

COMPANY PROFILE

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Kommunalkredit Austria AG

Vienna, Austria

Company Overview

Kommunalkredit Austria AG (Kommunalkredit Austria) is a specialised bank mainly providing long-term financing and consultancy services connected with municipal and infrastructure-related projects to local authorities, municipalities, provincial governments and public institutions. As of 31 December 2009, the bank held a 1.77% share of the Austrian banking sector in terms of consolidated assets of €18.3 billion.

The bank also offers other products including budget management, and project and asset management consultancy services to clients in Austria, Germany and other EU countries, as well as Switzerland.

As of 31 December 2009, the Republic of Austria held a 99.78% stake in Kommunalkredit Austria with the balance outstanding owned by the Association of Austrian Municipalities. The bank was established in its current form on 28 November 2009, when the former Kommunalkredit Austria (Kommunalkredit Austria AG "Old" or KA Old, established in 1958) was demerged, resulting in the creation of two legally independent banks – Kommunalkredit Austria AG (Kommunalkredit Austria) and KA Finanz AG (KF).

At that time, the bank's strategic business (provision of finance for local authorities and related services) was transferred to and absorbed by Kommunalkredit Depotbank AG, formerly a wholly owned subsidiary. Kommunalkredit Depotbank was then renamed Kommunalkredit Austria. The non-strategic business (the bank's securities and credit default swap (CDS) portfolio together with Kommunalkredit International Bank Ltd) remained part of KA Old, which was renamed KA Finanz AG (KF).

Source: *Company Report (annual report Dec 09)*, *Company data*, www.oenb.at

Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Kommunalkredit Austria AG, please see <[Kommunalkredit Austria AG page on moodys.com](http://www.moodys.com)>.

FIGURE 1

Latest Full-Year Results

€ MILLION	31-DEC-09	31-DEC-08	% CHANGE 09/08
Total Assets	18,283	58	NM
Total Shareholders' Equity	421	7	NM
Shareholders' Equity excluding Minority Interest	421	7	NM
Own Funds	508	6	NM
Core Capital Ratio (%)	14.3	84.5	NM
Net Income	3	1	NM
Net Income Attributable to Equity Holders	3	1	NM

Note: 1) Consolidated figures used for all financials.

2) The figures for FY 2008 contain Kommunalkredit Depotbank AG prior to the demerger and the figures for FY 2009 contain Kommunalkredit Depotbank AG as well as the results of the strategic business segment absorbed as of 28 November 2009.

3) The figures for FY 2007 are not available as the bank underwent a restructuring process in 2009.

Source: Company Report (annual report Dec 09)

Business Activities

Kommunalkredit Austria, a specialist bank, provides long-term financing and consultancy services to local authorities, municipalities, provincial governments and public institutions involving municipal and infrastructure-related projects. The bank also offers other client products including project consultancy, budget management, and asset and risk management services.

Financing: The provision of financing solutions is the bank's core business through which it provides long-term infrastructure finance, structured products, project finance and municipal real estate leasing services. The bank also offers factoring, assignment of receivables, debt rescheduling, private placement and other consultancy services to local authorities as well as leading infrastructure and project developers.

Public Consulting: The bank – through its subsidiary, Kommunalkredit Public Consulting GmbH (KPC) – offers various services to its clients including environmental support programmes, energy and climate control programmes, and other consultancy projects focusing particularly on environmental support and sustainability. KPC provides its services throughout Austria and internationally.

Treasury Services: The bank offers various treasury services to its clients including funding, documentation and liquidity management.

The bank's segment reporting is based on the following three regions: Austria, Europe and Rest of the World. For the year ended 31 December 2009 (FYE December 2009), the Austria segment was the largest contributor to bank's net interest income (58.5%).¹

Source: Company Report (annual report Dec 09), Company data

FIGURE 2

Business Segment

(% of Net Interest Income, consolidated, for FYE December 2009)



Note: Excludes 'Rest of the World' segment due to its negative contribution

Source: Company Report (annual report Dec 09, Pg 66)

Distribution Capacity and Market Share

Kommunalkredit Austria services many local authorities, project developers and operators throughout Austria, and maintains active relationships with around two-thirds of all Austrian local authorities (2,357). The bank also conducts operations in Germany, other new EU member states and Switzerland.

As of 31 December 2009, the bank's share of the Austrian banking sector (based on consolidated assets) was 1.77%. At the same time, its subsidiary, Kommunalnet E-Government Solutions GmbH, provided intranet facilities to 7,686 registered users from 1,942 Austrian local authorities. This subsidiary has an 82.5% share of the Austrian market.

Source: Company Report (annual report Dec 09), Moody's research, www.oenb.at

Ownership and Structure

As of 31 December 2009, the Republic of Austria held a 99.78% stake in Kommunalkredit Austria with the outstanding balance owned by the Association of Austrian Municipalities.

¹ Throughout this section, such percentages are presented excluding the 'Rest of the World' segment due to its negative contribution.

