



# INNOVATION. AGILITY. IMPACT.

**Integrated Annual Report  
of Kommunalkredit Group 2022**

**KOMMUNAL  
KREDIT**

# Kommunalkredit at a glance

SELECTED PERFORMANCE INDICATORS in EUR m or %	IFRS				
	2018	2019	2020	2021	2022
Net interest income	49.2	58.6	77.1	78.9	125.7
EBIT*	23.9	33.2	47.5	60.1	85.2
Profit on ordinary activities	32.6	27.3	48.0	67.1	97.3
Profit for the year after tax	14.3	29.6	36.4	48.9	78.2
Cost/income ratio	70.2 %	63.3 %	56.1 %	53.2 %	48.3 %
Return on equity before tax	14.0 %	10.3 %	15.3 %	19.5 %	28.3 %
Return on equity after tax**	6.1 %	11.2 %	11.6 %	14.2 %	22.3 %

\* Profit for the year before tax under IFRS, adjusted for net provisioning for impairment losses, measurement gains/losses and restructuring expense (2018).

\*\* After utilisation of capitalised tax loss carryforwards up until 2020.



New business

EUR **1.8bn**

Volume from infrastructure and energy financing

**0.0%**

Non-performing loan ratio since privatisation in 2015



**Awards 2022**

**Best Sustainable Infrastructure Investment Company** (International Investor)

**Most Sustainable Infrastructure Project Partner Central Europe** (Business Vision)

**Best direct bank | Second-best specialised bank** (Börsianer magazine)

**Quality seal for popular employers |**

**Sustainable commitment** (Kurier newspaper)

EUR **85m**

Operating result **+ 42%**



**Leading role**

First Austrian bank in the European Clean Hydrogen Alliance

**28**

nationalities as a sign of diversity with over 300 employees



**H<sub>2</sub>**

**Green hydrogen**

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

Contribution to

**14**



Sustainable Development Goals

SELECTED PERFORMANCE INDICATORS <small>in EUR m or %</small>	Austrian GAAP				
	2018	2019	2020	2021	2022
Net interest income	37.7	45.6	57.4	55,6	94.5
EBIT*	21.8	27.0	31.9	52.5	61.2
Profit on ordinary activities	29.7	28.7	32.4	56.2	68.5
Profit for the year after tax	30.4	30.3	33.6	47.1	70.2
Cost/income ratio	67.0 %	63.2 %	61.0 %	51.2 %	47.8 %
Return on equity before tax	12.8 %	10.8 %	10.3 %	16.3 %	24.7 %
Return on equity after tax	13.1 %	11.4 %	10.7 %	13.7 %	20.0 %
CET 1 ratio	19.9 %	18.7 %	20.3 %	17.3 %	16.9 %

\* Operating performance as reported in accordance with the Austrian Commercial Code (UGB) plus the operating result from the sale of active portfolio/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).

**A-** 

Average rating of premium-grade portfolio

**A+**

Covered bond rating S&P

**BBB- | BBB** (Senior)  
investment grade ratings  
S&P, Fitch | DBRS



Focus on

**Europe**

**48.3%**

Cost/income ratio



**41.9%**

Bank stand-alone cost/income ratio



**Who we are.**

**“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.”**

# INNOVATION. AGILITY. IMPACT.

#alwaysfirst

Integrated Annual Report of the  
Kommunalkredit Group 2022

**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 for emerging markets. Demand is high – and not only in times of crisis.

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# Letter by the Chief Executive Officer

Dear stakeholders,

We are living through a turning point in history. The world as we know it – particularly in the western hemisphere – has changed. The ongoing pandemic, Russia's war of aggression in Ukraine, political tensions in Asia, skyrocketing energy prices, high inflation and rising interest rates – all of these factors are having an impact on our day-to-day life and actions. To sum things up: the proverbial cards are being reshuffled. We are being forced to make complex but trend setting decisions for the future. After all, hard times call for hard decisions. The question now facing us is: what is more important – morality or prosperity? After so many years of an uninterrupted boom, it is now time for critical reflection. Can we allow economic results to take precedence over everything else? Is it always just about faster and cheaper production? Is this the only way for Europe to remain competitive? Or do we have to rethink our approach and accept that there are some things we can do without?

We are convinced that a Europe that stands united is a powerful force and can continue to enable prosperity. We have shared values, strong business centres, first-class and highly specialised industries, excellent educational institutions, high-quality goods and innovative power. But we need to act if we want to unleash this power. In these challenging times, influenced by the macro-economic environment, we need to step up our collective endeavours to build a more sustainable and better future. We will certainly manage to do so – but only if business, politics, the media and society pull together, put the principles of responsible action into practice and act in solidarity.

So how can we achieve this? Through infrastructure. After all, infrastructure is the foundation of every society. We all need a sustainable and efficient energy supply, a local and long-distance transport system that works, fast communication channels and state-of-the-art social infrastructure for our diverse society – from nurseries, schools and leisure facilities to pharmacies, hospitals and care homes. National climate and energy plans, the European Green Deal and the US Inflation Reduction Act all have one thing in common: ambitious targets. We take our responsibility seriously and have set out five scenarios in which the targets that have been set can be achieved as quickly and efficiently as possible:

- The use of private capital as a stimulus for greater sustainability – the demand is there, the projects are there, and the money is there. So what is the missing ingredient? Speed! Because private lenders need straightforward processes with clear regulatory timelines.

- Faster, stronger and more decentralised grids – the grid always provides the foundation. And it's now time to expand and strengthen it. This is an absolute must if we want to be able to transport ever-increasing volumes of energy safely and quickly.
- An open-minded approach to viable transitional solutions – we need independent energy sources and affordable prices. The day will come when we can, and indeed will, use green energy to meet all of our requirements. But there is still some way to go before this will be possible. And the only way to bridge this gap is to use temporary solutions.
- A regulatory framework that creates security and freedom – from citizens to municipalities, from state to federal level, to European regulations and directives. Every side deserves to have its voice heard. If we want to implement necessary projects quickly, however, there has to be one option available as the last resort: the application of practical, reasonable and time-sensitive requirements with more streamlined processes, even if these impose restrictions on citizens.
- Ways out of expensive reliance – we can simply no longer afford to be reliant on certain fossil energy sources. Not morally. Not economically. And not politically.

As a specialist in infrastructure and energy financing as well as public finance, Kommunalkredit sees itself as part of the solution, be it by enabling the development of new technologies, financing utilities, solar and wind parks, contributing to the technical infrastructure for connectivity and e-mobility, or supporting the modernisation of care and educational institutions. We actively promote the energy transition, decarbonisation and the urgently required diversification of oil and gas.

The European infrastructure financing market reflects this ambition. Despite the tense global economic situation, this market expanded to a new record volume of just over EUR 360bn. The increase as against the same period of the previous year (2021: just under EUR 300bn) is due primarily to the closing of a very large-scale transport transaction in the amount of EUR 42bn. With a new business volume of EUR 1,980.5m (incl. public finance), Kommunalkredit once again established a strong position for itself in 2022 and demonstrated its in-depth expertise in its various sectors: 43% of transactions in the infrastructure and energy financing business in the Energy & Environment segment, followed by Communication & Digitalisation (20%), Social Infrastructure (20%) and Transport (13%).

Our excellent results underpin our focus on an attractive risk-return profile, efficient cost management, high-quality assets and sound business approaches: our EBIT increased by 42% year-on-year to EUR 85.2m. The cost/income ratio of the bank is 41.9% (2021: 47.9%), that of the Group (including Kommunalkredit Public Consulting) 48.3% (2021: 53.2%) while the return on equity after taxes came to 22.3% (2021: 14.2%). And this was achieved with an NPL ratio that has remained constant at 0.0% since privatisation in 2015.

In 2022, we were involved in a large number of key projects, including water treatment plants in Italy, wind farms in Scandinavia and Germany, photovoltaics systems on the Iberian Peninsula, in Romania and also in Hungary, broadband initiatives in Germany, the Netherlands, Slovenia and Croatia, and facilities and services aimed at social care for the population in Italy. While we focus on Europe, the gradual expansion of our Export Credit Agency (ECA) financing has allowed us to support the establishment and expansion of transport and social infrastructure, as well as renewable energy, in selected African countries. We believe that the African continent is yet to unleash its full economic potential and that the individual economies will receive a further boost from European funding and cooperation with institutions like ours.

While Kommunalkredit operates across the globe, our domestic market is, and remains, Austria. We have historically had deep roots here, which is why we also made a conscious decision to contribute to a positive solution to the challenging situation facing Austria as a banking centre in spring 2022. By purchasing a loan portfolio from an ailing institution, the bank facilitated a resolution process that avoided insolvency, protecting the Austrian deposit guarantee regime and Austria as a banking location in the process.

Public finance is the second key pillar of our business model. In 2022, we helped Austrian municipalities and cities to finance projects with a volume of approximately EUR 115m, which largely related to nurseries, schools and fire brigades, water supply and wastewater disposal, as well as broadband expansion.

We also have a direct involvement in domestic projects ourselves: take, for example, the investment in the construction of Austria's largest electrolysis plant to date together with OMV, a project that is already well under way. When the plant is commissioned as planned in the second half of 2023, it will allow around 1,500 tonnes of green hydrogen to be produced every year, and around 15,000 tonnes of CO2 to be saved. Then there is our joint venture "PeakSun" with the Upper Austrian energy supplier eww, to finance, assemble and operate photovoltaic rooftop systems on commercial real estate. We intend to invest more in sustainable projects for the future. This is an area in which we rely on the will and drive of national and European authorities and legislator to get things done. Because one thing is clear: without regulatory relief, subsidies and political incentives, Europe will not be able to achieve its targets.

Kommunalkredit has a clear mission: providing benefit to the community. This requires a holistic strategy, one that we have strengthened and set out in greater detail this year through a series of commitments. We have set two focal points for ourselves: we want to accelerate the energy transition and help improve people's quality of life. So how can we manage to achieve this?

By taking sustainability aspects into account in all infrastructure projects. As a company, we are committed to the UN Sustainable Development Goals (SDGs), the UN Global Compact, the Paris Agreement and the EU Green Deal. Here at Kommunalkredit, we go one step further and have defined relative performance indicators in order to provide transparent and measurable information on the impact we make. At least 40% and up to 50% of our annual infrastructure financing activity will be directed towards the energy transition and environmental protection agendas, such as renewable energies, environmentally friendly mobility and water management. Up to 10% of the annual volume will be made available for new "green" solutions and at least 30% of the annual volume of new infrastructure financing will be channelled into social infrastructure and/or digitalisation and communication projects.

We are focusing on generating a positive impact. We are continually developing our ESG and sustainability programme, including new sustainability requirements and associated checks in our activities, and are in the process of finalising our Sustainable Funding Framework.

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 2022 alone, KPC assessed a record number of over 400,000 projects (2021: just under 100,000) and awarded subsidies of EUR 1,273m (2021: EUR 773m) based on a subsidy volume of EUR 6bn (2021: EUR 4.5bn).

Our strategy, positioning and resilience have been confirmed by the major rating agencies. In 2022, S&P Global Ratings confirmed our investment grade rating of "BBB-/A-3" and our covered bond rating of "A+". Fitch Ratings and DBRS Morningstar also verified our investment grade ratings of "BBB-/F3" and "BBB/R-2 (high)" respectively. These confirmations are all the more evidence of the resilience of our business model in times when many companies are being downgraded due to the difficult economic environment.

We once again strengthened our refinancing structure and our capital market activities in 2022. In spite of the challenging market environment, we issued our EUR 250m public covered bond successfully in the spring, increasing it by EUR 50m and EUR 100m in the months that followed. Furthermore, EUR 87.5m was issued among institutional investors as part of private placements.

Courage, commitment and a focus on performance form the very foundation of our work. And this work is achieved via our biggest success factor: our employees. We can only achieve our goals with – and above all thanks to – you. We are confident as we look ahead, because, with the commitment and dedication of our colleagues, we can and will unleash our full potential.

The success we achieved in 2022 shows that we have a motivated and powerful team of international experts and young up-and-coming talents who are fully committed to their day-to-day work and want to help shape a sustainable future.

We cannot turn back the clock. But we can choose what we want to happen going forward. We are firmly committed to forging ahead with our strategy, creating a positive impact for our society and, in doing so, doing our bit for a better tomorrow. We share this forward-looking mindset with our current shareholders Interritus, Attestor and the Austrian Association of Municipalities, as well as with our future new majority shareholder Altor. The Scandinavian investor and Kommunalkredit share a vision of a sustainable future that we want to join forces to explore further, and also share a commitment to, and expertise in, financing “green” transformation projects across Europe.



There is still a lot that we want to achieve. We want to continue to grow, be economically successful, turn innovative and exciting projects into a reality and, at the same time, live up to our socio-political responsibility. What we need now are new and flexible ways of thinking to drive the energy transition forward.

We want to maintain the positive momentum and advance both Kommunalkredit's development and its role in addressing the challenges facing Europe and the rest of the world. The capital increase of EUR 100m that our new majority shareholder is planning will allow us to exploit economies of scale, invest in growth and make more of an impact.

In line with our motto: “Innovation. Agility. Impact.”, we are aiming to, and indeed will, contribute to the transformation of the global economy with you by our side. Because the future isn't something that just happens. The future is something we shape. Let's pool our efforts and get started today.

Best regards,

A handwritten signature in blue ink, appearing to read 'Bernd Fislage', written over a light blue circular graphic element.

**Bernd Fislage**  
 Chief Executive Officer  
 Kommunalkredit Austria AG  
 Vienna, February 2023

# Executive Committee

The Executive Committee is Kommunal-  
kredit's central management body. It com-  
prises the Executive Board and the ma-  
nagement personnel from Front Office,  
Back Office and Strategy.

## First row

Sebastian Firlinger (CRO)  
Bernd Fislage (CEO)  
Claudia Wieser (CFO),  
from 1 April 2022 until 31 March 2023

## Second row

John Philip Weiland (Head of Banking)  
Birgit Brinda (Head of Banking Structuring & Execution)  
Reinhard Fuchs (Head of Markets)

## Third row

Mariella Huber (Head of Corporate Services)  
Andreas Schortje (Head of Risk Controlling)

(from left to right)



**“Simplified land reallocation and approval procedures, the corresponding grid development and secure overall regulatory conditions are required in order to respond swiftly to the pressing need for the expansion of renewable energy.”**

# Functions within the Company

## Executive Board

### KARL-BERND FISLAGE

Chief Executive Officer

### SEBASTIAN FIRLINGER

Member of the Executive Board

### CLAUDIA WIESER

Member of the Executive Board,  
from 1 April 2022 until 31 March 2023

## Supervisory Board

### PATRICK BETTSCHIEDER

Chairman of the Supervisory Board  
Appointed by Satere Beteiligungsverwaltungs GmbH;  
Managing Director Satere Beteiligungsverwaltungs GmbH

### FRIEDRICH ANDREAE

Deputy Chairman of the Supervisory Board  
Appointed by Satere Beteiligungsverwaltungs GmbH;  
Managing Director Satere Beteiligungsverwaltungs GmbH

### TINA KLEINGARN

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

### ALEXANDER SOMER

Nominated by the Works Council, until 9 November 2022

### PETER KRAMMER

Nominated by the Works Council, since 9 November 2022

### BRIGITTE MARKL

Nominated by the Works Council,  
from 9 November 2022 until 31 January 2023

### GERALD UNTERRAINER

Nominated by the Works Council, since 9 November 2022

### OLIVER FINCKE

Nominated by the Works Council, since 3 February 2023

> [Corporate governance documents](#)  
at [kommunalkredit.at](http://kommunalkredit.at)

## State Representative

### PHILIPP SCHWEIZER

State Representative  
Federal Ministry of Finance

### MARKUS KROIHER

Deputy State Representative  
Federal 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 2022 financial year to the Shareholders' Meeting. Patrick Bettscheider, Managing Director of Gesona Beteiligungsverwaltung GmbH (until 17 February 2022)\* and Satere Beteiligungsverwaltungs GmbH, delegated by Satere Beteiligungsverwaltung GmbH, holds the position of Chairman of the Supervisory Board. Further capital representatives are Friedrich Andreae, Deputy Chairman of the Supervisory Board, Managing Director of Gesona Beteiligungsverwaltung GmbH (until 17 February 2022)\* and of Satere Beteiligungsverwaltungs GmbH, delegated by Satere Beteiligungsverwaltung GmbH, Tina Kleingarn and Alois Steinbichler. 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 was delegated by the Works Council (the latter left the Supervisory Board on 9 November 2022). The Works Council of Kommunalkredit Austria AG was newly formed and delegated Brigitte Markl, Peter Krammer and Gerald Unterrainer as employee representatives in the Supervisory Board with effect from 9 November 2022. With effect from 31 January 2023, Brigitte Markl resigned from the Supervisory Board. Oliver Fincke was appointed to the Supervisory Board as employee representative with effect from 3 February 2023. At the time of reporting, the Supervisory Board comprises four capital representatives, two independent representatives and three employee representatives. The Supervisory Board thanks all members who stepped down in the 2022 financial year for their reliable and constructive collaboration.

As of 1 April 2022, Claudia Wieser was appointed to the Kommunalkredit Executive Board as Chief Financial Officer (CFO). At the time of reporting, the Executive Board consists of Karl-Bernd Fislage (Chief Executive Officer), Claudia Wieser (Chief Financial Officer) and Sebastian Firlinger (Chief Risk Officer). After more than twenty years in various management positions at Kommunalkredit, Claudia Wieser has decided to resign from the Executive Board and Board positions of the Group as of 31 March 2023.

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\* As of 17 February 2022, Gesona was merged with Satere Beteiligungsverwaltungs GmbH.

Kommunalkredit can look back on a thoroughly successful 2022 financial year – in spite of economic challenges, tense markets and geopolitical turbulence. New business volume of EUR 1,980.5m in infrastructure and energy financing, as well as public finance, once again confirmed the focus on sustainable crisis-proof infrastructure. EBIT improved by 42%, or EUR 25m to EUR 85.2m. Profit for the year after tax increased by 60% compared to the previous year to EUR 78.2m. The significant improvement in EBIT was also reflected in a marked reduction in the cost/income ratio to 48.3% (2021: 53.2%). The return on equity before tax increased from 19.5% in the previous year to 28.3%. The bank's portfolio again proved to be robust in 2022; the non-performing loan (NPL) ratio remained unchanged at 0.0%.

In addition to financing projects, Kommunalkredit enhanced 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 564m among insurance companies, asset managers and banks in 2022. It provides its business partners with access to infrastructure and energy financing through an asset management platform in the form of its Fidelio KA infrastructure fund; the second sub-fund was launched successfully in the middle of the financial year. Furthermore, Kommunalkredit uses the project development company Florestan KA GmbH to provide equity funding for infrastructure and energy projects with development and growth potential.

The Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings. The committees (Audit, Remuneration and Credit Committee) also held their meetings and performed their tasks in accordance with the Articles of Association.

The Articles of Association were amended due to the entry into force of the new Pfandbrief Act. The Rules of Procedure of the Supervisory Board were amended with regard to the adjustment of the Remuneration Committee's duties according to § 39c Austrian Banking Act. 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 2022.

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 financial position of the company as of 31 December 2022, the auditors issued an unqualified audit opinion. The Supervisory Board endorsed the results of the audit and approved the 2022 annual financial statements, which were therefore formally adopted, at its meeting held on 22 February 2023. Moreover, the consolidated financial statements as of 31 December 2022, including the management report, were examined and acknowledged by the Supervisory Board.

**Patrick Bettscheider**

Chairman of the Supervisory Board

Vienna, 22 February 2023

# Retrospective. Perspective.

**Kommunalkredit once again delivered a convincing performance in a challenging market environment. What sets it apart from other financial institutions?**

**Patrick Bettscheider:** Kommunalkredit is more than just a bank. As an infrastructure and energy platform, Kommunalkredit offers flexible and customised financing solutions across the entire capital structure, consultancy services and asset management all the way to equity funding. In turn, the subsidiary Kommunalkredit Public Consulting processes various subsidy schemes in the area of environmental and climate protection for private individuals and companies. We provide a comprehensive system that covers all aspects of infrastructure which is unparalleled in Europe.

**Bernd Fislage:** Kommunalkredit's results encourage us to continue pursuing and developing the path we have already forged as an infrastructure and energy as well as public finance expert on the European market. We see ourselves as an innovator and incubator for sustainable, green financing and innovative products. We actively promote the energy transition, decarbonisation and diversification of oil and gas.

**Speaking of energy transition and decarbonisation – are we on the right track here?**

**Patrick Bettscheider:** Investor interest in alternative sustainable investment opportunities is rising visibly, whether from the public sector or also from private enterprises. Given the orientation of its business model, Kommunalkredit is predestined to make a contribution in this area, in particular with regard to achieving national and international climate targets and the European Green Deal. In 2022, the bank realised around 43% of its projects in the area of energy and environment. Its focus is clearly on these pioneering sectors.



**Bernd Fislage:** We are constantly addressing the question of how we can create a holistic system that covers all aspects of financing sustainable ideas and projects. In doing so, we are practising social responsibility. And we take this responsibility seriously: in autumn 2022, we adopted a comprehensive sustainability strategy with clearly defined goals. We want to use our activities to continue achieving outstanding results, supporting sustainable projects and intensifying our growth path.

**What do you think it will take to fulfil the “intergenerational contract” for a worthwhile and more sustainable future?**

**Patrick Bettscheider:** With its strategic orientation and the projects it supports, Kommunalkredit is already contributing to a large number of Sustainable Development Goals (SDG) and ESG (environment, social, governance) criteria. The bank places great value on positive impact when selecting projects. We want to keep our promise to future generations and, through our investments, rapidly accelerate the expansion of renewable energies, push digitalisation and modernise social infrastructure.

**Bernd Fislage:** Now more than ever, we need to have close collaboration between the public and private sector. Together, we can ignite the proverbial “turbo charger” for the energy transition and decarbonisation. Together, we have the competence, the vision and the financial resources to shape a sustainable future.

**2022 was a year of superlatives. The European infrastructure and energy market reached a record investment level of more than EUR 360bn, with interest rates, inflation and energy prices rising steeply at the same time. In short – we are experiencing a turning point in history.**



**The course for the future has therefore been set. With hindsight, can one say that the two-pillar business model of infrastructure and energy financing as well as public finance, which is clearly focused on sustainability, was the right strategy?**

**Patrick Bettscheider:** Allow me to take a look back. After privatisation in 2015, we consciously took our time to reflect on the necessary reorientation. In the first few years thereafter, we took fundamental strategic decisions and launched Bernd Fislage's 50 | 50 | 10 strategy programme in 2018: EBIT should be raised to EUR 50m by 2022, the cost/income ratio lowered to 50% and a return on equity of 10% achieved. All of these targets were exceeded already ahead of schedule in 2021.

**Bernd Fislage:** We would like to thank Patrick Bettscheider, Chairman of the Supervisory Board, and all the capital representatives and Supervisory Board members. In what has been a challenging year, you have placed your utmost trust in us – despite the difficult macroeconomic environment. This allowed us to continue following our path consistently, realise important and sustainable projects, and generate the highest EBIT of our cooperation to date.

**The last three years were particularly challenging – for policymakers, the economy and the financial industry. Many companies suffered heavy financial losses. Kommunalkredit, on the other hand, has consistently increased its EBIT since 2018 and was awarded investment grade ratings from S&P, Fitch and DBRS – all of this with an NPL ratio of 0.0%. Is this an exception?**

**Patrick Bettscheider:** As a long-term investor, increasing the enterprise value is a top priority. Organic growth is supported by retaining profits and additionally conducting capital increases. A sound capital base is the most important cornerstone of a healthy bank. By implementing strict cost discipline and using capital efficiently, EBIT has increased by 37% each year since 2018, while the cost/income ratio was lowered from previously 88% to 45% in the same period.

**Bernd Fislage:** We view profitability and sustainability as the two sides of the same coin. Do we want to achieve excellent results, facilitate innovative projects and further expand our team? Absolutely. At the same time, we want to provide a benefit to the community, pursue purpose and therefore make our contribution every day to a world worth living in. That sums up our strategy – of which we are as convinced today as we were at the beginning. We can make an even greater positive impact with more capital, higher results and well-trained employees. That is our common goal. Then as now.

We now have to make a decision: do we let this new era happen or will we play an active part ourselves? It is clear to us that we will help to positively shape this new era. We are ready. We have ideas, passion and the courage to explore new paths. With you. For a sustainable future.



# VISION. MISSION. ALWAYS FIRST.

**We enable infrastructure.** We combine industry expertise and structuring know-how with the financing capabilities of a bank. We are constantly expanding our network of customers and investors.

22	Infrastructure
23	Expertise
25	Building bridges
28	Success factor

# Infrastructure

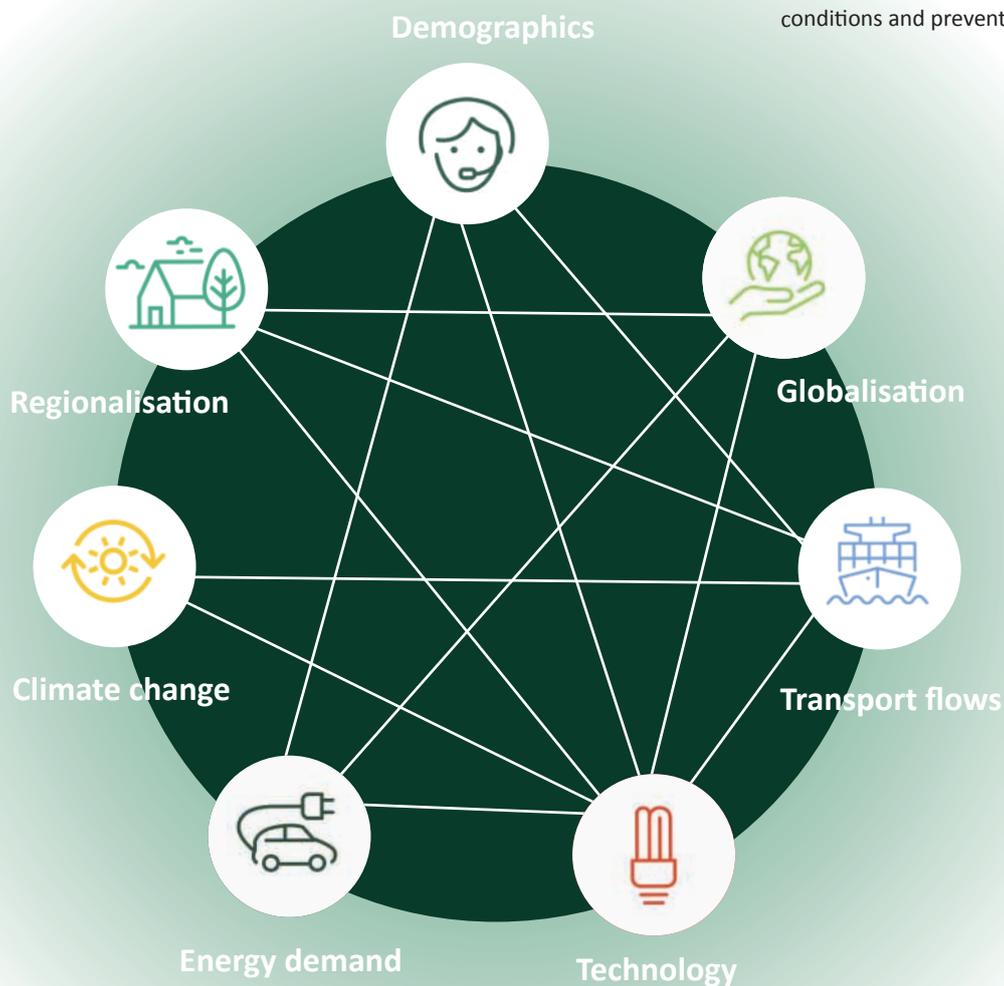
Infrastructure is, by its very nature, essential to the efficient functioning of society. Its quality has a significant impact on economic growth at local, regional, national and global levels. Megatrends such as digitalisation, decarbonisation, e-mobility and sustainable investment for an ever-ageing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

## 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 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 **crises**.



## Infrastructure is crisis-proof.

Infrastructure and energy financing proves **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 attractive.

Infrastructure investments are extremely popular. They represent alternative and **responsible investment options**. They have become a separate, attractive asset class with stable rates of return.

# Expertise

The demand for state-of-the-art, efficient infrastructure continues to grow. 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 challenging times, the relevance of high-performance infrastructure is even more noticeable.

As a specialist for infrastructure and energy financing, Kommunalkredit focuses on using its projects to provide benefit to the community by facilitating the **development of sustainable infrastructure** and combining **responsible investment**

with attractive returns. The bank is a strong and agile partner for businesses, innovators and the public sector when it comes to implementing economically sustainable projects in a profitable manner.

## Our vision

Our vision. We will become the most agile and nimble infrastructure bank in Europe, helping to create a better world.

## 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.

## Our strategy



## 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.
- 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.

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





### 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

Hydrogen  
LNG terminals  
Pipelines  
Energy storage

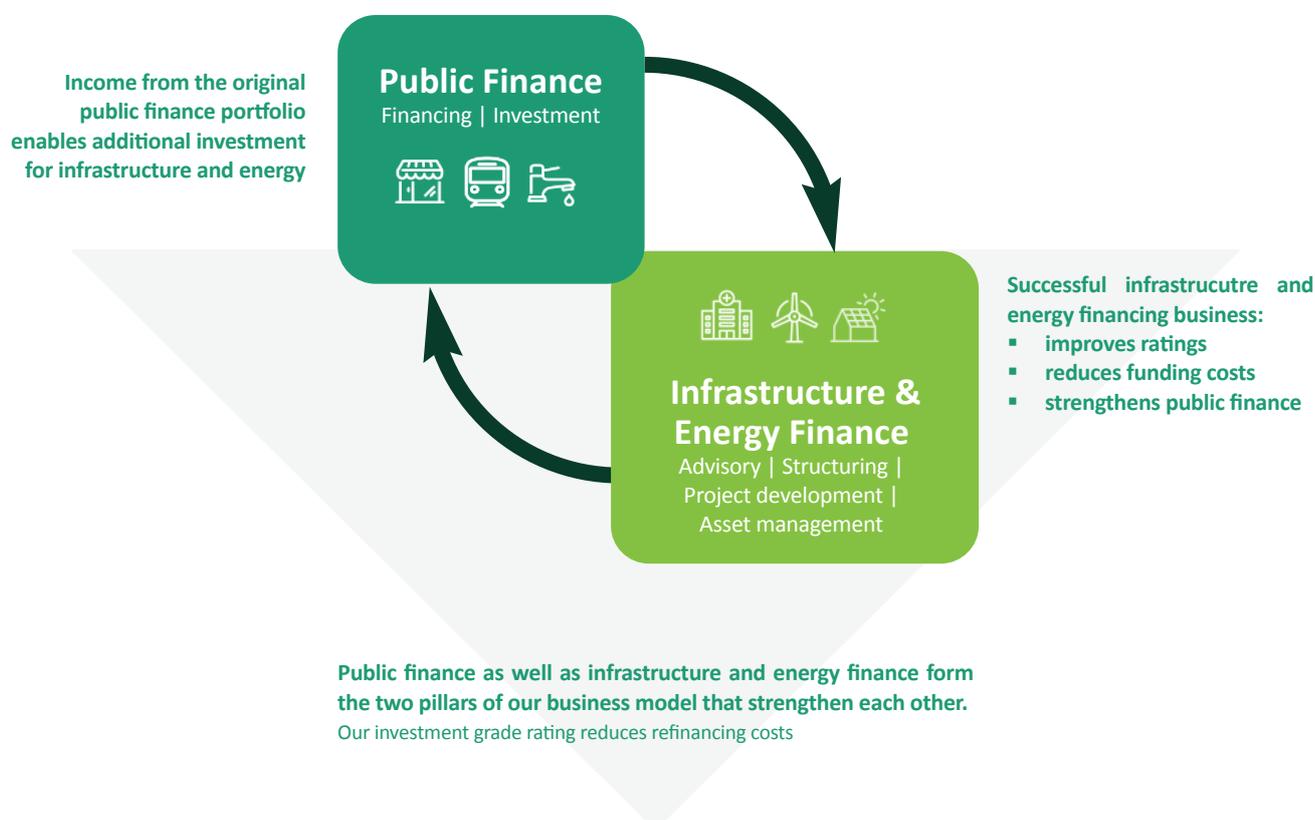
# Building bridges

Kommunalkredit's business model is associated with an attractive risk/reward profile due to its solid design. 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 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.



# 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



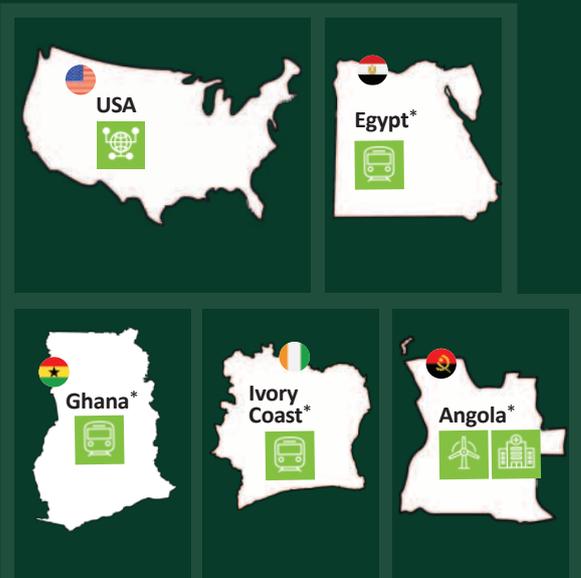
Transport



Social Infrastructure



Natural Resources



\* Selected structured export financings in Africa, collateralised by an export credit agency (ECA).



# Success factor

Kommunalkredit sets ambitious strategic objectives, creates a positive impact in the infrastructure and energy market and constantly strives to reach new sustainable milestones.

## 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**

## How are we improving in 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**

## 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

## How will we achieve this 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**

## 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**

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



# SUSTAINABILITY.

**We live for infrastructure.** We actively address global and local modern infrastructure trends. We fully understand our responsibility. This is why sustainable management and core ethical values form the basis for our activities.

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# Sustainability

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 ESG (Environment, Social and Governance) and SDG (Sustainable Development Goals) criteria.

## SUSTAINABILITY FRAMEWORK

### Sustainability as a key component

One of the biggest challenges facing us is **climate change**. In order to counter its effects, comprehensive investment is required, in particular, for infrastructure and energy. Permanently dealing with sustainable energy solutions, e-mobility, digital communication platforms, and social institutions is one of Kommunalkredit's unique selling points due to its specialisation.

Our dynamic business model allows us to pick up on and exploit opportunities at an early stage, particularly with regard to the European Green Deal and national and international climate targets. We are focused on **sustainable investments** and are experts and partners for all agendas related to the energy transition and decarbonisation. 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. KPC also provides advisory services for the Austrian representative of the Federal Ministry of Finance (BMF) in the Green Climate Fund (GCF) – a fund for projects to reduce greenhouse gases and adapt to climate change in developing countries. In 2022, 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.

“Kommunalkredit –  
the first port of call for  
sustainable infrastructure.”



## 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



## 2008

Introduction of Climate Austria for voluntary compensation of CO<sub>2</sub> emissions

## 2006–2008

Combined annual and sustainability report

## 2012

Integration of ESG analysis into the credit process

## 2017

First Austrian issuer of a social covered bond



## 2021

Membership of UN Global Compact sustainability initiative

## 2020

First Austrian bank in the European Clean Hydrogen Alliance

## 2022

Sustainability focus strengthened through refreshed sustainability strategy with strong commitments

## 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 leading up to 2030, a package of measures for implementing the goals and a system for evaluating and monitoring the progress made. The SDGs 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.

Kommunalkredit aims to provide high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change. We feel bound by the UN’s 2030 Agenda and have integrated it into our corporate culture. For each infrastructure project, we identify how it contributes to an SDG and which direct and indirect effects it will have on the environment and society.

We have also identified priority SDGs in our sustainability strategy.

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



## Sustainability policy

**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.

As a specialist bank for infrastructure and energy financing, Kommunalkredit provides a tangible 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. Investments in infrastructure are a tool for addressing social needs and increasing the general well-being of society. Efficient infrastructure bolsters economic momentum, promotes urban development, creates jobs, is an indispensable part of the fight against climate change and strengthens social cohesion. It meets the needs of today's generation and creates opportunities for the generations to follow.

The principles that guide Kommunalkredit in our day-to-day business are rooted in our core values of **innovation, agility** and **impact**:

- We fully understand the private sector's responsibility when it comes to doing its bit for prosperity and core ethical values within society. In addition to this moral foundation, sustainable management – i.e. operating responsibly in economic, social and ecological terms – and our commitment to the Global Compact as well as the EMAS (Eco-Management and Audit Scheme) environmental management system/ISO 14001 form the basis for our activities. The obligations provide for the implementation of due diligence and application of the precautionary principle.
- We aim to be successful in the long run by delivering benefits to the community with our projects in the fields of Energy & Environment, Social Infrastructure, Transport, Communication & Digitalisation and Natural Resources.
- We seek to establish long-term partnerships with our customers. As an innovative and dynamic infrastructure bank, we aim to be the partner of choice for our customers. Excellent problem-solving skills, quick decision-making processes and first-class service for our customers, coupled with clear, transparent communication with our stakeholders, are what set us apart from our peers. Securing the trust of customers, our employees, investors, owners, regulatory as well as supervisory authorities is a top priority for us. We see a dialogue with stakeholders as a chance to exchange knowledge and evolve and as an opportunity to pass on our experience.
- Committed and highly qualified employees are a key factor in our success. Our achievements as a team are largely due to the extent to which our employees identify with Kommunalkredit. As our sustainability management system has been an integral part of our corporate culture for many years now, the concept of sustainable management is deeply ingrained and one of our top priorities.
- Our social commitment is something we put into practice not only in-house in our dealings with each other but also in the way we live up to our social responsibility.
- We make every commercially feasible effort to help reduce the direct and indirect environmental impact of our activities on an ongoing basis.
- In our efforts to enhance our sustainability management system, we focus on incorporating sustainability aspects into our core business areas and on transparent dialogue with our stakeholders.
- We provide the general public with information on our sustainability and environmental performance on a regular basis.

We are committed to the UN Sustainable Development Goals (SDGs) and the targets of the Paris climate agreement at an international level, and to the Austrian government's National Energy and Climate Plan (NEKP). Our **Code of Conduct** is also an integral component of our sustainability policy.

**“92% of the SDGs can be achieved by infrastructure investments.”<sup>1</sup>**

<sup>1</sup> Global Infrastructure Hub: Sustainable Infrastructure, [www.gihub.org](http://www.gihub.org), 14/12/2022.

## Sustainability governance

The **sustainability management** system is established so as to encompass all areas of Kommunalkredit Austria AG and Kommunalkredit Public Consulting GmbH (KPC). The **sustainability officer** reports directly to the Executive Board.

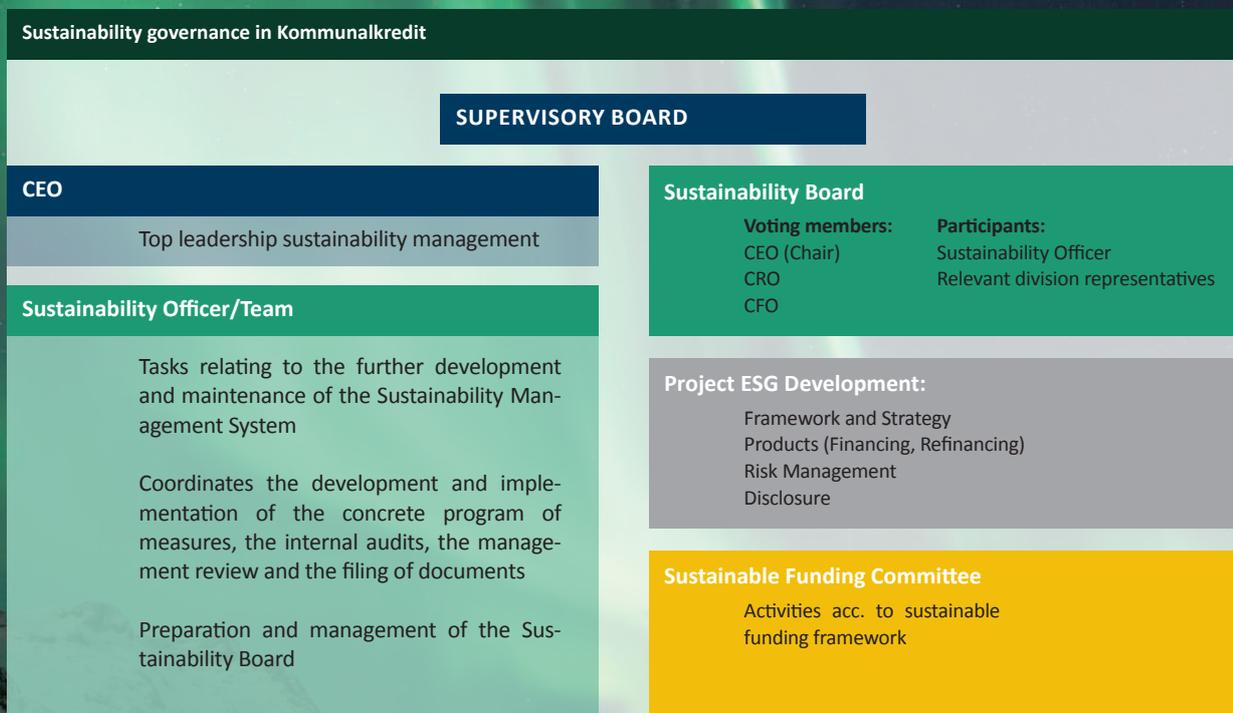
In this role, the sustainability officer is responsible for coordinating the development and implementation of the specific programme of measures, internal audits, management reviews and documentation.

Supporting tasks relating to the further development and maintenance of the sustainability management system are performed by the sustainability officer and the sustainability project teams; significant sustainability progress is being made as part of an ESG programme.

## Sustainability Board

A dedicated Group Sustainability Board was set up in 2022. It meets on a regular basis and comprises the Executive Board, the sustainability officer and experts from various divisions. The sustainability officer, working together with the Sustainability Board, is responsible for implementing and observing Kommunalkredit's sustainability policy and strategy in all areas of the Group.

The Executive Board provides the Supervisory Board with information on key sustainability issues. In 2022, the sustainability strategy was adopted by the Supervisory Board as part of the corporate strategy. As part of the fit-and-proper training for members of the Executive Board and the Supervisory Board, the 2022 programme also focused on ESG topics.



Morningstar  
Sustainalytics  
low risk | 14,5

ISS ESG  
C  
Prime Status

MSCI  
BBB

## Sustainability awards & ratings

The path taken is viewed positively by the market. We have regularly received **industry awards** from renowned infrastructure magazines since 2017. In 2022, Kommunalkredit was once again awarded the title of “Most Sustainable Infrastructure Project Partner Central Europe” by Business Vision, which referred in particular to the pioneering role played by Kommunalkredit in various sustainability initiatives and its commitment to sustainable energy generation and storage, e-mobility, digital communication and social infrastructure. International Investor singled the bank out as “Best Sustainable Infrastructure Investment Company 2022”. The Austrian daily newspaper Kurier awarded Kommunalkredit its Sustainability Seal of Approval (2022) and Seal of Approval for Sustainable Commitment (2023). This also underlines the sustainable standing on the home market.

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We also have **sustainability ratings** from renowned agencies. Based on its updated sustainability strategy, Kommunalkredit has stepped up its commitment and dialogue with sustainability rating agencies. As a result, Kommunalkredit succeeded in improving its ESG risk rating from Morningstar Sustainalytics<sup>2</sup> to “low risk” (2021: “medium risk”). ISS ESG awarded Kommunalkredit a “C” rating on 8 February 2023 and thus also the “Prime Status” as well as a transparency level of “very high”. MSCI’s review based on the bank’s 2021 reporting was not yet completed by the end of 2022, meaning that the BBB rating remained unchanged.

<sup>2</sup> Copyright © 2022 Morningstar Sustainalytics. All rights reserved. This publication contains information developed by Sustainalytics (www.sustainalytics.com). This information and data are the property of Sustainalytics and/or its third party providers (third-party data) and are provided for information purposes only. They constitute neither an endorsement of a product or project, nor investment advice, and provide no guarantee that they are complete, up-to-date, accurate or suitable for a specific purpose. Their use is subject to conditions that can be downloaded from <https://www.sustainalytics.com/legal-disclaimers>.

## MATERIAL TOPICS, BOUNDARIES AND SCOPE OF THE REPORT

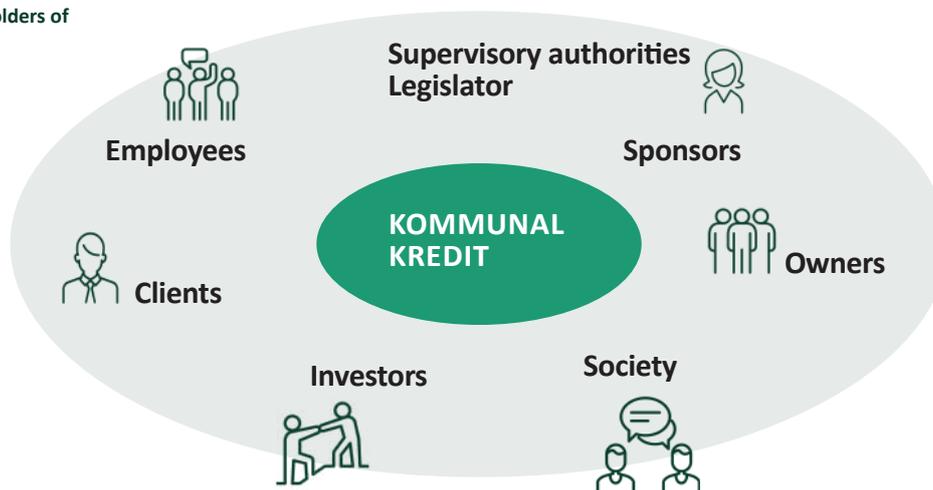
### Materiality analysis, topics and impact

Since the 2017 Sustainability Report, Kommunalkredit’s sustainability reporting has been based on the **Global Reporting Initiative** (GRI) Standards. This means that, based on the company’s material topics in accordance with GRI Standards, the report focuses on the impact the company has on the economy, environment and society.

These topics were identified as part of a materiality analysis conducted from 2014 to 2016, which was based on the intensive stakeholder dialogue that forms part of Kommunalkredit’s ongoing business operations to identify the topics that are most important to it and its stakeholders.

The materiality analysis was conducted by a project team comprising members of the sustainability team. At the beginning of the process, an analysis of Kommunalkredit’s key stakeholders and the topics that they could potentially consider material was prepared with the involvement of all of Kommunalkredit’s division heads and the management of KPC.

Important stakeholders of  
Kommunalkredit



In the interests of ensuring that no key topics were missed, the list of potential material topics was supplemented by the project team, with the help of the GRI performance indicators, before being submitted to the division heads/management to be evaluated based on a points system. The evaluation was carried out by the project team based on the points awarded, with the topics that received the highest scores ultimately being selected.

The material topics are reviewed on a regular basis to check that they are up to date. In 2017 and 2018, for example, this process was continued in view of the company's substantial economical, ecological and social impact, as well as with regard to its impact on stakeholders' assessments and decisions. A critical review of the material topics was conducted in 2019 and again in 2021 on the basis of the company's development. The process produced the same results. Key developments in the international and national discourse on **sustainable finance**, coupled with other relevant developments at the company level, have resulted in sustainable finance being seen as a key focus topic by all stakeholders. Sustainable finance aspects can be found in the material topics of finance, refinancing and consultancy.

> [Sustainable finance page 46](#)

In 2022, the **material topics** were reviewed as part of the process involved in developing the sustainability strategy with the help of an external consultant and based on interviews conducted with internal and external stakeholders alike. Ultimately, the materiality

analysis was adjusted in the sense that operational ecology (with the energy, water and waste sub-categories) is no longer considered material in the context of GRI reporting. In addition, the individual topics were organised into the following individual topics: sustainable finance (financing, refinancing), sustainable services (consulting), business ethics (anti-corruption, protection of customer data, human rights), business ecology (emissions, socio-economic compliance), employees (employment, training and development, diversity). To cover further stakeholder requirements (for example, ESG rating agencies, environmental management system), additional topics (such as energy or water) are presented as part of the integrated annual report. These topics are not part of GRI reporting and are therefore not listed in the GRI index.

In the wide-ranging dialogue with our stakeholders, the topics of financing, refinancing, and consultancy are some of the most frequently mentioned and, therefore, of great significance both inside and outside of the company. Furthermore, compliance, human rights and anti-corruption were categorised as highly significant both by the company and by its external stakeholders. Other topics that our stakeholders, in particular, believe require great attention are data protection and data security. The topics of employment, training and education and diversity were the stand-out topics for the company.



## Material topics for Kommunalkredit

The results of the revised **materiality analysis** are listed below. Material topics for the company are assigned to the appropriate areas in accordance with GRI Standards and reported on the basis of the indicators shown. The indicators include both indicators based on

GRI Standards and company-specific indicators. The findings of the materiality analysis are reflected in the sustainability strategy and the sustainability targets.

MATERIAL TOPICS	INDIVIDUAL TOPICS	INDICATORS BASED ON GRI STANDARDS AND COMPANY-SPECIFIC INDICATORS	CHAPTER
Sustainable finance	Financing	FS7, FS8	Focus on sustainability topics – Sustainable finance Focus on sustainability topics – Sustainability services
	Refinancing	Refinancing share according to the “Sustainable funding framework” relative to the total refinancing volume	Focus on sustainability topics – Sustainable finance
Sustainable services	Consultancy services	Total of subsidies processed	Focus on sustainability topics – Sustainability services
Business ethics	Fighting against corruption	205-1, 205-2, 205-3	Focus on sustainability topics – Business ethics
	Protecting customer data	418-1	Focus on sustainability topics – Business ethics
	Human rights	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Focus on sustainability topics – Business ethics Focus on sustainability topics – Sustainable finance
Operational ecology	Emissions	305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7	Focus on sustainability topics – Operational ecology GRI indicators
	Socio-economic compliance	414-1, 414-2	Focus on sustainability topics – Operational ecology
Employees	Employment	2-7, 2-8, 401-1, 401-2, 401-3	Employees GRI indicators
	Training and education	404-1, 404-2, 404-3	Employees GRI indicators
	Diversity	405-1, 405-2, 406-1	Employees GRI indicators

## Scope and boundaries of the report

The Sustainability Report of the Kommunalkredit Group includes Kommunalkredit Austria AG and the fully consolidated subsidiaries based at the Vienna site. The branch in Frankfurt am Main, Germany, set up in 2017, is not covered by the environmental management system.

With the establishment of its environmental management system back in 1996/97, Kommunalkredit was a pioneer and **the first European financial services provider** to be awarded **EMAS certification** in 1997. The continuous development of the environmental management system has involved expanding the ecological focus to include social and economic aspects, as well as putting a sustainability management system in place. The establishment of the sustainability management system as a firm part of the organisation is based on the existing framework for the EMAS environmental management system, which has been in place since 1997 and adapted accordingly to reflect new challenges.

Kommunalkredit has been publishing an environmental statement since 1997 and, in line with the shift from environmental to sustainability management, a sustainability report/integrated annual and sustainability report since 2004.

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), Florestan KA GmbH, the companies of the Fidelio KA Debt Fund platform 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.

Transparent reporting is enshrined in Kommunalkredit’s sustainability policy, which is why the Executive Board commissioned a voluntary external audit of the sustainability reporting. This report was prepared in line with the GRI Standards issued by the Global Reporting Initiative. The topics are prepared according to their materiality. The report has been subjected to an independent limited assurance review conducted by the auditing and tax consultancy firm KPMG with regard to sustainability reporting in accordance with the GRI Standards.

## SUSTAINABILITY STRATEGY

Sustainability is an integral part of Kommunalkredit’s strategy. ESG agendas are incorporated into business processes and the bank’s business focus on infrastructure and energy is naturally aligned with sustainability. In 2022, the focus was strengthened with the adoption of an updated sustainability strategy featuring specific targets. The new Sustainability Board adopted this strategy in 2022.

**“We enable the development of sustainable infrastructure to accelerate the energy transition and improve the quality of people’s lives.”** (from our sustainability mission)

### Sustainability strategy

Kommunalkredit’s sustainability strategy is closely correlated to its core business and has a green and a social focus:



#### Accelerate the green transition

We facilitate the decarbonisation of the economy and are committed to driving it forward. Our financing activities focus on renewable energies, hydrogen and new, innovative technologies that are of crucial importance if the energy transition is to succeed.



#### Help improve people's lives

A large part of our Infrastructure & Energy and Public Finance activities is dedicated to financing social infrastructure and connectivity.

Key levers that will help us to implement our strategy are:



#### Integrate impact

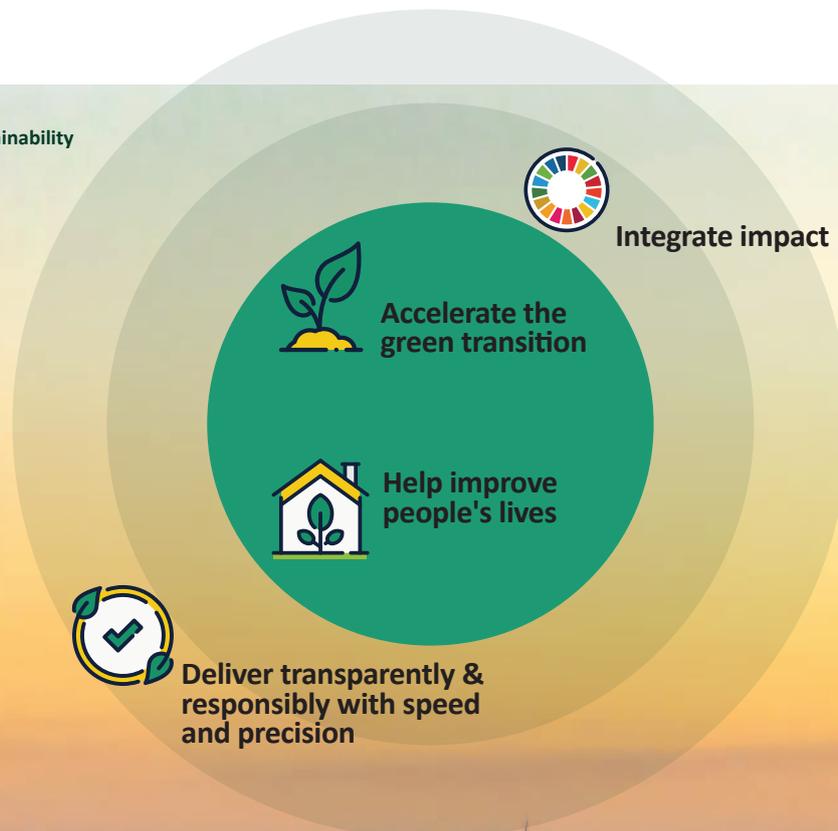
We take sustainability factors into account in each and every infrastructure project. As a company, we are committed to the UN Sustainable Development Goals (SDGs), the UN Global Compact, the Paris Agreement and the EU Green Deal.



#### Deliver transparently & responsibly with speed and precision

We are making continuous improvements to our ESG reporting and take measures to ensure that we conduct our business responsibly and with the very highest standards of integrity.

Kommunalkredit’s sustainability strategy



## Sustainable Development Goals

Every investment and financing must **contribute to at least one of the 17 UN SDGs**. We have also defined nine SDGs that we prioritise when it comes to selecting projects. The weighting system was

developed as part of the strategy process on the basis of interviews conducted with internal and external stakeholders.

### SDG Priority 1

Very important for Kommunalkredit **and** its stakeholder



### SDG Priority 2

Very important for Kommunalkredit **or** its stakeholder



## 2025 sustainability commitments

Kommunalkredit concentrates on generating a **positive impact**. We use our expertise and flexibility to turn infrastructure projects of all sizes into a reality in the sectors and regions in which we operate. Kommunalkredit is a company that is constantly growing. Our commitment to relative targets means that the absolute funds we allocate to impact projects will grow in tandem with our business as a whole. We manage our business in a balanced and responsible manner, which is why we have developed our sustainability commitments within the context of our lending policy to ensure highly diversified business.

Kommunalkredit has defined the following strategic targets that it is aiming to achieve by 2025:

### Focal areas

- At least 40% and up to 50% of annual infrastructure financing will be directed towards the energy transition and environmental protection, such as renewable energies, environmentally friendly mobility and water management.
- Up to 10% of the annual volume of new infrastructure financing will be allocated to new green solutions to accelerate their commercialisation and expansion. These solutions include innovative projects or projects still in their early stages. The bank is leveraging its flexibility, expertise and risk appetite to play a pioneering role in areas such as hydrogen, battery storage and new forms of renewable energy.
- At least 30% of the annual volume of new infrastructure financing will be channelled into social infrastructure and/or digitalisation and communication projects.

## Key enablers

- **Integrate impact**
  - At least 95% of our employees will undergo sustainable development training.
  - An SDG impact curriculum will be developed by Q2/2023 to train our banking staff on impact maximisation. By 2025, at least 95% of banking staff will be trained accordingly.
- **Deliver transparently & responsibly with speed and precision**
  - A Kommunalkredit Environmental Sustainability Ratio (KA Environmental Sustainability Ratio) will be defined by Q3/2023. This will help us to forge ahead with strategy implementation and improve transparency.
  - The greenhouse gas emissions from our financing activities will be measured in accordance with the Partnership for Carbon Accounting Finance (PCAF) by 2024 and, taking this data as a basis, net zero and reduction targets will be set by 2025.
  - At least 30% of managers will be female by 2025.
  - The gender pay gap (within the same occupational groups) will be eliminated by 2025.

Kommunkredit's sustainability commitments

 <p><b>Accelerate the green transition</b></p>	<p>40% to 50% for energy transition &amp; environmental protection                  ≤ 10% for innovative, green projects                  ≥ 30% for social infrastructure or digitalisation &amp; communication</p>	 <p><b>Help improve people's lives</b></p>
 <p><b>Integrate impact</b></p>	<p>≥ 95% of employees trained on sustainable development                  SDG impact curriculum by Q2/2023                  KA Environmental Sustainability Ratio by Q3/2023                  THGe measurement based on PCAF*   Net zero target set                  ≥ 30% of managers female by 2025                  Eliminating the gender pay gap (within the same occupational groups) by 2025</p> <p><small>* Partnership for Carbon Accounting Financials</small></p>	 <p><b>Deliver transparently &amp; responsibly with speed and precision</b></p>

**Strategy implementation**

The process involved in putting the updated sustainability strategy and commitments into effect was launched as part of a comprehensive sustainability programme and will be continued in 2023. The ongoing ESG programme was integrated into the implementation strategy, activities such as the introduction of the EU Taxonomy Check, the Sustainable Funding Framework and the further integration of ESG issues into risk management continued. Key components such as updated governance, a value review and integrated reporting were already adopted in 2022 and are set out in this integrated report. Other strategic components such as the operationalisation of the **Environmental Sustainability Ratio** or the development of the impact curriculum will be realised in 2023.

The following key topics are planned for the sustainability programme in 2023:

- Implementation of PCAF (Partnership for Carbon Accounting Financials) for the calculation of financed emissions (Scope 3)
- Extended disclosure features (e.g. materiality analysis based on the latest EU requirements)
- Definition and operationalisation of ESG indicators, such as the KA Environmental Sustainability Ratio
- Further implementation of the requirements set out in the EU Taxonomy



# Creating a better everyday life

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

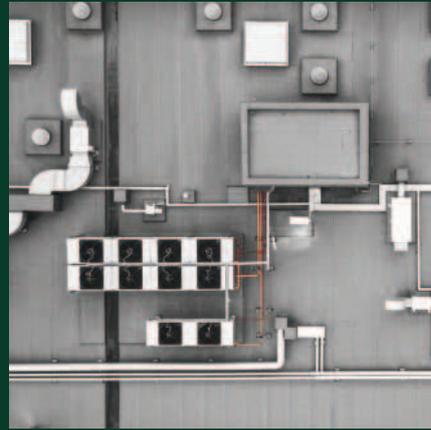
Our services allow us to ...



... connect over **25.9 million** people with one another with telecommunications technology.



... contribute to the education of around **4,100** students .



... equip **5** high-rise buildings **250** pharmacies with an efficient heating and cooling energy system



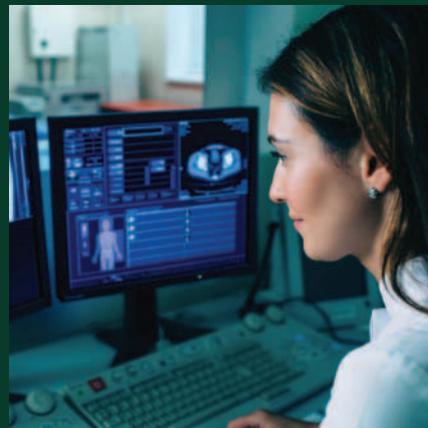
... support infrastructure development, financing over **640 km** of roads.



... develop the refuelling infrastructure for electromobility with around **28,000** charging stations.



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



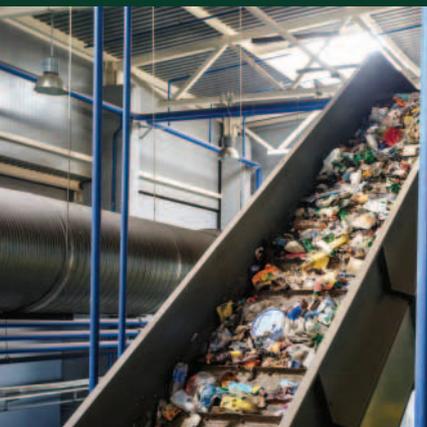
... create support institutions for around **1,500** patients.



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



... enable around **5 million** households to use renewable energy each year.



... contribute to eliminating **3.1 million** tonnes of waste.



... supply drinking water to **9.6 million** people.

# SUSTAINABILITY TOPICS IN THE SPOTLIGHT

## Sustainable Finance

### The regulatory framework

Since the UN Paris Agreement on climate change of 2015 and the EU's Agenda for Sustainable Development, calls for the financial sector to do its bit to protect the climate have become louder than ever. With the UN climate agreement, the international community has set the goal of limiting the global temperature increase to significantly less than two degrees Celsius by the end of the 21st century when compared to pre-industrial levels, and also to make efforts to keep the increase below 1.5 degrees as far as possible.

In order to adhere to this 1.5-degree threshold, net zero greenhouse gas emissions (GHGe) will have to be achieved by 2050 at the latest. This will require massive investments, particularly in the infrastructure sector. European Union (EU) estimates currently assume that EU-wide investments of EUR 360bn will be needed every year until 2030. Austria's portion amounts to EUR 17bn per year. The financial sector has a key role to play in contributing to this objective. Article 2 (1c) of the Paris Agreement states that "finance flows [are to be made] consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

The aim is to steer capital flows towards sustainable investments in order to achieve inclusive growth. This topic is already being implemented in the EU. Building on the work and recommendations of the high-level expert group (comprising experts from the financial sector), the Commission has come up with its "Financing Sustainable Growth" action plan. This action plan for sustainable growth is based on three pillars:

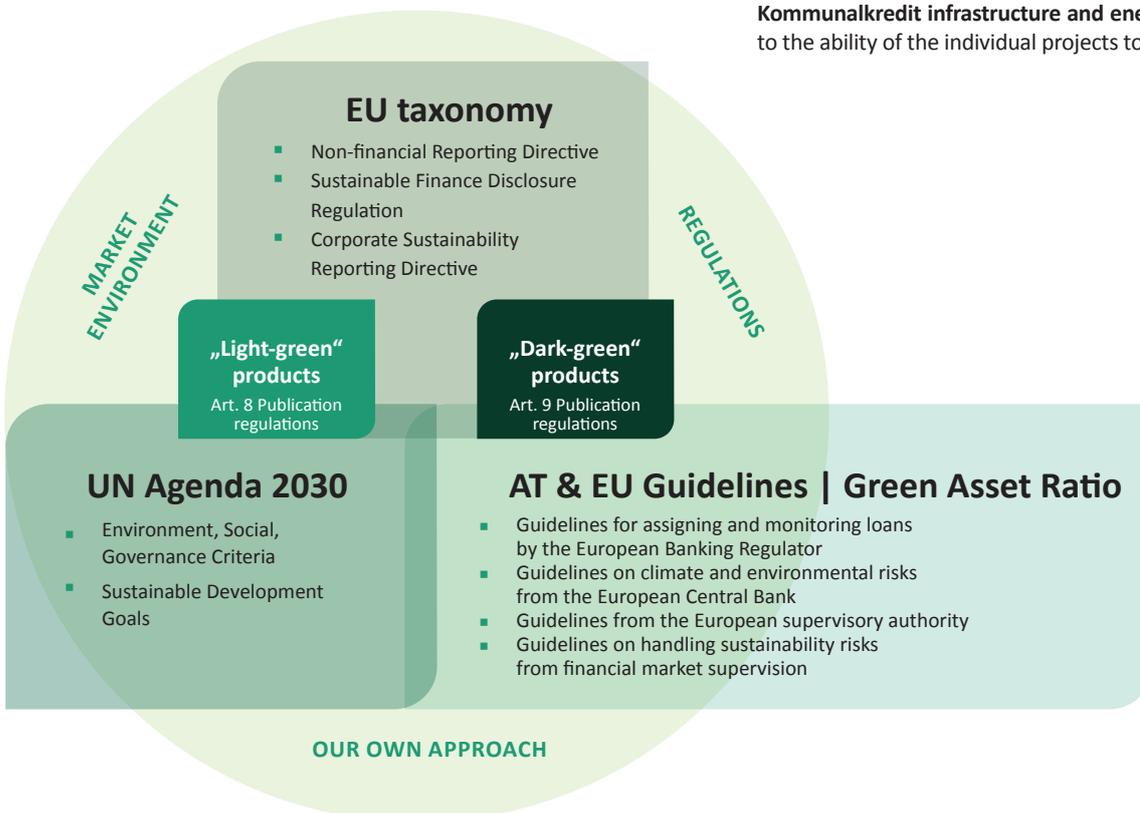
- Re-routing capital flows to sustainable investments
- Incorporating sustainability into risk management
- Supporting transparency and durability

The heart of the action plan is the **EU Taxonomy Directive** (EU 2020/852 for the definition of green investments. This has an impact on all three pillars. Various regulatory requirements are based on this action plan. The Sustainable Finance Disclosure Regulation (SFDR) includes the obligations of investors to consider the factors of environment, society and governance in their disclosure requirements. The Corporate Sustainability Disclosure Regulation (CSRD), on the other hand, is based on the target of increasing corporate disclosures about sustainability. The draft for the introduction of an EU Green Bond Standard (EU GBS) and an EU label for green investments are major measures when it comes to standards and certifications. In terms of developing reference values for sustainability, the EU initiated its Benchmark Regulation.

