

Rating Report

Kommunalkredit Austria AG

DBRS Morningstar

15 November 2021

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Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	BBB	Confirmed Oct. '21	Stable
Short-Term Issuer Rating	R-2 (high)	Confirmed Oct. '21	Stable
Intrinsic Assessment	BBB	Maintained Oct. '21	--

Rating Drivers

Factors with Positive Rating Implications

- KA's narrow business focus and the concentration risk inherent in its business model, limits ratings upside.
- However, further expansion of the franchise, together with longer-term sustainable improvements in profitability, while maintaining solid asset quality, liquidity and capital would lead to a ratings upgrade.

Factors with Negative Rating Implications

- Evidence of the Bank facing significant challenges in syndicating risk, or originating new business would result in a rating downgrade.
- A marked deterioration in asset quality, especially in relation to larger exposures, resulting in a weakening of capital ratios would also lead to a downgrade.

Rating Considerations

Franchise Strength (Weak)

- KA has established an "originate to collaborate" model for infrastructure and energy finance assets. The originate-to-collaborate model is balance sheet-light and is based on sourcing, underwriting and then syndicating infrastructure and energy finance assets, complemented by a growing asset management platform. The Bank is also a lender in the public finance space.

Earnings Power (Good / Moderate)

- Profitability continues to improve as the proportion of higher margin business rises. Revenues have grown despite the global economic downturn.

Risk Profile (Strong / Good)

- The Bank has a low-risk public portfolio but has increasingly taken on credit and syndication risks related to the infrastructure and energy lending. Asset quality continues to be strong with zero impaired loans at H1 2021, however, concentration risk exists.

Funding and Liquidity (Good / Moderate)

- KA has a robust liquidity profile. KA's deposit base continues to grow, supporting the diversified funding base which also includes covered bonds, senior and subordinated debt issues and central bank funding.

Capitalisation (Good)

- Capital ratios remain well above regulatory minimum levels despite the increase in RWAs thanks to retained earnings and the issuance of AT1 capital.

2020H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	W/W	M/W	W
Earnings	G/M	M	G/M
Risk	VS/S	M	S/G
Funding & Liquidity	G/M	G/M	G/M
Capitalisation	S/G	M	G
Overall Assessment	Intrinsic Assessment Range (IAR)		Assigned IA
G/M	[BBB-AL]		BBB

Financial Information*

Kommunalkredit Austria AG	2021H1	2020Y	2019Y	2018Y	2017Y
EUR Millions					
Total Assets	4,826	4,423	4,305	3,942	3,663
Equity Attributable to Parent	432	359	343	295	283
Income Before Provisions and Taxes (IBPT)	26	48	30	36	10
Net Attributable Income	19	36	30	14	18
IBPT over Avg RWAs (%)	NA	2.87	1.98	3.08	1.20
Cost / Income ratio (%)	52.78	55.03	65.38	60.88	84.99
Return on Avg Equity (ROAE) (%)**	9.42	10.36	9.26	4.95	6.22
Gross NPLs over Gross Loans (%)	0.00	0.00	0.00	0.00	0.00
CET1 Ratio (Fully-Loaded) (%)***	18.30	20.30	18.70	19.90	23.50

*IFRS Accounts **Calculated as Net Income/IFRS Equity *** Bank Level Data.

Source: DBRS Morningstar Analysis; Copyright © 2021, S&P Global Market Intelligence.

Issuer Description

[Kommunalkredit Austria AG](#) (KA or the Bank) was demerged on 26 September 2015 as part of the partial sale process of the former Kommunalkredit which was formed in 2009. KA focuses on infrastructure and energy finance across Europe in sectors such as energy & environment, social infrastructure, transport, natural resources, communication & digitalisation. The Bank also benefits from its profitable public sector business portfolio.

