks that cannot be sufficiently quantified (in particular: operational risk, but also reputation risk, legal risks and other risks) and to cover potential model inaccuracies. All material risks at Kommunalkredit are subject to a bank-wide limit structure that is continually monitored.

A prompt, regular and complete risk reporting system is implemented in the form of risk reporting. In addition to the monthly risk management report ("RMC Report"), which provides a detailed view of all substantive risks and their covering with the available aggregate risk cover, regular reports are provided to the Executive Board about single exposures with increased risk

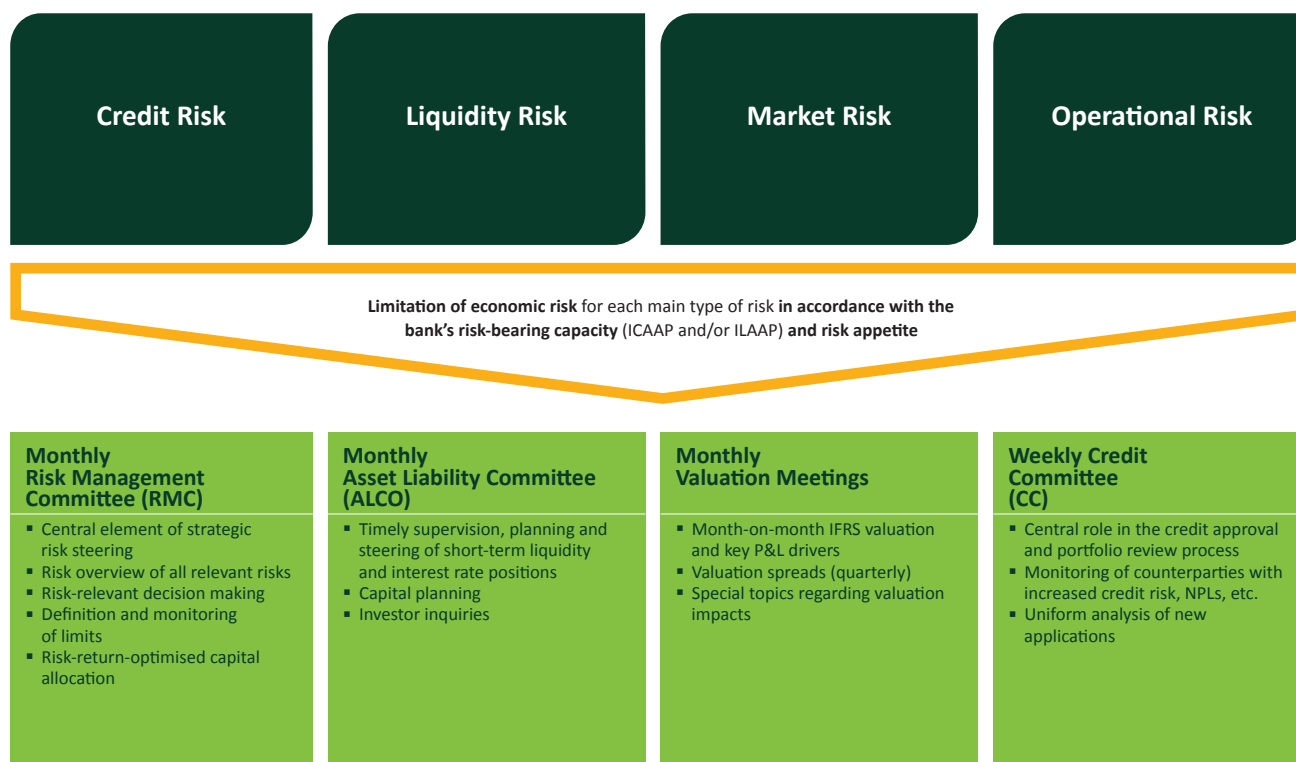
profile (monitoring or watchlist). Furthermore, the Supervisory Board (in particular Audit Committee and Credit Committee) is provided with comprehensive information in the form of regular reports on the latest risk-related developments.

Kommunalkredit has established an organisational structure for risk management which clearly defines the tasks, competencies and responsibilities in the risk management process. Risk-taking organisational units (front office) are therefore clearly separated from organisational units in charge of monitoring and communicating risks (back office) at all levels up to the Executive Board. The Chief Risk Officer (CRO) is responsible for the risk management function, which is independent of the front office, as a member of the Executive Board. The CRO receives technical and operational support from the Risk Controlling (RCON), Credit Risk (CR) and Compliance and Non-Financial Risk (CNFR) departments, in particular.

A formalised and structured approval and implementation procedure has been set up for the introduction of new fields of business, new markets or new products, ensuring that these are adequately reflected in all areas of settlement, risk management and reporting, accounting and financial reporting.

Kommunalkredit supports a risk culture characterised by the deliberate management of risks at all levels.

Risks are managed and monitored by the following committees:



- The **Risk Management Committee (RMC)** constitutes the central element of the comprehensive risk management process, providing information to the Executive Board on the bank's overall risk position on a monthly basis. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of setting limits (except country and counterparty limits) and limit monitoring by type of risk.
- The **Asset Liability Committee (ALCO)** supports the operational management of market and liquidity risks. At its meetings, the committee evaluates the market situation and discusses the management of interest rate and liquidity risks.
- The **Credit Committee (CC)** approves individual transactions and new business (unless a resolution of the Supervisory Board is provided for in accordance with the authorisation process) and the review of portfolios and single names from the portfolio.

In addition, working groups at operational level focus on valuation issues and spread assessments of portfolio positions and new business, especially in relation to project financing.

RCO is responsible for the quantification of risks and the aggregate risk cover as well as for the performance of stress tests. Furthermore, this department assesses risk positions and validates the risk measurement methods used by the bank.

CR handles the analysis and assessment of single-name risks, casting of a second vote on credit approval and/or review, rating awards, limitation of industry and country risks, monitoring and management of exposures with increased risk profile (in particular exposures on the monitoring and watch list) as well as qualitative portfolio analyses.

CNFR is responsible for anti-money laundering (AML & CTF Management), capital market and regulatory compliance, as well as for the non-financial risk management (in particular OpRisk and information security) of the bank.

Main principles of risk management

Within the context of the risk strategy for the main types of risk, the Executive Board specifies the principles for their adequate management and limitation. The economic risk is limited and monitored in accordance with the defined risk appetite for the bank as a whole in conjunction with the risk-bearing capacity (ICAAP – Internal Capital Adequacy Assessment Process and/or ILAAP – Internal Liquidity Adequacy Assessment Process) and the willingness to assume risk of the bank.

In addition, the following main principles apply to Kommunal-kredit's risk management:

- Kommunalcredit does not incur risks as an end in itself but to create sustainable benefits.
- The limitation of risks at Kommunalcredit is commensurate with the bank's earning strength and its equity base.
- Kommunalcredit supports a risk culture characterised by the deliberate management of risks at all levels.
- The bank only takes risks for which it owns or has prompt access to the necessary expertise.

- The introduction of new products or markets is contingent on an appropriate analysis of the business-specific risks.
- All measurable risks are subject to a limit structure. The observance of limits must be continually monitored – any failures to observe such limits must be escalated.
- The risk measurement results have to be subjected to regular stress testing.
- Outsourcing of core bank functions is only permissible with adequate skills and expertise.

Overall bank management process and risk-bearing capacity

The objective of the overall bank management process is to optimise the use of capital resources in terms of risk and return within the limits of the bank's risk appetite and risk-bearing capacity. At Kommunalcredit, the following risks are identified as material as of the reporting date and are monitored on an on-going basis in the context of the risk-bearing capacity calculation:

CREDIT RISK	
▪ Default and counterparty risk	▪ Country and/or transfer risk
▪ Replacement risk in the event of counterparty default	▪ Settlement risk
▪ Rating migration risk	▪ Cluster risk
▪ Investment risk	▪ Residual risk from credit risk mitigation techniques
LIQUIDITY RISK	
▪ Structural liquidity risk	▪ Market liquidity risk
▪ Funding risk	▪ Information and communication technology risk (ICT risk)
MARKET RISK	
▪ Interest rate risk – banking book	▪ Basis spread risk
▪ Interest rate risk – trading book	▪ Option risk
▪ Foreign currency risk	▪ OIS risk
▪ Credit spread risk	
OPERATIONAL RISK	
▪ People, process and system risk and external risks	▪ Risk from SLA with KA Finanz AG
▪ Legal risk	▪ Information and communication technology (ICT) risk
FUNDING RISK	
▪ BCVA risk*	▪ Replacement risk through rating trigger
OTHER RISKS	
▪ Strategic risk	▪ Excessive debt risk
▪ Risk from demerger liability	▪ Risk of money laundering and terrorism financing
▪ Equity risk	▪ Systemic risk from a financial institution
▪ Reputational risk	▪ Macroeconomic risk
▪ Business risk	▪ Placement and syndication risk

* Comprises CVA risk and DVA risk and is allocated in its entirety to the funding risk.

Depending on the hedging target pursued, two economic control loops are applied in the risk-bearing capacity calculation:

Liquidation perspective (economic control loop based on the principle of creditor protection)

- Hedging objective: the main focus is on the protection of creditors and on securing a level of capitalisation to ensure that, in the event that the company is liquidated, all lenders can have their claims satisfied with a defined level of probability.
- Economic capital requirements (internal risk measurement) are compared with the economic capital/aggregate risk cover. Both economic capital requirements and the aggregate risk cover are determined on the basis of its present value ("full fair value" approach) and are therefore not subject to measurement rules in the statement of financial position. A confidence level of 99.95 % is used in determining the economic risk.
- Risk status as of 31 December 2021 (and/or previous year):

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
45.9 % (44.2 %)	54.1 % (55.8 %)

Going-concern perspective (economic control loop based on the going-concern principle):

- Hedging objective: if the risks materialise, the survival of the bank as a going concern without additional equity is to be ensured with a defined degree of probability.
- All risks impacting on profit and loss must be covered by the budgeted profit for the year, realisable reserves and the "free capital". Free capital is the capital which exceeds the internally defined hedging objective, expressed through a minimum T1 rate and a minimum total capital rate. The hedging objectives are preceded by corresponding early warning levels. A confidence level of 95 % is used in determining the economic risk.
- Risk status T1 ratio:

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
35.0 % (39.9 %)	65.0 % (60.1 %)

- Risk status TC ratio:

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
48.7 % (51.3 %)	51.3 % (48.7 %)

Alongside these economic control loops, compliance with regulatory/statutory minimum requirements and hedging objectives within the context of medium-term planning and current capital budgeting is guaranteed.

Additionally, stress tests are performed on a regular basis to test the robustness of the business model and to ensure capital adequacy. This involves essentially defining two different economic scenarios (general recession scenario and portfolio-specific stress) and quantifying their impact on the bank's risk-bearing capacity.

In addition to the stressed risk-bearing capacity, a stressed multi-year plan is drawn up for each scenario in order to test the stability of the business model over time. Besides the macroeconomic stress tests, reverse stress tests are performed. These are intended to show the extent to which parameters and risks can be stressed until regulatory or internal minimum requirements can no longer be met.

Credit risk

Fundamentals

Credit risk is the risk of financial losses arising from a counterparty not meeting its contractual payment obligations.

Based on the current **CRR standardised approach** for all classes of receivables, Kommunalkredit primarily uses external ratings. If no external ratings are available, ratings are derived from internal scoring and/or rating models for internal risk control. Every active customer is assigned an external or internal rating, which is updated at least once a year. On the basis of an internal rating scale (master scale), the probabilities of default are grouped in categories to which external ratings can be assigned. To ensure a uniform system of determining the probabilities of default, all internal and external rating procedures and/or ratings have to be calibrated against the master scale. The effectiveness and discriminatory power of the rating procedures and their ability to forecast defaults are checked regularly and adjusted if necessary.

Collateral reduces potential financial losses in the event of defaults. At Kommunalkredit, two types of collateral are taken into account: financial collateral and personal collateral. Financial collateral uses netting arrangements and cash collateral that reduce the counterparty risk. Financial collateral received reduces the existing exposure. On the other hand, the exposure is not reduced by personal collateral (guarantees and liabilities). If personal collateral is available, the exposure can be counted towards the collateral giver, depending on the assessment of the risk, and included in the portfolio model and the limit system.

Unexpected loss

To quantify the unexpected loss, monthly credit VaR calculations are performed to manage and limit the risk and to determine the economic capital required as part of risk-bearing capacity analyses. Kommunalkredit uses a default model based on the Credit-Risk+ approach to quantify the risk of unexpected default for credit risks. To calculate the credit VaR, rating-dependent one-year probabilities of default (PD) as well as regional and sector-specific loss ratios (LGD) are used. The model used is based on statistical methods and assumptions. These parameters are reviewed and updated at least once a year and documented in a validation report.

From the liquidation perspective, the potential unexpected loss from credit defaults for a holding period of one year as of 31 December 2021 amounted to 9.4% (31/12/2020: 9.8%) relative to the economic aggregate risk cover; from the going concern perspective, the potential unexpected loss from credit defaults for a holding period of one year as of 31 December 2021 amounted to 10.3% (31/12/2020: 15.4%) relative to the economic aggregate risk cover (T1) and, as of 31 December 2021, to 14.3% (31/12/2020: 19.9%) relative to the economic aggregate risk cover (total capital).

Rating distribution, portfolio quality and concentration risk

The total exposure amounting to EUR 4,194m (31/12/2020: EUR 3,594m) by rating shows that the exposure is concentrated in the top rating categories: as of 31 December 2021, 35.8 % (31/12/2020: 36.8 %) of the exposure was rated "AAA"/"AA"; 67.6 % (31/12/2020: 69.7 %) was rated investment grade. Overall, the Kommunalkredit portfolio has a high asset quality; the exposure-weighted average rating of the total exposure is "A-" (according to Standard & Poor's rating scale).

Given the high proportion of investment grade credit ratings and the good degree of portfolio diversification, the portfolio quality is sound. This is also reflected in the **non-performing-loan ratio** of 0.0 % as of 31 December 2021 (31/12/2020: 0.0%). Kommunalkredit had no financial assets (receivables) on its books that were more than 90 days past due, nor any substantial payment arrears of between 0 and 90 days.

Risk concentrations are taken into account in the process of loan origination, monitored in the course of the monthly credit risk reports submitted to the RMC, and shown in reports submitted to the Credit Committee and the Supervisory Board/Credit Committee. The total portfolio is broken down according to different parameters (breakdown by portfolio, country, region, top 20 "group of related customers", rating, sector); limits are set by top risk drivers, sectors and geographic distribution, countries and foreign currencies. Similarly, the Total ECL as well as the ECL from the top 15 risk drivers is limited and monitored. In addition, further limitations are defined, which limit the overall exposure with a higher level of risk (e.g. IFRS 9 High Risk Exposure, Single-B Exposures). Depending on the risk assessment, reviews are performed at different intervals, but at least once a year.

Credit risk analysis and monitoring

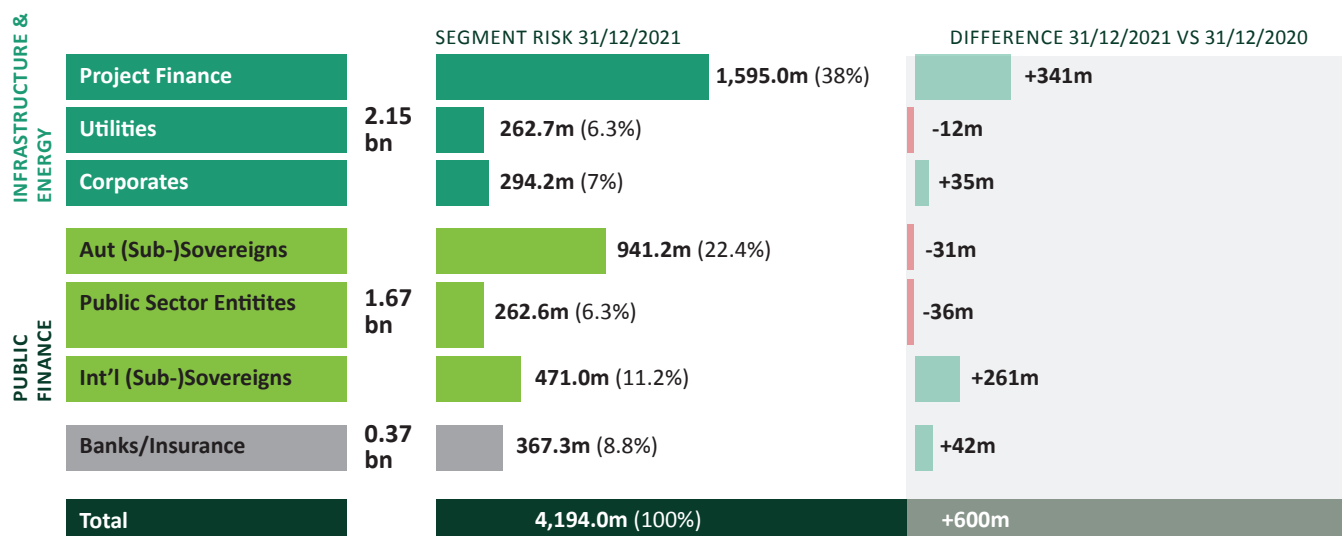
The lending business is a key element of Kommunalkredit's core business. Therefore, taking credit risks and their management is one of the bank's key competencies, the focus being on particularly complex project financing in the infrastructure sector and financial support for public sector projects.

Rating distribution 31/12/2021 Exposure in EUR m or %

AAA	AAA	290.4m (6.9%)
	Total	290.4m (6.9%)
AA	AA+	363.3m (8.7%)
	AA	564.9m (13.5%)
	AA-	283.1m (6.8%)
	AA Total	1,211.4m (28.9%)
A	A+	120.4m (2.9%)
	A	214.3m (5.1%)
	A-	170.4m (4.1%)
	A Total	505.1m (12.0%)
BBB	BBB+	21.6m (0.5%)
	BBB	353.1m (8.4%)
	BBB-	452.0m (10.8%)
	BBB Total	826.8m (19.7%)
BB	BB+	614.5m (14.7%)
	BB	380.7m (9.1%)
	BB-	193.3m (4.6%)
	BB Total	1,188.5m (28.3%)
B	B+	78.8m (1.9%)
	B	49.8m (1.2%)
	B-	43.3m (1.0%)
	B Total	171.9m (4.1%)
Total		4,194m

AVERAGE
RATING
A-

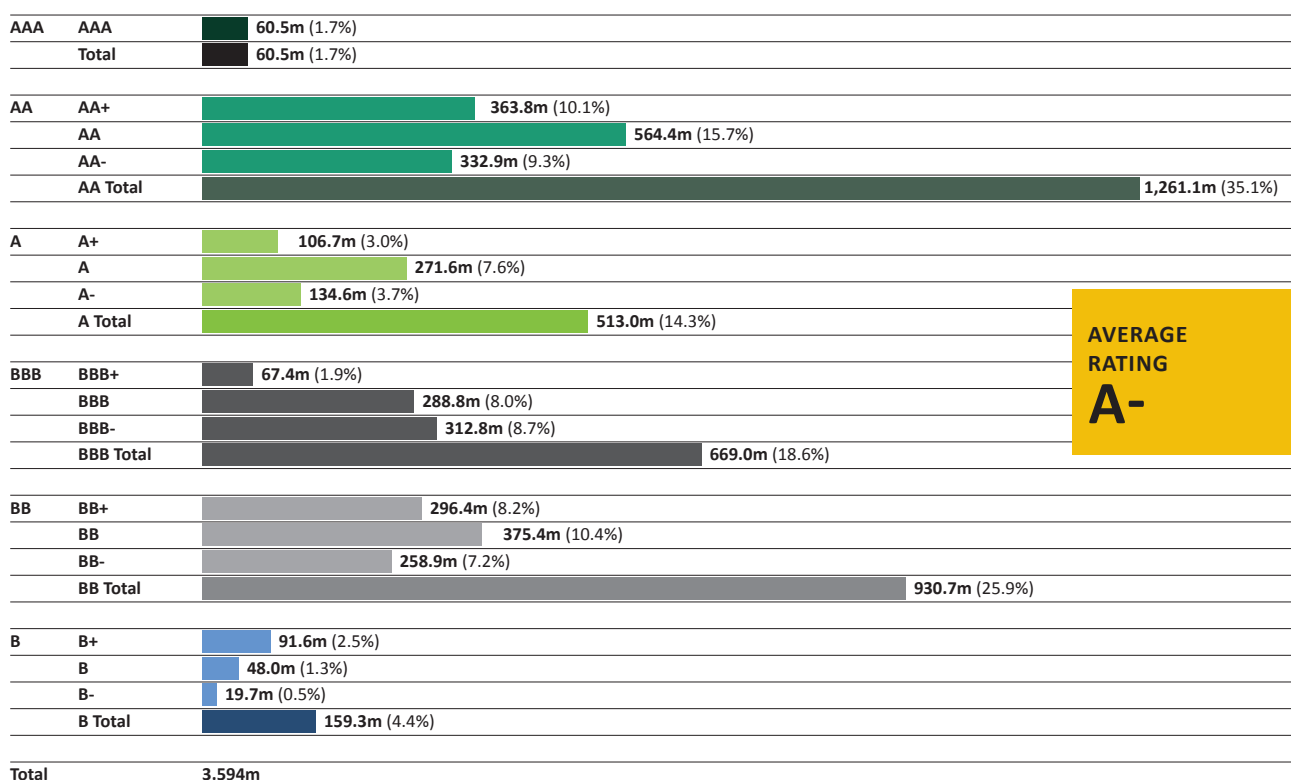
As of 31 December 2021, the overall exposure, broken down by sub-portfolio, is as follows (in EUR or %):



The tasks of operational credit risk management (CR) include all activities to review, monitor and limit risks from the individual transaction. The awarding of loans, the valuation of any collateral and the creditworthiness assessment are subject to clear regulations that are documented in the relevant regulations and working directives of Kommunalkredit. Apart from the awarding criteria (= "credit risk strategy"), this includes the authorisation process, guidelines for creditworthiness assessment and rating determination, as well as guidelines for identifying and managing risk positions.