### Sustainable finance at Kommunalkredit

In 2020, a working group of Kommunalkredit and KPC employees was established to deal with the latest topics and developments in the field of sustainable finance. **Efforts** began in 2021 to review the **Kommunalkredit infrastructure and energy portfolio** with regard to the ability of the individual projects to meet taxonomy criteria.

### Kommunalkredit's sustainability universe



An ESG action plan was also developed, which in 2022 evolved into an ESG programme spanning the following topics among others:

- **Sustainability framework and strategy**

Development of the updated sustainability strategy and definition of targets for Kommunalkredit's portfolio.

- **Products (financing and refinancing)**

Laying the foundation to enable the issue of a green bond; continuation of the taxonomy check on the existing portfolio launched in 2021; establishment of the overall organisational framework for

integration into the credit approval process for new projects; this stream results in the "Sustainable Funding Framework" as a guidance document for focus of the bond issue in terms of content.

- **Risk**

Explicit evaluation of non-financial risks (ESG risks) on individual transaction level by the bank's risk management.

> Risk management page 104

## Incorporation of sustainability criteria into the credit process

### Sustainability check:

Kommunalkredit introduced a mandatory sustainability review for all projects in its energy and infrastructure portfolio back in 2012. This review must be carried out prior to the credit application and includes exclusion criteria as well as the contribution towards defined ESG criteria:

- no financing of business or facilities associated with sustainable/material environmental hazards or the extraction of fossil fuels (coal, gas, oil)
- no financing of activities with a severe negative social impact, posing a risk to human life or health, activities pursued by countries embroiled in war, gambling or weapons trading/manufacturing, hard alcoholic beverages, tobacco or pornography (in each case where the activities concerned account for more than 5% of a borrower's revenue)

- no financing in the event of violations of national or international legislation, sanctions, human rights or ethical principles or in cases involving problematic governance issues
- no financing provided to customers that do not supply sufficient information or that have unclear ownership structures, or for lending transactions that are not transparent/comprehensible

Investments are not made in projects fulfilling these exclusion criteria. The check forms part of the credit risk policy and was approved by the Executive Board. It was updated in 2022 on the basis of the revised credit risk policy. Each project in the portfolio is also evaluated with regard to its influence on specific ESG criteria. The result of this evaluation is categorised as "positive", "neutral", or "negative". If all criteria are classed as either "positive" or "neutral", the asset is deemed ESG-compliant. If one criterion is classed as "negative", corrective action must be initiated upon consultation with the client, if necessary. Each new transaction must also, at a minimum, make a positive contribution to a UN Sustainable Development Goal. The result of the review is also documented in the Sustainability Check.

The individual criteria in the analysis are as follows:

 <b>Governance aspect</b>	<ul style="list-style-type: none"> <li>▪ Implementation of environmental standards (ISO, EMAS)</li> <li>▪ No corruption (Transparency International index)</li> <li>▪ No violations of corporate governance</li> <li>▪ No restrictions on competition</li> <li>▪ Group structure and financial transparency</li> </ul>
 <b>Environmental aspect</b>	<ul style="list-style-type: none"> <li>▪ Impact on the emissions of particulate matter (PM) and other air pollutants</li> <li>▪ Impact on CO<sub>2</sub> emissions</li> <li>▪ Impact on biodiversity, soil and water</li> <li>▪ Impact on the reduction of energy consumption/increasing energy efficiency</li> <li>▪ Exposure to water risks: impact of climate change and extreme weather events on facilities under construction or in operation</li> <li>▪ Exposure to other environmental impacts: impact of climate change and extreme weather events on facilities under construction or in operation</li> </ul>
 <b>Social aspect</b>	<ul style="list-style-type: none"> <li>▪ Assessment of the project's ability to benefit society per se</li> <li>▪ Diversity and gender: impact on participation/equal opportunities and gender equality</li> <li>▪ Customer relationship management: fair messages, data protection and data security, product quality and safety, customer welfare, sales practices and product labelling</li> <li>▪ Impact on the maintenance of cultural capital and/or heritage</li> <li>▪ Impact on structurally weak regions</li> <li>▪ Impact on employment quota/number of jobs</li> <li>▪ Impact on level of education/training situation</li> <li>▪ Impact on infrastructure as a productivity factor</li> <li>▪ Impact on healthcare provision</li> </ul>

### **Kommunalkredit portfolio and EU taxonomy:**

As a further component used to determine sustainable activities as defined by the EU Taxonomy (environmental objectives 1 and 2), Kommunalkredit conducts a **taxonomy check** on its energy and infrastructure portfolio. Existing exposures are checked for their relevance to the taxonomy and their taxonomy eligibility, as well as to determine whether they make a significant contribution to the environmental objectives, and compliance with the technical thresholds is analysed. A check is also performed to verify that the projects do not impair other environmental objectives (“Do No Significant Harm” (DNSH) principle) and to check whether minimum social standards are met. The results of the taxonomy check provide information on whether a particular project is taxonomy-eligible, i.e. whether the economic activity associated with the project is covered by the Taxonomy. If this is the case and the project in question meets the review criteria described, the project is considered taxonomy-aligned. The challenge lies in being able to use data/documents to sufficiently substantiate what are often detailed criteria according to the EU Taxonomy. If data or information to prove taxonomy alignment is missing for individual projects, it has to be collected from the client on a case-by-case basis.

The ongoing review of taxonomy alignment for the exposure is conducted with regard to the introduction of the CSRD<sup>3</sup> and potential financing by a green bond. The Sustainable Funding Framework states that taxonomy-aligned projects can also be included in the bond.

According to the CSRD draft from April 2021, CRR<sup>4</sup> financial companies currently subject to the NFRD<sup>5</sup> Directive must disclose the proportion of their financing that complies with the taxonomy (Green Asset Ratio) for the first time for the 2023 financial year. Most companies will have to report for the first time in 2026, namely for the 2025 financial year. The check is also used with regard to the launch of the EU Green Bond standard because Green Bonds issued under this label will most likely only include projects that comply with the taxonomy.

The process was enhanced further in 2022: all projects for which a financing request is prepared are also subjected to the taxonomy check as standard. This ensures that projects are already screened for taxonomy alignment during the application phase.

The EU is issuing further provisions and guidance on how to determine taxonomy alignment on an ongoing basis. Delegated acts on further environmental targets based on the Taxonomy Regulation are expected to be adopted in early 2023. The taxonomy check is constantly being adapted to reflect current developments and guidance documents.

As the EU Taxonomy is being supplemented and defined in further detail on an ongoing basis and can only be applied to a very limited extent to our project finance clients, Kommunalkredit will define its own KA Environmental Sustainability Ratio. This will be based on international standards such as the EU Taxonomy or ICMA<sup>6</sup> guidelines, but will be tailored to suit Kommunalkredit’s portfolio and clients. As defined in the sustainability strategy, this ratio will be developed in 2023 and published in the integrated 2023 Annual Report.

### **Sustainable Funding Framework:**

Kommunalkredit started developing its Sustainable Funding Framework in 2022. This framework was completed at the start of 2023 and was subjected to a quality assurance check in the form of a second-party opinion prepared by the renowned ESG consultancy service provider ISS ESG. This framework document enables the issue of “use of proceeds” bonds (green, social, sustainability bonds), which are used to refinance assets that have been defined as eligible. Kommunalkredit pursues a dual approach when defining eligible projects. The project categories defined based on the ICMA (International Capital Market Association) principles for green and social bonds form the basis for this approach. Based on the ICMA Green Bond Principles, renewable energy projects such as wind farms or solar parks, for example, have been defined as eligible. The project categories based on the ICMA Social Bond Principles include, for example, projects related to the schooling and healthcare sectors. The framework also defines activities according to the EU Taxonomy Regulation (EU) 2020/852. This allows taxonomy-aligned assets to be allocated to a green bond issue. Ultimately, Kommunalkredit can issue up to 100% taxonomy-aligned bonds.

In order to identify eligible projects for refinancing under the Sustainable Funding Framework, the credit approval process also involves conducting an initial assessment as to whether the asset meets one of the ICMA categories defined in the Framework. If the result is positive, the asset is marked accordingly. In the event of an issue, a Sustainable Funding Committee explicitly set up under the Framework checks whether the pre-selected assets meet the eligibility criteria and decides on their possible use in the bond.

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<sup>3</sup> CSRD: Corporate Sustainability Reporting Directive.

<sup>4</sup> CRR: Capital Requirements Regulations.

<sup>5</sup> NFRD: Non-Financial Reporting Directive.

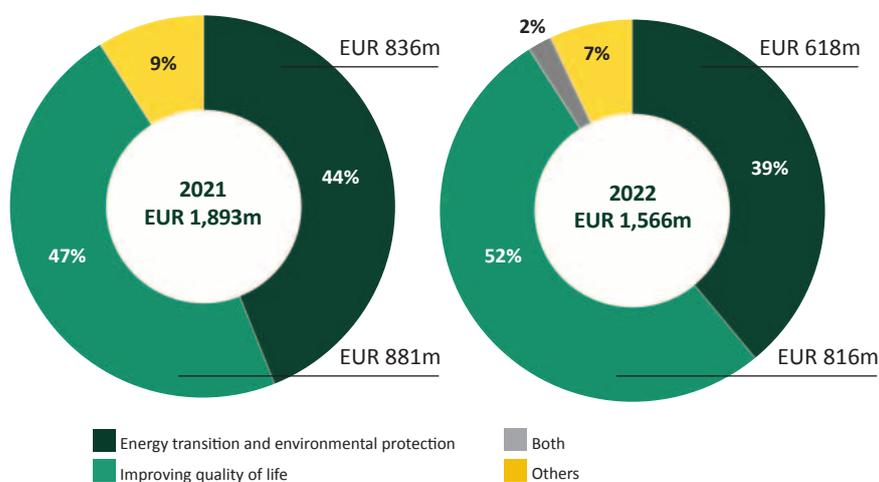
<sup>6</sup> ICMA: International Capital Market Association.

**Kommunalkredit's portfolio:**

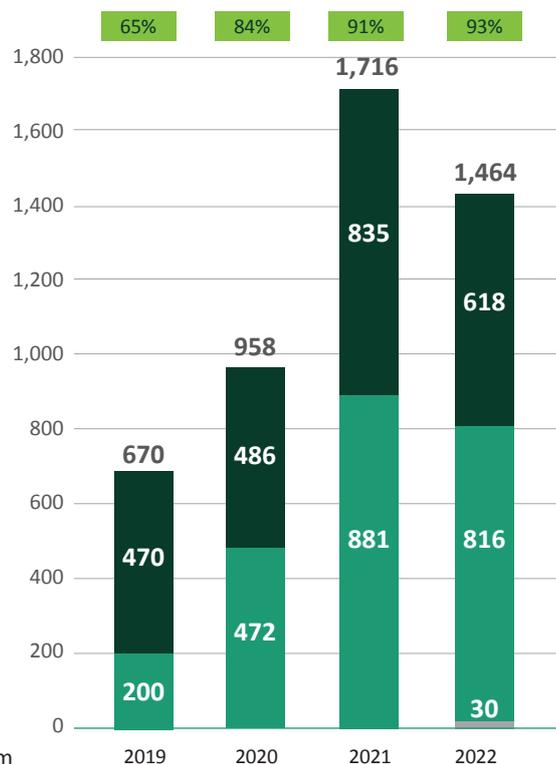
Kommunalkredit's portfolio has a strong emphasis on sustainable infrastructure. Projects related to the "energy transition and environmental protection" include, among others, renewable energy, water management, environmental solutions and environmentally-friendly transport solutions. The projects are assigned to ICMA categories. Projects aimed at "improving quality of life" include social infrastructure (such as hospitals, support institutions) and the communication & digitalisation sector (e.g. broadband, data centres). The categories match the strategic sustainability commitments.

> Sustainability strategy page 40

**New infrastructure and energy financing business within the focus areas of the sustainability strategy in %**



**New infrastructure and energy financing business within the focus areas of the sustainability strategy in EUR m**



■ Energy transition and environmental protection  
 ■ Improving quality of life  
 % Proportion of new business volume attributable to infrastructure and energy financing

**Please note:**

The figures for 2022 are exclusive of the acquisition of a loan portfolio from a third party bank.

The share of **new green solutions** in relating to total infrastructure and energy financing new business came to around 8%.



**Green hydrogen – investment in electrolysis plant | Austria**



Austria's largest electrolysis plant is currently being built on the site of the Schwechat refinery. Construction on the refinery site started on schedule in August 2022. It is expected that, starting in the third quarter of 2023, the 10 MW polymer electrolyte membrane electrolysis plant will produce up to 1,500 tonnes of green hydrogen every year. This will help avoid up to 15,000 tonnes of fossil CO<sub>2</sub>, the equivalent of around 17 million bus or HGV kilometres driven per year. OMV, the Vienna-based integrated international oil, gas and chemicals company, and Kommunalkredit are investing EUR 25m in the construction of the plant. Hydrogen is set to play a central role in attaining climate targets and, as a result, has great potential for the future.

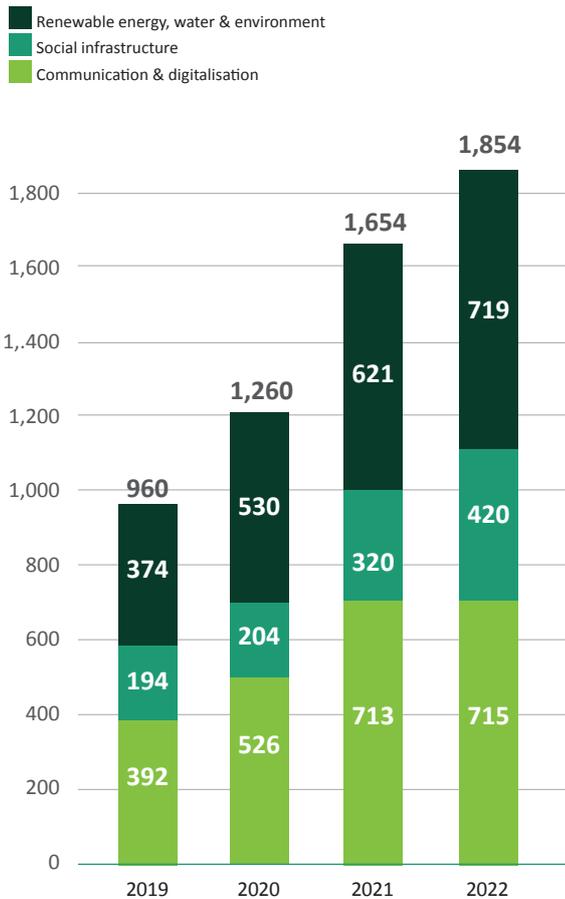


**Sunprime – financing of a photovoltaics roll-out | Italy**



Around EUR 150m is being invested in the portfolio comprising more than 280 photovoltaics systems in Italy. This is the largest mixed financing of roof-mounted and ground-mounted PV agreed in Italy to date. This will have expanded the capacity of power producer Sunprime to around 500 MW by the end of 2024. Sunprime's innovative approach involves using mainly existing resources, such as industrial sites or roof renovation measures. Kommunalkredit acted as sole mandated lead arranger, structuring bank and exclusive bookrunner in this transaction, which also involved KfW-IPEX and NordLB, among others. The transaction highlights Kommunalkredit's ability to offer tailored renewable energy solutions to support international climate targets.

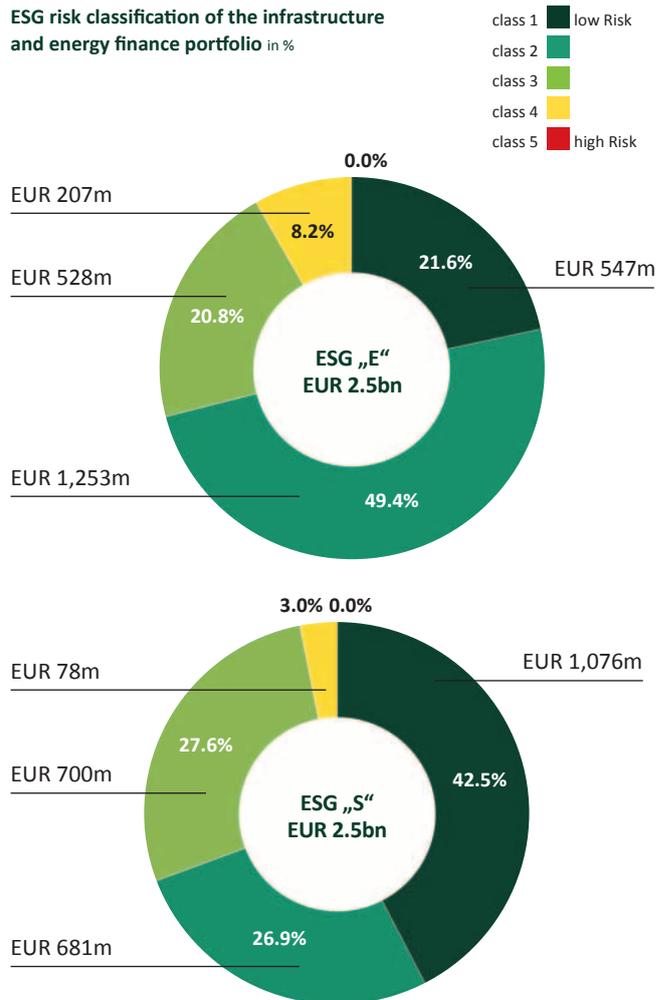
**Risk exposure to infrastructure and energy financing**  
by sub-segments of sustainable infrastructure in EUR m



The “Renewable Energy” and “Water & Environment” sectors focus on the “Energy Transition and Environmental Protection” priority area of the sustainability strategy; the “Social Infrastructure” and “Communication & Digitalisation” sectors contribute to the “Improving quality of life” focus area. Kommunalkredit’s focus on sustainable infrastructure is also reflected in the growth of the sectors in absolute terms. These sectors have grown by a total of 93% compared to 2019.

In 2022, a risk classification of Kommunalkredit’s infrastructure and energy portfolio was implemented using a five-tier ESG scale (“category 1 to 5”) at the level of financed industry sectors and sub-sectors. Infrastructure and energy portfolio transactions are classified and assessed in order to obtain an overview of environmental and social sustainability risks in the portfolio and to ensure that the industry-related sustainability risks in the portfolio are adequately assessed. In the area of environmental risks, as of 31 December 2022, 71% of the infrastructure and energy portfolio was assessed as low risk (category 1 and 2). Around 21% of the exposure indicates medium risk (category 3) and only 8% higher risk (category 4). No exposure was assessed in risk category 5 (high risk). In the area of social sustainability risks, as of 31 December 2022, approximately 69% of the infrastructure and energy portfolio was rated as having a low risk (category 1 and 2). 28% has a medium risk (category 3) and only 3% an increased risk (category 4). No exposure was assessed in risk category 5 (high risk) here either.

**ESG risk classification of the infrastructure and energy finance portfolio in %**



**Sustainable finance consulting**

Due to the burgeoning demand for sustainable financing products in the financial sector and regulatory developments within the EU, consulting services relating to **sustainable finance** are becoming an increasingly important area of the consulting activities of Kommunalkredit Public Consulting (KPC). KPC has been commissioned by the OECD (Organisation for Economic Co-operation and Development) and is currently working on the project “Designing Green Public Investment Programmes and Conducting Trainings in Eastern Partnership Countries (EaP)”. In doing so, it supports authorities in Georgia and Azerbaijan in building local expertise and in the implementation of green investment programmes. The factual expertise of the consultancy covers the cross-section between climate protection and finance. The services are targeted towards companies and financial institutions that want to become active in the field of climate protection.

**ESG consultancy services:**

In the year under review, KPC stepped up its commitment to developing a consulting offering for services related to the **triumvirate of sustainability**: environmental – social – governance (ESG).

**Verifiers of green bonds/loans:**

A new consultancy service includes supporting financial institutions and companies in the real economy with the launch of green products. KPC has been actively involved since 2021 as a verifier of Green Bonds in accordance with the Climate Bonds Initiative (CBI) standard. Until the EU Green Bond Standard, the CBI standard is the only globally recognised certification for green products

(bonds, loans, covered bonds, etc.). As the verifier, KPC checks whether the issuer's internal company processes with regard to the use of funds and selection of the asset for the bond meets the standards and industry criteria of the CBI. The directive introducing the EU Green Bond Standard is expected to be adopted in 2023. KPC also intends to act as a verifier for this standard.

#### Expert opinion for Austrian Eco-label 49 (UZ 49) certification:

The Austrian Eco-label 49 (UZ49) of the Austrian Consumers' Association (VKI) offers guidance to consumers who want to invest money based on ecological and social criteria. An analysis conducted by an independent expert is a prerequisite for obtaining the label. Investment products structured like portfolios (funds), unit-linked life insurance policies, non-securities funds in the infrastructure sector, as well as investment products based on ecological and/or social and ethical indices can be evaluated. Green bonds issued by countries or companies, as well as sustainable savings and current account products, can also be awarded the label. In order to receive the eco-label, clear selection criteria have to be met with regard to companies eligible for investment or financed projects. A quality-assured survey and selection process has to be completed, and transparency and reporting requirements must be met. An expert opinion prepared by an independent, accredited assurance provider regarding compliance with the criteria leads to the Austrian Eco-label being awarded. Since 2022, KPC employees have been acting as independent experts for products seeking Eco-label 49 certification. By the end of 2022, over 250 products had been certified.

#### Consultancy on sustainability reporting:

Another service relates to the introduction of the Corporate Sustainability Reporting Directive (CSRD). Under this Directive, up to 2,000 companies in Austria alone will be subject to reporting requirements; the number of companies that have to report under the Non-Financial Reporting Directive (NFRD) currently stands at around 100. The obligation to prepare a sustainability report will affect companies in stages as of the 2024 financial year. The reporting standards currently being developed provide for a total of up to 136 disclosure requirements on environment, social and governance (ESG) matters. In terms of content, companies are required to develop strategies (e.g. decarbonisation strategy), responsibilities, opportunities and risks associated with the sustainability environment (double materiality) and define KPIs to manage the achievement of their targets. The proportion of taxonomy-aligned revenue, investments and operating costs also has to be reported. The reports will have to cover a much wider scope than under the current NFRD requirements. KPC offers consultancy services for companies looking to prepare for the much more stringent reporting requirements under the CSRD in the future.



## European broadband deal of the year 2022 – Deutsche Glasfaser | Germany



EUR 5.75bn is invested in expanding the fibre optic network for four million households in Germany; this is the largest fibre optic financing in the country to date. The main component of the financing is a EUR 3bn loan. There is also an investment facility (capex) of EUR 2.5bn and a revolving credit facility of EUR 250m. Furthermore, the lenders hold out the prospect of providing Deutsche Glasfaser Group with an additional credit facility of EUR 1.5bn. The interest rate on all these loans is linked to ecological and social sustainability criteria. The actual interest rate on the term loan is based on the successful reduction of the Group's CO2 emissions and other targets set out in the Paris Climate Agreement, among other things. Other factors measure how quickly the company connects underserved regions to its fibre optic network and how socially responsible it acts. In the long term, Deutsche Glasfaser plans to provide six million households with fibre-to-the-premise (FTTP). Kommunalkredit is acting as a cornerstone lender on this transaction. International infrastructure magazine PFI – Project Finance International rated the project "Europe Fibre Deal of the Year 2022".

The total values stated here represent the total volume of the transaction in question. Further sustainable reference projects can be found in

> [Business review on page 72](#)

#### Expert opinion on EU Taxonomy alignment

There are two reasons why identifying economic activities that make a significant contribution to an environmental objective under the EU Taxonomy Regulation is necessary/appropriate for companies:

- to fulfil (future) regulatory requirements under the NFRD/CSRD (reporting of taxonomy-aligned shares of revenue, CAPEX and OPEX for non-financial companies, reporting of a green asset ratio for financial companies);
- to identify "green" investments as defined by the EU Taxonomy in order to obtain more favourable financing conditions, among other things. KPC's offering is aimed at non-financial and financial companies and includes consultancy and screening of economic activities/investment projects with regard to their taxonomy alignment.

## Sustainable services

Kommunalkredit Public Consulting (KPC) acts as the point of contact between the subsidisers who provide the financial resources and the applicants. It oversees the entire project support process. Its duties also include the development and implementation of support programmes. Because of the global developments, 2022 was characterised by increased utilisation of support, as well as the **creation of new support programmes**. Support services were implemented to help transform the economy and move towards CO<sub>2</sub> neutrality, to help revamp cultural institutions as part of the programme “Klimafitte Kulturbetriebe” (Climate-friendly cultural enterprises) and to support thermal rehabilitation and boiler replacement in buildings for vulnerable individuals. Subsidies as part of the Biodiversity Fund were also launched.

Subsidies are processed digitally as part of an interlinked approach, thus guaranteeing the fast, unbureaucratic use of the instruments. Clear criteria for the subsidies ensure planning security for projects and help contribute towards customer satisfaction.

## Subsidy management in 2022

In 2022, KPC awarded subsidies of EUR 1,273m (2021: EUR 773m), in particular on behalf of the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), the Ministry of Agriculture, Forestry, Regions and Water Management (BML), the Ministry for Arts, Culture, Civil Service and Sport (BMKÖS) and the Climate and Energy Fund. The subsidies went to a total of 414,355 projects in 2022 (2021: 98,298) with a total investment volume of EUR 6,015m (2021: EUR 4,559m), up by around 32% year-on-year.

## Renovation support

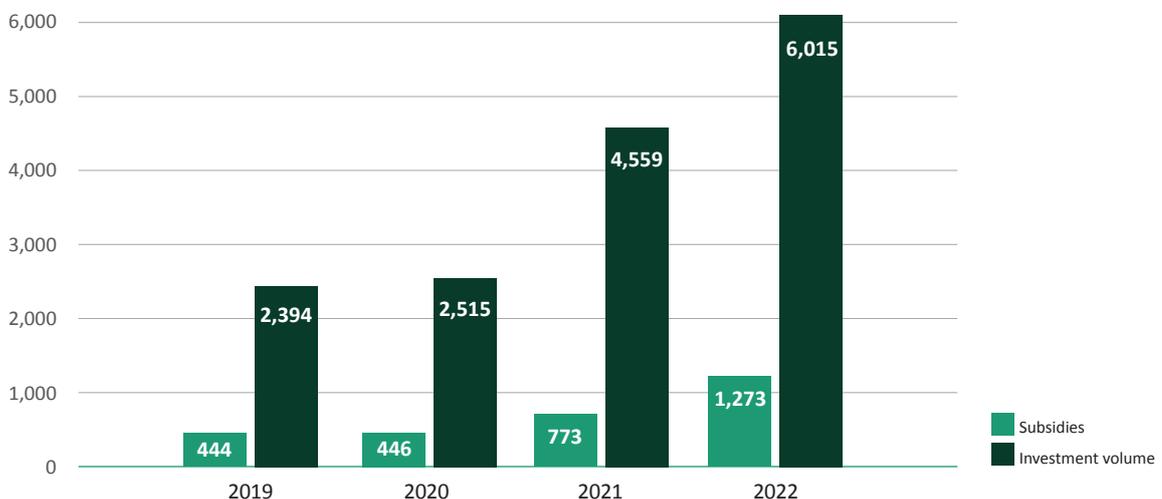
Around 16% of greenhouse gas emissions (in sectors outside of emissions trading) are accounted for by heating and the supply of hot water in buildings. Energy-efficient retrofitting and switching to renewable energy sources can help to reduce greenhouse gas emissions (outside of emissions trading) and to lower Austrian energy requirements. At least 3 million tonnes of CO<sub>2</sub> equivalent are to be slashed in the building sector by 2030. These measures, therefore, make a significant contribution towards Austria achieving climate-neutral status by 2040 at the latest. Demand for the

tried-and-tested renovation support subsidies increased significantly in 2022 due to the energy crisis. An increase in flat-rate subsidies and the introduction of new bonus options (gas bonus, solar bonus) for converting to renewable energy sources further increased the appeal of phasing-out oil and gas. Private individuals and companies were supported with a flat-rate subsidy for switching from a fossil fuel-based heating system to a local or district heating system or, if that wasn't possible, to an environmentally friendly heat pump or wood-fired central heating system. All in all, 46,773 private households and 434 businesses received renovation support funding amounting to EUR 345.2m, which equates to annual CO<sub>2</sub> savings of around 339,000 tonnes. Since the start of 2022, there has also been a supplementary scheme for low-income households that cannot afford to switch to climate-friendly heating. The “Clean heating for all” campaign is being organised in close cooperation with the Austrian provinces and allows households to receive funding to cover up to 100% of the cost of changing their heating system.

### KPC's sustainability services



### Development of KPC subsidies and project investment volume in EUR m



## Renewable heat generation

As is the case for the retrofitting campaign, heating and hot water requirements are the main topic – albeit from a different point of view. Fossil fuel-powered heating systems (oil, natural gas) are still popular choices in Austria in terms of heating. While the share of renewable energy sources has increased in recent years, oil and gas-fired heating systems are still widespread throughout Austria, with gas-fired systems also common in new-builds. The business projects supported by the Environmental support in Austria (UFI) scheme boost the use of renewable energy sources by many gigawatt-hours every year. Connections to district heating, the expansion of district heating networks and their generation centres, heat pumps, individual biomass systems and micro networks, geothermal systems and thermal solar installations are all supported. The projects receiving these funding streams in 2022 had an environment-relevant investment volume of around EUR 380.2m and save around 327,000 of CO<sub>2</sub> per year.

The projects supported by the UFI increase the use of renewable energy sources in Austria, reduce greenhouse gas emissions, increase national energy self-sufficiency and boost Austria's value creation.

## Waldfonds investment fund

The Waldfonds is an investment fund for a sustainable, future-proof forestry sector. The Waldfonds is a major investment package put together by the Austrian government for Austria's forests: EUR 350m for ten measures that stand to benefit foresters, the entire forest/wood/paper value chain, the climate and the general population. The Waldfonds includes a package of measures aimed at increasing the use of wood as a raw material and construction material. KPC handles the funds for constructing large-scale residential and public buildings, such as schools and municipal buildings, in this area. The prerequisite is that they feature wooden constructions with a high proportion of regenerative raw materials from sustainably managed forests. The projects receiving these funding streams in 2022 had an environment-relevant investment volume of around EUR 158.3m and save around 27,500 of CO<sub>2</sub> per year.

## Climate-friendly cultural enterprises

The "Climate-friendly cultural enterprises" (Klimafitte Kulturbetriebe) programme was launched in October 2022. The funding scheme was initiated by the Austrian Ministry for Arts, Culture, Civil Service and Sport and the Climate and Energy Fund, and is financed by the European Union (EU) Recovery and Resilience Facility as part of "NextGenerationEU". A total of EUR 15m is available in two tenders. Funding is available, among other things, for projects involving a switch to climate-friendly heating, cooling and ventilation systems, as well as energy-efficient retrofitting, but also for energy-efficient indoor and outdoor lighting systems. Energy advice must be obtained before an application is submitted as a mandatory requirement.

## Consultancy services

As a consultant, KPC successfully provides services for 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 terms of its international consulting activities, KPC has focussed in particular on the field of energy, climate protection and sustainable finance. It is also focusing increasingly on ESG (environmental, social & governance) services, green finance and the EU Taxonomy, and KPC has accreditation as a verifier of green bonds under the CBI (Climate Bond Initiative) standard.

> Sustainable finance services are explained in the "Sustainable Finance" chapter on page 50.

Clients include prestigious 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 Co-operation and Development (OECD) or the German Kreditanstalt für Wiederaufbau (KfW).

On behalf of the BMK, KPC once again appointed a member of the Austrian negotiation team for the climate negotiations at the EU level and for the international climate summit in Sharm El Sheikh (COP 27) in 2022. 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, KPC manages climate protection projects funded directly by the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) to support climate protection measures in developing countries and emerging markets.

In 2022, KPC received new attractive commissions as well as extensions for existing appointments to support green financing facilities in the energy efficiency segment. One such example is the implementation of the EBRD's "Green Economic Financing Facility – Western Balkans" for the energy-efficient retrofitting of buildings in the Balkans, which KPC was commissioned to manage once again. This aims to reduce the use of wood-based fuels in inefficient stoves combined with poorly insulated buildings in order to combat environmental pollution (particularly particulate matter) and the wasting of local wood resources. KPC is implementing the project in partnership with local banks in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, is conducting training, determining the amount of funding required for the individual retrofitting projects and is advertising the programme.

2022 saw KPC being mandated by the European Commission to manage a project in Ukraine, coaching local trainers on training for energy auditors in order to implement the new Law on Energy Efficiency. The project was temporarily suspended as a result of Russia's war against Ukraine, but has been continued successfully, primarily online, since the summer. The implementation of the project is a key prerequisite for the successful reconstruction of Ukraine.

## Project development

Consistent with its measures to expand its areas of business, Kommunalkredit Group created the “project development in the field of renewable energy” division. The aim is to use KPC’s technical know-how and Kommunalkredit’s financial background and to develop renewable energy projects, primarily wind and solar projects, in Austria, but also within the EU. Before a renewable energy project can be constructed on site or subsequently commissioned, typical milestones have to be reached for each project. These include: i) land contracts; ii) if necessary: rezoning; iii) environmental appraisal; iv) securing a connection to the grid; and v) obtaining planning permission. The idea is that, working hand-in-hand with partners, promising projects can be identified, developed, financed and implemented. While the focus in 2021 was on establishing a team of experts, putting structures in place and creating strategic partnerships, it was on developing projects in Austria, southern and eastern Europe in 2022.

## Climate Austria

### the Austrian provider for voluntary carbon offsetting

The Climate Austria initiative was established in 2008 as a partnership between the Ministry for the Environment, Austrian Airlines, Flughafen Wien AG and KPC in order to promote climate awareness in Austria. KPC is responsible for managing Climate Austria, drawing on its long-standing experience with climate protection projects in Austria and beyond. Climate Austria calculates and evaluates companies’ climate-related activities and allows them to make an active contribution to protecting the environment for CO<sub>2</sub> emissions that cannot be avoided by their CO<sub>2</sub> saving drives and efficiency measures.

Protecting the climate is becoming an increasingly important issue for the general public. Companies are increasingly being judged by the measures they are taking to actively protect the environment. More and more companies are opting for a comprehensive strategy in terms of sustainability and are choosing Climate Austria as their carbon offsetting partner for unavoidable CO<sub>2</sub> emissions by the company. Since it was founded, Climate Austria has supported 386 national and international climate protection projects with a total of just under EUR 2.7m in donations. Calculating a carbon footprint is a key component of corporate climate protection. The energy used for production processes, flights, mobility, electricity and heating is a significant source of CO<sub>2</sub> emissions.

### Environmental support provided\*

**6,000** objects 2021 

Connection to sewage system

objects 2022 **3,631**



2021 **421 km**  
Water pipes laid

**302 km** 2022

### Use of renewable energy sources

**1,092 GWh** IN 2021 

IN 2022 **2,101 GWh**



**507,002 t**  
IN 2021

CO<sub>2</sub> saved per year

**781,671 t**  
IN 2022

2021 **2.7m**

Contaminated land recovered (in m<sup>2</sup>)

2022 **0.7m** 

2021

**30,100**

Residents connected to water supply 

**16,102**

2022

### Energy savings per year

**913 GWh** In 2021

In 2022 **872 GWh** 

\* The performance indicators refer to approved funding applications in the respective year.

## Business ethics



### Code of Conduct

**Responsible business management** is the basis for our long-term success. As a result, professional standards and basic ethics are the norm in our day-to-day business and codified in our Code of Conduct. We commit to the highest compliance standards and are aware of our corporate social responsibility. We respect and support the safeguarding of human rights as set out in the European Convention on Human Rights and the Universal Declaration of Human Rights and conduct our business in accordance with these principles.

Innovation, agility and impact – both internally and externally: these three values are key pillars of how we engage with one another every single day. With respect, transparency and dependability, we help to maintain a positive public image of the financial industry.

We also attach a **great deal of importance to long-term partnerships** based on trust with our service providers and business partners, as they make a key contribution to the quality of our services. We adopt a fair, transparent and objective approach to selecting providers and awarding contracts. We expect our service providers and business partners to comply with all of the statutory requirements and to maintain high ethical standards, including compliance with minimum wage legislation and respect for human rights, as well as a commitment to eliminating corruption.

### Compliance and statutory requirements

We have a compliance organisation in place that has been established in accordance with the statutory provisions, headed by a compliance officer who reports to the Executive Board. The compliance organisation is primarily responsible for ensuring that statutory requirements and rules of conduct are observed on an ongoing basis.

Kommunalkredit's compliance officer is the point of contact for all employees. He is responsible for conducting the regular compliance training sessions for the individual divisions.

Kommunalkredit has created a **suitable compliance mechanism** in line with the relevant responsibilities and policies, implements the necessary review and training measures on the basis of a robust risk analysis and reports regularly to the Executive Board.

### Data protection

Kommunalkredit treats the personal data of employees, customers and business partners in accordance with the applicable legal requirements for the **protection of personal data** and for data security.

In order to implement and monitor the regulatory requirements, Kommunalkredit and its subsidiaries have appointed an external data protection officer, as well as data protection coordinators. The data protection policies that have been put in place set out regulations governing all data processing operations and, within this context, also the rights of data subjects.

The data protection officer advises the Executive Board on data protection law obligations. He is responsible for monitoring compliance with the data protection regulations and for raising awareness among, and delivering training to, employees.

### Information security

Kommunalkredit recognises the significance of information security (IS) for the effective attainment of the organisation's targets. By operating an **information security management system** (ISMS) and continually developing it, Kommunalkredit is able to live up to its commitment to implement the legal requirements. The ISMS is designed in accordance with ISO/IEC 27001. It is applied accordingly and developed on an ongoing basis. In the fourth quarter of 2022, the process for ISO 27001 certification was initiated. Kommunalkredit employees receive regular training on the topic of information security and are actively informed about risks, measures and threats.

### Preventing corruption/inducements

An internal **Inducements Policy** setting out provisions on how to deal with inducements provided by third parties to Kommunalkredit employees, as well as inducements granted to third parties, was adopted in line with the Austrian Anti-Corruption Act (Antikorruptionsgesetz). The policy applies to the entire Kommunalkredit Group.

Inducements that lead to an actual or potential conflict of interest, that are inappropriate, or that breach the Kommunalkredit guidelines in any other way, are prohibited. In order to combat risks to Kommunalkredit's reputation, inducements are also banned that may merely give the impression that they could influence the recipient or a third party with regard to ongoing negotiations or processes.

Employees complete appropriate training and e-learning sessions on prohibited inducements. There were no cases of corruption during the reporting period.

### Combating money laundering and the financing of terrorism

For Austrian banks, the due diligence and reporting requirements apply as set out in the Austrian Financial Markets Anti-Money Laundering Act (FM-GwG), as well as the provisions of the Beneficial Owners Register Act (WiEReG) with regard to the beneficial owner. Maintaining these due diligence and reporting requirements not only serves to prevent **money laundering** and the **financing of terrorism** but also supports the work of the law enforcement authorities. Banking transactions may only be processed for identifiable customers. Training for employees in the relevant divisions is conducted once a year.



## Corporate governance

In 2022, 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, Remuneration and Credit Committee) were also reappointed and held their meetings and performed their tasks in accordance with the Articles of Association.

> [Report of the Supervisory Board page 16](#)

The allocation of responsibilities and the collaboration within the Executive Board are governed by the Rules of Procedure for the Executive Board. The members of the Executive Board also maintain ongoing dialogue both with each other and with the responsible managers. The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all issues relevant to business development, including the risk situation and risk management within the company and at its major subsidiaries.

In addition, there is an ongoing dialogue between the chairman of the Supervisory Board and the Executive Board in the interests of good corporate governance. In particular, this process is used to define the company's strategy (including the sustainability strategy) and provide information on business development and risk management. Executive Board meetings are held on a weekly basis with agendas for resolutions to be passed and for reporting. Minutes are taken at these meetings, and any agreed follow-up points are recorded and closely monitored. Corresponding structures and lines of communication have been established within Kommunalkredit Public Consulting (KPC) – with adjustments to reflect the company's requirements.

Further information can be found in the separately published **Corporate Governance Handbook** on Kommunalkredit's website.

## Sustainability risks

Sustainability risks form an integral **part of the risk strategies and risk categories** of Kommunalkredit. 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.

> [Details on Risk management on page 180](#)

## Internal control and risk management system (ICS)

The ICS is designed to ensure that risks are identified quickly, and the appropriate measures then taken, so that key business objectives can be achieved. In order to achieve this, ICS-related processes are identified and control points, controls and control officers are defined, specifying which core risks are to be reduced or avoided.

Kommunalkredit bases its approach on the five-component model provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) from 2013:

- The **control environment** forms the framework within which the principles, processes and measures are initiated and applied.
- Relevant risks are identified using **risk assessments**.
- **Control activities** help to ensure that the necessary measures are taken in order to counter the identified risks.
- **Communication** helps to provide relevant information to the decision makers so that they can adopt the necessary measures.
- **Monitoring activities** also aim to safeguard compliance with defined processes and controls, as well as lead to the necessary adjustments being made as the environment changes; the quality, i.e. the efficacy, traceability and efficiency of the ICS is also to be reviewed regularly.

The Kommunalkredit ICS management system is set up according to the "three lines of defence" model, which integrates the operational management as the risk owner, ICS management (and other monitoring bodies), and the Internal Audit division.

## Whistleblowing and complaints management system

In addition to an internal **whistleblower system** (as per Section 99g Austrian Banking Act, BWG), there is also an external **complaints management mechanism** (as per Section 39e Austrian Banking Act, BWG) in place at Kommunalkredit.

The Compliance Officer manages the whistleblower system set up in line with the "Company agreement notification system" under Section 99g Austrian Banking Act (BWG) in the form of a notifications box. This system is set out in an internal process and in the Code of Conduct, and every new employee is made aware of it. The documents are available in German and in English. An inspection of the notifications box set up for the purpose was done at the intended intervals and was properly documented. An anonymous reporting channel for external whistleblowing to the Compliance Office is also set up on the Kommunalkredit website and is generally accessible. There are also various contact options provided on the websites if people have questions or feedback. The mutual arbitration body for the Austrian banking sector is also available.

No notifications were received via these channels during the reporting period.



## Operational ecology

Taking responsibility for the environment has a long tradition at Kommunalkredit, with the introduction of the EMAS environmental management system back in 1997: the company has been using **recycled paper** since 1997, **green electricity** only since 2003, and a **pellet heating system** since 2005. An integral part of our employees' identity and day-to-day routine is the careful use of resources.

Energy efficiency measures are currently being implemented on an ongoing basis as part of the renovation of the main building. The installation of a **photovoltaics system** on the roof or the planned connection of the building to the **district heating network** are just two of the highlights.

## Energy consumption

The company's total energy consumption comprises its **electricity consumption** and **heating energy consumption**. It has decreased steadily in recent years and came to around 1.39m kWh in 2022 (2021: 1.41m kWh). The large share of renewable energy sources (2022: 62%, 2021: 62%) is explained by the purchase of green electricity (100% electricity from renewable energy sources) and the fact that heating for part of the building is supplied by a pellet boiler. Total energy consumption per employee has fallen further to 3,686 kWh (2021: 4,365 kWh).

## Electricity consumption

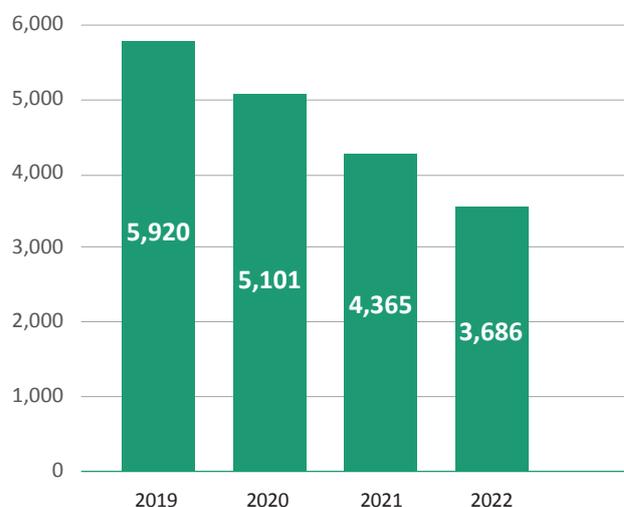
Kommunalkredit has been purchasing only **green electricity** for years now. Ongoing optimisation measures have resulted in a constant reduction in electricity consumption in recent years. In 2022, electricity consumption (around 592,600 kWh) was up slightly by around 1.6% as against 2021 (around 583,500 kWh), which was attributable to the rise again in office operations after the COVID-19

pandemic. Calculated at 1,572 kWh per employee (2021: 1,801 kWh), electricity consumption has continued to decrease in relative terms.

## Heating energy consumption

The building's heating energy is provided by **pellets** and gas. Heating energy consumption came to around 794,500 kWh (2021: around 828,200 kWh) in 2022. Consumption per employee stood at 103 kWh/m<sup>2</sup> (2021: 107 kWh/m<sup>2</sup>). 2,107 kWh was consumed per employee (2021: 2,556 kWh). We can expect to see further improvements in subsequent years as a result of the **retrofitting measures** that are currently being carried out.

**Total energy consumption**  
per employee in kWh



## Transport

### Business travel:

At Kommunalkredit, business trips are made by car, train and plane. There was less business travel in 2020 and 2021 due to the COVID-19 pandemic. The figure increased again in 2022 due to the kilometres covered. Kilometres covered per employee rose to 2,216 km (2021: 482 km) and levelled off just under the level before the COVID-19 pandemic. 88% of the trips taken were by air and 6% each by train and car.

### Vehicle fleet:

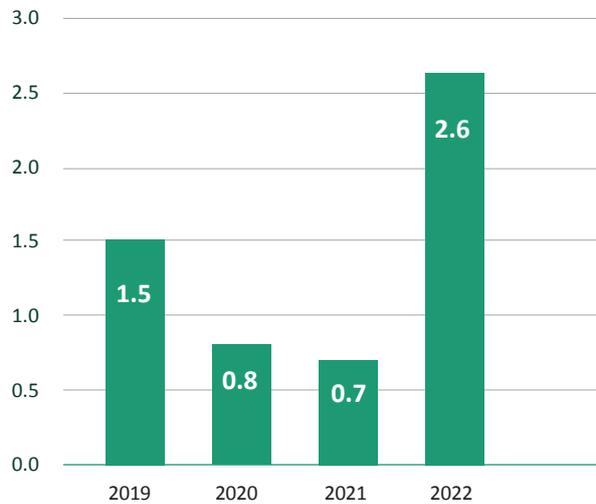
In spring 2022, one of the two hybrid vehicles in Kommunalkredit's vehicle fleet was taken out of operation, so that only one hybrid vehicle was used for most of 2022. A total of 11,190 kilometres was covered in 2022.

## CO<sub>2</sub> emissions

The higher number of business trips led to an increase in emissions generated by total business activity (heating, electricity, vehicle fleet, business trips) in 2022 to around 959 t CO<sub>2</sub> equivalents (2021: 235 t). Scope 1 emissions (heat and vehicle fleet) remained relatively constant compared to previous years, at around 139 t CO<sub>2</sub> equivalents in 2022 (2021: 139 t); Scope 3 emissions (business travel) were 831 t CO<sub>2</sub> equivalents in 2022 (2021: 96 t). The total carbon emissions per employee generated as a result of our business activities rose compared to 2021 levels (2022: 2.6 t CO<sub>2</sub> equivalents | 2021: 0.7 t CO<sub>2</sub> equivalents).

### CO<sub>2</sub> emissionen per employee

in tons CO<sub>2</sub> equivalent



## Procurement management

In order to ensure the sustainable procurement of products essential to business operations, the work instruction “Sustainable procurement” has been in use for over 15 years now and was last updated in 2022. Based on the three main product groups of

- office supplies, printed forms and advertising material,
- office furniture and
- IT products

the individual managers in question are responsible for updating the work instructions annually. As a matter of principle, Kommunalkredit uses and consumes materials with resource conservation in mind, i.e. the best possible conservation and use of materials is already taken into account when materials are used/consumed by the company’s employees.

## Supplier screening

Irrespective of the three main product groups, suppliers are screened before a decision is made on a specific product so as to guarantee **compliance with the procurement policy**.

Kommunalkredit selects suppliers based on the following criteria:

- ecological principles (certificates, environmental management systems, environmental/sustainability reports)
- social and sustainability principles (child labour, forced labour, health and safety, working hours, salaries, discrimination)
- choice of materials used in product design
- optimisation of delivery logistics, taking back recycling material at the same time if needed/repairability of the products thanks to modular design
- resource efficiency in the everyday use of the product (energy consumption)
- durability
- local/regional products

The results of the supplier screening process are a decisive factor when selecting suppliers and result in an alternative supplier being selected if serious doubts arise. No new key suppliers were selected in the year under review.

## Services

### Construction work:

The “Guidelines for Construction Work” (work instructions) apply both to refurbishment work and the construction of new office space. **Ecological, economic and social aspects** are taken into account when planning refurbishment work or new office space. The aim is to ensure that users’ current needs are met and that no disposal problems arise in the future (high quality of use and high ecological quality).

### In-house and external events:

Regulations governing procurement activities relating to services and materials for in-house and external events are set out in a separate work instruction (“Guidelines for Events”). Before an event is organised, a check is performed to see whether the event is consistent with the company’s guiding philosophy and principles. Particular attention is paid to ecological aspects such as electronic communication, accessibility using public transport, organic catering by regional providers and waste management. At the same time, social aspects such as the **involvement of local and regional target groups**, and participation by social project sponsors, are also taken into account. In cases involving in-house events organised by third parties, reference is made – to the greatest extent possible – to the principles set out above, to sustainable suppliers and to our “house caterers” (some of these providers are certified, including with the Austria Bio Garantie (Austria’s leading inspection body), the Austrian Eco-label, and the Fairtrade label).

## Resource consumption and waste management

### Paper consumption:

Consumption of photocopying and printer paper more than halved in 2022 as against 2021 and came to 1,123 kg (2021: 2,500 kg). The measures taken in recent years (e.g. ongoing digitalisation of work processes, decision to do away with printed handouts, etc.) have continued to bear fruit. Since the introduction of the environmental management system in 1997, photocopying and printer paper made from **100% recycled paper** has been used.

### Waste:

Kommunalkredit’s total annual waste volume increased in 2022 (around 44 t) compared to 2021 (around 35 t). In 2022, Kommunalkredit’s total annual waste volume per employee was around 117 kg (2021: 107 kg). The majority of this was **waste paper** (58%) and **domestic-type commercial waste** (33%). The increase in waste volume is primarily attributable to a higher share of waste paper, due to a one-off disposal of old files in the course of the building renovation.

Kommunalkredit remains committed to minimising impacts in the area of operational ecology. Over the next few years, the retrofitting measures being carried out in the premises will be the main contributing factor.



The integrated 2022 Annual Report of the Kommunalkredit Group meets all of the key requirements for annual financial statements as well as a sustainability report.

Further details and information on the key topics of employment, training and education and diversity can be found in the management report – in particular in the chapters on Employees (from page 96) and Communication (from page 101) – and in the Notes to the sustainability report (from page 207).

**„We are more than a bank.  
We are a sparring partner  
for the whole range of topics  
surrounding sustainable  
infrastructure – always with  
positive impact.“**



# 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.

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# Economic environment

2022 will go down in history as a particularly eventful and above all challenging year. Economic uncertainty due to high inflation, rising interest rates and a massive increase in energy prices; geopolitical crises, such as the Russian war in Ukraine, as well as tensions in the South China Sea and persistent supply chain problems – all of these factors are exacerbating problems that already exist because of the pandemic far beyond the European borders. The lack of grain exports to regions dependent thereon, such as the African continent, global logistical hurdles as well as extreme weather conditions intensified the tension.

## The world is overshadowed – the real economy is burdened

The year 2022 started off in a promising way. The impact of COVID-19 was absorbed and the support measures quickly introduced by governments and central banks led to a recovery in economic activity in many sectors. Important investments were made and commitments to a modern, resource-efficient and competitive economy were announced. The schedule for achieving the climate targets was pursued further and additional accompanying programs were launched. But Russia’s invasion of Ukraine at the end of February dealt a heavy blow to the global economy.

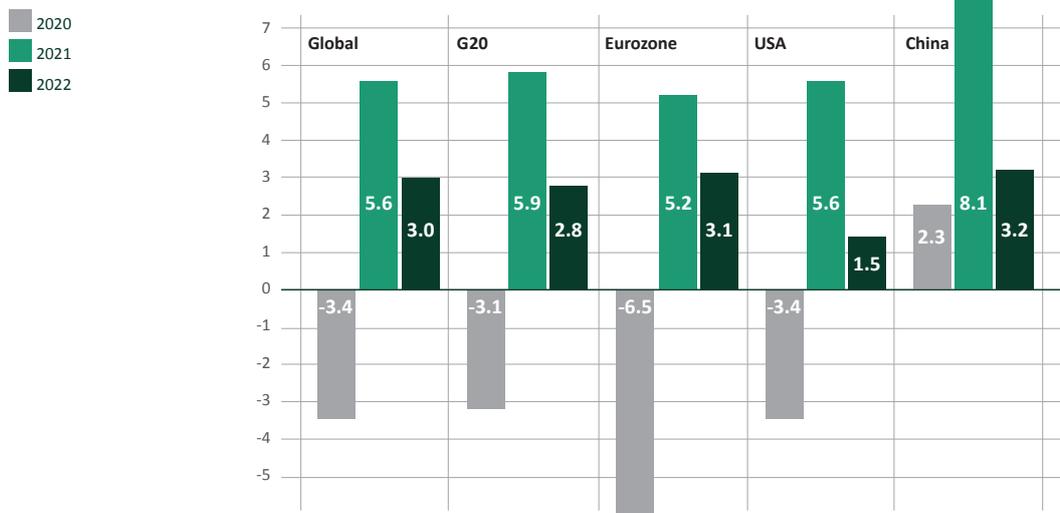
The war led to a massive increase in energy and food prices in particular. Gas prices in Europe rose threefold compared to 2021; cancelled or impeded deliveries of raw materials (oil, wheat, corn...) heightened the price pressure on essential products; delivery bottlenecks and runaway costs increasingly burdened the manufacturing industry; heatwaves and droughts drove up food prices. The cost of living rose sharply worldwide and **inflationary pressure** visibly intensified. Global growth collapsed dramatically and is projected to decelerate further in 2023 – from 3% in 2022 to 2.25% in 2023.<sup>7</sup>

<sup>7</sup> OECD – Economic Outlook, Issue 1/2022, 26/9/2022.

<sup>8</sup> OECD – Economic Outlook, Issue 1/2022, 26/9/2022.

### GDP growth/decline in %<sup>8</sup>

Source: OECD



Inflation spread in many economies in 2022 and accelerated to the highest level in decades. With nominal wage growth lagging behind inflation, households' real disposable income fell and the increase in private consumption was curbed.

The job market performed well despite the difficult environment: employment and labour participation had never before been so high and unemployment had not been this low in decades. Thanks to the initial surge in economic growth, two million net additional jobs were created in the European Union (EU) in the first half of 2022, which drove up the number of the working population to 213.4 million. At 6.0%, EU unemployment remained at a record low in September.<sup>9</sup>

The market for infrastructure and energy financing was virtually unfazed under these conditions. Unlike corporate financing, it enjoys stable utilisation rates that are largely independent of the economic cycle, including a low default risk. From 1983 to 2020, average default rates over the entire project period in the infrastructure (3.0%) and energy (3.7%) sectors were far lower than those for the manufacturing industry (17.6%).<sup>10</sup> At the same time, infrastructure reported high recovery rates of 68% on average.<sup>11</sup> Recovery rates in the sectors on which Kommunalkredit is focused range between 60% to 80% (infrastructure, telecommunications) and 80% to 100% (energy).<sup>12</sup>

Nonetheless, the global economy finds itself in a period of weakness. Uncertainty surrounding further development is high. Monetary policy must be tightened further to achieve a lasting reduction in inflation. Rising liquidity costs, a difficult capital market environment and the resulting lower issuing activity of financial institutions need to be addressed. Fiscal policy measures must cushion the immediate effect of the higher cost of living on consumers and businesses, energy consumption must be reduced and the security of energy supply increased. Environmental change must not be disregarded, particularly in these challenging times, but seen as an opportunity.

### A third year of extremes – the financial sector is counteracting this

The price increase that started in 2021 accelerated further in 2022. Annual inflation in the eurozone is expected to reach 9.2%<sup>13</sup> It continues to be driven mainly by high energy and food costs. However, price increases are increasingly evident in the areas of goods and services, which has driven up the core inflation rate (excluding energy and food) to 5.0%<sup>14</sup>. The increase in producer prices (excluding construction, including energy), which rose by 30.5%<sup>15</sup> year-on-year, was even higher again than in consumer prices. Further wage increases in turn raise the likelihood of inflationary second-round effects, such as a wage-price spiral.

Following the example of most other big central banks, the **European Central Bank (ECB)** reacted to the high inflation rate. It ended its net securities purchases and raised the base and deposit interest rates in several steps, most recently to 2.50% and

2.00%,<sup>16</sup> respectively. The terms of the targeted longer-term refinancing operations (TLTROs) were also lowered – prompting many banks to repay the funds ahead of schedule. The volume of the TLTRO facilities fell by around EUR 800bn in the fourth quarter of 2022 to around EUR 1.1tn. Under the purchasing programs, principal payments from maturing securities purchased under the pandemic emergency purchase programme (PEPP) will continue to be reinvested up to 2024. However, such maturities from the asset purchase programme (APP) will only be partially be reinvested in 2023. Despite these maturities of initially EUR 15bn per month, a volume of nearly EUR 5tn will continue to be held as a stabilising factor.

Long-term interest rates in the eurozone rose at a record pace in 2022 – the 10-year swap rate, for example, climbed by more than 3% from 0.30% at the start of the year to a high of 3.33% in October 2022. The weak economic outlook then triggered a correction, which pushed the 10-year swap rate to around 2.65% in mid-December and the 30-year swap rate to below 2.00%, while the 2-year swap rate stood at 2.91%. The yield curve was therefore completely inverted, reflecting market expectations of a marked economic slowdown.

The **Federal Reserve Bank's (Fed)**<sup>17</sup> monetary policy tightening is ahead of the ECB in its efforts to combat high inflation. Having raised base interest rates significantly throughout 2022, the US Fed scaled back the pace of its interest rate hikes in the December meeting to 0.50% and increased the reference range to between 4.25% and 4.50%; the rate hike cycle here is expected to end in the first half of 2023 at a level of around 5.10%.

### Resilience in eventful times – the infrastructure market sets the standard

In these challenging times, the global infrastructure sector has proved to be particularly resilient. Although economic conditions have deteriorated significantly, the long-term megatrends – above all decarbonisation as a cornerstone of the energy transition as well as ongoing digitalisation – played strategically into the hands of the infrastructure sector. Sectors such as transport (toll roads, airports) that were seriously impacted by the pandemic have also recovered.

<sup>9</sup> European Commission – Autumn 2022 Economic Forecast: The EU economy at a turning point, 11/11/2022.

<sup>10</sup> Moody's Investor Service – Default and recovery rates for project finance bank loans, 1983-2020, 15/3/2022.

<sup>11</sup> Moody's Investor Service – Infrastructure default and recovery rates, 1983-2021, 31/10/2022.

<sup>12</sup> Moody's Investor Service – Default and recovery rates for project finance bank loans, 1983-2020, 15/3/2022.

<sup>13</sup> Eurostat – Euro indicators, Issue 2/2023, 6/1/2023.

<sup>14</sup> Trading Economics – Core inflation rate, <https://de.tradingeconomics.com/euro-area/core-inflation-rate>, 9/1/2023.

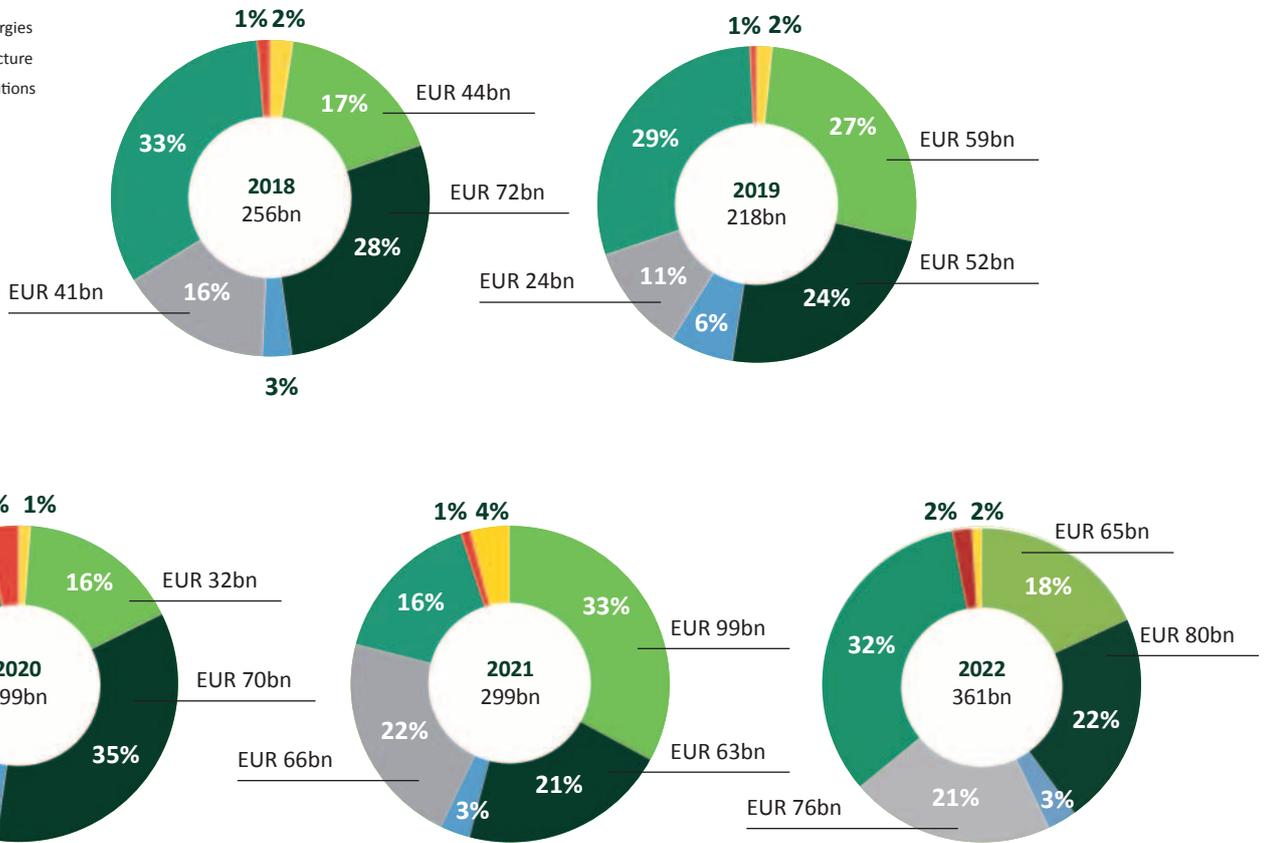
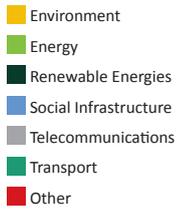
<sup>15</sup> Eurostat – Euro indicators, Issue 1/2023, 5/1/2023.

