Austria
Full Rating Report

Kommunalkredit Austria AG

Ratings

Foreign-Currency Long-Term IDR	A
Foreign-Currency Short-Term IDR	F1
Individual Rating	D
Support Rating	1
Support Rating Floor	A
Sovereign Risk	
Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Long-Term IDRs	Stable

Financial Data

Kommunalkredit Austria AG

	30 Jun 10	31 Dec 09
Total assets (USDm)	21,605.2	26,338.6
Total assets (EURm)	17,606.0	18,283.2
Total equity (EURm)	245.4	282.8
Fitch core capital (EURm)	245.2	282.7
Operating profit (EURm)	2.1	3.3
Published net income (EURm)	1.7	3.0
Comprehensive income (EURm)	-37.3	3.7
Operating ROAA (%)	0.02	0.04
Operating ROAE (%)	1.60	2.28
Internal capital generation (%)	1.40	1.06
Eligible capital/RWA (%)	9.44	10.32
Tier 1 ratio (%)	15.6	14.3
Equity/assets (%)	1.39	1.55

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Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria* (August 2010)
- *Short-Term Ratings Criteria for Corporate Finance* (November 2010)

Other Research

- *KA Finanz AG* (January 2010)

Amendment
This report, which was originally published on 10 January 2011, has been republished to reflect changes to the organisational chart on page 10 and to the text in the Performance section.

Rating Rationale

- Kommunalkredit Austria AG's (KA) ratings, apart from its Individual Rating, are based on its 99.78% ownership by the Republic of Austria and KA's importance in terms of public-sector financing in Austria. KA's Individual Rating reflects its short track record amid a challenging environment for public-sector lenders.
- KA began operating in its current form in late 2009. Financial performance in H110, while marginally positive, lagged management's five-year business plan somewhat, largely due to lower-than-expected business volumes, higher-than-planned funding costs and lower interest income in the lower interest rate environment. Improving profitability will predominately depend on KA's ability to generate sufficient advisory-related non-interest income, a continued widening of its risk-adjusted asset margin and most importantly its ability to contain funding costs in order to maintain or widen its thin net interest margin.
- Apart from funding risk, credit risk in its almost exclusively public-sector-related loan (46.8% of KA's end-H110 balance sheet), bond (26.2%), interbank (11.6%) and derivative (6.2%) books are KA's main risk source. At end-Q310, around 65.3% of total credit exposure was Austrian (82% to the public sector) with the bulk of the remainder located in neighbouring countries. Generally good credit quality (average rating of AA+ at end-Q310) mitigates significant concentration risk and the long average maturity of credit exposures.
- Given its long-dated credit exposure and the current sentiment in funding markets, maintaining an adequate funding profile is in Fitch Ratings' view challenging for KA. Since 2009, KA has built up an institutional deposit base and new business will be funded by a mix of covered and senior unsecured bonds. KA aims to maintain a core Tier 1 ratio above 10%, which Fitch considers acceptable, although KA's capital ratios should be viewed in the context of low risk weightings for public-sector lending.

Support

- Due to KA's ownership and its importance for domestic municipal financing and capital markets (eg, as a significant covered bonds issuer), Fitch considers there to be an extremely high propensity of support from the public authorities. Management and the Austrian government have stated that they intend to privatise KA in the medium term (expected to be after 2012).

Key Rating Drivers

- KA's Long-Term IDR is on its Support Rating Floor and has a Stable Outlook, mirroring Fitch's expectation that KA is unlikely to be privatised before 2013. In the medium term, any change in Outlook or Watch on KA's Long-Term IDR will largely depend on the creditworthiness of any potential acquirer.

Profile

KA, established in late 2009, is one of the two legal successors of the former Kommunalkredit (KA Old), which was nationalised in late 2008. It holds KA Old's core operating assets and focuses on advisory-intensive and fee-generative municipal and infrastructure financing, largely in Austria but also in selected neighbouring markets. KA Old's non-core assets, credit protection sold and credit exposure outside KA's core markets are held by KA Finanz AG (KF). KA is also a trustee of state development funds and a consultant on development projects.

- Result of a spin-off of former KA's core assets
- Focus on advisory-intensive public sector business in Austria and neighbouring countries
- Ambitious business plan to ensure smooth privatisation in the medium term

Profile

KA is the result of a split of KA Old in late 2009. It holds KA Old's core assets and conducts — unlike KF — new public-sector-related lending and advisory business, predominately in Austria and neighbouring countries (notably Germany, Switzerland, Poland, Romania, Bulgaria and Croatia). With assets of EUR17.6bn at end-H110 it is significantly smaller than KA Old (EUR37.5bn at end-2008) which conducted volume-driven low-margin public-sector lending business.

While funding costs for most banks have drastically increased since the onset of the financial crisis, the impact of this increase was particularly felt by public-sector lenders, including KA Old, with a volume-driven low-margin business model. Consequently, KA intends to focus on less balance-sheet-intensive public-sector advisory and project finance to minimise balance-sheet (and hence funding) needs and increase the share of fee income in its revenue mix. While KA is legally entirely separate from KF, it has the same ownership structure and to some extent also the same management and staff (via service level agreements between KA and KF). As a licensed bank, KA is supervised on a consolidated basis by the Austrian Financial Markets Authority (FMA).

Demerger of Former Kommunalkredit (KA Old)

KA Old, established in 1958, ran into severe difficulties due to the dislocations of most wholesale funding markets following the default of Lehman Brothers in September 2008 (see previous research published on KA and KA Old available on www.fitchratings.com as well as text box below). As a result, the Republic of Austria (rated 'AAA'/Outlook Stable) acquired 99.78% in KA Old for a token consideration (EUR2) in November 2008. The association of Austrian municipalities continued to own the remaining 0.22%.

Following the nationalisation, KA Old's management decided to split the bank into two parts, KA and KF, a process finalised on 28 November 2009. KF (see separate research available on www.fitchratings.com), also 99.78% owned by the Republic of Austria, holds KA Old's non-core assets, essentially public-sector assets originated outside Austria and its neighbouring countries as well as a sizeable portfolio of CDS protection sold (against various sovereigns and public-sector entities).

KF's management and the Austrian government have stated that KF will remain in government ownership and will be gradually wound down over time, thereby aiming at realising the optimum disposal price for its assets. Reflecting the asymmetric allocation of risks to KA and KF respectively, at the time of the demerger (pro-forma end-H109 figures), KA held EUR17.3bn of assets which equated to 51% of KA Old's IFRS asset base but merely 38.0% of its credit exposure and 24.2% of its risk-weighted assets.