Given the complexity of the project business, the bank follows a three-tier process for new business in the infrastructure portfolio to make the risk-income profile transparent to the extent required.

Rating distribution 31/12/2020 Exposure EUR m or %



1. **Initial assessment of a potential transaction** through the front and back offices with a clear recommendation regarding its follow-up (under special circumstances if necessary) or rejection by the competent party;
2. **Due diligence phase** with a focus on economic, financial, technical, legal and insurance-specific aspects as a basis for the application and risk assessment;
3. **Submitting the transaction as part of a credit application (front office), including a risk statement** (back office), for approval by the competent party (Credit Committee of the Supervisory Board).

The organisational separation of front office and back office is always observed.

Credit risk early detection and risk provisions

The portfolio is reviewed regularly for objective indications of impairments of customer exposures or exposures to “groups of related customers”. Assessments of impairment are performed in the course of the annual rating/review process or on an ad hoc basis. Exposures with an increased credit risk or anomalies as part of an “early warning” are also monitored monthly at the monthly portfolio monitoring meeting. To that end, Kommunal-kredit uses specific early warning indicators for each segment, which identify exposures based on qualitative and quantitative features subject to increased monitoring frequency.

As of the reporting date of 31 December 2021, the exposure on the watchlist (so-called “risk class 1”) amounted to EUR 75.5m (31/12/2020: EUR 58.7m). There were no exposures in the restructuring and/or resolution (so-called “risk class 2” and “risk class 3”).

EARLY WARNING SIGNALS / TRIGGERS

QUANTITATIVE TRIGGERS

QUALITATIVE TRIGGERS

CORPORATES / UTILITIES¹

Internal rating deterioration	Covenant breach	Country risk downgrade	Management reports	Press & Industry reports	External rating report
30 days past due	Reporting delayed > 3 months		Ad-hoc publicity	Individual analysis	

PROJECT FINANCING (SPECIALISED LENDING)

Internal rating deterioration	Covenant breach	Country risk downgrade	Management reports	Industry reports	
30 days past due	Reporting delayed > 3 months	Lock-up ratio breach	Exercise of PIK interest option	Individual analysis	

PUBLIC SECTOR, SOVEREIGNS & SUPRANATIONAL ORGANISATIONS

Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread ²		Ad-hoc publicity	Individual analysis	

FINANCIAL INSTITUTIONS

Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread ²		Ad-hoc publicity	Individual analysis	

1 Incl. entities with significant public support.

2 If available/publicly listed.

Credit Risk continuously updates the list of counterparties with increased credit risk and submits monthly reports to the Credit Committee meeting, which then decides on the measures to be taken.

Impairments to be recognised for defaulting loans are determined by Risk Management, subject to approval by the Credit Committee.

Counterparty default risk from derivatives, repurchase transactions and securities business

Legally binding netting arrangements for derivatives and repurchase transactions (close-out netting) have been concluded with all active counterparties of Kommunalkredit. For derivatives, credit support agreements and/or collateral annexes to framework contracts providing for daily collateral margining in accordance with the bilateral collateralisation requirement set out in the European Market Infrastructure Regulation (EMIR) have been concluded with all active financial counterparties. The only exceptions are derivative agreements in the cover pool for which framework agreements and netting arrangements have been made at standard market conditions.

The exposure to the counterparty default risk of derivatives, which is taken into account in credit risk, is defined as the residual risk from the current replacement cost (positive current value), considering CSAs and netting arrangements, plus an “add-on” for potential current value changes during the “residual period of risk” between the default of the counterparty and the closing out/replacement of the derivative transaction.

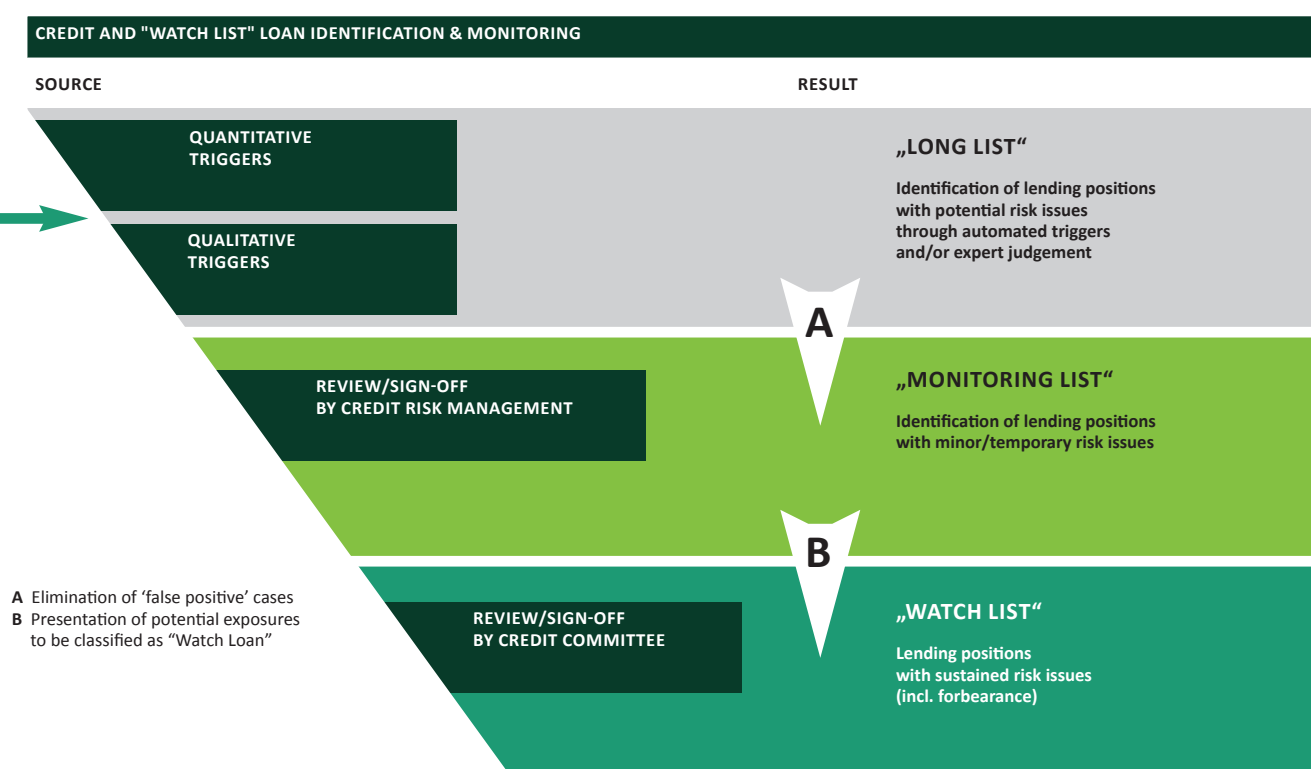
Repurchase transactions are cleared in the form of genuine repurchases, mainly via platforms with daily margining. If a counterparty default risk arises in repurchase or securities lending transactions for Kommunalkredit from the difference between the liability/receivable and the current value of the corresponding collateral put up/received, this risk counts as exposure to the counterparty and is taken into account in credit risk. Securities business is cleared mainly on the basis of “delivery against payment” via Euroclear and/or Clearstream.

Counterparty default risk positions are limited through volume-based counterparty and credit concentration limits on the one hand, and through the economic credit risk in the credit-VaR-calculation of the risk-bearing capacity calculation on the other.

The counterparty default risk from derivatives is calculated as a credit valuation adjustment (CVA) according to IFRS 13. Kommunalkredit calculates CVA and DVA (debt valuation adjustment), aggregated as BCVA (bilateral CVA), on the basis of the potential future exposure method by means of Monte Carlo simulations. The risk of BCVA fluctuations (BCVA risk) is determined by means of a VaR-based approach.

Investment risk

Given the nature of the participations held, the investment risk is of minor importance. As of 31 December 2021, the carrying amount of investments in associates (at equity) was EUR 0.0m (31/12/2020: EUR 0.0m). The carrying amount of investments, which are reported under assets at fair value through other comprehensive income, amounted to EUR 0.9m (31/12/2020: EUR 0.8m).



Liquidity risk management

Kommunalkredit distinguishes between the structural liquidity risk, the funding risk and the market liquidity risk. The structural liquidity risk (liquidity risk in the narrow sense of the term) generally arises if follow-up financing for asset portfolios cannot be secured according to the maturity schedules. The funding risk is determined by how diversified the funding sources are and the risk of potentially restricted access to certain main funding markets under stressed market conditions. The market liquidity risk consists in a possible increase of liquidity costs due to bank-specific or idiosyncratic factors (liability-side market liquidity risk) on the one hand, and the necessary acceptance of discounts or time delays in the realisation of a position due to its relative size and/or the absence of a liquid market (asset-side market liquidity risk), on the other hand.

The task of liquidity risk management at Kommunalkredit is, therefore, to identify, analyse and manage the liquidity risk position of the bank with the aim of guaranteeing cost-effective, adequate liquidity cover at all times. The strategic framework of liquidity risk management is defined by the ILAAP, which forms an integral part of the more comprehensive ICAAP. To that end, the bank has implemented extensive policies, working directives and methods such as liquidity risk strategy, ICS framework, and funding and/or contingency plans.

Central elements of liquidity risk management include the following:



Analysis of the liquidity position [element 1]

The following table shows the maturities of contractual, non-discounted cash flows of financial liabilities. The figures for interest swaps, cross-currency swaps and currency swaps are shown in gross terms, meaning that only the cash outflows for the derivative in question are shown: The nominal amount of interest-rate and cross-currency swaps as of 31 December 2021 came to EUR 3.4bn (31/12/2020: EUR 2.7bn). Besides principal repayments, the cash flows also comprise interest payments. For liabilities with variable cash flows, future cash flows are determined on the basis of forward rates.

As a matter of principle, the amounts are allocated on the basis of their contractual rather than expected residual maturity. This means that demand deposits and cash collateral received from collateral margining for derivatives are shown as repayable on demand. If the date of repayment is at the lender's discretion, the amount is allocated to the maturity range with the earliest possible redemption. If the date of repayment is at the discretion of Kommunalkredit, a conservative view is applied. Payments that have been pledged but not yet called, as well as (any) guarantee lines granted, are also shown with the earliest possible call date.

Kommunalkredit does not engage in **any trading activities**.

Cashflows

in EUR m	Liabilities at amortised cost		Derivatives designated as hedging instruments		Trading*	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Up to one month	280.9	324.3	4.2	2.8	26.9	40.4
More than one month up to three months	324.0	204.4	2.9	2.6	113.4	242.6
More than three months up to one year	727.9	1,157.6	16.1	15.9	302.1	387.0
More than one year up to five years	2,029.3	1,552.6	63.0	58.1	42.7	54.0
More than five years	1,199.5	1,235.1	79.5	74.9	30.2	39.5
Total	4,561.6	4,473.9	165.6	154.2	515.2	763.4

* The derivatives are not formally embedded in a micro hedge as defined in IFRS but serve for risk management at portfolio level.

Reporting to the Executive Board and the Supervisory Board [element 2]

An operational projection of liquidity calculation for a period of one year is prepared weekly and reported to the Executive Board. In addition, operational and strategic liquidity issues are discussed in the monthly ALCO. The liquidity risk is also monitored at the monthly RMC meetings. Reporting to the Supervisory Board takes place in quarterly meetings based on the RMC report.

Contingency plan [element 3]

Kommunalkredit's liquidity emergency plan specifies the tasks and the composition of emergency units to be set up in a crisis, the internal and external communication channels and, if necessary, the measures to be taken. The emergency plan permits efficient liquidity management in a market environment in crisis and is activated by clearly defined events and/or early warning indicators. In the event of an emergency, responsibility for liquidity management is assumed by the emergency unit which then decides on the specific measures to be taken.

Management of the operational and structural liquidity risk [elements 4-8]

For the purposes of short-term liquidity steering (<1 year), the management uses short- and medium-term liquidity scenarios. These scenarios include not only contractually determined cash flows, but also expected cash flows from new issues, the termination of existing business, cash outflows from new transactions, cash inflows from syndication agreements, retail deposits repayable on demand, repurchase prolongations and liquidity demand for cash collateral received (under credit support agreements/ISDA arrangements). The resulting liquidity gaps are managed daily in the short-term liquidity scenario, followed by monthly management thereafter.

The following table shows the expected liquidity gaps after the measures planned, the free liquidity reserve, and the net liquidity position resulting from the liquidity gap and the liquidity reserve:

Liquidity

in EUR m	Expected liquidity gap		Available liquidity		Liquidity position	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Up to one month	637.5	676.2	312.4	240.6	949.8	916.8
More than one month up to three months	-9.3	50.8	-52.7	4.8	-62.0	55.6
More than three months up to one year	-140.2	318.6	-16.3	19.6	-156.5	338.2
Total	487.9	1,045.6	243.3	265.0	731.3	1,310.7

For the purposes of managing the structural liquidity risk position (>= 1 year), Kommunalkredit analyses the expected capital flows over the entire term of all on-balance and off-balance

transactions. Overhangs from capital inflows and capital outflows are monitored by maturity range and at cumulative level and provide the basis for strategic liquidity management.

Market risk management

Market risks refer to potential risk exposures to balance sheet and off-balance sheet positions arising from market price movements with an adverse impact on the bank. The bank-specific market risks mainly include interest rate risk, currency exchange risk, credit spread risk, basis spread risk and option price risk.

Interest rate risk

When it comes to the measurement, management and limitation of interest rate risks from positions not held in the trading book, Kommunalkredit generally distinguishes between the period-oriented repricing risk and the NPV-oriented risk of changing interest.

For the purpose of efficiently managing the interest rate risk and net interest income, Kommunalkredit uses an analysis and simulation tool (interest rate gap structure by currency, interest rate VaR, sensitivity analyses, simulation trades) which enables the forecast and targeted management of the bank's interest rate risk from positions not held in the trading book, the P&L sensitivity of the fair value portfolios according to IFRS, and net interest income for the period. To calculate the interest rate VaR, an internal model based on historical interest rate movements is applied.

Kommunalkredit's portfolio mainly comprises positions with clearly defined interest rate and capital commitment. As a rule, non-linear risks are completely hedged. Open positions are strictly limited and monitored. Retail deposits include positions without clearly defined interest rate and capital commitment (deposits repayable on demand). In principle, the interest rate commitment of deposits repayable on demand is modelled as a function of the pricing strategy. Non-linear risks that are not hedged are quantified using a scenario analysis.

For interest rate risk measurement by the RMC, the gap structures are analysed and the price sensitivity of the overall position as well as the impact of interest rate changes on the net interest income of the period (repricing risk) are quantified for different scenarios. The repricing risk is measured for the currencies EUR, USD, CHF, JPY.

For risk management purposes, Kommunalkredit differentiates between the following sub-portfolios:

- less-than-twelve-months interest-rate position (short-term ALM)
- more-than-twelve-months interest-rate position (long-term ALM)
- equity investment portfolio ("equity book")
- IFRS fair value position
- IFRS OCI value position

An analysis and steering tool is used for the management of short-term, less-than-twelve-months interest risk positions which permits the efficient management of the repricing risk by currency.

The annual net interest income effect from Kommunalkredit's repricing risk as of 31 December 2021 in the event of a parallel rise of short-term interest by +100 basis points amounts to EUR -3.9m (31/12/2020: EUR -1.7m).

As of 31 December 2021, the NPV risk of interest rate changes of the banking book and the IFRS interest rate risk position in the event of a +30bp parallel shift in the yield curve amounts to EUR +3.5m and EUR +1.3m, respectively (31/12/2020: EUR +4.6m and EUR +1.8m). That of the IFRS interest rate risk position with an impact on OCI amounts to EUR -4.7m (31/12/2020: EUR -4.7m).

Currency exchange risk

The currency exchange risk is the risk of losses in foreign currency positions caused by an unfavourable change in the exchange rate, the open FX position being the difference between the sum total of asset positions and the sum total of liability positions, including foreign currency derivatives, in a given currency.

To measure the risk, a VaR of the open foreign currency position, according to the Austrian Commercial Code (UGB) is determined daily based on a variance/co-variance approach with a holding period of one trading day and a confidence interval of 99%, using exponentially weighted historical volatilities and correlations. Except for small residual positions, the open FX position according to the Austrian Commercial Code (UGB) is closed daily. The FX VaR as of 31 December 2021 was TEUR 14.3 (as of 31/12/2020: TEUR 16.5).

Credit spread risk

The credit spread risk is the risk of losses in value due to market-related changes in credit spreads, although there is no deterioration in the rating of the issuing group. Credit spreads refer to the risk premiums allocated by the market, an issuer or an issuing group which are priced-in when determining the market value of a financial instrument.

As of 31 December 2021, the credit spread risk in the event of credit spreads widening by +20 basis points was EUR -2.1m (31/12/2020: EUR -2.3m) in the IFRS P&L position and EUR -10.1m (31/12/2020: EUR -10.6m) in the IFRS-OCI position.

Basis spread risk

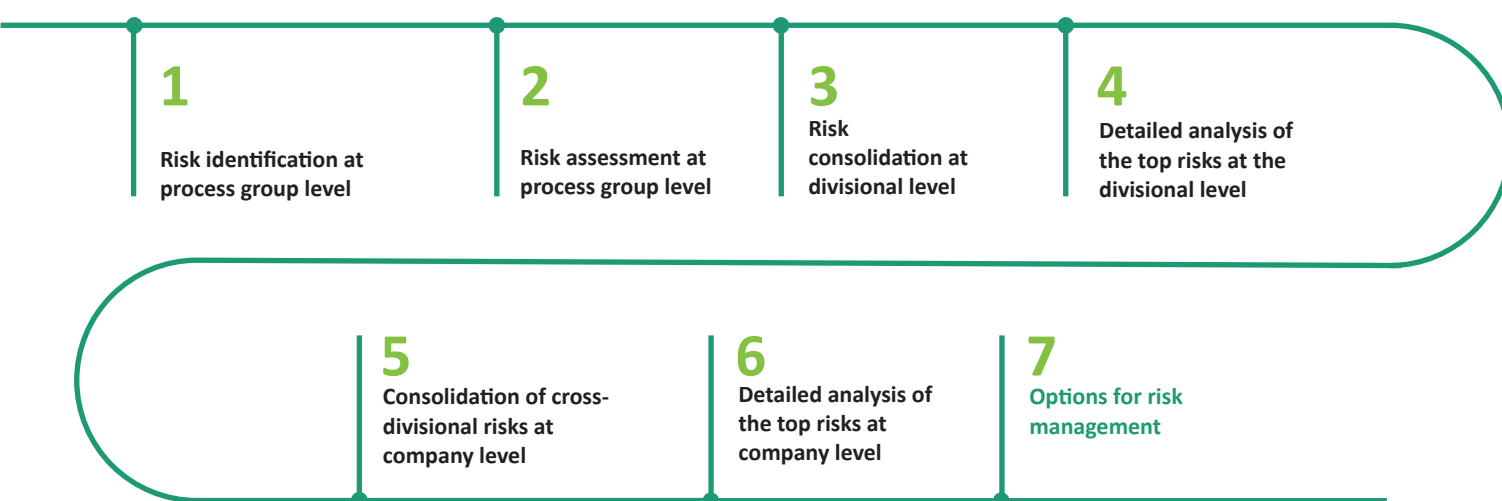
The basis spread risk is the risk resulting from a change in basis spread, which is factored into the variable interest rate conditions for non-standard reference interest rates and payment frequencies. Except for residual risks in the individual currencies, the basis spread risk relevant under IFRS is hedged.

As of 31 December 2021, the basis spread risk in the event of basis spreads widening by one basis point was EUR +0.0m (as of 31/12/2020: EUR +0.1m).

Option price risk

The option price risk for Kommunalkredit is the risk of changes in the market values of open option positions. To measure the option price risk, a scenario matrix is used to determine interest rate shifts (-/+30bp), volatility shifts (-/+30%) and combined shifts.

The option price risk in the banking book calculated on the basis of the scenario matrix amounted to EUR -1.7m as of 31 December 2021 (31/12/2020: EUR -1.7m based on a -/+30bp interest rate shift). The open option price risk in the banking book results exclusively from unilateral call rights of Kommunalkredit for own issues (i.e. Kommunalkredit has the right to call). As of 31 December 2021, there were no P&L-relevant option price risks.

**Operational risk**

Kommunalkredit defines operational risk as the possibility of losses occurring due to the inadequacy or failure of internal procedures (processes), people and systems or as a result of external events. The legal risk is part of operational risk. External events classified as pure credit risk, market risk, liquidity risk or other types of risk with no operational background are not covered by this definition. The aim of Operational Risk Management (ORM) is to reduce the probability of occurrence of operational risks and their potential to adversely impact the bank.

CNFR is responsible for operational risk management. Operational risk correspondents (ORC), appointed in consultation with CNFR, act as points of contact for the individual units, establishing the link to operational risk management and supporting the ORM process.

An operational default database as well as risk and control self-assessments are the key instruments available for the management of operational risk. The database represents a retrospective view, i.e. realised gains/losses from operational events in the past are recorded there with the involvement of the line managers in charge. In contrast, risk and control self-assessments represent a prospective, future-oriented view. Risks are identified and their severity is assessed. At Kommunalkredit, these assessments are performed as coached self-assessments, i.e. individual risks are assessed and evaluated by the units concerned under the guidance of CNFR. The entries made in the operational default database serve as input and provide feedback for the reassessment of risks. The Executive Board and the senior management are informed about operational risks at the monthly RMC meetings.

Kommunalkredit uses the standardised approach to quantify its own funds requirements. The own funds held on this basis significantly exceed the actual losses suffered in the past.

Business Continuity Management

Business Continuity Management (BCM) ensures the adequate, comprehensive and efficient management of business continuity. It includes the elaboration and management of continuity and recovery plans as well as the implementation of measures designed to minimise interruptions of critical business processes. This includes providing remote workplaces in the event of Kommunal-kredit's office premises not being available.

In the context of COVID-19 crisis management, appropriate organisational and technical measures were defined and implemented in some areas of operation at an early stage. The bank's crisis management team continuously monitors the development of the pandemic and takes appropriate measures to ensure the going concern of business processes and the protection of employees.