<sup>16</sup> European Central Bank – monetary policy decisions, press release, 15/12/2022.

<sup>17</sup> Federal Reserve Bank – Federal Reserve issues FOMC statement, press release, 14/12/2022.

**The European infrastructure market 2018 to 2022:**  
**Transaction volume by sector<sup>18</sup>**

in EUR bn or %



From a geopolitical perspective, governments were under even greater pressure to substantiate and advance their **energy transition plans**. In Europe, one third of the EUR 1.8tn in investments from the NextGenerationEU recovery plan are earmarked for the Green Deal. The plan should enable us and future generations to live better and healthier lives. This is also associated with a move away from dependencies on gas and oil supplies, which have come to a head as a result of the Russia/Ukraine conflict. In the USA, the Inflation Reduction Act of 2022 (IRA) was signed into law in August 2022. This act intends to mobilise some EUR 350m for areas such as decarbonisation, energy security and climate solutions using tax incentives.

Besides receiving government support, the infrastructure sector benefits in many sub-sectors from steadily growing **demand from private institutional investors** thanks to its defensive and largely inflation-proof nature, which manifests itself in consistently increasing fundraising volumes.

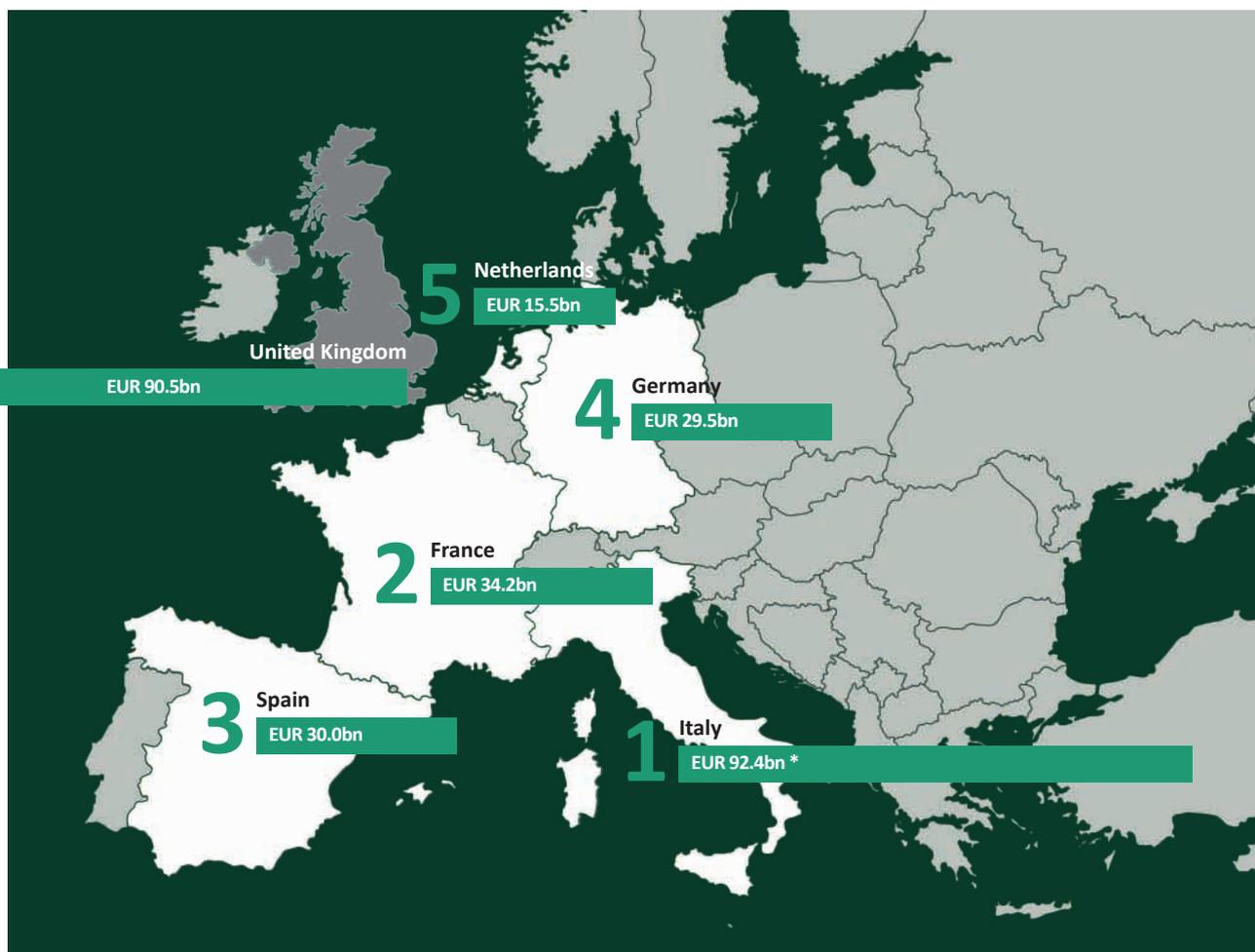
The **European market for infrastructure and energy financing** continued to develop positively. With a total volume of EUR 361bn, it clearly exceeded the previous year's figure (2021: EUR 299bn). The transport sector registered the strongest gain, which at 32% doubled compared to the previous year (2021: 16%).

<sup>18</sup> Inframation & Sparksread Database, 27/1/2023. An adjustment to the measurement method may lead to changes in comparative values from the past.

<sup>19</sup> European Commission – European Green Deal: Striving to be the first climate-neutral continent, [https://commission.europa.eu/strategy-and-politics/priorities-2019-2024/european-green-deal\\_en](https://commission.europa.eu/strategy-and-politics/priorities-2019-2024/european-green-deal_en), 5/1/2023.

<sup>20</sup> White House – Inflation Reduction Act Guidebook: The White House, [www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/](https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/), 5/1/2023.

**The largest infrastructure markets in the eurozone 2022<sup>21</sup>**  
by volume (United Kingdom for comparison)



\* The acquisition of Atlantia and the stake in Autostrade per l'Italia alone account for over EUR 60bn.

We can see from the type of transactions concluded in Europe that there is a decline in the volume of greenfield<sup>22</sup> projects, compared with a significant increase over 2021 in the purchase and financing of existing assets (brownfield<sup>23</sup>), with a transaction volume of around EUR 230bn thanks to a strong December. This is largely attributable to the largest transaction of the year in the transport sector (Atlantia: deal volume EUR 42bn), which closed just before Christmas. Kommunalkredit was successfully involved in financing the airport sector, which has seen a strong recovery, and the integrated assets, such as Unilode (transport containers for the cargo sector of leading airlines).

The impact of the pandemic on the digital infrastructure sector was one of the defining topics in 2021, in particular the rollout of fibre optic networks to cater to rising data volumes. This trend was reinforced further in 2022, so that digital infrastructure (fibre optics, data centres, broadcasting towers) accounted for a share of just under 21% on the European market for infrastructure financing (2021: 22%). Kommunalkredit is considered one of the most experienced banks in the area of structuring and financing transactions in this sector. Accordingly, it successfully completed a large number of projects in Germany, the Czech Republic, Poland, Slovenia, Croatia and the United Kingdom.

During 2022, however, the higher interest costs associated with fibre optics transactions led to a slowdown in momentum and to some investors starting to become oversaturated. Despite this, the long-term outlook for the sector remains positive, with interest in data centre projects growing exponentially, among other things. The bank has extensive experience here, as highlighted by projects in Sweden, Spain or Switzerland.

<sup>21</sup> Inframation & Sparksread Database, 27/1/2023. An adjustment to the measurement method may lead to changes in comparative values from the past.

<sup>22</sup> 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.

<sup>23</sup> Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).

Kommunalkredit is regarded a reliable partner to many project developers and infrastructure equity funds in the **renewable energy** sector. The bank was able to expand its expertise in this dynamic area, which accounted for around a quarter of the European infrastructure finance market in 2022. The sharp rise in electricity prices as a consequence of the crisis prompted many developers and producers to sell their electricity in the (spot) market (merchant) with no government-supported feed-in tariffs or PPAs (power purchase agreements). These structures are particularly challenging for financing banks, as falling energy prices are not hedged and a corresponding assessment of future developments is essential for adequate and proactive inherent risk management.

2022 was therefore characterised by steady growth in the number of short-term financing facilities for photovoltaic/solar and wind farms, which mostly cover the period from RtB status (ready-to-build based on corresponding permits) to CoD status (commercial operation date, i.e. the date on which it is operational). Kommunalkredit has established itself as a leading address for complex customer solutions, particularly in Northern Europe (Sweden, Finland) in the onshore wind segment, and on the Iberian Peninsula and Italy in the PV/solar segment.

The high dependency on Russian gas was one of the year's determining factors. Energy security at times seemed to be a more important issue in the short term than the postulate of the inevitable energy transition. However, the energy crisis has ultimately accelerated the importance of rapid decarbonisation and stopping climate change even further. For this reason, Kommunalkredit was particularly involved in the energy transition, where, in addition to hydrogen and battery storage, the area of charging infrastructure for electric vehicles is of considerable relevance. The bank is involved here in a series of projects in the Netherlands, Spain and the United Kingdom.

Traditionally, the **social infrastructure** sector accounts for only a small portion of the total volume of the European market. However, it offers interesting transactions that sometimes go beyond the classic definition of infrastructure. This market is often defined by smaller and medium-sized transactions that are the ideal fit in Kommunalkredit's "sweet spot". These are often essential services in protected areas that are characterised by stable cash flows. The bank was represented here in 2022 with transactions in the areas of pharmacies, outpatient clinics and undertakers/crematoria.

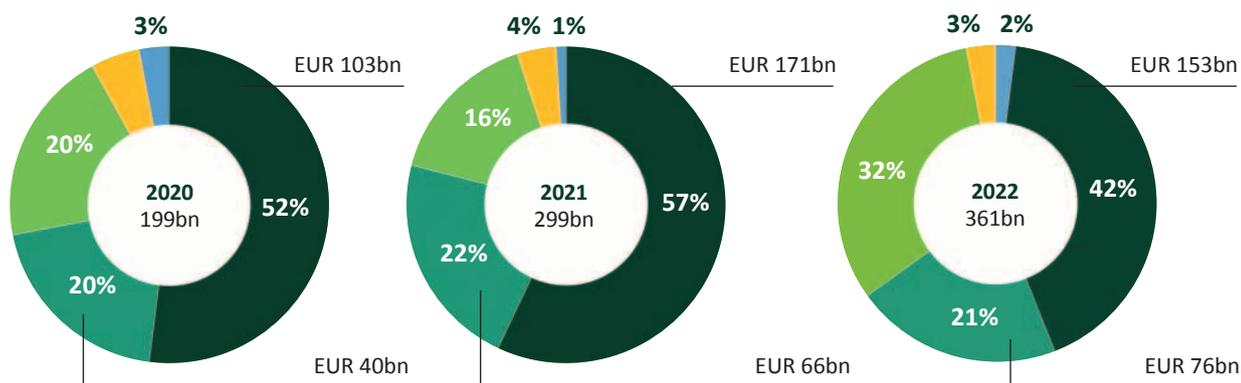
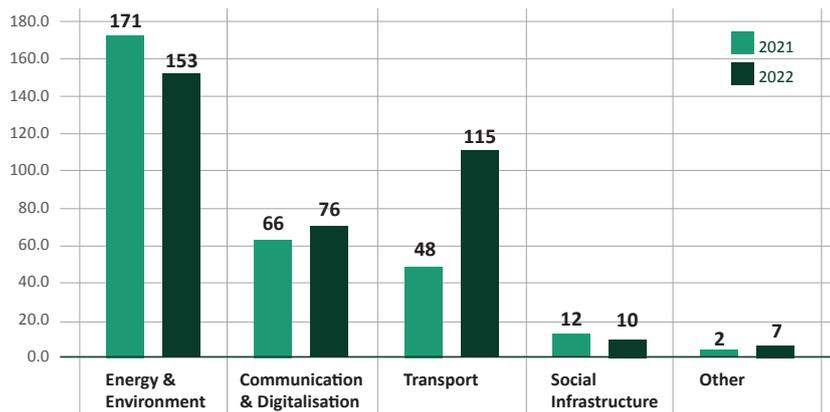


Transaction volume by sector<sup>24</sup>

in EUR bn or %

EUROPE

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

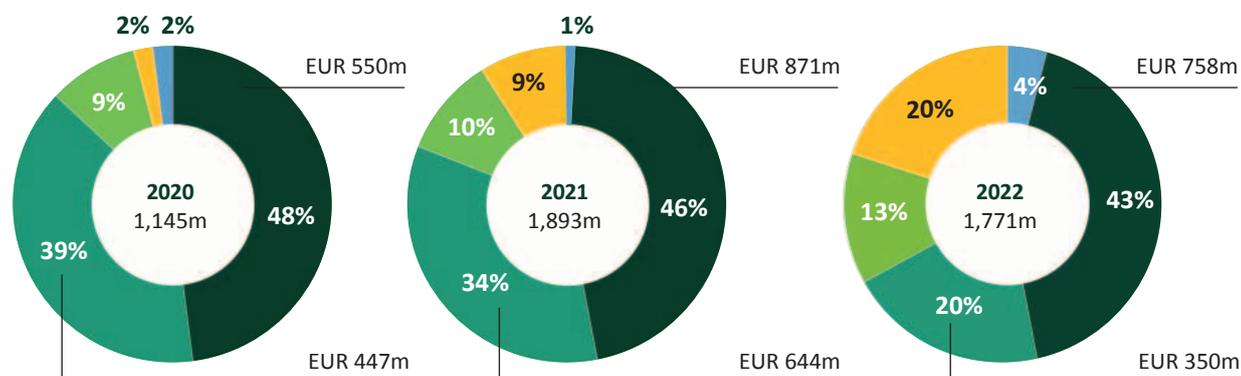
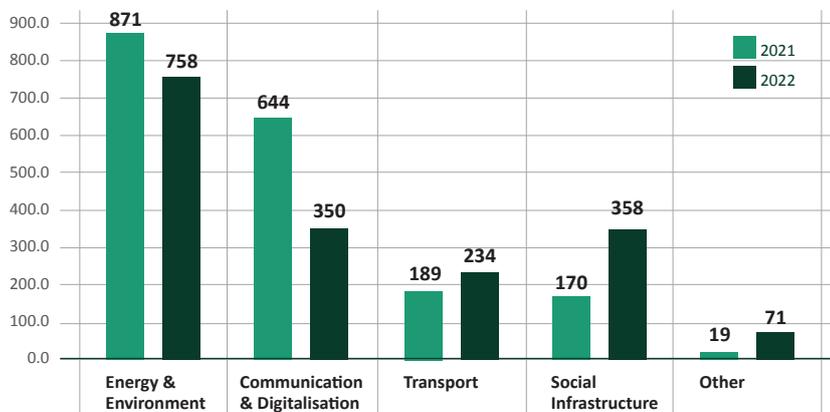


Transaction volume by sector<sup>24</sup>

in EUR m or %

KOMMUNALKREDIT

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



<sup>24</sup> Inframation & Sparksread Database, 27/1/2023. An adjustment to the measurement method may lead to changes in comparative values from the past.

# Business review

**We are living in a turning point in history. The last few years have shown how hard crises can hit the world. The COVID-19 pandemic, the war in Ukraine, skyrocketing energy prices, high inflation rates, shocks in the construction industry, supply chain disruptions, shortages of skilled workers and resources have initiated a transition. As a result, the demand for infrastructure and energy projects has become increasingly important.**

When the impact of the COVID-19 pandemic began to ease at the start of 2022 and a noticeable sense of relief had emerged, Russia's invasion of Ukraine presented the world with a completely new challenge. Besides humanitarian support, failure to seek alternatives to Russian gas and oil supplies early on – especially in Europe – was also evident in keeping with the climate targets. Immediate action must be taken to ensure Europe remains strong, independent and powerful. Energy transition is the ultimate objective.

## Redefining infrastructure

In challenging times, the **relevance** of high-performance infrastructure is even more noticeable. With regard to digitalisation, decarbonisation, demographic change and current challenges, investments in infrastructure are an effective instrument for meeting social and environmental needs. The importance of infrastructure and energy financing, and public finance, is essential for our society. The European Union's Green Deal and the goals of national and international climate and energy plans must be implemented jointly. The financial sector can and should take responsibility and steer capital flows towards sustainable projects.

**“What is needed now is for the public sector to join forces with the private sector.”**

Infrastructure will become even more of a focal point in future, not just as an asset class, but as a major factor for preventing new epidemics and economic collapse, as well as for modernising and realising other agendas such as digitalisation and the Green Deal. There is no time to lose; the necessary **change** has to be initiated. Kommunalkredit has set out five propositions on this subject:

- Use private capital as a stimulus for more sustainability.
- Speed up the networks, making them stronger and more decentralised.
- Ensure viable transitional solutions through greater transparency.
- Facilitate regulations that create security and freedom.
- Find a way out of expensive dependency.

Here, the bank – together with its clients and partners – strives to support the implementation of necessary investments.

We have a balanced diversity in new business in terms of 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.

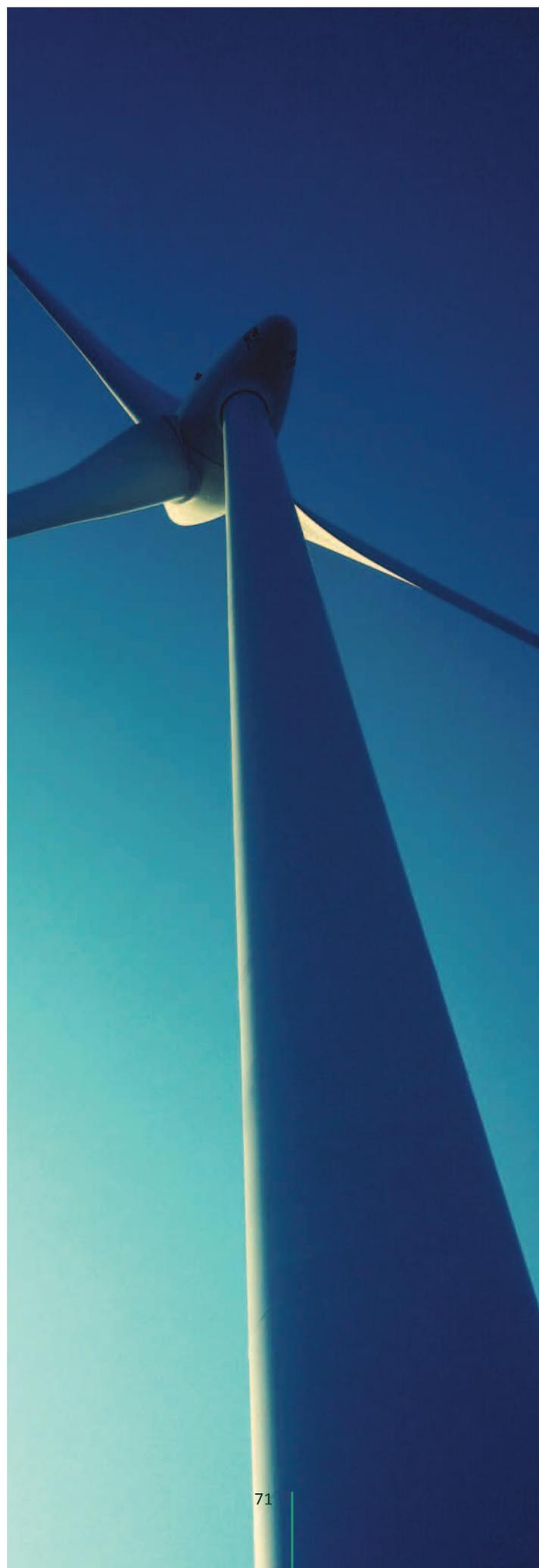
With **new business** (incl. public finance) of EUR 1,980.5m, the volume was just shy of the two billion limit (2021: EUR 2,145.6m). 43% of the transactions in the infrastructure and energy financing business were attributable to the Energy & Environment sector, followed by Social Infrastructure and Communication & Digitalisation (respectively 20%) and Transport (13%). Geographically, the focus is on Europe, where Italy and Germany in particular were important markets for the bank in the 2022 financial year. Kommunalkredit's investment decisions not only focus on sustainability aspects but also on attractive risk-return profiles, high-quality assets and future-oriented business models.

**“Our objective is not only to implement sustainable European infrastructures promptly but also to conform to ESG standards. Far beyond Austria’s borders.”**

In all activities, creating a benefit to the community and improving people’s quality of life are key. Investing in infrastructure creates economic momentum, contributes to urban development and regeneration, strengthens rural areas, creates jobs, reinforces social cohesion and supports climate measures. Kommunalkredit therefore also supports projects in Africa on a selective basis by structuring risk-guaranteed financing. These, in turn, favour secure export activities by European companies.

The bank pursues a business approach that is geared towards collaborative endeavours with established partners (originate and collaborate). The particular attention it pays to its ability to place its transactions on the international financing market is reflected in an investment volume of EUR 564m placed among insurance companies, asset managers and banks (2021: EUR 711m). Thanks to its Fidelio KA Infrastructure Debt Fund Europe 1 and Europe 2 infrastructure funds, the bank is also capable of offering its business partners access to infrastructure and energy financing by means of an asset management solution. With Florestan KA GmbH, Kommunalkredit implements lighthouse projects (hydrogen production with OMV, rooftop photovoltaic systems with eww) using equity financing to drive the energy transition forward.

Kommunalkredit’s area of activity in 2022 mainly encompassed transactions helping to reach climate targets, the expansion of digital communication channels and improvement of social services: these include the financing of water treatment plants in Italy, the construction of wind farms in Scandinavia and Germany, the development of photovoltaic systems on the Iberian peninsula, in Romania and Hungary, the improvement of heat generation and distribution in the Czech Republic, the expansion of broadband initiatives in Germany, the Netherlands, Slovenia, Croatia and Poland, as well as the expansion of healthcare facilities in Italy.



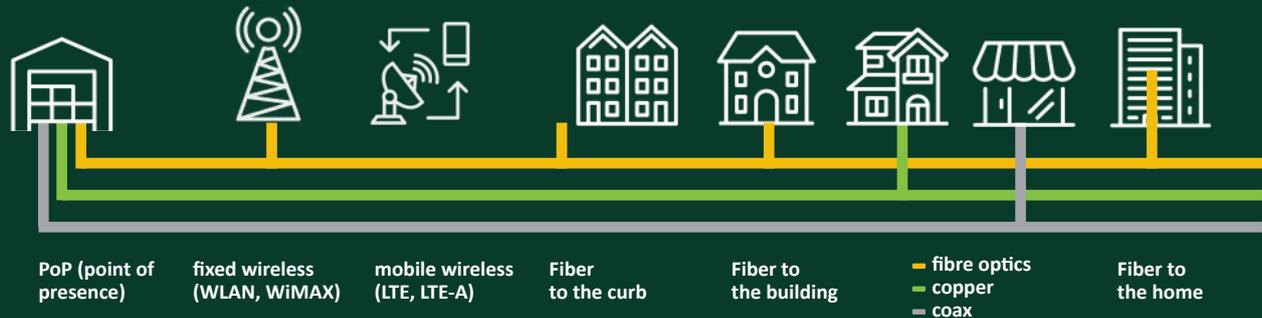
## REFERENCE PROJECTS

### Broadband access technologies.

From PoP to FTTH.

Source: BMK

#### LOCAL CENTRE



**ROOTS**

**Broadband (Netherlands)**

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 acts as Lead Arranger and therefore contributes to meeting the UN goals SDG9 (industry, innovation and infrastructure) and SDG10 (reduced inequalities).



**CUPANO**

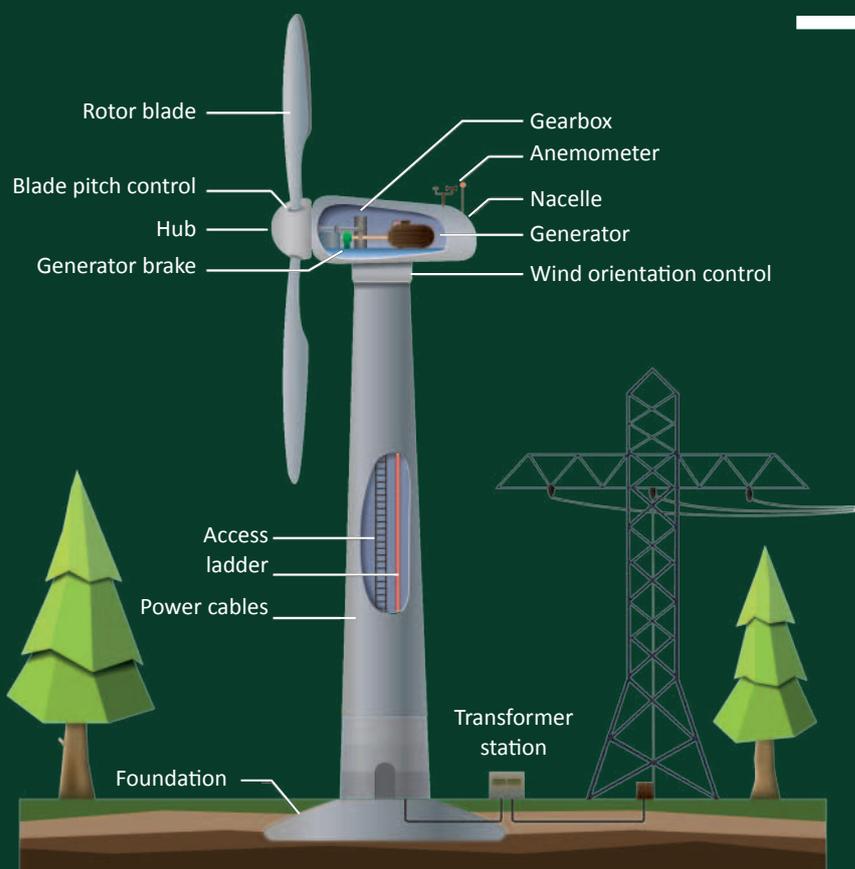
**Digital infrastructure (Poland)**

As Mandated Lead Arranger, Kommunalkredit structured a EUR 200m subordinated facility for global asset manager Cordiant. The financing will be used to realise the growth plans of the company's digital infrastructure platform. The lenders will benefit from Cordiant's current asset portfolio, which includes Emitel (Polish TV, radio and telecom infrastructure operator) and CRA (the Czech Republic's leading independent digital platform for TV, radio, telecom and data centre operations).



**HIPPOCRATES  
Pharma (Italy)**

As Arranger of the EUR 730m transaction with Hippocrates, Kommunalkredit promoted the expansion of the pharmacy network in Italy. As the country's oldest and largest independent pharmacy operator, the network comprises more than 250 pharmacies in Lombardy, Veneto and Emilia-Romagna. The establishment of a country-specific platform is expected to bundle synergies and enable economies of scale, which will have a positive impact on logistics and costs.



**KANSAS**  
Wind power (Sweden)

Kommunalkredit acted as structuring bank and bookrunner for the construction and acquisition of a 146.4 MW onshore wind farm in central Sweden, providing clean energy to supply 46,000 households. The EUR 130.7m bridge financing was structured in accordance with the Loan Market Association’s Green Loan Principles, enabling Kommunalkredit to refinance through a green bond.



**RESOLAER**  
Photovoltaic (Spain and others)

Kommunalkredit structured a EUR 40m bridge financing as Sole Mandated Lead Arranger for the joint venture of three photovoltaic systems developers: Solaer Renewable Energies, Himin and Indigo. Resolaer has a project pipeline of 1.4 GWp in Spain and Italy, among others. The ground-mounted solar installations are to be expanded to “ready-to-build” status over the next few years. The funds provided by Kommunalkredit supported Resolaer in this development.



**VIVERACQUA**  
Water infrastructure (Italy)

Alongside Cassa Depositi e Prestiti, Kommunalkredit subscribed to 50% of the notes issued by Viveracqua Hydrobond 2022 S.r.l. The issue volume was EUR 74.3m, with a maturity of 16 years. The company bundles bonds from six northern Italian water companies in Veneto and Friuli. The notes are part of a EUR 148.5m transaction, in which the European Investment Bank (EIB) is also involved. The proceeds from the note programme will be invested in the modernisation and expansion of the Venetian water network.

The total values stated here represent the total volume of the transaction in question.

“We are committed  
to our home market.”



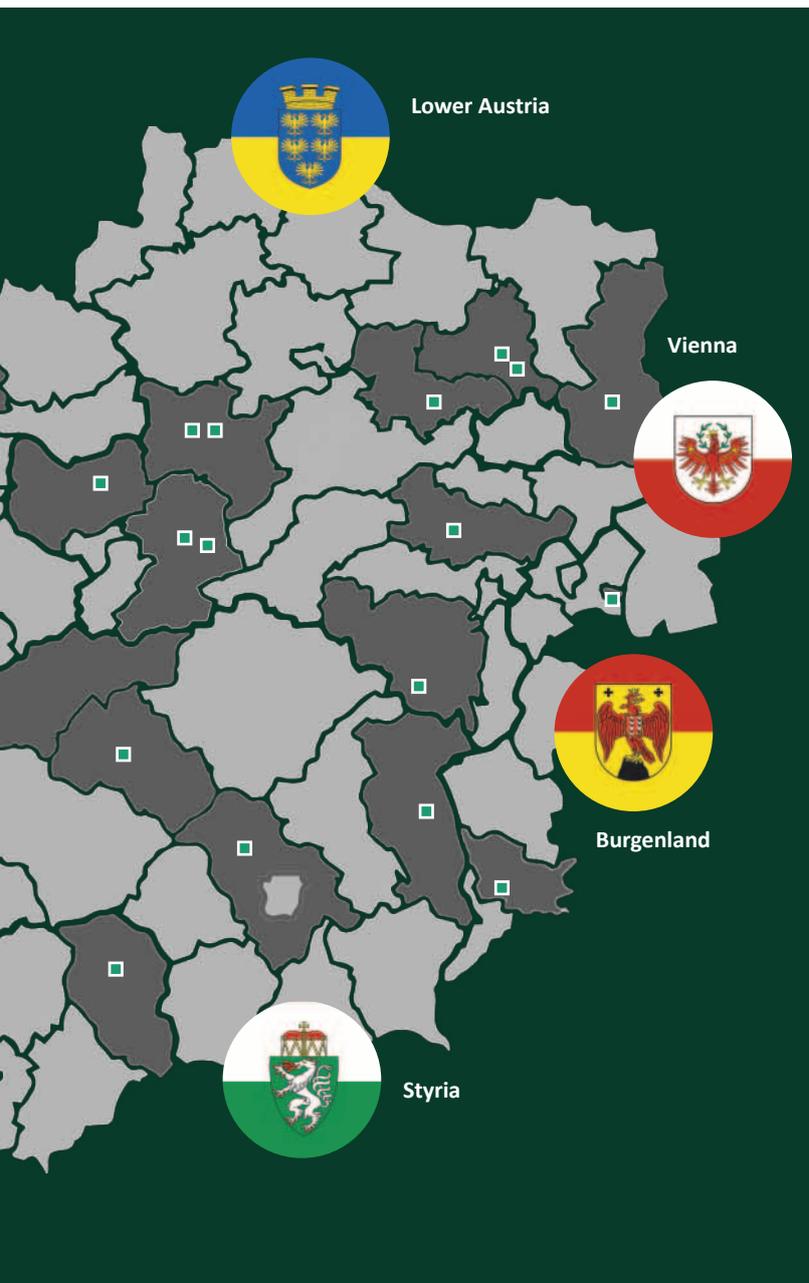
**Public finance** has a long tradition and is a significant part of the bank's business. Countries, cities and municipalities are key economic drivers. With investments in essential infrastructure that is used directly by citizens, municipalities and their public institutions create and protect jobs and help to keep the economy going. In 2022, Kommunalkredit concluded new financings in the amount of EUR 210m, in particular, in the sectors of Social Infrastructure (schools, kindergartens, fire brigade), Energy & Environment (water supply and disposal) and Communication & Digitalisation (broadband), among others.

### Level of recognition & industry awards

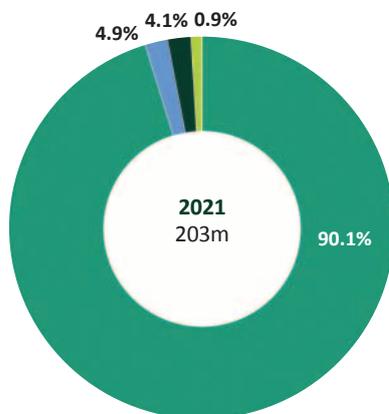
The bank's success has not gone unnoticed by the market. In recent years, Kommunalkredit has successfully positioned itself in the European infrastructure and energy market. Whether in the development of new technologies in the hydrogen sector, the financing of water supply companies, the expansion of photo-

voltaic systems and solar parks, the construction of wind farms, the implementation of broadband projects, the provision of high-tech equipment in the healthcare sector or developing important transport solutions – Kommunalkredit is known and respected here as a contact throughout Europe.

This is also demonstrated by the national and international **awards**, that repeatedly recognise the bank's operations. In 2022, Kommunalkredit once again garnered the “Most Sustainable Infrastructure Project Partner Central Europe” award from international specialist infrastructure medium Business Vision. International Investor singled the bank out as “Best Sustainable Infrastructure Investment Company 2022”. The Austrian daily newspaper Kurier awarded Kommunalkredit the quality seal for sustainability and popular employer. The business magazine Börsean once again ranked it at the top in the special categories. The Bank acted as a partner on PFI's “Fibre Deal of the Year”.

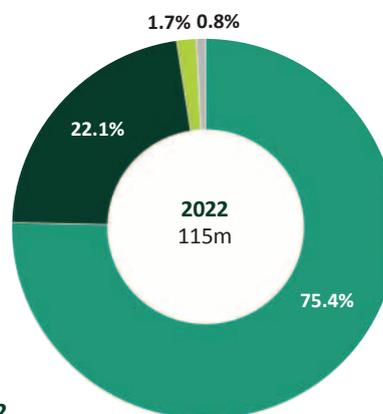


**Public Finance in Austria**  
Kommunalkredit activities  
2021 und 2022 in EUR m or %



**2021**

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



**2022**

- Social Infrastructure EUR 87m
- Energy & Environment EUR 25m
- Transport EUR 2m
- Communication & Digitalisation EUR 1m

Public Finance International EUR 95m



### Total portfolio with high asset quality

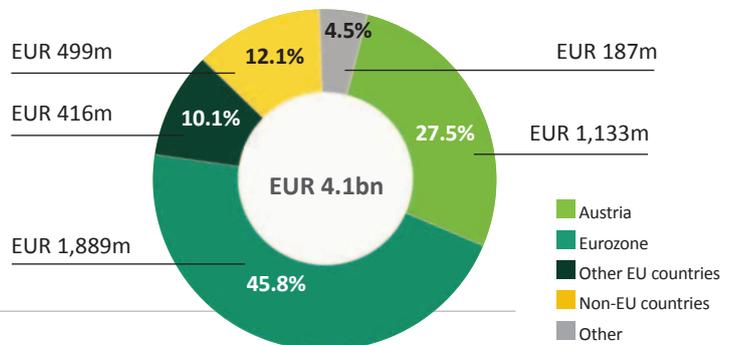
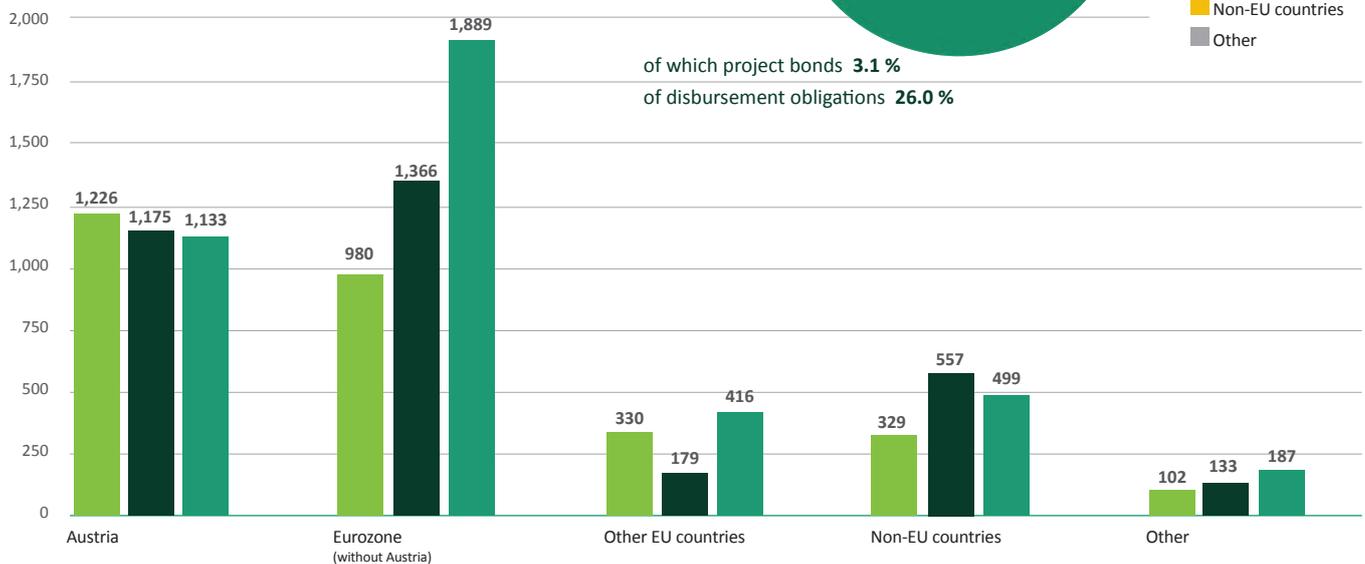
Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank holds a **total portfolio** of high asset quality without a single credit loss in the 2022 financial year. As of 31 December 2022, it had an average rating of "A-" and just under 68.4% of the exposures were classified as investment grade. Since privatisation in 2015, the non-performing loan ratio (NPL) has been kept at 0.0%.

The broadly diversified **credit portfolio** comprises the two pillars of the business model: infrastructure and energy financing and public finance. As of 31 December 2022, the public sector accounted for 31% of the loan portfolio (mostly Austrian municipalities), infrastructure and energy financing for 35%, while loans to public sector entities had a share of 5%.

Geographically, 28% was attributable to Austria (31/12/2021: 34%), 46% to the rest of the eurozone and 10% to other EU countries (31/12/2021: 40% and 5% respectively).

**Loan portfolio by region**  
in EUR m, as of 31/12/2022

2020  
2021  
2022



of which project bonds **3.1 %**  
of disbursement obligations **26.0 %**



### Stable refinancing structure

As of 31 December 2022, Kommunalkredit reported a **stable liquidity position** of EUR 1,142m. The bank held cash and cash equivalents and balances with central banks of EUR 503m (31/12/2021: EUR 543m). Furthermore, Kommunalkredit had access to a free liquidity reserve consisting of high-quality liquid securities (HQLA) of EUR 639m (31/12/2021: EUR 428m).

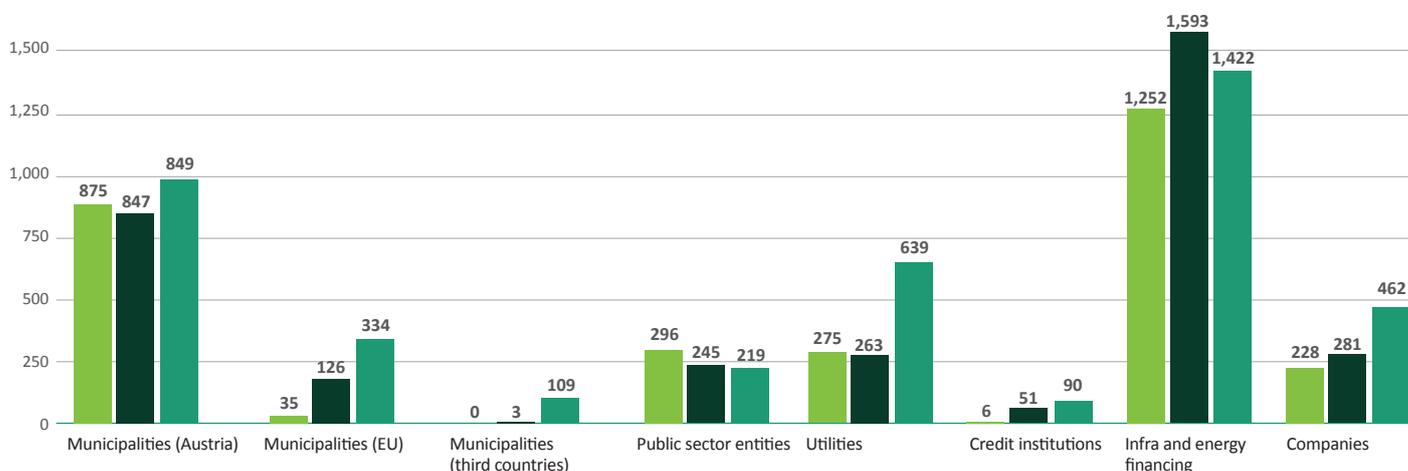
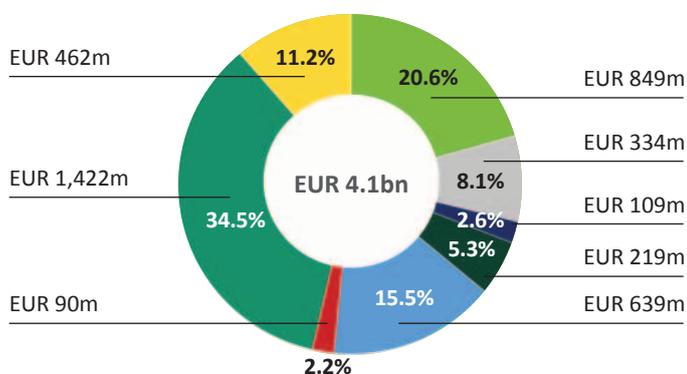
Kommunalkredit's diversified **refinancing structure** is particularly important in the current difficult market conditions. Gradually, existing funding sources have been expanded and new ones established over recent years. Due to its business model and in order to adequately manage liquidity risks, it is all the more important for Kommunalkredit not to be dependent on any single source of funding. Accordingly, the increased capital market activity that began in 2021 was further expanded in 2022 and the deposit base was also strengthened.

### Loan portfolio by borrowers

in EUR m, as of 31/12/2022

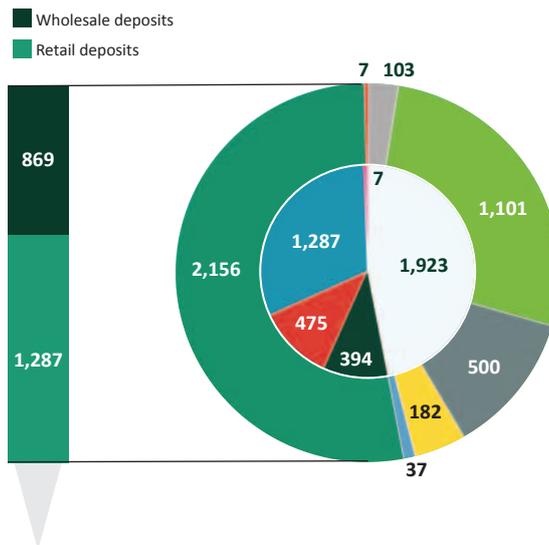
- Municipalities (Austria)
- Municipalities (EU)
- Municipalities (third countries)
- Public sector entities
- Utilities
- Credit institutions
- Infra and energy financing
- Companies

- 2020
- 2021
- 2022



**Refinancing structure**  
in EUR m,  
as of 31/12/2022

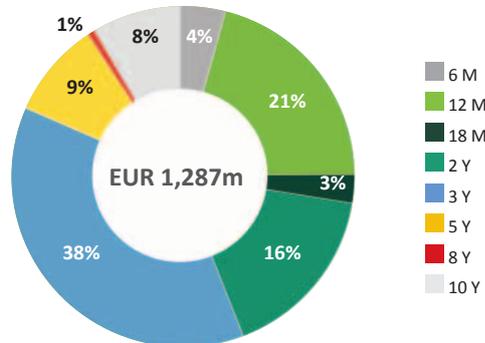
- Subordinates
- Covered Bonds
- Senior Unsecured
- Promissory notes
- TLTRO III
- Customer deposits
- Interbank deposits



- Capital market instruments
- KOMMUNALKREDIT DIREKT deposits
- Direct business with corporate/institutional customers
- Retail deposits
- Interbank deposits (0)

Σ EUR 4.1bn

**Maturities of deposits**  
in %

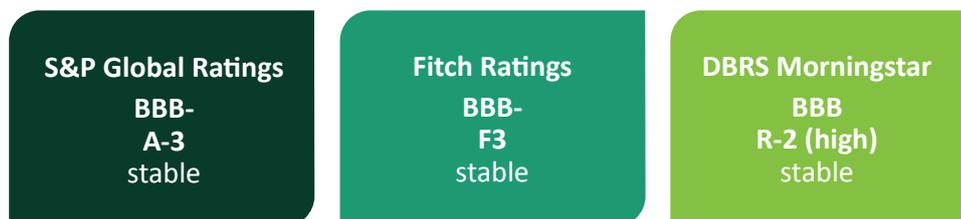


**Public sector covered bonds | Cover pool**

As of 31 December 2022, Kommunalkredit had a well-diversified cover pool with a value of EUR 1,249m, while public sector covered bonds denominated in EUR and CHF in an amount of approximately EUR 1,101m were outstanding.

The cover pool as of 31 December 2022 consisted of assets from Austria (88.3%), Belgium (4.4%), Portugal (2.7%), France (2.1%), Germany (1.8%) and Poland (0.8%). 73.9% of the cover pool had a rating of AAA or AA and 23.4% had a rating of A. The level of surplus cover as of 31 December 2022 was 13.5%.

**Rating**



Investment grade ratings were affirmed by S&P Global Ratings and Fitch Ratings in the first half of 2022 and by DBRS Morningstar in September 2022. The rating agencies highlighted the established resilient business model, the further improved profitability and the continued strong asset quality. Furthermore, the stable liquidity, improved refinancing structure, risk-bearing capacity and capital strength were cited as key factors. The growth path and the strategic focus on further diversifying the product

and service portfolio (expansion of asset management, advisory services and structured export financing) were positively highlighted by the rating agencies.

Kommunalkredit's **covered bond rating** by S&P Global Ratings was confirmed at A+ with a stable outlook in February 2023. S&P emphasised the portfolio with high credit quality from largely Austrian and German public sector assets as a strength.

## Capital market presence

Kommunalkredit has consistently expanded its access to the capital markets in recent years. A new debt issuance programme (DIP 4) was launched in 2020 with a volume of up to EUR 800m, which was increased to EUR 2bn by means of a supplement in February 2022. In the course of the annual programme update, the base prospectus was last approved by the Austrian Financial Market Authority in May 2022. Issues under this programme can be listed in Vienna and underline Kommunalkredit's commitment to the domestic capital market.

### Public covered bond:

In February 2022, a public covered bond to the value of EUR 250m and with a maturity of five years was issued. Despite the difficult capital market environment due to increasing tensions between Russia and Ukraine, this issue was also strongly oversubscribed by investors (2.8 times). The issue was placed with 39 investors from the asset management, banking and insurance sectors, mainly from Austria, Germany and Scandinavia.

### Increases in the public covered bond:

The public covered bond issued in February 2022 was increased by EUR 50m in March 2022 and by a further EUR 100m in June 2022. Despite the fluctuating market environment, the two increases were well placed on the capital market and the total nominal value of the issue was increased to EUR 400m.

### Private placements of capital market issues:

In addition, EUR 87.5m of private placements of senior preferred bonds were also placed with institutional investors in 2022. With the issues in 2022, Kommunalkredit seamlessly followed up on its successful capital market performance in 2021, while further increasing its visibility in the market despite the prevailing challenges.

## Development of deposit business

The deposit business continues to show a **balanced relationship** between retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and public-sector companies and direct business with corporate customers and institutional clients) under the currently difficult operating conditions. The business with wholesale deposits was stable in 2022, while retail deposits were expanded, to offer customers attractive investment opportunities again, thanks to the higher interest rate environment, and strengthen Kommunalkredit's deposit base.

Customer behaviour in 2022 was defined by expectations of higher interest rates and uncertainties arising from high inflation, increasing cost of living, geopolitical tensions and easing economic momentum. This led to greater demand for shorter maturities for investment products in both the retail and wholesale segments. Various measures are planned for 2023 to convert overnight deposits to term deposits, such as incentives for time deposits, especially for existing customers.

Weighted average term in years



**Retail deposits | KOMMUNALKREDIT INVEST:** Kommunalkredit conducts its business with **retail customers** in Austria and Germany via the online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 31 December 2022 the bank had 22,351 active retail customers.

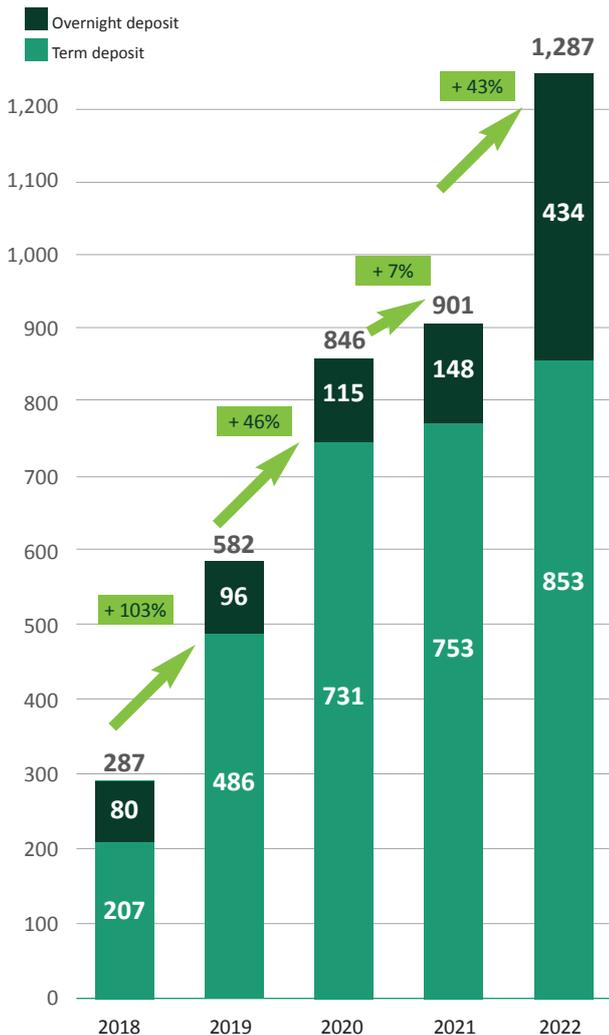
The average deposit volume per customer of EUR 57,598 remains at a high level. The share of term deposits as of 31 December 2022 was 66.3% (31/12/2021: 83.5%); the average maturity of term deposits was 21 months (31/12/2021: 26 months). The deposit volume amounted to EUR 1,287m as of 31 December 2022 (31/12/2021: EUR 901m) – an increase of 42.9%.

**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 increased by 8.7% in 2022 to EUR 869m as of 31 December 2022 (31/12/2021: EUR 799m).

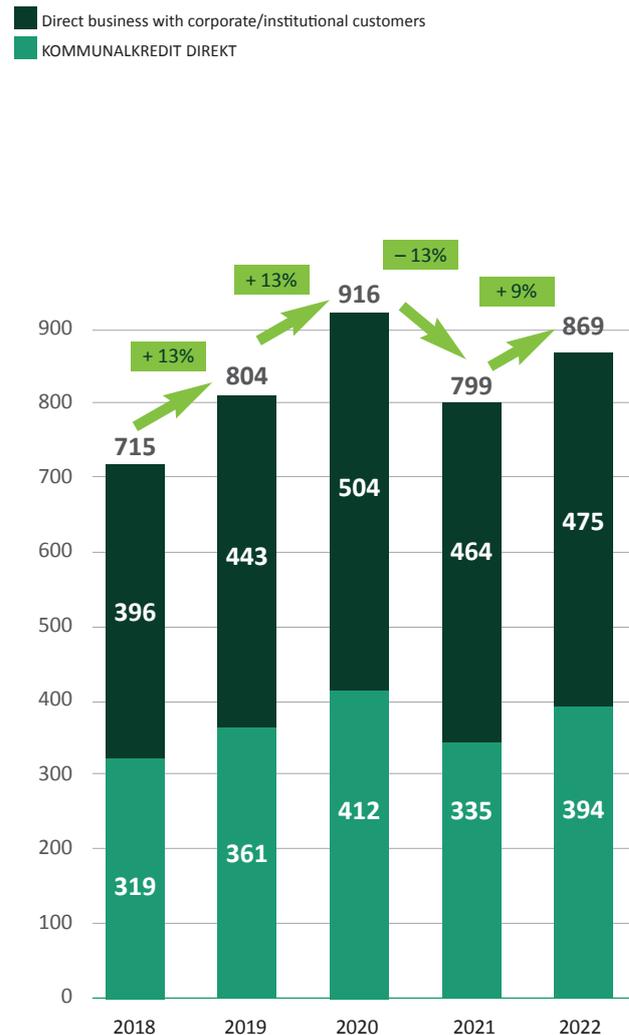
### Retail deposits (KOMMUNALKREDIT INVEST)

in EUR m, as of 31/12/2022



### Wholesale deposits

in EUR m, as of 31/12/2022



### 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 348% as of 31 December 2022 (31/12/2021: 735%), Kommunalkredit significantly exceeded the regulatory minimum ratio of 100%.

The net stable funding ratio (NSFR) requires banks to maintain a stable funding base across assets and off-balance sheet activities, according to the CRR. As of 31 December 2022, it was 129% (31/12/2021: 122%).

LCR  
348 %

NSFR  
129 %



# Assets, financial position and income

The 2022 financial year was once again a record year for Kommunalkredit. With profit for the year of EUR 78.2m, up 60%, 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 continued to prove to be largely crisis-resistant and profitable.

## Financial performance indicators according to IFRS (Selected performance indicators)

in EUR m or %	2022	2021
Total assets	4,628.3	4,427.9
Total capital (subscribed capital, reserves, additional tier 1)	471.9	437.7
<b>Net interest income</b>	<b>125.7</b>	<b>78.9</b>
Net fee and commission income	29.9	29.4
General administrative expenses	-75.8	-63.6
Other operating income	10.2	15.5
<b>EBIT*</b>	<b>85.2</b>	<b>60.1</b>
Loan impairment, valuation and realised gains	14.2	7.0
<b>Consolidated profit for the year before tax</b>	<b>99.3</b>	<b>67.1</b>
Income taxes	-21.1	-18.2
<b>Consolidated profit for the year</b>	<b>78.2</b>	<b>48.9</b>
Cost/income ratio (based on EBIT)	48.3 %	53.2 %
Cost/income ratio bank stand-alone	41.9 %	47.9 %
Return on equity before tax**	28.3 %	19.5 %

\* EBIT = consolidated profit for the year before tax, not including net provisioning for impairment losses, valuation gains and operating placement result from infrastructure/energy financing.

\*\* Return on equity before tax = consolidated profit for the year before tax / common equity tier 1 capital as of 1/1.

## Regulatory performance indicators of Kommunalkredit Austria AG according to Austrian GAAP

in EUR m or %	31/12/2022	31/12/2021
Risk-weighted assets	2,552.5	2,026.5
Total capital (CET 1, additional Tier 1, Tier 2)	538.9	458.2
CET 1 ratio	16.9 %	17.3 %
Common equity ratio	19.4 %	20.4 %
Total capital ratio	21.1 %	22.6 %

## 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

The main differences in EBIT between the separate financial statements under the Austrian Commercial Code (UGB) and the consolidated financial statements according to IFRS resulted from diverging implementation dates of fees related to the new

lending business, the differentiated treatment of derivatives in the portfolio hedge, the EBIT of the fully consolidated subsidiaries and an intra-group restructuring, which had no effect on the consolidated financial statements.

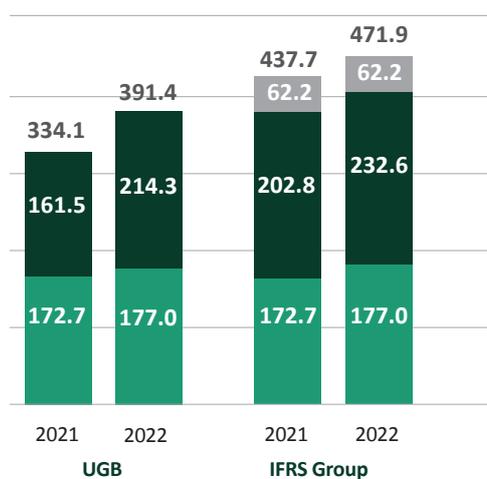
### Selected performance indicators of Kommunalkredit Austria AG according to

in EUR m or %	2022	2021
Total assets	4,609.8	4,230.4
Total capital (subscribed capital, reserves, additional tier 1)	391.3	334.1
<b>Net interest income</b>	<b>94.5</b>	<b>55.6</b>
Net fee and commission income	21.3	29.6
General administrative expenses	-62.0	-51.9
Other operating income	5.1	18.4
<b>EBIT*</b>	<b>61.2</b>	<b>52.5</b>
Other loan impairment, valuation and sales result	7.4	3.7
<b>Profit on ordinary activities</b>	<b>68.5</b>	<b>56.2</b>
Result from restructuring	17.9	0.0
Income taxes	-16.2	-9.0
<b>Profit for the year after tax</b>	<b>70.2</b>	<b>47.1</b>
Cost/income ratio (based on EBIT)	47.8 %	51.2 %
Return on equity before tax	24.7 %	16.3 %

\* EBIT = operating result supplemented by the operating placement result from infrastructure/energy financing and change in provisions according to § 57 para. 1 BWG.

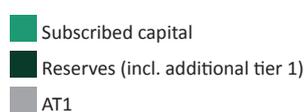
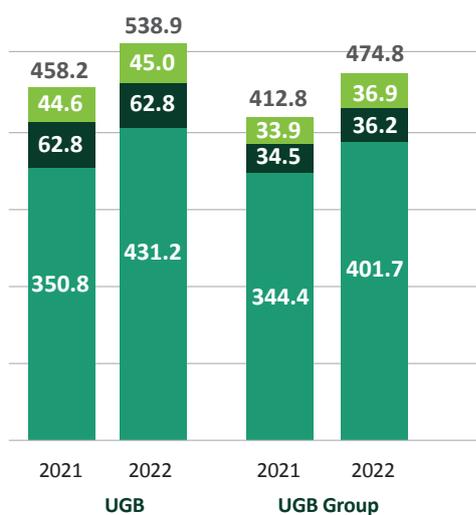
#### Balance sheet equity

in EUR m



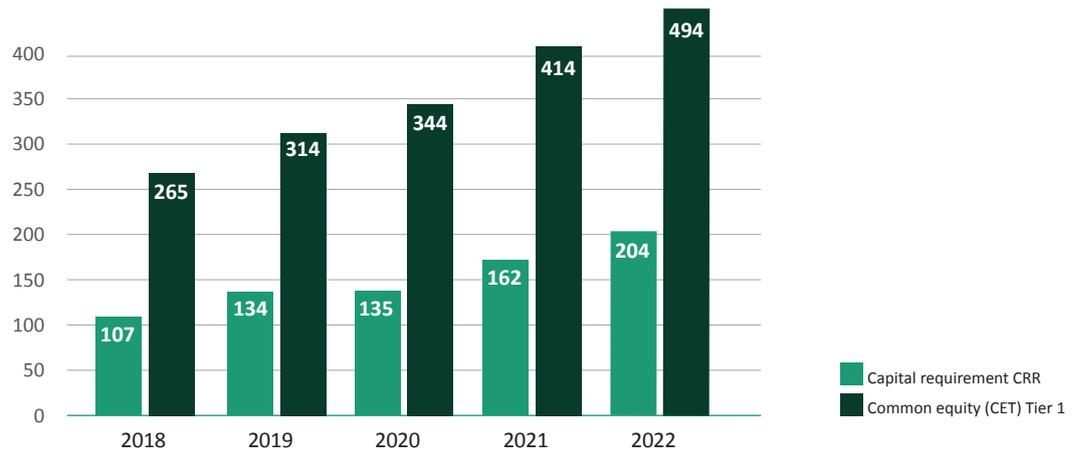
#### Regulatory total capital

in EUR m



## Risk-weighted assets and total capital

Capital resources in EUR m



## Structure of statement of financial position

Kommunalkredit's total assets according to IFRS amounted to EUR 4.6bn as of 31 December 2022 (31/12/2021: EUR 4.4bn). The largest item in the statement of financial position was "loans and advances to customers" amounting to EUR 2.2bn (31/12/2021: EUR 2.0bn). A further EUR 1.1bn (31/12/2021: EUR 1.1bn) was attributable to financing transactions intended for opportunistic placement, which are reported in the statement of financial position under the item "Assets at fair value recognised directly in other comprehensive income". The increase in these items was mainly attributable to the continued growth in infrastructure and energy finance. In 2022, new payouts reflected in the statement of financial position of EUR 1.2bn were made. The placement volume stood at EUR 0.6bn. Furthermore, the bank held cash and cash equivalents of EUR 0.5bn as of 31 December 2022 (31/12/2021: EUR 0.5bn)

Customer liabilities of EUR 2.3bn (31/12/2021: EUR 1.9bn) and securitised liabilities of EUR 1.4bn (31/12/2021: EUR 1.4bn) were the largest refinancing items under equity and liabilities. The continued increase in issue activities in 2022 to diversify funding sources was mainly reflected in EUR 87.5m of private placements of senior preferred bonds and EUR 400m of public sector covered bond transactions.

The Kommunalkredit Group's equity according to IFRS amounted to EUR 471.9m as of 31 December 2022 (31/12/2021: EUR 437.7m).

### Risk-weighted assets and total capital

As of 31 December 2022, Kommunalkredit individually had common equity tier 1 capital (CET 1) of EUR 431.2m (31/12/2021: EUR 350.8m), core capital (tier 1) of EUR 494.0m (i.e. CET 1 plus EUR 62.8m additional tier 1 – AT1 | 31/12/2021: EUR 413.6m) and total capital of EUR 538.9m (i.e. tier 1 plus EUR 45.0m tier 2 | 31/12/2021: EUR 458.2m). The difference between the regulatory total capital individually (EUR 538.9m) and at Group level (EUR 474.8m) largely results from the imputation restriction pursuant to Article 81 ff CRR ("minority deduction").

In the 2022 financial year, risk-weighted assets rose to EUR 2,552.5m (31/12/2021: EUR 2,026.5m) due to the positive performance of new business.

As of 31 December 2022, Kommunalkredit therefore once again reported strong capital ratios: the total capital ratio came to 21.1% (31/12/2021: 22.6%), the Tier 1 capital ratio came to 19.4% (31/12/2021: 20.4%) and the common equity tier 1 ratio came to 16.9% (31/12/2021: 17.3%).

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 2022.

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). Satere prepares its consolidated financial statements according to the relevant requirements of Austrian GAAP; the scope of consolidation is determined according to § 30 of the Austrian Banking Act. As of 31 December 2022, the consolidated total capital ratio came to 18.7% (31/12/2021: 20.4%), the consolidated Tier 1 capital ratio to 17.3% (31/12/2021: 18.7%) and the consolidated CET 1 ratio to 15.9% (31/12/2021: 17.0%).

## Income statement of the Kommunalkredit Group under IFRS

The Kommunalkredit Group has had a very successful financial year in 2022, with profit for the year after tax rising by 60% compared to the previous year to EUR 78.2m, and EBIT improving by EUR 25.1m or 42% to EUR 85.2m. The clear increase in EBIT is attributable to the continuous expansion of the core businesses of infrastructure and energy financing as well as public finance. The significant improvement in EBIT was also reflected in a considerable reduction in the cost/income ratio to 48.3% (2021: 53.2%). The return on equity before tax increased from 19.5% in the previous year to 28.3%.

Kommunalkredit's portfolio also proved to be very robust in 2022 despite the COVID-19 pandemic; the non-performing loan (NPL) ratio remained at 0.0%.

**CIR**  
Bank Stand-alone  
41.9 %

**RoE**  
28.3 %

**NPL**  
0.0 %

The main income and expense items under IFRS for 2022 are as follows:

## EBIT

EBIT (profit for the year before tax not including net provisioning for impairment losses, valuation gains and operating placements) amounted to EUR 85.2m (2021: EUR 60.1m) and comprises the following essential components:

### Net interest income

Net interest income rose by 59.3% to EUR 125.7m (2021: EUR 78.9m) and proved a main pillar of Kommunalkredit's business model in the past financial year. The increase compared to the previous year is mainly due to the further increase in income from the infrastructure and energy portfolio, including from a loan portfolio acquired in the first half of 2022 at a significant discount to the nominal value, and the higher interest rate environment.