Government Support

	KA Old[a]	KA[b]	KA F[b]
Purchase price for 99.78% in KA Old	EUR2	-	-
Funding guarantees under the 2008 financial market stability law	EUR5.3bn	EUR1bn	EUR7.5bn
Liquidity support under the emergency liquidity assistance law	EUR4bn	-	-
Surety to ensure minimum Tier 1 ratio of 7%	EUR1.21bn	-	-
Capital injection	-	EUR250m	Indirectly[c]
Annual restructuring payments (deducted from warranty fees)	-	-	EUR75m[d]

[a] As of date of nationalisation (closing 5 January 2009)
[b] As of end-H110
[c] KA has placed EUR1bn in guaranteed funding at KF and has simultaneously waived its right of repayment; in return, KA has received an interest-bearing debtor warrant ("Besserungsschein") from KF; a put option gives KA the right to sell the debtor warrant until 28 November 2012; this structure allows the EUR1bn KA placed in KF to be accounted for as KF regulatory capital
[d] Until 2013
Source: KA; Fitch

Legally, KF is the successor of KA Old while KA is the legal successor of Kommunalkredit Depotbank AG, a small subsidiary of KA Old. To improve balance sheet congruity, KA Old's covered bonds have been transferred to KA (to fund its long-term public-sector assets) while KF is funded by several short-term paper programmes and government-guaranteed bond issuances. Generally, rated senior issues of KA Old have been allocated to KA, rated Lower Tier 2 issues to KF and rated junior subordinated notes have been proportionately allocated to KA and KF. Following the demerger, the Austrian government injected EUR250m in KA. Management intends to maintain a Tier 1 ratio above 10% and the Austrian state has committed to maintaining a Tier 1 ratio of at least 7% in KA while the bank's previous owners, Osterreichische Volksbanken AG and Dexia, remain invested in its participation capital.

Business Plan

As part of KA's restructuring plan, both KA's management and Austrian government representatives have stated that they intend to privatise KA in the medium term and Fitch expects privatisation in 2012 or shortly thereafter. In the context of the European Commission state aid approval process, expected for H111, but also in anticipation of the privatisation process, KA has drawn up an ambitious five-year business plan. Based on loan growth of between 8% and 10% and more importantly a vastly wider asset margin (and only marginally deteriorating funding costs), management expects to achieve a pre-tax profit of EUR45.5m in 2012 (from EUR4.4m annualised in 2010), an ROE of around 10% (based on a Tier 1 ratio of above 10%) and a cost/income ratio of around 34%.

In Fitch's opinion the success of KA's business plan will largely depend on its ability to contain increases in funding costs. Given the current environment, KA will therefore be challenged to meets its business plan targets. Despite the government's intention to privatise KA in the medium term, the bank will in Fitch's opinion remain affiliated with the state largely due to its role as funding provider for the public sector (KA has business relationships with more than 60% of Austria's municipalities) and its role as trustee for government development funds.

Presentation of Accounts

KA's financial accounts are prepared under IFRS. Capital ratios are calculated under Austrian GAAP which disregards most mark-to-market movements on financial investments. 2008 accounts are not directly comparable to 2009 financial statements under either standard: under IFRS, the 2009 income statement only includes the period from 28 November 2009 (the legal demerger date) until 31 December 2009 while under Austrian GAAP, six months worth of income (since 30 June 2009, the chosen pro-forma balance sheet date) are included in the 2009 P&L. As of end-2008, for both accounting standards, the balance sheet only includes KA's legal predecessor, Kommunalkredit Depotbank (end-2008 assets of EUR54.0m), and is therefore not comparable with end-2009.

Performance

- Performance largely dependent on funding costs and ability to widen KA's lending margin and generate non-lending revenues
- IFRS performance influenced by mark-to-market volatility
- Good portfolio quality should minimise LICs
- Business plan targets in Fitch's view ambitious

After considerable market turbulences in late 2008 and during 2009 leading to various one-off charges in KA Old's and KA's financials (see also text box below), the market situation calmed down somewhat in H110, allowing for a better assessment of KA's underlying profitability. With an annualised net income of EUR3.4m, KA lagged its existing business plan target somewhat, largely due to lower-than-expected new business volumes (EUR341.5m in H110), higher funding costs and less net interest income in the continued low interest rate environment. As a result, KA has revised its business plan as follows.

While Fitch acknowledges that KA has managed a return to moderate profitability in an environment that is generally challenging for public-sector lenders, achieving its medium-term business plan targets will, in the agency's opinion, be difficult.

Recognising that much of its long-term financing granted at low margins before the crisis has (or will) become loss-making in an environment of sharply higher funding costs, KA's business plan assumes vastly wider lending margins (over seven times higher for domestic lending and almost six times higher for foreign lending if compared to existing lending in 2010) and a significant level of non-balance sheet-related fee revenue.

While widening its asset margins and increasing the share of non-interest income in its funding mix is — at least to some extent — controllable by management, a lot will depend on the development of the bank's funding costs (see *Funding* below). Reflecting the generally long tenors of its loan (and bond) portfolio, the significantly higher lending margins since early 2009 (around 100bp in 2010 compared with around 20bp before 2009) have only relatively slowly increased KA's overall lending margin (to around 32bp in 2010) and KA will in Fitch's view be challenged to achieve its target margins.

Revised Business Plan Targets

As of mid-2010 (EURm)	H110 actual	2010	2011	2012	2013
Net income, of which	1.8	4.6	8.4	18.1	31.8
- From existing business	n.a.	0.5	-1.3	-3.5	-5.0
- From new business	n.a.	4.1	9.7	21.6	36.8
Risk-weighted assets	2,598	3,175	3,840	4,572	5,542
Tier 1 ratio (%)	15.6	12.8	10.8	9.4	8.4
Return on equity (%)	1.3	1.8	3.1	6.4	10.3

Source: KA; Fitch

Operating Revenue

Despite efforts to increase non-interest income, net interest income (NII) is by far KA's most important revenue source, accounting for 121% of operating revenue in H110. Net fee income, as per IFRS accounts, accounted for a mere EUR0.5m during the same period. However, net fee income in H110 included a EUR5.3m fee expense to the Austrian government (for the EUR1bn government-guaranteed funding) which was compensated for by interest income from KF (for the debtor warrant, "Besserungsschein"). As a result, as per IFRS accounts, KA's underlying NII-generating capacity appears overstated while net fee income is understated.