The annual Business Impact Analysis (BIA) was carried out and served to assess business processes and information and communication technology (ICT) services for their criticality, and to verify the time to full restoration of services. The emergency plans were revised at the same time. The annual emergency exercise to test the reliability of critical infrastructure components was also successfully carried out according to schedule.



Sustainability risks

Sustainability risks form an integral part of the risk strategies and risk categories of Kommunal-kredit. The inclusion of sustainability factors in the concepts, management and measurement methods of the credit, market, liquidity, syndication and operational risks is evaluated and expanded on an ongoing basis. To assess whether investments in infrastructure and energy projects meet the sustainability criteria set by Kommunal-kredit, an internally developed "ESG/Sustainability Check", which is a three-stage process, is applied:

- 1 Contribution to UN Sustainable Development Goals (SDG) | Review of SDG criteria: each new transaction must, at a minimum, make a positive contribution to an SDG.
- 2 Total exclusion in the event of human rights violations and for certain industries and sectors such as the gambling industry, nuclear power, coal, pornography and armaments.
- 3 Review of up to 20 qualitative ESG criteria; the criteria catalogue includes, for example, in terms of environmental criteria, an assessment of the impact on CO₂ emissions, biodiversity, water and soil, energy and resource consumption at transaction level; in terms of social criteria, there is an assessment of the impact on diversity, equality, labour market, the healthcare system, provision of green energy, clean water and transport. In terms of corporate governance, the assessment covers corruption, corporate governance and other environmental standards.

In addition, last year Kommunal-kredit's infrastructure and energy portfolio was classified and assessed using a defined five-tier ESG scale at the level of financed industry sectors and sub-sectors in order to obtain an overview of environmental and social sustainability risks in the portfolio and ensure that the industry-related sustainability risks in the portfolio are adequately assessed. The analysis and classification in the scale will be further refined at customer level in 2022. The focus of sustainability risk analyses will then be placed, according to the scale, on sectors/transactions with increased vulnerability to climate and environmental risks. Sector limits in the infrastructure and energy sectors are used to limit risk in line with the bank's strategic orientation. These limits form an integral part of monthly risk reporting to the management team. Moreover, when deriving the liquidity buffer, ESG risks are also included as a distinct component, with the customer and maturity structure of the liabilities, among other factors, analysed for this purpose. In addition, threats posed by climate and environmental events are evaluated, taking operational/non-financial risks into account as part of information security risk management.

Kommunal-kredit primarily finances the public sector in Austria and projects in the areas of renewable energy, telecommunications and social infrastructure in Europe. ESG risks in the portfolio are therefore considered to be low based on the analysis carried out. Potential risks are taken into account in the process of loan origination and are adequately reflected in the planning assumptions for the borrower and the determined ratings.

The further development of the ESG risk framework is a top focal point for 2022.



RISK.CONTROL.

Internal control and risk management system

The Executive Board of Kommunalkredit is responsible for establishing and structuring an internal control system and risk management system that meets the needs of the company regarding the accounting process. The Audit Committee monitors the effectiveness of the internal control system and the accounting process as a whole.

Report on key features of the internal control system and risk management system in relation to the accounting process

The “internal control system” (ICS) encompasses all processes designed by the Executive Board and executed within the company that are used to monitor and control

- the effectiveness and efficiency of the operating activities for the purpose of protecting assets against loss as a result of damage and misappropriation,
- the reliability of financial reporting and
- compliance with the statutory regulations of relevance for the company.

The objective of the ICS is to assist the management in such a way that enables it to ensure the performance of effective and continuously improving internal controls for accounting processes. It is designed on the one hand to ensure compliance with policies, guidelines and regulations and on the other to create favourable conditions for specific control measures in key accounting and financial reporting processes.

Within the accounting process, the ICS is procedurally organised on the basis of an intended **standardisation of processes** in the Finance division and in the Accounting, Financial Reporting & Taxation teams and in Reporting & Managerial Accounting. Visualised procedural descriptions, policies, guidelines and work instructions are in place for processes. The two-person-review principle defined therein for major operations is mandatory. Data and IT systems are protected from unauthorised access. Relevant information is only provided to those employees who actually require the information for their work. Results are discussed between divisions where necessary.

The Kommunalkredit ICS comprises five components from the COSO²³ framework:



Control environment

The control environment is based on communication and the corporate culture in which management and employees work. Kommunalkredit always works to ensure effective communication and to convey the company’s own guiding principles as laid out in the “Code of Conduct”. Key organisational principles include the **avoidance of conflicts of interest** by strictly separating front and back-office units, **transparently documenting** core processes and control steps in risk & control matrices, and the consistent application of the **two-person-review principle**. With their diverse functions and rules of business, the committees of the Supervisory Board lay out the responsibilities of the Executive Board and limit the scope of possible action at the highest level of the company.

The implementation of the ICS regarding the accounting process is defined in the internal policies and regulations. These ensure that transactions and the sale of company assets are disclosed correctly, compliantly and in sufficient detail. Functions that play a key role in the accounting process – Finance and Risk Controlling – are clearly separated and are organised into separate divisions. Other committees (Risk Management, Fixed Valuation committee) and divisional meetings serve as interdivisional forums for various specialist divisions. Executive, transactional or administrative activities such as payments and payment booking are clearly isolated from one another or are subject to the two-person-review principle.

²³ COSO – Committee of Sponsoring Organizations of the Treadway Commission.

Within the procedural organisation in Finance, as well as in the Accounting, Financial Reporting & Taxation teams and in Reporting & Managerial Accounting, standard software is used to ensure a systematic approach for booking, cross-checking, controls and reporting as far as possible to avoid errors.

Internal Audit independently and regularly reviews compliance with internal regulations relating to the accounting process. The Internal Audit management reports directly to the Executive Board and Supervisory Board.

Risk assessment

The main risk in the accounting process is that circumstances may not be accurately be represented in keeping with the company's assets, financial position or income due to errors or wilful misconduct. At Kommunalkredit, risks are identified in relation to the accounting process by the process managers; these are then described and monitored in **risk & control matrices** in accordance with the specified methods. All identified risks must be evaluated, and measures must be taken in line with the nature of the risk to protect against and mitigate these by means of optimised processes. The focus is on those risks deemed to be material. Internal control measures implemented by the specialist divisions undergo regular evaluation.

Control measures

All control measures are applied to current business processes to ensure that potential errors or deviations in financial reporting are prevented or, if appropriate, identified and eliminated.

Control measures relating to accounting are described in policies, guidelines and work directives for recording, booking and accounting for transactions and in processes and risk & control matrices. Based on **risk assessments**, control steps and key controls are defined for the processes. Compliance with the key controls defined in the risk & control matrices is reviewed in its entirety by the division management, with spot checks performed by the ICS Officer and Internal Audit.

The software used for accounting and reporting is market-standard software (SAP). Automated controls (validations) are performed in SAP, and manual controls are performed by employees in the Accounting & Taxation team as well as the Accounting team in SAP and SAP BW; plausibility and data quality checks are conducted.

Control measures relating to accounting and IT security are a cornerstone of the ICS. Separation of sensitive activities by restrictively assigning IT rights and strict observance of the two-person-review principle are closely monitored.

To increase the quality of controls, various divisions are involved in certain processes and agreement is required. For example, the inter-divisional new product launch process serves to ensure that the products are represented in a standardised and systematic way for accounting purposes. The processes and results of the market valuations performed by the Risk Controlling Team Valuation & Modelling division for the given fixed valuation dates are also discussed and agreed. Another example of an inter-divisional agreement is the process for creating annual and interim reports. In editorial meetings, the affected divisions agree the content of the annual and financial reports and confirm the content before approval by the Executive Board.

Information and communication

Kommunalkredit's divisions – in particular Finance and Risk Controlling – regularly report to the Executive Board, in particular in the form of monthly and quarterly results. The Executive Board, in turn, regularly reports to the Supervisory Board. The Head of Internal Audit, the Risk Manager and the Compliance Officer also report directly to the Supervisory Board.

The **flow of information** includes the calculated data for the company (statement of financial position, income statement, budget and capital planning statements, target/actual comparisons, including comments on major developments), a quarterly risk report, reports and analyses on liquidity risk for the Markets division, and reports and analyses on the Banking division's operating activities. The owners, investors and market partners, as well as the public, are comprehensively informed via a half-year report and the annual financial report. The requirements laid out by statutory provisions regarding ad hoc disclosures are also satisfied.

Monitoring

Financial statements to be published are subject to a final review and express **approval** by senior employees, employees of the Financial division and the Executive Board in conjunction with the auditor before being forwarded to the Audit Committee of the Supervisory Board.

The active monitoring of compliance with all rules aims to ensure that all operating processes are as reliable as possible and to ensure consistency with Group-wide internal and statutory regulations. If risks and flaws in control processes are discovered, remedial and preventative measures are developed promptly by those responsible, and the implementation of the follow-up measures is monitored.

To ensure compliance with regulations and banking requirements, compliance with the requirements is also reviewed based on the annual audit plan laid out by Internal Audit.

In the year under review, the existing processes and control activities related to the ICT (information & communication technology) risk management, in particular, were expanded and documented in working directives and risk & control matrices.



FUTURE.THINKING.

Outlook

At the beginning of 2022, the pandemic development remains the great unknown. With the invasion of Ukraine by Russia another major factor of uncertainty has been added. The year 2021 demonstrated that the global economy can deal better with the effects of the global health crisis than expected and, faced with the progress on vaccinations, the prospects were positive. This encouraging trend has been dampened by the global political situation.

The global economy is recovering – even if the developments in markets and sectors are extremely varied. This cannot hide the fact that we are confronted with rising inflationary pressure, higher food and energy costs, further price rises, delivery bottlenecks and employment restrictions. Monetary and financial policy will therefore continue to play an important role in overcoming this exceptional situation.

Macroeconomic environment in 22 | 23

The international central banks have dampened the economic burdens with their aggressive monetary policy. For example, the **European Central Bank** (ECB)²⁴ decided at the end of 2021 to extend the reinvestment period for the PEPP (Pandemic Emergency Purchase Programme) to the end of 2024 in order to counter the adverse effect on the transmission of financial policy. At the same time, this aims to ensure guaranteed but lower purchases as part of the programme to buy assets so that the monetary policy rate remains in line with the medium-term stabilisation of inflation as its target. In terms of base interest rates, they currently remain unchanged at 0.00%, 0.25% or 0.50%. How long the ECB will still retain this rate is unclear due to the record levels of inflation.

The **Federal Reserve Bank** (Fed) has to date hidden its hand. It is generally expected that an initial interest rate rise will take place at the latest in the third quarter of 2022 – even if it will be moderate.

To the extent to which the demand patterns normalise, production capacities increase again, and more people return to work, the bottlenecks on the supply side should gradually reduce in 2022/2023. Recovery will continue whereby global GDP growth²⁵ will weaken over time: from 5.6% in 2021 to 4.5% in 2022 and 3.25% in 2023. The most developed economies should return to the pre-COVID production path by 2023 – with higher levels of debt and modest growth potential.

2022 offers opportunities: on the one hand, to concentrate again increasingly on production to foster growth and make investments in infrastructure; on the other, quickly agreeing to the necessary steps to still comply with climate change agreements.

²⁴ ECB – Press Release, 3/2/2022.

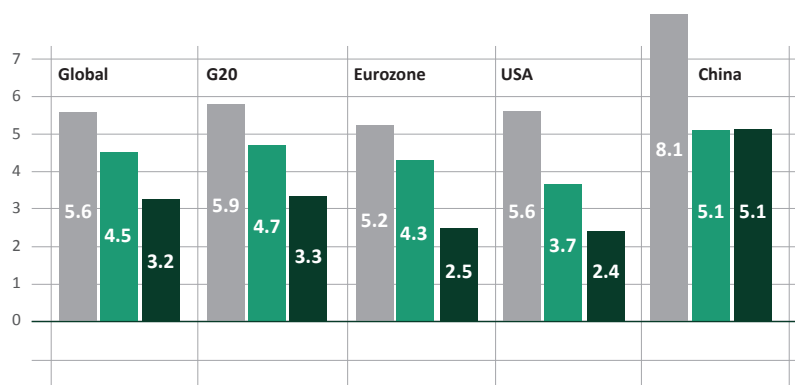
²⁵ OECD – Economic Outlook, Volume 2/2021, 01/12/2021.

²⁶ OECD – Economic Outlook, Volume 2/2021, 01/12/2021.

GDP growth in %²⁶



An adjustment to the measurement forecast may lead to changes in comparative values from the past.



Infrastructure 22 | 23

Crisis-proof infrastructure will remain one of the most important topics on the agenda. 2021 has impressively demonstrated the resilience of the infrastructure market. Megatrends such as decarbonisation and digitalisation were prioritised (politically), in particular in Europe. Little will change concerning this throughout 2022.

As demonstrated by looking at Kommunalkredit's transaction pipeline, one can assume that the market for infrastructure finance will see robust development, above all in Digital Infrastructure and Renewable Energies. The planned fibre-optic projects will develop somewhat more from greenfield²⁷/roll-out-focused structures to brown field/M&A²⁸ finance, as in some markets like United Kingdom and Germany, market consolidation is expected in the medium-term.

With regard to decarbonisation – a key issue at the COP26 Conference and heavily promoted as part of the "Fit-for-55" programme – in addition to the further expansion of the classical areas of PV solar and wind power, the focus will increasingly be on the energy transition. Electric charging stations, battery stores, hydrogen and carbon capture are key words for the sustainable future.

In social infrastructure care institutions, private clinics and outpatient health services are very popular with some leading infrastructure investors due to their predictable and calculable cash flows. The transport sector, which was drawn into the adverse effects of the crisis, saw gentle movement again at the end of the year, in particular for rail and passenger transport.

But uncertainties still exist. Current disruption to global supply chains will continue to ensure challenges in individual areas of the infrastructure market (e.g. PV panels). Strong increases in energy prices and the accompanying inflationary tendencies represent additional hurdles.

²⁷ Greenfield projects are new infrastructure assets erected on undeveloped ("green") land, which may involve construction phases of varying lengths and financing requirements – depending on the sector and nature of the project – before they can enter service.

²⁸ Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).

Kommunalkredit 22 | 23

The year 2021 – like the previous year – showed how quickly the demand for crisis-resistant infrastructure can develop and how important functioning infrastructure is to the survival of society. The focus has moved to hospitals, nursing homes, energy suppliers and telecommunication service providers, and they will continue to play a key role. The necessary steps for the energy transition and to prevent climate change must be undertaken now for the future.

As a specialist for infrastructure and energy finance as well as public finance, Kommunalkredit is well-prepared for these challenges. The bank arranges, finances and consults on sustainable projects in the Energy & Environment, Communication & Digitalisation, Transport, Social Infrastructure and Natural Resources sectors. In 2021 we enabled, amongst other projects, wind parks in Finland, photovoltaic systems in Spain and Italy, hospitals in the United Kingdom, data centres in Switzerland, broadband projects in France and Germany and transport routes in Ghana.

In our home market, we have demonstrated our commitment to sustainable infrastructure multiple times: with OMV we are investing in Austria's largest electrolysis plant; as a partner with the SORAVIA Group we have installed innovative heating and cooling technology for the Trillple and Austrotower building complex; with the Upper Austrian energy provider eww we are implementing photovoltaic rooftop systems via a joint venture.

A look at the key performance indicators confirms the route we have chosen to focus on infrastructure and set sustainable accents here. The recognition of European competitors and the perception of the media underline the validity of this decision. We have prepared the ground; now we need to continue to care for it.

In the coming years, infrastructure will play a key role. Not only as an asset class but above all as the essential factor for implementing the Green Deal to achieve national and international climate and energy targets. Funding must be provided for relevant innovative projects in a constant and forward-looking manner to boost energy generation and related technologies such as hydrogen, electrical charging infrastructure and battery storage.

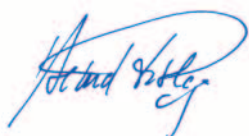
We are also keeping a close eye on the current political situation so that we can react quickly and appropriately to potential changes if necessary. Kommunalkredit itself has no material exposure to Russia or Ukraine.

Kommunalkredit stands for broad expertise, a recognised team of specialists, proactive commitment, quick and flexible analysis and efficient implementation. The interest in our Fidelio KA fund from international investors in sustainable infrastructure is ongoing, and with our new “Florestan KA GmbH”, we are driving infrastructure and energy projects forward with development and growth potential through equity funding.

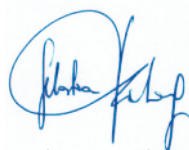
Demand for infrastructure is high – and not only in times of crisis. We see ourselves as a think tank and sparring partner on all aspects of sustainable infrastructure. We are redefining infrastructure.

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG



Bernd Fislage
Chief Executive Officer

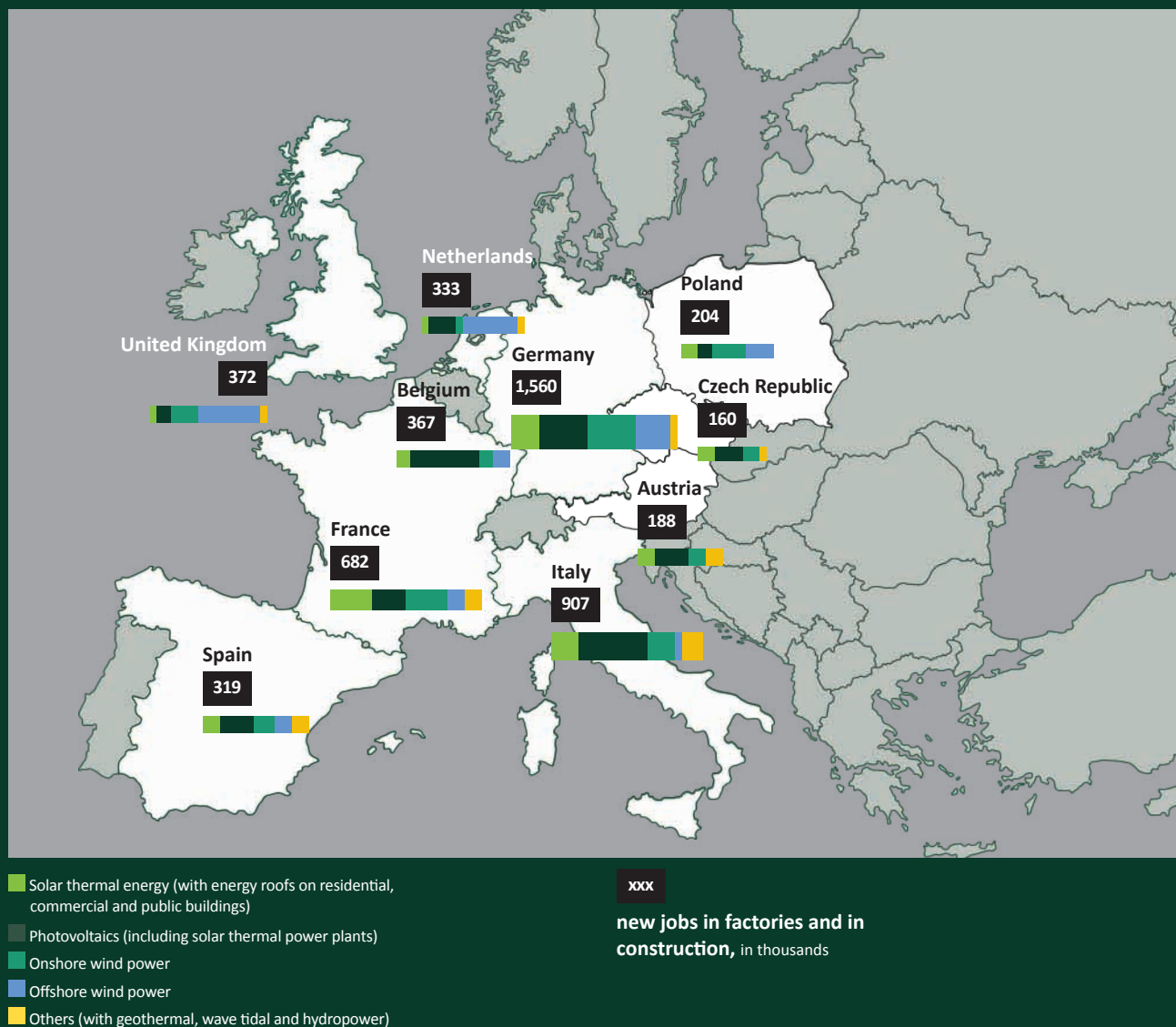


Sebastian Firlinger
Member of the Executive Board

Infra Facts

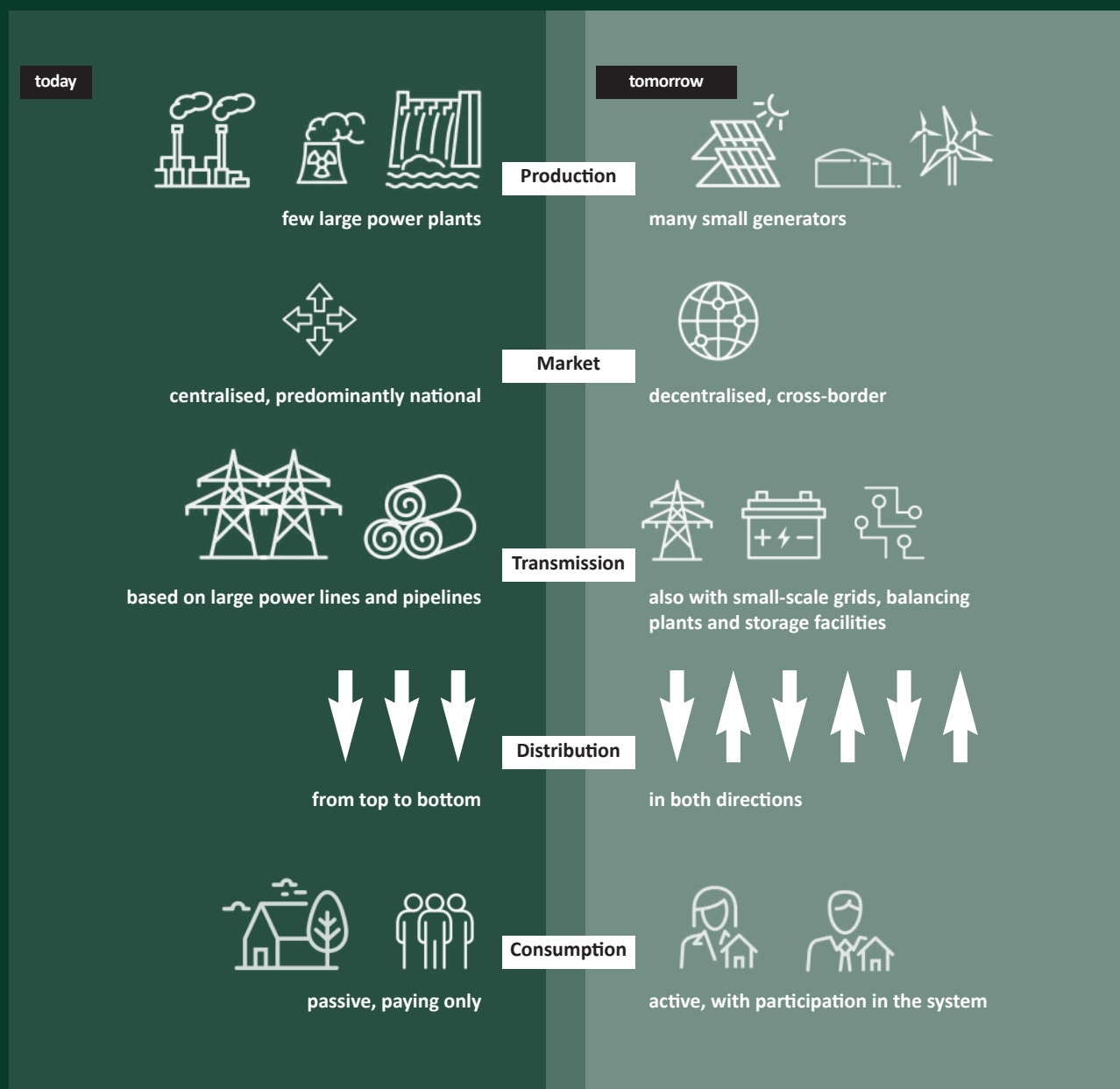
The world of infrastructure is multifaceted. And no topic will shape the coming decades as much as the energy transition. The switch to a sustainable energy supply is the declared global goal. At Kommunkredit, we are ready and willing to keep taking responsibility in this area and to make our contribution to the people.