### Net fee and commission income

Net fee and commission income from the range of services that are continually expanded by Kommunalkredit in the credit and service business as well as from the subsidy management and consulting business of the subsidiary Kommunalkredit Public Consulting GmbH (KPC) changed by around 2% to EUR 29.9m (2021: EUR 29.4m). This includes EUR 33.7m (2021: EUR 31.0m) in fee and commission income and EUR 3.9m (2021: EUR 1.6m) in fee and commission expenses.

### General administrative expenses

General administrative expenses of the Kommunalkredit Group increased by 19.2% to EUR 75.8m (2021: EUR 63.6m) and comprised personnel expenses of EUR 52.9m (2021: EUR 44.8m) and

other administrative expenses of EUR 22.9m (2021: EUR 18.8m). The increase in general administrative expenses 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, as well as the increase in employees at the subsidiary KPC as a result of the recent expansion of the environmental support schemes by the responsible federal ministries. The cost/income ratio decreased despite increased general administrative expenses to 48.3% after 53.2% the previous year.

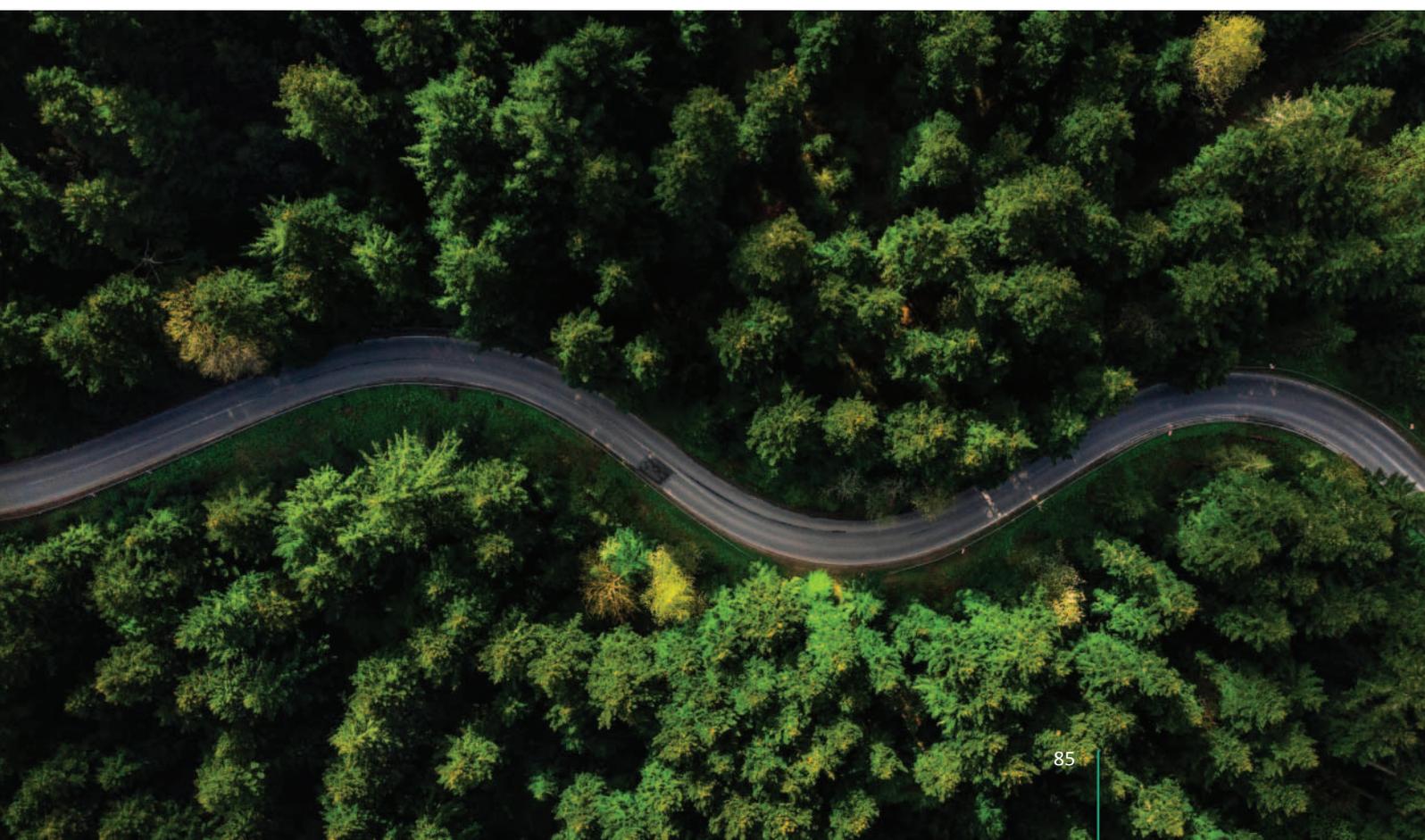
### Other operating income

Other operating income amounted to EUR 10.2m in 2022 (2021: EUR 15.5m) and mainly includes realised income of EUR 8.7m from the restructuring of an energy transaction acquired below par.

## Loan impairment, valuation and realised gains

Kommunalkredit's loan portfolio was solid despite the impact of the Russia/Ukraine conflict and the COVID-19 pandemic; the non-performing loan ratio remained constant at 0.0% as of 31 December 2022 and there were no loan defaults. The net provisioning for impairment losses reported came to EUR -1.5m (2021: EUR -0.2m) and reflects the change in the statistically calculated provision for expected credit losses under IFRS 9.

The net result of asset valuation and realised gains and losses was EUR 14.5m in 2022 (2021: EUR 7.8m). This item included positive measurement effects of EUR 15.8m (2021: EUR 7.7m) from financial instruments measured at fair value through P&L; the increase in long-term market interest rates resulted in positive measurements of interest rate derivatives that are not part of hedge accounting.





## Income taxes

The tax expense came to EUR 21.1m (2021: EUR 18.2m) and includes, in addition to the current tax expense, the release of deferred tax assets from temporary differences between the values recognised according to IFRS and the amounts calculated for tax purposes.

## Development in risk provisions taking the current macroeconomic developments 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. The expected loss is determined as the product of the probability of default (PD) taking into account forward-looking information, the loss given default and the exposure at default.

For the model that is methodologically unchanged from the previous year, one of the key drivers of the PDs is changes in macroeconomic input parameters. An economic slowdown – especially in the eurozone – is forecast for 2023. Because of the future-oriented nature of the point-in-time PDs, these are therefore slightly higher compared to the previous year taking into account the development of the other parameters in the PD model. From today's perspective, an economic recovery with rising growth rates is expected from 2024 onwards.

The bank's portfolio has also been largely stable in 2022 due to the contractual and structural risk mitigation factors that are typical for infrastructure 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. 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.

Credit performance in the entire infrastructure portfolio was in accordance with the contractual agreements, apart from one case where the repayment profile was adjusted (forbearance).

In the Austrian municipality and municipal-related portfolio, a deferral was granted (EUR 0.2m) in Q1/2022 to provide temporary liquidity support to an exposure with a good credit rating. The loan was serviced again in accordance with the contract terms from Q2/2022. There were no long-term financial difficulties or deteriorations in credit ratings as of 31 December 2022.

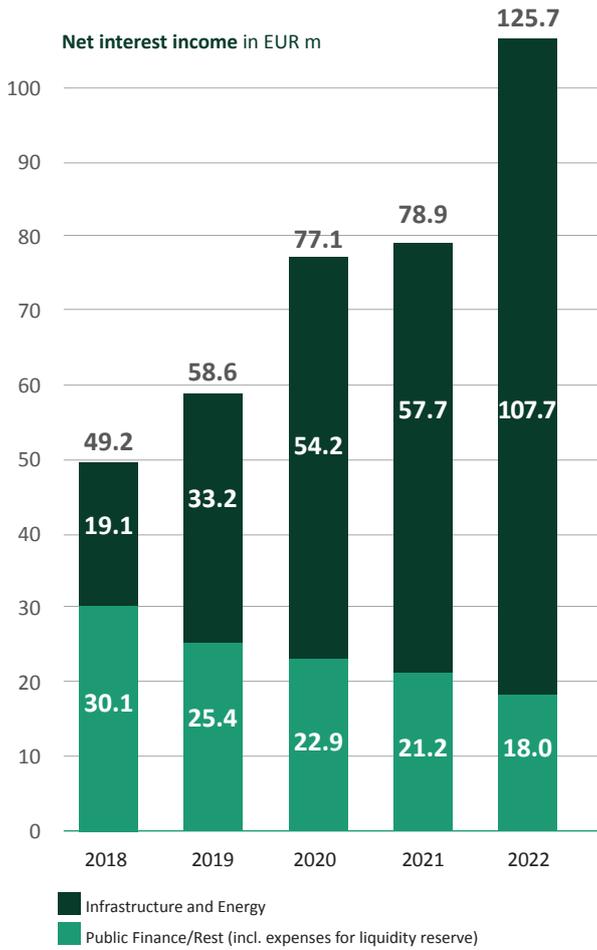
In the international public finance portfolio, a financing collateralised by the ECA was added to IFRS level 2 (lifetime ECL) due to a country downgrade (net exposure after taking the ECA cover into consideration is EUR 3.3m).

As of 31 December 2022, a total of five exposures from the bank's loan portfolio with an exposure amounting to EUR 145m were recognised in IFRS stage 2 (lifetime ECL). None were recognised in IFRS stage 3 (non-performing).

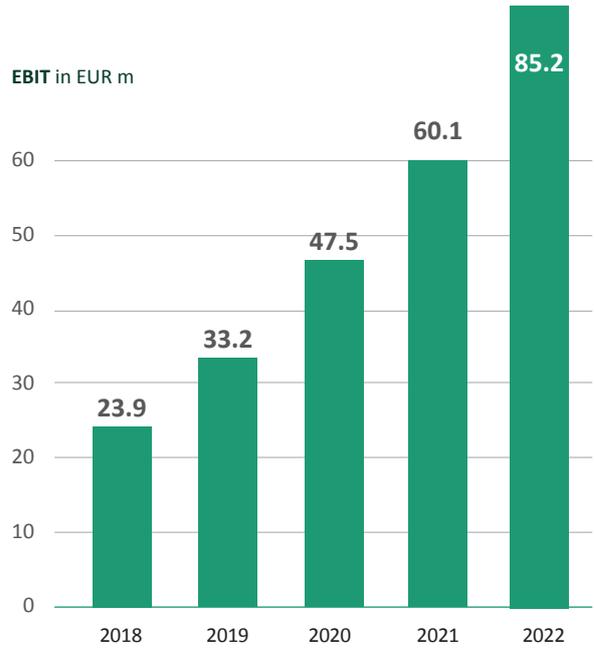
Net provisioning for impairment losses amounted to EUR -1.5m for the period from 1 January to 31 December 2022. This was as a result of new business, rating changes, level transfers and the PD update.

## IFRS Indicators

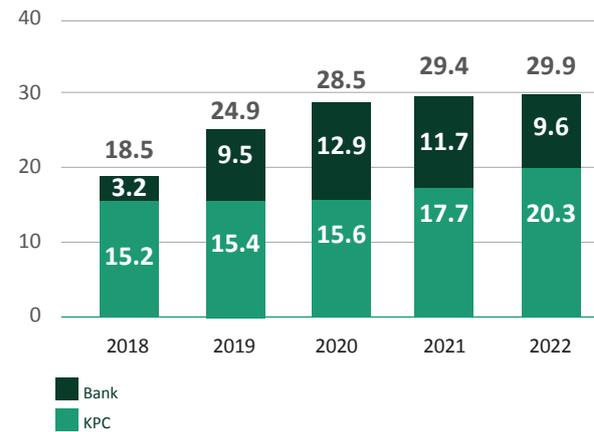
Net interest income in EUR m



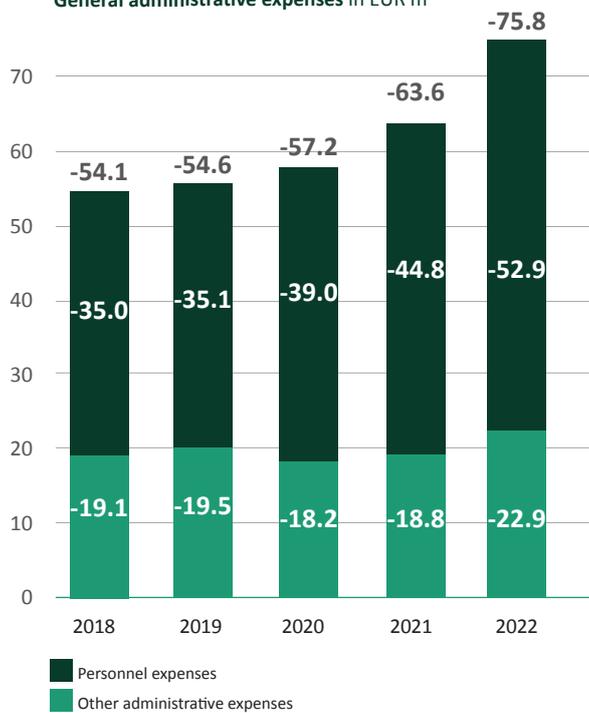
EBIT in EUR m



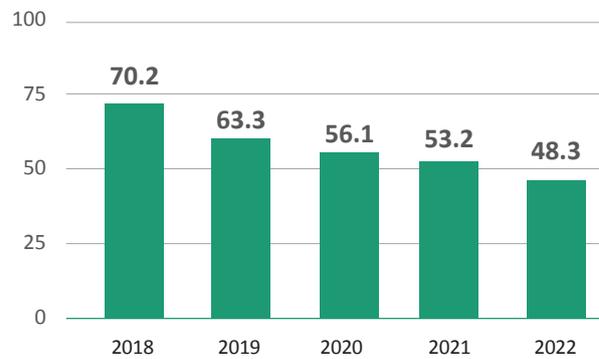
Net fee and commission income in EUR m

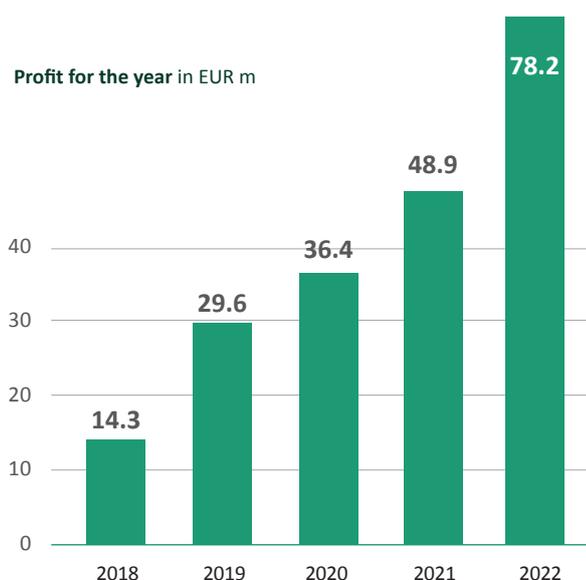


General administrative expenses in EUR m

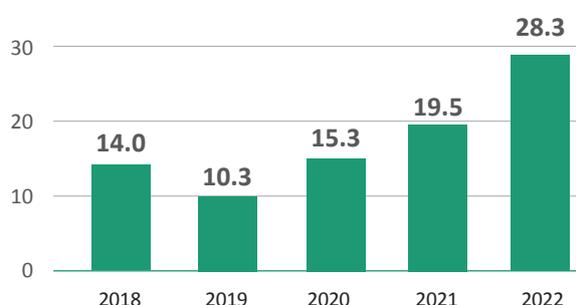


Cost/income ratio in % (based on EBIT)





**Return on equity before tax in %**  
(based on regulatory capital at start of period)



### Financial performance in the separate financial statements of Kommunalkredit Austria AG under Austrian GAAP

Kommunalkredit Austria AG reported an operating result of EUR 57.5m for 2022 under Austrian GAAP (2021: EUR 49.8m). EBIT, which adds the operating result from the sale of assets and 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 17% or EUR 8.7m to EUR 61.2m (2021: EUR 52.5m), the changes in the bank's operating earning strength in the 2022 financial year. Based on EBIT, this results in a markedly reduced cost/income ratio of 47.8% (2021: 51.2%).

The other loan impairment, valuation and sales result amounted to EUR 7.4m (2021: EUR 3.7m). The statistically calculated provisions for expected credit losses increased slightly by EUR 1.2m and came to EUR 7.5m as of 31 December 2022. There is also a general risk provision according to § 57 (1) BWG amounting to EUR 5.0m. There were no credit losses in 2022, either; the NPL ratio remains constant at 0.0%.

At EUR 68.5m, the result from ordinary activities was 22%, or EUR 12.4m, above the previous year's figure of EUR 56.2m. Tax expenses in 2022 were EUR 16.2m (2021: EUR 9.0m). The profit for the year after tax increased by 49% to EUR 70.2m (2021: EUR 47.1m). The total assets under Austrian GAAP came to EUR 4.6bn as of 31 December 2022 (31/12/2021: EUR 4.2bn). The main asset items in the statement of financial position were loans and advances to customers amounting to EUR 3.0bn (31/12/2021: EUR 2.7bn). Bonds and debt securities, which mainly include securities from the liquidity book, amounted to EUR 0.8bn as of 31 December 2022 (31/12/2021: EUR 0.7bn). Customer liabilities of EUR 2.3bn (31/12/2021: EUR 1.9bn) and securitised liabilities of EUR 1.5bn (31/12/2021: EUR 1.3bn) are the largest refinancing items under equity and liabilities.

Kommunalkredit's equity amounted to EUR 391.3m as of 31 December 2022 (31/12/2021: EUR 334.1m). The bank also still has EUR 40m from a fund for general bank risks according to § 57 (3) of the Austrian Banking Act.

### Selected income statement under local GAAP

in EUR m or %	1/1-31/12/2022	1/1-31/12/2021
<b>Net interest income</b>	<b>94.5</b>	<b>55.6</b>
Net fee and commission income	21.3	29.6
General administrative expenses	-70.0	-51.9
Other operating income	5.1	18.4
Other operating expenses	-1.2	-2.8
<b>Operating result</b>	<b>57.5</b>	<b>49.8</b>
Operating result from sale of infrastructure/energy financing	4.6	3.3
Net allocation to provision (§ 57 (1) Austrian Banking Act)	-0.9	-0.7
<b>EBIT</b>	<b>61.2</b>	<b>52.5</b>
Other loan impairment, valuation and sales result	7.4	3.7
<b>Profit on ordinary activities</b>	<b>68.5</b>	<b>56.2</b>
Result from restructuring	17.9	0
Taxes on income	-16.2	-9.0
<b>Profit for the year after tax</b>	<b>70.2</b>	<b>47.1</b>
Cost/income ratio (based on EBIT)	47.8 %	51.2 %
Return on equity before tax	24.7 %	16.3 %

# Branch office and equity investments

**With Vienna (headquarters) and Frankfurt am Main (branch office), Kommunalkredit operates as a specialist for infrastructure and energy financing from two critical points. It focuses on Europe and has 224 employees in the bank and 140 in the environmental subsidisation and consultancy subsidiary who are responsible for performance.**

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), Florestan KA GmbH, the companies of the Fidelity KA Debt Fund platform and Kommunalnet E-Government Solutions GmbH are strategic investments or shares in affiliated companies. The companies related to the bank's real estate (that acts as corporate headquarters) are mainly held to support the core business.

## Kommunalkredit Public Consulting GmbH

Investments in infrastructure and measures to combat climate change are essential for our society. Kommunalkredit Public Consulting GmbH (KPC) makes a material contribution to these goals with its traditional sectors of **subsidy management** and consulting, as well as the new sector of **project development** that was established together with the bank in 2021. 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 and protective water management and remediation of contaminated sites. 90% of its shares are owned by Kommunalkredit. With its broad and specific knowledge 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 the course of its activities.

## Subsidy management

The high demand for environmental subsidies continued in 2022. KPC awarded subsidies of EUR 1,273m (2021: EUR 773m), in par-

ticular on behalf of the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), the Ministry of Agriculture, Forestry, Regions and Water Management (BML), the Ministry for Arts, Culture, Civil Service and Sport (BMKÖS) and the Climate and Energy Fund. The subsidies went to 414,355 environmental and climate protection projects (2021: 98,298) with a total investment volume of EUR 6.0bn (2021: EUR 4.6bn). This is equivalent to an increase of around 32% against the same period in 2021.

In line with the Austrian Federal government's climate protection efforts and the revival of the regional and local economy, the subsidies for all climate-relevant funding instruments were again given a significant boost in 2022. Never before has this much funding been available. Consequently, the demand for subsidies rocketed: around 322% more applications were submitted than in the year before.

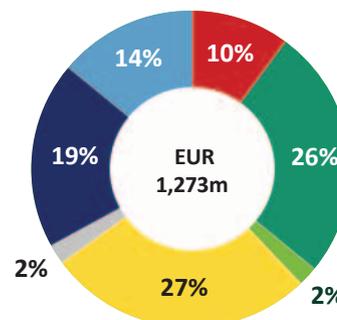
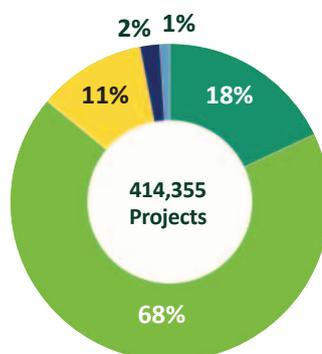
KPC acts as the **point of contact** between the subsidisers who provide the financial resources and the applicants. It oversees the entire project support process. Its duties also include the development and implementation of support programmes. In 2022 for example, these included efforts to help transform the economy and move towards CO<sub>2</sub> neutrality, to help revamp cultural institutions as part of the programme "Klimafitte Kulturbetriebe" (Climate-friendly cultural enterprises) and to support thermal rehabilitation and boiler replacement in buildings for vulnerable individuals. Subsidies as part of the **Biodiversity Fund** were launched.

### KPC in 2022

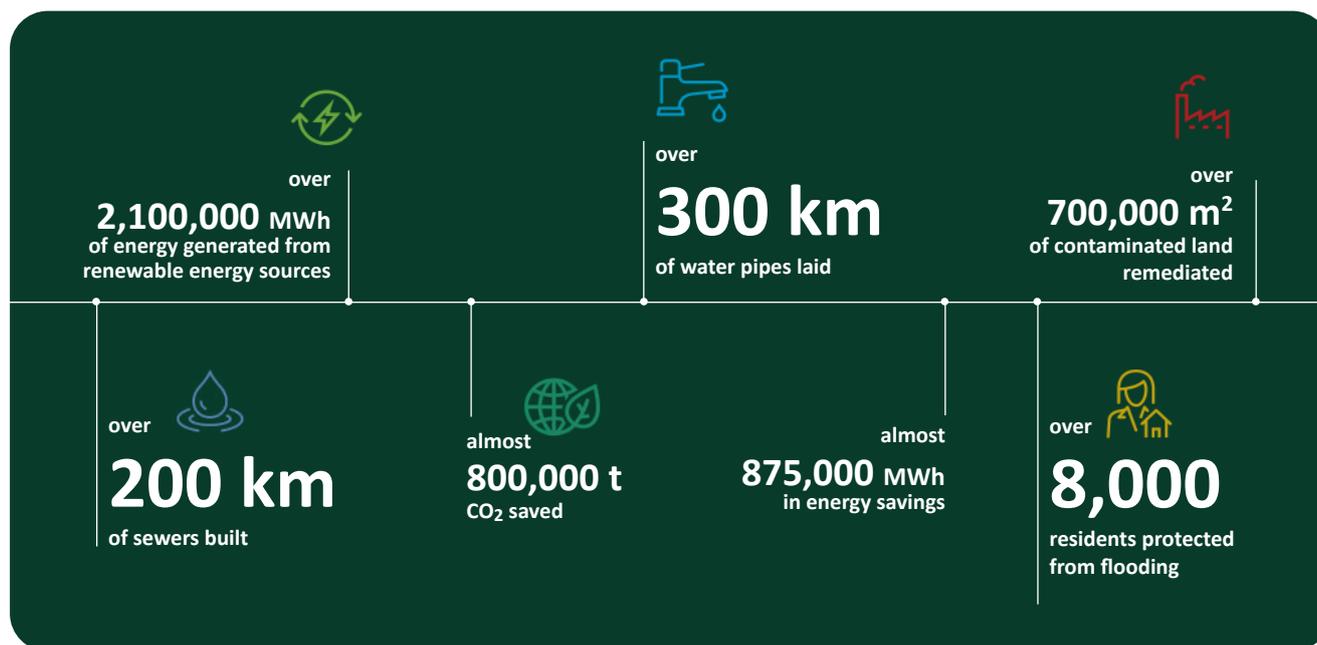
in %

#### Subsidy schemes

- Remediation of contaminated sites
- Biodiversity Fund (0%)
- Climate and Energy Fund
- Repair bonus
- Renovation support
- Environmental support in Austria
- Water management
- Other



## Effects of environmental support 2022



## Consultancy services

As a consultant, KPC successfully provides services for 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 terms of its international consulting activities, KPC has focussed in particular on the field of energy, climate protection and sustainable finance. It is also focusing increasingly on ESG (environmental, social & governance) services and the issues surrounding green finance and the EU Taxonomy, and KPC has accreditation as a **verifier of green bonds** under the CBI (Climate Bond Initiative) standard.

Clients include prestigious 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 Co-operation and Development (OECD) or the German Kreditanstalt für Wiederaufbau (KfW).

On behalf of the BMK, KPC once again appointed a member of the Austrian negotiation team for the climate negotiations at the EU level and for the international climate summit in Sharm El Sheikh (COP 27) in 2022. 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 adaptation to climate change in developing countries. In the field of bilateral climate project funding, KPC manages climate protection projects funded directly by the BMK to support climate protection measures in developing countries and emerging markets.

In 2022, KPC received new attractive commissions as well as extensions for existing appointments to **support green financing facilities** in the energy efficiency segment. One such example is the implementation of the EBRD's "Green Economic Financing Facility – Western Balkans" for the energy-efficient retrofitting of buildings in the Balkans, which KPC was commissioned to implement once again. This aims to reduce the use of wood-based fuels in inefficient stoves combined with poorly insulated buildings in order to combat environmental pollution (particularly particulate matter) and the wasting of local wood resources. KPC is implementing the project in partnership with local banks in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, conducting training, determining the amount of funding required for the individual retrofitting projects and advertising the programme.

2022 saw KPC being mandated by the European Commission to manage a project in Ukraine, coaching local trainers on **training for energy auditors** in order to implement the new energy efficiency legislation. The project was temporarily suspended as a result of Russia's war against Ukraine, but has been continued successfully, primarily online, since the summer. The implementation of the project is a key prerequisite for the successful reconstruction of Ukraine.

KPC has offered a platform for the voluntary offsetting of CO<sub>2</sub> 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 travel.

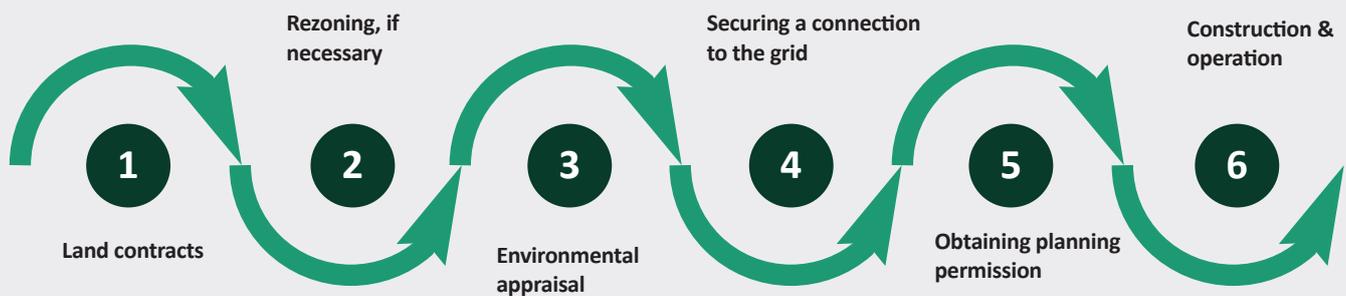
## Project development

Consistent with its measures to expand its areas of business, KPC created the “project development in the field of renewable energy” area. The aim is to use KPC’s technical know-how and Kommunalkredit’s financial background and to develop renewable energy projects, primarily wind and solar projects, in

Austria, but also within the EU. The idea is that, working hand-in-hand with partners, promising projects can be identified, developed, financed and implemented together with the financing resources of Kommunalkredit.

**“Based on our many years of expertise, we make a sustainable contribution to climate protection as well as to environmental, economic and social development through the management of support programmes and targeted consultancy services.”**

### Milestones in the construction & operation of renewable energy projects



## Fidelio KA Infrastructure Opportunities Fund platform

With the Luxembourg Fidelity KA Infrastructure Opportunities Fund SICAV-RAIF SCA, Kommunalkredit offers an infrastructure debt fund platform that gives institutional investors **diversified access to the bank's infrastructure pipeline**. Investors benefit from Kommunalkredit's strong acquisition, structuring and portfolio management expertise in the field of sustainable European infrastructure and energy transactions that benefit the public. In return, the bank benefits from deeper strategic partnerships with fund investors, ultimately translating into an increased number of transactions and higher volumes. 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 the end of 2022, the bank invested EUR 232m in infrastructure and energy transactions in parallel with the first sub-fund.

The "Fidelity KA Infrastructure Debt Fund Europe 1" sub-fund is fully invested. The fund combines a broad range of sustainable projects linked to infrastructure and energy investments that make a significant contribution to the Social Development Goals (SDGs). The investments have shown stable performance in the face of the COVID-19 challenges witnessed over the past three years. There are currently no signs that Russia's invasion of Ukraine, which began in February 2022, is having any direct impact.



In August 2022, Kommunalkredit launched the second sub-fund, called "Fidelity KA Infrastructure Debt Fund Europe 2". Like its predecessor, the fund's priority is infrastructure and energy projects in Europe that on average are structured as investment grade. As an Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR), it also rates environmental and social factors highly in its asset selection. This assessment is based on a rigorous three-stage evaluation: (i) SDG screening, (ii) exclusion criteria, (iii) ESG analysis. This allows us to support the EU's goal of redirecting capital flows towards sustainable investments. At year-end 2022, the Bank has invested EUR 77m in infrastructure and energy transactions parallel with the second sub-fund.

Other fund concepts are currently being examined and discussed with potential institutional clients.



## Florestan KA GmbH

In May 2021, the project development company Florestan KA GmbH was founded for **equity investments** with the aim of providing equity funding for infrastructure and energy projects with development and growth potential.

In this context, 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. Production of the electrolysis units is well underway and construction at the refinery site (preparations for integration of the plant) started on schedule in August 2022. Commissioning is expected in the second half of 2023.



Kommunalkredit has 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 photovoltaic systems, erects them on the roof areas provided and leases them on a long-term basis. Customers receive all the electricity generated by the system and can either use it in the building itself or feed it into the public grid. This model allows the bank to provide direct support for the climate targets of the Austrian federal government. The first systems went into operation in 2022.



## **Kommunalnet E-Government Solutions GmbH**

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet); 45% is held by the Austrian Association of Municipalities and 10% is held 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 e-Government Roadmap.

With 17,580 registered users from 2,094 Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (98%) and thus enjoys a unique position.

In 2022, numerous projects were launched or implemented to provide municipal authorities with even better assistance in their day-to-day tasks, to further expand the business segment and to generate growth potential. The most significant project was the implementation of ID Austria, which represents an evolution of the smartphone signature and the Citizen Card – which will be replaced by ID Austria in 2023 – and allows users to prove their identity for digital applications and services.

More than 1,600 municipalities have been contacted via loan-boox, the online platform for public sector loans set up in 2018, and financing requests with a volume of EUR 75m were published via the portal in 2022. There were also other projects in the direct sales sector that achieved revenues of EUR 120,000.

**“We deliver concentrated municipal knowledge to the Austrian municipal authorities free of charge, which is an absolute must in these modern, fast-paced and challenging times.”**

## **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.



# Employees

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

The individual expertise and personal abilities of our employees are just as diverse as the sustainable infrastructure sector. The **diversity** of our employees is a fundamental asset and indicative of a modern, dynamic business. As of 31 December 2022, 28 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.

We abide by the fundamental principles of the International Labour Organisation (ILO) and pay attention in particular to the basic rights of work safety and freedom from discrimination, which are also reflected in our **Code of Conduct**.

[> Business Ethics page 55](#)

## The Code of Conduct in everyday practice

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. Compliance with this Code of Conduct is essential for us: it forms the basis for the reputation and continued existence of the company and 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 working environment, corporate culture and career opportunities were decisive factors in our being named one of the most popular employers in Austria based on a study by the Austrian Institute of Economic Research. The sponsor of the survey – the Austrian daily newspaper Kurier – awarded us the seal of quality at the turn of the year. As an employer, we offer attractive professional 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 speed and precision.

Having the trust of customers, partner banks, investors, owners, regulatory as well as 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 the 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, diversified sustainability team promotes understanding and ensures compliance with the internal catalogue of criteria.

## Diversity as a fundamental principle

For several years now, Kommunalkredit has honed in on the topic of gender equality, particularly in terms of equal pay (known as the pay context). In accordance with EBA/GL/2021/04, remuneration policies must be designed equally. This principle of equal pay for male and female staff members for work that is equal or of equal value is enshrined in Article 157 of the Treaty on the Functioning of the European Union (TFEU). Based on the results of the internal findings regarding the pay context, evidence-based discussions were held and specific steps taken in order to remedy any instances of unequal treatment, and to increase awareness of equal opportunities. We have set ourselves the target of eliminating the gender pay gap within equal professional groups by 2025. Reporting and developments in diversity issues fall within the remit of the Sustainability Board.

[> Sustainability governance page 36](#)

In addition to our focus on gender equality, we are paying greater attention to diversity both in recruitment and in succession planning. The goal is that by 2025 at least 30% of managers at the bank will be female and our talent and junior managers will also be correspondingly diverse. Any service providers (headhunters) we engage are always required to ensure gender equality in recruiting communication, so that variety in filled vacancies should be a given. As of 31 December 2022, the proportion of women in the Kommunalkredit Group workforce was 43%; in management positions this figure was 31% – this is one aspect that was explicitly emphasised by business magazine sheconomy as part of its Diversity Challenge.



Kommunalkredit took part in the “Wiener Töchertag” [Daughters Day of Vienna] for the first time in 2022. Nine female managers presented the entire group of companies and its diverse range of sectors and business activities to girls and women from outside the business in order to boost the appeal of jobs in the STEM (science, technology, engineering, maths) sector. Also, when we attend trade fairs (such as the WU Career Fair, Business School Mannheim), we focus on gender-neutral communication and the promotion of women, especially in male-dominated fields. Our female managers play a reinforcing and convincing role here.

### Training and education as factors for success

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. Face-to-face communication is just as important to us as a quick, digital point of contact for those interested.

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 focus on achieving professional and personal potential – not only by holding specialist workshops but also with practical courses for everyday situations to strengthen the personality – across all management levels. As a company operating on an international scale with a multicultural workforce, 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 workforce. 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.

“Our employees are the driving force behind the company – as equal contributors and shapers of our joint success. Our goal is to create an environment where people can develop and apply their talents and gifts to the fullest.”

Our top priority is to support and encourage our young employees. A platform for networking between divisions called the “**Young Network**” was created in order to successfully integrate young talents into the company. Furthermore, 2022 saw the first round of our trainee programme. The aim of this company-wide training programme is to find young, committed personalities and train them to become the senior executives of tomorrow.

In 2021, 506 training days were completed by Kommunalkredit employees; this rose to 751 days in 2022.

The workforce should not only see themselves 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 sound work-life balance. This creates the certain distance needed and provides the potential to generate momentum, produce ideas and foster creativity.

In 2023, we will focus on expanding knowledge with a view to sustainability issues. The foundations for this were laid by a **strategic training management programme**, which will be rolled out and developed further in the coming years. 95% of all employees are to be trained on the topic of “sustainable development”; in the banking division, awareness will also be raised on the topic of “maximising impact”.

## Safety and good health

The health and safety of our employees are top priorities. Current risks and health burdens are identified, assessed and are quickly counteracted. This guarantees continuous improvement in the workplace and provides 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 especially relevant. Kommunalkredit transformed its working practices in March 2020 just as the Austrian Federal government announced its first measures to combat the spread of the COVID-19 pandemic: the majority of the workforce started working from home in order to keep the risk of infection as low as possible. The needs for mobile devices, office equipment and ergonomic furniture were met immediately; in-person meetings and business trips were reduced to an absolute minimum. Making the core hours rule more flexible for people still working in the office spaces has helped them to avoid rush hour on public transport. At the same time, it became clear that this offered a significant advantage primarily to colleagues with school-age 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**.

These requirements were in place from the 2020 to 2022 financial years and were discussed with the company doctor and adapted as necessary. Coronavirus testing was carried out on the premises several times a week and our own testing facility set up. The “coronavirus crisis management team” continues to pool 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 gives them an additional feeling of trust. Currently, almost the entire workforce has received more than one dose of the vaccine – supported by a vaccine drive by the company. The period of physical absence has also made IT security even more important than it already is for financial institutions. There are an increasing number of cyberattacks and cases of fraud worldwide which take advantage of vulnerabilities caused by restricted communication and the use of private devices. Employees have been made aware of the increased risk of potential dangers and trained accordingly.

In 2022, the **health care** of our employees included vaccinations, nutritional and ergonomic advice in addition to the annual health check-up. Practice in the use of defibrillators and resuscitation training take place annually and are intended to enable employee protection at the workplace in emergency situations. In line with a modern workplace, the procurement of new office furniture now only considers height-adjustable workstations and ergonomic chairs. The incorporation of part-time work and telephone counselling are offered in psychologically difficult situations. For safety at our premises, there are inspections with the safety specialist, evacuation exercises and CO<sub>2</sub> measurements to ensure the quality of the room air.

## Collective agreement, working hours models and the Works Council

Employment contracts at Kommunalkredit are subject to the Austrian collective bargaining agreement for employees of banks and bankers (Kollektivvertrag für Angestellte der Banken und Bankiers). Subsidiaries such as Kommunalkredit Public Consulting (KPC) also apply the collective agreement for employees of service providers in the field of automatic data processing and information technology (Kollektivvertrag für Angestellte von Unternehmen im Bereich Dienstleistungen in den automatischen Datenverarbeitungen und Informationstechnologie), as well as the master collective agreement for employees in trade and industry in the service, information and consultancy sector. All employees are covered by provisions of a collective agreement.

As an Austrian bank, Kommunalkredit must observe the principles for variable remuneration at banks as set out in the Austrian Banking Act (BWG) and other legislation. In order to adhere to these legal requirements and to document them in a transparent way, Kommunalkredit has issued a remuneration policy that is based on a **remuneration and performance management** system (performance-related bonuses) compliant with the legal framework. Variable remuneration is only paid in line with the principles and processes described within the policy. Qualitative and quantitative targets are set for the year as part of regular target meetings. All employees must fill in and sign a form agreeing on targets. The system is designed such that sustainability, business success and risk assumption are all taken into account.

**Flexitime and part-time working models**, as well as working from home, which has been more popular since the COVID-19 pandemic, help employees to find the right balance between professional challenges, family and other interests.

There is a Works Council for Kommunalkredit and KPC at the Vienna site. It was established as a **committee representing the workforce** to understand and promote the economic, social, health and cultural interests of the employees (Section 38 Labour Relations Act, ArbVG). The fact that the Works Council is represented on the Supervisory Board means that it is always kept abreast of current business activities. The Works Council is responsible for doing more than just actively fulfilling its statutory obligations. It takes multiple actions by organising presentations and cultural events and supporting participation in sporting events, as well as encouraging employees’ own initiatives. The Works Council is available to contact if there are any grievances. Concerns can be raised in person or anonymously via an internal mailbox as part of the **complaints management system**; alternatively, the ombudsman offices of Kommunalkredit or KPC are available. Employees have the right to form a Works Council and are entitled to vote in the election of the Works Council. Executive Board Members, managing directors and employees who have been with the company for less than six months, are not entitled to vote. In the Works Council elections in autumn 2022, a total of three lists with different focal points were submitted to be chosen by the colleagues in the Kommunalkredit Group. The high voter turnout highlighted the importance of active democracy and the significance of internal representation of interests.

## Benefits for employees

Since January 2014, Kommunalkredit has been providing its employees with the “Zone 100” **Jobticket** (valid in Vienna) on a tax-free basis. This supports the federal government’s initiative to promote the use of public transport. The programme has been expanded with other kinds of ticket since 2021; for example, the company now also pays a contribution towards the “Klima-Ticket”, or climate ticket. The Jobticket or Klima-Ticket offer had been taken up by 190 employees as of the end of 2021 and by 224 employees at the end of 2022.

Kommunalkredit **promotes occupational health** in cooperation with the Health Consult health centre. Fixed components of this programme include annual vaccination campaigns (protection against the tick-borne encephalitis virus, hepatitis A & B, diphtheria and tetanus/polio/whooping cough and flu protection) and the annual health check-up, as well as regular occupational

health consulting sessions. The occupational health programme also offered eye tests, body fat measurement/BMI calculation, audiometry (hearing test), the “MFT S3 check” coordination test and a lung function test. As in previous years, employees could also make use of occupational psychology services in 2022.

2022 was a challenging year from a political, economic and energy perspective. It was defined by inflation, interest rate increases and rising energy prices – also for Kommunalkredit employees. Although the collective bargaining agreements are not adjusted automatically for inflation, the bank’s employees were recognised for their commitment with a tax-exempt cost-of-living bonus of up to the statutory maximum of EUR 3,000 to cushion price increases.

## Development in figures

The company’s employees are the engine that drives it. As of 31 December 2022, the Kommunalkredit Group workforce included 364 full-time equivalents (31/12/2021: 301); 224 of these worked at Kommunalkredit Austria AG (31/12/2021: 188), while 140 worked for Kommunalkredit Public Consulting GmbH (31/12/2021: 113). Of the 224 banking employees, 14 work from the branch office in Frankfurt am Main.

The average age was 41. The share of academics was unchanged at a high level of 66%. Nine women were on parental leave as of 31 December 2022; during the year, four employees took paternity leave and five 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.

> [GRI indicators on page 208](#)

Kommunalkredit has passed a milestone in its digital HR activities with the rollout of the Performance Management Tool. The transparent, fully automated, paperless, GDPR-compliant and user friendly tool has taken the annual and semi-annual appraisals to a new level for employees and supervisors alike with accelerated and linked processes. In the context of fact-based HR management, Kommunalkredit analyses the most important performance indicators and as a result is able to make targeted recommendations for action.

### Human Resources dashboard



Vienna on the Danube



Ines | Human Resources

Frankfurt on the Main



Nora | Human Resources



Sonja | Assistance to the Board



Franz | Finance

Spatial security

Flexible working time models



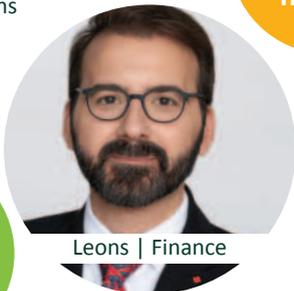
Bernhard | Investor Relations

66% Share of academics



Biljana | Banking Operations

Expertise

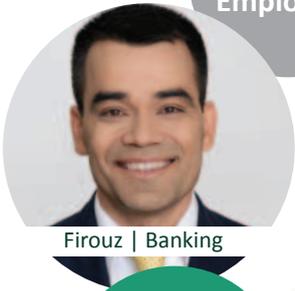


Leons | Finance



Evelyn | Human Resources

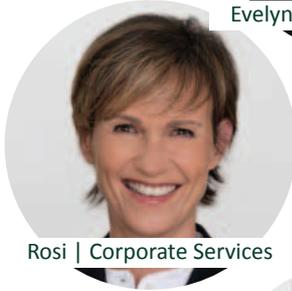
364 Employees



Firouz | Banking



Eike | IT



Rosi | Corporate Services

Occupational health care



Arbnor | Banking

43% Share of women



Ingeborg | Markets



Marijana | Banking

Sustainability in our DNA

28 Nationalities

Young Network

751 Training days



Barbara | Risk Controlling



Pankaj | Banking

Infra Think Tank



Regina | Fidelio

41 Average age

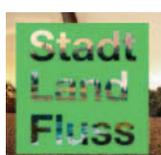
100% Green power

# Communication

**Open dialogue is a fundamental prerequisite for efficient action; transparency in times of constant change creates trust. Responsible governance can only be achieved through dialogue with stakeholders. Accordingly, Kommunalkredit carefully cultivates its relationship with society, customers, business partners, investors, the media, regulatory authorities, shareholders and, of course, its employees.**

Kommunalkredit is not a traditional bank. Instead, it is a think tank in the fascinating universe of sustainable infrastructure. It is a question of linking complex relationships to set up projects that benefits the community. This makes Kommunalkredit fascinating and noticeably more appealing – for partners, potential colleagues, competitors and the media.

The subsidiary Kommunalkredit Public Consulting (KPC) boasts expertise in energy and energy efficiency, climate and environmental protection, water management and development finance, and plays an important role as a hub for environmentally relevant subsidies, consulting and sustainable finance, increasingly putting it at the forefront of interest – both nationally and internationally.



> Play episode 30:02

## Creating understanding, attracting attention

In the 2022 financial year, communication measures clearly underlined **the bank's position 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; just as a pioneer for sustainable approaches, especially in the domestic market of Austria.

To engage with our stakeholders, we rely on 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, exciting infrastructure facts and interesting events through our **online channels**. We provide an insight into the genesis of the bank and the DNA of our employees. We invite national and international experts to take the microphone and talk about sustainable infrastructure for our podcast "Stadt | Land | Fluss". Through social media and our website, we invite those interested into the world of Kommunalkredit, where we are working on solutions for a sustainable future.

Face-to-face communication, long-term contact with media (both in the Austrian market and with international infrastructure trade magazines) was also stepped up in 2022. Activities were performed both for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for retail customers). KPC's new website went live at the end of the year, acting as a primary interface for environmental funding, CO2 offsetting and consultancy activities. In June, the PeakSun website was launched; this is the joint venture with the Upper Austrian energy supplier eww for the construction of rooftop photovoltaic systems.

Proximity to cities and municipalities of Austria has a long tradition. Advising on and financing public sector infrastructure investments (public finance) and advising on subsidy schemes are important components of the business model. Cooperation with the two main municipal decision makers was continued in 2022; Kommunalkredit was represented both at the Congress of City & Town Authorities held by the Austrian Association of Cities & Towns and at the Congress of Municipalities held by the Austrian Association of Municipalities. Our experts also attended numerous professional events in Austria and abroad, from the Kommunalwirtschaftsforum [Municipal Economic Forum] and the Young Mayors' Meeting, to infrastructure, technology and environmental forums and the international climate conference in Egypt (COP27).



Since 2005, we have organised the joint event **MUNICIPAL SUMMER TALKS** with the Association of Municipalities. Ausseerland welcomed more than 350 national and international guests from politics, business, science and the media who came to exchange ideas about new living environments for education, work, migration, communication and energy in times of structural change.

With regard to our investor relations activities, we are permanently in close contact with investors, analysts and business partners. In 2022, a comprehensive investor presentation was published in addition to the financial reports and the sustainability report. The presentation is regularly updated to provide our investors, interested parties, customers and all external stakeholders with a current overview of Kommunalkredit's activities. Furthermore, a Global Investor Call was held to cultivate investors relations; Kommunalkredit presented at capital market conferences and a large number of face-to-face discussions and meetings took place.

Expert talk on regional economic drivers at the 68th Austrian Congress of Municipalities in Wels: Kommunalkredit CEO Bernd Fislage, Raiffeisen OÖe CEO Heinrich Schaller, Association of Municipalities President Alfred Riedl, Finance Minister Magnus Brunner, host and political scientist Thomas Hofer (from left to right).

### Building trust, overcoming challenges

In internal communications, we place great value in an open flow of information and respectful conduct within the company. In times of increased challenges, regular and transparent information helps to counteract the feeling of uncertainty. In 2022, in addition to the video and online formats tested during the pandemic, we again used direct communication in town hall meetings. Newsletters, information from the Executive Board, and the intranet complemented our communication flow to our employees. Information from the Sustainability Team and the Works Council helped actively drive discussions.



The two-day event MUNICIPAL SUMMER TALKS was brought to a close by the Association of Municipalities President Alfred Riedl, Federal Minister Norbert Totschnig, Federal Minister Martin Kocher, host Meinrad Knapp, Federal Minister Leonore Gewessler and Federal Minister Martin Polaschek (from left to right).

**“We are constantly looking at how we can create a holistic system around the implementation of sustainable ideas and projects.”**





Association of Municipalities General Secretary Walter Leiss, Mayor of Bad Aussee Franz Frosch, Federal Minister Norbert Totschnig, Federal Minister Leonore Gewessler, Kommunalkredit CEO Bernd Fislage, European Parliament Vice-President Othmar Karas, Association of Municipalities President Alfred Riedl (from left to right).

## MUNICIPAL SUMMER TALKS 2022

### Snippets

**“Pandemic, climatic, digital and geopolitical changes pose additional challenges for countries, cities and municipalities. New ways of education and training, changes in the focus of life, innovative digital solutions and sustainable structures and investments are the key to change.”**



“The ‘digital natives’ or ‘Gen Z’ are growing up in a fast-moving, globalised world. They want to help shape and change their future. They need jobs with purpose and responsibility. To make them feel at home, they need three things: WiFi, housing, roots.”

Claudia Plakolm, State Secretary for Youth and Civilian Service in the Federal Chancellery

“Traditionally, investments are made with profitability, liquidity and security in mind. Sustainable financing adds environmental, social and ethical points to the classic evaluation criteria. With every investment, one should consider: what impact does this investment have on the sustainability goals?”

Christian Klein, Professor for Sustainable Finance, University of Kassel



“Young people are most dissatisfied with political conditions, the economy and the environment. We cannot and should not clear young people’s path of all problems. But it is our mission to educate, motivate and engage them.”

Heinz Herzceg, lifeCREATOR CONSULTING, Youth Study Editor



“Character skills, strength and resilience are sought after. How can we close the gap between the skills children learn in school and those they need in life? The school of the future contains offices of learning instead of traditional classroom teaching. Achievement and a love of learning depend on each other.”

Andreas Salcher, management consultant, author, co-founder of Sir Karl Popper School



“Short-term solutions will not solve our problems, as we can see currently with the energy crisis. We need to think about multifunctional planning for all projects and we need to always be asking ourselves how modern the construction is, what purpose will the project have in 20 years’ time?”

Thierry Déau, CEO Meridiam

“The world of work has turned upside down in recent years. Knowledge doubles almost daily and technical change brings rapid progress and complexity. Today’s professional life is characterised by change. Young people must be prepared for these living environments.”

Claudia Hammerschmid, former Minister of Education, Kapsch TrafficCom Supervisory Board member



“Crises basically fuel innovation and research because dealing with them creates increased demand for new technologies. Unlike in Europe, the innovation boom in China and Korea did not suffer in any way during the COVID-19 crisis. The decline happened in traditional industries, which are increasingly located in Europe, not in digital ones.”

Prof. Yann Ménière, Chief Economist, European Patent Office



“Lifting the sanctions against Russia does not solve our energy dependency problem. The price of our dependency is reflected in the high prices and shorter supply of energy.”

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

“There isn’t a single robot that will take work away from us. Since 2013, we have created almost 500,000 new jobs on the labour market – not least also thanks to the expansion of digitalisation.”

Martin Kocher, Federal Minister for Labour and Economy



“Virtual work and learning must continue even when it is not necessary due to a crisis. Schools are responsible for teaching meta skills like critical thinking and problem-solving skills.”

Martin Polaschek, Federal Minister for Education, Science and Research



“When it comes to the use of space for energy production, I am calling for the installation of photovoltaic systems on roofs and areas that have already been sealed in particular. Agri-PV systems are another good option.”

Norbert Totschnig, Federal Minister for Agriculture, Forestry, Regions and Water Management



“These times are more distressing than ever before, seeing how fears are mounting about the future, our next electricity bill and what is happening in the world. Unlike in the past, the crises and challenges facing us are global and are hitting us at the same time.”

Othmar Karas, First Vice-President of the European Parliament



“A lot of trends have picked up incredible speed in recent years. Digitalisation shows just how much need there is for fundamental infrastructure, from fibre optics to equipment for schools.”

Alfred Riedl, President of the Austrian Association of Municipalities



“We are experiencing challenging times. And challenging times call for hard decisions, that were never imaginable! What is more important? Energy security? Or our climate/“Net Zero” goals?”

Bernd Fislage, CEO Kommunalkredit



# Research and development

At Kommunalkredit, no research activities are conducted within the meaning of § 243 (3) no. 3 of the Austrian Commercial Code (UGB). Its activities as a specialist bank for infrastructure and energy financing requires the development of made-to-order products and the optimisation of digital portals.



In the high-growth infrastructure finance market, Kommunalkredit acts as a 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 as well as 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 tailored, individual solutions for our customers and partners.

This area of operations also encompasses investment opportunities for municipalities, businesses, institutional and retail customers, as well as recognition of support instruments. User-friendly, GDPR-compliant **online platforms** play an important role here. The focus on and our innovations linked to our business model were once again awarded by the Austrian trade magazine “Der Börsianer” in 2022.

## Data Cockpit

Kommunalkredit has developed a comprehensive **internal management information system (MIS)**, which enables a quick and reliable 360° view of the bank’s figures and detailed information on which they are based. The basis is a data warehouse which collects all data, structures it and provides the entire detailed history. The Tableau analyses provide valuable data insights for planning, forecasting and business orientation. The MIS enables a view of the portfolio, deposit development, the sales pipeline, syndication progress, the current budget, limits and much more. Linking the data makes it possible, for example, to break down a portfolio view at the project level down to each individual booking. The modular kits can be combined as needed. The system is continually expanded, updated and adjusted.

In Human Resources, additional data cockpits were introduced with the implementation of the performance management tool and the fact-based management analysis.

[> Employees Page 96](#)



# Significant events after the reporting period

## Termination of pending legal proceedings

The legal proceedings of Kommunalkredit Austria AG (see Note 70 Legal risks), which were still pending at the balance sheet date, were constitutively terminated on 25 January 2023 with the transmission and receipt of the plaintiff's waiver of action against Kommunalkredit Austria AG.

## Change of control of Kommunalkredit Austria AG's owners

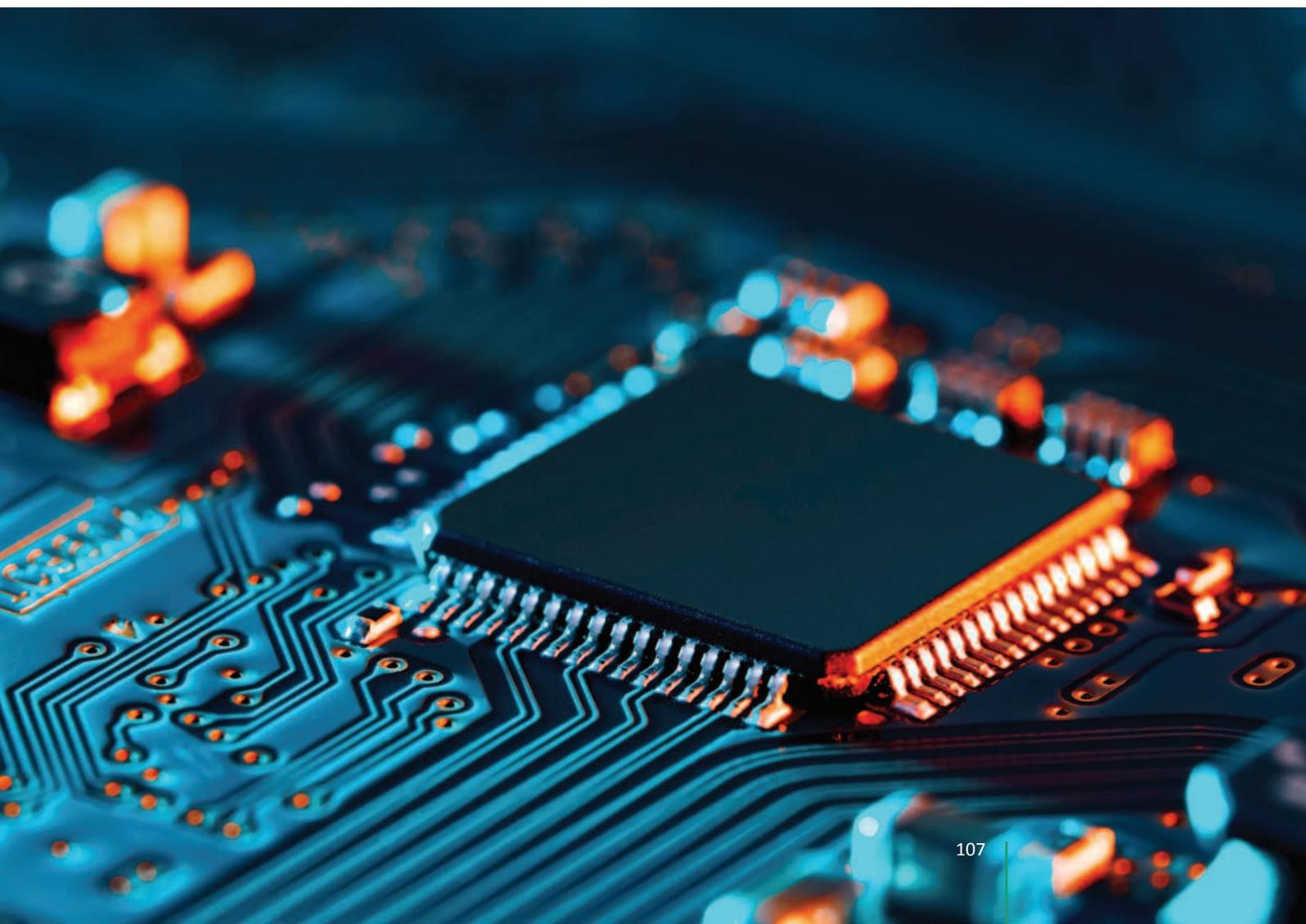
The two indirect controlling shareholders of Kommunalkredit Austria AG, Interritus Limited, based in the United Kingdom, and Trinity Investments Designated Activity Company, based in Ireland and managed by Attestor Limited, have sold their entire stake in Satere Beteiligungsverwaltungs GmbH (holding company of Kommunalkredit Austria AG) to Green Opera Finance BidCo AB based in Sweden. The sale is subject to competition and regulatory approval. The current owners of the holding company will each indirectly hold a 9.9% interest in the acquiring company.

Green Opera Finance BidCo AB is backed by funds managed by Altor with approximately EUR 11bn in assets under management (AuM). The funds have invested in over 85 companies with the aim of creating sustainable value through growth initiatives and capital measures. Current and past investments include Carnegie, C WorldWide, Sbanken, OX2, H2 Green Steel, Vianode and Svea Solar.

## Changes in the Executive Board and Supervisory Board

Claudia Wieser will resign from the Executive Board and board positions of the Group as of 31 March 2023. Sebastian Firlinger (CRO) will take over the CFO function and the corresponding departments on an interim basis as regulatory deputy according to the rules of procedure of the Executive Board as of 1 April 2023. This will ensure the desired continuity in management throughout.

Brigitte Markl resigned from her Supervisory Board mandate as employee representative on 31 January 2023 and left the Bank's works council. Oliver Fincke was appointed to the Supervisory Board as an employee representative as of 3 February 2023.



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

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 with respect to the accounting process. The Audit Committee monitors the accounting process in general as well as the effectiveness of the internal control system.



The Kommunalkredit **internal control system** (ICS) is a component of the company's risk management and serves to help attain the company's objectives. The ICS is integrated in the processes and plays a role in the accounting process.

Risks that could jeopardise the company's objectives need to be identified quickly, and the appropriate measures then taken. To do this, controls are defined in order to minimise or avoid core risks and to safeguard the achievement of the principal business objectives to the greatest extent possible.

Kommunalkredit bases its ICS management approach on the five-component model provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) from 2013:

- Control environment
- Risk assessment
- Control measures
- Information and communication
- Monitoring activities

## Control environment

Kommunalkredit's control environment is shaped by its general **Code of Conduct** as well as specific **policies** and **work instructions**. These are supplemented by a formal organisational structure and procedural organisation (the latter within the scope of an overall process map).

The implementation of the ICS regarding the accounting process is defined in specific 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 Accounting – are organised into separate divisions. Executive, transactional and administrative activities are clearly separated from one another or are subject to the two-person-review principle. Within the procedural organisation in Finance, standard software is generally used for making entries, cross-checking, controls and reporting. Data and IT systems are protected from unauthorised access. Relevant information is only provided to those employees who actually require this information for their work, in line with a "need to know" principle. Results are discussed between divisions where necessary. 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

A two-step risk assessment process is implemented at Kommunalkredit – on the one hand, in order to **define ICS-relevant processes** within the framework of “scoping”, and on the other via **analysis of the individual processes** described in the overall process map. At Kommunalkredit, accounting processes are classified as ICS-relevant processes in line with a rule-based approach. The main risk in the accounting process is that circumstances may not be accurately represented in keeping with the company’s net assets, financial position and results of operations due to errors or wilful misconduct.

## Control measures

Relevant risks are identified on the basis of the individual processes and control points, the respective control objectives, the type of control and the control officer are defined. In a **risk-control matrix (RCM)**, the controls allocated to the process in question are defined and assigned to a control officer.

All control measures are applied to current business processes to ensure that potential errors or deviations in financial reporting are prevented or identified and eliminated early on. The software used for accounting and reporting is market-standard software (SAP). As well as automated controls (validations) which are implemented in SAP, manual controls are performed by employees. 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.

## Information and communication

Within the scope of the ICS management, the division heads provide quarterly confirmation of the orderly implementation and documentation of key controls.

In addition, all of Kommunalkredit’s divisions – in particular, Finance and Risk Controlling within the scope of the accounting process – regularly report to the Executive Board in the form of **monthly and quarterly reports**. The Executive Board is for its part required to report to Kommunalkredit’s Supervisory Board. The individual reports include the calculated data for the company (statement of financial position, statement of profit or loss, 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

Monitoring activities within the scope of the ICS are implemented by means of a **structural audit** and a **functional audit**. This includes an appropriate link between the respective risk, control objective and control activity as well as a **spot check audit** of whether controls are actually implemented and documented in an orderly fashion.

The active monitoring of compliance with all rules aims to ensure that all operating processes are as reliable as possible and to ensure compliance with internal and statutory regulations. In case of shortcomings in the control system, remedial and preventative measures will be developed within the scope of the ICS management system and their implementation will be 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.



### Risk trends 2023 and in the future<sup>25</sup>

<sup>25</sup> S&P Global Ratings – Risk trends shaping 2023 and beyond, [www.spglobal.com/ratings/en/research-insights/special-reports/global-credit-outlook-2023](https://www.spglobal.com/ratings/en/research-insights/special-reports/global-credit-outlook-2023), 10/1/2023.



# Outlook

**2023 is set to be a challenging year – with a high level of uncertainty. The conflict between Russia and the West, the sharp rise in energy prices, rising inflation and a possible resurgence of the COVID pandemic mean that only a subdued outlook is possible. At the same time, the significance of infrastructure has steadily increased, particularly in times of crisis. This should have a positive long-term impact.**

The economy will further contract at the start of 2023, before returning to a growth path. The year will be dominated by stagflation, i.e. virtually no economic growth combined with persistently high inflation. In almost every country, fiscal measures have already been implemented to protect private households and companies against the increase in prices. These relief packages are likely to be continued in 2023. In the European Union (EU), the introduction of an electricity price brake in order to cap costs for people's basic electricity needs is under discussion. The key issues: inflation, recession and the effects of the war in Ukraine. However, economic developments in China are also a major source of uncertainty.

## Macroeconomic environment in 2023

Refinancing and asset quality are expected to be the key items on the agenda for the European banking sector. On the **liabilities side**, refinancing is set to become more expensive due to key interest rate increases, the end of low-cost central bank refinancing and rising risk premiums. At the same time, there is growing competition for customer deposits, since these remain the cheapest source of refinancing for banks despite rising deposit rates. The cost side is being burdened by the high rate of inflation. On the **assets side**, the higher interest rates are buoying net interest income, but risk costs are also on the rise. After several years of a decline in non-performing loans, the books of European banks are showing an increase in the volume of credit positions subject to a heightened level of risk ("Level 2 loans") in sectors and business segments sensitive to the economic cycle especially. In this context, Kommunalkredit's business model – with its focus on infrastructure and energy financing as well as public finance – is expected to once again demonstrate its crisis-proof character.

Following record inflation in 2022, there are growing signs that this may have now peaked. Inflation is expected to drop off in 2023, even if the inflation target of around 2% set by the European Central Bank (ECB) is likely to remain some way off. As well as the central banks' stricter monetary policy, declining consumer confidence and falling freight costs are also having a dampening impact on inflation. Lower inflation levels are providing the central banks with scope to reduce the pace of their tightening of monetary policy. This should also boost the capital markets.