Reflecting the still considerable capital markets volatility, KA's trading and fair-value result was negative in H110 (EUR13.2m). Other operating revenue (EUR7.7m in H110) was relatively significant in the context of KA's narrow revenue base and primarily related to income from the service level agreement with KF.

Operating Expenses

Reflecting its business model and absence of branch network, KA has a relatively limited cost base, and operating expenses accounted for EUR21.9m in H110. Around 60% of operating expenses related to staff expenses (262 staff at end-H110) while non-personnel expenses mainly related to third-party services (such as consultants and auditors, which accounted for 7.5% of operating expenses in H110), IT expenses (5.7%) and advertising costs (5.1%).

Operating expenses include amortisation and deprecation costs although these were negligible in H110 (4.0%). Around EUR6.8m operating expenses incurred in H110 related to services provided to KF. According to the terms of the service level agreement between KA and KF, KF compensates KA for these expenses (compensation was accounted for in other operating expenses, see above) and KA's operating cost base is therefore effectively somewhat better than shown in the operating expenses line.

In Q210, KA's operating expenses increased quarter-on-quarter (by 12% compared to Q110) reflecting general business expansion. Not accounting for service level agreements income from KF, KA's cost/income ratio amounted to a high 92.0% at end-H110 (but a more acceptable 49.6% if KF's SLA income is included). KA's business plan forecasts a significantly lower and decreasing cost/income ratio for 2010 to 2013 (42% in 2011; 29% in 2013). Given that KA's cost base is in Fitch's opinion already relatively efficient, improvements will have to be made on the revenue side in order to achieve the ambitious cost-efficiency targets.

Loan Impairment Charges

Considering the generally good quality of KA's asset base (and the absence of major senior bank or sovereign debt credit events in H110), impairment charges were negligible in H110 (EUR3,000). KA's business plan assumes only moderate impairment charges for 2011 to 2013, which Fitch deems reasonable. Due to KA's considerable asset concentration (see *Credit Risk* below), KA remains in Fitch's opinion exposed to unlikely but potentially chunky impairment charges which would have a significant impact on the bank considering the small absolute size of its equity base.

Risk Management

- Credit risk: Long tenors and concentration mitigated by sound quality of portfolio
- Market risk: Exposed to capital markets volatility and adequately managed structural interest rate risk

Following the difficulties KA Old encountered in 2008, KA has restructured its risk management framework, putting more emphasis on firm-wide, consolidated risk management and liquidity and funding risk in particular. A risk management committee (RMC , meets monthly and is responsible for overall risk control and risk steering. While the RMC is ultimately responsible for all risk types (credit, liquidity, market, operational and strategic risks), in the case of the most relevant risk types it is supported by sub-committees (meeting weekly), notably the credit committee, the assets/liabilities committee (ALCO) and the capital planning committee.

At end-2009, under Basel II (KA used the standardised approach for all risk types), the vast majority of capital requirements related to KA's banking book (95.7%) with the majority of the remainder relating to operational risk (3.4%). Capital charges for market risk (relating to foreign-currency and trading risks) were insignificant.

Credit Risk

Apart from funding and liquidity risk (see below), credit risk is KA's driving risk factor. While the quality of KA's credit exposure is generally sound, KA remains exposed to significant counterparty concentration, which is also due to the traditionally long tenors of public sector financing and the long duration of corresponding hedging derivatives.

Peer Group Comparison

	KA ('A'/Stable/ Individual 'D')			Dexia Credit Local ('A+'/Stable/ Individual 'D')			Dexia Crediop S. p. A. ('A'/RWN/ Individual 'C')			Depfa Bank plc ('BBB+'/Negative/ Individual 'D')			KA Finanz AG ('A+'/Stable)		
(%)	H110	2009[a]	2008[b]	H110	2009	2008	H110	2009	2008	H110	2009	2008	H110	2009[a]	2008[b]
Net interest margin	0.35	0.07	0.26	0.24	0.37	0.50	0.32	0.48	0.34	0.21	0.22	0.28	-0.09	0.13	0.26
Net int. rev./revenues	121.0	79.7	-7.5	81.8	66.1	106.8	117.8	171.1	88.1	-67.8	-233.8	166.2	2.0	7.6	-7.5
Cost/income ratio	92.0	64.9	-	48.9	28.1	47.4	31.5	33.0	22.4	-	-	70.6	-2.2	9.9	-3.3
Operating ROAE	1.6	2.3	-	11.3	-84.6	-168.4	8.2	9.1	15.6	95.1	-193.1	-25.6	102.7	36.9	-
Operating ROAA	0.02	0.04	-3.72	-0.02	0.21	-0.68	0.18	0.17	0.28	-0.27	-0.26	-0.16	-4.57	-1.24	-3.72
Loans/deposits	546	733	1,813	1,592	1,728	1,424	1,264	1,181	1,684	2,919	11,810	5,766	17,249	13,964	1,813
Interbank assets/liabilities	126.7	188.6	58.8	22.8	25.4	23.1	53.7	64.4	65.2	30.9	19.0	22.7	74.6	64.4	58.6
Common capital/assets	1.79	1.72	-2.53	1.72	1.88	1.57	2.34	2.23	1.85	1.02	1.06	1.04	-4.15	-2.30	-2.53
Eligible capital (EURm	-	-	-1945	-	-1,663	-	-	-	-	-	-	-	-1,789	-1,064	-1,945
Core capital (EURm)	245	283	-1,362	-	-1,164	-	-	-	-	-	-	-	-1,252	-745	-1,362
Assets (EURbn)	17.6	18.3	37.5	382.3	360.3	414.3	54.3	55.7	62.6	240.2	212.6	249.0	22.1	21.4	37.5

[a] P&L data not fully comparable due to demerger in November 2009
[b] Data for former Kommunalkredit Austria (KA Old)
Source: banks' financial statements; Fitch

Country Exposure

In % of total	H109 (%)	H110
Austria	58.5	58.9
Germany	7.4	8.0
Switzerland	8.2	9.4
Other W Europe	14.6	10.8
CEE (in EU)	7.1	7.9
CEE (outside EU)	2.2	2.4
Other	2.0	2.5

Source: KA

At end-H110, KA's on-balance-sheet risks (under IFRS, EUR17.6bn in total) predominately related to loans (68.4%) and bonds (13.1%). The bulk of the remainder related to derivative replacement values (6.2%), cash (2.8%) and miscellaneous exposure (5.9%), predominately relating to the debt warrant to KF. At end-H110, 77% of KA's EUR12.1bn loan book was classified as loans and receivables and 23% were fair-valued. At the same time, 28% of KA's EUR2.3bn bond portfolio was classified as available for sale, 28% at fair value through the income statement, 23% as held to maturity and 21% as loans and receivables.