Rating Rationale

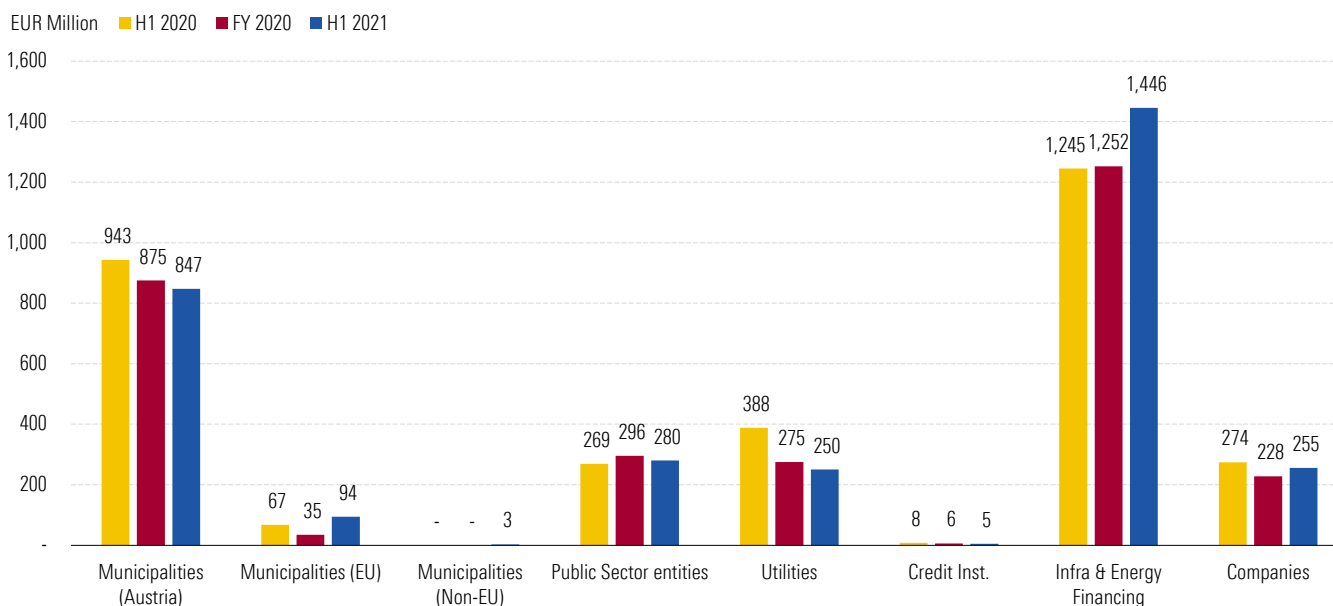
The BBB IA incorporates KA's growing franchise in Infrastructure and Energy (I&E) finance as well as a solid business in public finance. KA has developed an "originate to collaborate" model for I&E finance assets, whereby the Bank works closely with project sponsors and institutional investors to structure longer term investments, which are then retained on balance sheet, or are syndicated to institutional investors and to KA's infrastructure fund, Fidelio, which was launched in 2018. In 2020 and H1 2021, KA has continued to build its franchise across a diverse range of deals. New business volume in H1 2021 was up significantly from prior year numbers despite the severe economic downturn. Profitability is improving and the Bank continues to have zero non-performing loans reflecting the high quality of the public sector portfolio, and the well managed risk of the more newly originated I&E lending. DBRS Morningstar generally considers infrastructure assets as more resilient during time of crises, but we will continue to monitor credit performance closely given the lumpy nature of some of the I&E lending before syndication and the increasing weight of I&E assets in KA's overall portfolio. Syndication risk remains a key risk for the Bank but continues to be well managed. Funding sources further improved and are well balanced between the growing deposit base and other wholesale sources while liquidity and capital ratios remained robust.

Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Moderate / Weak	Weak

KA is indirectly owned by management firms Interritus Limited (54.89%) and Trinity Investments DAC (44.91%), with the remainder (0.20%) being held by the Austrian Association of Municipalities. The Bank was established in September 2015 with total assets of EUR 4.5 billion under Austrian UGB (local GAAP). The shareholders aim to continue KA's historical expertise in the sectors of energy & environment, social infrastructure, transport, natural resources, and communication & digitalisation, and to grow the franchise centred on the origination and distribution of infrastructure and energy finance assets, gradually supplemented by an asset management platform. KA also has a presence in public finance, which remains a key part of the Bank's business. The portfolio is of high quality, comprising mainly municipal and public sector related exposures. In H1 2021, the I&E business contributed 69.9% to gross income (H1 2020: 60.6%), while public finance contributed 30.1%.

Exhibit 1 Loan Portfolio*, H1 2021



Source: Company Documents. *Including loan commitments.

KA has established an "originate to collaborate" model for infrastructure and energy finance assets, whereby the Bank places strong emphasis on its distribution capabilities and works closely with project sponsors and institutional investors in order to structure longer term investments. On average, KA targets to syndicate 50% of its financing volume within a target of 90 days. The originate-to-collaborate model is balance sheet-light and is based on sourcing, underwriting and then syndicating I&E finance assets. KA benefits from the changes in regulatory and market dynamics driven by pressure on public finance as well as institutional investors' needs for long term assets. In 2018 the Bank announced a growth strategy "50 | 50 | 10", which laid out its 2022

financial targets. These include the aim to increase the operating result to EUR 50 million, reduce the cost-to-income ratio to 50% and to generate a return on equity of 10%. These targets are all set under local GAAP.

New I&E lending increased by 25% YoY, reaching EUR 614 million in H1 2021 up from EUR 490 million in H1 2020. DBRS Morningstar understands that the new business pipeline continues to be strong. Various government programmes across Europe promoting digital and social infrastructure as well as clean energy and an increasing interest by investors in ESG assets could be supportive of KA's franchise and is already reflected in the composition of KA's newly originated business.

Kommunalkredit Public Consulting (KPC), KA's most important subsidiary (90% ownership) is a consulting company which manages national and EU subsidy programmes to promote environmental protection, water management and energy projects, as well as offering consultancy services. KPC contributed EUR 15.6 million to 2020 fee revenues, fairly stable over the past 3 years. Under the KPC umbrella, KA established an asset management debt fund platform and a project development company. In September 2018, KA launched its first infrastructure debt fund 'Fidelio' with an initial target of EUR 150 million for a duration of 10 years. By February 29, 2020, the fund had grown to EUR 353.5 million and was closed. KA is planning to launch additional funds and marketing for a second fund started in H1 2021. The funds not only help KA reduce its syndication risk, they can also provide an additional income stream without taking on credit risk or using the Bank's balance sheet. In H1 2021, with the creation of project development company Florestan KA GmbH, KA paved the way for equity investments in the I&E sector.