In **China**, the country's long pursuit of its zero-COVID policy and the related quarantine measures and lockdowns which affected millions of people for weeks at a time caused consumer confidence to suffer a dramatic fall to all-time lows. Following the removal of most of the restrictive measures, infection rates are now strongly on the rise in China and may place excessive strain on the Chinese healthcare system. In addition, the country's economic growth is being depressed by problems in the real estate sector.

In summary, economic activity is expected to be burdened by a heightened level of uncertainty, energy prices which remain high and negative effects of the sanctions imposed on Russia; private consumption will be curbed by the high rate of inflation in particular. Over the course of 2023, the economic upturn and the measures implemented by the central banks can be expected to result in a gradual decline in the rate of inflation.

### Geopolitical tensions

Competitive energy  
Supply chains

### Climate considerations

Energy transition  
Climate change  
Physical risk

### Digital disruption

Cyber risk  
Crypto

## European infrastructure market 2023

In 2023, the players on the **infrastructure market** will continue to face many of the challenges which applied in the current year. Since economic growth has almost ground to a halt, further interest rate moves by the central banks will be more moderate. While short-term interest rates such as the 3-month Euribor – which is relevant for financing in the infrastructure sector – reached a new high in mid-December 2022, at slightly more than 2% (having amounted to -0.6% in mid-December 2021), in mid-December 2022 the EUR 10-year interest-rate swap (IRS) was around 2.6% – which is still significantly higher than the previous year’s figure of 0.8%, but clearly below the high for the year of 3.3%.

The infrastructure sector will continue to demonstrate its **resilience in the face of crisis**, as heavy reliance on Russian oil and gas is a pattern that can only be broken in the medium and long term through the privately financed expansion of renewable energy. Aside from the expansion of capacities in the photovoltaics/solar and wind segments in particular, niche areas such as biogas, geothermal energy etc. will be increasingly important. Some areas of the energy transition (hydrogen, EV charging, battery storage) are set to acquire additional momentum.

The pace of the expansion of digital infrastructure in the fibre optic segment already slowed in the second half of 2022. There are growing indications of the start of a trend towards consolidation of smaller players. The flow of trade will therefore increasingly focus on brownfield/M&A<sup>26</sup> situations. This sector will gain additional momentum in the data centre segment. There is a high level of demand for large hyperscalers (data centres for big tech firms) as well as smaller colocation data centres for clients in the fields of trade, industry and financial services.

The current interest rates will continue to mean increased costs for borrowers. However, since private equity investors in the infrastructure segment have around EUR 300bn of “dry powder” (money not yet invested), this is not expected to have much of an impact on valuations. However, 2023 may prove to be a more difficult year on the fundraising front. Even if cash flows and valuations remain stable, there is the issue of opportunity costs. Investors who can expect a return in excess of 4% on purchasing a 10-year US government bond will not be greatly excited about a private equity strategy with an estimated net return of around 6%. Accordingly, assets with a higher risk-return profile in the core plus segment (such as Social Infrastructure) will attract an increased level of interest. Subordinated financing and mezzanine structures may also become more attractive.

Private equity investors and lenders will need to increasingly focus on key issues in 2023. With weak economic data and a continuing high level of inflation, these are reflected in simple questions: is this asset a price leader? Can higher energy costs be passed on to consumers? At what point will demand begin to drop off? In the case of new investments, all investors will need to proceed particularly carefully and emphasise proactive portfolio management. This is necessary because the business models of many infrastructure sectors are evolving to an ever greater extent and are in many cases transforming into platforms (as in the areas of telecoms and renewable energy). Investors not only acquire individual assets with a long-term focus (such as a toll road or airports), they also acquire a management team which they expect to monetise a pipeline of growth projects and buy-and-build infrastructure.

Overall in 2023, the volume of transactions on the credit side may decline due to the higher financing costs. This will continue to limit the attractiveness of refinancing. Private equity investors may also curtail their capex/rollout plans in the greenfield<sup>27</sup>/newbuild segment if more expensive loans fail to generate the envisaged returns on equity.

For all of the uncertainty, the infrastructure market can continue to rely on a tailwind in the form of the long-term megatrends such as decarbonisation and digitalisation. At any rate, more realistic expectations, an even higher level of analytical quality in relation to fundamental investment questions and an increased focus on diversification will be core concerns.

## Kommunalkredit in 2023

All social and economic activities depend on infrastructure. Our living and working spaces are increasingly urban and global and ever more flexible. Energy and transport networks, care and education centres, utilities and leisure facilities underpin the way of life we are accustomed to. The demographic trend and the process of structural transformation are creating additional challenges for us. Geopolitical uncertainties are making it more difficult to satisfy society’s needs.

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<sup>26</sup> Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).

<sup>27</sup> 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.

Initiatives such as Europe's REPowerEU<sup>28</sup>, which is intended to provide the EU with strategic autonomy by diversifying its energy supply, and the United States' Inflation Reduction Act, which aims to **drive forward climate protection**, are important measures in order to promote a secure energy supply as well as the process of environmental change. This requires price instruments, regulations and public investments which will be implemented in different ways from one country to the next. According to estimates by the International Energy Agency<sup>29</sup>, global investments in clean energy and energy infrastructure must be more than tripled by 2030 in order to achieve climate neutrality by 2050.

Our **mobility behaviour** is set to undergo drastic changes due to capacities, flexibility, costs, energy use, environmental regulations etc. The transport sector is in the midst of a transformation.

**Digitalisation** will naturally also play a key role here in future. Providing further areas with broadband, improving transfer rates in urban centres and the expansion of digital solutions in the healthcare system will require investment in appropriate infrastructure. Working from home and distance learning have not only become socially acceptable, they also represent an alternative which will make it possible to strengthen regions and bring about a permanent shift in mobility.

These requirements underline the value of functioning, modern and sustainable infrastructure. Energy suppliers and telecommunication service providers, hospitals, nursing homes, alternative drive systems and local public transport will continue to play a key role. The necessary steps for the energy transition and to prevent climate change must be undertaken quickly despite – or precisely because of – the reliance on fossil raw materials.

As a special bank for infrastructure and energy finance as well as public finance, Kommunalkredit will continue to use its expertise to benefit society at large. The bank arranges, finances and consults on sustainable projects in the Energy & Environment, Communication & Digitalisation, Social Infrastructure, Transport and Natural Resources sectors. Water treatment plants in Italy, wind

farms in Scandinavia, photovoltaics systems on the Iberian peninsula, heat generation and distribution in the Czech Republic, broadband initiatives in Germany, the Netherlands, Slovenia, Croatia and Poland – these are just a few of our projects in the area of sustainability in the 2022 financial year. We are naturally continuing to focus on our home market of Austria, where we are involved in the generation of green hydrogen, the transition to photovoltaics and as a financing and funding partner for Austrian cities and municipalities.

A look at the key performance indicators confirms the route we have chosen to focus on infrastructure and develop sustainable approaches. We are at a "point of no return". In order to achieve our climate objectives, we must reduce our energy consumption, implement energy upgrades and pursue alternative solutions. Even before the recent geopolitical tensions, there was a need to break with fossil fuels. Thanks to modern healthcare facilities and the latest research findings, our society is increasingly ageing. However, this shift means that the number of people who are retired or require care is increasing, while persons of working age are unable to close this gap. The discrepancy between urbanisation and the growing attractiveness of rural areas is prompting an additional need for digital and mobile solutions.

We are not mere observers of this process of change. We are driving things forward and providing support, we are an innovator and we are an incubator for sustainable approaches. Infrastructure is part of our DNA; we live and breathe infrastructure in our daily work – and beyond.

<sup>28</sup> European Council – EU recovery plan: Provisional agreement reached on REPowerEU, press release, 14/12/2022.

<sup>29</sup> OECD – Economic Outlook, Issue 1/2022, 26/9/2022.

Vienna, 14 February 2023

The Executive Board of  
Kommunalkredit Austria AG

**Sebastian Firlinger**  
Member of the Executive Board

**Bernd Fislage**  
Chief Executive Officer

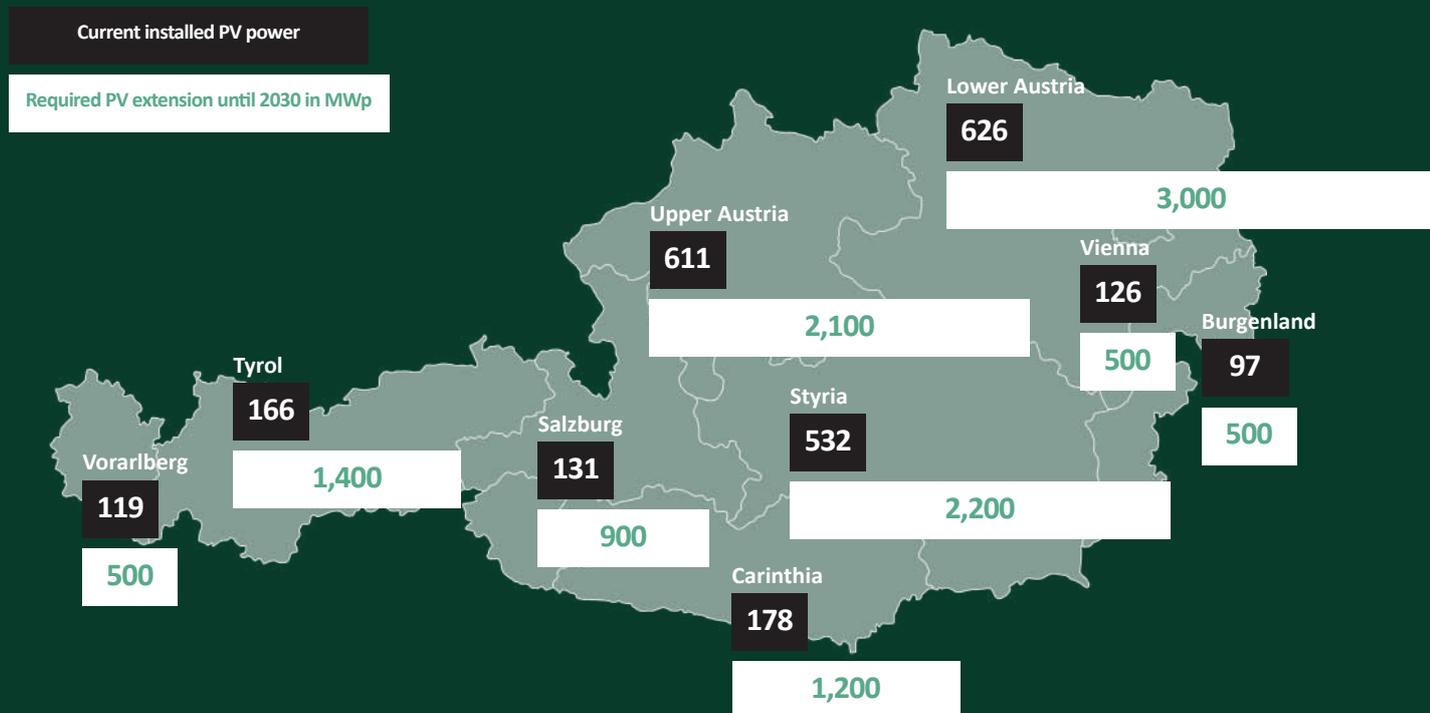
**Claudia Wieser**  
Member of the Executive Board

# Infra Facts

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

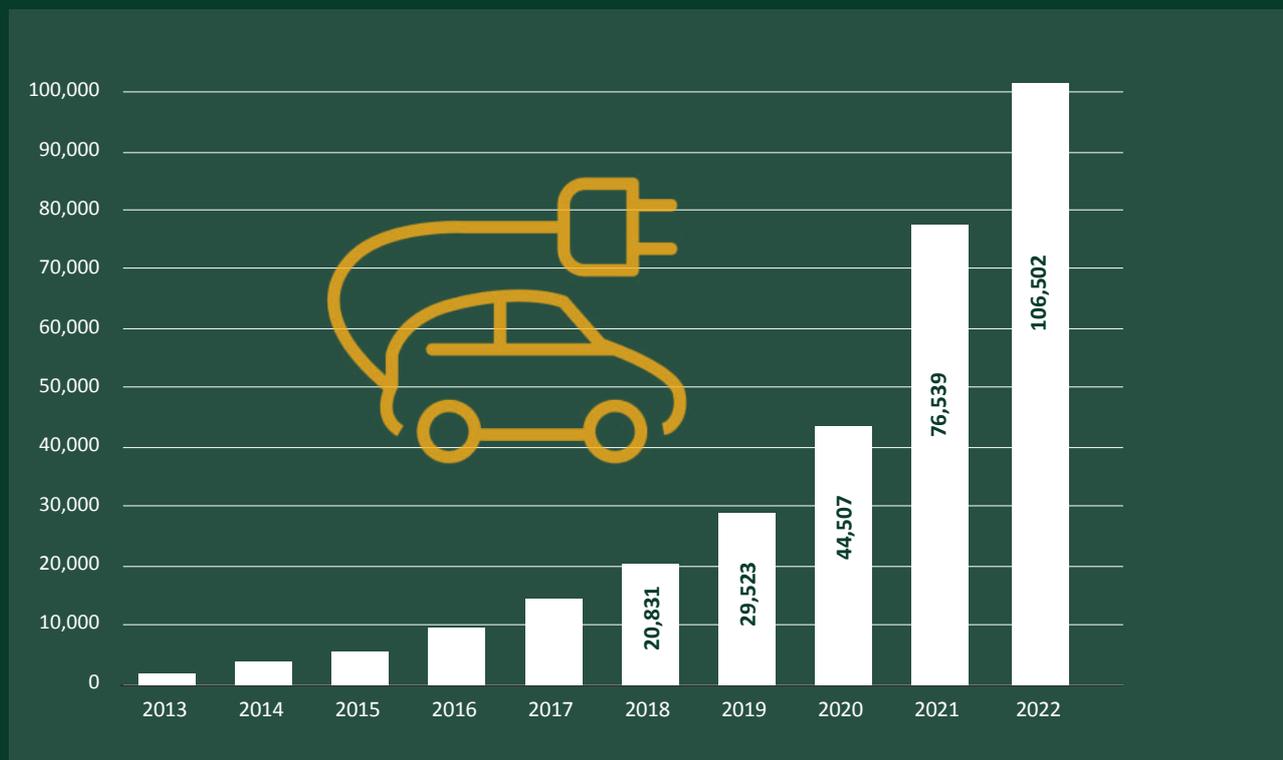
## Current and required PV power until 2030.

Source: Innovative Energy Technologies in Austria Market Development 2021, Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation & Technology 2022; PV Austria



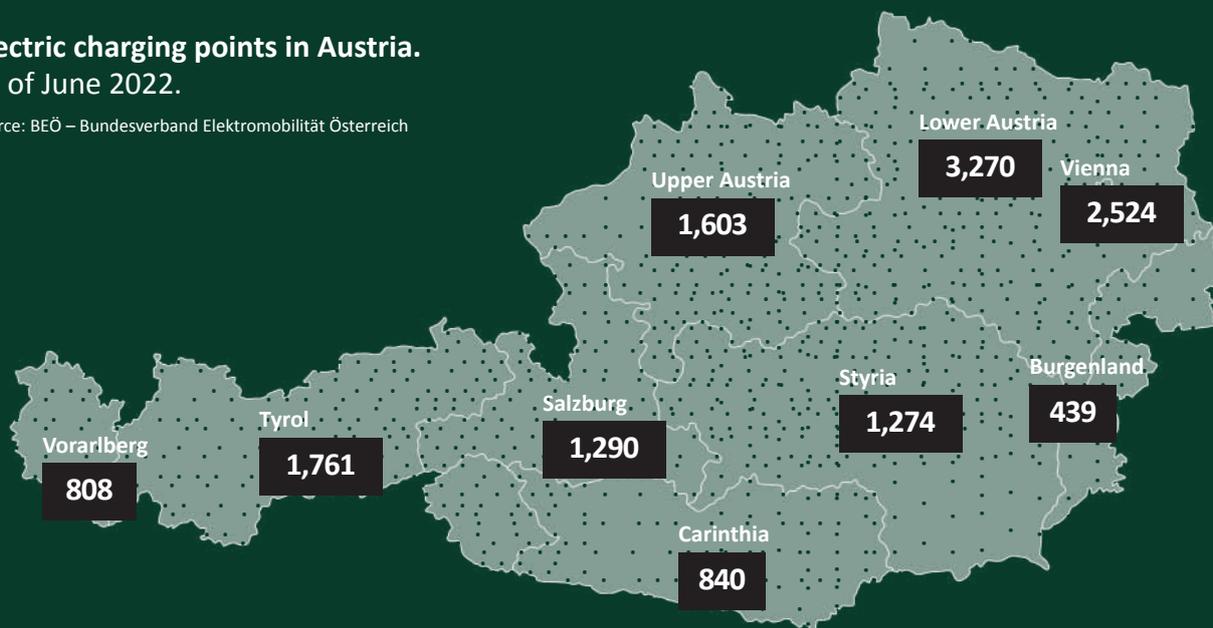
2,782 MWp of PV capacity is currently installed in Austria. PV electricity provides approx. 4.73% of the overall volume of electricity produced in Austria and thus supplies around 630,150 households. In order to achieve the country's climate goals, the expansion of photovoltaics in Austria needs to be increased almost fivefold by 2030 relative to the current situation. At the end of 2021, only 23% of the required capacity was installed.

## Electric cars in Austria. As of November 2022. Source: BEÖ – Bundesverband Elektromobilität Österreich



## Electric charging points in Austria. As of June 2022.

Source: BEÖ – Bundesverband Elektromobilität Österreich



As of 30 November 2022, there were 106,502 purely electronic passenger cars in Austria. That represents 2.1% of the country's entire stock of cars. There were almost 31,000 new registrations (around 0.8% more than in the previous year). The volume of cars with petrol (-14.6%) and diesel (-17.3%) engines registered a clear decline in the same period. While in late 2021 10,400 charging stations were available, a year later there are now around 13,800 public charging points. Most of them are situated in Lower Austria, Vienna and Tyrol.

# Did you know ...

**... that the French physicist Alexandre-Edmond Becquerel discovered the photovoltaic effect in 1839?**

**... the average utility-scale wind turbine contains roughly 8,000 parts?**

**... the Shanghai Maglev Train has a maximum commercial speed of 460 km/h and connects Shanghai's Pudong airport with the city centre?**

**... that between 2007 and 2010, New York's Metropolitan Transit Authority recycled 2,500 subway carriages by dumping them into the Atlantic ocean to create an artificial reef for crustaceans and fish?**

**... the global technical potential for wind energy ranges from 19,400 TWh/year (onshore) to 125,000 TWh/year (onshore and near-shore), both of which exceed the current global electricity production?**



# CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2022 FINANCIAL YEAR.



## I. Consolidated statement of financial position

ASSETS in EUR 1,000	Note	31/12/2022	31/12/2021
Cash and cash equivalents	(24)	503,203.0	543,366.7
Assets at amortised cost	(25),(26)	2,523,535.1	2,393,909.5
Assets at fair value through other comprehensive income	(27)	1,137,451.8	1,085,203.8
Assets at fair value through profit or loss	(29)	223,573.4	244,590.9
Derivatives	(30)	201,381.0	128,390.9
Portfolio hedge		0.0	1,225.3
Property, plant and equipment	(32)	23,582.7	23,733.5
Intangible assets	(34)	4,309.2	848.8
Deferred tax asset		4,425.7	0.0
Other assets	(36)	6,807.1	6,581.5
<b>Assets</b>		<b>4,628,269.1</b>	<b>4,427,851.0</b>

LIABILITIES AND EQUITY in EUR 1,000	Note	31/12/2022	31/12/2021
Liabilities at amortised cost		3,875,067.3	3,772,808.5
<i>of which amounts owed to banks</i>	(37)	156,632.5	480,764.6
<i>of which amounts owed to customers</i>	(38)	2,289,163.9	1,861,048.3
<i>of which securitised liabilities</i>	(39)	1,400,427.3	1,370,698.7
<i>of which subordinated liabilities</i>	(40)	28,843.6	60,296.9
Derivatives	(41)	190,823.9	168,930.9
Portfolio hedge		8,443.3	0.0
Provisions	(42)	4,227.9	5,547.7
Deferred tax liabilities	(43)	0.0	1,552.8
Current tax liabilities	(43)	17,389.9	9,045.3
Other liabilities	(44)	60,463.9	32,223.6
Equity	(45)	471,852.8	437,742.2
<i>of which subscribed capital</i>		177,017.1	172,659.5
<i>of which fixed reserves</i>		45,205.3	35,657.5
<i>of which reserves for assets at fair value through other comprehensive income</i>		50,843.8	79,043.6
<i>of which other reserves</i>		136,387.5	87,990.9
<i>of which additional Tier 1 capital</i>		62,243.7	62,243.7
<i>of which non-controlling interests</i>		155.5	146.9
<b>Liabilities and equity</b>		<b>4,628,269.1</b>	<b>4,427,851.0</b>

## II. Consolidated income statement

CONSOLIDATED INCOME STATEMENT in EUR 1,000	Note	1/1-31/12/2022	1/1-31/12/2021
Net interest income	(46)	125,700.6	78,864.9
Interest income		165,130.7	96,838.4
<i>of which calculated using the effective interest method</i>		138,569.9	71,819.9
Interest expenses		-39,430.1	-17,973.4
Net fee and commission income	(47)	29,879.6	29,440.1
Fee and commission income		33,748.1	31,007.0
Fee and commission expenses		-3,868.5	-1,566.9
Result from the disposal of assets at fair value through other comprehensive income	(48)	1,233.5	2,086.1
Net provisioning for impairment losses	(49)	-1,550.0	-159.0
General administrative expenses	(50)	-75,839.1	-63,584.4
Personnel expenses		-52,890.5	-44,770.2
Other administrative expenses		-22,948.6	-18,814.2
Contributions to the Bank Resolution Fund	(51)	-2,309.1	-2,005.2
Income from associates	(52)	0.0	1,975.0
Income from investments		142.1	54.0
Other operating result	(53)	7,137.8	12,309.3
Other operating income		10,225.8	15,472.2
Other operating expenses		-3,088.0	-3,162.9
Net result of asset valuation and realised gains and losses	(54)	14,464.4	7,807.5
Result from the disposal of financial assets measured at amortised cost	(55)	489.6	299.1
<b>Consolidated profit for the year before tax</b>		<b>99,349.4</b>	<b>67,087.4</b>
Income taxes	(56)	-21,119.7	-18,233.7
<b>Consolidated profit for the year</b>		<b>78,229.7</b>	<b>48,853.7</b>
<i>of which attributable to owners and additional equity components</i>		78,183.5	48,825.4
<i>of which attributable to non-controlling interests</i>		46.2	28.3



### III. Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Consolidated profit for the year</b>	<b>78,229.7</b>	<b>48,853.7</b>
<b>Items to be recycled to the Income Statement</b>	<b>-28,228.0</b>	<b>-10,364.9</b>
<b>Changes in debt capital instruments at fair value through other comprehensive income</b>	<b>-28,228.0</b>	<b>-10,364.9</b>
Valuation of debt capital instruments at fair value through other comprehensive income	-37,948.2	-15,384.6
Recycled to the Income Statement	313.8	1,564.8
Deferred tax on debt capital instruments at fair value through other comprehensive income	9,406.5	3,455.0
<b>Items not to be recycled to the Income Statement</b>	<b>1,278.7</b>	<b>420.6</b>
<b>Change in actuarial gains/losses</b>	<b>1,250.7</b>	<b>353.2</b>
Actuarial result from pension provisions	1,667.5	470.9
Deferred tax on actuarial result from pension provisions	-416.9	-117.7
<b>Changes in equity instruments at fair value through other comprehensive income</b>	<b>28.1</b>	<b>67.4</b>
Valuation of equity instruments at fair value through other comprehensive income	37.4	89.9
Deferred tax on changes in equity instruments at fair value through other comprehensive income	-9.4	-22.5
<b>Total</b>	<b>51,280.4</b>	<b>38,909.4</b>
<i>of which attributable to owners and additional equity components</i>	<i>51,196.3</i>	<i>38,860.7</i>
<i>of which attributable to non-controlling interests</i>	<i>84.1</i>	<i>48.7</i>

#### IV. Consolidated statement of changes in equity

Equity according to IFRS developed as follows in 2022 and 2021:

STATEMENT OF CHANGES IN EQUITY 2022 in EUR 1,000	Subscribed capital	Fixed reserves <sup>1</sup>	Other retained earnings (incl. consolidated profit for the year)
<b>as of 1/1/2022</b>	<b>172,659.5</b>	<b>35,657.5</b>	<b>86,422.1</b>
Consolidated profit for the year	0.0	0.0	78,183.5
Changes in debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Measurement of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Recycling of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Changes in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Change in actuarial gains/losses	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>78,183.5</b>
Capital increase	4,357.7	5,647.4	0.0
Profit distribution	0.0	0.0	-22,994.9
Appropriation to fixed reserves	0.0	3,900.3	-3,900.3
Additional Tier 1 (AT1) capital	0.0	0.0	0.0
AT1 vouchers	0.0	0.0	-4,104.5
<b>as of 31/12/2021</b>	<b>177,017.1</b>	<b>45,205.3</b>	<b>133,605.9</b>

1 The fixed reserves include statutory retained earnings of TEUR 10,434.1, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 22,291.9 and fixed capital reserves of the parent company of TEUR 12,479.3.

STATEMENT OF CHANGES IN EQUITY 2021 in EUR 1,000	Subscribed capital	Fixed reserves <sup>1</sup>	Other retained earnings (incl. consolidated profit for the year)
<b>as of 1/1/2021</b>	<b>172,659.5</b>	<b>31,298.5</b>	<b>64,664.0</b>
Consolidated profit for the year	0.0	0.0	48,825.4
Changes in debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Measurement of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Recycling of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Changes in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Change in actuarial gains/losses	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>48,825.4</b>
Profit distribution	0.0	0.0	-20,371.1
Appropriation to fixed reserves	0.0	4,359.0	-4,359.0
Additional Tier 1 (AT1) capital	0.0	0.0	0.0
AT1 vouchers	0.0	0.0	-2,337.2
<b>as of 31/12/2021</b>	<b>172,659.5</b>	<b>35,657.5</b>	<b>86,422.1</b>

1 The fixed reserves include statutory retained earnings of TEUR 10,434.1, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 18,391.6 and fixed capital reserves of the parent company of TEUR 6,831.8.

Reserve for debt capital instruments at fair value through other comprehensive income <sup>2</sup>	Reserve for equity instruments at fair value through other comprehensive income <sup>3</sup>	Actuarial gains/losses IAS 19	Equity attributable to Kommunalkredit shareholders	Additional equity component <sup>4</sup>	Non-controlling interests	Equity
78,608.1	435.5	1,568.8	375,351.6	62,243.7	146.9	437,742.2
0.0	0.0	0.0	78,183.5	0.0	46.2	78,229.7
-28,199.9	0.0	0.0	-28,199.9	0.0	0.0	-28,199.9
-28,435.2	0.0	0.0	-28,435.2	0.0	0.0	-28,435.2
235.3	0.0	0.0	235.3	0.0	0.0	235.3
-28.1	28.1	0.0	0.0	0.0	0.0	0.00
0.0	0.0	1,212.7	1,212.7	0.0	37.9	1,250.7
<b>-28,228.0</b>	<b>28.1</b>	<b>1,212.7</b>	<b>51,196.3</b>	<b>0.0</b>	<b>84.1</b>	<b>51,280.4</b>
0.0	0.0	0.0	10,005.1	0.0	0.0	10,005.1
0.0	0.0	0.0	-22,994.9	0.0	-75.5	-23,070.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	-4,104.5	0.0	0.0	-4,104.5
<b>50,380.1</b>	<b>463.6</b>	<b>2,781.6</b>	<b>409,453.6</b>	<b>62,243.7</b>	<b>155.5</b>	<b>471,852.8</b>

2 As of 31/12/2022, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 16,011.1.

3 As of 31/12/2022, the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 154.5.

4 Includes additional tier 1 bonds that represent unsecured and subordinated bonds of Kommunalkredit and are classified as equity under IFRS.

Reserve for debt capital instruments at fair value through other comprehensive income <sup>2</sup>	Reserve for equity instruments at fair value through other comprehensive income <sup>3</sup>	Actuarial gains/losses IAS 19	Equity attributable to Kommunalkredit shareholders	Additional equity component <sup>4</sup>	Non-controlling interests	Equity
88,973.0	368.1	1,236.1	359,199.2	0.0	182.2	359,381.4
0.0	0.0	0.0	48,825.4	0.0	28.3	48,853.7
-10,364.9	0.0	0.0	-10,364.9	0.0	0.0	-10,364.9
-11,538.5	0.0	0.0	-11,538.5	0.0	0.0	-11,538.5
1,173.6	0.0	0.0	1,173.6	0.0	0.0	1,173.6
0.0	67.4	0.0	67.4	0.0	0.0	67.4
0.0	0.0	332.7	332.7	0.0	20.5	353.2
<b>-10,364.9</b>	<b>67.4</b>	<b>332.7</b>	<b>38,860.7</b>	<b>0.0</b>	<b>48.7</b>	<b>38,909.4</b>
0.0	0.0	0.0	-20,371.1	0.0	-84.0	-20,455.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	62,243.7	0.0	62,243.7
0.0	0.0	0.0	-2,337.2	0.0	0.0	-2,337.2
<b>78,608.1</b>	<b>435.5</b>	<b>1,568.8</b>	<b>375,351.6</b>	<b>62,243.7</b>	<b>146.9</b>	<b>437,742.2</b>

2 As of 31/12/2021, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 26,085.0.

3 As of 31/12/2021, the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 262.9.

4 Includes additional tier 1 bonds that represent unsecured and subordinated bonds of Kommunalkredit and are classified as equity under IFRS.

## V. Consolidated statement of cash flows

STATEMENT OF CASH FLOWS in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Consolidated profit for the year after tax</b>	<b>78,229.7</b>	<b>48,853.7</b>
<i>Non-cash items included in the profit for the year and reconciliation to cash flow from operating activities</i>		
Depreciation and amortisation/reversals of depreciation and amortisation on property, plant and equipment and intangible assets	1,796.7	1,607.3
Appropriation to/release of provisions and risk provisions	230.2	-1,139.3
Non-realised gains/losses from exchange rate fluctuations	1.5	11.4
Gains/losses from the valuation of financial assets and gains from the buyback of own issues	-14,464.4	-7,807.5
Income tax deferrals	11,469.5	15,466.0
Result from the deconsolidation	13,465.4	-2,062.1
<b>Sub-total</b>	<b>90,728.5</b>	<b>54,929.4</b>
<i>Change in assets and liabilities from operating activities after correction for non-cash items</i>		
Assets at amortised cost		
<i>of which loans and advances to banks</i>	-21,612.9	-15,682.6
<i>of which loans and advances to customers</i>	-148,286.7	-207,551.9
Assets recognised at fair value through other comprehensive income	-50,070.6	-112,010.4
Assets at fair value through profit or loss	18,319.6	52,453.0
Derivatives and portfolio hedge	-53,273.7	-45,478.9
Other assets from operating activities	-225.6	-1,699.3
Liabilities at amortised cost		
<i>of which amounts owed to banks</i>	-317,465.4	-34,779.0
<i>of which amounts owed to customers</i>	430,310.4	-256,137.2
<i>of which securitised liabilities</i>	27,344.5	271,255.0
Other liabilities from operating activities	35,629.1	-1,919.1
Dividends received	142.1	54.0
Income taxes paid	-9,229.1	-250.6
<b>Cash flow from operating activities</b>	<b>2,310.2</b>	<b>296,817.7</b>
Proceeds from the sale/redemption of property, plant and equipment and intangible assets	0.00	0.7
Payments for the acquisition of property, plant and equipment and intangible assets	5,108.7	-1,271.6
Proceeds from the sale of associates <sup>1</sup>	0.00	1,975.0
<b>Cash flow from investing activities</b>	<b>5,108.7</b>	<b>-3,245.9</b>
Proceeds from capital increase	10,005.1	0.0
Dividend payments attributable to the owners of the parent	-22,994.9	-20,371.1
Dividend payments attributable to non-controlling interests	-75.5	-84.0
Change in funds from other financing activities (subordinated capital)	-20,000.0	-5,000.0
Cash inflows from the issue of AT1 capital	0.00	62,800.0
AT1 vouchers	-4,104.5	-2,337.2
Cash outflow from repayments on lease liabilities	-195.4	-199.6
<b>Cash flow from financing activities</b>	<b>-37,365.2</b>	<b>34,808.1</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>543,366.7</b>	<b>808,622.3</b>
Cash flow from operating activities	2,310.2	-296,817.7
Cash flow from investing activities	-5,108.7	-3,245.9
Cash flow from financing activities	-37,365.2	34,808.1
<b>Cash and cash equivalents at the end of the period</b>	<b>503,203.0</b>	<b>543,366.7</b>
<i>of which cash flows contained in cash flow from operating activities:</i>		
<i>Interest received</i>	170,291.8	99,797.5
<i>Interest paid</i>	-58,612.9	-16,550.6

1 Relates to the sale of the investment in Kommunalleasing GmbH for TEUR 1,975.0 in the previous year.

<b>DEVELOPMENT OF SUBORDINATED LIABILITIES CARRIED ON THE BALANCE SHEET</b> in EUR 1,000	<b>2022</b>	<b>2021</b>
as of 1/1	60,296.9	68,302.4
Changes in cash items	-20,000.0	-5,000.0
Changes in cash items (primarily from hedge accounting)	-11,453.3	3,005.5
<b>as of 31/12</b>	<b>28,843.6</b>	<b>60,296.9</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2022 FINANCIAL YEAR.

## General Principles

### 1. General Information

Kommunalkredit Austria AG (Kommunalkredit), which has its registered office in Vienna, Tuerkenstrasse 9, Austria, 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.

Satere Beteiligungsverwaltungs GmbH (Satere) 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 hold their participations in Kommunalkredit; Interritus and Trinity respectively hold 55% and 45% of Satere. The consolidated financial statements of Kommunalkredit, based on the IFRS as they are to be applied in the European Union (EU), are prepared pursuant to § 59a of the Austrian Banking Act (BWG) in conjunction with § 245a of the Austrian Commercial Code (UGB). These financial statements meet the requirements of § 59a of the Austrian Banking Act. As an issuer of exchange-listed securities, Kommunalkredit publishes a Group Management Report pursuant to § 124 (1) of the Austrian Stock Exchange Act (BörseG) as part of this annual financial report.

### 2. Standards and interpretations applied

The consolidated financial statements of Kommunalkredit were produced based on all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committees (IFRICs and SICs)

approved and published by the International Accounting Standards Board (IASB), adopted into European law by the European Union (EU) and applicable on a mandatory basis as of 31 December 2022.

#### Overview of new standards/interpretations or changes to be applied for the first time in the 2022 financial year:

STANDARD/INTERPRETATION	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvement of IFRS cycle 2018–2020	1/1/2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1/1/2022
Amendments to IAS 16	Income prior to planned utilisation	1/1/2022
Amendments to IAS 37	Onerous contracts – costs of performance	1/1/2022

The standards are applied to those financial years starting on the “first-time adoption” date.

#### Annual Improvements IFRS – 2018–2020 cycle (amendments to various IFRSs)

The annual improvements to IFRSs (improvement cycle 2018–2020) published on 21 May 2019 contain amendments to the following IFRSs:

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”  
Simplified application of IFRS 1 by a subsidiary adopting the IFRS standards for the first time if its parent company already applies them. The proposed amendment relates to the measurement of cumulative translation differences.
- Amendments to IFRS 9 “Financial Instruments”  
Clarification of the fees that an entity has to include when assessing whether to derecognise a financial liability.
- Amendments to IFRS 16 “Leases”  
Amendment to an Illustrative Example for IFRS 16 to reduce the potential risk of confusion regarding lease incentives.
- Amendments to IAS 41 “Agriculture”  
Amendment to the provisions governing fair value measurements in IAS 41 to bring them into line with the other IFRS standards.

**Amendments to IFRS 3 (Business Combinations)**

The purpose of the amendments in IFRS 3 is to resolve a conflict between the new disclosures in the revised Conceptual Framework from March 2018 and IAS 37/IFRIC 21 regarding the recognition criteria for liabilities in the context of a business combination. For this purpose, it was decided to update the reference in IFRS 3 to the revised conceptual framework as well as an amendment of the IFRS to include the requirement that an acquirer must generally observe the provisions set out in IAS 37/IFRIC 21 when identifying obligations entered into that fall within the scope of IAS 37 or IFRIC 21.

**Amendments to IAS 16 (Property, plant and equipment)**

The amendments in IAS 16 clarify whether the income from the sale of equipment that was manufactured during the period in which an item of property, plant and equipment is put into its operational condition or brought to its location is to be recognised in profit and loss or whether the income reduces the cost of the item of property, plant and equipment. It was determined that a reduction in the cost will no longer be possible.

**Amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)**

According to IAS 37, an onerous contract refers to a contract in which the unavoidable costs for performing the contractual obligations are higher than the expected economic benefits. The objective of the amendments in IAS 37 is to specify the costs to be taken into account when determining whether or not a contract is onerous. The new rules provide that all costs of performance that are directly attributable to the contract are to be used for this assessment.

**Overview of standards already adopted by the EU that have not been applied early:**

STANDARD/INTERPRETATION	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting and measurement principles	1/1/2023
Amendments to IAS 8	Definition of accounting-related estimates	1/1/2023
Amendments to IAS 12	Deferred taxes in connection with assets and liabilities from a single transaction	1/1/2023
IFRS 17 and amendments to IFRS 17	Insurance Contracts	1/1/2023

The standards are applied to those financial years starting on or after the "first-time adoption" date.

**Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 supersede the passages where entities have to disclose all significant accounting policies by providing material information on the accounting and measurement principles. The amendment defines what is meant by material accounting policies and how they can be identified. They also clarify that immaterial information on accounting and measurement principles does not need to be disclosed. However, if it is provided, then material information must not be concealed.

In addition, the IASB has amended the guidance document "IFRS Practice Statement 2" and developed guidelines and examples to provide entities with guidelines regarding the practical application of the concept of materiality to disclosures on the accounting policies.

From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

**Amendments to IAS 8**

The amendments to IAS 8 clarify how it is possible to differentiate between amendments to accounting policies and accounting-related estimates. According to the new definition, accounting-related estimates relate to monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. They are designed to clarify that estimates are the result of measurement techniques requiring the use of assumptions or discretionary decisions by the entity.

Furthermore, the IASB added two examples to the guideline on the implementation of IAS 8 to avoid causing irritation about the amendments.

From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

### Amendments to IAS 12

With the amendment to IAS 12, the scope of the “initial recognition exemption” is narrowed down. The exemptions for transactions that concurrently have deductible and taxable temporary differences in the same amount is no longer applied. Deferred tax assets and liabilities must be formed. The entities are now required to recognise the relevant deferred tax assets and liabilities.

The transition rules differentiate based on the type of underlying transactions:

- Standstill agreement commitments and leases: deferred tax assets and liabilities must be formed for all temporary differences that exist at the beginning of the comparative period presented earliest (insofar as this is classified as recoverable in accordance with the requirements of IAS 12).
- Other transactions: amendments are only to be applied to those transactions that are carried out on or after the beginning of the comparative period presented earliest.

The cumulative effect of the first-time adoption of the amendment to IAS 12 is to be included in the earliest presented reporting period as a restatement of the opening balance value of the retained earnings (or other equity components). From today’s perspective, the amendments are not expected to have any impact on the Group’s assets, financial position and income.

### IFRS 17 (insurance contracts) and amendments to IFRS 17

The new standard sets out the principles for the measurement, recognition and reporting and the presentation of insurance contracts and was published to supersede IFRS 4 Insurance

Contracts. These provisions not only apply to insurance companies, but rather apply across all sectors if the contracts concerned correspond to the definition of an insurance contract. The term “insurance risk” also includes product or residual value risks, for example.

IFRS 17 includes three central approaches for recognising insurance contracts:

- The Building Block Approach (BBA) is the standard model for recognising insurance contracts. It applies to all insurance contracts that fall under the scope of IFRS 17 unless one of the exemptions is applied.
- The Premium Allocation Approach (PAA) is a simplified version of the Building Block Approach and applies to all contracts for which measurement under the PAA does not result in any material deviations as against the BBA, or that have a short term.
- The Variable Fee Approach (VFA) is another variation of the Building Blocks Approach for insurance contracts with direct participating features, i.e. whose payments are linked to the return on certain underlyings.

The amendments in June 2021 relate to issue and implementation problems that were identified after the publication of IFRS 17. The date of adoption was therefore deferred until 1 January 2023.

IFRS 17 is to be adopted retrospectively unless it is not possible to implement it. If it is not possible to implement it, either the modified retrospective approach or the fair value approach will be applied. From today’s perspective, the amendments are not expected to have any impact on the Group’s assets, financial position and income.

### Overview of regulations not yet adopted by the EU that have not been applied early:

STANDARD/INTERPRETATION	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IAS 1	Classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1/1/2024

The date of first-time adoption in the EU is still subject to change due to EU adoption.

### Amendments to IAS 1

The amendments to IAS 1 only relate to the reporting of liabilities as current or non-current in the statement of financial position and not the amount or the date of recognition of assets, liabilities, income or expenses or the information to be disclosed about these items.

The amendments clarify that the classification of liabilities as current or non-current is based on the existing substantive rights to defer the performance by at least 12 months as of the balance sheet date. The classification is made regardless of the likelihood of whether or not an entity will exercise its right to defer performance. If this right is subject to compliance with certain conditions,

the existence of such right is only assumed if these conditions were actually complied with as of the balance sheet date. The amendments also include the insertion of an explanatory note on the criterion “performance”. In this case, performance relates to the transfer of cash, equity instruments and other assets or services to the counterparty.

From today’s perspective, the amendments are not expected to have any impact on the Group’s assets, financial position and income.

### IBOR Benchmark Reform

The IASB published Phase 2 of the Interest Rate Benchmark Reform on August 27, 2020. This publication addresses issues that could impact financial reporting when an existing benchmark interest rate is replaced.

In the past business years, Kommunalkredit has made extensive preparations to ensure a smooth transition to the new risk-free interest rates as scheduled. In a cross-divisional project, the necessary steps to prepare the IT systems were implemented and the processes for the changeover were coordinated. Management was regularly informed about the progress of the project and potential

risks. The focus in the project is currently on replacing the existing LIBOR interest rates in the loan portfolio. As of December 31, 2022, two contracts remained which had not been converted to an alternative reference interest rate. From Kommunalkredit's point of view, there are no material risks arising from the transition to alternative reference interest rates for the remaining contracts as of the reporting date. The following table shows the carrying amounts of the remaining non-derivative financial assets that had not yet been switched to an alternative reference interest rate as of the reporting date and do not include a fallback clause:

CARRYING AMOUNTS AS OF 31/12/2022 in EUR 1,000	EONIA	GBP LIBOR
Assets at amortised cost	0.0	15,480.9
<i>Thereof loans and advance to customers</i>	0.0	15,480.9
Assets at fair value through other comprehensive income	1,837.4	0.0
<b>Total</b>	<b>1,837.4</b>	<b>15,480.9</b>

Contracts from financial liabilities and derivatives have already been completely converted to an alternative reference interest

rate or contain corresponding fallback clauses; there were no significant effects from the conversion.

### 3. Scope of consolidation

The scope of consolidation of the Kommunalkredit Group, in accordance with the provisions set out in IFRS 10, encompasses the

following companies in addition to the parent company Kommunalkredit as of 31 December 2022:

NAME AND REGISTERED OFFICE	Investment		Share in capital 31/12/2022 in %	Share in capital 31/12/2021 in %
	direct	indirect		
<b>1. Affiliated companies</b>				
<b>Fully consolidated affiliated companies</b>				
Kommunalkredit Public Consulting GmbH, Vienna	x		90.0 %	90.0 %
Kommunalkredit KBI Immobilien GmbH, Vienna	x		100.0 %	100.0 %
Kommunalkredit 4OG Immobilien GmbH & Co KG		x	10.0 %	n. a.
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	x		100.0 %	100.0 %
Kommunalkredit TLI Immobilien GmbH & Co KG, Vienna		x	100.0 %	100.0 %
Fidelio KA Beteiligung GmbH (DE)	x		75.0 %	75.0 %
Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. (LUX)		x	75.0 %	75.0 %
Fidelio KA Investment Advisory GmbH (DE)		x	75.0 %	75.0 %
Florestan KA GmbH, Vienna	x		100.0 %	100.0 %
Florestan KA Hydrogen GmbH, Vienna		x	100.0 %	100.0 %
<b>2. Associates</b>				
<b>Associates included using the equity method</b>				
PeakSun Holding GmbH, Wels		x	40.0 %	40.0 %

For reasons of materiality, Kommunalkredit's 45.0% investment in Kommunalnet E-Government Solutions GmbH is not recognised as an associate, but is reported under assets recognised at fair value through other comprehensive income.

No material risks or restrictions arise for the Kommunalkredit Group from its affiliated companies. No material risks arise for the Kommunalkredit Group from its associates.

**Changes to the scope of consolidation in the 2022 reporting year**  
Kommunalkredit 4OG Immobilien GmbH & Co KG, which was newly included in the scope of consolidation in the 2022 reporting period, was founded in connection with a restructuring of Kommunalkredit's real estate companies.

# Accounting and measurement principles

## 4. General accounting and measurement methods

The consolidated financial statements of Kommunalkredit were prepared on a going-concern basis. The financial information provided in the consolidated financial statements comprises the data concerning the parent together with its subsidiaries, presented as a single economic entity. The accounting and measurement principles are applied uniformly throughout the Group and continuously for the reporting periods presented.

No reporting changes were made in 2022.

These financial statements are intended to give a true and fair view of the assets, the financial position and the income of the Kommunalkredit Group according to IFRS rules, as adopted by the EU. Acquisitions and disposals in all classes of financial assets are recognised on the day of trading.

Income and expenses are accrued/deferred pro rata temporis and are recognised in 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 only 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.

The reporting currency of the consolidated financial statements of Kommunalkredit is the euro, as the functional currency of all of the companies included in the consolidated financial statements. Unless otherwise indicated, the figures are rounded to the nearest thousand, which may result in rounding differences in the tables.

## 5. Consolidation Principles

All material subsidiaries controlled by Kommunalkredit, as defined by IFRS 10, are fully consolidated. Based on this definition, control refers to a scenario in which the Group is exposed, or has rights to, significant variable returns from involvement with the investee, and has the ability to use power over the investee to affect the amount of those returns.

The consolidation requirement for investment funds whose transactions are administered by Kommunalkredit and in which it also holds shares in the net asset value (NAV) of the fund as a limited partner is assessed by analysing the scope for materially influencing the cash flows and returns of the fund and the assessment of

whether there is a significant economic interest. The latter is achieved by comparison of the direct investment and the expected total returns of the KA Group including all income (such as distributions and fees) with thresholds set within the Group. If control exists according to this analysis and there is a significant economic interest, an investment fund is included in the consolidated financial statements in the form of full consolidation.

The consolidation actions taken include capital consolidation, debt consolidation as well as the consolidation of expenses and income. The fully consolidated companies all present their annual financial statements as of the Group reporting date.

Intra-Group equity transactions, receivables and liabilities, as well as expenses and income, are eliminated, unless they are immaterial. Intra-Group transactions, balances, and unrealised gains and losses from transactions between Group companies are also eliminated, unless they are immaterial.

If Kommunalkredit loses control over a subsidiary, the deconsolidation gains or losses are recognised in profit and loss. These are calculated from the difference between

- the total amount of the fair value for the consideration received and the fair value of the retained shares and
- the carrying amount of the assets (including the goodwill), the liabilities of the subsidiary and all non-controlling interests.

If Kommunalkredit loses control, all amounts previously recognised in other comprehensive income for the subsidiary concerned are recognised in the balance sheet. This is done on the same basis as would be required in the event of an immediate sale of the corresponding assets or liabilities.

According to the consolidation rules, joint arrangements (IFRS 11) are accounted for as joint operations and/or joint ventures. Should a joint agreement be classified as a joint operation, the assets, liabilities and revenue from this activity to which Kommunalkredit is entitled as per the agreement are recognised on a pro rata basis.

Companies over which Kommunalkredit has a material influence and/or joint ventures (Investments in Associates and Joint Ventures in accordance with IAS 28) are measured according to the equity method and recognised as interests in associates. According to the equity method, the interests in associates and/or joint ventures are recognised at acquisition cost, plus any post-acquisition changes in the shares held by the Group in the net assets of the associate. The most recent financial statements (including reconciliation to IFRS) of the associate are used as a basis.

## 6. Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the mean rate of exchange (euro reference rate) announced by the European Central Bank (ECB) as of the reporting date. Non-monetary items reported at historical cost in a foreign currency are translated at the rate applicable on the date of the business transaction; non-monetary items that were measured at their contemporary fair value in a foreign currency are translated at the rate applicable on the date the item was measured.

Currency translation gains and losses are reported in the income statement under the item "Net result of asset valuation and realised gains and losses". Instruments measured at fair value and not recognised in profit and loss have their translation result from the fair value measurement (again, not recognised in profit or loss) reported in total comprehensive income.

## 7. Classification and measurement of financial assets

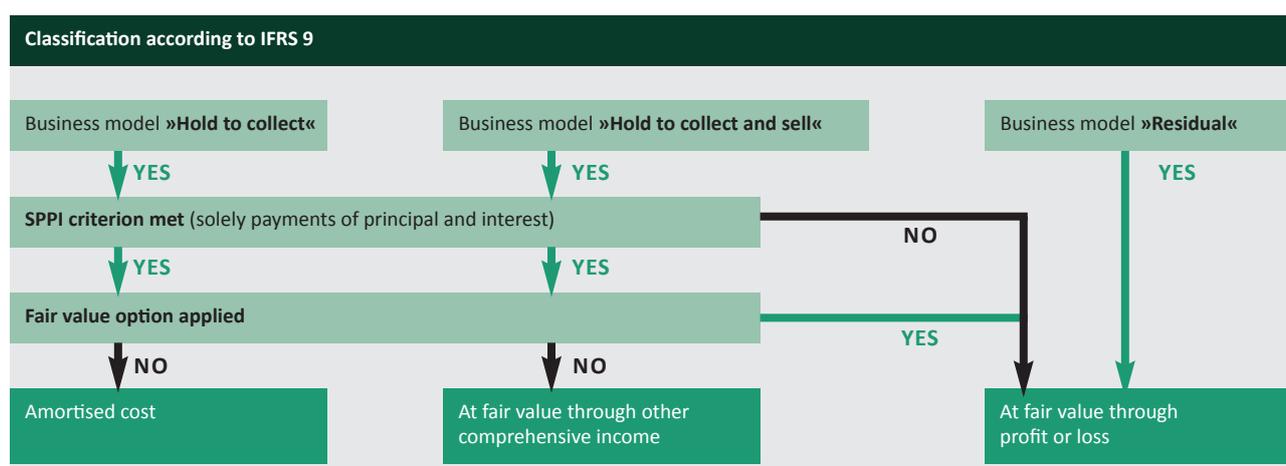
### 7.1. Classification principles

IFRS 9 requires all financial assets to be measured either at amortised cost or fair value depending on the features of the contractual cash flows and the business model. Measurement at fair value may be reflected directly in equity (other comprehensive income) or recognised in profit and loss through the income statement. Contractual cash flows and the business model are evaluated within Kommunalkredit upon conclusion of a transaction at the level of the individual financial asset.

**Business model classification** is used to analyse the purpose of a specific asset. Items solely used to generate net interest income and not held for sale are classified under the business model "hold". Financial instruments that are expected to be sold or at least partially or fully held until their maturity are classified under the business model "hold and sell". At Kommunalkredit, these include financing transactions intended for opportunistic placement. Financial assets with short-term intentions of syndication are classified under the business model "sell".

When analysing the contractual cash flows of a financial asset, it is determined whether the cash flows are solely payments of principal and interest ("SPPI criterion") on the outstanding capital amount.

Financial assets are only reclassified if there is a strategic shift in the business model; this is by definition an exceptional occurrence. There were no reclassifications in the reporting year. The following diagram summarises the classification process according to IFRS 9:



For details regarding the derecognition of financial assets, see Note 21.

## 7.2. Financial assets at amortised cost

Financial assets whose contractual cash flows solely represent payments of principal and interest ("SPPI criterion") on the outstanding capital amount and that are held in connection with a business model for the purpose of collecting contractual cash flows (business model "hold") are reported at amortised cost.

Financial assets under this measurement classification are reported in the statement of financial position (IFRS) under "financial assets at amortised cost", "loans and advances to customers" and "cash and balances with central banks". When these financial assets are recognised for the first time, they are reported at fair value (see Note 11), taking into account transaction costs. Subsequent measurements are reported at amortised cost. These costs are calculated from the amount that the financial assets were first measured at upon initial recognition less repayments, plus/less the cumulative distribution of differences arising between the original amount issued and the repayable amount upon maturity, using the effective interest method and taking into account the risk provisions (see Note 0). The result of the amortisation of the differences, applying a constant effective interest rate, is reported in the income statement under net interest income. The method of accounting for loans and receivables that represent hedged items in hedging relationships is described in more detail under Note 10. Fees and arrangements fees in connection with credit that has not yet been disbursed are reported in other liabilities and taken into account at the effective interest rate at the time of disbursement, except for ongoing commitment fees, which relate directly to the not yet utilised scope of an asset in this category. These are booked as net interest income for a specific time period and not considered part of the effective interest rate. If commitment fees are collected for the provision of the loan regardless of the respective utilisation, these are part of the effective interest rate provided that a disbursement of the loan is probable. The treatment of fees which are not part of the effective interest rate and are booked as net fee and commission income is explained in Note 22.

The sale of assets just before their maturity, insignificant or irregular sales or sales for reasons relating to creditworthiness are in principle permissible disposals from the "hold" business model. At Kommunalkredit, such transactions are studied in detail for compliance purposes and the results are reported under the item "Result from the disposal of financial assets measured at amortised cost".

## 7.3. Reporting of financial assets at fair value through other comprehensive income

If only SPPI-compliant cash flows are associated with a financial asset and the financial asset is held under a business model aimed at generating income from both the collection of contractual cash flows and sales ("hold and sell" business model), these assets are reported at fair value through other comprehensive income directly in equity in other comprehensive income.

Financial instruments of this classification are initially and subsequently measured at fair value, taking into account transaction

costs. Any difference between the cost of acquisition and the amount payable upon maturity is distributed over the term using the effective interest method and reported under net interest income. Changes in the measured fair value are reported in the statement of comprehensive income and directly result in a change to the reserve for financial assets reported at fair value through other comprehensive income within equity.

The treatment of fees in respect of assets in this category is analogous to the procedure described in Note 7.2.

Where financial assets are disposed of, the amount recognised as of 31 December of the previous year in the reserve for assets measured at fair value and reported directly in profit and loss is recycled to the income statement.

## 7.4. Reporting of financial assets at fair value through profit or loss

Financial assets whose contractual cash flows are not SPPI-compliant or which are classified under the "sell" business model are measured at fair value through profit or loss. In addition, there is also a discretionary right at the time of recognition to declare financial assets voluntarily at fair value through profit or loss if differences from different measurement methods can be eliminated or substantially mitigated by this method (fair value option). Kommunalkredit does not currently utilise the fair value option for financial assets or liabilities.

Financial instruments included under this classification are measured initially and subsequently at fair value. Transaction costs are reported directly in the income statement. The impacts of changes in fair value on the net result are reported under the item "net result of asset valuation and realised gains and losses" in the income statement.

## 7.5. Equity instruments

Equity instruments are generally measured at fair value through profit or loss. Equity instruments not held for trading are also subject to the option of reporting these at fair value through other comprehensive income; the exercise of this option is irrevocable.

Kommunalkredit has utilised this option for all equity instruments held by it as these are strategic, long-term investments. Changes in the measured fair value of strategic equity instruments are reported in the statement of comprehensive income and directly result in a change to the reserve for financial assets reported at fair value through other comprehensive income within equity. Income from dividends from these instruments are reported in the income statement under income from investments.

Where these instruments are disposed of or where a default event occurs, value changes previously reported under the reserve for financial assets reported at fair value through other comprehensive income are reclassified to retained earnings (no reclassification to the income statement).

### 7.6. Modifications/changes to estimates of financial assets

Modifications are any contractual amendment relating to originally agreed cash flows and, in Kommunalkredit, are primarily due to market-induced factors. Modifications may either be substantial or non-substantial. A substantial modification to contractual cash flows results in a disposal of the original financial instrument in the statement of financial position on the one hand and a recognition of a modified financial instrument in the statement of financial position on the other. With non-substantial modifications, however, the carrying amount of the financial asset is simply adapted to the changes in the contractual cash flows. Fees from transactions paid received in connection with a non-substantial modification are directly included in the determination of the modification result. The change in present value brought about directly by the non-substantial modification is reported through profit or loss under "net result of asset valuation and realised gains and losses". Consequently, the differential amount relative to the repayable amount with the effective interest applied until maturity of the financial instrument is distributed under net interest income. Both quantitative and qualitative factors feature in the assessment of whether a modification results in a substantial or non-substantial change. The quantitative assessment is performed in the form of a present value test by comparing the impact of a modification on the contractual cash flows. If the present value of the modified asset is more than 10% of the original gross book value, the change is considered substantial. Qualitative factors that are considered in

the assessment of modifications include the adjusted term of the modified asset, the nature of fees received in connection with the modification, possible changes in the purpose of the financing and a significantly changed reward or risk profile for Kommunalkredit. Effects from the derecognition and re-recognition of financial instruments in the event of substantial modifications are reported in other operating result. Modification effects are assessed both for financial assets and for financial liabilities (see Note 18).

Changes to expectations regarding cash flows not involving contractual amendments (changes to estimates) are handled similarly to non-substantial modifications in that the carrying amount of the instrument is adjusted based on the newly expected cash flows. With changes to estimates, the adjustment is reported in the income statement or loss under net interest income as income or an expense.

### 7.7. "Purchased or originated credit impaired" financial assets (POCI)

POCI assets refers to financial instruments that, upon purchase or origin, already had impaired creditworthiness. IFRS 9 has special provisions regarding the determination of the interest income and risk provisioning for assets that are reported at amortised cost or at fair value through other comprehensive income. See Note 0 for details on the POCI instruments risk provisions.

## 8. Risk provisions

Statistically expected credit losses are taken into account based on a risk provisioning model with statistically calculated empirical values. 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 initial recognition of the financial asset (level 2). The expected loss for level 1 and 2 is determined as the product of the probability of default (PD) over 12 months (level 1) or over the residual term until maturity (level 2), the loss given default (LGD) and the exposure at the time of default (EAD).

Risk provisions for financial assets reported at amortised cost are recorded under separate accounts, and the changes are reported under net provisioning for impairment losses. For financial assets measured at fair value through other comprehensive income, that part of the change in current value resulting from changes in expected credit losses is reclassified to the net provisioning for impairment losses.

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 a corresponding recovery period.

Probabilities are factored into the calculation of the valuation allowances for level 1 and level 2, also taking into account all 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 exposure at default, probability of default and the loss-given-default ratio 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 interest rate effective. 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 to 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 for borrowers that are in default according to the regulatory criteria, 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.

To define default events, Kommunalkredit applies the definition of a default as laid down by Art. 178 CRR. This includes both receivables that are more than 90 days in default (overdue receivables) and the criterion "unlikeliness to pay". A receivable is deemed to be 90 days in default if the overdue receivable exceeds the outstanding loans and advances by more than 1.0%, and is at least EUR 500.00. As part of the "unlikeliness to pay" review, receivables pursuant to Art. 178 CRR are also subject to a qualitative review to determine whether it is unlikely that the debtor can meet its obligations in full. The assessment criteria are specified in more detail by the EBA and ECB. However, a distinction should be made between such criteria which, if met, must generally lead to a default status being assigned and those which must be seen as an indication of potential non-recoverability of the entire receivable. These must then be examined but may not necessarily lead to a default status being assigned.

At Kommunalkredit, there is a multi-stage risk control process in which all exposures/partners are classified into six risk levels:

- **Risk level 1a: Normal care**  
Standard risk level for all exposures in normal care that are not subject to a higher risk level.
- **Risk level 1b: Monitoring list**  
Exposures in normal care but which are subject to monitoring and are on the monitoring list because they exhibit anomalies and are being monitored for various reasons. However, there is no elevated risk (yet) in the sense of a significant deterioration of the probability of default.

- **Risk level 2a: Watchlist / intensive care**  
Includes those exposures that are classified as watchlist partners due to material or credit-related anomalies and elevated risk. They are therefore subject to close monitoring and care (intensive care). These exposures are already recorded at valuation allowance level 2 (expected credit loss over the residual term of the exposure). However, they do not yet exhibit any need for individual valuation allowances.
- **Risk level 2b: Work out / no default**  
Exposures in risk level 2b are already classified as potential distressed loans. Regardless of any default, risk level 2b includes those exposures that must be classified as "risk positions with a significant need for restructuring" but that are not in default.
- **Risk level 3: Work out / default, resolution**  
Restructuring cases in default or for which an individual valuation allowance has been recognised must be classified in risk level 3a, provided no resolution measures are planned. In case of resolution measures (immediate demand for payment and collection of the receivable by realising collateral through judicial or non-judicial measures), the receivable is reclassified to risk level 3b.

From risk level 1b, 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 (90 days in default and/or unlikeliness-to-pay).

Individual valuation allowances and expected credit losses 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.

IFRS 9 applies special rules in terms of how the risk provision is determined for assets already impaired upon their first-time recognition. These relate to assets that are subsequently reported amortised cost or at fair value through other comprehensive income. The POCI asset is reported at fair value when first reported in the statement of financial position. This value already accounts for the elevated credit risk and the existing adverse impacts on the contractually agreed cash flows. Because the cash flows are already reduced to account for expected losses, no risk provision is to be formed upon initial recognition. Subsequently, any cumulative changes to the credit losses expected over the term of the credit are reported in profit or loss.

## 9. Derivatives

Derivatives are mainly concluded at Kommunalkredit to hedge against interest rate and/or currency risks.

The statement of financial position item “Derivatives” encompasses derivatives used in balance sheet hedges (fair value hedges) and other derivatives.

Derivatives are declared at fair value. Positive fair values are reported under assets under the statement of financial position item “Derivatives”, while negative fair values are also reported under “derivatives”, but this time under equity and liabilities. Changes in the value of these derivatives based on the clean price are reported in the net result of asset valuation and realised gains and losses in the income statement, while interest income and expenses are expressed as net values in the net interest income. The interest income and expenses for hedging derivatives are shown in the same item as the hedged items.

The fair values of derivatives are determined in accordance with IFRS 13 and this process is described under Note 11.

## 10. Hedge accounting

Both IAS 39 and IFRS 9 lay out standards on hedge accounting to avoid economically unjustifiable effects in the income statement from the differing valuation of hedged items and hedging instruments. These rules aim to ensure that changes in the value of hedging instruments and changes in the value of the hedged transactions are recognised as serving to offset one another. In respect of micro-hedge accounting, Kommunalkredit has applied the provisions of IFRS 9. Fair value hedges for a portfolio against interest rate risks are accounted for in accordance with IAS 39 (IAS 39.89A). Hedges for cash flows and net investments in foreign operations are currently not a matter of relevance within Kommunalkredit.

**Fair value hedges:** The fair value hedges used by Kommunalkredit serve to hedge the fair value of assets or liabilities. This form of hedging is used to hedge against interest rate and/or currency risks. Interest rate swaps and interest rate currency swaps are used as hedging instruments. Derivatives used as hedging instruments are reported at their fair value, with changes in values being reported in the income statement under the item “net result of asset valuation and realised gains and losses”. For the collateralised asset or liability, changes in fair value resulting from the hedged risk (interest rate and/or currency risks) are also included in the same item in the income statement. In the statement of financial position, the measurement gains/losses associated with the hedged risk are reported under the item where the corresponding hedged item is also reported.

To be able to apply the rules of hedge accounting, evidence of an economic relationship between the hedged item and the hedge itself must be provided. Kommunalkredit establishes such a hedge relationship by means of 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 value changes of the hedged item or the hedge itself usually offset one another as regarded the hedged risk. Retrospective effectiveness testing involves a review of how effectively the market values of the hedged item and hedging item oppose one another in respect of the hedged risk.

**Portfolio hedge:** The portfolio hedge, which was implemented at Kommunalkredit, is used to hedge the fair value of a portfolio of financial assets. This form of hedging is used to hedge against fixed interest rate risks in relation to a portfolio. Interest rate swaps are used as hedging instruments.