Unlike at KA Old, off-balance-sheet (contingent) exposure at KA was at around EUR660m moderate and roughly 1:2 split in guarantees and approved (but not yet drawn) credit facilities. At end-Q310, the average remaining maturity of KA's credit exposure amounted to around 9.7 years. The long remaining maturity of KA's credit exposure (see also 'KA Maturity Profile' chart below) additionally exposes KA to credit risk and also makes its funding strategy challenging. The vast majority of KA's assets held at fair value and all its derivatives are classified as level 2 assets under IFRS. At end-Q310, no assets have been classified as level 3 assets.

At end-Q110, around two-thirds of assets were made up of exposure to municipalities (43% in Austria, 25% outside Austria), 14% to banks and 9% each to public-sector companies and private-sector corporations respectively. Around 2% had an external or internal sub-investment grade rating, 9% were rated in the 'BBB' range, 22% in the 'A' range, 45% in the 'AA' range and 22% were rated 'AAA'. By volume, 43% of counterparties at end-H110 were internally rated. Concentration risk is considerable albeit mitigated by the good credit quality of the counterparties: at end-Q110, the 20 largest exposures accounted for a high 50% of the total with 17 exceeding 50% of end-H110 Fitch core capital and 11 exceeding 100% of Fitch core capital.

All large exposures were either sovereign or municipal risk, predominantly in Austria. Large exposures outside Austria were predominately to the respective sovereign (Poland, Italy, the Czech Republic, Greece, Hungary or Croatia) but also to sub-national public authorities (in Germany, the Netherlands, Switzerland and Croatia).

Interbank placements are typically collateralised and short-term (at end-2009, 68.3% matured within three months and 79.0% within one year) and with highly-rated Austrian and Western European banks. Fixed-income instruments (EUR2,088.7m in total at end-Q310) predominantly related to plain vanilla senior bonds with only limited balances of structured or asset-backed bonds (EUR82m).

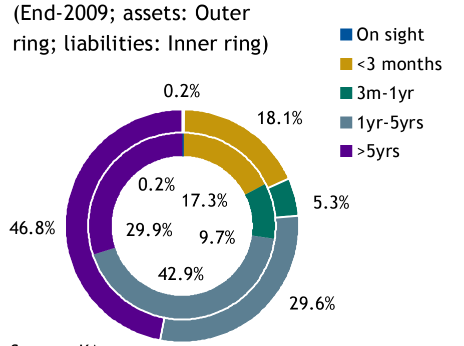
Asset Quality

After sizeable credit impairments (largely relating to banks) at KA Old in 2008 and early 2009 (see text box on KA Old above), KA has not incurred any significant credit losses since its demerger in November 2009. Since 2009, all counterparties are classified in four risk categories (0: normal risk; 1: heightened credit risk/monitoring; 2: problem loans; 3: default according to Basel II) and at end-Q310, KA's credit exposure was split as follows: 97.6% category 0; 2.3% category 1; 0.0% category 2; and 0.1% category 3. Exposure categorisation is reviewed monthly by credit risk and presented quarterly to senior management.

Market Risk

Market risk largely relates to banking book interest rate risk as well as credit spread and option pricing risk in KA's long-dated bond and derivative books. Equity risk and trading risk in general are more limited. FX risk is predominately hedged. KA uses a value-at-risk approach (VaR; 150 days observation period, 10 days holding period and 90% confidence interval for interest rate risk, one-day holding period and 99% confidence interval for FX risk) to measure interest rate and currency risks in its banking book and all risks in its small trading book. Credit spread risk is measured using a present value of basis point approach and option pricing risk is measured through 16 parameter scenarios (largely volatility and interest rate changes).

KA Maturity Profile
(End-2009; assets: Outer ring; liabilities: Inner ring)



Source: KA

At end-2009, KA's interest rate VaR (excluding KA's common equity) amounted to EUR6.6m or around 2.7% of end-H110 core capital. Based on a 99% confidence interval, this would have increased to 15.5% of core equity. KA has calculated that at end-Q310 a 100bp positive/negative shift in all interest rates would have had a EUR7.8m positive/negative impact on KA's NII (if no corrective action were taken). A 1bp increase in credit spreads at end-2009 would have had a EUR1.4m negative impact on KA's bond portfolio and a EUR7.1m negative impact on its loan book.

Foreign-currency risk at KA largely arises due to credit exposure (largely loans but also bonds) in non-euro-zone countries. At end-2009, non-euro assets accounted for 28.9% of total assets with CHF (59.0% of FX exposure), JPY (21.8%) and USD (10.7%) making up the bulk of this. Exposure to CEE currencies is limited (CZK: 2.5%; PLN: 2.3%). If possible, KA funds those assets in corresponding currencies. It is management's policy to use derivatives to hedge the remaining FX positions and at end-2009, open FX positions in all currencies were negligible.

Operational and Reputation Risk

Given the absence of a branch network and complex group structure, operational risk at KA mainly arises from its derivative business and its SLA with KF but is generally of moderate importance for its risk profile. KA maintains an operational loss data base (data, previously from KA Old, going back to 2007) and most operational losses relate to failed transaction processing.

At end-Q310, KA was party in various legal cases (also relating to KA Old and its previous management) although management is of the opinion that none of the legal cases brought against the bank could have a material impact on the bank.

Funding and Capital

- Funding strategy is one of the major challenges for KA
- Improved liquidity profile
- Adequate capitalisation but leverage remains high due to public sector lending business model

Funding and Liquidity

As funding and liquidity difficulties were among the major causes for KA Old's eventual nationalisation, KA puts significant emphasis on maintaining an adequate funding and liquidity profile. In the demerger, all long-dated funding instruments (notably covered bonds) were allocated to KA (and most short-term funding to KF) which improved KA's funding profile when compared with KA Old (see pie charts in annex). KA's funding strategy envisages largely matched funding of its long-dated assets and simultaneously the build-up of a predominately institutional deposit base (KA Old had virtually no deposits). However, efficiently funding a low-margin public sector loan book has become increasingly difficult in the current capital market environment and funding risk remains in Fitch's opinion one of KA's major risk factors.

While KA was fairly successful in building up an institutional deposit base (deposits accounted for 8.8% of non-equity liabilities at end-H110), bond issuances (72.4%) and interbank funding (9.4%) continues to be KA's main funding sources (the balance relates to subordinated bonds, 0.6%, and negative derivative replacement values, 8.4%). Apart from EUR1bn placed at KF (see above), KA did not have any state guaranteed funding at end-Q310. KA did not have any ECB funding at end-

Q310 and funding from the European Investment Bank was limited to around EUR523m.