Renewable energy mix 2050. The ten EU countries profiting most. Source: Energieatlas 2018



This graphic from Energieatlas 2018 by the Heinrich Böll Foundation, Green European Foundation, European Renewable Energies Federation and Le Monde diplomatique shows that renewable energies can be used more efficiently by promoting the connection between the electricity, transport and heating sectors. Extra electricity heats houses, stores heat in district heating networks, cools industrial processes and charges electric batteries. The use of coal and gas is also lessening, even though it had always been dominant in this area. The energy mix of renewables after a complete energy transition and with improved energy efficiency contributes to the achievement of climate targets and creates new jobs.

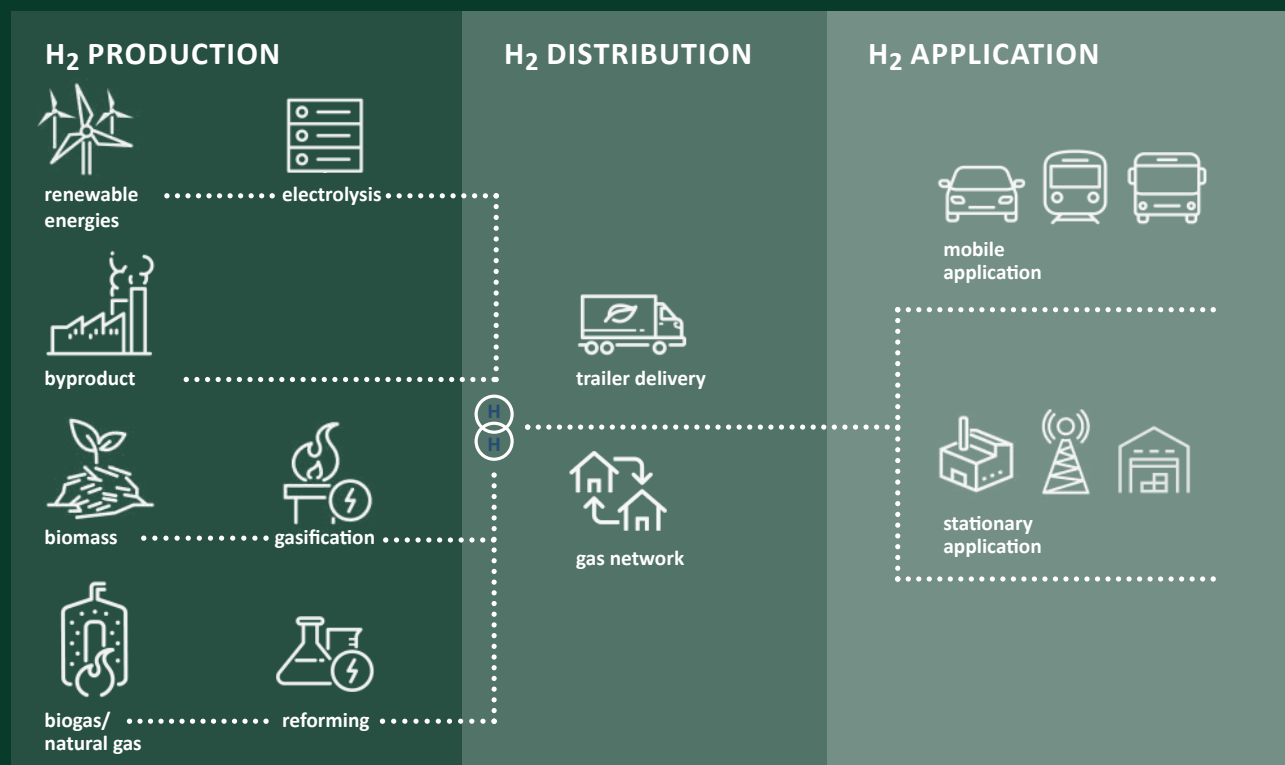
Structural change in the energy sector. Digitalisation accelerated. Source: Energieatlas 2018



This graphic from Energieatlas 2018 by the Heinrich Böll Foundation, Green European Foundation, European Renewable Energies Federation and Le Monde diplomatique sketches out the changes in energy systems. Digitalisation also plays a key role here, helping technologies in the energy system to communicate with each other: How are supply and demand behaving? How to store surpluses and resell them when needed? How can we enable consumers to access the energy system? The authors conclude that the future of the energy system is largely dependent on the extent to which new technologies are used as tools for democratisation and participation or merely to increase the efficiency of established energy suppliers.

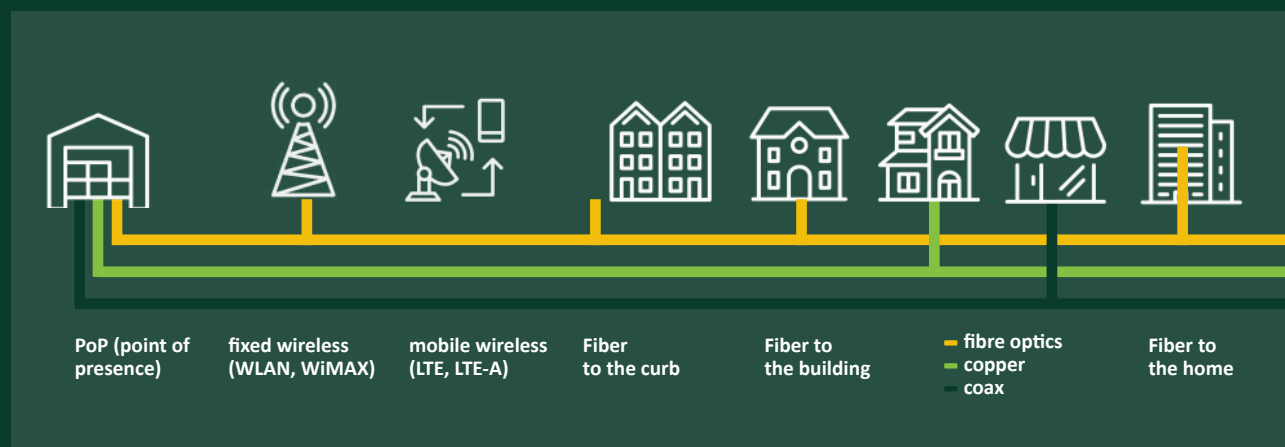
Infra Facts

Hydrogen infrastructure. From production to application. Source: emcel



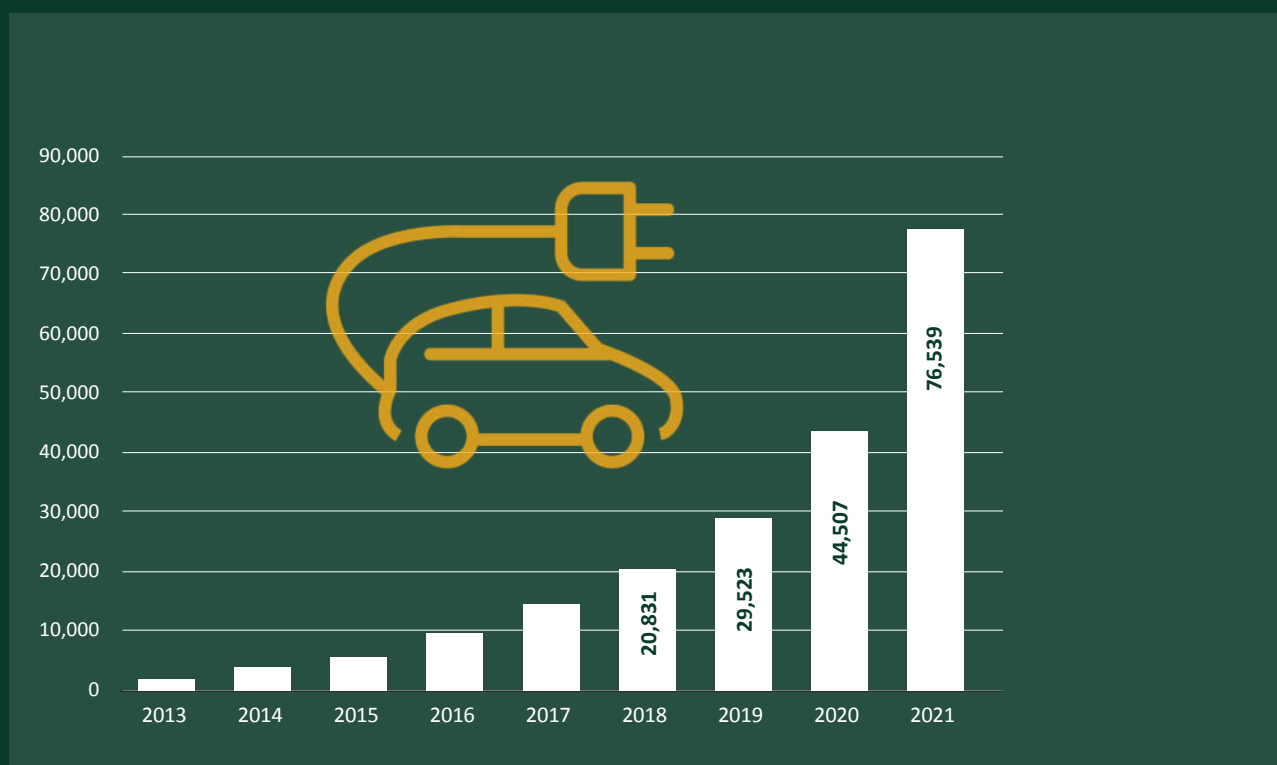
Hydrogen plays an increasingly important role in sustainable energy supply. Its versatility means that fossil energy sources can be successively substituted. Hydrogen can be made in many ways and is sometimes produced as a byproduct. For it to be used on a broad scale, the infrastructure needs to be expanded accordingly, as this graphic from the Cologne-based engineering firm Emcel illustrates.

Broadband access technologies. From PoP to FTTH. Source: BMK



Now that more and more people are working from home and doing remote learning, the demand for broadband is rising sharply. What broadband technologies are available and how does data get from the local distribution node directly to the home PC? An overview from the broadband office of the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology.

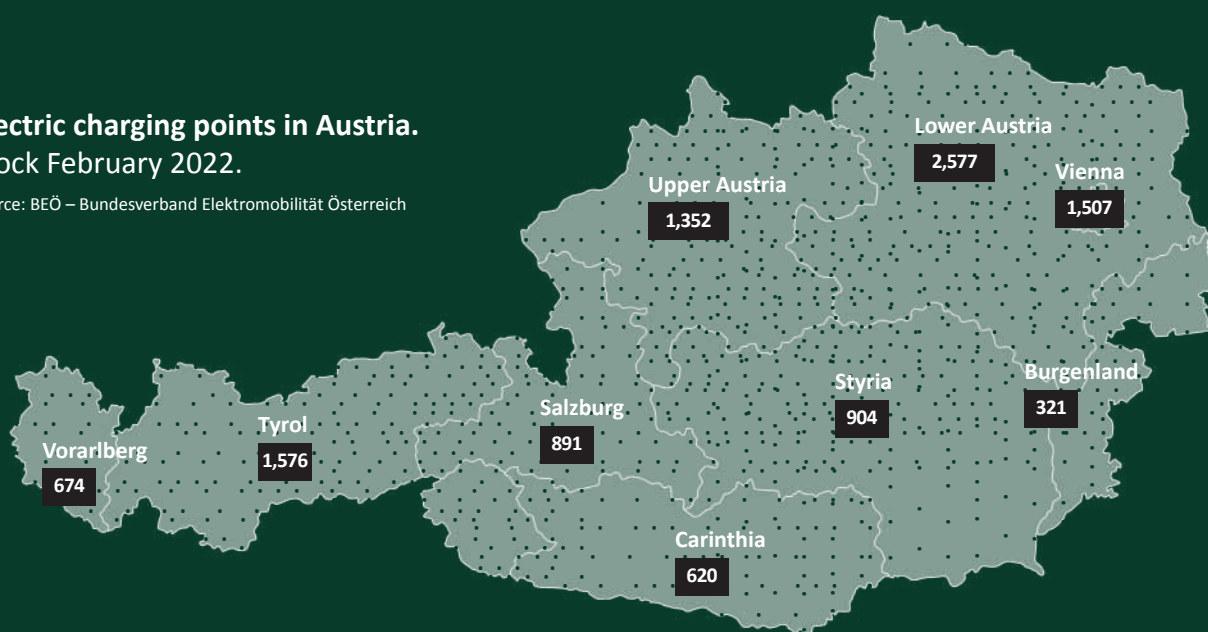
Electric cars in Austria. Stock. Source: BEÖ – Bundesverband Elektromobilität Österreich



As of the end of January 2022, there are 78,434 fully electronic passenger cars in Austria. That is 1.5% of all passenger cars in Austria. This data comes from Statistik Austria and the Austrian federal association for e-mobility. According to econtrol in February 2022, there are approximately 10,400 charging stations in the whole of Austria.

Electric charging points in Austria. Stock February 2022.

Source: BEÖ – Bundesverband Elektromobilität Österreich





SEPARATE FINANCIAL STATEMENTS OF KOMMUNALKREDIT AUSTRIA AG, VIENNA, FOR THE 2021 FINANCIAL YEAR



Statement of financial position (under the Austrian Banking Act)

ASSETS in EUR	Note		31/12/2021	31/12/2020
1. Cash on hand and balances with central banks			543,365,972.21	808,621,375.64
2. Debt securities from public issuers that are eligible for refinancing at the central bank	4.1.		335,889,079.90	156,650,052.44
Debt securities from public issuers		335,889,079.90		156,650,052.44
3. Loans and advances to banks	4.2.		178,518,513.94	156,748,791.52
a) repayable on demand		127,254,453.61		151,118,583.69
b) other loans and advances		51,264,060.33		5,630,207.83
4. Loans and advances to customers	4.3.		2,727,598,339.83	2,564,697,989.86
5. Bonds and other fixed-income securities	4.4.		316,132,951.78	320,807,951.46
a) of public issuers		86,940,816.86		83,842,809.96
b) of other issuers		229,192,134.92		236,965,141.50
of which own bonds		0.00		0.00
6. Investments	4.5.		27,799,025.00	25,065,025.00
of which in banks		0.00		0.00
7. Investments in affiliated companies	4.5.		32,501,518.81	32,501,518.81
of which in banks		0.00		0.00
8. Non-current intangible assets	4.6.		845,280.09	483,579.87
9. Property, plant and equipment	4.6.		2,885,592.50	2,602,898.96
of which land and buildings used by the credit institution within the framework of its own activities		0.00		0.00
10. Other assets	4.7.		46,980,453.66	24,240,591.79
11. Prepaid expenses	4.8.		6,436,702.86	5,111,548.95
12. Deferred tax assets	4.9.		11,402,667.52	11,196,050.69
Total assets			4,230,356,098.10	4,108,727,374.99
Off-balance sheet items				
1. Foreign assets			2,313,319,400.97	1,835,839,688.30

EQUITY AND LIABILITIES in EUR	Note		31/12/2021	31/12/2020
1. Amounts owed to banks	4.10.		482,336,403.62	523,822,361.55
a) repayable on demand		64,955,875.95		54,793,576.92
b) with fixed maturity or period of call		417,380,527.67		469,028,784.63
2. Amounts owed to customers	4.11.		1,866,853,774.76	2,104,558,000.31
a) other liabilities				
aa) repayable on demand		260,758,508.29		196,886,593.50
bb) with fixed maturity or period of call		1,606,095,266.47		1,907,671,406.81
3. Securitised liabilities	4.12.		1,303,738,759.01	1,001,140,415.70
a) bonds issued		1,101,791,063.19		775,475,591.03
b) other securitised liabilities		201,947,695.82		225,664,824.67
4. Other liabilities	4.13.		24,401,978.16	26,029,114.90
5. Deferred income	4.14.		19,627,955.18	9,865,457.19
6. Provisions	4.15.		33,398,619.53	28,355,332.23
a) provisions for severance pay		1,840,970.21		2,928,732.22
b) provisions for pensions		947,215.07		1,140,097.97
a) tax provisions		9,163,638.21		42,619.59
b) other		21,446,796.04		24,243,882.45
6.A Fund for general banking risks (§ 57 (3) Austrian Banking Act)	4.16.		40,000,000.00	40,000,000.00
7. Tier 2 capital	4.17.		62,527,327.79	67,527,648.04
8. Additional Tier 1 capital under Part 2 Title I Chapter 3 of Regulation (EU) No. 575/2013	4.18.		63,321,566.30	0.00
9. Subscribed capital	4.19.		172,659,452.81	172,659,452.81
10. Capital reserves			6,831,840.55	6,831,840.55
a) restricted	4.20.	6,831,840.55		6,831,840.55
b) non-restricted	4.20.	0.00		0.00
11. Retained earnings			112,534,104.73	92,055,161.94
a) statutory reserve	4.21.	10,434,104.73		8,955,161.94
b) other reserves (non-restricted reserves)	4.21.	102,100,000.00		83,100,000.00
12. Liability reserve pursuant to § 57 (5) Austrian Banking Act	4.22.		18,391,602.27	15,511,502.36
13. Net profit	4.23.		23,732,713.39	20,371,087.41
Total equity and liabilities			4,230,356,098.10	4,108,727,374.99
Off-balance sheet items				
1. Contingent liabilities	5.1.		14,448,397.50	2,783,454.16
<i>of which liabilities from sureties and guarantees from the assignment of collateral</i>		14,448,397.50		2,783,454.16
2. Credit risk	5.2.		730,055,547.40	469,197,712.62
<i>of which liabilities from repurchase transactions</i>		0.00		0.00
3. Liabilities from fiduciary transactions	5.3.		313,039,971.06	324,551,228.25
4. Eligible capital pursuant to Part 2 of Regulation (EU) No. 575/2013	6.1.		458,235,394.42	392,773,593.59
<i>of which Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013</i>		44,641,456.74		48,728,948.52
5. Capital requirements pursuant to Art. 92 of Regulation (EU) No. 575/2013	6.1.		2,026,456,015.12	1,692,204,885.10
<i>of which capital requirements pursuant to Art. 92 para. 1 (a) of Regulation (EU) No. 575/2013 CET 1 ratio</i>	6.1.	17.31%		20.33%
<i>of which capital requirements pursuant to Art. 92 para. 1 (b) of Regulation (EU) No. 575/2013 Tier 1 capital ratio</i>	6.1.	20.41%		20.33%
<i>of which capital requirements pursuant to Art. 92 para. 1 (c) of Regulation (EU) No. 575/2013 Total capital ratio</i>	6.1.	22.61%		23.21%
6. Foreign liabilities			1,688,128,121.03	1,645,419,926.27

Income statement (under the Austrian Banking Act)

in EUR	Note			1/1-31/12/2021	1/1-31/12/2020
1. Interest and similar income				67,300,116.58	70,182,048.48
<i>of which from fixed-income securities</i>			5,844,221.35		6,214,031.14
2. Interest and similar expenses				-11,722,769.74	-12,741,908.25
I. NET INTEREST INCOME	7.1.1.			55,577,346.84	57,440,140.23
3. Income from securities and investments	7.1.2.			1,462,721.90	1,519,252.96
a) income from investments			54,000.00		54,000.00
b) income from investments in affiliated companies			1,408,721.90		1,465,252.96
4. Fee and commission income	7.1.3.			33,763,134.09	22,530,304.89
5. Fee and commission expenses	7.1.3.			-4,158,248.84	-2,146,244.20
6. Income/expenses from financial transactions				-8,335.09	241,182.45
7. Other operating income	7.1.5.			18,419,873.03	2,954,312.73
II. OPERATING INCOME				105,056,491.93	82,538,949.06
8. General administrative expenses	7.1.4.			-51,869,274.78	-47,384,300.61
a) Personnel expenses	7.1.4.1.		-33,837,358.61		-29,820,951.69
aa) salaries		-28,778,571.80			-23,473,807.32
bb) expenses for statutory social charges, salary-dependent charges and compulsory contributions		-4,043,297.40			-4,949,730.47
cc) other social expenses		-365,883.72			-486,784.98
dd) expenses for pension costs		-377,976.62			-291,492.25
ee) allocations to/cancellation of pension provisions		192,882.90			-97,489.71
ff) expenses for severance pay and contributions to company pension plans		-464,511.97			-521,646.96
b) other administrative expenses (other non-personnel administrative expenses)	7.1.4.2.		-18,031,916.17		-17,563,348.92
9. Valuation allowances to assets reported under asset items 8 and 9				-554,947.00	-363,919.95
10. Other operating expenses	7.1.6.			-2,790,697.43	-1,728,333.12
III. OPERATING EXPENSES				-55,214,919.21	-49,476,553.68
IV. OPERATING RESULT				49,841,572.72	33,062,395.38
11. Income from the valuation allowance of receivables and allocations to provisions for contingent liabilities and credit risks	7.1.7.			3,928,146.06	0.00
12. Expenses from the valuation allowance of receivables and allocations to provisions for contingent liabilities and credit risks	7.1.7.			-740,000.00	-2,132,148.19
<i>of which change in provision under § 57 (1) Austrian Banking Act</i>			-740,000.00		-850,000.00
13. Income from the valuation allowance of securities measured as financial assets and of investments and shares in affiliated companies	7.1.7.			3,137,877.62	1,441,032.69
V. PROFIT ON ORDINARY ACTIVITIES				56,167,596.40	32,371,279.88
14. Taxes on income	7.1.8.			-8,994,899.11	1,229,434.13
15. Other taxes not reported under item 14	7.1.8.			-80,941.20	-39,206.02
VI. PROFIT FOR THE YEAR	7.1.9.			47,091,756.09	33,561,507.99
16. Appropriation to and release of reserves		Appropri. (-)	Release (+)	-23,359,042.70	-23,778,075.40
a) liability reserve pursuant to § 57 (5) Austrian Banking Act		-2,880,099.91	0.00		0.00
b) statutory reserve		-1,478,942.79	0.00		-1,678,075.40
c) non-statutory reserve		-19,000,000.00	0.00		-22,100,000.00
17. Profit carried forward				0.00	10,587,654.82
VII. NET PROFIT				23,732,713.39	20,371,087.41

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF KOMMUNALKREDIT AUSTRIA AG FOR THE 2021 FINANCIAL YEAR

1. GENERAL INFORMATION

Kommunalkredit Austria AG (Kommunalkredit), which has its registered office in Vienna, Tuerkenstrasse 9, is a specialist bank for infrastructure and energy financing as well as public finance; it forms the bridge between project sponsors (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds. It is registered with the Commercial Court (Handelsgericht) of Vienna under Companies Register number 439528s.