Kommunalkredit applies the “bottom-layer” approach for modelling the hedged item (in line with the IAS 39 carve-out). This creates a theoretical combined hedged item from all fixed-interest items that are not individually hedged; this theoretical hedged item is then compared against hedging derivatives. The change in fair value of the theoretical hedged item attributable to the hedged risk is reported under the separate statement of financial position item “portfolio hedge”; in the income statement, this is reported under “net result of asset valuation and realised gains and losses”. Derivatives used as hedging instruments are reported at their fair value, with changes in values offset in the same item in the income statement.

To provide evidence of an effective portfolio hedge relationship between the hedged item and the hedge itself, Kommunalkredit applies prospective and retrospective effectiveness testing. Prospective effectiveness testing involves a quarterly review by comparing the progression of the hedged item and hedge itself to determine if a hedge relationship still applies. Retrospective effectiveness testing of the portfolio hedge involves a review to determine if the fair value changes from the hedging instruments and the offsetting effect of the hedged items in a reporting period – in relation to the hedged risk – provide compensation of between 80% and 125%.

Ineffectivities arising at Kommunalkredit primarily as a result of OIS discounting of interest rate derivatives or as a result of credit risk components of unsecured interest rate derivatives are reported in the income statement.

## 11. Fair value calculation

### 11.1. Calculation

Fair value is calculated according to IFRS 9 in conjunction with IFRS 13 following the measurement hierarchy of IFRS 13.72 (see also Note 67).

Listed prices on an active market are applied for the measurement of securities, provided that the conditions of an active market are met. If no listed price is available, the credit spread for comparable securities is drawn upon as a reference for determining fair value. If there is no active market, measurement is performed using recognised market-standard measurement methods based on empirical data. This data is adjusted as necessary with risk premiums. Non-empirical data (such as parameter estimates) may only be used if no empirical data is available.

**Loans** are measured by means of an internal model based on the discounted cash flow method. Expected cash flows are discounted on the basis of current interest rate curves, taking standard market credit spreads into account. If the cash flows are not deterministic, models are generated on the basis of conditions deemed to be economically significant.

The credit spreads required for the discounted cash flow method are determined for infrastructure and energy financing on a transaction-by-transaction basis; i.e., an individual credit spread is determined for each transaction.

Project financing is classified as (IFRS 13) level 3 due to its illiquidity and the use of non-observable information in accordance with IFRS 13. Both internal and external information on comparable transactions (internal database, InfraDeals) are compiled using a balanced scorecard approach to calculate the spread, with a sector-specific spread being prepared first. Secondly, transaction-specific features are evaluated using criteria catalogues; these features are then linked with the sector-specific spread. In addition, recent (partial) sales of comparable portfolio positions as observable and relevant secondary market transactions are also included in the calculation for the final credit spread.

Benchmark curves or benchmark bonds from comparable transactions are used to calculate the spread of corporate financing. In addition, recent (partial) sales of comparable portfolio positions as observable and relevant secondary market transactions are also included in the calculation for the final credit spread. In this case, corporate financing is classified as level 2 based on the price being calculated with spreads derived from market data (benchmark spreads) in accordance with IFRS 13. Under certain circumstances (in the case of purchases on the secondary market at discounted prices, for example), a fair value measurement solely on the basis of benchmarks is, however, not possible. In these cases, to calculate the spread, transaction-specific features in addition to the benchmark spreads observable in the market are included in the calculation of spreads. Such financing is classified as level 3 due to the partial use of non-observable information in accordance with IFRS 13.

Financing involving Export Credit Agencies (ECAs) generally consists of a collateralised and a non-collateralised part, the collateralised part constituting the predominant share of the financing. In cases involving ECA transactions, benchmark bonds are used to determine the credit spread. The delta between the spreads of the benchmark bonds used and the spread of the concluded ECA transaction reflects the non-collateralised portion of the transaction and is reflected via transaction characteristics. As the predominant share of the transaction is collateralised via the ECA and its spreads are derived exclusively from market data, ECAs are generally classified as level 2 in accordance with IFRS 13. Under certain circumstances (for example where the ECA transactions are subject to high illiquidity premiums), the spread development of the benchmark bonds is not the main driver behind the fair value measurement. In these cases, too, transaction-specific features in addition to the benchmark spreads observable in the market are included in the calculation of spreads. Due to the greater weighting assigned to non-observable information, these ECA transactions are classified as (IFRS 13) level 3.

Spread developments are discussed for each transaction in quarterly Spread Assessment Team meetings, with the involvement of the Risk Controlling, Banking, Finance and Credit Risk divisions. This results in credit risk premiums agreed on a bank-wide basis that reflect the risk inherent in the transaction as accurately as possible.

Groups are formed for the Public Finance Portfolio (segment, rating class) and a curve for value increases is recalculated on a quarterly basis for each of these clusters. These value increases are monitored on the basis of recently conducted transactions and comparable offerings in the relevant loan segments in the markets and applied for various segments and rating classes depending on the time to maturity.

**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 valued using market-standard option pricing models (e.g. Hull-White, Dupire, Libor Market Model).

OIS curves (overnight index swaps at the overnight rate corresponding to the collateral interest in EUR based on the current collateral agreement €STR + 8.5bp or €STR flat) are used for discounting cash flows from derivatives (over-the-counter [OTC] or processed through a central counterparty). For the measurement of interest-sensitive products with variable IBOR indicators, yield curves with different basis spread premiums are used, depending on the indicator (e.g. 3-month Euribor, 12-month Euribor). These relate to the respective indicator and are used to derive forward rates for determining cash flows. Forward rates for compounded overnight indicators (risk-free reference rates, RFRs) are derived from OIS curves.

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. In the simplest case with collateralised derivatives, the OIS discount factor curve for the side not matching the collateral currency is compared against the collateral currency using cross-currency basis spreads. With structured trades with an FX component, the cross-currency basis is also reflected in the calculation of the cash flows.

Pursuant to IFRS 13, counterparty and own credit risks (credit value adjustment [CVA] and debt value adjustment [DVA]) are also taken into account for determining the fair value of derivatives. Both components are collectively presented as BCVA (bilateral CVA = CVA-DVA). Kommunalkredit determines the BCVA for all derivatives without daily cash collateral margin calls. The BCVA is considered to be immaterial for collateralised derivatives with daily margin calls. The BCVA is calculated using the potential exposure method (based on Monte Carlo methods) in relation to the counterparty in accordance with IFRS 13.48.

#### **11.2. Day-one gains**

The fair value is determined according to IFRS 9 and IFRS 13 on the basis of the measurement hierarchy according to IFRS 13.72 (also see Note 67).

Kommunalkredit makes opportunistic purchases of loans and securities whose transaction price (purchase price) does not correspond to the fair value of the underlying transactions at the time of purchase. The positive difference between fair value at initial recognition and purchase price is referred to as a day-one gain.

A day-one gain is recognised immediately in Kommunalkredit's income statement if the valuation of the financial asset is based on price quotations in active markets, or on a valuation technique that primarily takes into account data from observable markets. If parameters not observable on the market are used to a significant extent for the valuation, a systematic deferral of the day-one gain is made over the term of the asset or until the point in time at which observable market information is expected to be available (depending on which period is shorter).

Amounts from one-day gains that are still to be recognised are reported under "Other liabilities" as deferred income.

From an economic perspective, Kommunalkredit earns higher margins on the acquired loans through purchases of loans where the purchase price at the time of purchase is lower than the fair value. Accordingly, Kommunalkredit reports income from day-one gains in net interest income.

## 12. Financial guarantees

A financial guarantee is a contract in which the guarantor is required to make certain payments to a guarantee beneficiary for a loss arising because a certain debtor has not complied with their payment obligations in a timely fashion and has accordingly not met the conditions of a debt instrument. If Kommunalkredit is the guarantor, the potential obligation to pay is reported in the statement of financial position from the time Kommunalkredit becomes a party to the contract. It is first recognised at fair value. In a standard market transaction, this corresponds to either the premium received upon conclusion of the contract, or a value of zero if the premium is not paid upon conclusion of the contract because the payment is expected to equally offset the

consideration received in return. For subsequent measurements, the higher amount of a valuation allowance or the originally recorded amount, less any cumulative income as appropriate, is recorded.

If Kommunalkredit is the guarantee beneficiary, the guarantee is not recorded in the statement of financial position.

Premiums received and paid are accrued in their respective reporting periods over the time to maturity and are reported in the income statement under net fee and commission income.

## 13. Categories of financial instruments

Kommunalkredit shows the following classes of financial instruments in the Group statement of financial position (IFRS):

CATEGORIES OF FINANCIAL INSTRUMENTS	Reporting in statement of financial position (IFRS)
<b>Cash and cash equivalents</b>	Amortised cost
<b>Financial assets</b>	
Loans and advances to banks	Amortised cost
Loans and advances to customers	Amortised cost
Assets at fair value through other comprehensive income	Fair value
Assets at fair value through profit or loss	Fair value
Assets at fair value through profit or loss – FV option	Fair value
<b>Derivates</b>	Fair value
<b>Financial liabilities</b>	
Amounts owed to banks	Amortised cost
Amounts owed to customers	Amortised cost
Securitised liabilities	Amortised cost
Subordinated liabilities	Amortised cost
Liabilities at fair value through profit or loss	Fair value
Liabilities at fair value through profit or loss – FV option	Fair value
<b>Derivatives</b>	Fair value
<b>Contingent liabilities</b>	Off-balance-sheet
<b>Other off-balance-sheet liabilities</b>	Off-balance-sheet

As in the previous year, the following classes of financial instruments were not used as of 31 December 2022:

- Assets at fair value through profit or loss – FV option
- Liabilities at fair value through profit or loss
- Liabilities at fair value through profit or loss – FV option

## 14. Investments in associates

Associates are measured using the equity method in accordance with IAS 28 (associates and joint ventures) (see also Note 5). The pro rata result (minus dividends paid) is recognised in the income statement under “Income from investments in associates”. At every balance sheet date, an impairment test is performed on the basis of financial forecasts. Currently, Kommunalkredit has one associate, PeakSun Holding GmbH, that is accounted for according to the equity method (IAS 28).

## 15. Property, plant and equipment

Property, plant and equipment includes land, buildings that are largely used by the company itself, office furniture and equipment, and also rights of use in accordance with IFRS 16 “Leases”.

Land is reported in the statement of financial position at cost. Buildings, office furniture and equipment are measured at cost, less depreciation on a straight-line basis. The following time periods are applied as expected useful lives:

- Buildings: 40 years
- Office furniture and equipment: 3 to 10 years
- IT investments: 3 years
- Artistic assets: No depreciation

If there are indications of impairment, the assets are written down if the carrying amount exceeds the higher of net realisable value or value in use. If the reasons for impairment cease to apply, these impairments are reversed up to a maximum of amortised cost.

## 16. Leases

### a. Kommunalkredit as a lessee:

If there is a lease governed by IFRS 16 in which Kommunalkredit is the lessee, this is recorded in the statement of financial position (IFRS) as a right of use that grants an entitlement to use the underlying asset, along with a corresponding lease liability.

Upon conclusion of a paid usage agreement, an assessment is conducted to determine if the contractual agreement constitutes a lease. A review is also conducted to determine if

- the asset governed by the agreement is a specifically identifiable asset,
- Kommunalkredit as the lessee is largely entitled to avail itself of all economic benefits from the use of the asset,
- Kommunalkredit is entitled to determine how the asset is used.

If these three conditions are collectively met, then the agreement is recognised as a lease in accordance with IFRS 16.

When first recognised, a lease liability amounting to the present value of the lease payments payable according to the lease contract over the term of that contract is reported under the item "other liabilities". Corresponding to the recorded liability, a right of use of the leased object is capitalised at the same amount (possibly increased to account for secondary expenses directly allocable to it).

The term of the lease is generally the contract period in which ordinary termination is not possible. Extension and termination options granted to the lessee are only accounted for if they can be exercised with reasonable certainty. When assessing whether certain options can be exercised or waived with reasonable certainty, all relevant circumstances and factors are considered, including in particular the costs of termination, costs relating to the determination of an alternative asset value, and material installations. Rights of termination granted to the lessor do not shorten the reported term of leases. If a review of all factors results in a maximum term of twelve months from the date of delivery, this is referred to as a short-term lease.

The discount interest rate for lease payments is the interest rate laid out under the terms of the lease. If a lack of information means that it is not possible to determine this rate without further action, discounting is performed at the incremental borrowing rate of Kommunalkredit for the relevant term length.

The leasing liability will be measured at the amortised carrying amount using the effective interest method. Lease payments are divided into interest expenses and repayment components.

The lease liability is remeasured if a subsequent change in the leases results in an adjustment of the estimate made during the initial measurement regarding payment expectations or the scope of the right of use. If the scope of the lease is extended at current market conditions as a result of a contractual change, an additional right of use will be accounted for. If a change in the contract leads to a reduction in the volume of the lease or to a reduction in the term of the lease, this leads to a pro rata reduction in the right of use and an adjustment of the lease liability. Any resulting difference is recognised in profit or loss.

The right of use of the leased object is reported at depreciated cost and depreciated over the expected useful life.

Kommunalkredit makes use of the option to refrain from capitalising short-term leases with a term of less than twelve months and instead reports payments from these agreements under expenditure throughout the term of the lease. Within the Kommunalkredit Group, a uniform threshold for classification of a low-value asset in the amount of EUR 5,000 is applied.

### b. Kommunalkredit as a lessor

Kommunalkredit recognises a lease identified according to IFRS 16 as an operating lease or finance lease. Depending on the classification, lease payments are recognised in income or the assets are entered in the statement of financial position (IFRS) and shown as a receivable amounting to the net investment in the lease.

If a right-of-use asset from a lease for which Kommunalkredit is a lessee is transferred to a third party as part of a sub-lease, it must be classified as an operating lease or a finance lease and depicted in the statement of financial position (IFRS) depending on the existing entitlement to use the underlying leased object from the main lease. The general requirements when accounting for leases as a lessee apply to the presentation of the main lease in the statement of financial position.

## 17. Intangible assets

Intangible assets comprise purchased software and acquired rights of subscription in connection with an investment in the production of green hydrogen (see Note 34 for details). Purchased software and acquired rights of subscription have a definite useful life and are amortised on a straight-line basis over three/five respectively ten years under general administrative expenses.

If there are indications of impairment, the assets are written down if the carrying amount exceeds the higher of net realisable value or value in use. If the reasons for impairment cease to apply, these impairments are reversed up to a maximum of amortised cost.

## 18. Financial liabilities

At the time of their initial recognition, financial liabilities are declared at fair value under equity and liabilities and also take into account transaction costs. Subsequent recognitions are at amortised cost using the effective interest method. Long-term, discounted bonds (e.g. zero-coupon bonds) and similar liabilities are accounted for using the effective interest method. No financial liabilities are maintained in the fair value portfolio. Please refer to Note 10 for details on how liabilities that constitute hedged items in hedging relationships are accounted for; refer to Note 21 for information on the derecognition of financial liabilities.

Kommunalkredit has financial liabilities from selected longer-term refinancing transactions of the ECB (TLTRO III). Based on an analysis of the conditions that can be obtained on the market for comparably secured refinancing sources, Kommunalkredit has come to the conclusion that the conditions of the TLTRO III programme do not offer a substantial advantage compared to the market.

The financial liability is therefore recognised as a financial instrument according to IFRS 9. Expectations of achieving the lending targets under this programme were taken into account when defining the effective interest rate. Changes in the interest rate for the programme and the adaptation of the terms and conditions decided in October 2022 are taken into account without any impact on the NPV by adjusting the effective interest rate.

The contractual cash flows of financial liabilities are modified in line with the modification of financial assets (see Note 7.6).

## 19. Provisions

Provisions for pensions, severance pay and jubilee bonus obligations are calculated annually by an independent actuary according to the projected-unit-credit method 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 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 3.75% (2021: 0.75%) for pension obligations, 3.50% (2021: 0.5%) for obligations from severance pay, and 3.50% (2021: 0.25%) for obligations from jubilee bonuses;
- A rate of increase in the relevant basis for calculation during the vesting period of 3.3% in the first year and of 3.25% (2021: 3.5%) in subsequent years for severance pay and obligations from jubilee payments; a rate of increase in the relevant basis for calculation during the vesting period of 2.00% (2021: 3.5%) for pensions;
- 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 not covered by the pension fund for eight employees, 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 the underperformance of plan assets or "premature" payment of benefits.

Pension obligation provisions are equal to the present value of the defined benefit obligations less the fair value of the plan assets. Actuarial gains and losses based on experience adjustments and changes to actuarial assumptions are reported in total comprehensive income in equity in the period in which they arise. Other expenses are reported in the income statement under the item "personnel expenses" as part of general administrative expenses.

Provisions for severance payments are calculated by an independent actuary in accordance with the same actuarial principles as applied to statutory and contractual entitlements. Actuarial gains and losses are treated in the same way as pension commitments.

For other benefits payable to employees in the long term, namely jubilee bonuses, a jubilee bonus provision is also formed in accordance with the same principles as described above. Actuarial gains and losses are reported entirely through profit or loss under personnel expenses in the reporting period in which they arise.

## 20. Current and deferred tax assets/liabilities and current tax liabilities

Taxes on income are recognised and calculated according to IAS 12. Current income tax assets and liabilities are measured at current tax rates. Tax claims are shown under "Current tax assets", and tax payable under "Current tax liabilities".

For the calculation of deferred taxes, all temporary differences are taken into account. Under this concept, the assets and liabilities recognised in the statement of financial position according to IFRS are compared with the taxable amounts of the group company in question. Temporary differences between the amounts recognised lead to differences in value, for which deferred tax assets or liabilities must be reported – irrespective of the time of their release. Deferred tax assets and deferred tax liabilities for the same term are offset if they exist against the same tax creditor.

Tax loss carryforwards are recognised as tax assets if they can be reasonably expected to be utilised in the near future. The possibility of utilising tax loss carryforwards is reviewed annually on the basis of the Group's tax budgeting process.

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 2022 include Kommunalkredit, Kommunalkredit Public Consulting GmbH, KA Florestan GmbH and KA Florestan Hydrogen GmbH. On the basis of a group and tax contribution agreement, the stand-alone method was chosen for the calculation of the tax contributions. According to this method, the amount of 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 group parent. 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 diminish the tax contribution of the group member.

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.

## 21. Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or when the Group has transferred such rights, including all material risks and rewards of ownership. If all risks and rewards are neither transferred nor retained, derecognition of the asset depends on whether control over the asset is transferred.

In the event of material contract modifications, a derecognition of the original financial instrument is carried out followed by the recognition of the new instrument under the modified contractual terms.

If the Group largely retains all risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset as well as a collateralised financial instrument for the consideration received.

A financial liability is derecognised upon redemption, i.e. when its contractual obligations have been discharged or are cancelled or expire, or when a financial liability is replaced by a liability against the same lender under significantly different contractual terms.

Upon complete derecognition of a financial instrument, the difference between the carrying amount and the sum total of the consideration received or to be received, and all accumulated gains or losses which have been recognised in comprehensive income and accumulated in equity, are recognised in the income statement.

## 22. Revenue from customer contracts

IFRS 15 "Revenue from customer contracts" uses a five-step model to govern whether or not, when and in what amount revenue from contracts with customers is recognised. Based on this model, revenue from fees and commissions is recognised in the statement of financial position when control over the services is passed, meaning that the contractual performance obligations to the customer have been met.

Kommunalkredit generates fee and commission income from the lending business and the subsidy management and consulting business of Kommunalkredit Public Consulting GmbH. If services are provided over a certain period, the fees and commissions are realised for the specific period when these services are provided. If the customer is responsible for monitoring the service at a certain time, the revenue is realised for a specific period.

In the case of revenue from the subsidy management and consulting business of Kommunalkredit Public Consulting GmbH, the realisation of revenue is either dependent on the service provided or lump-sum price agreements are employed. If it is offset directly, the service provided is invoiced retrospectively based on agreed daily rates and realised for a specific period. In the case of lump-sum price agreements, revenue is realised after the service is provided for a specific period. In both cases, invoicing is carried out after the service provided is accepted by the customer with the usual payment terms. There are currently no contracts with customers in the subsidy management and consulting business which contain significant financing components, significant variable consideration, redemption obligations or guarantees.

Kommunalkredit also provides services for an investment fund that constitute its own performance obligation. These fees are not dependent on the performance of the investment fund and are also collected for a specific period. Fees that are not an integral part of the effective interest rate are realised in net fee and commission income for a specific period. Commission fees related to the new lending business, fees in connection with identifiable structuring services and credit syndication fees mainly fall under this category. Fees are also collected for financial assets, which are recognised at fair value through profit or loss on the contractually agreed accounting day or transaction date as net fee and commission income.

## 23. Significant assumptions and estimates

The preparation of financial statements according to IFRS requires management to make discretionary decisions and assumptions regarding certain categories of assets and liabilities. Areas in which this is necessary include the issue of the control of other companies (see Note 5), the setting up of risk provisions (see Note 0), the determination of the fair value of financial assets and liabilities (see Note 11), the determination of the term of lease agreements (see Note 16), the measurement of provisions (see Note 19), the recognition and measurement of deferred tax assets (see Note 20) and the assessment of legal risks (see Note 70).

These assessments and assumptions influence the measurement of assets and liabilities, contingent claims and contingent liabilities on the balance sheet date, and of income and expenses of the reporting period. Management holds regular meetings to carry out this task. Decisions are taken by the competent bodies of the bank and documented accordingly. The underlying assumptions are continuously reviewed and recorded. Actual results may differ from management estimates.

# Disclosures relating to the statement of financial position (IFRS) of Kommunalkredit Group

## 24. Cash and cash equivalents

CASH AND CASH EQUIVALENTS in EUR 1,000	31/12/2022	31/12/2021
Cash on hand	2.2	3.5
Balances with central banks	503,200.8	543,363.2
<b>Total</b>	<b>503,203.0</b>	<b>543,366.7</b>

## 25. Assets at amortised cost – loans and advances to banks

LOANS AND ADVANCES TO BANKS in EUR 1,000	31/12/2022	31/12/2021
Repayable on demand	103,542.2	129,278.0
Securities	222,620.8	216,735.8
Provisions for expected credit losses	-120.6	-24.2
<b>Total</b>	<b>326,042.4</b>	<b>345,989.6</b>

Loans and advances to banks repayable on demand include cash and cash equivalents provided as cash collateral for negative market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 38,397.9 (31/12/2021:

TEUR 71,880.0) and positive balances with credit institutions in the amount of TEUR 65,144.3 (31/12/2021: TEUR 57,398.0). Securities in the amount of TEUR 222,620.8 (31/12/2021: TEUR 216,735.8) are recognised at amortised cost. These are public listed bonds.

## 26. Assets at amortised cost – loans and advances to customers

LOANS AND ADVANCES TO CUSTOMERS in EUR 1,000	31/12/2022	31/12/2021
Repayable on demand	34,759.8	89,040.2
Loans	1,703,237.9	1,313,804.4
Securities	461,297.2	645,992.4
Provisions for expected credit losses	-1,802.2	-917.2
<b>Total</b>	<b>2,197,492.7</b>	<b>2,047,919.9</b>

Loans and advances to customers only include assets to customers that are recognised at amortised cost. Loans and advances to customers repayable on demand include cash and cash equivalents provided as collateral for negative current values of derivatives (transactions with non-bank financial institutions) according to ISDA/CSA arrangements in the amount of TEUR 34,759.8 (31/12/2021: TEUR 89,040.2).

Securities include bonds in the amount of TEUR 461,297.2 (31/12/2021: TEUR 645,992.4), of which TEUR 372,548.4 (31/12/2021: TEUR 449,108.2) are listed. Details on the calculation of the fair values can be found in Note 11. A breakdown based on the fair value hierarchy categories pursuant to IFRS 13.72 and a detailed description of this are presented under point 67.

## 27. Assets at fair value through other comprehensive income

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME in EUR 1,000	31/12/2022	31/12/2021
Loans	1,047,216.2	1,036,272.1
Securities	89,244.3	47,977.8
Equity instruments	961.9	924.5
Other	29.4	29.4
<b>Total</b>	<b>1,137,451.8</b>	<b>1,085,203.8</b>

Loans and securities measured at fair value through other comprehensive income include assets that serve to generate income both through the collection of contractual cash flows and sales. Details on the determination of fair values can be found in Note 11. A breakdown into the categories of the fair value hierarchy in accordance with IFRS 13.72 and a detailed description in this regard can be found in Note 67.

As of 31 December 2022, risk provisions (see also Notes 8 and 28) for financial assets measured at fair value through other comprehensive income amounted to TEUR 3,309.9 (31/12/2021: TEUR 3,185.2). The equity instruments reported are long-term, strategic investments measured at fair value through other comprehensive income, as permitted by IFRS 9. The carrying amounts are as follows:

EQUITY INSTRUMENTS in EUR 1,000	Carrying amounts 31/12/2022	Carrying amounts 31/12/2021
Investment in Kommunalnet E-Government Solutions GmbH	961.9	924.5
<b>Total</b>	<b>961.9</b>	<b>924.5</b>

The carrying amounts of the equity instruments correspond to their fair values.

The dividends earned are recognised as income from investments and amounted to TEUR 45.0 (1/1 - 31/12/2021: TEUR 54.0).

## 28. Risk provisions

### 28.1. Development in risk provisions

Risk provisions included in “Cash and balances with central banks”, “Loans and advances to banks”, “Loans and advances to customers”, “Assets recognised at fair value through other comprehensive income” and “Provisions” developed as follows:

RISK PROVISIONS in EUR 1,000	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
<b>Risk provisions as of 1/1/2022</b>	<b>2,362.2</b>	<b>2,069.1</b>	<b>0.0</b>	<b>4,431.3</b>
Changes with impact on P&L	-29.4	689.0	0.0	659.6
Addition of new financial assets	2,019.3	0.0	0.0	2,019.3
Changes in risk parameters (PD/LGD/EAD)	123.7	61.7	0.0	185.4
Result from rating migrations and other fair value effects	-43.0	-641.9	0.0	-684.9
Foreign currency effects and other changes	-19.7	-2.1	0.0	-21.8
Disposals of financial assets/repayments	-587.2	-20.4	0.0	-607.6
<b>Risk provisions as of 31/12/2022</b>	<b>3,825.9</b>	<b>2,155.4</b>	<b>0.0</b>	<b>5,981.3</b>
<i>of which assets at amortised cost</i>	<i>1,910.1</i>	<i>761.2</i>	<i>0.0</i>	<i>2,671.3</i>
<i>of which assets at fair value through other comprehensive income</i>	<i>1,915.8</i>	<i>1,394.2</i>	<i>0.0</i>	<i>3,309.9</i>
<b>Total net change in P&amp;L during the reporting period</b>	<b>1,463.7</b>	<b>86.3</b>	<b>0.0</b>	<b>1,550.0</b>

As of 31 December 2022, the total provisions for expected credit losses according to IFRS 9 amounted to TEUR 5,981.3 (31/12/2021: TEUR 4,431.3), of which TEUR 2,671.3 (31/12/2021: TEUR 1,246.1) were set up for assets measured at amortised cost and reduced the carrying amount accordingly. Provisions of TEUR 3,309.9 (31/12/2021: TEUR 3,185.2) for expected credit losses were set up for assets measured at fair value through other comprehensive income. Risk provisions of TEUR 908.6 (31/12/2021: TEUR 395.7) were set up for expected losses from credit commitments. Moreover, an amount of TEUR 15.6 (31/12/2021: TEUR 54.6) was booked for expected credit losses from trade receivables. The credit risk result amounted to TEUR -1,550.0 in the current financial year (1/1/2021-31/12/2021: TEUR -159.0) and resulted from new business, rating changes, level transfers and the PD update.

An evaluation and an update of the probabilities of default (“PD”<sup>30</sup>) were also carried out in the 2022 financial year and used as a basis for the ECL<sup>31</sup> calculation. Kommunalkredit uses the PD rating system bought from S&P. Through-the-cycle PDs are bought from S&P. They are updated annually and transformed into point-in-time PDs every six months using an S&P model. For the model that is methodologically unchanged from the previous year, one of the key drivers of the PDs is changes in macroeconomic input parameters. All macroeconomic forecasts are taken from publicly available sources (in particular the International Monetary Fund and the World Bank). Kommunalkredit applies two scenarios in this respect. While scenario 1 takes into account global macroeconomic forecasts, scenario 2 considers macroeconomic data only from those countries in which Kommunalkredit is active. The weighting has remained unchanged from the previous year at 50:50.

An economic slowdown – especially in the eurozone – is forecast for 2023. Because of the future-oriented nature of the point-in-time PDs, these are therefore slightly higher compared to the previous year, taking into account the development of the other parameters in the PD model. From today’s perspective, an economic recovery with rising growth rates is expected from 2024 onwards.

Due to contractual and structural risk mitigation factors typical of infrastructure financing, the bank’s portfolio proved largely stable in 2022 as well; there are still no exposures in IFRS stage 3 (non-performing). 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. 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.

As of 31 December 2022, five exposures from the bank’s loan portfolio with an exposure amounting to TEUR 144,549.9 (31/12/2021: three exposures amounting to TEUR 95,266.4) were recognised in IFRS stage 2 (lifetime ECL). Credit performance in the entire infrastructure portfolio was in accordance with the contractual agreements, apart from one case where the repayment profile was adjusted (forbearance). As of 31 December 2022, only two receivables of around TEUR 145.8 and TEUR 92.4 were in arrears of less than 31 days and less than 61 days respectively.

<sup>30</sup> The PDs are determined by applying the provisions of IFRS 9, taking into account forward-looking information.

<sup>31</sup> ECL = expected credit loss, risk provisions for expected credit losses.

In the Austrian municipality and municipal-related portfolio, a deferral in the amount of TEUR 164.1 was granted in the first quarter of 2022 (2021: isolated deferrals amounting to TEUR 758.6 in total) to provide temporary liquidity support to an exposure with a good credit rating. The loan was serviced again in accordance with the contract terms from the second quarter of 2022. There were no long-term financial difficulties/deteriorations in credit ratings in this portfolio as of 31 December 2022.

In the international public finance portfolio, a financing collateralised by the ECA was added to IFRS stage 2 (lifetime ECL) due to a country downgrade (net exposure after taking the ECA cover into consideration is TEUR 3,261.1).

As in the previous year, the company held no assets that, upon purchase or origin, already had impaired creditworthiness in portfolios measured at amortised cost or at fair value through other comprehensive income in the financial year under review.

Assuming a change in the GDP growth rate, unemployment rate and share indices (a global and a European share index) in the underlying macroeconomic model, this would result in the following change in risk provisions:

	Change in parameters	Change in %	Change in TEUR
ECL sensitivity in the event of a change in the gross domestic product growth rate	plus 1.0 % <sup>1</sup>	-15.6 %	-935.9
	minus 1.0 %	+10.9 %	+649.7
ECL sensitivity in the event of a change in the unemployment forecast	plus 1.0 %	+2.2 %	+132.6
	minus 1.0 %	-0.3 %	-18.5
ECL sensitivity in the event of a change in the share indices	plus 20.0 %	-8.9 %	-533.2
	minus 20.0 %	+5.5 %	+330.9

<sup>1</sup> To calculate the PIT PDs, positive growth rates with +4% (worldwide) and +3% (KA portfolio / Europe) are limited to avoid distortion from unsustainable economic growth

The comparative figures for 2021 are as follows:

	Change in parameters	Change in %	Change in TEUR
ECL sensitivity in the event of a change in the gross domestic product growth rate	plus 1.0 %	-6.7 %	-295.5
	minus 1.0 %	+29.0 %	+1,283.5
ECL sensitivity in the event of a change in the unemployment forecast	plus 1.0 %	+1.3 %	+57.4
	minus 1.0 %	-1.6 %	-69.8
ECL sensitivity in the event of a change in the share indices	plus 20.0 %	-2.6 %	-115.2
	minus 20.0 %	+8.5 %	+376.2

Risk provisions developed as follows in the comparison period from 1 January 2021 to 31 December 2021:

RISK PROVISIONS in EUR 1,000	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
<b>Risk provisions as of 1/1/2021</b>	<b>3,656.8</b>	<b>615.5</b>	<b>0.0</b>	<b>4,272.3</b>
Changes with impact on P&L	-592.8	1,348.8	0.0	756.0
Addition of new financial assets	1,425.0	0.0	0.0	1,425.0
Changes in risk parameters (PD/LGD/EAD)	-1,694.0	171.4	0.0	-1,522.6
Result from rating migrations and other fair value effects	989.1	-62.6	0.0	926.5
Foreign currency effects and other changes	-23.8	-4.0	0.0	-27.8
Disposals of financial assets/repayments	-1,398.1	0.0	0.0	-1,398.1
<b>Risk provisions as of 31/12/2021</b>	<b>2,362.2</b>	<b>2,069.1</b>	<b>0.0</b>	<b>4,431.3</b>
<i>of which assets at amortised cost</i>	<i>1,129.6</i>	<i>116.5</i>	<i>0.0</i>	<i>1,246.1</i>
<i>of which assets at fair value through other comprehensive income</i>	<i>1,232.6</i>	<i>1,952.6</i>	<i>0.0</i>	<i>3,185.2</i>
<b>Total net change in P&amp;L during the reporting period</b>	<b>1,294.6</b>	<b>-1,453.6</b>	<b>0.0</b>	<b>-159.0</b>

**28.2. Development of gross book values in connection with risk provisions**

The following table shows the gross book values of the financial assets that are relevant to the calculation of risk provisions, broken down by rating class:

CARRYING AMOUNTS 31/12/2022 in EUR 1,000	Stage 1	Stage 2	Stage 3	Not rated	Total
	12m ECL	Lifetime ECL	Lifetime ECL		
AAA	257,704.8	14,153.6	0.0	0.0	271,858.4
AA+	863,993.4	0.0	0.0	0.0	863,993.4
AA	531,885.0	0.0	0.0	0.0	531,885.0
AA-	277,700.1	0.0	0.0	0.0	277,700.1
A+	145,111.2	0.0	0.0	0.0	145,111.2
A	203,770.7	0.0	0.0	0.0	203,770.7
A-	159,666.1	0.0	0.0	0.0	159,666.1
BBB+	100,696.9	0.0	0.0	0.0	100,696.9
BBB	134,830.2	0.0	0.0	0.0	134,830.2
BBB-	492,447.7	0.0	0.0	0.0	492,447.7
BB+	411,056.8	0.0	0.0	0.0	411,056.8
BB	237,254.9	0.0	0.0	0.0	237,254.9
BB-	155,603.7	23,422.4	0.0	0.0	179,026.1
B+	71,065.4	0.0	0.0	0.0	71,065.4
B	50,017.1	16,998.7	0.0	0.0	67,015.8
B-	406.3	19,885.5	0.0	0.0	20,291.8
CCC-	0.0	1,518.7	0.0	0.0	1,518.7
Not rated	0.0	0.0	0.0	961.9	961.9
<b>Gross book values</b>	<b>4,093,210.2</b>	<b>75,978.8</b>	<b>0.0</b>	<b>961.9</b>	<b>4,170,150.9</b>
<b>Risk provisions</b>	<b>3,825.9</b>	<b>2,155.4</b>	<b>0.0</b>	<b>0.0</b>	<b>5,981.3</b>
<b>Carrying amounts after risk provisions</b>	<b>4,089,384.3</b>	<b>73,823.4</b>	<b>0.0</b>	<b>961.9</b>	<b>4,164,169.6</b>
<i>of which assets at amortised cost</i>	<i>2,993,846.1</i>	<i>31,909.7</i>	<i>0.0</i>	<i>0.0</i>	<i>3,026,717.8</i>
<i>of which assets at fair value through other comprehensive income</i>	<i>1,095,538.2</i>	<i>41,913.7</i>	<i>0.0</i>	<i>961.9</i>	<i>1,137,451.8</i>

The carrying amount of TEUR 961.9 (31/12/2021: TEUR 953.9) in the "Not rated" category relates to an investment that is not part of the scope of consolidation and is included in the "Assets at fair value through other comprehensive income" (see Note 27).

In the case of IFRS Level 1 financial instruments, cash value gains of TEUR 877.5 (1/1-31/12/2021: cash value losses of TEUR 466.5) arose from non-material contract modifications during the reporting year; there were no modifications in the current financial year for IFRS Level 2 financial instruments; in the previous year, cash value losses of TEUR 342.1 arose from non-material contract modifications in IFRS Level 2. As in the previous year, there were no holdings in IFRS Level 3 during the reporting year. There were no downgrades due to modifications in the reporting year or in the previous year.

Die Vergleichszahlen zum 31. Dezember 2021 stellen sich wie folgt dar:

CARRYING AMOUNTS 31/12/2021 in EUR 1,000	Stage 1	Stage 2	Stage 3	Not rated	Total
	12m ECL	Lifetime ECL	Lifetime ECL		
AAA	218,026.6	0.0	0.0	0.0	218,026.6
AA+	383,201.4	0.0	0.0	0.0	383,201.4
AA	628,360.8	0.0	0.0	0.0	628,361.8
AA-	287,037.0	0.0	0.0	0.0	287,037.0
A+	163,738.3	0.0	0.0	0.0	163,738.3
A	277,204.1	0.0	0.0	0.0	277,204.1
A-	162,412.6	0.0	0.0	0.0	162,412.6
BBB+	32,591.5	0.0	0.0	0.0	32,591.5
BBB	261,682.3	0.0	0.0	0.0	261,682.3
BBB-	226,970.7	0.0	0.0	0.0	226,970.7
BB+	414,058.7	0.0	0.0	0.0	414,058.7
BB	196,906.9	20,103.3	0.0	0.0	217,010.2
BB-	124,643.0	0.0	0.0	0.0	124,643.0
B+	742.0	48,187.7	0.0	0.0	48,929.7
B	17,026.8	15,965.7	0.0	0.0	32,992.5
B-	3,731.4	0.0	0.0	0.0	3,731.4
Not rated	0.0	0.0	0.0	953.9	953.9
<b>Gross book values</b>	<b>3,398,334.0</b>	<b>84,256.7</b>	<b>0.0</b>	<b>953.9</b>	<b>3,483,544.6</b>
<b>Risk provisions</b>	<b>2,362.2</b>	<b>2,069.1</b>	<b>0.0</b>	<b>0.0</b>	<b>4,431.3</b>
<b>Carrying amounts after risk provisions</b>	<b>3,395,971.8</b>	<b>82,187.6</b>	<b>0.0</b>	<b>953.9</b>	<b>3,479,113.3</b>
<i>of which assets at amortised cost</i>	<i>2,358,056.8</i>	<i>35,852.7</i>	<i>0.0</i>	<i>0.0</i>	<i>2,393,909.5</i>
<i>of which assets at fair value through other comprehensive income</i>	<i>1,037,915.0</i>	<i>46,334.9</i>	<i>0.0</i>	<i>953.9</i>	<i>1,085,203.8</i>

### 28.3. Forbearance

Forbearance exposures are exposures to counterparties at risk of no longer being able to meet their payment obligations.

On account of the quality of its portfolio and/or its credit risk profile, forbearance practices are of minor importance for Kommunalkredit. In the financial year under review, a deferral was granted in the public finance portfolio to provide temporary liquidity support to an exposure with a good credit rating. No forbearance measures were necessary.

A forbearance measure was taken in the infrastructure portfolio for one counterparty in the current financial year, which related to adjustments to the repayment profile. This means that there were a total of three counterparties (31/12/2021: two counterparties), with a carrying amount after risk provisions of TEUR 94,254.39 (31/12/2021: TEUR 52,925.2) classified as a forbearance exposure ("forbearance performing") as of 31 December 2022.

## 29. Assets at fair value through profit or loss

ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in EUR 1,000	31/12/2022	31/12/2021
At fair value through profit or loss	223,573.4	244,590.9
<b>Total</b>	<b>223,573.4</b>	<b>244,590.9</b>

The assets measured at fair value through profit or loss are assets with a carrying amount of TEUR 144,467.5 (31/12/2021: TEUR 160,342.6), which are assigned to the sell business model due to their short-term intentions of syndication. Assets whose cash flows are not solely interest payments, and repayments on the outstanding capital amount, are included with a carrying amount of TEUR 79,105.9 (31/12/2021: TEUR 84,248.3); of which, with a book value of TEUR 29,028 (31/12/2021:

TEUR 28,117.8), are shares in Fidelio KA Infrastructure Debt Fund Europe 1, an unconsolidated structured entity in the form of a closed-end investment fund (see Note 69).

Details on the calculation of the fair values can be found in Note 11. A breakdown based on the fair value hierarchy categories pursuant to IFRS 13.72 and a detailed description in this regard can be found in Note 67.

## 30. Derivatives

Derivatives at Kommunalcredit mainly serve the purpose of hedging interest rate and/or currency risks. The positive fair values (for details on fair value measurement, see Note 11) of the derivative financial instruments are recognised on the asset side and shown in the following table (including interest accruals/deferrals):

DERIVATIVES in EUR 1,000	31/12/2022	31/12/2021
Interest-related transactions	194,671.4	105,963.8
<i>of which in fair value hedges</i>	170,619.7	104,890.4
<i>of which in portfolio hedge</i>	21,110.7	0.0
Currency-related transactions	6,709.6	22,427.1
<i>of which in fair value hedges</i>	0.0	0.0
<b>Total</b>	<b>201,381.0</b>	<b>128,390.9</b>

## 31. Investments in associates

The equity share in PeakSun Holding GmbH came to TEUR 5.0 as of 31 December 2022 (31/12/2021: TEUR 11.6). As of 31 December 2022, the assets and liabilities of this company amounted to TEUR 579.5 (31/12/2021: TEUR 357.8) and TEUR 567.1 (31/12/2021: TEUR 328.8), respectively, revenues amounted to TEUR 0.0 (31/12/2021: TEUR 185.0) and the loss for the year was TEUR -16.6 (31/12/2021: TEUR -6.0). There were no material non-recognised losses for this at-equity investment for Kommunalcredit. The shares in Kommunalnet E-Government Solutions GmbH are reported under assets at fair value without affecting profit or loss and are presented in Note 27.

## 32. Property, plant and equipment

The development and composition of property, plant and equipment is shown in Note 35 (Schedule of Non-current Asset Transactions). The value of land and buildings used mainly by the Group, as shown on the statement of financial position, is unchanged from the previous year and includes a land value of TEUR 3,961.1.

For information on the composition and development of right-of-use assets, please refer to Note 33.

PROPERTY, PLANT AND EQUIPMENT in EUR 1,000	31/12/2022	31/12/2021
Land and buildings	18,926.9	19,846.6
Office furniture and equipment	2,355.1	2,461.5
Facilities under construction	440.4	0.0
Right-of-use assets	1,860.4	1,425.3
<b>Total</b>	<b>23,582.7</b>	<b>23,733.5</b>

### 33. Leases

The right-of-use assets capitalised resulted from lease agreements relating to the rental of buildings and vehicles. These are reported under property, plant and equipment. The right-of-use assets showed the following development in 2022:

The addition to buildings in the amount of TEUR 619.0 relates to the renewal of an existing lease agreement for office premises in Frankfurt.

RIGHT-OF-USE ASSETS 2022 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2022	1,421.4	3.9	1,425.3
Additions 1/1-31/12/2022	619.0	2.6	621.6
Depreciation 1/1-31/12/2022	-181.0	-5.5	-186.6
<b>Carrying amount 31/12/2022</b>	<b>1,859.4</b>	<b>1.0</b>	<b>1,860.4</b>

The right-of-use assets developed as follows in the same period of the previous year:

RIGHT-OF-USE ASSETS 2021 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2021	1,519.2	19.5	1,538.7
Additions 1/1-31/12/2021	72.3	0.0	0.0
Depreciation 1/1-31/12/2021	-170.1	-15.6	-185.7
<b>Carrying amount 31/12/2021</b>	<b>1,421.4</b>	<b>3.9</b>	<b>1,425.3</b>

Kommunalkredit elects not to recognise short-term leases with terms of less than twelve months, instead recognising payments made under these agreements as expenses over the term of the lease. There are currently expenses from a leasing relationship amounting to TEUR 46.6 (1/1–31/12/2021: TEUR 44.5).

In addition, an agreement on the use of office equipment whose leasing rate also includes maintenance and consumables is not recognised as a lease, as the recognition of these leases would involve disproportionate reporting effort in relation to the benefit provided by this information. This resulted in an expense of TEUR 63.0 in 2022 (1/1–31/12/2021: TEUR 71.6).

The cash outflows from lease agreements (both capitalised leases, and short term leases and leases of low-value assets) amounted to TEUR 309.2 in 2022 (1/1–31/12/2021: TEUR 324.4).

Kommunalkredit has not concluded any material agreements in which it serves as lessor.

### 34. Intangible assets

Intangible assets comprise purchased software and acquired rights of usufruct in connection with an investment in the production of green hydrogen. The development and composition of this item is shown in Note 35 (Schedule of Non-current Asset Transactions).

Since the beginning of 2022, Kommunalkredit has been investing jointly with a partner in a plant for the production of green hydrogen. In economic terms, Kommunalkredit receives the possibility to dispose of the hydrogen itself and to sell it to third parties under certain conditions. Kommunalkredit has a subscription right to certain products of the plant. Accordingly, by meeting the criteria of IAS 38, the investment is presented in the consolidated financial statements as an intangible asset. The assessment, whether the power of disposal over the hydrogen produced exists at the balance sheet date and that the subscription right has economic substance, is reviewed on a regular basis. The subscription right will increase until the planned completion of the plant in 2023 by the amount invested by Kommunalkredit in the course of the project. From completion or start of production, the subscription right is amortised over the economic lifetime of the plant (10 years).

As of December 31, 2022, the capitalised subscription right in connection with the investment in green hydrogen amounted to TEUR 3,422.4 (31/12/2021: TEUR 0.0).

### 35. Schedule of non-current asset transactions

The schedule of non-current asset transactions shows the development and composition of property, plant and equipment and non-current intangible assets.

As of 31 December 2022, the schedule of non-current asset transactions is as follows:

SCHEDULE OF NON-CURRENT ASSET TRANSACTIONS 2022 in EUR 1,000	Acquisition costs				
	as of 1/1/2022	Additions	Disposals	Reclassifications	as of 31/12/2022
<b>Property, plant and equipment</b>	<b>47,845.0</b>	<b>1,414.8</b>	<b>-499.3</b>	<b>0.0</b>	<b>48,760.5</b>
Land and buildings	37,825.2	0.3	0.0	0.0	37,825.5
Office furniture and equipment	8,137.2	352.4	-499.3	0.0	7,990.3
Right-of-use assets	0.0	440.4	0.0	0.0	440.4
	1,882.7	621.6	0.0	0.0	2,504.3
<b>Intangible assets</b>	<b>5,620.6</b>	<b>3,693.9</b>	<b>0.0</b>	<b>0.0</b>	<b>9,314.5</b>
<b>Total of property, plant and equipment and intangible assets</b>	<b>53,465.7</b>	<b>5,108.7</b>	<b>-499.3</b>	<b>0.0</b>	<b>58,075.1</b>

SCHEDULE OF NON-CURRENT ASSET TRANSACTIONS 2021 in EUR 1,000	Acquisition costs				
	as of 1/1/2021	Additions	Disposals	Reclassifications	as of 31/12/2021
<b>Property, plant and equipment</b>	<b>47,167.2</b>	<b>679.5</b>	<b>-1.6</b>	<b>0.0</b>	<b>47,845.0</b>
Land and buildings	37,825.2	0.0	0.0	0.0	37,825.2
Office furniture and equipment	7,531.6	607.2	-1.6	0.0	8,137.2
Right-of-use assets	1,810.4	72.3	0.0	0.0	1,882.7
<b>Intangible assets</b>	<b>5,028.5</b>	<b>592.2</b>	<b>0.0</b>	<b>0.0</b>	<b>5,620.6</b>
<b>Total of property, plant and equipment and intangible assets</b>	<b>52,195.6</b>	<b>1,271.6</b>	<b>-1.6</b>	<b>0.0</b>	<b>53,465.7</b>

Cumulative depreciation and amortisation						
as of 1/1/2022	Additions	Disposals	as of 31/12/2022	Carrying amount 31/12/2022	Carrying amount 31/12/2021	
24,111.5	1,565.5	-499.3	25,177.8	23,582.7	23,733.5	
17,978.5	920.1	0.0	18,898.6	18,926.9	19,846.6	
5,675.6	458.9	-499.3	5,635.2	2,355.1	2,461.5	
0.0	0.0	0.0	0.0	440.4	0.0	
457.4	186.6	0.0	643.9	1,860.4	1,425.3	
4,771.8	233.5	0.0	5,005.3	4,309.2	848.8	
28,883.3	1,799.1	-499.3	30,183.1	27,892.0	24,582.3	

Cumulative depreciation and amortisation						
as of 1/1/2021	Additions	Disposals	as of 31/12/2021	Carrying amount 31/12/2021	Carrying amount 31/12/2020	
22,736.2	1,376.9	-1.6	24,111.5	23,733.5	24,430.9	
17,058.5	920.0	0.0	17,978.5	19,846.6	20,766.7	
5,406.1	271.2	-1.6	5,675.6	2,461.5	2,125.5	
271.7	185.7	0.0	457.4	1,425.3	1,538.7	
4,539.0	232.8	0.0	4,771.8	848.8	489.5	
27,275.2	1,609.7	-1.6	28,883.3	24,582.3	24,920.4	

### 36. Other assets

OTHER ASSETS in EUR 1,000	31/12/2022	31/12/2021
Other assets	3,599.3	2,736.8
Deferred income	3,207.8	3,844.7
<b>Total</b>	<b>6,807.1</b>	<b>6,581.5</b>

Other assets comprise the following material items: trade receivables in the amount of TEUR 801.1 (31/12/2021: TEUR 954.9) and receivables of Kommunalkredit Public Consulting GmbH from the subsidy management for public clients in the amount of

TEUR 1,304.9 (31/12/2021: TEUR 1,085.7).

The prepaid expenses mainly comprise fees and other general and administrative expenses recognised according to the accruals concept.

### 37. Amounts owed to banks

AMOUNTS OWED TO BANKS in EUR 1,000	31/12/2022	31/12/2021
Repayable on demand	32,386.2	64,377.7
Other liabilities	124,246.3	416,386.9
<b>Total</b>	<b>156,632.5</b>	<b>480,764.6</b>

Amounts owed to banks repayable on demand include cash and cash equivalents received as cash collateral for positive market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 31,671.3 (31/12/2021: TEUR 64,377.7). Other amounts owed to banks include TEUR 37,294.6 (31/12/2021: TEUR 405,935.3) in medium-term funds from the TLTRO III pro-

gramme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB) and TEUR 4,347.8 (31/12/2021: TEUR 4,782.6) in collateralised loans of the European Investment Bank. The decrease in liabilities to banks from the TLTRO III programme is due to the early repayment of a TLTRO III tranche with a nominal value of TEUR 374,610.0.

### 38. Amounts owed to customers

Amounts owed to customers include the following:

AMOUNTS OWED TO CUSTOMERS in EUR 1,000	31/12/2022	31/12/2021
Deposits by corporates, municipalities and quasi-municipal enterprises	872,043.1	801,379.5
Deposits by retail customers – KOMMUNALKREDIT INVEST	1,253,559.8	908,825.1
Cash collateral received for positive market values of derivatives	20,779.2	39,547.5
Other long-term liabilities to customers	142,781.8	111,296.2
<b>Total</b>	<b>2,289,163.9</b>	<b>1,861,048.3</b>

Amounts owed to customers include TEUR 525,554.3 (31/12/2021: TEUR 291,614.4) repayable on demand.

No long-term liabilities to customers were bought back in the reporting period (31/12/2021: TEUR 155,539.52).

### 39. Securitised liabilities

SECURITISED LIABILITIES in EUR 1,000	31/12/2022	31/12/2021
Bonds issued	1,230,035.3	1,135,381.6
Other securitised liabilities	170,392.1	235,317.1
<b>Total</b>	<b>1,400,427.3</b>	<b>1,370,698.7</b>

The securitised liabilities reported under “Bonds issued” and “Other securitised liabilities” comprise covered bonds with a carrying amount of TEUR 926,576.1 (31/12/2021: TEUR 856,292.8), which are collateralised by a cover pool. Besides covered bonds, this statement of financial position item primarily includes senior unsecured bonds.

In the reporting period, Kommunalkredit redeemed securitised liabilities in the nominal amount of TEUR 209,905.3 (31/12/2021: TEUR 347,510.5) at maturity according to schedule, and bought back/prematurely redeemed securitised liabilities with a value of TEUR 7,669.9 (31/12/2021: TEUR 22,392.7). With regard to the resulting outcome, reference is made to point 54.

## 40. Subordinated liabilities

As of 31 December 2022, subordinated liabilities were broken down as follows:

TYPE OF LIABILITY	Interest rate 31/12/2022	Currency	Nominal value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007-2047	5.02 %	EUR	10,000.0	6,928.6
Subordinated bonded loan 2007-2047	5.02 %	EUR	9,000.0	6,235.7
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,000.0	7,466.3
Subordinated bonded loan 2007-2037	5.08 %	EUR	800.0	597.3
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,200.0	7,615.6
<b>Total</b>			<b>40,000.0</b>	<b>28,843.6</b>

The comparative figures as of 31 December 2021 are as follows:

TYPE OF LIABILITY	Interest rate 31/12/2021	Currency	Nominal value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	10,479.5
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	10,398.2
Subordinated bonded loan 2007-2047	5.02 %	EUR	10,000.0	9,839.3
Subordinated bonded loan 2007-2047	5.02 %	EUR	9,000.0	8,855.4
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,000.0	9,868.7
Subordinated bonded loan 2007-2037	5.08 %	EUR	800.0	789.5
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,200.0	10,066.1
<b>Total</b>			<b>60,000.0</b>	<b>60,296.9</b>

The difference between the carrying amount and the nominal value is due to hedge accounting according to IFRS 9. Interest expenses for all subordinated liabilities in the reporting period amounted to TEUR 2,076.4 (1/1–31/12/2021: TEUR 2,674.5). Creditor claims to repayment of these liabilities are subordinate in relation to other creditors and, in the event of bankruptcy or

liquidation, will be fulfilled only after all non-subordinated creditors have been satisfied.

The subordinated liabilities meet the conditions of Part 2 Title I Chapter 4 of EU Regulation 575/2013 (CRR) and are eligible as tier 2 capital for regulatory purposes.

## 41. Derivatives

Derivatives at Kommunalkredit mainly serve the purpose of hedging interest rate and/or currency risks. The negative fair values of derivative financial instruments are reported on the

liabilities side (for details on fair value measurement, see Note 11) and shown in the following table (including interest accruals/deferrals):

DERIVATIVES in EUR 1,000	31/12/2022	31/12/2021
Interest-related transactions	183,946.1	162,166.5
<i>of which in fair value hedges</i>	14,612.9	80,015.1
<i>of which in portfolio hedge</i>	160,335.8	51,262.1
Currency-related transactions	6,877.9	6,764.4
<i>of which in fair value hedges</i>	0.0	0.0
Other transactions	0.0	0.0
<b>Total</b>	<b>190.823.9</b>	<b>168,930.9</b>

The structure of the derivative financial instruments, including their market values, is shown in Note 64.

## 42. Provisions

As of 31 December 2022, long-term personnel provisions and provisions for expected losses from credit commitments were reported under provisions.

PROVISIONS in EUR 1,000	Changes			
	Initial value 1/1/2022	reported in income statement	reported in total com- prehensive income/equity	End value 31/12/2022
Provisions for pensions	1,094.0	-59.3	-486.4	548.4
Provisions for severance pay	3,924.7	-299.4	-1,181.2	2,444.2
Provisions for jubilee bonuses	133.3	-41.9	0.0	91.4
Provisions for expected losses on credit commitments	395.7	512.9	0.0	908.6
other	0.0	235.4	0.0	235.4
<b>Total</b>	<b>5,547.7</b>	<b>347.8</b>	<b>-1,667.5</b>	<b>4,227.9</b>

The provisions for expected losses on loan commitments are presented in Note 28.

The actuarial provisioning requirement for personnel provisions changed in 2022 as follows:

CHANGE IN PERSONNEL PROVISIONS in EUR 1,000	Provision for			Total
	pension obligations	severance pay	jubilee bonuses	
<b>as of 31/12/2021</b>				
Present value of defined benefit obligation DBO	1,674.0	3,924.7	133.3	5,732.0
Plan assets	-580.0	0.0	0.0	-580.0
<b>Actuarial provisioning requirement</b>	<b>1,094.0</b>	<b>3,924.7</b>	<b>133.3</b>	<b>5,152.0</b>
Current service cost	13.4	206.6	4.0	
Interest cost	12.7	19.4	0.3	
Actuarial gains (-) / losses (+) from DBO	-536.3	-1,181.2	-18.7	
<i>of which due to changes in demographic assumptions</i>	0.0	-226.0	0.0	
<i>of which due to empirical changes</i>	14.6	-405.6	-6.6	
<i>of which due to changes in financial assumptions</i>	-550.9	-549.5	-12.2	
Payments	-103.3	-525.4	-27.5	
Other changes	0.0	0.0	0.0	
<b>Change DBO 2022</b>	<b>-613.5</b>	<b>-1,480.5</b>	<b>-41.9</b>	
<b>Change in plan assets 2022</b>	<b>67.9</b>	<b>0.0</b>	<b>0.0</b>	
DBO as of 31/12/2022	1,060.5	2,444.2	91.4	3,596.1
Plan assets	-512.1	0.0	0.0	-512.1
<b>Actuarial provisioning requirement as of 31/12/2021</b>	<b>548.4</b>	<b>2,444.2</b>	<b>91.4</b>	<b>3,084.0</b>
Duration of defined benefit obligation in years	12.4	6.6	4.6	
Sensitivity of DBO to change in actuarial interest rate by				
plus 0.5 %	-5.7 %	-3.1 %		
minus 0.5 %	6.3 %	3.3 %		
Sensitivity of DBO to deviation of salary development by				
plus 0.5 %	0.8 %	3.3 %		
minus 0.5 %	-1.0 %	-3.1 %		
Sensitivity of DBO to deviation of pension increase by				
plus 0.5 %	5.7 %			
minus 0.5 %	-5.2 %			

The comparative figures as of 31 December 2021 are as follows:

PROVISIONS in EUR 1,000	Changes			
	Initial value 1/1/2021	reported in income statement	reported in total com- prehensive income/equity	End value 31/12/2021
Provisions for pensions	1,308.9	-57.3	-157.6	1,094.0
Provisions for severance pay	5,037.1	-799.0	-313.4	3,924.7
Provisions for jubilee bonuses	193.3	-60.0	0.0	133.3
Provisions for expected losses on credit commitments	306.8	88.9	0.0	395.7
<b>Total</b>	<b>6,846.0</b>	<b>-827.4</b>	<b>-470.9</b>	<b>5,547.7</b>

The actuarial provisioning requirement for personnel provisions changed in 2021 as follows:

CHANGE IN PERSONNEL PROVISIONS in EUR 1,000	Provision for			Total
	pension obligations	severance pay	jubilee bonuses	
<b>as of 31/12/2020</b>				
Present value of defined benefit obligation DBO	1,827.3	5,037.1	193.3	7,057.7
Plan assets	-518.5	0.0	0.0	-518.5
<b>Actuarial provisioning requirement</b>	<b>1,308.9</b>	<b>5,037.1</b>	<b>193.3</b>	<b>6,539.3</b>
Current service cost	14.8	258.6	5.5	
Interest cost	9.5	12.5	0.0	
Actuarial gains (-) / losses (+) from DBO	-94.9	-313.4	-20.3	
<i>of which due to changes in demographic assumptions</i>	0.0	-83.5	0.0	
<i>of which due to empirical changes</i>	-27.3	-144.1	-18.7	
<i>of which due to changes in financial assumptions</i>	-67.5	-85.7	-1.5	
Payments	-82.8	-835.2	-45.3	
Other changes	0.0	-234.9	0.0	
<b>Change DBO 2021</b>	<b>-153.3</b>	<b>-1,112.4</b>	<b>-60.0</b>	
<b>Change in plan assets 2021</b>	<b>-61.5</b>	<b>0.0</b>	<b>0.0</b>	
DBO as of 31/12/2021	1,674.0	3,924.7	133.3	5,732.0
Plan assets	-580.0	0.0	0.0	-580.0
<b>Actuarial provisioning requirement as of 31/12/2021</b>	<b>1,094.0</b>	<b>3,924.7</b>	<b>133.3</b>	<b>5,152.0</b>
Duration of defined benefit obligation in years	15.7	8.6		
Sensitivity of DBO to change in actuarial interest rate by	plus 0.5 % minus 0.5 %	-7.3 % 8.3 %	-4.2 % 4.4 %	
Sensitivity of DBO to deviation of salary development by	plus 0.5 % minus 0.5 %		4.3 % -4.0 %	
Sensitivity of DBO to deviation of pension increase by	plus 0.5 % minus 0.5 %	7.3 % -6.5 %		

The development of the fair value of plan assets is as follows:

<b>DEVELOPMENT OF THE FAIR VALUE OF PLAN ASSETS</b> in EUR 1,000	<b>2022</b>	<b>2021</b>
<b>as of 1/1</b>	<b>580.0</b>	<b>518.5</b>
Interest income	4.4	2.7
Actuarial result due to empirical changes	-49.9	62.7
Fund payments	-22.6	-4.3
Changes in the financial year	-67.9	61.5
<b>as of 31/12</b>	<b>512.1</b>	<b>580.0</b>

The following table shows plan assets broken down by asset classes:

<b>PLAN ASSETS BY ASSET CLASS</b> in EUR 1,000	<b>31/12/2022</b>	<b>31/12/2021</b>
Securities – euro	11.2 %	10.8 %
Securities – euro – inflation-linked	4.1 %	4.1 %
Securities – euro emerging markets	1.9 %	4.5 %
Securities – euro corporate	10.3 %	20.5 %
Term deposits	0.3 %	0.3 %
Equity instruments – euro	14.5 %	17.6 %
Equity instruments – non-euro	14.4 %	14.1 %
Equity instruments – emerging markets	6.4 %	7.1 %
Alternative investments	11.0 %	7.7 %
Real estate	5.6 %	4.9 %
Cash and cash equivalents	8.4 %	5.4 %
Other	12.0 %	3.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

As of 31 December 2022, 26.7% (31/12/2021: 19.1%) of the plan assets do not have a market price listed on an active market.

For 2023, if calculation parameters remain constant, the following changes are expected for defined benefit plans:

<b>EXPECTED DEVELOPMENT OF DBO</b> in EUR 1,000	
<b>Defined benefit obligation (DBO) as of 1/1/2023</b>	<b>1,060.5</b>
Expected current service cost	7.2
Expected interest cost	37.8
Expected payments	-99.6
Expected actuarial result	-4.0
<b>DBO as of 31/12/2023</b>	<b>1,001.9</b>

<b>EXPECTED DEVELOPMENT OF PLAN ASSETS</b> in EUR 1,000	
<b>Plan assets as of 1/1/2023</b>	<b>512.1</b>
Expected interest income	19.7
Expected payments by pension fund	-24.3
Expected contribution by employer	49.0
Expected actuarial result	0.0
<b>Expected plan assets as of 31/12/2023</b>	<b>556.5</b>

### 43. Tax liabilities

TAX LIABILITIES in EUR 1,000	31/12/2022	31/12/2021
Current tax liabilities	17,389.9	9,045.3
Deferred tax liabilities	0.0	1,552.8
<b>Total</b>	<b>17,389.9</b>	<b>10,598.1</b>
Deferred tax assets	4,425.7	0.0

Deferred tax assets and liabilities include taxes arising from temporary differences between the values recognised according to IFRS and the amounts calculated for tax purposes.

The origin and development of deferred tax assets/liabilities are shown in the following table:

DEFERRED TAXES in EUR 1,000	as of 31/12/2021	Change recognised in P&L	Change recognised in OCI	as of 31/12/2022
<b>Deferred taxes from temporary differences in asset-side items in the statement of financial position</b>				
Loans and advances to banks <sup>1</sup>	-1,025.3	6,342.5	0.0	5,317.1
Loans and advances to customers <sup>1</sup>	-5,613.5	95,697.8	0.0	90,084.2
Assets at fair value through profit or loss	-559.1	-49,071.3	0.0	-49,630.4
Assets at fair value through other comprehensive income	-25,574.2	11.5	9,397.1	-16,165.6
Derivatives	-22,282.2	-18,185.3	0.0	-40,467.4
Portfolio hedge	-306.3	2,248.3	0.0	1,942.0
Investments in associates	0.0	0.0	0.0	0.0
Property, plant and equipment	-327.4	-100.5	0.0	-427.9
Other loans and advances	89.1	-230.8	0.0	-141.7
<b>Deferred taxes from temporary differences in liability-side items in the statement of financial position</b>				
Amounts owed to banks	-288.4	355.4	0.0	67.1
Amounts owed to customers	608.6	-2,088.9	0.0	-1,480.3
Derivatives	33,500.3	-1,097.2	0.0	32,403.0
Securitised liabilities <sup>1</sup>	17,313.2	-38,891.1	0.0	-21,577.9
Subordinated liabilities	-557.6	-2,406.4	0.0	-2,964.1
Provisions	699.2	87.2	-416.9	369.5
Provisions for expected losses	0.0	0.0	0.0	0.0
Other liabilities	2,771.0	4,327.1	0.0	7,098.1
<b>Total</b>	<b>-1,552.8</b>	<b>-3,001.7</b>	<b>8,980.2</b>	<b>4,425.7</b>

<sup>1</sup> Deferred taxes in these items relate primarily to differences between the values recognised according to IFRS and the amounts calculated for tax purposes in the context of hedge accounting.