At end-H110, around 58.3% of bonds issued were covered bonds under Austrian law ("fundierte Schuldverschreibungen") and around 33.5% were senior unsecured bonds. Around 33.4% of outstanding bonds were private placements. Management intends to roughly maintain the current ratio between covered and unsecured bonds while it also tries to rebuild a short-term funding presence. Given still-muted credit growth, a long-dated liability profile and the absence of significant short-term funding (except interbank funding), funding requirements are currently relatively predictable and management expects annual funding needs of below EUR2bn for 2011 to 2013.

Liquidity gaps (based on contractual maturities and roll-over assumptions) are calculated daily and a liquidity emergency plan is in place. At end-Q310, the liquidity gap was positive up to one month (EUR789.4m) and remained positive (EUR276.6m) for the period one to three months. KA has considerable contingent liquidity available and at end-Q310, it had unencumbered ECB eligible assets of EUR950.0m.

Capital

In line with other Austrian banks, KA calculates its regulatory capital ratios under Austrian GAAP which disregards most mark-to-market movements and allowed KA to report adequate capital ratios since inception. At end-H110, KA's Tier 1 ratio (credit risk only) amounted to 15.8% (15.6% if all risk factors are considered). Management aims to maintain a Tier 1 ratio of at least 10% and the Republic of Austria has stated that it will ensure a Tier 1 ratio at KA of at least 7% as long as KA Old's former shareholders (Dexia and VBAG) remain invested in KA's and KF's participation capital. However, while Fitch takes some comfort from those target ratios, it remains the case that due to the low – albeit gradually increasing - risk-weighting of most of KA's exposure, the bank remains highly leveraged (with a tangible common equity/tangible assets ratio of below 1.5%) and this is unlikely to change under the current business model.

At end-2009, around 32.9% of KA's balance sheet equity of EUR421.1m was made up of participation capital held by Dexia and VBAG (the remainder related to a EUR250m capital injection by the Austrian state in November 2009). The Austrian regulator considers participation capital to be core Tier 1 capital. Fitch has reclassified it as hybrids accounted for as debt in the attached spreadsheet.

Annex 1

Former Kommunalkredit - Post Mortem Analysis: What Happened?

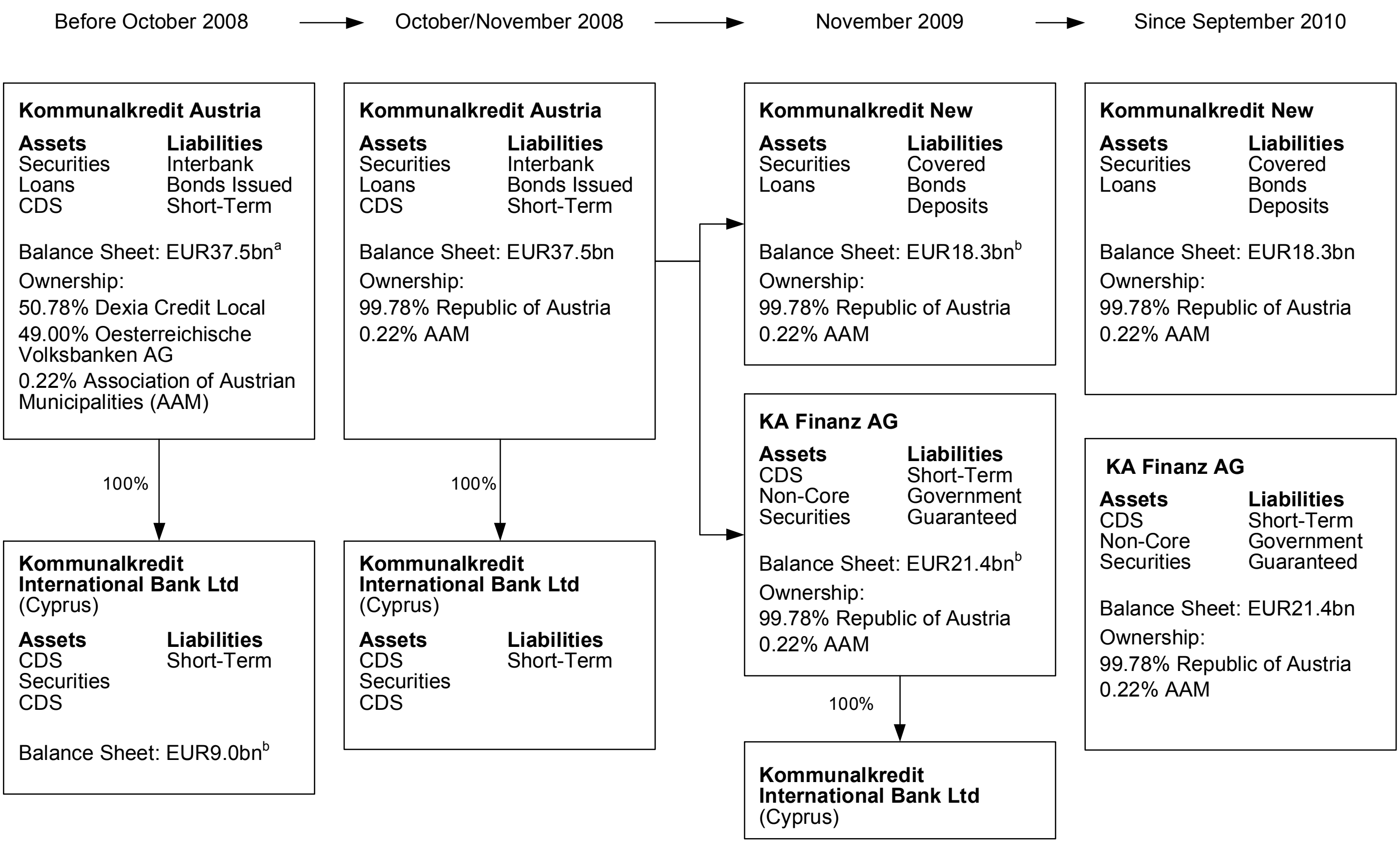
KA Old's business model was essentially based on high-volume, low-margin (net interest margin (NIM) of 0.30% at end-2007) plain vanilla public-sector lending. Due to low (or no) risk-weights of public-sector lending but also due to the optimisation or questionable interpretation of accounting rules (eg, regarding derivatives or accounting for special-purpose vehicles), KA's leverage was — similar to most public-sector lenders — excessively high before the market dislocations in 2008 (tangible common equity/tangible assets ratio of 1.19% at end-2007 — ie, roughly 84 times leveraged). Both factors — its thin NIM and its high leverage — made KA vulnerable to dislocations in the funding markets and eventually led to its nationalisation in November 2008.