Gesona Beteiligungsverwaltung GmbH (Gesona) owns 99.80% of Kommunalkredit, with a stake of 0.20% held by the Association of Austrian Municipalities. Satere is a holding company through which Interritus Limited (Interritus) and Trinity investments Designated Activity Company – via Satere Beteiligungsverwaltungs GmbH (Satere) – hold their participations in Kommunalkredit; Interritus and Trinity respectively hold 55% and 45% of Satere, which in turn holds a 100% stake in Gesona.

The consolidated financial statements of Kommunalkredit, based on the IFRS, are prepared pursuant to § 59a of the Austrian Banking Act (BWG) in conjunction with § 245a of the Austrian Commercial Code (UGB). As an issuer of exchange-listed securities, Kommunalkredit publishes an annual financial report pursuant to § 124 of the Austrian Stock Exchange Act (BörseG).

The consolidated financial statements of Kommunalkredit, which prepares the consolidated financial statements for the smallest consolidated group of companies, are registered with the Commercial Court of Vienna under Companies Register number 439528s. Kommunalkredit is an affiliated company of Satere, which has its registered office in Vienna and prepares the consolidated financial statements for the largest scope of consolidation. The consolidated financial statements of Satere are deposited with the Companies Register of the Commercial Court of Vienna under Companies Register number 428981f.

2. ACCOUNTING STANDARDS APPLIED

These financial statements were prepared in accordance with the relevant provisions of the Austrian Banking Act (Bankwesengesetz – BWG) and the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) applicable to financial institutions.

3. ACCOUNTING AND MEASUREMENT RULES

3.1. General remarks

The annual financial statements were prepared in compliance with generally accepted accounting principles and the general standard requiring the presentation of a true and fair view of the assets, the financial position and the income of the company.

The principle of completeness was complied with in the preparation of the financial statements. The assets and liabilities were measured on an item-by-item basis on the assumption of a going concern. The principle of prudence, considering the specificities of the banking business, was observed insofar as only profits realised on the reporting date were recognised and all identifiable risks and impending losses were taken into account.

Income and expenses are accrued/deferred pro rata temporis and are recognised in the profit or loss for the period to which they are attributable in economic terms. Interest is recognised as it accrues in net interest income, considering all contractual arrangements made in connection with the financial assets or liabilities. Dividend income is first booked when a corresponding legal claim to payment arises.

Fees and commissions for services provided over a certain period of time are recognised over the period of service provision. Fees related to the completion of a specific service are booked as income at the time of completion of the service. Contingent commissions are recognised when the required performance criteria are met.

All purchases and sales of financial instruments are recognised on the trade date.

3.2. Currency translation

The reporting and functional currency is the Euro. Assets and liabilities denominated in foreign currencies are translated at the rates notified by the European Central Bank (ECB) on the reporting date pursuant to § 58 (1) of the Austrian Banking Act. Forward transactions not yet settled are translated at the forward rate on the reporting date.

3.3. Receivables

Receivables purchased from third parties are recognised at amortised cost. All other loans and advances to banks and loans and advances to customers are recognised at their nominal value. For receivables with an intention of syndication, the carrying amount is reduced by the expected syndication expenses.

Risk provisions

Specific valuation allowances are set up for identifiable borrower risks. In addition, statistically expected credit losses are taken into account based on a risk provisioning model with statistically calculated empirical values (by analogy with IFRS 9). The valuation allowance is calculated either as the expected 12-month credit loss (level 1) or the expected credit loss over the residual term until maturity, depending on whether the risk of default has increased significantly since the initial recognition of the financial asset (level 2).

or a loss occurred (level 3). The expected loss for level 1 and 2 is determined as the product of the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD).

In order to assess if the risk of default has increased significantly (level transfer), Kommunalkredit takes quantitative and qualitative factors into account, covering the indicators according IFRS 9/ B5.5.17 a-p. These include, in particular:

- Absolute amount of the credit risk ("low credit risk" criterion), the expected 12-month credit loss (level 1) being generally recognised for financial assets rated investment grade. A qualitative review is carried out to identify significant increases in the credit risk for all financial assets in the investment grade segment as part of the regular rating and review process.
- Relative change in credit risk on the basis of the probability of default (rating)
- Changes in internal price indicators with terms and conditions remaining the same
- Possible significant changes in contractual terms if the financial instrument had been newly issued
- Changes in external market indicators of a financial instrument with an equivalent structure
- Where arrears of more than 30 days have developed, an individual analysis is performed to establish if this leads to a significant increase in credit risk.

If the (quantitative or qualitative) circumstances that necessitated a downgrade in the exposure cease to apply, the exposure is transferred back – after an appropriate recovery period.

Probabilities are factored into the calculation of the valuation allowances for level 1 and level 2, also taking into account the expected disbursements and repayments in the period under review as well as the maximum contract term during which Kommunalkredit is exposed to a risk of default. Input parameters for the calculation of the expected credit losses such as the EAD, PD and the LGD are determined from a combination of internal and external data. The (statistically) expected credit loss calculated for the future is discounted on the reporting date and aggregated; the discount rate is equal to the effective interest rate. The inclusion of forward-looking information in input parameters is based on a macro-economic model that incorporates factors such as GDP growth, unemployment rates and changes in the two share indices S&P 500 and STOXX Europe 50. The derivation of macro-economic scenarios as a basis for the probability-weighted calculation of expected credit losses takes into account the specifics of Kommunalkredit's portfolio and undergoes regular validation. Valuation allowance requirements (level 3) are evaluated within Kommunalkredit for individual transactions, with financial assets and their associated credit commitments being individually taken into account for each transaction. Cash flow estimates for the individual transaction are used to determine the valuation allowance requirements. As was the case in the previous year, there were no transactions at level 3 in 2021.

To define default events, Kommunalkredit applies the definition of a default as laid by Art. 178 CRR. This includes both receivables that are more than 90 days in default (overdue receivables) and the criterion "unlikelihood to pay". A receivable is deemed to be 90 days in default if the overdue receivable exceeds the approved and communicated total amount by more than 1.0%, and is at least EUR 500.00. At Kommunalkredit, there is a multi-stage risk control process in which all exposures/partners are classified into four risk levels:

- **Risk level 0: Regular business**
Standard risk level for all exposures that exhibit no anomalies and therefore do not fall in the subsequent risk levels.
- **Risk level 1: Intensive care – not distressed**
Exposures exhibiting an elevated credit risk or other anomalies. They are therefore subject to close monitoring (intensive care) and are added to the watchlist. These exposures are not deemed to be at risk of default and do not yet exhibit any need for individual valuation allowances.
- **Risk level 2: Work out – restructuring**
Exposures in distressed loan processing classified as restructuring cases.
- **Risk level 3: Work out – resolution**
Exposures where there is little point to loan restructuring and collection measures are defined.

From risk level 1, close monitoring and monthly reporting are performed in the credit committee. Individual valuation allowances must be formed if it is to be expected that a receivable – including interest – cannot be collected in full or at all. The need to form an individual valuation allowance is also reviewed if the regulatory default definitions are met or if at least one of the following conditions is satisfied for a loan exposure:

- Waiver of the ongoing application of interest for creditworthiness-related reasons
- There has been a significant adjustment to the credit risk, e.g.:
 - Rating downgrade by several notches to the B level or lower
 - Default rating from an external rating agency
 - Reduction of current market price by more than 25%
 - Termination and immediate demand for payment of a receivable for creditworthiness-related reasons
- Forbearance for creditworthiness-related reasons
- Bankruptcy protection proceedings or a comparable procedure have been initiated or ordered on the customer's assets, or the initiation of bankruptcy protection proceedings has been denied due to a lack of assets to cover the debt, or the debtor has been dissolved as a legal person due to the ruling of a court of law or administrative authority.
- Availability of major negative information

Individual valuation allowances and expected credit loss are subject to estimation uncertainties, especially in relation to the amount and the time of the estimated cash flows, the estimated probabilities of default and the loss ratio.

Development in risk provisions

A half-year evaluation and an update of the probabilities of default ("PD"¹) were also carried out in the 2021 financial year and used as a basis for the ECL² calculation. The model bought from S&P for the transformation of through-the-cycle PDs into point-in-time PDs remained unchanged in 2021. The forecast for economic growth has a material influence on the point-in-time PDs within the framework of the macroeconomic model. To avoid distortion from unsustainable growth rates (only temporary high catch-up growth after the economic collapse in 2020), Kommunalkredit introduced an internal cap in 2021 of +4% (globally) and +3% (for Kommunalkredit portfolio/Europe) on the maximum economic growth taken into account, which will also be maintained from now on. The definition of the macroeconomic scenarios, including their weightings, remained unchanged.

One of the key drivers of the PDs is change in macroeconomic input parameters. Despite the number of COVID-19 cases currently increasing again, the outlook for 2022 is very positive and a sustained economic recovery is being forecast with significant economic growth and declining unemployment rates. The economic recovery already led to more rating upgrades than downgrades being recorded in the Kommunalkredit portfolio in 2021. This positive economic environment resulted in a reduction in PDs in 2021.

The bank's portfolio has also been very stable in 2021 due to the contractual and structural risk mitigation factors that are typical for infrastructure and energy financing. Much of the project financing benefits from availability models, fixed feed-in tariffs or long-term contracts and also contains additional risk-mitigating contractual agreements such as extensive disbursement checks, restrictive financial covenants and reserve accounts. Taking sensitivity analyses into account, the financing structures and repayment profiles are fixed in a way that ensures there are sufficient reserves for proper credit management.

As of 31 December 2021, four commitments with an exposure value of EUR 95,266,391.00 were recorded at valuation allowance level 2 (lifetime ECL). Credit performance in the entire infrastructure and energy portfolio was in accordance with the contractual agreements, apart from two cases where the repayment profile was adjusted (forbearance).

Isolated deferrals (deferred interest payments and repayments totalling 2021: EUR 785,595.00; 2020: EUR 1,488,948.00) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages. There were no long-term financial difficulties/deteriorations in credit ratings as of 31 December 2021.

Net provisioning for impairment losses amounted to EUR 144,880.59 (2020: EUR -912,702.41) in the period from 1 January to 31 December 2021. The model for determining the PDs and the through-the-cycle PDs required for this are bought from S&P. Due to the ongoing economic recovery with further improvements forecast in the macroeconomic parameters (significant economic growth, declining unemployment rate) and the positive rating development in the portfolio (rating upgrades outweigh

rating downgrades), there was a reduction in PDs which are now marginally below the long-term through-the-cycle PDs for the first time.

Moreover, for reasons of prudence and in view of the special risks associated with the banking business, Kommunalkredit has set up a provision pursuant to § 57 (1) of the Austrian Banking Act, which is shown under loans and advances to customers.

Contractual amendments

If a contract is adjusted without such an adjustment being having been provided for beforehand in the contract, this is referred to as a contractual amendment (modification). Each contractual amendment is assessed to determine whether it is a significant contractual amendment or an insignificant contractual amendment from an economic perspective. This involves assessing and comparing qualitative and quantitative aspects of the contract before and after the amendment.

If a significant amendment is found after performing the qualitative and/or quantitative assessment, it is considered to be a significant contractual adjustment which substantially changes the economic substance of the asset and results in the derecognition of the old asset and the recognition of the new one. If the fair value of the new asset differs from the previous carrying amount of the old asset, the difference will be realised in the "loan impairment, valuation and sales result".

Losses from non-material contract amendments are recorded in the income statement under the heading "loan impairment, valuation and sales result" and amortised in net interest income over the remaining term of the contract.

3.4. Securities

Securities to be held for the company's business operations on a permanent basis are classified as non-current assets. Securities acquired with the intention to trade are assigned to the trading book. Securities that are neither classified as non-current assets nor assigned to the trading portfolio are classified as current assets. For the time being, Kommunalkredit has no securities in the trading book.

Securities are recognised at cost, based on the less stringent variant of the lower-of-cost-or-market principle for non-current assets and the stricter variant of the lower-of-cost-or-market principle for current assets. Securities in the trading portfolio are recognised at their market value on the reporting date.

For securities classified as non-current assets, the company has elected to write off, pro rata temporis, the acquisition cost exceeding the amount repayable. The possibility of writing up the amount exceeding the amount repayable on a pro rata temporis basis is used as well.

¹ The PDs are determined by applying the provisions of IFRS 9 taking into account forward-looking information.

² ECL = Expected credit loss, risk provisions for expected credit losses.

The temporary differences pursuant to § 56 (2) and § 56 (3) of the Austrian Banking Act concerning securities classified as non-current assets are as follows:

DIFFERENCES PURSUANT TO § 56 (2) + § 56 (3) AUSTRIAN BANKING ACT in EUR	31/12/2021	31/12/2020
Difference pursuant to § 56 (2) Austrian Banking Act (Difference between the higher acquisition cost and the amount repayable for the securities)	18,305,341.80	9,825,054.20
Difference pursuant to § 56 (3) Austrian Banking Act (Difference between the lower acquisition cost and the amount repayable for the securities)	1,373,412.51	1,174,472.51

Moreover, securities classified as non-current assets include the following hidden reserves and/or hidden liabilities (without taking the related interest rate swaps into account):

CALCULATION OF HIDDEN RESERVES in EUR	31/12/2021	31/12/2020
Carrying amount	588,600,017.00	690,410,394.19
Fair value	628,817,605.15	757,478,085.88
Hidden reserves	40,217,588.15	67,067,691.69

CALCULATION OF HIDDEN LIABILITIES in EUR	31/12/2021	31/12/2020
Carrying amount	60,702,052.22	21,569,438.52
Fair value	57,752,876.96	20,865,666.66
Hidden liabilities	-2,949,175.26	-703,771.86

Hidden reserves mainly result from fixed-income securities, the high fair value being due to the low level of interest. Hidden reserves and hidden liabilities are booked against the fair values of interest rate derivatives concluded for hedging purposes. Securities with hidden liabilities are regularly analysed and measured with a view to credit risk. On the basis of these analyses, a write-down pursuant to § 204 (1) (2) of the Austrian Commercial Code (UGB) was not required, as the impairment is assumed not to be permanent.

Four securities with a nominal value of EUR 21,000,000.00 were converted from non-current assets to current assets during this reporting period (there was no conversion in the previous year and there were no securities in current assets either).

Securities classified as current assets include the following hidden reserves (without taking the related interest rate swaps into account):

CALCULATION OF HIDDEN RESERVES in EUR	31/12/2021	31/12/2020
Carrying amount	21,356,250.87	0.00
Fair value	22,730,370.00	0.00
Hidden reserves	1,374,119.13	0.00

Fair value measurement

In general, the methods used to measure the fair value of securities can be classified into three categories:

Level 1: There are quoted prices in an active market for identical financial instruments. Bid quotes for this category are obtained from Bloomberg or Reuters.

Level 2: The input factors for the valuation can be observed in the market. This category includes the following price determination methods:

- Price determination based on comparable securities
- Pricing on the basis of market-derived spreads (benchmark spreads)

Level 3: The input factors cannot be observed in the market. This includes, in particular, prices based mainly on the estimates of experts and/or that contain non-observable data.

Broken down by the above categories, the temporary differences between the fair values and the carrying amounts of securities classified as non-current assets are as follows:

TEMPORARY DIFFERENCES 31/12/2021 in EUR	Level 1	Level 2	Level 3
Fair value	580,481,074.22	310,934,023.66	68,630,962.12
Carrying amount	566,519,419.17	286,150,923.69	68,733,185.12
Temporary difference	13,961,655.05	24,783,099.97	-102,223.00

TEMPORARY DIFFERENCES 31/12/2020 in EUR	Level 1	Level 2	Level 3
Fair value	426,658,619.67	309,463,433.86	71,834,140.26
Carrying amount	400,433,120.19	270,394,016.25	70,765,137.52
Temporary difference	26,225,499.48	39,069,417.61	1,069,002.74

3.5. Investments and shares in affiliated companies

Investments and shares in affiliated companies are measured at cost, unless a write-down to their fair value is required; the analysis is performed annually on the basis of projections or by comparing the carrying amount of the investment against the investment equity.

3.6. Intangible assets

Intangible assets exclusively comprise purchased software. Amortisation is based on an assumed useful life of three or five years.

3.7. Property, plant and equipment

Property, plant and equipment comprise buildings on third-party land, office furniture and equipment, and works of art. Property, plant and equipment are measured at cost following deductions for depreciation accrued in prior years and in the reporting year. The period of depreciation is three years for technical equipment and either five or ten years for other movable assets. Investments in third-party buildings are depreciated over 15 or 20 years. Works of art are not subject to depreciation. The discretionary right in § 204 (1a) of the Austrian Commercial Code (UGB) is used for assets with single-item acquisition costs of up to EUR 800.00. These low-value assets are reported in the Schedule of Non-current Asset Transactions as additions and are depreciated in full in the year of acquisition. Their disposal occurs after three years. The discretionary right to immediate depreciation in § 204 (1a) of the Austrian Commercial Code (UGB) for the procurement of similar assets with single-item acquisition costs of up to EUR 800.00, but totalling over EUR 50,000.00, is not be used; such assets are capitalised in property, plant and equipment and depreciated over three years.

3.8. Deferred tax assets

Deferred tax from timing differences between the corporate and fiscal law carrying amounts is capitalised. Pursuant to § 235 (2) of the Austrian Commercial Code (UGB), the capitalised amount of EUR 11,402,667.52 is subject to a dividend ban.

Kommunalkredit did not elect to capitalise tax loss carryforwards (tax loss carryforward of Kommunalkredit as of 31 December 2021: EUR 0.00 [31/12/2020: EUR 28,456,242.81]).

3.9. Liabilities

Liabilities are recognised at the amount repayable. Differences between the issuing amount and the repayable amount (discount/premium) are recognised as prepaid expenses/deferred income and are distributed on a linear basis as an interest component within net interest income over the term of the liability. The net interest income from the TLTRO (Targeted Longer-Term Refinancing Operations) programme are based on the defined base interest rate; possible bonus components are taken into account at the time of realisation.

3.10. Securitised liabilities

Securitised liabilities are recognised at the amount repayable. Costs incurred through an issuance that are directly related to funding are recognised as fee and commission expenses. The remaining difference between the proceeds from the issuance and the amount repayable (premium/discount) is recognised as prepaid expenses/deferred income and is distributed as an interest component on a linear basis over the term of the liability within net interest income. Own bonds which are not placed externally, but are issued as collateral for the liability arising from the demerger described in Note 6.6, are reported on a net basis.

3.11. Provisions

Provisions for pensions, severance pay and jubilee bonus obligations are calculated annually by an independent actuary according to the projected-unit-credit method pursuant to § 211 (1) of the Austrian Commercial Code (UGB) in accordance with IAS 19. The "AVÖ 2018-P calculation bases for pension insurance – Pagler & Pagler", in their version for salaried employees, are used as a biometric basis. The actuarial discount rate was determined on the basis of the yields of prime fixed-income corporate bonds, with due consideration given to the terms of the obligations to be met.

The most important parameters underlying the calculation are:

- an actuarial discount rate of 0.75% (2020: 0.5%) for pension obligations, of 0.5% (2020: 0.25%) for obligations for severance pay, and 0.25% (2020: 0.0%) for obligations for jubilee bonuses;
- an unchanged rate of increase in the relevant basis for calculation during the vesting period of 3.5%;

- assumed pensionable ages of 60 for women and 65 for men, taking into account the transitional provisions of the 2003 Austrian Budget Framework Act (Budgetbegleitgesetz) and the provisions on age limits for women of the Act on Occupational Old-Age Provision (BVG Altersgrenzen);
- a personnel turnover discount for severance pay obligations calculated on the basis of statistically derived rates of early termination of employment with or without severance pay, depending on the length of service.

