

25 October 2006

Final Terms

EUR 5,000,000 Subordinated Fixed Rate to Range Accrual Notes due 30 October 2021

Series: 525, Tranche 1

issued pursuant to the

**Euro 20,000,000,000
Debt Issuance Programme**

dated 3 July 2006

of

Kommunalkredit Austria AG

Issue Price: **100.00 %**

Issue Date: 30 October 2006

These are the Final Terms of an issue of Notes under the Euro 20,000,000,000 Debt Issuance Programme of Kommunalkredit Austria AG (the "**Programme**"). Full information on Kommunalkredit Austria AG and the offer of the Notes is only available on the basis of the combination of the Debt Issuance Programme Prospectus pertaining to the Programme dated 3 July 2006 as amended and supplemented from time to time (the "**Prospectus**") and these Final Terms. The Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of Kommunalkredit Austria AG (www.kommunalkredit.at/treasury/dip) and copies may be obtained free of charge from Kommunalkredit Austria AG, Türkenstrasse 9, A-1092 Vienna.

Part I.: TERMS AND CONDITIONS

This part I of the Final Terms is to be read in conjunction with the Terms and Conditions of the Notes (the "**Terms and Conditions**") set forth in the Prospectus, as the same may be amended or supplemented from time to time. All provisions in the Terms and Conditions corresponding to items in these Final Terms which are either not selected or completed or which are deleted shall be deemed to be deleted from the terms and conditions applicable to the Notes (the "**Conditions**").

All references in this part of the Final Terms to numbered sections and subparagraphs are to sections and subparagraphs of the Terms and Conditions.

Capitalized Terms not otherwise defined herein shall have the meanings specified in the Terms and Conditions.

Issuer

Kommunalkredit Austria AG

Form of Conditions

Long-Form

Language of Conditions

English only

CURRENCY, DENOMINATION, CERTAIN DEFINITIONS (§ 1)

Currency and Denomination

Specified Currency EURO ("EUR")

Aggregate Principal Amount EUR 5,000,000

Specified Denomination EUR 100,000

Number of Notes to be issued in the Specified Denomination 50

New Global Note No

TEFRA D

Temporary Global Note exchangeable for Permanent Global Note

Certain Definitions

Clearing System

Clearstream Banking/société anonyme (CBL)
42 Avenue JF Kennedy
L-1855 Luxembourg

Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear)
1 Boulevard du Roi Albert II
B-1210 Brussels

Calculation Agent

Yes

Other – specify

Citibank N.A., London

STATUS (§ 2)

Subordinated/ Lower Tier II

INTEREST (§ 3)

Fixed Rate Notes from and including 30 October 2006 to but excluding 30 October 2007

Rate of Interest and Interest Payment Dates

Rate of Interest	5.40 % per annum
Interest Commencement Date	30 October 2006
Fixed Interest Date(s)	30 October 2007 subject to adjustment for payment only in accordance with the Modified Following Business Day Convention. (For the avoidance of doubt, EUR 5,400 will be payable per Specified Denomination on 30 October 2007.)
First Interest Payment Date	30 October 2007
Initial Broken Amount(s) (per Specified Denomination)	Not applicable
Fixed Interest Date preceding the Maturity Date	Not applicable
Final Broken Amount(s) (per Specified Denomination)	Not applicable

Other structured Floating Rate Notes from and including 30 October 2007 to but excluding 30 October 2021

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the Rate of Interest from (and including) 30 October 2007 (the “**Interest Commencement Date**”) to (but excluding) the Maturity Date (as defined in § 5(1)). Interest for an Interest Period shall be payable in arrears on each Interest Payment Date.

“**Interest Period**” means, from 30 October 2007 to 30 October 2021, each period from (and including) 30 October to (but excluding) the next following 30 October respectively.

“**Interest Payment Date**” means 30 October in each year, commencing on 30 October 2008 and ending on 30 October 2021. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.

If not otherwise specified, in this § 3 “**Business Day**” means a day which is a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in, and foreign exchange markets settle payments in London, Vienna and TARGET.

(2) *Rate of Interest.* The “**Rate of Interest**” which is a percentage rate for each Interest Period will be determined by the Calculation Agent on the fifth TARGET Business Day prior to the relevant Interest Payment Date, in accordance with the following formula:

5.40 per cent. multiplied by Accrual Days divided by the actual number of calendar days in the relevant Interest Period.

Where:

“**Accrual Days**” means the number of calendar days in each Interest Period on which **30 Year EUR CMS – 2 Year EUR CMS** as observed by reference to Reuters Page ISDAFIX2, or the successor thereof at 11.00 a.m. Frankfurt time (the “**Reference Level**”) on each day, is greater than or equal to **minus 0.05 per cent.** For a calendar day which is a non-TARGET Business Day falling during the Interest Period the Reference Level for such a day will be deemed to be the Reference Level as at the immediately preceding TARGET Business Day. The Reference Level for each calendar day after the fifth TARGET Business Day prior to the relevant Interest Payment Date will be deemed to be equal to the Reference Level on the fifth TARGET Business Day prior to that Interest Payment Date.

If such Reference Level does not appear on Reuters Page ISDAFIX2 or the successor thereof, the Reference Level for the relevant TARGET Business Day will be determined by the Calculation Agent in accordance with the 2000 ISDA Definitions (International Swaps and Derivatives Association, Inc.): “EUR-ISDA-EURIBOR-Swap Rate:11:00”.