For 2008, KA Old reported (excluding a EUR1.2bn surety by the Republic of Austria to ensure compliance with regulatory capital ratios) a net loss of around EUR2.66bn (almost seven times its end-2007 equity). Around EUR1.1bn of this net loss related to negative mark-to-market movements on KA Old's sizeable CDS protection sold portfolio (EUR12.1bn at end-2008) and around EUR1.0bn to negative mark-to-market movements on KA Old's bond portfolio (EUR651.7m of which covered by the governmental surety). Actual (realised) credit impairments largely related to the recognition of certain structures containing impaired or "near impaired" assets that were previously held off-balance-sheet (around EUR651.7m) to Icelandic banks (EUR176.5m; 90% written down), to its stake in a former subsidiary (Dexia Kommunalkredit Bank AG; EUR138.5m) and to Ukrainian and two US banks (combined: EUR98.2m).

Apart from credit impairments and mark-to-market losses, the increased market volatility also had a massive negative impact on KA Old's funding and liquidity situation. KA Old's commercial paper funding (which had accounted for around 8.9% of non-equity funding at end-H108) dried up rapidly and the bank's liquidity was further significantly squeeze by collateral posting requirements from negative mark-to-market movements on its large CDS book (contained in credit support annexes to ISDA agreements which covered much of KA Old's CDS portfolio). This led to a considerably increased liquidity gap at KA Old. Since neither of KA Old's former shareholders was willing and/or able to provide the required liquidity, the Republic of Austria nationalised the bank in early November 2008.

Annex 2

Nationalisation and Demerger 2008-2009 (Simplified Chart)



[a] End-2008 under IFRS
[b] End-2009 under IFRS
Source: KA, Fitch

Annex 3

KA IFRS vs. Austrian GAAP Accounts (Selected Figures)

As of end-H110	IFRS	Austrian GAAP (UGB)*	Difference (EURm)
Assets			
Due from banks	2,046.8	1,925.9	121.0
Due from clients	8,245.7	10,181.4	-1,935.7
Securities portfolios[a]	4,628.3	1,841.0	2,787.4
Derivatives	1,083.0	421.1	661.9
Total assets	17,606.7	15,999.3	1,607.4
Liabilities			
Due to banks	1,614.9	1,634.2	-19.4
Due to clients	1,509.7	1,463.8	45.9
Securities issued	12,476.4	12,091.2	385.2
Derivatives	1,443.5	277.2	1,166.3
Income statement			
Net interest income	28.8	28.5	0.4
Net fee income[b]	0.5	-4.8	5.3
Net trading income/FV result[c]	-13.2	-6.2	-7.0
Other operating income	7.7	8.8	-1.1
Net income	1.8	7.5	-5.8

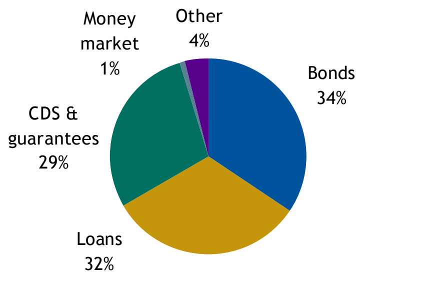
* Austrian GAAP: unconsolidated accounts only (excluding KPC, KBI and Kommunallesasing)

[a] IFRS: Trading, AFS, FV and HTM portfolios
[b] Net of EUR5.3m guarantee fee paid to the Republic of Austria
[c] UGB: Income from financial investments, gains/losses from the valuation or sale of securities
Source: KA

Annex 4

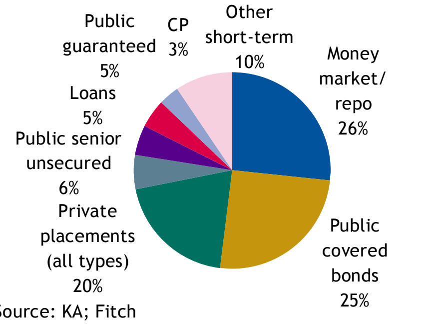
Asset and Liability Structure Pre- and Post-Demerger

KA Old - Credit Exposure by Type
(As per end-May 2009; total: EUR41.2bn)



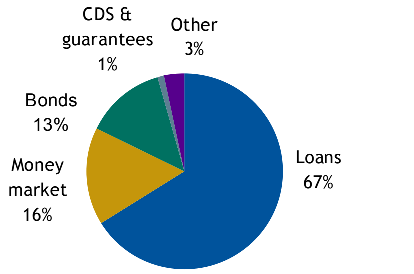
Source: KA; Fitch

KA Old - Liabilities Structure
(As per end-January 2009; total: EUR30.8bn)



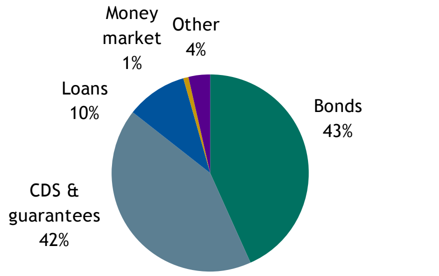
Source: KA; Fitch

KA - Credit Exposure
(As of end-H109; total: EUR16.8bn)



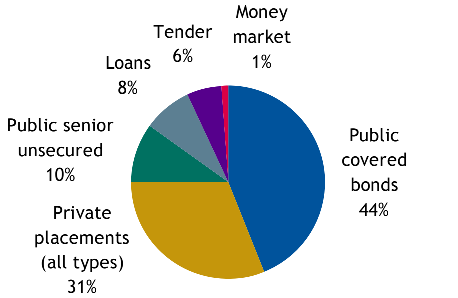
Source: KA; Fitch

KF - Credit Exposure
(As of end-H109; total: EUR27.4bn)



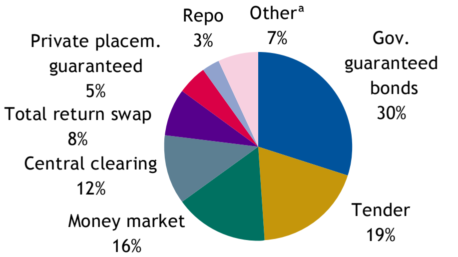
Source: KA; Fitch

KA Liabilities Structure
(As of end-H109)