Subsidiaries and Associates

As of 31 December 2009, the major subsidiaries and associates of the bank were as follows:

FIGURE 3

Kommunalkredit Austria AG

COMPANY NAME	ACTIVITY	%HELD
Kommunalkredit Public Consulting GmbH	Service provider for management of environmental support schemes	90.00
Kommunalkredit Beteiligungs – und Immobilien	Real Estate Management	100.00
Kommunalnet E-Government Solutions GmbH*	Intranet platform for Austrian local authorities, mayors and municipal staff	50.00
Kommunalleasing GmbH*	Municipal infrastructure projects	50.00
TrendMind IT Dienstleistung GmbH	IT specialist for financial products, SAP software and support models	100.00
Kommunalkredit Vermögensverwaltungs GmbH	Asset management	100.00

Note: 1) All the companies have their registered office at Vienna

2) *Associates of the bank

Source: Company Report (annual report Dec 09), Company data

Company Management

EXECUTIVE BOARD	CURRENT TITLE	AGE	TENURE
Alois Steinbichler	Kommunalkredit Austria: Chairman of the Executive Board since 17 November 2009	56	<1
Andreas Fleischmann	Kommunalkredit Austria: Member of the Executive Board since 17 November 2009	42	<1

SUPERVISORY BOARD	AFFILIATION	AGE	TENURE
Klaus Liebscher	Kommunalkredit Austria AG: Chairman of the Supervisory Board; Finanzmarkteteiligung AG: Member of the Executive Board	N/A	<1
Adolf Wala	Kommunalkredit Austria: Deputy-Chairman of the Supervisory Board; Finanzmarkteteiligung AG: Member of the Executive Board	N/A	<1
Helmut Mödlhammer	Kommunalkredit Austria: Member of the Supervisory Board; President of the Austrian Association of Municipalities; Mayor of Hallwang	N/A	<1
Werner Muhm	Kommunalkredit Austria: Member of the Supervisory Board; The Vienna Chamber of Labour and the Federal Chamber of Labour: Director	N/A	<1
Herbert Paiarl	Kommunalkredit Austria: Member of the Supervisory Board; Cosma Europa/Magna: Executive Vice President	N/A	<1
Georg Schöppl	Kommunalkredit Austria: Member of the Supervisory Board; Osterreichische Bundesforste AG: Member of the Executive Board	N/A	<1
Franz Hofer	Kommunalkredit Austria AG: Member of the Supervisory Board (delegated by the staff council)	N/A	<1

SUPERVISORY BOARD	AFFILIATION	AGE	TENURE
Martin Öhlknecht	Kommunalkredit Austria AG: Member of the Supervisory Board (delegated by the staff council)	N/A	<1
Christine Sipek	Kommunalkredit Austria: Member of the Supervisory Board (delegated by the staff council)	N/A	<1

Note: 1) Tenure represents years in current position

2) The members of the Executive and Supervisory Board of Kommunalkredit Austria also form a part of the Executive and Supervisory Board of KA Finanz AG

Source: Company Report (annual report Dec 09), Company data, www.kafinanz.at

Company History

Kommunalkredit Austria AG “Old” (KA Old) was established in 1958 as a specialist bank to provide low-interest/long-term loans to local authorities in Austria.

Since 1993, following the introduction of the Environmental Support Act, the bank has managed the Republic of Austria’s environmental support schemes and environmental and water management fund through its subsidiary Kommunalkredit Public Consulting GmbH.

In 2008, KA Old faced an acute liquidity crisis. It was subsequently acquired by the Republic of Austria acting under the Inter-Bank Market Support and Financial Markets Stabilisation Act. As a result, the Republic of Austria acquired a 99.78% stake in KA Old from its previous owners Österreichische Volksbanken-AG and Dexia Crédit Local, with the remainder held by the Association of Austrian Municipalities. Simultaneously, KA Old sold its shares in Dexia Kommunalkredit Bank AG to Dexia Crédit Local.

Following the acquisition, KA Old was restructured and its activities were divided into strategic and non-strategic segments and separated into two legally independent banks – Kommunalkredit Austria AG (Kommunalkredit Austria) and KA Finanz AG (KF).

The bank’s strategic business (provision of finance for local authorities and related services) was transferred to and absorbed by Kommunalkredit Depotbank AG,² formerly a wholly owned subsidiary. Kommunalkredit Depotbank was then renamed Kommunalkredit Austria AG (Kommunalkredit Austria) on 28 November 2009. The non-strategic business (the securities and CDS portfolio together with Kommunalkredit International Bank Ltd) remains part of Kommunalkredit (KA Old), which was renamed KA Finanz AG (KF) on 28 November 2009.

Following the demerger, Kommunalkredit Austria’s shareholders (Republic of Austria (99.78%) and Austrian Association of Municipalities (0.22%)) decided to strengthen the bank’s capital base, injecting €220 million together with a shareholder contribution of €30 million. Capital was subscribed by existing shareholders in proportion to their current holding.

With effect from 18 December 2009, the depository bank business of Kommunalkredit Depotbank AG was sold to Alizee Bank, Vienna.

Source: Company Reports (annual report Dec 09 and Dec 08), Company data

² Kommunalkredit Depotbank AG, a wholly owned subsidiary of KA Old, provides customer deposit accounts and acts as a depository bank for several mutual funds.

Peer Group

- » Hypo Alpe-Adria-Bank AG
- » Hypo Tirol Bank AG
- » Oesterreichische Volksbanken AG
- » Vorarlberger Landes- und Hypothekenbank AG

Related Websites and Information Sources

For additional information, please see:

- » The company's website: www.kommunalkredit.at
- » The regulator's website: www.oenb.at/en

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Moody's Related Research

Banking System Outlook:

- » [Austria, November 2007 \(106088\)](#)

Special Comment:

- » [Banks in CIS and CEE continue to face extra risk from foreign currency lending, June 2010 \(125377\)](#)
- » [EU Banks Able to Absorb Stressed Loss Levels Linked to Greek, Portuguese, Spanish and Irish Markets, June 2010 \(125557\)](#)
- » [Moody's Approach to Estimating Austrian Banks' Credit Losses, November 2009 \(121246\)](#)
- » [Calibrating Bank Ratings in the Context of the Global Financial Crisis, February 2009 \(114705\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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