The change in profit or loss of TEUR -3,001.7 (31/12/2021: TEUR -8,872.7) is included in its entirety in the deferred tax expense.

There are no plans to realise deferred tax liabilities resulting from financial instruments and provisions (apart from measurement effects and maturities) within the coming twelve months.

The comparative figures as of 31 December 2021 are as follows:

DEFERRED TAXES in EUR 1,000	as of 31/12/2020	Change recognised in P&L	Change recognised in OCI	as of 31/12/2021
<b>Deferred taxes from temporary differences in asset-side items in the statement of financial position</b>				
Tax loss carryforwards	7,114.1	-7,114.1	0.0	0.0
Loans and advances to banks <sup>1</sup>	-2,369.2	1,343.9	0.0	-1,025.3
Loans and advances to customers <sup>1</sup>	-19,349.6	13,736.1	0.0	-5,613.5
Assets at fair value through profit or loss	-1,508.5	949.4	0.0	-559.1
Assets at fair value through other comprehensive income	-29,163.4	156.7	3,432.5	-25,574.2
Derivatives	-29,755.4	7,473.3	0.0	-22,282.2
Portfolio hedge	-1,084.1	777.8	0.0	-306.3
Investments in associates	53.6	-53.6	0.0	0.0
Property, plant and equipment	-365.7	38.3	0.0	-327.4
Other loans and advances	106.3	-17.1	0.0	89.1
<b>Deferred taxes from temporary differences in liability-side items in the statement of financial position</b>				
Amounts owed to banks	-82.1	-206.3	0.0	-288.4
Amounts owed to customers	4,656.3	-4,047.7	0.0	608.6
Derivatives	47,498.0	-13,997.7	0.0	33,500.3
Securitised liabilities <sup>1</sup>	23,996.5	-6,683.3	0.0	17,313.2
Subordinated liabilities	193.7	-751.3	0.0	-557.6
Provisions	898.6	-81.7	117.7	699.2
Provisions for expected losses	48.3	-48.3	0.0	0.0
Other liabilities	3,118.1	-347.1	0.0	2,771.0
<b>Total</b>	<b>4,005.2</b>	<b>-8,872.7</b>	<b>3,314.8</b>	<b>-1,552.8</b>

1 Deferred taxes in these items relate primarily to differences between the values recognised according to IFRS and the amounts calculated for tax purposes in the context of hedge accounting.

#### 44. Other liabilities

OTHER LIABILITIES in EUR 1,000	31/12/2022	31/12/2021
Other liabilities	12,681.2	9,262.8
Personnel liabilities	21,812.7	17,177.3
Lease liabilities	969.6	1,447.0
Deferred income	25,000.5	4,336.6
<b>Total</b>	<b>60,463.9</b>	<b>32,223.6</b>

Other liabilities mainly include obligations for personnel expenses and accruals for audit, legal and consulting expenses. Prepaid expenses largely include costs not yet booked, as well as income from day-one gains that is not yet accrued. The day-one gains mainly include fees and arrangement fees not yet received in connection with loans not yet disbursed as well as income from day-one gains not yet accrued. The fees and arrangement fees included in deferred income are recognised in the effective interest rate at the time of disbursement.

In the first half of 2022, Kommunalkredit acquired a portfolio of loans at a significant discount to nominal value in the course of a non-orderly business transaction, where the transaction price (purchase price) at the time of purchase did not correspond to the fair value of the underlying loans due to the situation of the seller. In order to determine the fair value of this portfolio at the time of acquisition, parameters not observable on the market were used to a considerable extent for the valuation. Accordingly, a systematic deferral of the day-one gain is made over the life of the asset or until the point in time when observable market information is expected to be available (whichever is shorter). The status of unamortised day-one gains is as follows:

DIFFERENCES FROM DAY-ONE GAINS in EUR 1,000	31/12/2022	31/12/2021
Balance at the beginning of the period	0.0	0.0
Additions from new transactions	28,660.6	0.0
Amortisation	-7,332.1	0.0
<b>Total</b>	<b>21,328.5</b>	<b>0.0</b>

## 45. Equity

### A. Development and composition

The share capital of Kommunalkredit as of 31 December 2022 amounted to EUR 177,017,120.82.

Satere Beteiligungsverwaltungs GmbH holds 34,343,928 no-par-value shares, i.e. 99.80% of the shares; 70,367 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. In September 2022, 847,184 shares were issued, or an increase in the share capital of EUR 4,357,668.01 implemented, as part of a capital increase from the authorised capital. The share premium of EUR 5,647,420.33 was added to the fixed capital reserves. This means that 15,936,371 no-par-value shares from the authorised capital or EUR 81,972,055.83 are still freely available.

To strengthen the capital base and the capital structure, additional tier 1 capital (AT1) amounting to TEUR 62,800.0 was successfully placed on the capital market in the first half of 2021. In line with the contractual terms & conditions, the issue was reported under equity in accordance with the provisions of IAS 32. Costs incurred in connection with the issue of the additional Tier 1 capital were deducted from equity. Coupon payments were also deducted from equity and not recognised through profit or loss.

The development and composition of equity as reportable according to IFRS is declared under Item IV (statement of changes in equity).

### B. Servicing of equity/proposal for appropriation of profit

Kommunalkredit Austria AG's profit for the year 2022 according to Austrian GAAP is TEUR 70,187.6. The Executive Board will propose to the Annual Shareholders' Meeting on 22 February 2023 that the retained profit of TEUR 49,101 be carried forward to a new account.

### C. Total capital management and regulatory capital indicators

Just as in the previous year, we adhered to the statutory total capital requirements at all times throughout the reporting year. These included a capital conservation buffer, countercyclical capital buffer and premium from the supervisory review and evaluation process (SREP). Operational monitoring and management take the form of not only ongoing monitoring activities but also monthly reports to the Executive Board. Equity management is also elucidated under Note 68.

#### C.1. Regulatory group of credit institutions

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). Satere owns 99.80% of Kommunalkredit. Given that Satere is classified as a financial holding company as defined by CRR, Kommunalkredit – as per Art. 11 (2) and (3) CRR – is the only credit institution obliged to fulfil the requirements of consolidated position specified in Parts 2 to 4 (Total Capital, Capital Requirements, Large Exposures), Part 6 (Liquidity), Part 7 (Debt) and Part 8 (Disclosure) CRR. Kommunalkredit also meets the definition of a superordinate credit institution pursuant to § 30 (5) of the Austrian Banking Act, which is responsible for compliance with the provisions of the Austrian Banking Act applicable to groups of credit institutions.

In addition to Satere and Kommunalkredit, the regulatory group of credit institutions also includes Kommunalkredit KBI Immobilien GmbH, Kommunalkredit 4OG Immobilien GmbH & Co KG, Kommunalkredit KBI Immobilien GmbH & Co KG and Kommunalkredit TLI Immobilien GmbH & Co KG as providers of additional services.

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	31/12/2022	31/12/2021
<b>Total risk exposure amount pursuant to Art. 92 CRR</b>	<b>2,534,070.2</b>	<b>2,026,560.0</b>
<i>of which credit risk</i>	2,324,813.2	1,852,312.5
<i>of which operational risk</i>	192,217.4	159,471.0
<i>of which CVA charge</i>	16,874.0	14,557.7
<i>of which default fund of a qualifying counterparty</i>	165.6	218.9

<b>TOTAL CAPITAL – ACTUAL</b> in EUR 1,000 or %	<b>31/12/2022</b>	<b>31/12/2021</b>
Common equity tier 1 after deductible items (CET 1)	401,683.6	344,357.4
Additional tier 1 (AT1)	36,230.5	34,470.3
<b>Common equity (tier 1)</b>	<b>437,914.1</b>	<b>378,827.7</b>
Tier 2 capital	36,869.2	33,946.5
<b>Total capital</b>	<b>474,783.3</b>	<b>412,774.2</b>
Common equity tier 1 ratio (CET 1)	15.9 %	17.0 %
Common equity ratio (tier 1)	17.3 %	18.7 %
Total capital ratio	18.7 %	20.4 %

The total capital disclosed reflects the annual net income of the consolidated group companies for the financial year in accordance with Austrian GAAP amounting to TEUR 47,659.2 (2021: TEUR 46,912.6).

**C.2. Regulatory total capital of Kommunalkredit Austria AG**  
Total capital and total capital requirements calculated in accordance with CRR as reported in the individual financial statements of Kommunalkredit pursuant to Austrian GAAP have the following composition and development:

<b>BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR</b> in EUR 1,000	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>Total risk exposure amount pursuant to Art. 92 CRR</b>	<b>2,552,491.2</b>	<b>2,026,456.0</b>
<i>of which credit risk</i>	2,347,897.5	1,857,515.7
<i>of which operational risk</i>	187,554.1	154,163.7
<i>of which CVA charge</i>	16,874.0	14,557.7
<i>of which default fund of a qualifying counterparty</i>	165.6	218.9

<b>TOTAL CAPITAL – ACTUAL</b> in EUR 1,000 or %	<b>31/12/2022</b>	<b>31/12/2021</b>
Common equity tier 1 after deductible items (CET 1)	431,189.4	350,793.9
Additional tier 1 (AT1)	62,800.0	62,800.0
<b>Common equity (tier 1)</b>	<b>493,989.4</b>	<b>413,593.9</b>
Tier 2 capital	44,950.0	44,641.5
<b>Total capital</b>	<b>538,939.4</b>	<b>458,235.4</b>
Common equity tier 1 ratio (CET 1)	16.9 %	17.3 %
Common equity ratio (tier 1)	19.4 %	20.4 %
Total capital ratio	21.1 %	22.6 %

The total capital disclosed reflects the profit for the year of Kommunalkredit for the 2021 financial year in accordance with Austrian GAAP amounting to TEUR 49,101.3 (2021: TEUR 47,091.8).

# Notes on the income statement of the Kommunalkredit Group

## 46. Net interest income

NET INTEREST INCOME in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Interest income</b>	<b>165,130.7</b>	<b>96,838.4</b>
Interest income from loans and advances to banks	15,803.5	5,482.1
Interest income from loans and advances to customers	74,593.4	53,202.7
Interest income from assets at fair value through other comprehensive income	70,467.3	47,301.8
Interest income from assets at fair value through profit or loss	18,658.9	14,684.2
Interest income from derivatives in hedges	-22,294.2	-34,166.7
Interest income from derivatives not in hedges	0.0	63.7
Interest income from maturing derivatives in the portfolio hedge	7,056.9	8,036.5
Interest income from other assets and changes to estimates	844.9	2,234.1
<b>Interest expenses and expenses similar to interest expenses</b>	<b>-39,430.1</b>	<b>-17,973.4</b>
Interest expenses for amounts owed to banks	-11,655.3	-6,064.5
Interest expenses for amounts owed to customers	-11,395.2	-11,844.0
Interest expenses for derivatives in hedges	14,144.8	30,992.0
Interest expenses for derivatives not in hedges	-2,793.5	-3,080.8
Interest expenses for securitised liabilities	-24,092.2	-24,142.7
Interest expenses for subordinated capital	-2,076.4	-2,674.5
Interest expenses for other liabilities and changes in estimates	-1,562.2	-1,158.9
<b>Net interest income</b>	<b>125,700.6</b>	<b>78,864.9</b>

Net interest income rose year on year by 59.4% to TEUR 125,700.6 (1/1–31/12/2021: TEUR 78,864.9).

Due to the negative interest rates applied to credit with Österreichische Nationalbank (OeNB) and to other deposits with banks, the net interest income was reduced by TEUR 1,731.5 (1/1–31/12/2021: TEUR 4,520.4) in 2022 and is reported under interest expense for amounts owed to banks in the table above.

TEUR 1,752.0 (1/1–31/12/2021: TEUR 4,817.8) in interest income was collected in 2022 as part of the specific long-term refinancing transactions of the ECB (TLTRO III). In 2022, there was no change

in estimate determined according to the provisions of IFRS 9 in conjunction with a changed estimate of the achievement of certain interest-rate-related lending goals (1/1–31/12/2021: TEUR 2,110.5). No interest income was collected from negative interest for other loans in the 2022 financial year (1/1–31/12/2021: TEUR 337.5). Income from negative interest for loans is reported under interest income for loans and advances to banks. The interest expenses for financial liabilities calculated based on the effective interest method that are not measured at fair value through profit or loss came to TEUR 35,074.4 in 2022 (1/1–31/12/2021: TEUR 13,733.7). In the reporting year, day-one gains were amortised in the interest result. Details can be found in note 44.

## 47. Net fee and commission income

NET FEE AND COMMISSION INCOME in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Fee and commission income</b>	<b>33,748.1</b>	<b>31,007.0</b>
Subsidy management and consulting business	20,323.8	17,676.1
Lending business	10,329.0	9,964.3
Other service business	3,095.4	3,366.5
<b>Fee and commission expenses</b>	<b>-3,868.5</b>	<b>-1,566.9</b>
Lending business	-783.7	-505.2
Securities business	-428.2	-297.1
Money and FX trading	-322.4	-764.6
Other service business	-2,334.3	0.0
<b>Net fee and commission income</b>	<b>29,879.6</b>	<b>29,440.1</b>

The net fee and commission income of TEUR 29,879.6 (1/1–31/12/2021: TEUR 29,440.1) was largely shaped by the revenue from Kommunkredit Public Consulting GmbH in relation to the subsidy management and consulting business amounting to TEUR 20,323.8 (1/1–31/12/2021: TEUR 17,676.1). Fee and commission income from the lending business came to TEUR 10,329.0 (1/1–31/12/2021: TEUR 9,964.3) and mostly includes fees related to the new lending business. These primarily include commission and transaction-related fees concerning

financial instruments measured at fair value through profit or loss. Fee and commission expenses were largely generated from guarantees in relation to the lending business amounting to TEUR -783.7 (1/1–31/12/2021: TEUR -505.2), from the securities business in the amount of TEUR -428.2 (1/1–31/12/2021: TEUR -297.1) as well as money and FX trading in the amount of TEUR -322.4 (1/1–31/12/2021: TEUR -764.6). All fee and commission income and expenses are recognised according to the accruals concept.

#### 48. Result from the disposal of assets at fair value through other comprehensive income

The result from the disposal of assets at fair value through other comprehensive income amounted to TEUR 1,233.5 in the reporting year (1/1–31/12/2021: TEUR 2,086.1). Where these assets that only serve to generate SPPI-compliant cash flows and are

allocated to the “hold and sell” business model are sold, the amount recorded as of 31 December of the previous year in the reserve for assets measured at fair value and reported directly in other comprehensive income is carried over to the income statement.

#### 49. Net provisioning for impairment losses

NET PROVISIONING FOR IMPAIRMENT LOSSES in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Change in expected losses for level 1	-1,463.6	1,294.6
Change in expected losses for level 2	-86.3	-1,453.6
Change in expected losses for level 3	0.0	0.0
<b>Total</b>	<b>-1,550.0</b>	<b>-159.0</b>

Net provisioning for impairment losses came to TEUR 1,550.0 in the 2022 reporting period (1/1–31/12/2021: TEUR -159.0) and only includes changes in expected credit losses in accordance

with IFRS 9. Details on the development in risk provisions can be found in Note 28.

#### 50. General administrative expenses

GENERAL ADMINISTRATIVE EXPENSES in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Personnel expenses</b>	<b>-52,890.5</b>	<b>-44,770.2</b>
Salaries	-44,934.7	-36,889.6
Statutory social security contributions	-6,974.6	-6,421.7
Voluntary social security contributions	-884.0	-665.1
Expenses for pensions and employee benefits	-97.2	-793.8
<b>Other administrative expenses</b>	<b>-21,149.5</b>	<b>-17,204.6</b>
<b>Depreciation, amortisation and impairment</b>	<b>-1,799.1</b>	<b>-1,609.7</b>
on intangible assets	-233.5	-232.8
on property, plant and equipment	-1,565.5	-1,376.9
<b>Total</b>	<b>-75,839.1</b>	<b>-63,584.4</b>

General administrative expenses increased in the reporting period by 19.3% or TEUR 12,254.7 to TEUR 75,839.1 (1/1–31/12/2021: TEUR 63,584.4). Personnel expenses increased by TEUR 8,120.3 compared to the previous year; this reflects the targeted expansion of the team – both in front office and back office – and also an increased participation in the bank’s success.

In addition to the change in severance and pension provisions, expenses for pensions and employee benefits include TEUR 590.2 (1/1–31/12/2021: TEUR 243.3) for defined contribution plans (pension fund contributions under collective bargaining agreements) and TEUR 471.9 (1/1–31/12/2021: TEUR 394.2) for contributions to company pension plans.

Other administrative expenses include the following items:

<b>OTHER ADMINISTRATIVE EXPENSES</b> in EUR 1,000	<b>1/1-31/12/2022</b>	<b>1/1-31/12/2021</b>
Third-party services	-6,945.8	-5,598.2
Data processing	-2,395.5	-3,402.9
Consulting and auditing fees	-3,909.7	-2,556.3
Public relations and advertising	-2,048.3	-1,193.5
External news services	-1,243.4	-886.0
Headhunting and personnel development	-1,582.3	-863.8
Rating	-294.5	-457.0
Other non-personnel administrative expenses	-2,730.2	-2,246.8
<b>Total of other administrative expenses</b>	<b>-21,149.5</b>	<b>-17,204.6</b>

Expenses for auditing services by the financial auditor allocable to the reporting period came to TEUR 487.2 (1/1–31/12/2021: TEUR 243.3). TEUR 383.4 of this (1/1–31/12/2021: TEUR 169.0) was attributable to the audit of the separate financial statements, TEUR 60.0 (1/1–31/12/2021: TEUR 49.7) was attributable to the audit of the consolidated financial statements, and TEUR 43.7 (1/1–31/12/2021: TEUR 24.6) was attributable to other auditing services. Other advisory services provided by the auditor came to TEUR 163.8 (1/1–31/12/2021: TEUR 245.6).

### 51. Bank Resolution Fund

The expense for the contribution to the European Bank Resolution Fund came to TEUR 2,309.1 (1/1–31/12/2021: TEUR 2,005.2).

### 52. Income from associates

No income from associates was realised in the financial year under review (1/1–31/12/2021: TEUR 1,975.0).

### 53. Other operating result

<b>OTHER OPERATING RESULT</b> in EUR 1,000	<b>1/1-31/12/2022</b>	<b>1/1-31/12/2021</b>
<b>Other operating income</b>	<b>10,225.8</b>	<b>15,472.2</b>
Other operating income	10,225.8	15,472.2
Result from the deconsolidation	-3,088.0	-3,162.9
<b>Other operating expense</b>	<b>-507.2</b>	<b>-1,943.5</b>
Deposit guarantee regime	-695.5	-641.2
Bank stability tax	-1,885.3	-578.2
Other	<b>7,137.8</b>	<b>12,309.3</b>

In the reporting period, a significant modification occurred in the course of restructuring a customer exposure, which was measured at fair value through profit or loss, which resulted in the de-recognition and re-recognition of the asset. The difference to the book value of the old exposure in the amount of TEUR 8,721.0 was recognised as a restructuring gain in other operating income. In addition, no income was realised from the re-purchase of customer liabilities as part of interest rate and liquidity management in the reporting period (1/1–31/12/2021: TEUR 14,882.52).

Other operating expenses include the contribution of Kommunalkredit within the framework of the deposit guarantee regime amounting to TEUR 507.2 (1/1–31/12/2021: TEUR 1,943.5) as well as the stability tax payable by Austrian banks of TEUR 695.5 (1/1–31/12/2021: TEUR 641.2). The increase in the "Other" item is due largely to the increased expenses in connection with the ongoing refurbishment and maintenance of the property in Vienna.

## 54. Net result of asset valuation and realised gains and losses

The net result of asset valuation and realised gains and losses for 2022 came to TEUR 14,464.4 (1/1–31/12/2021: TEUR 7,807.5) with a detailed breakdown as follows:

NET RESULT OF ASSET VALUATION AND REALISED GAINS AND LOSSES in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>a) Result from financial instruments measured at fair value through P&amp;L</b>	<b>15,845.4</b>	<b>7,749.1</b>
<i>a1) of which loans and securities</i>	-4,686.3	499.1
<i>a2) of which interest and currency hedging derivatives</i>	20,531.7	7,250.0
<b>b) Result from the placement of assets</b>	<b>565.0</b>	<b>-163.8</b>
<b>c) Remeasurement result from fair value hedge</b>	<b>-1,951.7</b>	<b>-1,494.0</b>
<i>c1) of which interest rate derivatives</i>	4,365.3	5,554.7
<i>c2) of which underlying instruments</i>	-6,317.0	-7,048.7
<b>d) Remeasurement result from portfolio hedge</b>	<b>351.8</b>	<b>-76.4</b>
<i>d1) of which interest rate derivatives</i>	55,307.3	8,989.9
<i>d2) of which underlying instruments (layer)</i>	-54,955.5	-9,066.3
<b>e) Result from modifications</b>	<b>877.5</b>	<b>-466.5</b>
<i>e1) of which income from modifications</i>	910.0	201.9
<i>e2) of which expenses from modifications</i>	-32.5	-668.4
<b>f) Foreign currency valuation/Other<sup>1</sup></b>	<b>-1,223.6</b>	<b>2,259.1</b>
<b>Total</b>	<b>14,464.4</b>	<b>7,807.5</b>

1 The "Other" item primarily includes the foreign currency valuation of FX forwards.

The result from financial instruments measured at fair value through profit or loss includes loans and securities whose contractual cash flows are not SPPI-compliant as well as loans allocated to the "sell" business model. This item also includes the measurement of interest rate and currency hedging derivatives that are not part of hedge accounting. A result of TEUR 565.0 (1/1–31/12/2021: TEUR -163.8) was generated in 2022 from the early redemption of own issues (securitised liabilities) and the closure of associated interest rate derivatives.

The remeasurement result from the fair value hedge or the portfolio hedge indicates the ineffectiveness of the hedging relationships reported in the statement of financial position by Kommunalkredit. Details on how hedging accounting is reported in the statement of financial position and how effectiveness is measured are provided under Note 10.

The result from modifications shows income and expenses arising from contractual changes to cash flows. These were non-substantial modifications in the 2022 financial year that resulted in an effect of TEUR 877.5 (1/1–31/12/2021: TEUR -446.5).

In line with its business strategy, Kommunalkredit does not engage in activities involving an intent to trade. According to IFRS, the result from the remeasurement of derivatives, which are not in accounting hedges, is by definition allocable to assets held for trading. Derivatives at Kommunalkredit are not trading positions, but economic hedges. The result of assets held for trading according to the IFRS definitions came to TEUR 20,533.2 (1/1–31/12/2021: TEUR 7,238.6) and includes the following components:

- a2) Valuation of interest rate and currency hedging derivatives of TEUR 20,531.7 (1/1–31/12/2021: TEUR 7,250.0)
- f) Foreign currency valuation excl. other of TEUR 1.5 (1/1–31/12/2021: TEUR -11.4)

## 55. Result from the disposal of financial assets measured at amortised cost

Kommunalkredit did not sell a significant amount of assets measured at amortised cost in the reporting year. This related to the sale of publicly listed bonds at a nominal amount of TEUR 21,000.0 (1/1–31/12/2021: TEUR 3,000.0) which were dedicated to the “hold” business model and reported in loans and advances to customers.

No loans measured at amortised cost were sold in the reporting year (1/1–31/12/2021: TEUR 14,700.0).

The result from the disposal of these assets was TEUR 489.6 (1/1–31/12/2021: TEUR 299.1) in 2022.

## 56. Income taxes

INCOME TAXES in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Current tax expense	-18,118.0	-9,360.9
Deferred tax income/expense	-3,001.7	-8,872.7
<b>Total</b>	<b>-21,119.7</b>	<b>-18,233.7</b>

The current tax expense is calculated based on tax results of the financial year with the local tax rate to be applied by the group companies (all group companies residing in Austria are subject to a corporation tax of 25% as was the case in the previous year; the branch residing in Germany is subject to a corporation tax of 15%, a solidarity surcharge of 5.5% and trade tax of 16.1%).

The deferred tax expense amounts to TEUR -3,001.7 (1/1–31/12/2021: TEUR -8,872.7) and results from the change in temporary level differences between tax carrying amounts and IFRS carrying amounts. In the previous financial year under review,

capitalised loss carryforwards in the amount of TEUR 7,114.1 were used in full on the basis of the tax annual profit. The level of capitalised deferred tax on tax loss carryforwards came to TEUR 0.0 on 31 December 2022 (31/12/2021: TEUR 0.0); due to the formation of a tax group in accordance with § 9 of the Austrian Corporate Income Tax Act with Satere Beteiligungsverwaltungs GmbH as the group parent (see Note 20 for details) in 2016, any tax loss carryforwards applicable to Kommunalkredit from periods prior to the time at which the group of companies became effective (pre-group losses) are offsettable without limitations up to a maximum of the company’s own profit.

The following reconciliation table shows the relationship between the expected and reported income taxes:

TAX RECONCILIATION TABLE in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
<b>Profit for the year before tax</b>	<b>99,349.4</b>	<b>67,087.4</b>
Expected tax expense in the financial year at the Austrian income tax rate (25%)	-24,837.3	-16,771.8
Decrease of tax expense due to tax-exempt income from associates	35.5	13.5
Increase of tax expense due to non-deductible items	-1,086.5	-1,050.3
Capitalisation of deferred tax on tax loss carryforwards	0.0	0.0
Deconsolidation – Tax effect reported in the deconsolidation result	0.0	0.0
Other	4,768.6	-425.1
<b>Income taxes</b>	<b>-21,119.7</b>	<b>-18,233.7</b>

## Other disclosures

### 57. Significant events after the reporting period

#### Termination of pending legal proceedings

The legal proceedings of Kommunalkredit Austria AG still pending as of the reporting date (see the comments in the note on legal risks) was constitutively closed on 25 January 2023 with the conveyance and receipt of the plaintiff's waiver of action against Kommunalkredit Austria AG.

#### Change of control of Kommunalkredit Austria AG's owners

The two indirect controlling shareholders of Kommunalkredit Austria AG, Interritus Limited, based in the United Kingdom, and Trinity Investments Designated Activity Company, based in Ireland and managed by Attestor Limited, have sold their entire stake in Satere Beteiligungsverwaltungs GmbH (holding company of Kommunalkredit Austria AG) to Green Opera Finance BidCo AB based in Sweden. The sale is subject to competition and regulatory approval. The current owners of the holding company will each indirectly hold a 9.9% interest in the acquiring company.

Green Opera Finance BidCo AB is backed by funds managed by Altor with approximately EUR 11bn in assets under management (AuM). The funds have invested in over 85 companies with the aim of creating sustainable value through growth initiatives and capital measures. Current and past investments include Carnegie, C WorldWide, Sbanken, OX2, H2 Green Steel, Vianode and Svea Solar.

#### Changes in the Executive Board and Supervisory Board

Claudia Wieser will resign from the Executive Board and board positions of the Group as of 31 March 2023. Sebastian Firlinger (CRO) will take over the CFO function and the corresponding departments on an interim basis as regulatory deputy according to the rules of procedure of the Executive Board as of 1 April 2023. This will ensure the desired continuity in management throughout. Brigitte Markl resigned from her Supervisory Board mandate as employee representative on 31 January 2023 and left the Bank's works council. Oliver Fincke was appointed to the Supervisory Board as an employee representative as of 3 February 2023.

### 58. Presentation of revenues by region

The business activities of Kommunalkredit are conducted primarily in the areas of municipal and infrastructure-related project financing. The bank's activities are concentrated in a single business segment, the results of which are reported regularly to the Executive Board and the Supervisory Board in the form of the consolidated financial statements prepared according to IFRS.

The disclosures relating to the business segment are presented in the statement of financial position (IFRS) and the income statement of the Group. Reconciliation is therefore not required. Information about geographical distribution for the reporting year, broken down into net interest income and net fee and commission income, is provided in the list below (additional information on the geographical distribution of the credit volume is provided in Note 68):

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	44,786.6	118,404.6	1,939.5	165,130.7
Interest and similar expenses	-29,382.5	-9,932.9	-114.7	-39,430.1
<b>Net interest income</b>	<b>15,404.2</b>	<b>108,471.7</b>	<b>1,824.7</b>	<b>125,700.6</b>
Fee and commission income	17,319.2	16,378.9	50.1	33,748.1
Fee and commission expenses	-782.2	-2,908.5	-177.9	-3,868.5
<b>Net fee and commission income</b>	<b>16,537.0</b>	<b>13,470.4</b>	<b>-127.8</b>	<b>29,879.6</b>

The comparative figures for the period of 1 January 2021 to 31 December 2021 are as follows:

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	32,436.8	62,039.3	2,362.2	96,838.4
Interest and similar expenses	-11,562.7	-6,027.1	-383.7	-17,973.4
<b>Net interest income</b>	<b>20,874.1</b>	<b>56,012.3</b>	<b>1,978.5</b>	<b>78,864.9</b>
Fee and commission income	15,443.5	15,461.2	102.3	31,007.0
Fee and commission expenses	-205.7	-1,275.1	-86.0	-1,566.9
<b>Net fee and commission income</b>	<b>15,237.8</b>	<b>14,186.1</b>	<b>16.3</b>	<b>29,440.1</b>

## 59. Structure of residual maturities

Residual maturity is defined as the period of time between the balance sheet date and the contractual maturity of the receivable or liability; in the case of partial amounts, residual maturity is shown for each partial amount. Interest accruals are assigned to the residual maturity “up to 3 months”.

Cash and cash equivalents (cash collateral) is reported as “repayable on demand”. Refer to Note 68 for further details on liquidity risk management. A break-down of the carrying amounts of key asset and liability items by residual maturity as of 31 December 2022 is provided below:

ASSETS BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances with central banks	503,203.0	0.0	0.0	0.0	0.0	503,203.0
Loans and advances to banks	105,371.4	5,013.3	9,541.3	142,500.7	63,616.7	326,042.4
Loans and advances to customers	139,931.7	88,292.3	126,256.6	1,046,505.8	796,506.3	2,197,492.7
Assets recognised at fair value through other comprehensive income	6,522.5	935.0	5,178.3	110,535.6	100,402.0	223,573.4
Assets at fair value through profit or loss	7,384.3	21,360.2	46,139.5	628,168.0	434,399.8	1,137,451.8
Other assets	6,007.2	616.0	0.0	26.0	157.9	6,807.1
<b>Total<sup>1</sup></b>	<b>768,420.0</b>	<b>116,216.8</b>	<b>187,115.6</b>	<b>1,927,735.0</b>	<b>1,395,082.8</b>	<b>4,394,570.4</b>

LIABILITIES BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	32,386.2	7,000.0	435.4	114,634.8	2,176.0	156,632.5
Amounts owed to customers	525,554.3	228,589.4	781,114.7	581,645.0	172,260.4	2,289,163.9
Securitised liabilities	0.0	0.0	46,736.6	1,087,682.7	266,008.1	1,400,427.3
Subordinated liabilities	0.0	0.0	0.0	0.0	28,843.6	28,843.6
Other liabilities <i>of which lease liabilities</i>	2,204.9	4,047.0	17,131.7	32,126.9 693.9	4,953.4 1,202.7	60,463.9 1,896.6
<b>Total<sup>1</sup></b>	<b>560,145.4</b>	<b>239,636.4</b>	<b>845,418.4</b>	<b>1,816,089.4</b>	<b>474,241.5</b>	<b>3,935,531.2</b>

The residual maturity break-down as of 31 December 2021 was as follows:

ASSETS BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances with central banks	543,366.7	0.0	0.0	0.0	0.0	543,366.7
Loans and advances to banks	129,278.0	1,578.9	2,010.6	112,343.8	100,778.3	345,989.6
Loans and advances to customers	89,040.2	223,022.6	146,995.1	707,083.0	881,779.0	2,047,919.9
Assets recognised at fair value through other comprehensive income	0.0	31,075.8	73,378.4	509,226.2	471,523.4	1,085,203.8
Assets at fair value through profit or loss	0.0	2,001.2	12,071.4	118,257.4	112,260.8	244,590.9
Other assets	4,158.1	2,140.9	0.0	26.0	256.5	6,581.5
<b>Total<sup>1</sup></b>	<b>765,813.0</b>	<b>259,819.5</b>	<b>234,455.5</b>	<b>1,446,936.4</b>	<b>1,566,598.1</b>	<b>4,273,652.5</b>

LIABILITIES BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	64,377.7	250.2	5,692.3	407,708.2	2,736.2	480,764.6
Amounts owed to customers	291,614.4	168,839.6	524,358.4	683,809.6	192,426.3	1,861,048.3
Securitised liabilities	0.0	186,993.1	37,748.4	654,086.3	491,870.9	1,370,698.7
Subordinated liabilities	0.0	22,608.6	0.0	0.0	37,688.3	60,296.9
Other liabilities <i>of which lease liabilities</i>	10,284.1 0.0	550.9 0.0	12,350.5 0.0	7,591.2 76.2	1,447.0 1,370.8	32,223.6 1,447.0
<b>Total<sup>1</sup></b>	<b>366,276.1</b>	<b>379,242.4</b>	<b>580,149.6</b>	<b>1,753,195.3</b>	<b>726,168.7</b>	<b>3,805,050.1</b>

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

## 60. Subordinated assets

As of 31 December 2022, Kommunalkredit held subordinated assets of TEUR 242,685.7 (31/12/2021: TEUR 165,898.6), TEUR 90,365.0 of which (31/12/2021: TEUR 80,940.8) is reported under "Assets recognised at fair value through other comprehensive income", TEUR 105,658.5 (31/12/2021: TEUR 70,086.6) of which is recognised in "Assets recognised at fair value in profit or loss" and TEUR 46,662.2 (31/12/2021: TEUR 14,871.3) of which in "Assets at amortised cost".

## 61. Assets assigned as collateral

### 61.1. Collateralised derivatives

Regarding collateralised derivatives, a distinction is made between bilateral and cleared derivative contracts.

Pursuant to EU Regulation 2016/2251, which entered into force on 1 March 2017, bilateral derivative contracts are subject to a collateralisation requirement. Kommunalkredit complies with all requirements arising in this context. Based on ISDA/CSA arrangements and/ or Austrian and German framework contracts/collateral annexes, exclusively cash and cash equivalents (cash collateral) were deposited as collateral by Kommunalkredit with counterparties and/or received by Kommunalkredit from counterparties as of 31 December 2022. The positive and negative present values, calculated by counterparty, are offset against one another and the resulting aggregate net present value of the portfolio is put up or called by the respective counterparty taking collateral parameters into account (threshold, minimum transfer amount).

Kommunalkredit uses the services of LCH (London Clearing House) and Eurex as the central counterparties via clearing brokers. Variation and initial margins are exchanged for cleared derivative contracts.

Offsetting of all payment claims from the market values of derivatives and the repayment of collateral is not possible, except in the event of counterparty default. There is no unconditional right of offset.

### 61.2. Collateralised funding

- Kommunalkredit has assigned securities as collateral for global loans and other funding received 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.
- For covered bonds issued by Kommunalkredit, loans and securities were assigned to a cover pool which can only be drawn on with the approval of a government commissioner.
- For funding obtained through participation in the ECB tender, assets were provided as collateral as of 31 December 2022 which the collateral taker has the right to realise only in the event of the debtor's default.

### 61.3. Collateral for KA Finanz AG's liability arising from the demerger

As collateral for the liability arising from the demerger for KA Finanz AG, which is liable jointly and severally with Kommunalkredit for the obligations which arose prior to the entry of the demerger in the Companies Register on 26 September 2015 and were transferred to Kommunalkredit, Kommunalkredit issued a covered bond with a nominal value of TEUR 107,000.0 and pledged it to KA Finanz AG. As the covered bond was not placed on the market, it is not recognised as a liability in the statement of financial position. The following table shows the carrying amounts of derivatives and funding received and the corresponding financial collateral, broken down by item in the statement of financial position. As none of the transactions meet the prerequisites for offsetting according to IAS 32, they are shown in gross amounts in the statement of financial position (IFRS).

<b>CARRYING AMOUNTS 31/12/2022</b> in EUR 1,000	<b>Fair value of collateralised derivative</b>	<b>Funding received (-)</b>	<b>Collateral received (-) and provided (+)</b>	<b>Total</b>
<b>Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing</b>	<b>6,541.0</b>	<b>0.0</b>	<b>17,804.1</b>	<b>24,345.1</b>
Derivatives (positive current value)	182,947.0			182,947.0
Derivatives (negative current value)	-176,406.0			-176,406.0
Loans and advances to banks			38,397.9	38,397.9
Loans and advances to customers			34,759.8	34,759.8
Amounts owed to banks			-34,574.4	-34,574.4
Amounts owed to customers			-20,779.2	-20,779.2
<b>European Investment Bank</b>	<b>0.0</b>	<b>-4,352.0</b>	<b>8,615.5</b>	<b>4,263.5</b>
Amounts owed to banks		-4,352.0		-4,782.6
Loans and advances to banks			8,615.5	6,179.3
<b>Covered bond issues</b>	<b>0.0</b>	<b>-1,034,111.1</b>	<b>1,053,643.7</b>	<b>19,532.6</b>
Securitised liabilities		-926,576.1		-926,576.1
Collateral for KA Finanz AG's liability arising from the demerger <sup>1</sup>		-107,535.0		-107,535.0
Loans and advances to customers			726,662.6	726,662.6
Assets at fair value through other comprehensive income			321,428.5	321,428.5
Derivatives (positive current value)			5,552.5	5,552.5
<b>TLTRO/ECB tender</b>	<b>0.0</b>	<b>-37,294.3</b>	<b>678,902.4</b>	<b>641,608.2</b>
Amounts owed to banks		-37,294.3		-37,294.3
Loans and advances to banks			34,327.3	34,327.3
Loans and advances to customers			631,787.7	631,787.7
Assets at fair value through other comprehensive income			12,787.4	12,787.4
<b>Other</b>	<b>6,541.0</b>	<b>-1,075,757.4</b>	<b>1,758,965.8</b>	<b>689,749.4</b>

1 Not recognised in the statement of financial position.

The comparative figures as of 31 December 2021 are as follows:

<b>CARRYING AMOUNTS 31/12/2021</b> in EUR 1,000	<b>Fair value of collateralised derivative</b>	<b>Funding received (-)</b>	<b>Collateral received (-) and provided (+)<sup>2</sup></b>	<b>Total</b>
<b>Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing</b>	<b>-43,570.3</b>	<b>0.0</b>	<b>56,961.2</b>	<b>13,391.0</b>
Derivatives (positive current value)	120,915.7			120,915.7
Derivatives (negative current value)	-164,486.0			-164,486.0
Loans and advances to banks			71,880.0	71,880.0
Loans and advances to customers			89,040.2	89,040.2
Amounts owed to banks			-64,411.5	-64,411.5
Amounts owed to customers			-39,547.5	-39,547.5
<b>European Investment Bank</b>	<b>0.0</b>	<b>-4,782.6</b>	<b>6,179.3</b>	<b>1,396.6</b>
Amounts owed to banks		-4,782.6		-4,782.6
Loans and advances to banks			6,179.3	6,179.3
<b>Covered bond issues</b>	<b>0.0</b>	<b>-963,292.8</b>	<b>1,047,624.1</b>	<b>84,331.3</b>
Securitised liabilities		-856,292.8		-856,292.8
Collateral for KA Finanz AG's liability arising from the demerger <sup>1</sup>		-107,000.0		-107,000.0
Loans and advances to customers			615,690.3	615,690.3
Assets at fair value through other comprehensive income			393,037.5	393,037.5
Derivatives (positive current value)			38,896.4	38,896.4
<b>TLTRO/ECB tender</b>	<b>0.0</b>	<b>-405,935.3</b>	<b>731,723.6</b>	<b>325,788.4</b>
Amounts owed to banks		-405,935.3		-405,935.3
Loans and advances to banks			25,221.1	25,221.1
Loans and advances to customers			692,962.3	692,962.3
Assets at fair value through other comprehensive income			13,540.2	13,540.2
<b>Other</b>	<b>0.0</b>	<b>-5,507.7</b>	<b>5,400.3</b>	<b>-107.4</b>
Amounts owed to banks		-5,507.7		-5,507.7
Loans and advances to customers			5,400.3	5,400.3
<b>Total</b>	<b>-43,570.3</b>	<b>-1,379,518.4</b>	<b>1,847,888.6</b>	<b>424,799.9</b>

1 Not recognised in the statement of financial position.

2 In the form of financial instruments.

## 62. Contingent liabilities

There were no contingent liabilities as of 31 December 2022. In the previous year, there were guarantees from the lending

business in a nominal amount of TEUR 1,760.4. The residual maturities are as follows:

<b>RESIDUAL MATURITY</b> in EUR 1,000	<b>31/12/2022</b>	<b>31/12/2021</b>
Up to 1 year	0.0	1,350.0
1 to 5 years	0.0	0.0
More than 5 years	0.0	410.4
<b>Total</b>	<b>0.0</b>	<b>1,760.4</b>

### 63. Other off-balance-sheet liabilities

As of 31 December 2022, there were promissory commitments and unused lines of TEUR 1,082,772.7 (31/12/2021: TEUR 730,055.5). The residual maturities are as follows:

RESIDUAL MATURITY in EUR 1,000	31/12/2022	31/12/2021
Up to 1 year	132,999.5	154,540.4
1 to 5 years	793,155.6	558,482.7
More than 5 years	156,617.5	17,032.4
<b>Total</b>	<b>1,082,772.7</b>	<b>730,055.5</b>

Moreover, 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 2022, positions amounting to TEUR 248,474.1 (31/12/2021: TEUR 313,040.0) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity.

### 64. Derivative financial instruments

Derivatives at Kommunalkredit mainly serve the purpose of hedging interest rate and/or currency risks. The structure of

open derivative financial transactions is as follows:

DERIVATIVE FINANCIAL INSTRUMENTS 2022 in EUR 1,000	Nominal amount as of 31/12/2022			Total nominal 2022	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
<b>Interest-related transactions</b>	<b>79,344.3</b>	<b>1,636,438.3</b>	<b>1,387,786.7</b>	<b>3,103,569.2</b>	<b>194,671.4</b>	<b>-183,946.1</b>
OTC products:						
Interest rate swaps – trading <sup>1</sup>	0.0	0.0	60,000.0	60,000.0	90.8	-8,997.4
Interest rate swaps – fair value hedge	49,344.3	1,546,438.3	1,111,048.8	2,706,831.4	173,469.9	-160,335.8
Interest rate swaps – portfolio hedge	30,000.0	90,000.0	216,737.9	336,737.9	21,110.7	14,612.9
<b>Currency-related transactions</b>	<b>597,822.0</b>	<b>0.0</b>	<b>0.0</b>	<b>597,822.0</b>	<b>6,709.6</b>	<b>-6,877.9</b>
OTC products:						
FX forward transactions	597,822.0	0.0	0.0	597,822.1	6,709.6	-6,877.9
<b>Total</b>	<b>677,166.3</b>	<b>1,636,438.3</b>	<b>1,387,786.7</b>	<b>3,701,391.3</b>	<b>201,381.0</b>	<b>-190,823.9</b>

DERIVATIVE FINANCIAL INSTRUMENTS 2021 in EUR 1,000	Nominal amount as of 31/12/2021			Total nominal 2021	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
<b>Interest-related transactions</b>	<b>760,620.9</b>	<b>1,002,975.8</b>	<b>1,560,136.1</b>	<b>3,323,732.9</b>	<b>105,963.8</b>	<b>-162,166.5</b>
OTC products:						
Interest rate swaps – trading <sup>1</sup>	0.0	54,811.8	60,000.0	114,811.8	1,073.4	-30,889.3
Interest rate swaps – fair value hedge	740,620.9	868,164.0	1,219,897.2	2,828,682.1	104,890.4	-80,015.1
Interest rate swaps – portfolio hedge	20,000.0	80,000.0	280,238.9	380,238.9	0.0	-51,262.1
<b>Currency-related transactions</b>	<b>903,668.3</b>	<b>0.0</b>	<b>0.0</b>	<b>903,668.3</b>	<b>22,427.1</b>	<b>-6,764.4</b>
OTC products:						
FX forward transactions	903,668.3	0.0	0.0	903,668.3	22,427.1	-6,764.4
<b>Total</b>	<b>1,664,289.2</b>	<b>1,002,975.8</b>	<b>1,560,136.1</b>	<b>4,227,401.2</b>	<b>128,390.9</b>	<b>-168,930.9</b>

1 Interest rate and/or currency swaps concluded to hedge interest rate and FX risks, not taken into account as hedges under IFRS 9. The bank does not have a proprietary trading portfolio.

Taking all positions into account, the positive fair value amounts to TEUR 10,557.1 (31/12/2021: negative fair value of TEUR 40,540.0), which is collateralised mainly through cash and cash equivalents according to ISDA/CDA arrangements. Moreover, there are options embedded in loans and/or own issues which are fully hedged through offsetting derivatives. Given the fact that the options are closely associated with their host contracts, they are recognised and measured together with the underlying transactions and not shown in the above table. The negative current values of these options embedded in loans and own issues amount to TEUR 24,105.8 (31/12/2021: TEUR 53,552.9).

Derivatives with positive fair values of TEUR 25,199.8 (31/12/2021: TEUR 41,667.3) will fall due within one year, TEUR 38,810.8 (31/12/2021: TEUR 39,410.0) in one to five years, and TEUR 137,370.4 (31/12/2021: TEUR 47,313.6) in more than five years. Derivatives with negative fair values of TEUR 25,846.5 (31/12/2021: TEUR 22,226.7) will fall due within one year, TEUR 74,425.6 (31/12/2021: TEUR 22,806.1) in one to five years, and TEUR 90,551.9 (31/12/2021: TEUR 123,898.1) in more than five years.

## 65. Financial instruments in hedge accounting

Financial instruments, the interest rate risk of which is hedged through derivative financial instruments, are recognised as fair value hedges. The carrying amounts of these underlying transactions are as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2022	31/12/2021
<b>Assets</b>		
Loans and advances to banks – fair value hedges	222,500.2	216,711.6
Loans and advances to customers – fair value hedges	690,434.1	771,844.5
Loans and advances to customers – portfolio hedge	130,378.5	147,904.1
Assets at fair value through OCI – fair value hedges	102,896.3	82,469.7
Assets at fair value through OCI – portfolio hedge	321,689.6	425,065.8
Assets at fair value through profit or loss – fair value hedges	9,562.1	0.0
<b>Liabilities</b>		
Amounts owed to customers – fair value hedges	76,835.0	85,717.8
Securitised liabilities – fair value hedges	1,347,593.4	1,303,549.5
Subordinated liabilities – fair value hedges	28,843.6	39,419.1

The following table shows the cumulative hedge-related adjustments to the underlying transactions:

HEDGE-RELATED ADJUSTMENTS in EUR 1,000	31/12/2022	31/12/2021
<b>Assets</b>		
Loans and advances to banks – fair value hedges	-21,220.8	4,074.8
Loans and advances to customers – fair value hedges	-114,353.2	32,748.5
Loans and advances to customers – portfolio hedge	-8,443.3	1,225.3
Assets at fair value through OCI – fair value hedges	-1,871.9	2,763.6
Assets at fair value through OCI – portfolio hedge	-30,744.3	7,489.2
<b>Liabilities</b>		
Amounts owed to customers – fair value hedges	-6,436.1	2,439.8
Securitised liabilities – fair value hedges	-94,277.5	68,630.7
Subordinated liabilities – fair value hedges	-12,887.2	-2,230.4

The following table shows the maturity profile of the hedging instruments broken down by receiver and payer swaps:

HEDGING INSTRUMENTS 31/12/2022 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	20,000.0	1,135,139.3	412,324.4
Payer nominal	29,344.3	411,298.9	698,696.3
Interest rate swaps – portfolio hedge			
Receiver nominal	0.0	0.0	0.0
Payer nominal	30,000.0	90,000.0	216,737.9

HEDGING INSTRUMENTS 31/12/2021 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	423,773.1	596,138.6	556,274.6
Payer nominal	316,847.8	272,025.5	663,622.6
Interest rate swaps – portfolio hedge			
Receiver nominal	0.0	0.0	0.0
Payer nominal	20,000.0	80,000.0	280,239.0

The following table shows the ineffectiveness of the hedging relationships recognised through profit or loss in the 2022 financial

year and in the previous year for the designated hedging relationships:

INEFFECTIVITIES in EUR 1,000	Ineffectiveness recognised in profit or loss in 2022	Ineffectiveness recognised in profit or loss in 2021	Recognition of ineffectiveness in P&L
Fair Value-Hedge	-1,951.7	-1,494.0	Valuation and realisation result
Portfolio-Hedge	351.8	-76.4	Valuation and realisation result

The change in fair value to measure ineffectiveness in the reporting period is as follows:

CHANGE IN FAIR VALUE in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Underlying transactions – fair value hedge	-6,317.0	10,548.4
Underlying transactions – portfolio hedge	-54,959.1	-23,508.1
Interest rate swaps – fair value hedge	4,365.3	-12,042.4
Interest rate swaps – portfolio hedge	55,310.9	23,431.7

## 66. Supplementary Disclosures Pursuant to § 59a and § 64 of the Austrian Banking Act

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 2022.

Assets denominated in foreign currencies in the amount of TEUR 360,052.9 (31/12/2021: TEUR 444,100.7) were shown in the statement of financial position. As of 31 December 2022, liabilities denominated in foreign currencies amounted to TEUR 283,050.0 (31/12/2021: TEUR 501,790.3).

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

The return on assets at the Kommunalkredit Group level, calculated as the consolidated profit for the year after tax divided by total assets according to IFRS as of the balance sheet date, stands at 1.69% (2021: 1.10%).

## 67. Fair value of financial assets and liabilities

### 67.1. Determination of the fair value measurement (fair value hierarchy)

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

**Level 1:** There are quoted prices in an active market for identical financial instruments. The bid quotes for assets in this hierarchy level 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
- Price determination through spreads derived from market data (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. The level 3 financial instruments recognised at fair value refer exclusively to infrastructure financing. For information on the definition of the parameters relevant for valuation purposes, in particular credit risk premiums, see Note 11.

### 67.2. Financial instruments recognised at fair value

The following table shows the breakdown of financial instruments recognised at fair value by category of financial instruments according to the fair value hierarchy:

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2022		
	Level 1	Level 2	Level 3
<b>Assets</b>			
Assets recognised at fair value through other comprehensive income	12,787.4	543,690.0	580,974.3
Assets at fair value through profit or loss	0.0	86,736.9	136,836.5
Derivatives	0.0	201,381.0	0.0
<b>Liabilities</b>			
Derivatives	0.0	190,823.9	0.0

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2021		
	Level 1	Level 2	Level 3
<b>Assets</b>			
Assets recognised at fair value through other comprehensive income	13,540.2	583,277.2	488,386.4
Assets at fair value through profit or loss	0.0	57,024.7	187,566.2
Derivatives	0.0	128,390.9	0.0
<b>Liabilities</b>			
Derivatives	0.0	168,930.9	0.0

As of 31 December 2022, Kommunalkredit had Level 3 financial assets measured at fair value in the amount of TEUR 717,810.8 (31/12/2021: TEUR 675,952.6). The Level 3 classification concerns infrastructure and energy financing and is based on the non-observability of the credit risk premiums required for the discounted cash flow method. The procedure for calculating the credit risk premiums is set out in detail in Note 11.

There were no changes in level classification in the current reporting period (31/12/2021: TEUR 31,438.9 in reclassifications from Level 2 in Level 3). Changes in level classification are due to the modified observability of credit spreads as input parameters in the period under review. Reclassifications from Level 3 are performed if spreads from comparable bonds or portfolios are available on the market for transactions. Should this information not or no longer be available for certain transactions, the transaction is classified as Level 3.

A change in the credit risk premiums by one basis point for the entire portfolio of Level 3 assets measured at fair value results in a market value effect of TEUR 199.9 as of 31 December 2022 (31/12/2021: TEUR 330.6). The effect based on a change of 20 basis points is TEUR 3,991.2 (31/12/2021: TEUR 6,313.8) (positive if premiums fall and negative if they rise).

The following table shows a reconciliation table of financial assets recognised at fair value included in Level 3 of the valuation hierarchy:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Initial value	488,386.4	275,701.6
Additions/disbursements	290,730.2	308,961.8
Additions from level 2	0.0	24,657.9
Sold/redeemed	-197,573.8	-124,422.4
Total gains and losses		
recognised in other comprehensive income	3,973.6	-1,286.8
recognised in other comprehensive income	-4,542.0	4,774.1
<b>Closing balance at the reporting date</b>	<b>580,974.3</b>	<b>488,386.4</b>

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Initial value	187,566.3	224,389.0
Additions/disbursements	58,505.7	125,287.8
Additions from level 2	0.0	7,000.0
Sold/redeemed	-106,404.3	-169,547.4
Total gains and losses		
recognised in other comprehensive income	0.0	1.1
recognised in other comprehensive income	-2,831.2	435.8
<b>Closing balance at the reporting date</b>	<b>136,836.5</b>	<b>187,566.3</b>

In the case of revenue from Level 3 instruments, which are reported in the income statement under net interest income, this primarily relates to the amortisation of fees in the lending business of instruments which are measured at fair value through other comprehensive income.

### 67.3. Financial instruments not recognised at fair value

The breakdown of categories of fair values of financial instruments not measured at fair value is as follows:

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2022		
	Level 1	Level 2	Level 3
<b>Assets at amortised cost</b>			
Loans and advances to banks	150,268.5	171,391.7	0.0
Loans and advances to customers	379,482.7	1,135,714.9	688,014.0
<b>Liabilities at amortised cost</b>			
Amounts owed to banks	0.0	149,267.7	4,321.2
Amounts owed to customers	0.0	2,256,154.3	0.0
Securitised liabilities	0.0	1,381,329.8	0.0
Subordinated liabilities	0.0	14,692.0	0.0

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2021		
	Level 1	Level 2	Level 3
<b>Assets at amortised cost</b>			
Loans and advances to banks	169,354.4	178,730.6	0.0
Loans and advances to customers	399,627.3	1,232,228.1	473,115.3
<b>Liabilities at amortised cost</b>			
Amounts owed to banks	0.0	476,728.5	5,184.4
Amounts owed to customers	0.0	1,867,571.7	0.0
Securitised liabilities	0.0	1,369,931.4	0.0
Subordinated liabilities	0.0	59,905.2	0.0

A facility of TEUR 5,004.8 (31/12/2021: TEUR 0.0) was converted from Level 2 into Level 3 in the current period under review. The change in level classification is due to the modified observability of credit spreads as input parameters in the period under review.

**67.4. Fair value of financial assets and liabilities**

The following table shows a comparison between the carrying amounts and the fair value of those items in the statement of financial position which include financial assets and liabilities:

<b>CATEGORIES: 31/12/2022</b> in EUR 1,000	<b>Amortised cost</b>	<b>At fair value through other comprehensive income</b>	<b>At fair value through profit or loss</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	503,203.0	0.0	0.0	503,203.0	503,203.0
Loans and advances to banks	326,042.4	0.0	0.0	326,042.4	321,660.1
Loans and advances to customers	2,197,492.7	0.0	0.0	2,197,492.7	2,203,211.6
Assets recognised at fair value through other comprehensive income	0.0	1,137,451.8	0.0	1,137,451.8	1,137,451.8
Assets at fair value through profit or loss	0.0	0.0	223,573.4	223,573.4	223,573.4
Derivatives	0.0	0.0	201,381.0	201,381.0	201,381.0
<b>Total</b>	<b>3,026,738.1</b>	<b>1,137,451.8</b>	<b>424,954.4</b>	<b>4,589,144.3</b>	<b>4,590,480.9</b>

Amounts owed to banks	156,632.5	0.0	0.0	156,632.5	153,588.8
Amounts owed to customers	2,289,163.9	0.0	0.0	2,289,163.9	2,256,154.3
Derivatives	1,400,427.3	0.0	0.0	1,400,427.3	1,381,329.8
Securitised liabilities	28,843.6	0.0	0.0	28,843.6	14,692.0
Subordinated liabilities	0.0	0.0	190,823.9	190,823.9	190,823.9
<b>Total</b>	<b>3,875,067.3</b>	<b>0.0</b>	<b>190,823.9</b>	<b>4,065,891.2</b>	<b>3,996,588.8</b>

The values for the previous year are as follows:

<b>CATEGORIES: 31/12/2021</b> in EUR 1,000	<b>Amortised cost</b>	<b>At fair value through other comprehensive income</b>	<b>At fair value through profit or loss</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	543,366.7	0.0	0.0	543,366.7	543,366.7
Loans and advances to banks	345,989.6	0.0	0.0	345,989.6	348,085.0
Loans and advances to customers	2,047,919.9	0.0	0.0	2,047,919.9	2,104,970.7
Assets recognised at fair value through other comprehensive income	0.0	1,085,203.8	0.0	1,085,203.8	1,085,203.8
Assets at fair value through profit or loss	0.0	0.0	244,590.9	244,590.9	244,590.9
Derivatives	0.0	0.0	128,390.9	128,390.9	128,390.9
<b>Total</b>	<b>2,937,276.3</b>	<b>1,085,203.8</b>	<b>372,981.8</b>	<b>4,395,461.9</b>	<b>4,454,608.1</b>

Amounts owed to banks	480,764.6	0.0	0.0	480,764.6	481,912.9
Amounts owed to customers	1,861,048.3	0.0	0.0	1,861,048.3	1,865,137.6
Derivatives	1,370,698.7	0.0	0.0	1,370,698.7	1,369,931.4
Securitised liabilities	60,296.9	0.0	0.0	60,296.9	59,905.2
Subordinated liabilities	0.0	0.0	168,930.9	168,930.9	168,930.9
<b>Total</b>	<b>3,772,808.5</b>	<b>0.0</b>	<b>168,930.9</b>	<b>3,941,739.5</b>	<b>3,948,252.2</b>

The fair values of securities and loans are determined in accordance with the methodology and hierarchy described in Note 11. To determine the fair values of other financial instruments not measured at fair value, term-related, creditworthiness-related and instrument-specific measurement parameters are applied in conjunction with market-standard measurement methods. The

maximum credit risk for each category of financial instruments matches the carrying amounts shown in the table. The maximum credit risk for financial guarantees and irrevocable credit commitment corresponds to the nominal values of TEUR 0.0 (31/12/2021: TEUR 1,760.4) and TEUR 1,078,113.2 (31/12/2021: TEUR 730,055.5) respectively.

## 68. 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.

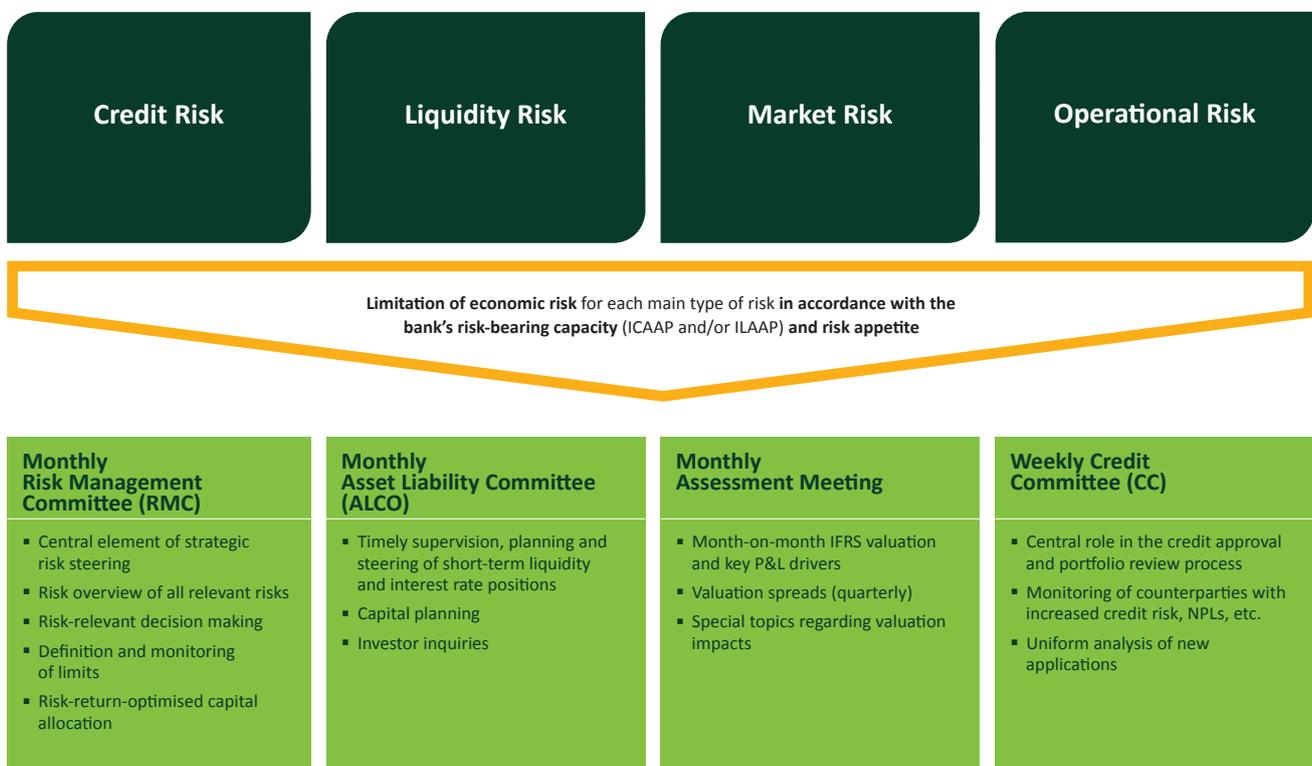
### 68.1. Organisation of the risk management system

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 risk and a bank-wide view of risk priorities, and to rigorously review the risk management system data for completeness and identify potential control gaps to be closed.

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 the Audit Committee and the 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 and sets out the tasks, competences 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 (RCO), 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.

Risks are managed and monitored by the following committees:

- The **Risk Management Committee (RMC)** constitutes the central element of the comprehensive risk management and steering process, providing information to the Executive Board on the bank's overall risk position on a monthly basis.
- 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.
- The **Monthly Assessment Meeting** deals with valuation issues and spread assessments of portfolio positions and new business, especially in relation to project financing.

Risk Controlling is responsible for the quantification of risks and the aggregate risk cover as well as for the performance of stress tests (RCON). In addition, this department assesses risk positions and validates the risk measurement methods used by the bank.

Credit Risk (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.

Compliance & Non-Financial Risk (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.

## 68.2. 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 Kommunalkredit's risk management:

- Kommunalkredit does not incur risks as an end in itself but to create sustainable benefits.
- The limitation of risks at the bank is commensurate with the bank's earning strength and its equity base.
- Kommunalkredit 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 timely 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.

### 68.3. 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 riskbearing

capacity. At Kommunalkredit, the following risks are identified as material as of the reporting date and are monitored on an ongoing basis in the context of the riskbearing 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	

MARKET RISK	
▪ Interest rate risk – banking book	▪ Basis spread risk
▪ Interest rate risk – trading book	▪ Option risk
▪ Foreign currency risk	▪ OIS risk

OPERATIONAL RISK	
▪ Outsourcing risk	▪ Risk from SLA with KA Finanz AG
▪ People, process and system risk and external risks	▪ Information and communication technology (ICT) risk
▪ Legal 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 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 (“creditor protection”).
- 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). A confidence level of 99.95% is used in determining the economic risk.
- Risk status as of 31 December 2022 (and previous year):

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
59.9% (45.9%)	40.1% (54.1%)

**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 as of 31 December 2022 (and previous year):

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
39.8% (35.0%)	60.2% (65.0%)

- Risk status TC ratio as of 31 December 2022 (and previous year):

Economic risks in % of the aggregate risk cover	Risk buffer in % of the aggregate risk cover
57.5% (48.7%)	42.5% (51.3%)

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 idiosyncratic stress scenario) 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.

## 68.4. Credit risk

### 68.4.1. 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 where available. 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. The effectiveness and discriminatory power of the rating procedures and their ability to forecast defaults are checked regularly and adjusted if necessary.

At Kommunalkredit, two types of credit 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. In addition, collateral packages in line with the market exist for financing by Kommunalkredit, which potentially have a loss-reducing effect in practice, but are not eligible from a regulatory perspective (for example, company shares, asset pledges without valuations) and are therefore not recognised. Overall, based on the values derived from external studies for losses in the event of default (loss given default), they are included indirectly in the determination of the bank’s risk costs.

### 68.4.2. Unexpected loss

To quantify the unexpected loss from credit risks, 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 CreditRisk+ 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 2022 amounted to 15.2% (31/12/2021: 9.4%) 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 2022 amounted to 13.2% (31/12/2021: 10.3%) relative to the economic aggregate risk cover (T1) and, as of 31 December 2022, to 19.1% (31/12/2021: 14.3%) relative to the economic aggregate risk cover total capital).