Source: KA; Fitch

KF Liabilities Structure
(As of end-H109)



[a] Other includes Structured repo, Loan, Private placem. covered/unsecured, Commercial paper
Source: KA; Fitch

Kommunalkredit Austria AG
Income Statement

	30 Jun 2010			31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm Unaudited	6 Months - Interim EURm Unaudited	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm eport not seen	As % of Earning Assets
1. Interest Income on Loans	n.a.	n.a.	-	35.4	0.21	0.0	0.00
2. Other Interest Income	580.7	473.2	5.96	47.7	0.28	3.0	5.43
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	**580.7**	**473.2**	**5.96**	**83.1**	**0.48**	**3.0**	**5.43**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	5.6	0.03	2.0	3.62
6. Other Interest Expense	**545.3**	**444.4**	**5.60**	**71.6**	**0.42**	**0.4**	**0.72**
7. Total Interest Expense	**545.3**	**444.4**	**5.60**	**77.2**	**0.45**	**2.4**	**4.35**
8. Net Interest Income	35.3	28.8	0.36	5.9	0.03	0.6	1.09
9. Net Gains (Losses) on Trading and Derivatives	-16.2	-13.2	-0.17	-0.1	0.00	n.a.	-
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	-1.7	-0.01	0.4	0.72
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	0.6	0.5	0.01	2.2	0.01	0.9	1.63
14. Other Operating Income	9.4	7.7	0.10	1.1	0.01	0.0	0.00
15. Total Non-Interest Operating Income	**-6.1**	**-5.0**	**-0.06**	**1.5**	**0.01**	**1.3**	**2.36**
16. Personnel Expenses	26.9	21.9	0.28	0.6	0.00	0.3	0.54
17. Other Operating Expenses	n.a.	n.a.	-	4.2	0.02	0.6	1.09
18. Total Non-Interest Expenses	**26.9**	**21.9**	**0.28**	**4.8**	**0.03**	**0.9**	**1.63**
19. Equity-accounted Profit/ Loss - Operating	0.2	0.2	0.00	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	**2.6**	**2.1**	**0.03**	**2.6**	**0.02**	**1.0**	**1.81**
21. Loan Impairment Charge	0.0	0.0	0.00	-0.7	0.00	n.a.	-
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**2.6**	**2.1**	**0.03**	**3.3**	**0.02**	**1.0**	**1.81**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**2.6**	**2.1**	**0.03**	**3.3**	**0.02**	**1.0**	**1.81**
30. Tax expense	0.5	0.4	0.01	0.3	0.00	0.2	0.36
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**2.1**	**1.7**	**0.02**	**3.0**	**0.02**	**0.8**	**1.45**
33. Change in Value of AFS Investments	-47.9	-39.0	-0.49	0.7	0.00	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	**-45.8**	**-37.3**	**-0.47**	**3.7**	**0.02**	**0.8**	**1.45**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	2.1	1.7	0.02	3.0	0.02	0.8	1.45
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EUR0.81493		USD1 = EUR0.69416		USD1 = EUR0.71855	

Kommunalkredit Austria AG
Balance Sheet

	30 Jun 2010			31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets							
A. Loans							
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	10,118.3	8,245.7	46.83	7,668.9	41.95	0.3	0.51
6. Less: Reserves for Impaired Loans/ NPLs	0.0	0.0	0.00	0.0	0.00	0.0	0.00
7. Net Loans	**10,118.3**	**8,245.7**	**46.83**	**7,668.9**	**41.95**	**0.3**	**0.51**
8. Gross Loans	**10,118.3**	**8,245.7**	**46.83**	**7,668.9**	**41.95**	**0.3**	**0.51**
9. Memo: Impaired Loans included above	n.a.	n.a.	-	n.a.	-	n.a.	-
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets							
1. Loans and Advances to Banks	2,511.6	2,046.8	11.63	4,352.9	23.81	49.2	84.39
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	4,233.6	3,450.1	19.60	3,363.4	18.40	1.5	2.57
4. Derivatives	1,328.9	1,083.0	6.15	728.4	3.98	4.2	7.20
5. Available for Sale Securities	790.4	644.1	3.66	608.1	3.33	n.a.	-
6. Held to Maturity Securities	655.5	534.2	3.03	486.2	2.66	n.a.	-
7. At-equity Investments in Associates	1.6	1.3	0.01	1.2	0.01	n.a.	-
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**7,010.0**	**5,712.7**	**32.45**	**5,187.3**	**28.37**	**5.7**	**9.78**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**19,640.0**	**16,005.2**	**90.90**	**17,209.1**	**94.13**	**55.2**	**94.68**
C. Non-Earning Assets							
1. Cash and Due From Banks	610.2	497.3	2.82	2.7	0.01	1.6	2.74
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	46.1	37.6	0.21	38.3	0.21	n.a.	-
5. Goodwill	0.0	0.0	0.00	0.0	0.00	n.a.	-
6. Other Intangibles	0.2	0.2	0.00	0.1	0.00	n.a.	-
7. Current Tax Assets	37.5	30.6	0.17	17.3	0.09	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	1,271.0	1,035.8	5.88	1,015.7	5.56	1.5	2.57
11. Total Assets	**21,605.2**	**17,606.7**	**100.00**	**18,283.2**	**100.00**	**58.3**	**100.00**
Liabilities and Equity							
D. Interest-Bearing Liabilities							
1. Customer Deposits - Current	1,852.6	1,509.7	8.57	1,046.1	5.72	46.3	79.42
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	**1,852.6**	**1,509.7**	**8.57**	**1,046.1**	**5.72**	**46.3**	**79.42**
5. Deposits from Banks	1,981.6	1,614.9	9.17	2,307.7	12.62	0.2	0.34
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
8. Total Deposits, Money Market and Short-term Funding	3,834.2	3,124.6	17.75	3,353.8	18.34	46.5	79.76
9. Senior Debt Maturing after 1 Year	15,309.8	12,476.4	70.86	13,284.1	72.66	n.a.	-
10. Subordinated Borrowing	128.2	104.5	0.59	101.3	0.55	n.a.	-
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	**15,438.0**	**12,580.9**	**71.46**	**13,385.4**	**73.21**	**n.a.**	**-**
13. Derivatives	1,771.3	1,443.5	8.20	1,043.1	5.71	4.2	7.20
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	**21,043.5**	**17,149.0**	**97.40**	**17,782.3**	**97.26**	**50.7**	**86.96**
E. Non-Interest Bearing Liabilities							
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	11.3	9.2	0.05	9.2	0.05	0.1	0.17
4. Current Tax Liabilities	2.5	2.0	0.01	0.7	0.00	0.0	0.00
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	76.9	62.7	0.36	69.8	0.38	0.6	1.03
10. Total Liabilities	**21,134.2**	**17,222.9**	**97.82**	**17,862.0**	**97.70**	**51.4**	**88.16**
F. Hybrid Capital							
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	169.8	138.4	0.79	138.4	0.76	0.0	0.00
G. Equity							
1. Common Equity	387.6	315.9	1.79	314.2	1.72	6.9	11.84
2. Non-controlling Interest	0.1	0.1	0.00	0.1	0.00	n.a.	-
3. Securities Revaluation Reserves	-86.6	-70.6	-0.40	-31.5	-0.17	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**301.1**	**245.4**	**1.39**	**282.8**	**1.55**	**6.9**	**11.84**
7. Total Liabilities and Equity	**21,605.2**	**17,606.7**	**100.00**	**18,283.2**	**100.00**	**58.3**	**100.00**
8. Memo: Fitch Core Capital	300.9	245.2	1.39	282.7	1.55	n.a.	-
9. Memo: Fitch Eligible Capital	300.9	245.2	1.39	282.7	1.55	n.a.	-