Earnings Power

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Moderate	Good /Moderate

In 2020 and H1 2021, the Bank continued to perform well, withstanding the economic disruptions from the COVID-19 pandemic. In H1 2021, new I&E lending was strong, and margins on new business remained resilient. The Bank reported net profit¹ of EUR 18.6 million (IFRS), up from EUR 12.0 million in H1 2020, driven by increases in net interest income and fee income (including placement results). EBIT as reported by the Bank was EUR 22.8 million for H1 2021 compared to EUR 19.0 million for the previous year and EUR 47.5 for the full year 2020 compared to EUR 33.2 million in 2019. DBRS Morningstar adjusted income before provisions and taxes (IBPT)² for full year 2020 was EUR 49.4 million versus EUR 33.2 million in the previous year. This was driven by increases in net interest income and, more strongly, in fees and commissions.

New I&E lending volumes increased by 25% from the previous year in H1 2021 to EUR 614 million following a strengthening of the focus on the Energy & Environment and Digitalisation sectors, which represent 76% of their current business. Net interest income increased to EUR 36.4 million from EUR 33.6 million a year earlier as the credit portfolio remained stable at EUR 3.2 billion, but the share of higher yielding I&E loans increased from 39.0% to 45.5% of the portfolio. Net fee and commission income increased to EUR 15.9 million in H1 2021 (H1 2020: EUR 13.4 million), due to strong placement fees, which were absent in the previous year due to COVID-related disruptions. The Bank's management aims to further increase fee income in 2021 through origination fees and fees from consulting activities. Generally, KA is targeting projects that offer lower duration and higher margins, which will enable the Bank to better benefit from originate to collaborate fee business at the same time as containing maturity risk.

Following a cost efficiency programme implemented in 2017, KA's administrative expenses have been well controlled, declining in 2018 and increasing less than revenues in 2019 and 2020. The positive operating leverage continued into H1 2021. As a result, the DBRS Morningstar adjusted³ cost-to-income ratio (CIR) has declined from 85% in 2017 to 56% for H1 2021.

¹ The earnings section is based on the IFRS results of the Bank.

² Net interest income, fees & commission income, Results from Disposals + Income from Investments + Other Op. Income - Admin. Expenses – Other Op. Expenses – Contributions.

³ See adjustments in Footnote 2.

Exhibit 2 Core Revenues Evolution

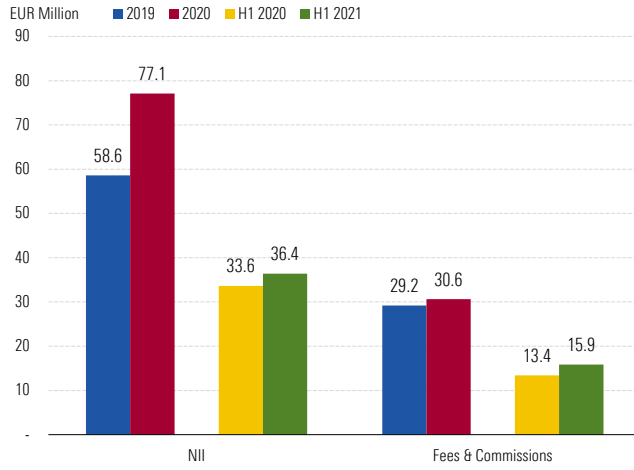
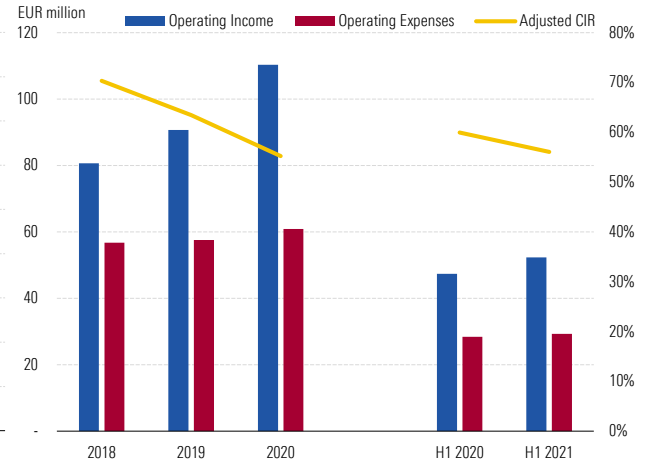


Exhibit 3 KA's Performance



Source: DBRS Morningstar, Company Documents.