All pension obligations towards active employees have been transferred to a pension fund. The provisions reported therefore only contain entitlements from defined benefit pension obligations for eight employees not covered by the pension fund, resulting from direct commitments within the framework of the collective bargaining agreement (1961 pension reform, as amended on 1 January 1997) made prior to the transfer to the pension fund, or from individual contracts. The pension plan is a defined-benefit plan under which benefits for active staff, relative to the risk of death and invalidity, depend on the salary earned. Benefits for employees reaching retirement age are already fixed and therefore only subject to adjustment in line with the annual increase agreed upon through collective bargaining. As the defined-benefit components are fully funded, subsequent adjustments will only be required in the event of underperformance or “premature” payment of benefits. The full actuarial obligation for pensions amounts to EUR 1,466,857.31 (31/12/2020: EUR 1,603,641.43), of which entitlements in the amount of EUR 519,642.24 (31/12/2020: EUR 463,543.46) have been outsourced to the pension fund. The resulting provision requirement amounts to EUR 947,215.07 (31/12/2020: EUR 1,140,097.97). Provisions for entitlements to severance pay amount to EUR 1,840,970.21 (31/12/2020: EUR 2,928,732.22); provisions for jubilee bonuses amount to EUR 28,352.76 (31/12/2020: EUR 115,549.95). All actuarial gains and losses are recognised directly in profit or loss. Changes in provisions for severance pay in 2021 include actuarial gains of EUR 70,469.78 (2020: gains of EUR 241,174.71). The change in pension provisions includes actuarial gains of EUR 127,593.48 (2020: losses of EUR 19,177.43). The change in plan assets includes valuation-related gains of EUR 57,702.31 (2020: valuation-related losses of EUR 8,000.09).

Other provisions were set up in the amount of their expected use in accordance with the principle of prudence, based on all identifiable risks and on liabilities that are not yet quantifiable. Provisions set up for periods of more than one year are discounted.

3.12. Fund for general banking risks pursuant to § 57 (3) of the Austrian Banking Act

As of 31 December 2021, the fund for general banking risks amounted to EUR 40,000,000.00, unchanged from the previous year. Changes in the provisions set up pursuant to § 57 (3) of the Austrian Banking Act are recognised in the extraordinary result, as required under the Austrian Banking Act.

3.13. Derivatives

Swap transactions in the banking book are generally executed by Kommunalkredit to hedge interest rate and/or currency risks, with the hedges accounted for either at single-transaction level (recognition as micro hedges) or at aggregate level (recognition as macro hedges). The principle of single measurement applies for derivatives that are neither micro hedges nor macro hedges, with a provision for impending losses set up in the event of a negative fair value on the day of closing and recognised under other provisions.

▪ Micro hedges

For hedge accounting (micro hedges), AFRAC (Austrian Financial Reporting and Auditing Committee) Opinion 15 on “Derivatives and Hedging Instruments (Austrian Commercial Code) (version dated December 2020)” contains provisions aimed at avoiding economically unjustified effects on the income statement (P&L) due to the different measurement of hedged underlying transactions and hedging instruments. Underlying transactions are individually recognised assets and liabilities at fixed interest rates as well as pending transactions already concluded at the time of classification. The rules on micro hedges serve to allow the changes in the value of hedging instruments and the hedged transactions to be recognised mostly as mutually offsetting. Proof of an effective hedging relationship between the underlying transaction and the hedging transaction is required in order to apply these micro hedge rules. A hedging relationship is considered effective if the results from the hedging instrument and the compensatory results from the hedged underlying transaction – relative to the hedged risk – offset each other within a range of 80% to 125%. Kommunalkredit verifies compliance with these requirements through prospective (matching of the components determining the market value) and retrospective effectiveness tests. Prospective effectiveness testing involves a comparison or review of all parameters of the hedged item and the hedge itself affecting the scope of the hedged value change to determine whether the hedge will be fully or largely effective. If all parameters of the underlying transaction and the hedging transaction determining the amount of the hedged value change are identical but compensatory (“Critical Term Match”), this is taken as an indicator of a effective hedging relationship (simplified determination of effectiveness). If the hedged fair value of the structure (underlying and hedging transactions) fluctuates within a range of 80% to 125%, this is an indicator that the hedge is largely effective. However, this is allowed only if there is no doubt as to the creditworthiness of the hedge provider and the recoverability of the underlying transaction, apart from the hedged risk. A retrospective effectiveness test verifies whether the hedged fair value of the structure (underlying and hedging transactions) have actually fluctuated between two specified dates and whether the hedge has been fully or largely effective. The ineffective part of a derivative with a negative fair value will be recorded as an impending loss provision; at Kommunalkredit it essentially relates to differences from the application of different interest rates when discounting an underlying and hedging transaction. Hedging transactions at Kommunalkredit are concluded for the term of the underlying transaction.

▪ Macro hedges

Interest rate derivatives serving to manage the interest rate risk of the banking book and/or a clearly defined sub-portfolio (macro hedge) are accounted for according to the “Circular Letter of the FMA on accounting issues relating to interest rate derivatives and valuation adjustments of derivatives pursuant to § 57 of the Austrian Banking Act” (version dated December 2012). As an exception to the principle of individual measurement, compensatory interest-induced earning effects or value increases from the hedged underlying transactions are taken into account in the assessment of provisioning requirements. If negative swap market values are not fully offset by the compensatory interest-induced earning effects of the underlying transactions, a provision for impending losses is set up for the remaining negative value.

As a basis for decisions on risk management and risk limitation concerning the interest rate risk in the banking book, the fixed-interest gap and its sensitivity to interest rate changes affecting the market value of the banking book position are identified. The risk of fixed-interest gaps is highlighted through gap analyses and sensitivity analyses with annual maturity bands.

Based on the information obtained, the risk of interest rate changes is assessed, managed and mitigated for assets and liabilities in keeping with the risk appetite and the risk-bearing capacity of the bank as a whole, or a management instrument is designated.

When a new interest rate derivative contract is concluded, the quantitative suitability of the derivative as an instrument to hedge and limit the risk of interest rate changes for the bank as a whole is verified through a prospective test of the hedging effect using scenario analyses. The net present value risk of the total position as well as for each currency is quantified for a parallel shift and for two turn-around scenarios (steeper – flatter).

Owing to its exceptional character, application of this measurement method is conditional on compliance with formal and substantive requirements, such as:

- a need for hedging in view of fixed-interest gaps
- the existence of a hedging strategy and proof of compliance with this strategy
- the qualitative suitability of the derivative as a hedging instrument

The above prerequisites are met and documented by Kommunalkredit.

If fixed-interest gaps are closed through derivatives at macro level, prospective scenario analyses (net present value changes in the event of changes in interest level) are performed to determine the hedging effect and the effectiveness of the derivative and therefore its suitability for allocation to the macro position. On account of the net present value approach, the hedging period extends over the entire term of the underlying transaction.

The interest claims and payments (“upfront fee”) associated with swap contracts to compensate for discrepancies in market parameters are spread over the contract period. Net interest income from derivatives in hedges is shown as the net value under the item in which the net interest income for the corresponding underlying transactions is reported (deal balance). Net interest income from other derivatives is reported in gross terms under swap income/swap expenses.

Derivatives are measured by means of an internal model based on the discounted cash flow method, taking all current yield and basis spread curves into account. Embedded options

are measured by means of commonly used option pricing models. For the measurement of interest-sensitive products with variable indicators, yield curves with different spread premiums are used, depending on the indicator (e.g. 3-month Libor, 12-month Libor). These refer to the respective indicator and are used to derive forward rates for cash flow determination. For derivatives in several currencies (e.g. cross-currency swaps), a cross-currency basis is used in line with prevailing market standards, in addition to the adaptation of forwards by basis swap spreads. Cash flows from derivatives (settled over-the-counter (OTC) or via a central counterparty) are discounted using OIS curves (overnight index swaps at the overnight rate in line with the collateral rate, in EUR depending on the current collateral agreement – EONIA or ESTR). To determine the fair value of derivatives, counterparty default and own credit risks (credit value adjustment [CVA] and debt value adjustment [DVA]) are also taken into account. To this end, the net present value is adjusted by the BCVA (bilateral CVA adjustment). Kommunalkredit determines the BCVA for all derivatives without daily margin calls at counterparty level. A provision for impending losses is set up for negative BCVAs, whereas positive BCVAs are not taken into account. The BCVA is considered to be immaterial for collateralised derivatives with daily margin calls. The BCVA is calculated using the potential exposure method.

The change in the collateral rate with bilateral partners as part of the IBOR project involves using a compensation payment to compensate for the resulting present value effect. This is booked immediately in profit and loss (see also table in Note 7.1.7.); a provision for impending losses will be set up for reasons of prudence for expected negative compensation payments.

Swap transactions in the trading book, if any, are measured at their fair values, determined according to the principles outlined above, and recognised under other receivables and other liabilities. At present, Kommunalkredit has no swap transactions in the trading book.

3.14. Residual maturities

Residual maturity is defined as the period of time between the reporting date and the contractual maturity of the receivable or liability; in the case of partial amounts, residual maturity is shown for each partial amount. Collateral for market values from derivatives is shown under “repayable on demand” (daily payment dates); interest accruals/deferrals are shown under “up to 3 months”.

3.15. Fiduciary transactions

Fiduciary loans for which Kommunalkredit has no rights or obligations to the underlying loan transactions are recognised under liabilities from fiduciary transactions in the statement of financial position.

4. NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1. Debt securities from public issuers that are eligible for refinancing at the central bank

DEBT SECURITIES FROM PUBLIC ISSUERS in EUR	31/12/2021	31/12/2020
Securities in non-current assets	314,347,970.32	156,674,229.65
Securities in current assets	21,553,497.44	0.00
Expected credit loss (ECL)	-12,387.86	-24,177.21
Total	335,889,079.90	156,650,052.44

Securities of public bodies eligible as collateral for funding from the European Central Bank (ECB) are shown under this item.

Debt securities with carrying amounts (incl. interest deferral and accounting for ECL) of EUR 125,110,346.29 are due in 2022 (2021: EUR 0.00).

4.2. Loans and advances to banks

Loans and advances to banks include the following:

LOANS AND ADVANCES TO BANKS in EUR	31/12/2021	31/12/2020
Collateral for negative market values from derivative transactions	71,880,000.00	92,150,000.00
Credit balances with banks	53,186,483.18	53,241,469.29
Non-listed securities	48,415,067.03	0.00
Collateral for loan disbursement obligations	2,866,969.43	5,631,581.98
Expected credit loss (ECL)	-17,976.21	-1,374.15
Other	2,187,970.51	5,727,114.40
Total	178,518,513.94	156,748,791.52

As in the previous year, loans and advances to banks do not include any bills receivable or subordinated claims held against banks.

Broken down by maturity (residual maturity), loans and advances to banks are as follows:

LOANS AND ADVANCES TO BANKS BY RESIDUAL MATURITY in EUR	31/12/2021	31/12/2020
Loans and advances repayable on demand	127,254,453.61	151,118,583.69
Other loans and advances		
a) up to 3 months	900,350.87	0.00
b) more than 3 months up to 1 year	2,867,029.52	5,631,581.98
c) more than 1 year up to 5 years	0.00	0.00
d) more than 5 years	47,514,656.15	0.00
	51,282,036.54	5,631,581.98
	178,536,490.15	156,750,165.67
Expected credit loss (ECL)	-17,976.21	-1,374.15
Total	178,518,513.94	156,748,791.52

4.3. Loans and advances to customers

Loans and advances to customers include the following:

LOANS AND ADVANCES TO CUSTOMERS in EUR	31/12/2021	31/12/2020
Loans	2,421,855,662.05	2,193,369,173.59
Non-listed securities	226,426,999.88	269,426,647.26
Collateral for negative market values from derivative transactions	89,040,224.61	111,112,791.90
Provision pursuant to § 57 (1) Austrian Banking Act	-4,050,000.00	-3,310,000.00
Expected credit loss (ECL)	-5,674,546.71	-5,900,622.89
Total	2,727,598,339.83	2,564,697,989.86
<i>of which loans and advances to affiliated companies</i>	<i>0.00</i>	<i>0.00</i>
<i>of which loans and advances to companies in which an equity investment is held</i>	<i>0.00</i>	<i>26,536,262.73</i>

On the reporting date, all securities with a nominal value of EUR 224,396,462.46 were classified as non-current assets (31/12/2020: EUR 275,667,263.00).

Details on the calculation of the ECL are contained in Note 3.3.

Loans and advances to customers include subordinated claims with a carrying amount of EUR 118,698,008.88 (31/12/2020: EUR 133,888,971.42).

Broken down by maturity (residual maturity), loans and advances to customers are as follows:

LOANS AND ADVANCES TO CUSTOMERS BY RESIDUAL MATURITY in EUR	31/12/2021	31/12/2020
Loans and advances repayable on demand	90,198,279.81	111,590,183.64
Other loans and advances		
a) up to 3 months	126,163,010.94	63,071,204.94
b) more than 3 months up to 1 year	231,156,309.59	223,886,291.38
c) more than 1 year up to 5 years	1,255,910,134.73	1,252,620,899.87
d) more than 5 years	1,033,895,151.47	922,740,032.92
	2,647,124,606.73	2,462,318,429.11
Provision pursuant to § 57 (1) Austrian Banking Act and expected credit loss (ECL)	-9,724,546.71	-9,210,622.89
Total	2,727,598,339.83	2,564,697,989.86

4.4. Bonds and other fixed-income securities

BONDS in EUR	31/12/2021	31/12/2020
Securities of public issuers	86,942,176.23	83,847,295.66
Expected credit loss (ECL)	-1,359.37	-4,485.70
Total public issuers	86,940,816.86	83,842,809.96
Securities of other issuers	229,211,221.59	237,055,510.39
<i>of which own issues</i>	0.00	0.00
Expected credit loss (ECL)	-19,086.67	-90,368.89
Total other issuers	229,192,134.92	236,965,141.50
Total	316,132,951.78	320,807,951.46

All instruments reported under bonds and other fixed-income securities are exchange-listed. In 2022, bonds issued by other issuers with carrying amounts (incl. interest accruals/deferrals and ECL) of EUR 1,999,728.48 will fall due (2021: EUR 9,003,058.02).

Own bonds amounting to EUR 107,000,000.00 (31/12/2020: EUR 107,000,000.00), which are not placed externally, but are issued as collateral for the liability arising from the demerger described in Note 6.6, are reported on a net basis (§ 51 (5) Austrian Banking Act).

As in the previous year, all securities reported under this item were classified as non-current assets at the reporting date and none of the bonds or other fixed-income securities held in the portfolio are subordinated instruments.

4.5. Investments and shares in affiliated companies

As of 31 December 2021, the carrying amount of investments amounted to EUR 27,799,025.00 (31/12/2020: EUR 25,065,025.00). Florestan KA GmbH was founded during the 2021 financial year with the business purpose of awarding equity investments in infrastructure and energy projects. The investment in Kommunalleasing GmbH was sold in the past financial year. The value of shares in affiliated companies remains unchanged to the previous year at EUR 32,501,518.81. The composition of investments and shares in affiliated companies (all of them non-listed), including their financial position, is shown in Annex 1.

4.6. Non-current intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment are shown in the Schedule of Non-current Asset Transactions (Annex 2).

4.7. Other assets

OTHER ASSETS in EUR	31/12/2021	31/12/2020
Foreign currency valuation of derivatives in the banking book	22,449,189.45	1,222,294.69
Interest accruals/deferrals from derivatives in the banking book	16,813,771.23	15,670,368.98
Receivables from deferred interest	1,376,972.63	1,572,350.12
Claims against the tax authorities	362,245.44	1,352,525.59
Other	5,978,274.91	4,423,052.41
Total	46,980,453.66	24,240,591.79
<i>of which recognised as cash items after the closing date</i>	<i>24,531,264.21</i>	<i>23,008,651.09</i>

The foreign currency valuation of derivatives in the banking book is based on exchange-rate fluctuations between the closing date of currency swaps and the reporting date. This valuation is booked against foreign currency valuations of assets and liabilities as well as positive/negative foreign currency valuations of derivatives shown under other assets/liabilities. Kommunalkredit's open

foreign currency position is continuously monitored and strictly limited; therefore, there are no material currency risks. The "Other" item mainly includes receivables from group companies and receivables from services rendered.

The residual maturity of other assets is presented as follows:

RESIDUAL MATURITY OF OTHER ASSETS in EUR	31/12/2021	31/12/2020
Loans and advances repayable on demand	0.00	0.00
Other loans and advances		
a) up to 3 months	45,521,094.82	22,642,253.67
b) more than 3 months up to 1 year	0.00	0.00
c) more than 1 year up to 5 years	56,398.21	0.00
d) more than 5 years	1,402,960.63	1,598,338.12
	46,980,453.66	24,240,591.79
Total	46,980,453.66	24,240,591.79

4.8. Prepaid expenses

Prepaid expenses include the following:

PREPAID EXPENSES in EUR	31/12/2021	31/12/2020
Deferred fees from derivative transactions	4,618,948.83	4,133,732.56
Capitalised offering discounts of bond issues	1,077,264.94	371,660.48
Other	740,489.09	606,155.91
Total	6,436,702.86	5,111,548.95

4.9. Deferred tax assets

Assets of EUR 11,402,667.52 resulted from the capitalisation of deferred taxes from timing differences between corporate law and fiscal law carrying amounts as of 31 December 2021 (31/12/2020: EUR 11,196,050.69). For Kommunalkredit, timing differences between corporate law and fiscal law primarily result from the fund for general banking risks pursuant to § 57 (3) of the Austrian Banking Act, the general risk provision pursuant to § 57 (1) of the Austrian Banking Act, personnel provisions, the tax-neutral transfer of real estate to Kommunalkredit TLI KG in 2017 and the allocation of fundraising costs over the term of the issue.

General valuation allowances (ECL) of receivables calculated in accordance with the Austrian Commercial Code (UGB) can also be deducted for tax purposes for financial years that begin after 31 December 2020. The ECL status as of 31 December 2020 (EUR 6,368,242.45) must be made up to five years from a tax perspective. The remaining timing difference as of 31 December 2021 amounts to EUR 5,094,593.96.

4.10. Amounts owed to banks

Amounts owed to banks include the following:

AMOUNTS OWED TO BANKS in EUR	31/12/2021	31/12/2020
TLTRO III programme (Targeted Longer Term Refinancing Operation) of the ECB	407,088,732.78	373,621,445.83
Cash received as collateral for positive market values of derivatives	64,411,475.64	51,683,170.11
Collateralised loans of the European Investment Bank	4,782,608.68	55,599,783.29
Other loans	5,507,710.57	13,299,064.57
Money market trade	0.00	26,493,320.83
Other (pending monetary transactions)	545,875.95	3,125,576.92
Total	482,336,403.62	523,822,361.55

Broken down by maturity (residual maturity), amounts owed to banks are as follows:

AMOUNTS OWED TO BANKS BY RESIDUAL MATURITY in EUR	31/12/2021	31/12/2020
Liabilities repayable on demand	64,955,875.95	54,793,576.92
Other liabilities		
a) up to 3 months	250,188.00	851,628.00
b) more than 3 months up to 1 year	5,692,305.57	84,256,901.00
c) more than 1 year up to 5 years	408,829,340.42	380,876,779.34
d) more than 5 years	2,608,693.68	3,043,476.29
	417,380,527.67	469,028,784.63
Total	482,336,403.62	523,822,361.55

4.11. Amounts owed to customers

Amounts owed to customers include the following:

AMOUNTS OWED TO CUSTOMERS in EUR	31/12/2021	31/12/2020
Deposits by retail customers – KOMMUNALKREDIT INVEST	908,825,142.59	851,782,129.15
Deposits by corporates, municipalities and quasi-municipal enterprises	809,611,026.36	922,079,523.98
Cash received as collateral for positive market values of derivatives	39,547,511.90	57,454,816.78
Other long-term liabilities to customers	108,870,093.91	273,241,530.40
Total	1,866,853,774.76	2,104,558,000.31

Broken down by maturity (residual maturity), amounts owed to customers are as follows:

AMOUNTS OWED TO CUSTOMERS BY RESIDUAL MATURITY in EUR	31/12/2021	31/12/2020
Liabilities repayable on demand	260,758,508.29	196,886,593.50
Other liabilities		
a) up to 3 months	205,068,741.62	339,378,695.99
b) more than 3 months up to 1 year	527,225,121.68	675,564,661.22
c) more than 1 year up to 5 years	683,809,582.48	560,906,265.03
d) more than 5 years	189,991,820.69	331,821,784.57
	1,606,095,266.47	1,907,671,406.81
Total	1,866,853,774.76	2,104,558,000.31

4.12. Securitised liabilities

Securitised liabilities are broken down as follows:

SECURITISED LIABILITIES in EUR	31/12/2021	31/12/2020
Bonds issued	1,101,791,063.19	775,475,591.03
Other securitised liabilities	201,947,695.82	225,664,824.67
Total	1,303,738,759.01	1,001,140,415.70

The bonds issued are exchange-listed; the securities reported under other securitised liabilities are non-listed.

The increase in securitised liabilities reflects the increased issue activities in 2021 to diversify the funding sources and was mainly reflected in an EUR 300m public sector senior preferred bond and an EUR 250m public sector covered bond transaction.

Bonds issued with carrying amounts (incl. interest accruals/deferred) of EUR 185,673,398.92 (2021: EUR 305,000,000.00) and other securitised liabilities in the amount of EUR 28,093,335.90 (2021: EUR 37,510,475.14) will fall due in 2022. As in the previous year, securitised liabilities do not include any subordinated liabilities.