Exchange rate	USD1 = EUR0.81493	USD1 = EUR0.69416	USD1 = EUR0.71855

Kommunalkredit Austria AG
Summary Analytics

	30 Jun 2010	31 Dec 2009	31 Dec 2008
	6 Months - Interim	Year End	Year End
A. Interest Ratios			
1. Interest Income on Loans/ Average Gross Loans	n.a.	0.92	n.a.
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	1.03	n.a.
3. Interest Income/ Average Earning Assets	5.75	0.96	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	5.13	0.87	n.a.
5. Net Interest Income/ Average Earning Assets	0.35	0.07	n.a.
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.35	0.08	n.a.
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	0.35	0.07	n.a.
B. Other Operating Profitability Ratios			
1. Non-Interest Income/ Gross Revenues	-21.01	20.27	68.42
2. Non-Interest Expense/ Gross Revenues	92.02	64.86	47.37
3. Non-Interest Expense/ Average Assets	0.25	0.05	n.a.
4. Pre-impairment Op. Profit/ Average Equity	1.60	1.79	n.a.
5. Pre-impairment Op. Profit/ Average Total Assets	0.02	0.03	n.a.
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	0.00	-26.92	n.a.
7. Operating Profit/ Average Equity	1.60	2.28	n.a.
8. Operating Profit/ Average Total Assets	0.02	0.04	n.a.
9. Taxes/ Pre-tax Profit	19.05	9.09	20.00
10. Pre-Impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.
C. Other Profitability Ratios			
1. Net Income/ Average Total Equity	1.30	2.07	n.a.
2. Net Income/ Average Total Assets	0.02	0.03	n.a.
3. Fitch Comprehensive Income/ Average Total Equity	-28.48	2.55	n.a.
4. Fitch Comprehensive Income/ Average Total Assets	-0.42	0.04	n.a.
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.
D. Capitalization			
1. Fitch Core Capital/Weighted Risks	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Weighted Risks	9.44	10.32	n.a.
3. Tangible Common Equity/ Tangible Assets	1.39	1.55	11.84
4. Tier 1 Regulatory Capital Ratio	15.60	14.30	84.50
5. Total Regulatory Capital Ratio	19.60	17.70	84.50
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.
7. Equity/ Total Assets	1.39	1.55	11.84
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	1.40	1.06	11.59
E. Loan Quality			
1. Growth of Total Assets	-3.70	n.m.	n.a.
2. Growth of Gross Loans	7.52	n.m.	n.a.
3. Impaired Loans(NPLs)/ Gross Loans	n.a.	n.a.	n.a.
4. Reserves for Impaired Loans/ Gross loans	0.00	0.00	0.00
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	n.a.
6. Impaired Loans less Reserves for Imp Loans/ Equity	n.a.	n.a.	n.a.
7. Loan Impairment Charges/ Average Gross Loans	0.00	-0.02	n.a.
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.
F. Funding			
1. Loans/ Customer Deposits	546.18	733.09	0.65
2. Interbank Assets/ Interbank Liabilities	126.74	188.63	n.a.
3. Customer Deposits/ Total Funding excl Derivatives	9.61	6.25	99.57

Kommunalkredit Austria AG
Reference Data

	30 Jun 2010			31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items							
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	21,605.2	17,606.7	100.00	18,283.2	100.00	58.3	100.00
8. Memo: Total Weighted Risks	3,188.5	2,598.4	14.76	2,740.2	14.99	n.a.	-
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	3,188.5	2,598.4	14.76	2,740.2	14.99	n.a.	-
B. Average Balance Sheet							
Average Loans	9,764.4	7,957.3	45.19	3,834.6	20.97	n.a.	-
Average Earning Assets	20,378.7	16,607.2	94.32	8,632.2	47.21	n.a.	-
Average Assets	22,020.3	17,945.0	101.92	9,170.8	50.16	n.a.	-
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	21,432.1	17,465.7	99.20	8,916.5	48.77	n.a.	-
Average Common equity	386.7	315.1	1.79	160.6	0.88	n.a.	-
Average Equity	324.1	264.1	1.50	144.9	0.79	n.a.	-
Average Customer Deposits	1,568.1	1,277.9	7.26	546.2	2.99	n.a.	-
C. Maturities							
Asset Maturities:							
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:							
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	128.2	104.5	0.59	101.3	0.55	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation							
1. Equity	301.1	245.4	1.39	282.8	1.55	6.9	11.84
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	169.8	138.4	0.79	138.4	0.76	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	n.a.	n.a.	-	n.a.	-	6.9	11.84
E. Fitch Eligible Capital Reconciliation							
1. Total Equity as reported (including non-controlling interests)	301.1	245.4	1.39	282.8	1.55	6.9	11.84
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	n.a.	-
5. Other intangibles	0.2	0.2	0.00	0.1	0.00	n.a.	-
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	300.9	245.2	1.39	282.7	1.55	n.a.	-
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	300.9	245.2	1.39	282.7	1.55	n.a.	-
13. Eligible Hybrid Capital Limit	129.0	105.1	0.60	121.2	0.66	n.a.	-
Exchange Rate		USD1 = EUR0.81493		USD1 = EUR0.69416		USD1 = EUR0.71855	