Risk Profile

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Very Strong / Strong	Moderate	Strong / Good

KA’s asset quality remained strong with zero impaired loans as of H1 2021, reflecting the high quality of KA’s public sector portfolio and the good performance of the more newly originated I&E lending. The public finance portfolio accounted for 40% of the total EUR 3.9 billion credit risk. The vast majority of this portfolio is Austrian, with the remainder being other European Union municipality lending. DBRS Morningstar notes, however, that the Bank’s loan portfolio has high credit concentrations. These concentrations are substantially mitigated by the high quality of the assets in the public sector loan portfolio, as well as prudent underwriting in the I&E portfolio. Given the still relatively short track record and the lumpy nature of some of these assets before syndication, DBRS Morningstar will continue to closely monitor both the credit performance of the I&E lending book and the ability of the Bank to continue to syndicate the risk.

Exhibit 4 Risk Exposure by Region, June 2021

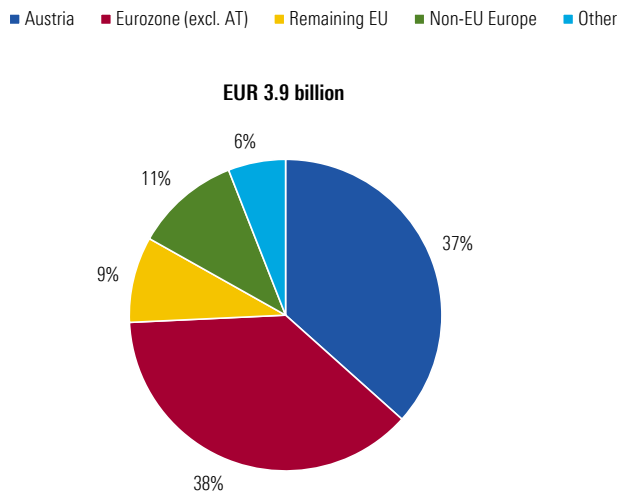
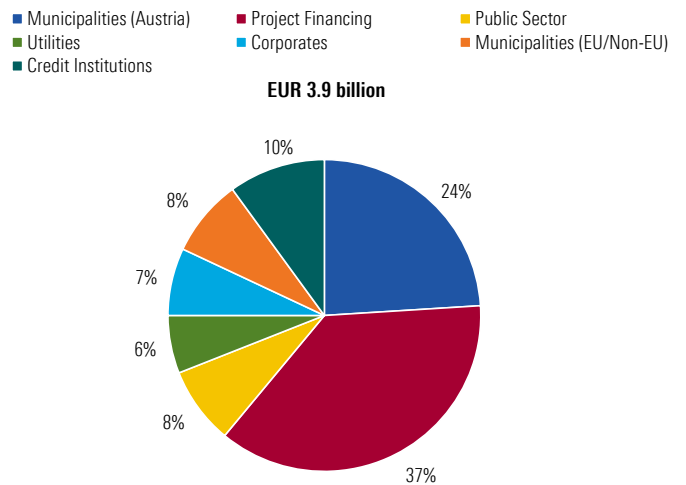


Exhibit 5 Risk Exposure by Type of Borrower, June 2021



Source: Company Documents.

DBRS Morningstar also notes that the Bank will need to continue to manage the syndication of risk in a conservative manner to ensure it is appropriately positioned at times of market stress. KA aims to achieve this through a close interaction and information exchange between origination and placement teams. New business deals are required to have syndication targets in terms of volume and time (typically below 90 days). KA’s syndication partners include large global insurers & asset managers, medium to large European insurers and pension funds, and larger international banks. In 2020 the Bank generated EUR 1.145 billion in new business volume, and syndicated EUR 603 million (or 53%), while in H1 2021 KA originated new business volume of EUR 614 million with EUR 241 million syndicated at end-June (or 43%).

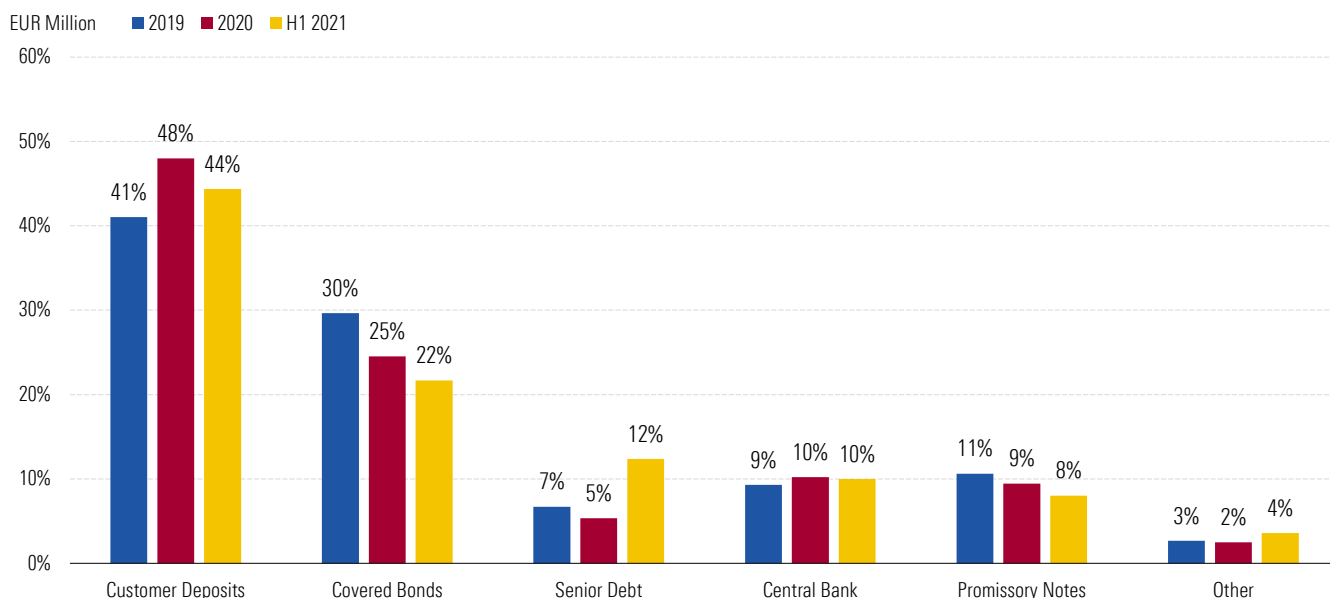
Further improving KA's risk distribution capabilities the Bank has established an asset management debt fund platform. In September 2018, KA launched an infrastructure debt fund with an initial target of EUR 150 million for a duration of 10 years. At the final close of the fund in February 2020, the fund had gathered EUR 354 million in assets. The temporary disruption in the syndication markets in H1 2020 demonstrate the risks associated with syndication. However, DBRS Morningstar is of the opinion that KA's debt fund Fidelio has reduced syndication risk as the placement of a transaction with Fidelio is typically decided at the time a loan is originated. While early stage negotiations also take place with third parties, Fidelio provides the Bank with greater visibility and faster execution.

Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good / Moderate	Good / Moderate	Good / Moderate

KA has a diversified funding base comprising a significant and growing deposit base, covered bonds, debt issuance and central bank funding. Public sector covered bonds remain a significant funding source for KA, funding the public finance portfolio. In H1 2021, the Bank issued EUR 300 million of public senior preferred bonds and EUR 56 million of senior preferred private placements, further broadening the funding base. The Bank also participated in TLTRO III, which increased to EUR 412 million in March 2021. Customer deposits continue to grow, and DBRS Morningstar notes that the bulk of these are term deposits. Customer deposits increased by 15% YoY to reach EUR 1.819 billion in H1 2021, representing 44% of the Bank's total funding, unchanged from last year, and funded 93% of private sector loans (I&E projects, utilities and corporates) in H1 2021. The continuous growth in the deposit base reflects KA's ability to raise deposits through Kommunalkredit Invest (an online retail platform) and Kommunalkredit Direkt, the Bank's deposit platform for local authorities and public-sector-related enterprises where KA raises online deposits from municipalities, and from small and medium sized corporates. DBRS Morningstar considers this funding source as relatively stable given that the bulk of these are term deposits.

Exhibit 6 Funding Mix Evolution



Source: Company Documents.

KA has a robust liquidity profile with a total liquidity reserve of EUR 1,316 million at end-H1 2021, including EUR 252 million of high quality liquid assets (HQLA), and EUR 1,059 million of cash, cash equivalents and balances with central banks, well in excess of total debt maturities to end 2021. At H1 2021, the Bank's Liquidity Coverage Ratio (LCR) was high at 279% and the Net Stable Funding Ratio (NSFR) was also solid at 129%.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong / Good	Moderate	Good

At the Bank level, KA reported a CET1 ratio⁴ of 18.3% at end-H1 2021, down from 20.3% at year-end. DBRS Morningstar notes that KA's capital ratios can fluctuate due to its syndication activities. However, the Tier 1 and the total capital ratios both increased as the Bank raised EUR 63 million additional Tier 1 capital in H1 2021. KA also reported a leverage ratio of 8.8%. The capital ratios are well above the Bank's minimum regulatory capital requirements. KA is targeting to maintain a Tier 1 ratio exceeding 15% over the long term, and absent any mitigating measures we expect capital ratios to decrease over the medium term as risk-weighted assets (RWAs) increase. In DBRS Morningstar's view, maintaining solid capital ratios will be important to balance the credit risk concentrations and syndication risk as well as the relative illiquidity of the financed assets.