4.13. Other liabilities

OTHER LIABILITIES in EUR	31/12/2021	31/12/2020
Interest accruals/deferred from derivatives	13,954,103.21	13,820,965.04
Foreign currency valuation of derivatives in the banking book	5,881,414.16	9,240,997.81
Accruals/deferred between the spot rate and forward rate of FX swaps	1,400,855.65	1,183,496.60
Other	3,165,605.14	1,783,655.45
Total	24,401,978.16	26,029,114.90
<i>of which recognised as cash items after the closing date</i>	<i>16,994,988.40</i>	<i>15,604,620.49</i>

The foreign currency valuation of derivatives in the banking book is based on exchange-rate fluctuations between the closing date of currency swaps and the reporting date. This valuation is booked against foreign currency valuations of assets and liabilities as well as positive/negative foreign currency valuations of derivatives

shown under other assets/liabilities. Kommunalkredit's open foreign currency position is continuously monitored and strictly limited; therefore, there are no material currency risks.

Other liabilities have residual maturities of up to three months, as in the previous year.

4.14. Deferred income

DEFERRED INCOME in EUR	31/12/2021	31/12/2020
Deferred fees from derivative transactions	18,221,372.19	8,109,983.28
Issuing premiums of issued bonds	864,032.57	1,065,380.44
Loan fees deferred over the term	542,550.42	690,093.47
Total	19,627,955.18	9,865,457.19

4.15. Provisions

Details on the personnel provisions are listed under 3.11. Provisions.

OTHER PROVISIONS in EUR	31/12/2021	31/12/2020
Provisions for personnel-related expenses	16,679,131.68	13,726,028.93
Provisions for outstanding incoming invoices	2,833,098.79	2,908,183.97
Provisions relating to derivatives	678,394.72	4,746,090.33
Other provisions	1,256,170.85	2,863,579.22
Total	21,446,796.04	24,243,882.45

4.16. Fund for general banking risks pursuant to § 57 (3) of the Austrian Banking Act

For prudential reasons and to cover special banking risks, Kommunalkredit appropriated provisions to the fund for general banking risks; it amounts to an unchanged EUR 40,000,000.00 as of 31 December 2021.

4.17. Tier 2 capital under Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013

As of 31 December 2021, tier 2 capital items comprised seven (31/12/2020: eight) EUR-denominated issues in a total nominal amount of EUR 60,000,000.00 (31/12/2020: EUR 65,000,000.00) with residual maturities of up to 25 years. Two issues with a nominal value of EUR 20,000,000.00 (2021: one; nominal value of EUR 5,000,000.00) will mature in 2022.

The tier 2 capital items meet the conditions of Part 2, Title I, Chapter 4 of the Regulation (EU) No. 575/2013:

ISIN	Interest rate as of 31/12/2021 in %	Maturity	Currency	Nominal in EUR	Right to call	Conversion to capital
Subordinated liabilities pursuant to § 23 (8) of the Austrian Banking Act, old version						
Subordinated bonded loan 2007–2022	4,67	23/02/2022	EUR	10,000,000.00	No	No
Subordinated bonded loan 2007–2022	4,67	23/02/2022	EUR	10,000,000.00	No	No
Subordinated bonded loan 2007–2037	5,08	09/02/2037	EUR	10,000,000.00	Issuer	No
Subordinated bonded loan 2007–2037	5,08	09/02/2037	EUR	800,000.00	Issuer	No
Subordinated bonded loan 2007–2037	5,08	09/02/2037	EUR	10,200,000.00	Issuer	No
Subordinated bonded loan 2007–2047	5,0175	07/03/2047	EUR	10,000,000.00	Issuer	No
Subordinated bonded loan 2007–2047	5,0175	07/03/2047	EUR	9,000,000.00	Issuer	No

The expenses for subordinated tier 2 capital under Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013 amounted to EUR 3,223,804.75 in the 2021 reporting year (2020: EUR 3,226,578.14).

4.18. Additional tier 1 capital under Part 2 Title I Chapter 3 of Regulation (EU) No. 575/2013

In order to diversify the capital base, Kommunalkredit successfully placed additional tier 1 capital instruments on the capital market for the first time in the first half of 2021 in accordance with Art. 52 CRR. As of 31 December 2021, additional tier 1 capital comprised two (31/12/2020: zero) EUR-denominated issues in a total nomi-

nal amount of EUR 62,800,000.00 (31/12/2020: EUR 0.00). They have an indefinite term and may be terminated by the issuer for the first time after five years.

Expenses for (subordinated) additional tier 1 capital in 2021 amounted to EUR 2,858,812.16 (2020: EUR 0.00).

ISIN	Interest rate as of 31/12/2021 in %	Maturity	Currency	Nominal in EUR	Right to call
Additional tier 1 capital under Part 2 Title I Chapter 3 of Regulation (EU) No. 575/2013					
Fixed to Reset Rate AT1 Notes	6,875	Perpetual NC 2026	EUR	6,000,000.00	Issuer
Fixed to Reset Rate AT1 Notes	6,5	Perpetual NC 2026	EUR	56,800,000.00	Issuer

4.19. Subscribed capital

The share capital as of 31 December 2021 was unchanged as against the previous year at EUR 172,659,452.81.

Satere Beteiligungsverwaltungs GmbH holds 33,498,895 no-par-value shares, i.e. 99.80 % of the shares; 68,216 no-par-value shares, i.e. 0.20 % of the shares, are held by the Association of Austrian Municipalities. Each no-par-value share represents an equal part of the share capital. There are no shares that have been issued but not fully paid up. Each no-par-value share represents a share of EUR 5.14 in the share capital. By way of a resolution passed by the Annual General Meeting held on 27 June 2019, the

Executive Board was authorised to increase the share capital of the company through the issue of up to 16,783,555 new no-par-value registered shares by a maximum amount of EUR 86,329,723.84 (authorised capital), subject to approval by the Supervisory Board, within a period of five years following registration of the amendment to the Articles of Association.

4.20. Kapitalrücklage

The capital reserves are unchanged as against the previous year at EUR 6,831,840.55.

4.21. Retained earnings

a) Statutory reserves

The statutory reserves as of 31 December 2021 amounted to EUR 10,434,104.73 (31/12/2020: EUR 8,955,161.94).

b) Free reserves

Of the net income for the 2021 financial year of EUR 47,091,756.09 (2020: EUR 33,561,507.99), EUR 19,000,000.00 (2020: EUR 22,100,000.00) was allocated to the free revenue reserve; this reserve now has a value of EUR 102,100,000.00 (as of 31/12/2020: EUR 83,100,000.00).

4.22. Liability reserve pursuant to § 57 (5) of the Austrian Banking Act

As of the reporting date, the liability reserve stood at EUR 18,391,602.27 (31/12/2020: EUR 15,511,502.36), thus meeting the legal requirements.

4.23. Net profit/profit distribution

The profit for the year reported by Kommunalkredit for 2021 amounts to EUR 47,091,756.09. Following the reserve allocation of EUR 23,359,042.70, this results in retained profit of EUR 23,732,713.39. The Executive Board will propose to the Annual General Meeting to be held on 30 March 2022 that an amount of EUR 23,000,000.00 be distributed from the retained profit and that the remaining EUR 732,713.39 be carried forward.

5. OFF-BALANCE-SHEET ITEMS

5.1. Contingent liabilities

The contingent liabilities reported in the statement of financial position of EUR 14,448,397.50 (31/12/2020: EUR 2,783,454.16) concern liabilities and a letter of comfort of EUR 12,687,957.50 with which Kommunalkredit is obligated to provide an affiliated company with financial resources to enable it to meet its obligations to the liability taker. This included a liability in the previous year of EUR 1,350,000.00 to companies in which an equity investment is held.

EUR 0.00 were granted to companies in which an equity investment is held (31/12/2020: EUR 1,265,766.07).

5.2. Credit risk

Credit risks in the amount of EUR 730,055,547.40 (31/12/2020: EUR 469,197,712.62) relate, as in the previous year, in their entirety to loan commitments and unused lines from the current lending business. As of the reporting date, unused credit lines of

5.3. Fiduciary transactions

Kommunalkredit has framework contracts for the fiduciary administration of loans with Trinity Investments Designated Activity Company (Trinity) and a related party of Trinity. Kommunalkredit has no rights or obligations relating to the underlying loan transactions, which means that the criteria for recognition in the statement of financial position do not apply. As of 31 December 2021, positions amounting to EUR 313,039,971.06 (31/12/2020: EUR 324,551,228.25) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity.

6. SUPPLEMENTARY DISCLOSURES

6.1. Equity capital and capital requirements

Equity capital and capital requirements calculated in accordance with CRR rules, as reported in the separate financial statements of Kommunalkredit pursuant to the Austrian Commercial

Code/Austrian Banking Act, show the following composition and changes. The total capital reported includes the 2021 net profit of EUR 47,091,756.09 (2020: EUR 33,561,507.99), reduced by the planned dividend of EUR 23,000,000.00 (2020: EUR 3,384,400.00).

ASSESSMENT BASE in EUR	31/12/2021	31/12/2020
Total risk exposure amount pursuant to Art. 92 CRR	2,026,456,015.12	1,692,204,885.10
<i>of which credit risk</i>	1,857,515,683.22	1,547,049,304.58
<i>of which operational risk</i>	154,163,737.75	131,538,803.08
<i>of which CVA charge</i>	14,557,715.38	12,444,204.38
<i>of which default fund of a qualifying counterparty</i>	218,878.77	1,172,573.06

TOTAL CAPITAL – ACTUAL in EUR	31/12/2021	31/12/2020
Common equity tier 1 (CET 1)	350,793,937.68	344,044,645.07
Additional tier 1 (AT1)	62,800,000.00	0.00
Common equity tier 1	413,593,937.68	344,044,645.07
Tier 2 capital	44,641,456.74	48,728,948.52
Total capital	458,235,394.42	392,773,593.59
Common equity tier 1 ratio (CET 1)	17.3%	20.3%
Common equity ratio	20.4%	20.3%
Total capital ratio	22.6%	23.2%

6.2. Total of assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies in the amount of EUR 444,100,656.41 (31/12/2020: EUR 350,832,563.32) were included in the statement of financial position. Liabilities denominated in foreign currencies amounted to EUR 501,790,257.11 (31/12/2020: EUR 524,879,177.86) as of

31 December 2021. Open currency positions are closed by means of corresponding swap contracts. Kommunalkredit's open foreign currency position is continuously monitored and strictly limited; therefore, there are no material currency risks.

6.3. Derivative transactions not yet settled as of the reporting date

To hedge currency and interest rate risks, the following derivative transactions have been made in the banking book (fair

values including interest accruals/deferrals) and had not yet been settled on the reporting date:

31/12/2021 in EUR	Nominal	Positive fair value	Negative fair value
Interest rate swaps	3,323,732,864.93	105,963,763.28	-162,166,520.31
<i>of which for macro hedges</i>	495,050,744.56	1,073,391.01	-82,151,439.50
<i>of which for micro hedges</i>	2,828,682,120.37	104,890,372.27	-80,015,080.81
FX forward transactions	903,668,311.22	22,427,137.77	-6,764,428.96
Total	4,227,401,176.15	128,390,901.05	-168,930,949.27

31/12/2020 in EUR	Nominal	Positive fair value	Negative fair value
Interest rate swaps	2,767,409,395.54	134,690,238.87	-208,525,548.64
<i>of which for macro hedges</i>	652,335,836.35	977,012.11	-111,730,041.54
<i>of which for micro hedges</i>	2,115,073,559.19	133,713,226.76	-96,795,507.10
FX forward transactions	773,382,684.15	1,233,730.30	-10,458,099.52
Options	3,976,073.72	0.00	-3,976,073.72
Total	3,544,768,153.41	135,923,969.17	-222,959,721.88

Interest accruals/deferrals, foreign currency valuations and accrued/deferred fees from derivative transactions in the amount of EUR 43,881,909.51 (31/12/2020: EUR 22,258,336.93) are reported under other assets and prepaid expenses on the assets side, and EUR 39,457,745.21 (31/12/2020: EUR 32,355,442.73) under other liabilities and deferred income on the liabilities side of the balance sheet. Moreover, provisions in the amount of EUR 678,394.72 (31/12/2020: EUR 4,746,090.33) relating to derivatives are recognised under other provisions. As in the previous year, no provision for impending losses from macro swaps was required as of 31 December 2021.

6.4. Trading book

In line with its business strategy, Kommunalkredit does not engage in trading activities. Therefore, as in the previous year, Kommunalkredit had no trading portfolio as of 31 December 2021.

6.5. Legal risks

Immediately prior to the spin-off of Kommunalkredit to form a new company on 26 September 2015 and the merger of the remaining part of the former Kommunalkredit Austria AG (formerly KA) with KA Finanz AG (as the absorbing company), compensation was paid to the holders of participation capital at

Kommunalkredit. A former holder of participation capital claims that this constitutes the unlawful termination of participation capital and is seeking from Kommunalkredit and KA Finanz AG as jointly and severally liable parties, in a legal dispute pending in the first instance, the granting of commercially equivalent rights since 26 September 2015, or a ruling establishing the continuation of the participation capital. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

A claim was brought against Kommunalkredit in December 2020 for payment of a recovery receivable that could result from a possible future loss of the plaintiff in the lawsuit. The plaintiff itself is the defendant (since 2010) in proceedings that have not yet been concluded. These involve the reversal of a transaction by the buyer which is linked to participation capital that was issued by the former Kommunalkredit (formerly KA) in 2006/2007. However, the motion involves having payment of the amount claimed enforced (only) as a provisional substitute, with the primary aim being to have the decision suspended pending a final decision in the proceedings with the buyer. The outcome of these proceedings is not expected to have any major negative

impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

6.6. Other obligations

a. Liability arising from the demerger

Pursuant to § 15 (1) of the Austrian Demerger Act (SpaltG), Kommunalkredit is liable jointly and severally with KA Finanz AG for liabilities originating prior to the entry of the demerger in the Companies Register on 26 September 2015 and transferred from the former Kommunalkredit to KA Finanz AG. Equally, KA Finanz AG is liable jointly and severally with Kommunalkredit for the liabilities transferred to Kommunalkredit. This does not concern liabilities originating after the effective date of the demerger. The liability arising from the demerger is limited to the net assets of the respective entity as of the effective date of the demerger.

b. Other obligations

Obligations in the amount of EUR 1,751,800.00 arise from rental contracts – including relating to the branch in Germany – in 2022 (of which towards affiliated companies: EUR 1,591,800.00). The corresponding obligations for the years 2022 to 2026 are expected to total EUR 9,021,800.00 (of which towards affiliated companies: EUR 8,197,800.00).

Pursuant to § 2 (3) of the Austrian Deposit Guarantee and Depositor Indemnification Act, Kommunalkredit is obliged to provide proportional contributions to the deposit guarantee regime of Einlagensicherung der Banken und Bankiers Gesellschaft mbH, Vienna.

6.7. Asset items pledged as collateral

The following asset items have been pledged as collateral for liabilities reported under amounts owed to banks:

- For refinancing funds raised through participation in the ECB tender, Kommunalkredit pledged securities and loans in a volume of EUR 692,962,307.71 (31/12/2020: EUR 471,493,516.58) as collateral as of 31 December 2021. The collateral taker has the right to realise the collateral only in the event of the debtor's default.
- Kommunalkredit has assigned assets in the form of securities in a nominal amount of EUR 6,000,000.00 (31/12/2020: EUR 62,500,000.00) as collateral for global loans and other funding from the European Investment Bank in Luxembourg. The collateral taker has the right to realise the collateral only in the event of the debtor's default.

Moreover, as of 31 December 2021, an amount of EUR 5,512,669.38 (31/12/2020: EUR 13,308,895.76) was furnished as collateral for amounts owed to customers.

For covered bonds issued by Kommunalkredit with a nominal value of EUR 780,908,914.91 (31/12/2020: EUR 792,992,038.51) as of 31 December 2021, which are reported under securitised liabilities, and for the covered bond referred to below, issued as collateral for KA Finanz AG, with a nominal value of EUR 107,000,000.00 (31/12/2020: EUR 107,000,000.00), loans with a nominal value of EUR 834,910,257.11 (31/12/2020: EUR 835,396,382.85) and securities with a nominal value of EUR 191,678,656.56 (31/12/2020: EUR 176,773,778.88) were appropriated to a cover pool which can only be drawn on with the approval of a government commissioner.

As collateral for the liability rising from the demerger of KA Finanz AG, which is liable jointly and severally with Kommunalkredit for the obligations originating prior to the entry of the demerger in the Companies Register on 26 September 2015 and transferred to Kommunalkredit, Kommunalkredit issued a covered bond with a nominal value of EUR 107,000,000.00 and pledged it to KA Finanz AG.

Credit balances with banks with a nominal value of EUR 71,880,000.00 (31/12/2020: EUR 92,150,000.00) and credit balances with customers (central counterparties and/or non-bank financial institutions) with a nominal value of EUR 89,040,224.61 (31/12/2020: EUR 111,138,257.54) were pledged as collateral for negative market values from bilateral and cleared derivative contracts. Amounts owed to banks include collateral received with a nominal value of EUR 64,410,000.00 (31/12/2020: EUR 51,668,000.00). Amounts owed to customers include collateral received with a nominal value of EUR 39,547,511.90 (31/12/2020: EUR 57,457,287.83).

6.8. Frankfurt branch office

Alongside its headquarters in Vienna, Kommunalkredit also has a branch office in Frankfurt am Main, Germany.

The branch office generated profit for the year before tax of EUR 291,226.56 in the 2021 financial year (2020: EUR 18,320.54). Operating income amounted to EUR 4,234,975.17 (2020: EUR 3,228,682.69), while operating expenses totalled EUR -3,943,748.61 (2020: EUR -3,210,362.15). Taxes on income came to EUR -84,559.70 (2020: EUR -91,308.65).

The branch office employed 14 people on 31 December 2021 (31/12/2020: eleven people).

7. NOTES TO THE INCOME STATEMENT

7.1. Presentation of material income statement items

7.1.1. Net interest income

INTEREST AND SIMILAR INCOME in EUR	2021	2020
Lending business	100,156,982.18	100,931,019.71
Investments in banks	-4,228,764.46	-2,823,923.39
Fixed-income securities	5,844,221.35	6,214,031.14
Result from swaps in hedges	-34,472,322.49	-34,139,078.98
Total interest income	67,300,116.58	70,182,048.48

INTEREST AND SIMILAR EXPENSES in EUR	2021	2020
Deposit business	-11,524,845.08	-14,262,848.67
Own issues	-29,638,077.83	-30,312,193.11
Result from swaps in hedges	29,440,153.17	31,833,133.53
Total interest expenses	-11,722,769.74	-12,741,908.25
Net interest income	55,577,346.84	57,440,140.23

Net interest income in 2021 amounted to EUR 55,577,346.84 (2020: EUR 57,440,140.23). The slight decline compared to the previous year mainly arose due to higher costs for maintaining liquidity; negative interest of EUR 4,083,497.84 (2020: EUR 2,511,905.32) for balances with banks was paid in 2021 and is reported in interest income under investments in banks.

Interest income and interest expenses are recognised on the accruals basis. Net interest income from derivatives in hedges is shown as the net value under the item in which the net interest income for the corresponding underlying transactions is reported (deal balance).

7.1.2. Income from securities and investments

INCOME FROM SECURITIES AND INVESTMENTS in EUR	2021	2020
a) Income from investments		
Kommunalkredit E-Government Solutions GmbH distribution	54,000.00	54,000.00
Total income from investments	54,000.00	54,000.00
b) Income from investments in affiliated companies		
Kommunalkredit Public Consulting GmbH (KPC) distribution	756,000.00	462,474.00
Kommunalkredit KBI Immobilien GmbH & Co KG (KBI) profit share	652,721.90	700,784.37
TrendMind IT Dienstleistung GmbH distribution	0.00	301,994.59
Total income from investments in affiliated companies	1,408,721.90	1,465,252.96

The investment in TrendMind IT Dienstleistung GmbH was sold in the 2020 financial year.

7.1.3. Net fee and commission income

FEE AND COMMISSION INCOME in EUR	2021	2020
Lending business	28,043,967.07	17,147,555.28
Securities business	134,495.49	111,228.00
Other service business	5,584,671.53	5,271,521.61
Total fee and commission income	33,763,134.09	22,530,304.89

FEE AND COMMISSION EXPENSES in EUR	2021	2020
Lending business	-1,283,185.64	-1,256,397.44
Securities business	-2,594,452.10	-556,545.25
Money and FX trading	-280,611.10	-273,291.51
Other service business	0.00	-60,010.00
Total fee and commission expenses	-4,158,248.84	-2,146,244.20
Net fee and commission income	29,604,885.25	20,384,060.69

Fee and commission income increased by 45.2% to EUR 33,763,134.09 (2020: EUR 22,530,304.89) in 2021. Significant activities within the lending business include arranging and structuring infrastructure and energy finance. There was also a further increase in profit from consulting and service activities.

Fee and commission expenses of EUR 4,158,248.84 (2020: EUR 2,146,244.20) essentially result from paid guarantee fees and costs relating to the issuing of public capital market issues.

7.1.4. General administrative expenses

General administrative expenses rose by 9.5% in 2021 and is made up as follows:

GENERAL ADMINISTRATIVE EXPENSES in EUR	2021	2020
Personnel expenses	-33,837,358.61	-29,820,951.69
Other administrative expenses	-18,031,916.17	-17,563,348.92
General administrative expenses	-51,869,274.78	-47,384,300.61

7.1.4.1. Personnel expenses

PERSONNEL EXPENSES in EUR	2021	2020
Salaries	-28,778,571.80	-23,473,807.32
Expenses for statutory social security contributions and salary-dependent charges and compulsory contributions	-4,043,297.40	-4,949,730.47
Voluntary social contributions	-365,883.72	-486,784.98
Expenses for pension costs	-377,976.62	-291,492.25
Cancellation of/allocation to pension provisions	192,882.90	-97,489.71
Expenses for severance pay (including changes in provisions for severance pay) and contributions to company pension funds	-464,511.97	-521,646.96
Total personnel expenses	-33,837,358.61	-29,820,951.69

Personnel expenses increased by EUR 4,016,406.92 compared to the previous year; this reflects the targeted expansion of the team – both in front office and back office – and an increased participation in the bank's success.

Personnel expenses include expenses for contributions to company pension plans in the amount of EUR 303,509.05 (2020: EUR 252,299.58), expenses for severance pay of EUR 1,248,764.94 (2020: EUR 528,576.61) and income resulting from the change in the provision for jubilee bonuses in the amount of EUR 87,197.19 (2020: expenses of EUR 4,143.00).