### 68.4.3. Rating distribution, portfolio quality and concentration risk

The total exposure amounting to EUR 5,018m (31/12/2021: EUR 4,194m) by rating shows that the exposure is concentrated in the top rating categories: as of 31 December 2022, 35.6% (31/12/2021: 35.8%) of the exposure was rated "AAA"/"AA"; 68.4% (31/12/2021: 67.6%) 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 2022 (31/12/2021: 0.0%). Kommunalkredit monitors overdue receivables in accordance with the regulatory requirements. Of these, none were more than 90 days overdue. Nor was there any default in the 61-90 days category at the reporting date. One receivable amounting to EUR 0.1m was 31-60 days in default; one receivable amounting to a total of EUR 0.1m was in the 1-30 days category; they are being followed up by the facility agents and borrowers.

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 (including by sub-portfolio, country, region, top 20 "group of related customers", rating, segment); 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 (for example, 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.

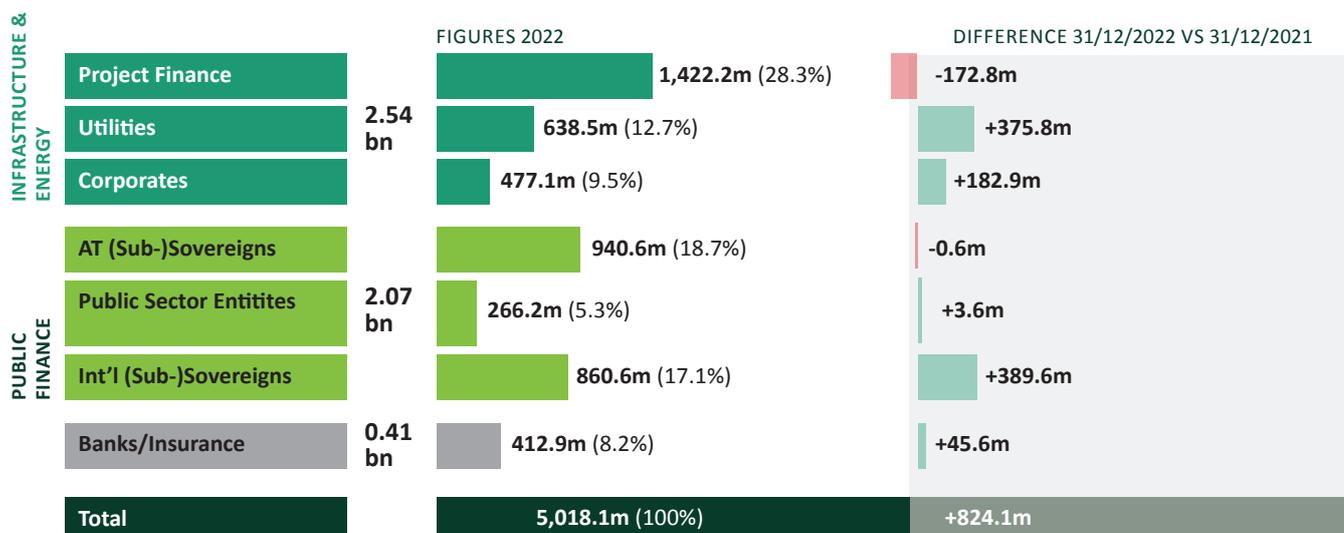
Rating distribution 31/12/2022 Exposure in EUR m and %

AAA	AAA		425.1m (8.5%)
	Total		425.1m (8.5%)
AA	AA+		354.6m (7.1%)
	AA		614.6m (12.2%)
	AA-		392.8m (7.8%)
	AA Total		1,362.0m (27.1%)
A	A+		167.8m (3.4%)
	A		242.1m (4.8%)
	A-		246.3m (4.9%)
	A Total		656.2m (13.1%)
BBB	BBB+		107.8m (2.2%)
	BBB		187.8m (3.7%)
	BBB-		695.8m (13.9%)
	BBB Total		991.4m (19.8%)
BB	BB+		661.8m (13.2%)
	BB		447.9m (8.9%)
	BB-		279.7m (5.6%)
	BB Total		1,389.4m (27.7%)
B	B+		119.2m (2.4%)
	B		42.3m (0.8%)
	B-		28.9m (0.6%)
	B Total		190.4m (3.8%)
<b>Total *</b>			<b>5,018m</b>

**AVERAGE  
RATING  
A-**

\*Including EUR 3.6m exposure <B.

As of 31 December 2022, the overall exposure, broken down by sub-portfolio, is as follows in EUR or %:



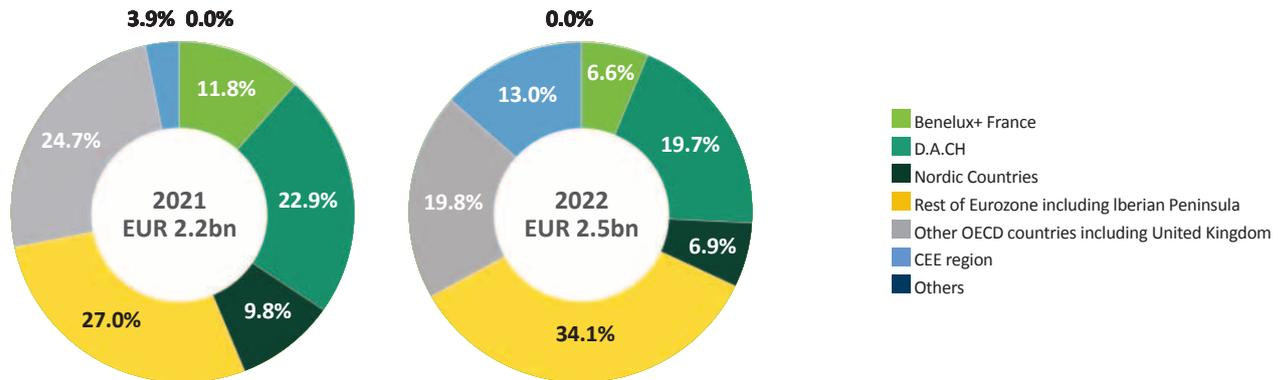
“We place particular focus on a sound balance of risk and return and a sustainable increase of the cover pool.”

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

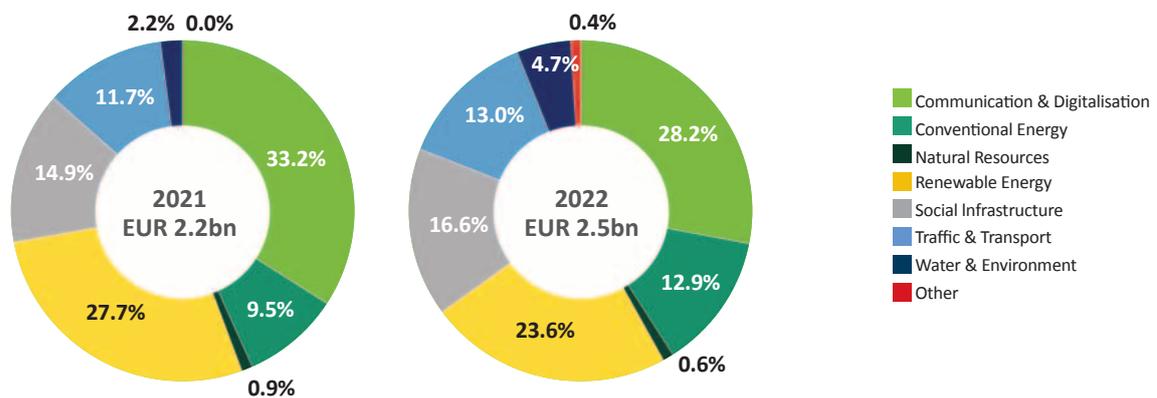
AAA	AAA	290.4m (6.9%)	
	<b>Total</b>	<b>290.4m (6.9%)</b>	
AA	AA+	363.3m (8.7%)	
	AA	564.9m (13.5%)	
	AA-	283.1m (6.8%)	
	<b>AA Total</b>	<b>1,211.4m (28.9%)</b>	
A	A+	120.4m (2.9%)	
	A	214.3m (5.1%)	
	A-	170.4m (4.1%)	
	<b>A Total</b>	<b>505.1m (12.0%)</b>	
BBB	BBB+	21.6m (0.5%)	
	BBB	353.1m (8.4%)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

AVERAGE  
RATING  
**A-**

Exposure of infrastructure and energy financing portfolio by regions  
as of 31/12/2022 and 31/12/2021



Exposure of infrastructure and energy financing portfolio by sectors  
as of 31/12/2022 and 31/12/2021



#### 68.4.4. 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 in particular being on project financing in the infrastructure sector and financial support for public sector projects. 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.



For transactions in infrastructure, the bank follows a three-tier process to make the risk-income profile transparent to the required extent:

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.

#### 68.4.5. Credit risk early detection and risk provisions

The portfolio is reviewed regularly for objective indications of impairments of customer exposures. Assessments of impairment are performed in the course of the annual rating/review process or on an ad hoc basis. Exposures with elevated credit risk or anomalies as part of an “early warning” are also monitored monthly at the monthly portfolio monitoring meeting. To that end, Kommunalkredit 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 2022, the exposure on the watchlist amounted to EUR 97.8m (31/12/2021: EUR 75.5m). There were no exposures in the restructuring and/or resolution.

EARLY WARNING SIGNALS / TRIGGERS					
QUANTITATIVE TRIGGERS			QUALITATIVE TRIGGERS		
<b>CORPORATES / UTILITIES<sup>1</sup></b>					
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	
<b>PROJECT FINANCING (SPECIALISED LENDING)</b>					
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	
<b>PUBLIC SECTOR, SOVEREIGNS &amp; SUPRANATIONAL ORGANISATIONS</b>					
Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread <sup>2</sup>		Ad-hoc publicity	Individual analysis	
<b>FINANCIAL INSTITUTIONS</b>					
Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread <sup>2</sup>		Ad-hoc publicity	Individual analysis	

1 Incl. entities with significant public support.

2 If available/publicly listed.

Credit Risk (CR) 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.

**68.4.6. 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.

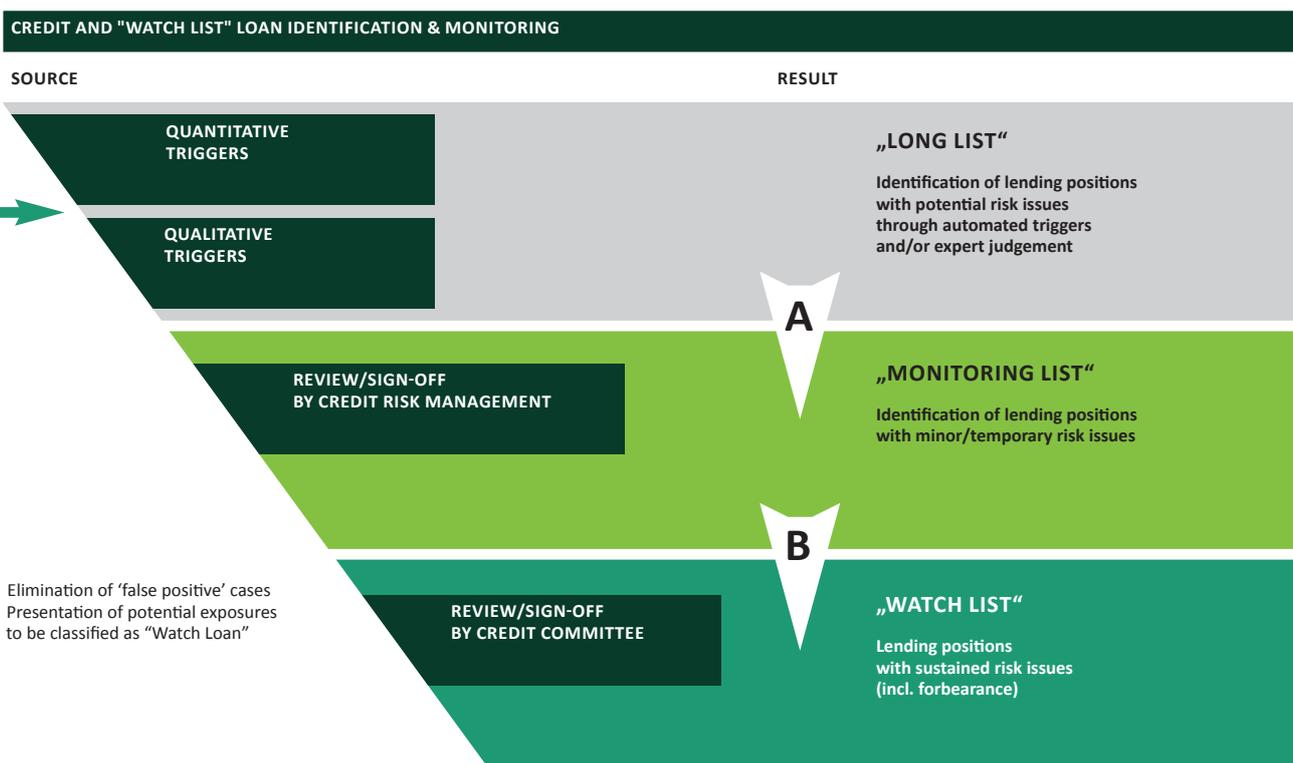
The exposure to the counterparty default risk of derivatives, which is taken into account in credit risk, is defined as the residual risk from the current replacement cost, considering CSAs and netting arrangements, plus an “add-on” for potential current value changes during the “residual period of risk”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

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.

**68.4.7. Investment risk**

Given the nature of the participations held, the investment risk is of minor importance. As of 31 December 2022, the carrying amount of investments in associates (at equity) was EUR 0.0m (31/12/2021: EUR 0.0m). The carrying amount of investments, which are reported under assets at fair value through other comprehensive income, amounted to EUR 1.0m (31/12/2021: EUR 0.9m).



**68.5. Liquidity risk management**

The task of liquidity risk management at Kommunalkredit is 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:



### 68.5.1. 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 2022 came to EUR 3.1bn (31/12/2021: EUR 3.4bn). 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 Kommunkredit, 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. Kommunkredit does not engage in any trading activities.

#### Cash flows as of 31/12/2022 (and 2021)

in EUR m	Liabilities at amortised cost		Derivatives designated as hedging instruments		Trading*	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Up to one month	292.9	280.9	1.2	4.2	128.8	26.9
More than one month up to three months	265.9	324.0	7.7	2.9	35.9	113.4
More than three months up to one year	976.1	727.9	36.0	16.1	112.0	302.1
More than one year up to five years	2,204.7	2,029.3	151.8	63.0	21.0	42.7
More than five years	1,092.6	1,199.5	87.1	79.5	3.8	30.2
<b>Total</b>	<b>4,832.2</b>	<b>4,561.6</b>	<b>283.8</b>	<b>165.6</b>	<b>301.5</b>	<b>515.2</b>

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

### 68.5.2. Reporting to the Executive Board and the Supervisory Board [element 2]

An operational projection of liquidity calculation for a period of one year and a time-to-wall stress scenario is prepared weekly. In addition, operational and strategic liquidity issues are discussed in the monthly ALCO. The liquidity risk is also monitored in the monthly RMC and reported to the Supervisory Board at quarterly meetings.

### 68.5.3. Liquidity contingency plan [element 3]

Kommunkredit'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.

### 68.5.4. Management of the operational and structural liquidity risk [elements 4 to 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 available daily in the short-term liquidity scenario.

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 as of 31/12/2022 (and 2021)

in EUR m	Expected liquidity gap		Available liquidity		Liquidity position	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Up to one month	366.5	637.5	499.6	312.4	866.1	949.8
More than one month up to three months	56.2	-9.3	-75.3	-52.7	-19.2	-62.0
More than three months up to one year	118.5	-140.2	12.8	-16.3	131.4	-156.5
<b>Total</b>	<b>541.2</b>	<b>487.9</b>	<b>437.1</b>	<b>243.3</b>	<b>978.3</b>	<b>731.3</b>

For the purposes of managing the structural liquidity risk position (>= 1 year), Kommunkredit 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.

## 68.6. 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.

### 68.6.1. 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 and quantified in a scenario analysis; 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.

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, GBP and 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 2022 in the event of a parallel rise of short-term interest by +100 basis points amounts to EUR +0.7m (31/12/2021: EUR -3.9m).

As of 31 December 2022, the NPV risk of interest rate changes in the banking book and of the IFRS interest rate risk position impacting on P&L in the event of a +30 basis points parallel shift amounts to EUR +1.5m and EUR +1.1m (31/12/2021: EUR +3.5 and EUR +1.3m). That of the IFRS interest rate risk position with an impact on OCI amounts to EUR -4.3m (31/12/2021: EUR -4.7m).

### 68.6.2. 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 2022 was TEUR 4.5 (31/12/2021: TEUR 14.3).

### 68.6.3. 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 2022, the credit spread risk in the event of credit spreads widening by +20 basis points was EUR -1.3m (31/12/2021: EUR -2.1m) in the IFRS P&L position and EUR -10.6m (31/12/2021: EUR -10.1m) in the IFRS-OCI position.

### 68.6.4. Basis spread risk

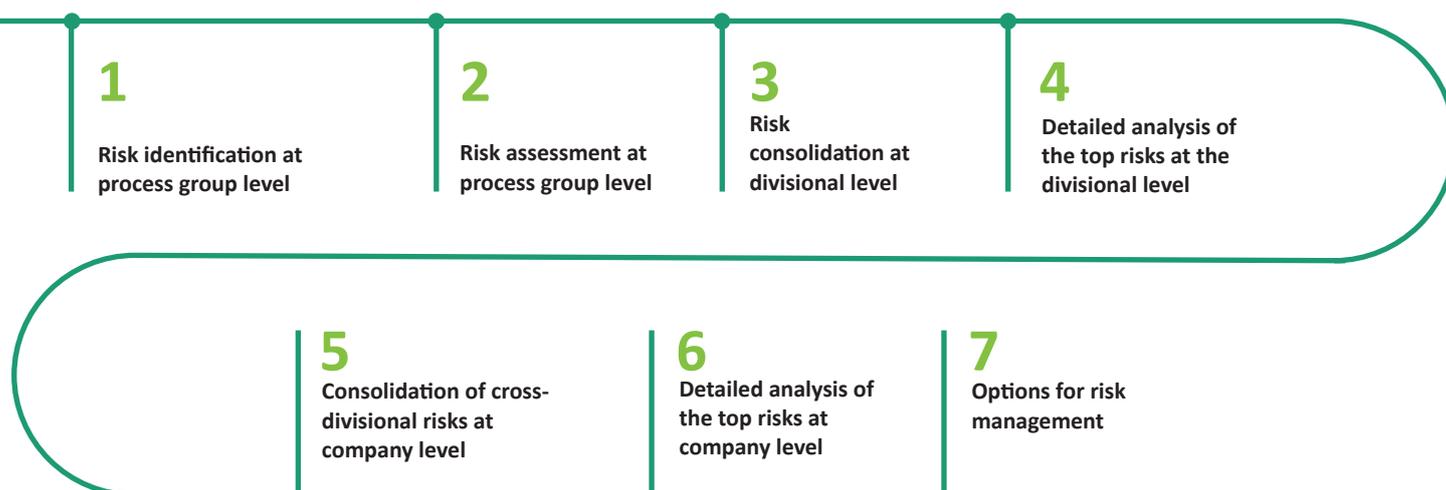
The basis spread risk is the risk resulting from a change in basis spread, which is factored into the variable interest rate conditions for non-standard reference interest rates and payment frequencies. Except for residual risks in the individual currencies, the basis spread risk relevant under IFRS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

As of 31 December 2022, the basis spread risk in the event of basis spreads widening by one basis point was EUR +0.0m (as of 31/12/2021: EUR +0.0 m).

### 68.6.5. 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 -0.1m as of 31 December 2022 (31/12/2021: 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 2022, there were no P&L-relevant option price risks.

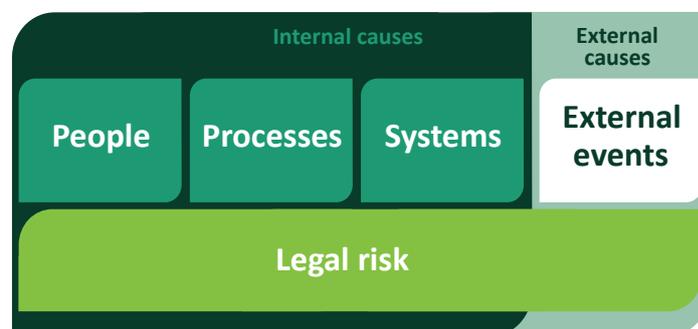


### 68.7. Operational risk

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.

Compliance & Non-Financial Risk (CNFR) is responsible for operational risk management. The operational risk correspondents (ORC) technical departments, appointed in consultation with CNFR, act as points of contact, 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 risks. The database represents a retrospective view, that is, 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, that is, 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.



Source: OeNB, Guideline on "Management of Operational Risk", 2005

High-risk topics are discussed, analysed and evaluated at divisional level with the responsible division heads and top risks are presented on an internal OpRisk risk map. To mitigate these risks, additional measures are to be defined and a tailored plan of action prepared.

The OpRisk risk maps for the divisions are condensed, in an overall view of the relevant risks, into an OpRisk risk map for the bank as a whole. Headed by the Credit Risk Officer (CRO), a consultation takes place with significant internal stakeholders quarterly regarding operational risks within the Operational Coordination Committee (OCC). 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 total capital requirements. The total capital held on this basis significantly exceeds the actual losses suffered in the past.

**68.8. Business Continuity Management**

The established business continuity management (BCM) system ensures the adequate, comprehensive and efficient management of business continuity. Continuity management includes the elaboration and the management of continuity and recovery plans as well as the allocation of resources to manage any business interruptions effectively, and keeping interruption times at a minimum. This includes, for example, physical measures, such as providing a crisis room or ensuring that an emergency power system is available. Manual work steps or alternative IT services are available for critical IT-supported processes, depending on the scenario.

The annual resource assessment was performed, and the resources required in the event of a crisis were established. The annual business impact analysis (BIA), performed within the framework of the resource assessment, 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.

**68.9. Policy management**

All Kommunalkredit operating procedures (policies, work instructions, manuals, works agreements) are stored in a policy overview on the intranet and can be accessed by all employees. The formal minimum requirements that policies/work instructions have to meet are defined, as are the responsibilities for updating, approving and distributing policies and work instructions.



### 68.10. Sustainability risks

Sustainability risks form an integral part of the risk strategies and risk categories of Kommunalkredit. 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.

Kommunalkredit 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 assessed as low overall on the basis of the analyses carried out. Any risks are taken into account in the process of loan origination and are appropriately reflected in the planning assumptions for borrowers and the established ratings.

To assess whether investments in infrastructure and energy projects meet the sustainability criteria set by Kommunalkredit, an internally developed “ESG/Sustainability Check”, which is a three-stage process, has been applied for many years:

#### 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, 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 CO<sub>2</sub> 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 health-care 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 2022, a risk classification of Kommunalkredit’s infrastructure and energy portfolio was implemented using a five-tier ESG scale (“category 1 to 5”) at the level of financed industry sectors and sub-sectors. Infrastructure and energy portfolio transactions are classified and assessed in order to obtain an overview of environmental and social sustainability risks in the portfolio and to ensure that the industry-related sustainability risks in the portfolio are adequately assessed. As of 31 December 2022, 71% of the infrastructure and energy portfolio was assessed as low risk (category 1 and 2) in the area of environmental risks. Around 21% of the exposure indicates medium risk (category 3) and only around 8% higher risk (category 4). No exposure was assessed in risk category 5 (high risk). In the area of social sustainability risks, as of 31 December 2022, approximately 69% of the infrastructure and energy portfolio was rated as having a low risk (category 1 and 2). 28% has a medium risk (category 3) and only around 3% an increased risk (category 4). No exposure was assessed in risk category 5

(high risk). Sector limits in the infrastructure and energy sectors are used to systematically limit risk in line with the bank’s strategic orientation. In addition to the sector limit, the share of exposures in category 4 and 5 in the infrastructure and energy portfolio is also limited. 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. Furthermore, threats to the bank’s in-house infrastructure posed by climate and environmental events are evaluated as part of information security risk management and OpRisk management. ESG-related risks and issues are marked individually in the OpRisk event database and were included in the risk & control self-assessments of Kommunalkredit.



## 69. Structured units

The Kommunalkredit Group has holdings in Fidelio KA Infrastructure Debt Fund Europe 1, a non-consolidated structured entity in the form of a closed investment fund. The fund offers institutional investors diversified access to the bank's infrastructure pipeline in the field of European infrastructure and energy financing. Kommunalkredit exerts influence on the fund in its role as general partner, asset sourcer and asset servicer. As asset sourcer, Kommunalkredit is entitled to propose investments for the fund within the framework of the investment guidelines. An independent investment advisor and an externally appointed, independent investment fund manager subsequently review and make a decision regarding the proposal.

Kommunalkredit is under no obligation to take back the assets transferred to the fund (for example, in the case of non-performance). To support the successful market launch of the first fund, Kommunalkredit subscribed shares in the fund itself upon its launch. As of 31 December 2022, the share held by Kommunalkredit amounted to an insignificant 8.5% (31/12/2021: 8.5%). Furthermore, in 2022, income of TEUR 787.5 (1/1–31/12/2021: TEUR 962.6) was booked from distributions and fees.

The shares in the structured unit are recognised as financial instruments in the category "Assets at fair value through profit or loss". As of 31 December 2022, the shares in the structured unit are shown in the consolidated statement of financial position as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2022	31/12/2021
Assets at fair value through profit or loss	29,028.0	28,117.8

NOMINAL in EUR 1,000	31/12/2022	31/12/2021
Nominal value of shares held by Kommunalkredit	28,170.0	27,330.0

The maximum amount in relation to potential losses on the shares in the structured unit amounts to TEUR 29,028.0 as of 31 December 2022 (31/12/2021: TEUR 28,117.8). This represents the current share held by Kommunalkredit in the Net Asset Value

(NAV) of the investment fund. Furthermore, Kommunalkredit has openly committed to subscribe to additional shares totalling TEUR 1,800.0 (31/12/2021: TEUR 1,882.2).

## 70. Legal risks

Kommunalkredit and another company were sued in December 2020 for a potential recourse payment resulting from a possible future loss of the plaintiff in a pre-trial. The proceedings are suspended until the final decision of the pre-trial proceedings. In November 2022, Kommunalkredit Austria AG filed an application with the court to be withdrawn from the (interrupted) proceedings. On 25 January 2023, the plaintiff informed Kommunalkredit Austria AG in a legally effective manner of a waiver of the action against Kommunalkredit Austria AG and brought the corresponding motion to withdraw the action (only) against Kommunalkredit Austria AG before the court.

On 2 July 2021, the data protection authority initiated proceedings against KPC following a complaint by a data subject. The proceedings are currently suspended as the data protection authority awaits a preliminary ruling by the European Court of Justice on § 30 of the Data Protection Act. It can be assumed to be more likely than not that there will be no penalty for KPC.

## 71. Other obligations

### 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 originated 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. Likewise, KA Finanz AG is also 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.

### Other obligations

Pursuant to § 2 (3) of the Austrian Deposit Guarantee and Depositor Indemnification Act, Kommunalkredit is obliged to undertake proportional safeguarding of deposits within the framework of the deposit guarantee regime of AUSTRIA Ges.m.b.H., Vienna.

## 72. Date of release for publication

These Consolidated Financial Statements as well as the Separate Financial Statements of Kommunalkredit were signed by the Executive Board on 14 February 2022. Both the Supervisory Board (22 February 2022) and the Annual Shareholders' Meeting (22 February 2022) can make amendments to the Separate Financial Statements, which in turn can have an impact on these Consolidated Financial Statements.

## 73. Employee disclosures

From 1 January to 31 December 2022, the Kommunalkredit Group had, on average, 327 employees (1/1–31/12/2021: 293 employees) including the Executive Board; 200 of them (1/1–31/12/2021: 181) were working in banking operations and 127 (1/1–31/12/2021: 112) were working for KPC. Part-time employees are weighted according to the extent of employment.

As of 31 December 2022, the Kommunalkredit Group had 364 employees (31/12/2021: 301 employees) including the Executive Board, 224 (31/12/2021: 188) of them working in banking operations and 140 (31/12/2021: 113) working for KPC.

## 74. Related party disclosures

### Ownership structure/Transactions with owners

NAME OF THE COMPANY	Relationship with Kommunalkredit	Registered office	Shares held
Satere Beteiligungsverwaltungs GmbH	Controlling parent	Vienna, Austria Comp.Reg.no 428981f	99.80% in Kommunalkredit

In the period under review, the previously existing two-tier ownership structure of Kommunalkredit in Austria was simplified. For this purpose, Gesona Beteiligungsverwaltung GmbH was merged into Satere Beteiligungsverwaltung GmbH. Satere Beteiligungsverwaltungs GmbH (Satere) is owned by Interritus Limited and Trinity Investments Designated Activity Company (Trinity), which hold 55% and 45%, respectively; the two companies exercise joint control over Satere through contractual agreements. Satere thus qualifies as a joint venture according to IFRS 11 and is classified as the controlling parent company of Kommunalkredit.

Kommunalkredit has concluded framework contracts for the fiduciary management 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 2022, positions amounting to TEUR 248,474.1 (31/12/2021: TEUR 313,040.0) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity. Through the fiduciary management of these transactions, fee and commission income in the amount of TEUR 958.6 (1/1–31/12/2021: TEUR 1,052.7) was generated in 2022, with open balances in the amount of TEUR 239.0 (31/12/2021: TEUR 1,066.7) reported under "Other assets" as of 31 December 2022.

### Tax group

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. As of 31 December 2022, group members include Kommunalkredit, Kommunalkredit Public Consulting GmbH, KA Florestan GmbH and KA Florestan Hydrogen GmbH.

### Relationships with associates

The following relationships exist with PeakSun Holding GmbH, an associate included at equity:

- Loans receivable of TEUR 1,877.1 (31/12/2021: TEUR 1,116.0); these resulted in interest income of TEUR 408.3 (1/1–31/12/2021: TEUR 26.3)
- Other off-balance-sheet liabilities in the form of promissory commitments of TEUR 8,409.5 (31/12/2021: TEUR 18,544.0)

### Transactions with key management personnel

Key management personnel are people with direct or indirect authority and responsibility for the planning, management and supervision of activities at Kommunalkredit. Kommunalkredit considers the members of the Executive Board and the Supervisory Boards to be key management personnel.

The following table shows the total remuneration earned by members of the Executive Board and the Supervisory Board:

TOTAL REMUNERATION in EUR 1.000	1/1-31/12/2022	1/1-31/12/2021
Active Executive Board members	3,762.7	2,924.8
Active Supervisory Board members	227.9	337.4
<b>Total</b>	<b>3,990.6</b>	<b>3,262.2</b>

The amounts reported under total remuneration of active Executive Board members include amounts falling due on a short-term basis and other long-term benefits of TEUR 7,692.8 (2021: TEUR 3,503.6) as specified in the remuneration manual (deferrals of variable remuneration) pursuant to § 39b of the Austrian Banking Act. Payments were made to a pension fund for active Executive Board members neither in the 2022 financial year nor in the previous year.

As of 31 December 2022, just like in the previous year, there were no outstanding loans/advances to members of the Executive Board or to members of the Supervisory Board, and there were no liabilities with Kommunalkredit for them either.

There is a company that holds a capital interest of 25% in Fidelio KA Beteiligung GmbH; this company is within the range of influence of an Executive Board member of Kommunalkredit and a close relative. Fidelio KA Beteiligung GmbH was established for the purpose of acquiring and holding participating interests, among others in the fields of business of alternative investment funds, asset management and advisory; it holds participating interests in Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GB S. à r. l.

#### 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 1,000	1/1-31/12/2022	1/1-31/12/2021
Executive Board members and senior employees	316.1	160.5
Other employees	139.4	651.9
<b>Total</b>	<b>455.5</b>	<b>812.3</b>
<i>of which recognised in equity (change in provisions due to actuarial gains/losses)</i>	552.7	470.9
<i>of which recognised in general administrative expenses</i>	-97.2	341.4

## 75. 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](http://www.kommunalkredit.at)) under "Investor Relations/Reports".

## 76. Disclosures relating to the Boards of the bank

### Members of the Executive Board

**Karl-Bernd Fislage**  
Chief Executive Officer

**Sebastian Firlinger**  
Member of the Executive Board

**Claudia Wieser**  
Member of the Executive Board,  
from 1 April 2022 until 31 March 2023

### Members of the Supervisory Board

**Patrick Bettscheider**  
Chairman; appointed by Satere Beteiligungsverwaltungs GmbH; Managing Director of Satere Beteiligungsverwaltungs GmbH

**Friedrich Andreae**  
Deputy Chairman; appointed by Satere Beteiligungsverwaltungs GmbH; Managing Director of Satere Beteiligungsverwaltungs GmbH

**Tina Kleingarn**  
Partner Westend Corporate Finance

**Jürgen Meisch**  
Managing Director of Achalm Capital GmbH

**Martin Rey**  
Managing Director Maroban GmbH

**Alois Steinbichler**  
Managing Director AST Beratungs- und Beteiligung GmbH

**Alexander Somer**  
Nominated by the Works Council, until 9 November 2022

**Peter Krammer**  
Nominated by the Works Council, since 9 November 2022

**Brigitte Markl**  
Nominated by the Works Council,  
from 9 November 2022 until 31 January 2023

**Gerald Unterrainer**  
Nominated by the Works Council, since 9 November 2022

**Oliver Fincke**  
Nominated by the Works Council, since 3 February 2022

### State Representative

**Philip Schweizer**  
State Representative, Federal Ministry of Finance

**Markus Kroiher**  
Deputy State Commissioner, Federal Ministry of Finance

### Government Commissioner

Appointed to serve as Government Commissioner of the cover pool for covered bonds in 2022:

**Karin Fischer**  
Government Commissioner  
Federal Ministry of Finance

**Anna Staudigl**  
Deputy Government Commissioner  
Federal Ministry of Finance

Vienna, 14 February 2023

The Executive Board of  
Kommunalkredit Austria AG

**Sebastian Firlinger**  
Member of the Executive Board

**Bernd Fislage**  
Chief Executive Officer

**Claudia Wieser**  
Member of the Executive Board

## AUDITOR'S REPORT

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

#### Audit Opinion

We have audited the consolidated financial statements of  
**Kommunalkredit Austria AG,**  
**Vienna,**

and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2022, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Austrian commercial and banking law as well as the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB and Section 59a BWG.

#### 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 Group, 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements section 8 "Risk provisions".

#### *Risk to the Consolidated Financial Statements*

The loans and advances to customers valued at amortized cost amount to EUR 1.7 bn and are mainly comprised of the segments "Project Finance", "Utilities", "Corporate" and "Public Finance".

The group 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 customers – if any – 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. These estimation uncertainties are particularly influenced by the current economic environment as of the reporting date.

### ***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 tested key controls with regard to their design and implementation, among other things, by inspecting the IT systems, 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 group'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.

### **Valuation of loans and advances to customers accounted at fair value**

The Management Board explains the procedure for the calculation of the fair value in the notes to the consolidated financial statements section 11 "Fair value calculation".

### ***Risk to the financial statements***

The loans and advances to customers valued at fair value are shown at the balance sheet positions "Assets at fair value through profit or loss" and "Assets recognized at fair value through other comprehensive income" and an amount of EUR 1.3 billion.

The risk for the financial statements is that the valuation of fair values of the loans and advances using valuation parameters that are not observable on the market, such as credit spreads, (level 3 category) is subject to discretion due to the strong dependence on valuation models and parameter estimates.

### ***Our audit approach***

We have performed the following audit procedures regarding the fair value valuation with the involvement of our valuation specialists:

- We have assessed the classification process and whether it is suitable to ensure an appropriate classification according to the provisions of IFRS 9. We also tested key controls with regard to design and implementation by inspecting the control documentation and tested their effectiveness on a sample basis.
- We have analyzed the processes related to the determination of fair values and assessed whether they are appropriate to determine the fair values appropriately. We also tested key controls with regard to their design and implementation, by inspecting the control documentation, and tested their effectiveness on a sample basis.
- 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.
- On the basis of test cases, we examined loans and advances to customers from different portfolios recognized at fair value to determine whether the calculation parameters and assumptions used in the valuation were appropriately considered and documented in a comprehensible manner. Furthermore, we checked for these test cases whether the calculation of the fair value was mathematically correct.

### **Other Information**

Management is responsible for other information. Other information is all information provided in the annual report and the annual financial report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements pursuant to Section 245a UGB and Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 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

### Group Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the consolidated 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 group management reports as applied in Austria.

### Opinion

In our opinion, the group management report is consistent with the consolidated 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 consolidated financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the group management report.

### *Additional Information in accordance with Article 10 AP Regulation*

We were elected as auditors at the Annual General Meeting on 23 March 2021 and were appointed by the supervisory board on 16 September 2021 to audit the financial statements of Company for the financial year ending on 31 December 2022.

In addition, during the Annual General Meeting on 30 March 2022, we have been elected as auditors for the financial year ending 31 December 2023 and appointed by the supervisory board on 7 June 2022.

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, 14 February 2023

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. 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 GROUP

#### Consolidated Financial Statements 2022

We hereby **confirm** to the best of our knowledge that the **consolidated 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 Group, that the Management Report presents the development of business, the results and the position of the Group in such a way that it conveys a true and fair view of the assets, the financial position and the income of the Group, and that the Management Report describes the material risks and uncertainties to which the Group is exposed.

Vienna, 14 February 2023

The Executive Board of  
Kommunalkredit Austria AG



**Sebastian Firlinger**  
Member of the Executive Board



**Bernd Fislage**  
Chief Executive Officer



**Claudia Wieser**  
Member of the Executive Board

# SUSTAINABILITY NOTES.

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# GRI indicators

## Environmental Performance Figures

Definition	Unit	2020	2021	2022	Change 2021-2022
Employees (incl. Executive Board)* <sup>1</sup>		287	324	377	16.4 %
Total assets	in EUR m	4,423	4,428	4,624	4.4 %
Office space used	m <sup>2</sup>	7,722	7,722	7,722	0.0 %
Office space used per employee	m <sup>2</sup> /employee	26.9	23.8	20.5	-14.1 %
<b>Energy consumption</b>					
<b>Total energy consumption</b>	kWh	<b>1,463,973</b>	<b>1,414,196</b>	<b>1,389,783</b>	<b>-1.7 %</b>
Total energy consumption per employee	kWh/employee	5,101	4,365	3,686	-15.5 %
Total consumption from renewable sources	kWh	977,438	877,495	865,250	-1.4 %
Total consumption from non-renewable sources	kWh	486,536	536,701	524,533	-2.3 %
<b>Electricity (100% green electricity)</b>	kWh	<b>677,479</b>	<b>583,459</b>	<b>592,617</b>	<b>1.6 %</b>
Electricity per employee	kWh/employee	2,361	1,801	1,572	-12.7 %
Diesel consumption	kWh	1,950	2,500	2,650	6.0 %
<b>Biomass consumption (pellets)</b>	kWh	<b>299,958</b>	<b>294,036</b>	<b>272,633</b>	<b>-7.3 %</b>
Gas consumption	kWh	484,586	534,201	521,883	-2.3 %
<b>Total heating energy consumption</b>	kWh	<b>784,544</b>	<b>828,237</b>	<b>794,516</b>	<b>-4.1 %</b>
Heating energy consumption (per m <sup>2</sup> )	kWh/m <sup>2</sup>	101.6	107.3	102.9	-4.1 %
Heating energy consumption per employee	kWh/employee	2,734	2,556	2,107	-17.6 %
Share of renewable energy sources in relation to total energy consumption (biomass and green electricity)	%	67	62	62	0.3 %
<b>Water and paper</b>					
<b>Water consumption</b> * <sup>2</sup> in m <sup>3</sup>	m <sup>3</sup>	<b>2,883</b>	<b>2,773</b>	<b>2,586</b>	<b>-6.8 %</b>
Water consumption in litres per employee and day	l/employee/day	40	34	27	-19.9 %
<b>Paper consumption (in kg)</b>	kg	<b>2,500</b>	<b>2,500</b>	<b>1,123</b>	<b>-55.1 %</b>
Paper consumption (in kg) per employee	kg/employee	9	8	3	-61.4 %
Paper consumption (in kg) per employee and day	kg/employee/day	0.03	0.03	0.01	-61.4 %
Paper consumption (in sheets) per employee and day	sheets/employee/day	7	6	2	-63.5 %
Share of recycled paper	%	100	100	100	0.0 %
<b>Transport</b>					
<b>Total business travel</b>	km	<b>185,847</b>	<b>156,217</b>	<b>835,329</b>	<b>434.7 %</b>
Total energy consumption for transport	km	142,028	132,775	1,102,246	730.2 %
Total business travel per employee	km/employee	648	482	2,216	359.6 %
Kilometres travelled by rail	km	10,038	16,243	48,240	197.0 %
Share of kilometres travelled by rail in relation to total distance travelled	%	5.40	10.40	5.77	-44.5 %
Kilometres travelled by rail per employee	km/employee	35	50	128	155.2 %
Kilometres travelled by car	km	25,210	26,247	52,120	98.6 %
Share of kilometres travelled by car in relation to total distance travelled	%	13.56	16.80	6.24	-62.9 %
Kilometres travelled by car per employee	km/employee	88	81	138	70.7 %
Kilometres travelled by air	km	150,599	113,728	734,969	546.3 %
Share of kilometres travelled by air in relation to total distance travelled	%	81.03	72.80	87.99	20.9 %
Kilometres travelled by air per employee	km/employee	525	351	1,950	455.4 %

Definition	Unit	2020	2021	2022	Change 2021-2022
<b>CO<sub>2</sub> emissions<sup>x3</sup></b>					
<b>CO<sub>2</sub> emissions caused by business activities</b>	<b>t</b>	<b>230</b>	<b>235</b>	<b>969</b>	<b>312.6 %</b>
Scope 1 (direct emissions)	t	127	139	139	-0.5 %
<i>thereof fossil emissions</i>	t	122	134	134	-0.2 %
<i>thereof biogenic emissions</i>	t	5.1	5.0	4.6	-7.3 %
Scope 2 (green electricity market-based) <sup>x4</sup>	t	0.0	0.0	0.0	0.0 %
Scope 2 (electricity location-based)	t	156	134	136	1.6 %
Scope 3 (business travel) <sup>x5</sup>	t	103	96	831	768.6 %
CO <sub>2</sub> emissions caused by business activities per employee	t/employee	0.8	0.7	2.6	254.6 %
<b>Waste</b>					
<b>Total annual waste volume</b>	<b>kg</b>	<b>32,902</b>	<b>34,649</b>	<b>44,012</b>	<b>27.0 %</b>
Total annual waste volume per employee	kg/employee	114.6	106.9	116.7	9.2 %
Waste paper	kg	13,460	15,866	25,366	59.9 %
Waste paper (share of total volume of waste)	%	41	46	58	25.9 %
Waste paper per employee	kg/employee	47	49	67	37.4 %
Domestic-type commercial waste	kg	16,773	14,448	14,448	0.0 %
Domestic-type commercial waste (share of total volume of waste)	%	51	42	33	-21.3 %
Domestic-type commercial waste per employee	kg/employee	58	45	38	-14.1 %
Hazardous waste	kg	8	43	0	-100.0 %
Hazardous waste (share of total volume of waste)	%	0.02	0.12	0.00	-100.0 %
Hazardous waste (in kg) per employee	kg/employee	0.0	0.1	0.00	-100.0 %

x1 Employees incl. agency workers at KPC and the KPC Executive Board but excl. employees on leave

x2 All water was withdrawn from the municipal water supply. No water was withdrawn from areas under water stress.

x3 All data refers to CO<sub>2</sub> equivalents. Emission factors based on 2019 OIB Guidelines: 1 kWh electricity mix in Austria: 230 g CO<sub>2</sub>, 1 kWh natural gas: 250 g CO<sub>2</sub>, 1 kWh crude oil: 300 g CO<sub>2</sub>

x4 In accordance with the GRI Standards, emissions from the purchase of electricity are to be shown based on both the market-based and location-based methods. The market-based method shows emissions from the electricity that an organisation chose in a targeted manner. The location-based method shows the average intensity of the GHG emissions from the grids used for electricity consumption. The location-based emissions come to 136 t for 2022 (CO<sub>2</sub> emission factor based on 2019 OIB Guidelines).

x5 The emissions calculation for business travel is based on data from the Environment Agency Austria, November 2022, for total emissions per passenger kilometre. 2021: 1 passenger kilometre by rail: 19.2 g CO<sub>2</sub>; 1 passenger kilometre by air (domestic): 1,997.9 g CO<sub>2</sub>; 1 passenger kilometre by air (abroad): 607.3 g CO<sub>2</sub>; 1 passenger kilometre by car (petrol): 224 g CO<sub>2</sub>; 1 passenger kilometre by car (diesel): 216.6 g CO<sub>2</sub>.

## Social performance figures

Definition	2020	2021	2022
<b>Number of employees</b>			
Employees including Executive Board and those on leave	307	337	389
<i>thereof women</i>	144 (47 %)	147 (44 %)	167 (43 %)
<i>thereof employees aged under 30</i>	35 (11.4 %)	54 (16 %)	52 (13 %)
<i>thereof employees aged 30–50</i>	211 (68.7 %)	215 (63.8 %)	238 (61 %)
<i>thereof employees aged over 50</i>	61 (19.9 %)	68 (20.2 %)	99 (26 %)
Executive Board	2	3	3
<i>thereof women</i>	0	0	1
Employees excluding Executive Board and those on leave	296	324	372
Average workforce in full-time equivalents	261	293	327
Average workforce	293	334	353
Full-time equivalents excluding Executive Board and those on leave	270	290	348
Active employees as of 31 December in full-time equivalents (incl. Executive Board)	272	301	364
Agency workers	2	1	0
<b>Full-time/part-time split</b>			
Part-time employees	82 (36.3 %)	86 (25.5 %)	76 (20 %)
<i>thereof women</i>	65	65	52
<i>thereof part-time employees aged under 30</i>	8	10	11
<i>thereof part-time employees aged 30–50</i>	53	54	44
<i>thereof part-time employees aged over 50</i>	21	22	21
Full-time employees	226	251	313
<i>thereof women</i>	79	82	115
<i>thereof full-time employees aged under 30</i>	27	44	41
<i>thereof full-time employees aged 30–50</i>	158	161	194
<i>thereof full-time employees aged over 50</i>	41	46	78
<b>Average age structure</b>			
Age (in years)	42	42	41
Length of service (in years)	9	8	5
<b>Employees with a university degree</b>			
In total in relation to the number of employees (incl. Executive Board and employees on leave)	204 (66 %)	224 (67 %)	256 (66 %)
<i>thereof women with a university degree</i>	78 (38 %)	84 (38 %)	96 (38 %)
<b>Management positions</b>			
Employees in management positions	63	55	61
<i>thereof employees aged under 30</i>	0	0	1
<i>thereof employees aged 30–50</i>	43	36	36
<i>thereof employees aged over 50</i>	20	19	24
Full-time employees in management positions	58	51	57
<i>thereof women</i>	17	17	15
Part-time employees in management positions	5	4	4
<i>thereof women</i>	4	3	4
Total number of women in management positions <sup>x1 x2</sup>	21 (33 %)	20 (36 %)	19 (31 %)

x1 Management positions refer to the management team, division heads, departmental heads and team leaders.

x2 Percentage refers to full-time equivalents, excluding the Executive Board and employees on leave.

Definition	Unit	2020	2021	2022
<b>Staff turnover and employees that returned to work after parental leave ended in full-time equivalents</b>				
Total staff turnover		36 (14 %)	49 (16.9 %)	73 (19 %)
<i>thereof women</i>		18 (6.1 %)	19 (5.7 %)	36 (9 %)
<i>thereof employees aged under 30</i>		4 (11 %)	4 (7.1 %)	13 (18 %)
<i>thereof employees aged 30–50</i>		11 (30.9 %)	36 (73.6 %)	46 (63 %)
<i>thereof employees aged over 50</i>		21 (58.1 %)	10 (19.3 %)	14 (19 %)
<b>Annual total compensation ratio</b>				
Annual total compensation ratio <sup>x7</sup>		n/a	n/a	9.2 %
<b>Employees on leave</b>				
Employees on leave – status as of 31/12 <sup>x6</sup>		22	14	12
<i>thereof women</i>		13	11	9
Total number of employees on parental leave		n/a	n/a	16
<i>thereof women</i>		n/a	n/a	9
Employees that returned to work after parental leave ended <sup>x3</sup>		90 %	100 %	100 %
Total number of employees who came back from parental leave		10	15	7
<i>thereof women</i>		3	7	3
Employees that remained with the company after parental leave ended <sup>x4</sup>		100 %	100 %	100 %
Total number of employees that remained with the company after parental leave ended <sup>x4</sup>		10	7	10
<i>thereof women</i>		3	4	7
Number of employees entitled to parental leave		21	19	17
<i>thereof women</i>		11	11	10
<b>New hires</b>				
New hires last year		64 (21 %)	90 (27 %)	111 (29 %)
<i>thereof women</i>		32 (10.4 %)	32 (9.5 %)	46 (41 %)
<i>thereof employees aged under 30</i>		19 (29.7 %)	35 (38.9 %)	24 (21 %)
<i>thereof employees aged 30–50</i>		40 (62.5 %)	46 (51.1 %)	74 (67 %)
<i>thereof employees aged over 50</i>		5 (7.8 %)	9 (10 %)	13 (12 %)
<b>Training and education</b>				
Expenditure on training and education	EUR	255,852	296,090	316,992
Total number of training and education days	days	406	506	751
Training and education days per employee	days/employee	1.4	1.8	2.1
Training and education days per senior employee	days/employee	1.6	1.8	1.9
Total number of training and education days	hours	2,842	3,539	5,258
<i>thereof completed by women</i>	hours	1,080	1,351	1,993
Training and education days per employee	hours/employee	10	11	15
Training and education days per senior employee	hours/employee	11	12	13
<b>Sick days</b>				
Total sick days	days	2,184	2,468	3,458
Sick days per employee	days/employee	7.5	7.4	9.8
<b>Supervisory Board members Kommunalkredit and KPC</b>				
Number of members		13	12	14
<i>thereof women</i>		1 (7.7 %)	1 (8.3 %)	3 (21.4 %)
<i>thereof Supervisory Board members aged under 30</i>		0	0	1 (7.1 %)
<i>thereof Supervisory Board members aged 30–50</i>		3 (23.1 %)	3 (25 %)	5 (35.7 %)
<i>thereof Supervisory Board members aged over 50</i>		10 (76.9 %)	9 (75 %)	8 (57.1 %)

<sup>x3</sup> Compares the total compensation paid to the highest paid employee with the median total compensation paid to all other employees. This is based on the extrapolated total annual salaries for full-time equivalents, incl. the bonus for which provisions were set up in the 2022 statement of financial position. Executive Board members and employees who left in the course of 2022 were excluded. The highest-earning employee is a member of the management.

<sup>x4</sup> Includes all types of leave (such as educational or parental leave).

<sup>x5</sup> Employees that remained with the company for at least 12 months after their parental leave ended.

<sup>x6</sup> Proportion of employees set to return from parental leave in the reporting period who actually returned to work.

# GRI content index

Kommunalkredit Austria AG has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2022.

Statement of use GRI 1 was applied, Available GRI Sector Standard(s) N/A				
General Disclosures				
GRI Standard	GRI Disclosure	UNGC	Reference	Reason for Omission/Explanation
GRI 2: General Disclosures 2021	2-1 Organisational profile		Material topics, boundaries and scope of the report – Scope and boundaries of the report	
	2-2 Entities included in the organisation's sustainability reporting		Material topics, boundaries and scope of the report – Scope and boundaries of the report	
	2-3 Reporting period, frequency and contact point		Material topics, boundaries and scope of the report – Scope and boundaries of the report, Imprint	
	2-4 Rectification or restatement of information			There were no restatements of information.
	2-5 External assurance		Material topics, boundaries and scope of the report – Scope and boundaries of the report	
	2-6 Activities, value chain and other business relationships	Principle 1, principle 2, principle 4, principle 5, principle 6, principle 7, principle 9	Infrastructure, Expertise, Building bridges, Success factor, Focus on sustainability topics – Sustainable finance, Sustainable services	
	2-7 Employees	Principle 6	Employees, GRI indicators	
	2-8 Workers who are not employees	Principle 6		There were two employees on fixed-term contracts on 31 December 2022.
	2-9 Governance structure and composition		Sustainability framework – Sustainability governance Corporate Governance Handbook*	
	2-10 Nomination and selection of the highest governance body		Corporate Governance Handbook*	Es gab keine Änderungen bezüglich der wesentlichen Lieferantinnen und Lieferanten.
	2-11 Chair of the highest governance body		Corporate Governance Handbook*	
	2-12 Role of the highest governance body in overseeing the management of impacts		Sustainability framework – Sustainability governance	
	2-13 Delegation of responsibility for managing impacts		Sustainability framework – Sustainability governance	
	2-14 Role of the highest governance body in sustainability reporting		Sustainability framework – Sustainability governance	There is currently no legal requirement and this will be implemented in the future to reflect changes in the overall legal framework.
	2-15 Conflicts of interest		Sustainability topics in the spotlight – Business ethics Corporate Governance Handbook*	

\* [www.kommunalkredit.at/fileadmin/user\\_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-DE.pdf](http://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-DE.pdf)

GRI Standard	GRI Disclosure	UNGC	Reference	Reason for Omission/Explanation
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns		Sustainability topics in the spotlight – Business ethics	
	2-17 Collective knowledge of the highest governance body		Sustainability strategy – 2025 sustainability commitments, Corporate Governance Handbook*, Sustainability framework – Sustainability governance	
	2-18 Evaluation of the performance of the highest governance body		Sustainability strategy – 2025 sustainability commitments	
	2-19 Remuneration policies		Disclosure reports: <a href="https://www.kommunal-kredit.at/en/investor-relations/reports">https://www.kommunal-kredit.at/en/investor-relations/reports</a>	
	2-20 Process to determine remuneration		Corporate Governance Handbook*	
	2-21 Annual total compensation ratio		Chapter Employees, Chapter GRI indicators	
	2-22 Statement on sustainable development strategy		Letter by the Chief Executive Officer	
	2-23 Policy commitments		Sustainability framework – Sustainability as a key component, Sustainability as a global challenge Business ethics – Code of Conduct	
	2-24 Embedding policy commitments		Sustainability topics in the spotlight – Business ethics	
	2-25 Processes to remediate negative impacts		Sustainability topics in the spotlight – Business ethics Internal control and risk management system (management report)	
	2-26 Mechanisms for seeking advice and raising concerns		Sustainability topics in the spotlight – Business ethics	
	2-27 Compliance with laws and regulations			There were no such penalties or fines in the reporting period.
	2-28 Membership of associations	Principle 1, principle 8, principle 9	Arbeitsgemeinschaft Ländlicher Raum (Rural Areas working group), Bankenschlichtung Österreich (Joint Conciliation Board of the Austrian Banking Industry), BPPP Bundesverband (Federal Association) Public Private Partnership, BWG Österreichische Bankwissenschaftliche Gesellschaft (Austrian Banking Society), DWA Vereinigung für Wasserwirtschaft, Abwasser und Abfall (German Association for Water, Wastewater and Waste), Einlagensicherung der Banken und Bankiers (Austrian Deposit Insurance Scheme for Banks and Bankers), Energieforum Österreich (Energy Forum Austria), Eurex Repo GmbH, European Clean Hydrogen Alliance, IIA Austria Institut für Interne Revision Austria (Austrian Institute of Internal Auditors), Industriellen Vereinigung (Federation of Austrian Industries), Industriellenvereinigung (Federation of Austrian Industries), International Capital Markets Association, IPFA International Project Finance Association, ISDA International Swaps and Derivatives Association, KSV Kreditschutzverband (Austrian association for the protection of creditors), ÖGUT Österreichische Gesellschaft für Umwelt und Technik (Austrian Society for Environment and Technology), Österreichische Energieagentur (Austrian Energy Agency), Österreichische Nationalbibliothek (Austrian National Library), Österreichischer Biomasseverband (Austrian Biomass Association), ÖVA Österreichischer Verein für Altlastenmanagement (Austrian Association for Management of Contaminated Sites), ÖWAV Österreichischer Wasser- und Abfallwirtschaftsverband (Austrian Water and Waste Management Association), Pfandbrief- & Covered Bond-Forum Austria, respect (ABCSD Austrian Business Council), The Loan Market Association, TMA Austria – The Treasury Markets Association, UN Global Compact, UN Principles for Responsible Banking, Verband Österreichischer Banken und Bankiers (Austrian Bankers' Association), Wiener Börse (Vienna Stock Exchange), WKO Wirtschaftskammer Österreich (Austrian Economic Chambers)	
	2-29 Approach to stakeholder engagement		Material topics, boundaries and scope of the report – Materiality analysis, topics and impact Communication	
2-30 Collective bargaining agreements		Employees	All employees are covered by collective bargaining agreements.	

<b>Material topics</b>				
<b>GRI Standard</b>	<b>GRI Disclosure</b>	<b>UNGC</b>	<b>Reference</b>	<b>Reason for Omission/Explanation</b>
GRI 3: Material Topics 2021	3-1 Process to determine material topics		Material topics, boundaries and scope of the report – Materiality analysis, topics and impact	
	3-2 List of material topics		Material topics, boundaries and scope of the report – Materiality analysis, topics and impact	
<b>Sustainable finance</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Focus on sustainability topics – Sustainable finance	
<b>Financing</b>				
GRI G4: FS7 2014	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		Focus on sustainability topics – Sustainable finance Sustainability topics in the spotlight – Sustainable services	
GRI G4: FS8 2014	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Principle 7, principle 8, principle 9	Focus on sustainability topics – Sustainable finance Sustainability topics in the spotlight – Sustainable services	
<b>Refinancing</b>				
Kommunal- kredit indicator	Refinancing share according to the “Sustainable funding framework” relative to the total refinancing volume			The “Sustainable funding framework” was developed in the reporting year and will apply as of 2023.
<b>Sustainable services</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Focus on sustainability topics – Sustainable finance, Sustainable services	
<b>Consultancy services</b>				
Kommunal- kredit indicator	Total subsidies processed		Focus on sustainability topics – Sustainable services	
<b>Business ethics</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Sustainability topics in the spotlight – Business ethics	
<b>Fighting against corruption</b>				
GRI 205: Anti- Corruption 2016	205-1 Operations assessed for risks related to corruption	Principle 10		Operations: 2 Assessed: 2 (100%)
	205-2 Communication and training about anti-corruption policies and procedures	Principle 10	Sustainability topics in the spotlight – Business ethics	
	205-3 Confirmed incidents of corruption and actions taken	Principle 10	Sustainability topics in the spotlight – Business ethics	

GRI Standard	GRI Disclosure	UNGC	Reference	Reason for Omission/Explanation
<b>Protecting customer data</b>				
GRI 418: Customer privacy, 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data			One notification was submitted to the data protection authorities during the reporting period. The procedure was immediately abandoned by the data protection authorities.
<b>Human rights</b>				
Kommunal-kredit indicator	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Principle 1, principle 2, principle 3, principle 4, principle 5	Focus on sustainability topics – Sustainable finance	The sustainability check involves a review of all investment agreements and contracts from a human rights perspective.
<b>Employees</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Employees	
<b>Employment</b>				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Principle 6	Employees GRI indicators	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Principle 6	Employees	All basic benefits are provided to all employees.
	401-3 Parental leave	Principle 6	Employees GRI indicators	
<b>Training and education</b>				
GRI 404: Training and education 2016	404-1 Average hours of training and education per year		Employees GRI indicators	
	404-2 Programmes for upgrading employee skills and transition assistance programmes		Employees	
	404-3 Percentage of employees receiving regular performance and career development reviews		Employees	Two reviews per year are conducted with all employees.
<b>Diversity</b>				
GRI 405: Diversity and equal opportunities, 2016	405-1 Diversity of governance bodies and employees	Principle 6	Employees GRI indicators	
	405-2: Ratio of basic salary and remuneration of women to men	Principle 6	Employees	The collective agreement does not differentiate based on gender.
GRI 405: Diversity and equal opportunities, 2016	406-1 Incidents of discrimination and corrective actions taken	Principle 6		There were no cases of discrimination in the reporting period.

GRI Standard	GRI Disclosure	UNGC	Reference	Reason for Omission/Explanation
<b>Operational ecology</b>				
GRI 3: Material Topics 2021	3-3 Management von wesentlichen Themen		Focus on sustainability topics – Operational ecology	
<b>Emissions</b>				
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	Principle 7, principle 8, principle 9	Focus on sustainability topics – Operational ecology GRI indicators	
	305-2 Energy indirect (Scope 2) GHG emissions	Principle 7, principle 8, principle 9	Focus on sustainability topics – Operational ecology GRI indicators	Collecting data on financed emissions is part of the implementation of the sustainability strategy and is scheduled to be completed by 2024.
	305-3 Other indirect (Scope 3) GHG emissions	Principle 7, principle 8, principle 9	Focus on sustainability topics – Operational ecology GRI indicators	
	305-4 Intensität der THG-Emissionen	Principle 7, principle 8, principle 9	Focus on sustainability topics – Operational ecology GRI indicators	
	305-5 Reduction of GHG emissions	Principle 7, principle 8, principle 9	Focus on sustainability topics – Operational ecology GRI indicators	
	305-6 Emissions of ozone-depleting substances (ODS)	Principle 7, principle 8, principle 9		No ozone-depleting substances were emitted in the reporting period.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Principle 7, principle 8, principle 9		No significant air emissions were emitted in the reporting period.
<b>Socio-economic compliance</b>				
GRI 414: Supplier social assessment 2016	414-1: New suppliers that were screened using social criteria	Principle 1, principle 2, principle 4, principle 5	Focus on sustainability topics – Operational ecology	All major new suppliers are screened on the basis of criteria relating to their impact on the company.
	414-2 Negative social impacts in the supply chain and actions taken	Principle 1, principle 2, principle 4, principle 5	Focus on sustainability topics – Operational ecology	

## INDEPENDENT ASSURANCE REPORT ON THE NON-FINANCIAL REPORTING

We have performed an independent limited assurance engagement on the combined consolidated non-financial reporting ("NFI reporting") for the financial year 2022, which has been published in the integrated business report in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the management report in chapter "Employees" of

**Kommunalkredit Austria AG,**  
**Vienna,**  
(referred to as "KA AG" or "the Company").

### Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFI reporting of the Company, which has been published in the integrated business report in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the management report in chapter "Employees", is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" in all material respects.

### Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI reporting in accordance with the reporting criteria. The Company applies the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" as reporting criteria.

The Company's management is responsible for the selection and application of appropriate methods for non-financial reporting (especially the selection of significant matters) as well as the use of appropriate assumptions and estimates for individual non-financial disclosures, given the circumstances. Furthermore, their responsibilities include the design, implementation and maintenance of systems, processes and internal controls that are relevant for the preparation of the sustainability report in a way that is free of material misstatements – whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Company's NFI reporting, which has been published in the integrated business report in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the management report in chapter "Employees", is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance. Despite diligent engagement planning and execution, it cannot be ruled out that material misstatements, illegal acts or irregularities within the non-financial report will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- Inquiries of personnel at the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting thresholds of the Company;
- A risk assessment, including a media analysis, on relevant information on the Company's sustainability performance in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, social and employees matters, respect for human rights, anti-corruption as well as bribery and also includes the consolidation of data;
- Inquiries of personnel at the group level, who are responsible for providing, consolidating and implementing internal control procedures relating to the disclosure of concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents, in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Analytical evaluation of the data and trend of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;
- Evaluation of the consistency of the requirements of the GRI Standards, Option "in accordance with" to disclosures and indicators of the NFI reporting, which apply to the Company;
- Evaluation of the overall presentation of the disclosures by critically reading the NFI report.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to audit future-related disclosures, prior year figures, statements from external sources of information, expert opinions or references to more extensive external reporting formats of the Company.

#### **Restriction on use**

Because our report will be prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims. We agree to the publication of our assurance certificate and NFI report. However, publication may only be performed in its entirety and as a version has been certified by us.

#### **General Conditions of Contract**

Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Vienna, 10th February 2023

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Bernhard Mechtler  
Wirtschaftsprüfer (Austrian Chartered Accountant)

## STATEMENT BY THE LEGAL REPRESENTATIVES

### KOMMUNALKREDIT GROUP

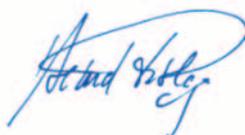
The Integrated Annual Report covers the sustainability activities of the Kommunalkredit Group for the 2022 financial year.

Vienna, 14 February 2023

The Executive Board of  
Kommunalkredit Austria AG



**Sebastian Firlinger**  
Member of the Executive Board



**Bernd Fislage**  
Chief Executive Officer



**Claudia Wieser**  
Member of the Executive Board

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