Exhibit 7 Capital Ratios at Bank Level

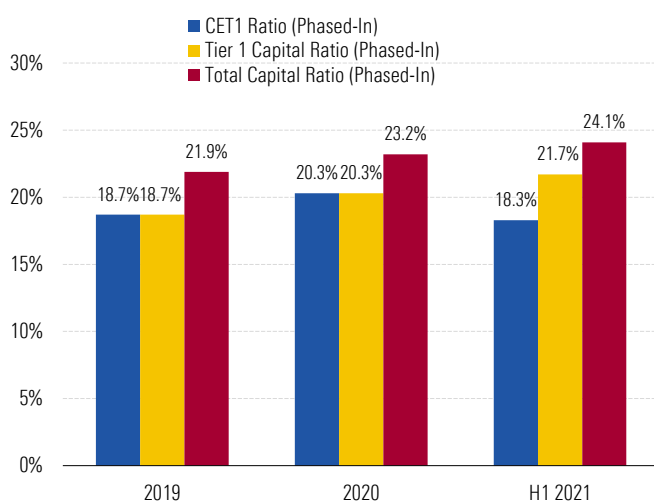
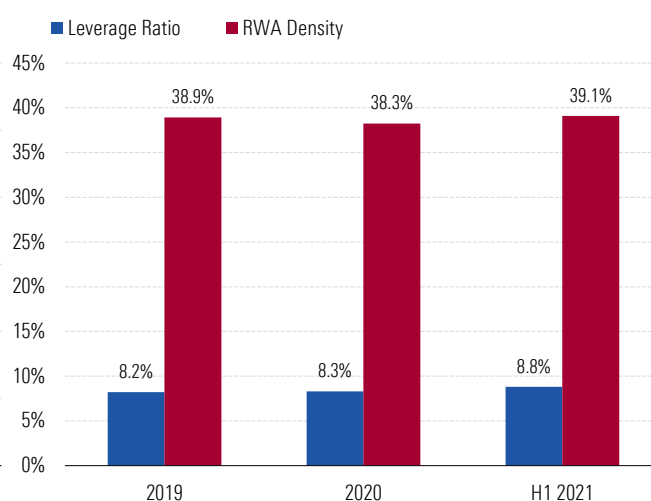


Exhibit 8 Leverage Ratio and RWA density



Source: Company Documents.

DBRS Morningstar expects that KA's RWA density will continue to rise as the proportion of new business with higher risk weightings increases, and in H1 2021 RWAs to total IFRS balance sheet assets slightly increased to 39.1% from 38.3% in H1 2020. DBRS Morningstar views the Bank's internal capital generation ability as improving and notes that EUR 15.1 million of the EUR 18.6 million H1 2021 profit was retained within the Bank, while in 2020 the entire EUR 36.4 million profit was retained. Also, EUR 86 million in capital has been authorised and could be made available if needed subject to approval by the Bank's Supervisory Board. DBRS Morningstar views KA's owners as supportive, however, access to capital markets, of which the AT1 issuance in H1 2021 represented an important step, would further improve the Bank's capital flexibility.

⁴ Kommunalkredit's capital ratios are based on the non-consolidated financial statements of Kommunalkredit pursuant to Austrian GAAP. Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). As of end-2020, The consolidated CET 1 ratio was 20.0% and the consolidated capital ratio was 22.9%.

Kommunalkredit Austria AG

ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		Overall:	N
Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		Overall:	N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
Human Capital and Human Rights:		N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		Overall:	N
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
Bribery, Corruption, and Political Risks:		N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
Corporate / Transaction Governance:		N	N
Consolidated ESG Criteria Output:		N	N

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

This factor does not affect the rating or trend assigned to KA. The Bank incorporates UN principles in its deal selection process. Furthermore, its Infrastructure and Energy portfolio covers a set of green energy related projects, such as wind turbines, photovoltaic systems, environmentally sustainable building solutions and electromobility.

Social

This factor does not affect the rating or trend assigned to KA. Through its Social Infrastructure portfolio, the Bank has financed nursing and medical facilities, universities, schools and administrative buildings. In 2017 the Bank was the first Austrian issuer of a social covered bond.

Governance

This factor does not affect the rating or trend assigned to KA. The Executive Committee is KA's central management body and comprises 8 members. The Executive Board was expanded from two to three members in 2020, by adding a stand-alone chief risk officer role. The Bank is fully privately owned and its Supervisory Board is comprised of 8 members as of end-2020, of which two are independent.

Kommunalkredit Austria AG

	1		2	3	4	5	
2021H1	Scorecard Indicator	Scorecard Indicator Data	Scorecard Indicator Assessment	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment	
Franchise	Adjusted Assets	5.324	W/VW	W/VW	M/W	W	
	Sovereign Rating	20	VS				
Earnings	Return on Equity	9.26%	S/G	G/M	M	G/M	
	Return on Assets	0.76%	S/G				
	IBPT/Avg.Assets	0.88%	G/M				
Risk	Net NPLs/Net Loans	-0.13%	VS/S	VS/S	M	S/G	
	Provisions/IBPT	2.12%	VS/S				
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	148.9%	G/M	G/M	G/M	G/M	
Capitalisation	Sovereign-Adjusted Capital Ratio	19.09%	VS	S/G	M	G	
	NPL/Equity + Loan Loss Reserves	0.00%	VS/S				
	5-Year Accumulated Net Income/Total Assets	3.33%	S/G				
		6		7		8	
		Overall Assessment		Intrinsic Assessment Range (IAR)			Assigned IA
		G/M		A (low)	BBB (high)	BBB	BBB

Notes: (1) based on financial data as of H1 2021. (2) For more information see Global Methodology for Rating Banks and Banking Organisations published on 19 July 2021.