7.1.4.2. Other administrative expenses

Other administrative expenses increased slightly by EUR 468,567.25 year on year to EUR 18,031,916.17 (2020: EUR 17,563,348.92). They comprise the following:

Pursuant to § 238 (1) (18) of the Austrian Commercial Code (UGB), expenses for the statutory auditor for the financial year under review are not reported here, as Kommunalkredit is included in the consolidated financial statements and audit expenses are reported therein.

OTHER ADMINISTRATIVE EXPENSES in EUR	2021	2020
Third-party services	-3,589,298.29	-3,527,652.68
Data processing	-3,151,656.76	-2,882,809.98
Consulting and auditing fees	-3,084,918.37	-2,831,919.79
Occupancy costs	-2,322,827.44	-2,210,280.65
Bank Resolution Fund	-2,005,205.89	-1,764,845.16
Advertising and entertainment	-1,035,242.62	-1,578,060.90
Information services	-1,145,624.89	-1,155,942.80
Other non-personnel administrative expenses	-1,697,141.91	-1,611,836.96
Total of other administrative expenses	-18,031,916.17	-17,563,348.92

7.1.5. Other operating income

OTHER OPERATING INCOME in EUR	2021	2020
Income from the early repayment of liabilities	14,903,557.99	0.00
Income from services charged to KPC	3,109,049.41	2,714,292.27
Other	407,265.63	240,020.46
Total other operating income	18,419,873.03	2,954,312.73

Other operating income includes EUR 14,903,557.99 (2020: EUR 0.0) in realised income from the purchase of customer liabilities amounting to EUR 155,539,518.00 and the reversal of the related interest rate hedges.

7.1.6. Other operating expenses

OTHER OPERATING EXPENSES in EUR	2021	2020
Contributions to deposit guarantee regime	-1,943,528.26	-1,076,338.48
Stability tax payable by Austrian banks	-641,168.70	-651,994.64
Other	-206,000.47	0.00
Total other operating expenses	-2,790,697.43	-1,728,333.12

7.1.7. Loan impairment, valuation and sales result

The loan impairment, valuation and sales result (items 11 to 13 of the income statement) comprises the following items:

LOAN IMPAIRMENT, VALUATION AND SALES RESULT in EUR	2021	2020
a) Income	8,340,547.68	4,021,463.77
Result from the placement of infrastructure and energy finance	3,349,149.66	0.00
Proceeds from asset sales	1,732,815.77	157,610.36
Proceeds from equity investment sales	1,975,000.00	0.00
Proceeds realised from the partial reduction of derivatives	762,550.55	388,842.36
Compensation payments for derivatives due to IBOR/ESTR changeover	376,151.11	265,998.22
Change in provision for expected credit losses	144,880.59	0.00
Proceeds from the buyback of own issues	0.00	3,209,012.83

LOAN IMPAIRMENT, VALUATION AND SALES RESULT in EUR	2021	2020
b) Expenses	-2,016,705.43	-4,712,579.27
Provision for impending losses for derivatives	-747,545.39	-1,474,614.42
Change in provision pursuant to § 57 (1) of the Austrian Banking Act	-740,000.00	-850,000.00
Expenses due to contract modifications	-236,916.45	-704,411.79
Expenses from the buyback of own issues	-144,665.80	0.00
Change in provision for expected credit losses	0.00	-912,702.41
Result from the placement of infrastructure and energy transactions	0.00	-302,500.00
Other valuations	-147,577.79	-468,350.65
Total	6,323,842.25	-691,115.50

The loan impairment, valuation and sales result shows income of EUR 8,340,547.68 (2020: EUR 4,021,463.77) in 2021 with income of EUR 3,349,149.66 (2020: expense EUR 302,500.00) and EUR 1,732,815.77 (2020: EUR 157,610.36) generated from infrastructure and energy finance or other loans respectively. Income of EUR 1,975,000.00 (2020: EUR 0.00) was also generated from the sale of the equity investment in Kommunalleasing GmbH. Derivatives were dissolved early as part of risk management and EUR 762,550.55 (2020: EUR 388,842.36) was recognised in the income statement. The change in risk provisions for expected credit losses resulted in income of EUR 144,880.59 in 2021 (2020: EUR 912,702.41 addition); details on the development in risk provisions are listed in Note 3.3.

Expenses include the increase in the provision for impending losses from derivatives which mainly result from inefficiencies of units of account and amount to EUR 747,545.39 (2020: EUR 1,474,614.42).

General risk provisions according to § 57 (1) of the Austrian Banking Act increased by EUR 740,000.00 (2020: addition of EUR 850,000.00) and represent an additional risk buffer for the bank.

Contract modifications that are not classed as material resulted in present value losses of EUR 236,916.45 (2020: EUR 704,411.79). The contract modifications do not involve forbearance measures.

7.1.8. Taxes on income

Taxes on income relate exclusively to the company's ordinary business operations and comprise the following items:

TAXES ON INCOME in EUR	2021	2020
Corporate income tax/trade tax expense for the financial year	-9,196,529.29	-121,745.13
Corporate income tax/trade tax expense for previous years	-4,986.65	-10,077.23
Deferred tax income	206,616.83	1,361,256.49
Total	-8,994,899.11	1,229,434.13

The increase in tax expenses is due to the full utilisation of the tax loss carryforward in the previous financial year. This results in corporate income tax and trade tax expenses of EUR 9,196,529.29 (2020: EUR 121,745.13), of which EUR 93,104.50 (2020: EUR 79,267.86) arise from the Germany branch.

Deferred tax income results from the release of deferred tax assets (depicted in the statement of financial position item "Deferred tax assets") for timing differences between the accounting principles under corporate and fiscal law.

With effect from 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 31 December 2021 include Gesona, Kommunkredit and KPC. On the basis of a group and tax contribution agreement, the stand-alone method was chosen for the calculation of the tax contributions. With this method, the tax contributions of the group members depends on the amount of corporate income tax the group member

would have had to pay if its tax result had not been counted toward the parent of the group. If a group member's negative income is counted toward the group parent, this tax loss is kept on record for the group member (internal loss carryforward) and offset against the positive income of the group member in subsequent years up to 100%. Upon termination of the tax group or elimination of a group member, a final compensation has to be paid for tax losses not yet offset, multiplied by the corporate tax rate applicable at the time of termination of the agreement. Tax loss carryforwards of a group member from periods prior to the formation of the group (pre-group losses) are credited up to the amount of the profit of the group member and result in a reduction in the tax contribution of the group member.

7.1.9. Profit for the year and return on assets

Kommunkredit closed the 2021 financial year with a net profit of EUR 47,091,756.09 (2020: EUR 33,561,507.99). The return on assets, a ratio calculated by dividing the profit for the year by the total assets as of the reporting date, stood at 1.11% (31/12/2020: 0.82%).

7.2. Presentation of revenues by geographic market (§ 237 Austrian Commercial Code)

INTEREST AND SIMILAR INCOME in EUR	2021	2020
Austria	12,359,413.09	22,656,211.73
Western Europe	42,900,996.91	33,507,146.56
Central and Eastern Europe	10,325,166.06	10,485,603.53
Rest of world	1,714,540.52	3,533,086.66
	67,300,116.58	70,182,048.48

FEE AND COMMISSION INCOME in EUR	2021	2020
Austria	1,212,554.32	238,664.70
Western Europe	29,168,888.09	17,661,302.00
Central and Eastern Europe	2,649,482.07	3,952,209.91
Rest of world	732,209.61	678,128.28
	33,763,134.09	22,530,304.89

OTHER OPERATING INCOME in EUR	2021	2020
Austria	3,402,007.04	2,890,643.45
Western Europe	15,017,865.99	63,669.28
Central and Eastern Europe	0.00	0.00
Rest of world	0.00	0.00
	18,419,873.03	2,954,312.73

8. DISCLOSURE PURSUANT TO PART 8 CRR

In accordance with the requirements of Part 8 CRR, material qualitative and quantitative information relating to the bank is published in a separate Disclosure Report, which can be accessed on the Kommunalkredit website (www.kommunalkredit.at) under "Investor Relations / Financial Information & Reports".

9. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 11 February 2022, Claudia Wieser was appointed as a member of the Executive Board with the function of Chief Financial Officer (CFO) with effect from 1 April 2022.

For optimisation and efficiency reasons, the owners of Kommunalkredit Austria AG, Interritus Limited and Trinity Investments, decided to simplify the ownership structure that had existed up until now. Gesona Beteiligungsverwaltung GmbH was therefore merged into Satere Beteiligungsverwaltungs GmbH. The approval procedure of the European Central Bank (ECB) has now been positively completed and the merger was cleared on 31 January

2022. As of 17 February 2022 this ownership structure has been registered in the Austrian commercial register and is therefore legally valid.

The development of the conflict between Russia and Ukraine and the sanctions imposed by the European Union in reaction to it have no direct material impact on Kommunalkredit since it has no direct exposure to these two countries, with the exception of a project with a net exposure of EUR 0.5m. Indirect consequences such as volatility on the financial markets, restrictions in oil and gas delivery or expenses resulting from deposit insurance cannot be ruled out. Due to its business model, no material negative impact on Kommunalkredit's assets, financial position and income is expected.

10. DISCLOSURES REGARDING THE BOARDS OF THE BANK AND ITS EMPLOYEES

10.1. Average number of employees during the financial year

As of 31 December 2021, Kommunalkredit had a weighted workforce of 188 employees (31/12/2020: 168 employees), including the branch in Germany.

The average number of employees during the year under review was 181 (2020: 167), including three (2020: two) Executive Board members and excluding employees on leave; part-time employees are weighted according to the extent of employment.

10.2. Remuneration, advances and loans to Executive Board and Supervisory Board members, guarantees provided for Board members

TOTAL EXECUTIVE BOARD AND SUPERVISORY BOARD REMUNERATION in EUR	2021	2020
Active Executive Board members	2,924,809.44	1,926,531.47
Active Supervisory Board members	337,400.00	276,399.71
	3,262,209.44	2,202,931.18

As of 31 December 2021, and as in the previous year, there were no outstanding loans to members of the Executive Board or members of the Supervisory Board. No guarantees were provided by Kommunalkredit for Board members either.

As of 31 December 2021, the outstanding volume of loans to employees of the company amounted to EUR 191,926.48 (31/12/2020: EUR 332,799.61).

10.3. Expenses for severance pay and pensions

Expenses for severance pay and pensions include pension and severance payments, changes in provisions for severance pay and pensions, statutory contributions to a staff pension plan and payments into a pension fund:

EXPENSES FOR SEVERANCE PAY AND PENSIONS in EUR	2021	2020
Executive Board members and senior employees	151,581.79	262,335.86
Other employees	498,023.91	648,293.06
	649,605.70	910,628.92

10.4. Related party disclosures

Tax group

With effect from 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Gesona (Satere as of 17/02/2022) as the group parent. The group members as of 31 December 2021 include Gesona, Kommunalkredit and KPC (see 7.1.8. for details).

Transactions with affiliated companies

Transactions with affiliated companies are recognised under the balance sheet items concerned. All transactions with affiliated companies are made in accordance with the arm's length principle.

10.5. Disclosures relating to the Boards of the bank

Members of the Executive Board

Karl-Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board,
until 31 December 2021

Sebastian Firlinger
Member of the Executive Board,
since 1 January 2021

Members of the Supervisory Board

Patrick Bettscheider
Chairman of the Supervisory Board
Appointed by Gesona Beteiligungsverwaltung GmbH;
Managing Director of Gesona Beteiligungsverwaltung GmbH
and Satere Beteiligungsverwaltungs GmbH

Christopher Guth
Deputy chairman of the Supervisory Board,
until 30 September 2021
Appointed by Gesona Beteiligungsverwaltung GmbH

Friedrich Andreae
Deputy chairman of the Supervisory Board,
since 30 September 2021
Managing Director of Gesona Beteiligungsverwaltung GmbH
and Satere Beteiligungsverwaltungs GmbH

Tina Kleingarn
Since 30 September 2021
Partner Westend Corporate Finance

Jürgen Meisch
Managing Director of Achalm Capital GmbH

Martin Rey
Managing Director of Maroban GmbH

Alois Steinbichler
Managing Director of AST
Beratungs- und Beteiligung GmbH

Renate Schneider
until 1 September 2021
Nominated by the Works Council

Alexander Somer
Nominated by the Works Council

10.6. State Representative

Philip Schweizer
State Representative,
Federal Ministry of Finance

Markus Kroiher
Deputy State Commissioner,
Federal Ministry of Finance

10.7. Government Commissioner

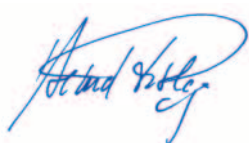
Appointed to serve as Government Commissioner
of the cover pool for covered bonds in 2021:

Karin Fischer
Government Commissioner,
Federal Ministry of Finance

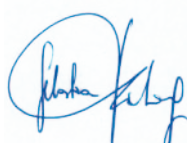
Anna Staudigl
Deputy Government Commissioner,
Federal Ministry of Finance

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG



Bernd Fislage
Chief Executive Officer



Sebastian Firlinger
Member of the Executive Board

Schedule of Participations and Investments in Affiliated Companies as of 31 December 2021 (Annex 1)

Pursuant to § 238 (2) of the Austrian Company Code, the Schedule of Participations shows all direct participations.

NAME AND REGISTERED OFFICE in EUR	Investment in % 2021	Investment in % 2020	Total capital	Acquisition cost
I. Participations				
Kommunalnet E-Government Solutions GmbH, Vienna	45.00%	45.00%	1,181,738.66	344,025.00
Kommunalleasing GmbH, Vienna	0.00%	50.00%	0.00	0.00
Florestan KA GmbH	100.00%	0.00%	180,675.99	94,000.00
Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA ³	8.49%	8.49%	326,666,453.05	27,360,000.00
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna	n/a	n/a	n/a	1,000.00
II. Investments in affiliated companies				
Kommunalkredit Public Consulting GmbH, Vienna	90.00%	90.00%	1,343,328.45	346,500.00
Kommunalkredit KBI Immobilien GmbH, Vienna	100.00%	100.00%	71,563.24	35,000.00
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	100.00%	100.00%	32,734,086.66	32,081,365.00
Fidelio KA Beteiligung GmbH, Frankfurt am Main	75.00%	75.00%	67,182.47	72,490.02

1 Preliminary unaudited figures.

2 Sold in the 2021 financial year.

3 Kommunalkredit subscribed to 8.49% of shares in the Fidelio KA Infrastructure Debt Fund Europe 1 sub-fund.

Schedule of Non-Current Asset Transactions pursuant to § 226 (1) of the Austrian Commercial Code as of 31 December 2021 (Annex 2)

NON-CURRENT ASSETS in EUR	Acquisition costs				
	as of 1/1/2021	Additions	Reclassification to current assets	Disposals	as of 31/12/2021
Debt securities from public issuers	156,499,290.00	179,425,399.00	21,617,930.00	0.00	314,306,759.00
Loans and advances to banks	0.00	48,622,500.00	0.00	0.00	48,622,500.00
Loans and advances to customers	266,598,853.90	29,534,193.39	0.00	70,269,070.87	225,863,976.42
Bonds and other fixed-income securities	320,271,292.80	22,847,420.00	0.00	26,886,041.40	316,232,671.40
Investments	25,815,025.00	2,734,000.00	0.00	750,000.00	27,799,025.00
Investments in affiliated companies	32,535,355.02	0.00	0.00	0.00	32,535,355.02
Non-current intangible assets	5,015,101.76	592,157.40	0.00	0.00	5,607,259.16
Land and buildings, incl. buildings on third-party land	957,604.28	0.00	0.00	0.00	957,604.28
Office furniture and equipment	7,514,304.93	607,183.36	0.00	-1,599.63	8,119,888.66
Total	815,206,827.69	284,362,853.15	21,617,930.00	97,903,512.64	980,045,038.94
<i>of which low-value assets as defined by § 226 (3) of the Austrian Commercial Code (UGB)</i>	<i>584,274.98</i>	<i>68,436.14</i>	<i>0.00</i>	<i>0.00</i>	<i>652,711.12</i>

	Carrying amount 31/12/2021	Carrying amount 31/12/2020	Cumulative amortisation	Profit for the period after tax	Latest annual financial statements
	344,025.00	344,025.00	0.00	131,587.48	31/12/2021
	0.00	0.00	0.00	n/a	n/a ²
	94,000.00	0.00	0.00	91,675.99	31/12/2021
	27,360,000.00	24,720,000.00	0.00	8,330,328.97	31/12/2021 ¹
	1,000.00	1,000.00	0.00	n/a	n/a
	346,500.00	346,500.00	0.00	528,049.24	31/12/2021
	35,000.00	35,000.00	0.00	9,871.75	31/12/2021
	32,081,365.00	32,081,365.00	0.00	652,721.90	31/12/2021
	38,653.81	38,653.81	33,836.21	-4,971.24	31/12/2021

Cumulative depreciation and amortisation				Residual carrying amounts			
as of 1/1/2021	Additions	Disposals	as of 31/12/2021	Carrying amount 31/12/2021	Carrying amount 31/12/2020	Depreciation 2021	Amortisation 2021
768,637.59	248,957.46	-224,583.12	793,011.95	313,513,747.05	155,730,652.67	248,957.46	0.00
0.00	1,107,843.85	0.00	1,107,843.85	47,514,656.15	0.00	1,107,843.85	0.00
0.00	1,462,775.57	0.0	1,462,775.57	224,401,200.85	266,598,853.90	1,462,775.57	0.00
1,008,525.75	744,314.13	-127,200.69	1,625,639.03	314,607,032.37	319,262,767.21	744,314.13	0.00
750,000.00	0.00	-750,000.00	0.00	27,799,025.00	25,065,025.00	0.00	0.00
33,836.21	0.00	0.00	33,836.21	32,501,518.81	32,501,518.81	0.00	0.00
4,531,521.89	230,457.18	0.00	4,761,979.07	845,280.09	483,579.87	230,457.18	0.00
473,423.18	53,327.55	0.00	526,750.73	430,853.55	484,181.10	53,327.55	0.00
5,395,587.07	271,162.27	-1,599.63	5,665,149.71	2,454,738.95	2,118,717.86	271,162.27	0.00
12,961,531.69	4,118,838.03	-1,103,383.60	15,976,986.12	964,068,052.82	802,245,296.42	4,118,838.03	0.00
584,274.98	68,436.14	0.00	652,711.12	0.00	0.00	68,436.14	0.00

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

**Kommunalkredit Austria AG,
Vienna,**

which comprise the Balance Sheet as at 31 December 2021, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2021, and its financial performance for the year then ended in accordance with the Austrian commercial and banking law.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers

The Management Board explains the procedure for recognizing loan loss provisions in the notes to the financial statements section 3. "Accounting and Measurement Rules" and in the management report section "Assets, financial position and income".

Risk to the Financial Statements

The loans and advances to customers amount to EUR 2,7 bn and are mainly comprised of the segments "Project Finance", "Utilities", "Corporate" and "Public Finance".

The bank evaluates in the context of credit risk management whether default events exist, and specific loan loss provisions (Stage 3) need to be recognized. This includes an assessment whether customers are able to fully meet their contractual liabilities.

The calculation of the loan loss provisions for defaulted individually significant customers is based on an analysis of the estimated future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer and the valuation of collateral.

For all non-defaulted loans and advances to customers a loan loss provision for expected credit losses ("ECL") is recognized. The loan loss provision is generally based on the 12-month-ECL (Stage 1). In case of a significant increase in the credit risk (Stage 2), the ECL is calculated on a lifetime basis.

The calculation of ECLs is dependent on assumptions and estimates, which include rating-based probabilities of default and loss given default that are derived from current and forward-looking information.

The risk to the financial statements arises from the fact that the stage transfers and the determination of the loan loss provisions are based on assumptions and estimates. This may lead to a margin of discretion and estimation uncertainties regarding to the amount of the loan loss provisions.

Our Audit Approach

We have performed the following audit procedures with the involvement of our Financial Risk Management and IT specialists in respect to the valuation of loans and advances to customers:

- We have analyzed the existing documentation of the processes of monitoring and risk provisioning for loans and advances to customers and assessed whether these processes are suitable to identify impairment triggers and to adequately reflect the valuation of loans and advances to customers. Moreover, we have ascertained the process flows, identified the relevant key controls, assessed their design and implementation and tested their effectiveness in samples.

- We have examined whether there were any indicators of default on a sample basis of different loan portfolios. The selection of the sample was performed risk-oriented with special regard to ratings, regionality and customer segment.
- For all loans, for which the loan loss provision was calculated based on ECL (Stage 1 and 2), we analyzed the bank's documentation of methodology for consistency with the requirements of IFRS 9. Furthermore, based on internal model validations, we have checked the models and the parameters used to determine whether they are suitable for calculating the loan loss provisions in an appropriate amount. In addition, we analyzed the selection and assessment of forward-looking information and scenarios and their consideration in the used parameters. For these audit procedures we have involved our financial risk management specialists.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit, i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 31 March 2020 and were appointed by the Supervisory Board on 23 April 2020 to audit the financial statements of Company for the financial year ending on 31 December 2021.

In addition, during the Annual General Meeting on 23 March 2021, we have been elected as auditors for the financial year ending 31 December 2022 and appointed by the Supervisory Board on 16 September 2021.

We have been auditors of the Company since the financial statements at 31 December 2020.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

ENGAGEMENT PARTNER

The engagement partner is Mr. Bernhard Mechtler.

Vienna, 15 March 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This English language audit report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

STATEMENT BY THE LEGAL REPRESENTATIVES

KOMMUNALKREDIT AUSTRIA AG

Annual Financial Statements 2021

We hereby **confirm** to the best of our knowledge that the **financial statements** of the parent company, prepared in accordance with the relevant accounting standards, present a true and fair view of the assets, the financial position and the income of the company, that the Management Report presents the development of business, the results and the position of the company in such a way that it conveys a true and fair view of the assets, the financial position and the income of the company, and that the Management Report describes the material risks and uncertainties to which the company is exposed.

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG



Bernd Fislage
Chief Executive Officer



Sebastian Firlinger
Member of the Executive Board

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