“**30 Year EUR CMS**” mentioned in the formula above, means the rate for 30 year Euribor Constant Maturity Swap rate as quoted on Reuters Page ISDAFIX2 at 11:00 a.m. Frankfurt time on each day. If this rate does not appear on Reuters Page ISDAFIX2 or the successor thereof, the applicable rate will be determined by the Calculation Agent in accordance with the 2000 ISDA Definitions (International Swaps and Derivatives Association, Inc.): “EUR-ISDA-EURIBOR-Swap Rate:11:00”.

“**2 Year EUR CMS**” mentioned in the formula above, means the rate for 2 year Euribor Constant Maturity Swap rate as quoted on Reuters Page ISDAFIX2 at 11:00 a.m. Frankfurt time on each day. If this rate does not appear on Reuters Page ISDAFIX2 or the successor thereof, the applicable rate will be determined by the Calculation Agent in accordance with the 2000 ISDA Definitions (International Swaps and Derivatives Association, Inc.): “EUR-ISDA-EURIBOR-Swap Rate:11:00”.

(3) *Interest Amount.* The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “**Interest Amount**”) payable on the Notes in respect of the Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to each Specified Denomination and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

(4) *Notification of Rate of Interest and Interest Amount.* The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Interest Period, each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent(s) and to the Holders in accordance with § 12 as soon as possible after their determination, but in no event later than the fourth London Business Day (as defined in § 3 (1)) thereafter and, if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed, the Paying Agent(s) and to the Holders in accordance with § 12.

(5) *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agent(s) and the Holders.

(6) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until actual redemption of the Notes. Interest shall continue to accrue on the outstanding principal amount of the Notes from the due date (inclusive) until the date of redemption of the Notes (exclusive) at the default rate of interest established by law. (The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time, §§ 288(1), 247(1) German Civil Code.) This does not affect other rights that might be available to the Holders.

Day Count Fraction

30/360 unadjusted

PAYMENTS (§ 4)

Payment Business Day

Relevant Financial Centre(s) (specify all)

London, TARGET and Vienna

REDEMPTION (§ 5)

Final Redemption

Notes other than Instalment Notes

Maturity Date

30 October 2021
subject to adjustment for
payment only in accordance
with the Modified Following
Business Day Convention

Final Redemption Amount

Principal Amount

Early Redemption

Early Redemption at the Option of the Issuer

No

Early Redemption at the Option of a Holder

No

FISCAL AGENT, PAYING AGENTS AND CALCULATION AGENT (§ 6)

Calculation Agent/specified office

Citibank N.A., London
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Required location of Calculation Agent (specify)

London

Paying Agent/specified office

Deutsche Bank Aktiengesellschaft
Trust and Securities Services (TSS)
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Banque de Luxembourg
14, Boulevard Royal
2449 Luxembourg
Luxembourg

TAXATION (§ 7)

Gross-up obligation of the Issuer

Yes

NOTICES (§ 12)

Place and medium of publication

- Clearing System
- Luxembourg (Tageblatt)

Governing Law

German Law

Part II.: OTHER INFORMATION

Interest of natural and legal persons involved in the issue/offer

Save as discussed in the Prospectus under "Interest of Natural and Legal Persons involved in the Issue/Offer", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

Eurosystem eligibility

Intended to be held in a manner which would allow Eurosystem eligibility

No

Securities Identification Numbers

ISIN Code	XS0271821513
Common Code	027182151
German Securities Number	A0GZ4H

Historic Interest Rates

Details of historic 30 Year EUR CMS and 2 Year EUR CMS rates can be obtained from Reuters.

Selling Restrictions

The Selling Restrictions set out in the Prospectus shall apply.

- TEFRA C
TEFRA C
- TEFRA D
TEFRA D
- Neither TEFRA C nor TEFRA D
Weder TEFRA C noch TEFRA D

Additional Selling Restrictions (specify)

Not Applicable

Taxation

Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought

None

Restrictions on the free transferability of the Notes

None

Method of distribution

- Non-syndicated

Management Details including form of commitment

Dealer/Management Group (specify name(s)) and address(es))

Citigroup Global Markets Limited
Canada Square
Canary Wharf
London
E14 5LB
UK

firm commitment

Commissions

Management/Underwriting Commission (specify) Not Applicable

Selling Concession (specify) Not Applicable

Listing Commission (specify) Not Applicable

Other (specify) Not Applicable

Stabilising Dealer/Manager None

Listing(s) Yes

Luxembourg

Regulated Market "Bourse de Luxembourg"

Expected date of admission 30 October 2006

Estimate of the total expenses related to admission to trading EUR 5.275

Rating

Issuer Rating
see section "Risk Factors – Risk Factors regarding Kommunalkredit" in the Prospectus

Programme Rating
see section "General Information – Programme Rating" in the Prospectus

Rating of the Notes

Other relevant terms and conditions (specify)

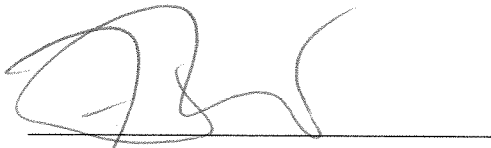
Not Applicable

Listing:

The above Final Terms comprise the details required to list this issue of Notes (as from 30 October 2006) pursuant to the Euro 20,000,000,000 Debt Issuance Programme of Kommunalkredit Austria AG

The Issuer accepts responsibility for the information contained in the Final Terms as set out in the Responsibility Statement on page 2 of the Prospectus, provided that, with respect to any information included herein and specified to be sourced from a third party (i) the Issuer confirms that any such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information available to it from such third party, no facts have been omitted, the omission of which would render the reproduced information inaccurate or misleading and (ii) the Issuer has not independently verified any such information and accepts no responsibility for the accuracy thereof.

Kommunalkredit Austria AG



Franz Prantner



Elisabeth Potesil