	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Balance Sheet	6/30/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Cash and Deposits with Central Banks	1,059	809	463	314	318
Lending to/Deposits with Credit Institutions	370	329	282	219	140
Financial Securities	NA	356	310	63	234
Financial Derivatives Instruments	122	140	188	222	233
Net Lending to Customers (at Amortised Cost)	1,833	1,841	1,790	1,970	2,092
- Gross Lending to Customers	NA	1,845	1,795	1,971	2,092
- Loan Loss Reserves	4	4	4	2	0
Investment in Associates or Subsidiaries	NA	NA	NA	NA	NA
Total Intangible Assets	1	0	0	0	0
Fixed Assets	24	24	25	25	26
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	1,417	923	1,246	1,129	620
Assets	4,826	4,423	4,305	3,942	3,663
Deposits from Banks	573	520	487	496	533
Deposits from Central Banks	NA	NA	NA	NA	NA
Deposits from Credit Institutions	NA	NA	NA	NA	NA
Deposits from Customers	2,142	2,116	1,876	1,456	1,038
Issued Debt Securities	NA	1,099	1,275	1,396	1,469
Issued Subordinated Debt	65	68	69	69	69
Financial Derivatives Instruments	186	223	220	201	245
Insurance Liabilities	0	0	0	0	0
Other Liabilities	1,429	37	36	29	27
Equity Attributable to Parent	432	359	343	295	283
Minority Interests	0	0	0	0	0
Liabilities & Equity	4,826	4,423	4,305	3,942	3,663

	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Income Statement	6/30/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Interest Income	45	95	76	170	158
Interest Expenses	9	18	18	121	122
Net Interest Income	36	77	59	49	36
Net Fees and Commissions	11	29	25	18	17
Results from Financial Operations	8	1	1	15	2
Equity Method Results	0	0	0	0	0
Net Income from Insurance Operations	0	0	0	0	0
Other Operating Income	0	1	2	8	11
Total Operating Income	55	107	86	91	67
Staff Costs	20	39	35	35	36
Other Operating Costs	9	18	20	19	19
Depreciation/Amortisation	NA	1	1	2	2
Total Operating Expenses	29	59	56	56	57
Income Before Provisions and Taxes (IBPT)	26	48	30	36	10
Loan Loss Provisions	0	0	2	1	0
Securities & Other Financial Assets Impairmen	0	0	0	0	0
Other Impairments	0	0	0	0	0
Other Non-Operating Income (Net)	0	0	0	-3	-3
Income Before Taxes (IBT)	26	48	27	33	7
Tax on Profit	7	12	-2	18	-11
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	0	0	0	0	0
Net Attributable Income	19	36	30	14	18

Source: DBRS Morningstar Analysis, Copyright © 2021, S&P Global Market Intelligence.

	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG	Kommunalkredit Austria AG
	2021H1	2020Y	2019Y	2018Y	2017Y
Earnings Power					
Earnings					
Net Interest Margin (%)	1.59	1.78	1.44	1.31	0.99
Yield on Average Earning Assets (%)	1.96	2.20	1.87	4.53	4.31
Cost of Interest Bearing Liabilities (%)	0.41	0.45	0.47	3.46	3.58
IBPT over Avg Assets (%)	1.12	1.10	0.72	0.94	0.27
IBPT over Avg RWAs (%)	NA	2.87	1.98	3.08	1.20
Expenses					
Cost / Income ratio (%)	52.78	55.03	65.38	60.88	84.99
Operating Expenses by Employee	NA	216,651	224,116	220,138	200,345
LLP / IBPT (%)	-0.39	0.33	8.29	1.95	2.98
Profitability Returns					
Return on Avg Equity (ROAE) (%)*	9.42	10.36	9.26	4.95	6.22
Return on Avg Assets (ROAA) (%)	0.81	0.83	0.72	0.38	0.48
Return on Avg RWAs (%)	NA	2.17	1.97	1.23	2.15
Dividend Payout Ratio (%)	NA	NA	NA	NA	NA
Internal Capital Generation (%)	NA	NA	NA	NA	NA
Risk Profile					
Gross NPLs over Gross Loans (%)	0.00	0.00	0.00	0.00	0.00
Net NPLs over Net Loans (%)	0.00	0.00	0.00	0.00	0.00
NPL Coverage Ratio (%)	0.00	0.00	0.00	0.00	0.00
Net NPLs over IBPT (%)	0.00	0.00	0.00	0.00	0.00
Net NPLs over CET1 (%)	0.00	0.00	0.00	0.00	0.00
Texas Ratio (%)	0.00	0.00	0.00	0.00	0.00
Cost of Risk (%)	NA	0.01	0.08	0.03	0.01
Level 2 Assets/ Total Assets (%)	16.96	19.87	22.67	25.54	22.89
Level 3 Assets/ Total Assets (%)	91.04	11.31	15.51	9.45	0.00
Funding and Liquidity					
Bank Deposits over Funding (%)	NA	13.68	13.14	14.50	17.14
- Interbank over Funding (%)	NA	NA	NA	NA	NA
- Central Bank over Funding (%)	NA	NA	NA	NA	NA
Customer Deposits over Funding (%)	NA	55.63	50.62	42.62	33.39
Wholesale Funding over Funding (%)	NA	30.69	36.24	42.88	49.46
- Debt Securities over Funding (%)	NA	28.90	34.39	40.85	47.25
- Subordinated Debt over Funding (%)	NA	1.80	1.85	2.02	2.22
Liquid Assets over Assets (%)	29.61	33.78	24.50	15.12	18.91
Non-Deposit Funding Ratio (%)	51.26	47.93	52.65	60.06	69.29
Net Loan to Deposit Ratio (%)	NA	130.13	160.71	211.84	257.70
LCR (Phased-in) (%)	279.00	420.60	765.50	453.70	449.90
NSFR (%)	129.00	117.50	111.90	104.70	101.50
Capitalisation					
CET1 Ratio (Phased-In) (%)	NA	NA	NA	NA	NA
CET1 Ratio (Fully-Loaded) (%)**	18.30	20.30	18.70	19.90	23.50
Tier 1 Capital Ratio (Phased-In) (%)	NA	20.02	18.39	19.47	22.77
Total Capital Ratio (Phased-In) (%)	NA	22.91	21.56	23.85	29.24
Tang. Equity / Tang. Assets (%)	8.93	8.11	7.97	7.47	7.72
Leverage Ratio (DBRS) (%)	NA	8.05	7.52	6.93	6.60
Growth					
Net Attributable Income YoY (%)	55.9	23.2	106.7	-20.7	-63.2
Net Fees and Commissions YoY (%)	-16.6	14.6	34.8	7.0	2.8
Total Operating Expenses YoY (%)	3.3	4.8	1.0	-2.1	9.8
IBPT YoY (%)	48.9	61.7	-16.8	256.0	-77.9
Assets YoY (%)	6.2	2.7	9.2	7.6	-3.4
Gross Lending to Customers YoY (%)	NA	2.8	-9.0	-5.8	-2.2
Net Lending to Customers YoY (%)	NA	-8.7	-2.3	15.3	-4.6
Loan Loss Provisions YoY (%)	NA	-93.6	253.2	133.0	NA
Deposits from Customers YoY (%)	2.5	12.8	28.8	40.3	88.0

Source: DBRS Morningstar Analysis, Copyright © 2021, S&P Global Market Intelligence.

*Calculated as Net Income/IFRS Equity **Bank Level Data.

Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (19 July 2021), and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021) which can be found on our website under Methodologies.

Ratings

Issuer	Obligation	Rating Action	Rating	Trend
Kommunalkredit Austria AG	Long-Term Issuer Rating	Confirmed	BBB	Stable
Kommunalkredit Austria AG	Short-Term Issuer Rating	Confirmed	R-2 (high)	Stable
Kommunalkredit Austria AG	Long-Term Senior Debt	Confirmed	BBB	Stable
Kommunalkredit Austria AG	Short-Term Debt	Confirmed	R-2 (high)	Stable
Kommunalkredit Austria AG	Long-Term Deposits	Confirmed	BBB	Stable
Kommunalkredit Austria AG	Short-Term Deposits	Confirmed	R-2 (high)	Stable

Ratings History

Issuer	Obligation	Current	2020	2019
Kommunalkredit Austria AG	Long-Term Issuer Rating	BBB	BBB	BBB (low)
Kommunalkredit Austria AG	Short-Term Issuer Rating	R-2 (high)	R-2 (high)	R-2 (middle)
Kommunalkredit Austria AG	Long-Term Senior Debt	BBB	BBB	BBB (low)
Kommunalkredit Austria AG	Short-Term Debt	R-2 (high)	R-2 (high)	R-2 (middle)
Kommunalkredit Austria AG	Long-Term Deposits	BBB	BBB	BBB (low)
Kommunalkredit Austria AG	Short-Term Deposits	R-2 (high)	R-2 (high)	R-2 (middle)

Previous Actions

- [DBRS Morningstar Confirms Kommunalkredit Austria AG at BBB, Stable Trend](#), 4 October 2021.
- [DBRS Morningstar Upgrades Kommunalkredit Austria AG to BBB, Trend Stable](#), 2 October 2020.
- [DBRS Confirms Kommunalkredit Austria AG at BBB \(low\), Trend Revised to Positive](#), 3 October 2019.

Related Research

- [Austrian Banks: Back on a More Profitable Footing](#), 20 September 2021.
- [DBRS Morningstar Confirms Republic of Austria at AAA, Stable Trend](#), 30 July 2021.
- [European Banks' Q1 Cost of Risk Almost Back To Pre-Pandemic Levels, But Unlikely to be Sustained](#), 27 May 2021.
- [ESG Factors for Financial Institutions, Part One: Environmental Factors](#), 27 April 2021.
- [European Banks Report High FY20 Cost of Risk, but Little Impact on Asset Quality To Date](#), 30 March 2021.
- [Gender Diversity at European Banking Boards: Still a Long Way to Go](#), 22 February 2021.
- [European Banks' Outlook Remains Challenging in 2021](#), 14 January 2021.

Previous Reports

- [Kommunalkredit Austria AG: Rating Report](#), 28 October 2020.
- [Kommunalkredit Austria AG: Rating Report](#), 18 October 2019.
- [Kommunalkredit Austria AG: Rating Report](#), 19 October 2018.

European Bank Ratios & Definitions

- [European Bank Ratios & Definitions](#), 11 June 2019.

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