REDEFINING INFRASTRUCTURE

Annual Report 2021
Kommunalkredit Group

KOMMUNAL KREDIT

Kommunalkredit at a Glance

SELECTED PERFORMANCE INDICATORS in EUR m or %	IFRS				Austrian GAAP			
	2018	2019	2020	2021	2018	2019	2020	2021
Net interest income	49.2	58.6	77.1	78.9	37.7	45.6	57.4	55.6
EBIT*	23.9	33.2	47.5	60.1	21.8	27.0	31.9	52.5
Profit on ordinary activities	32.6	27.3	48.0	67.1	29.7	28.7	32.4	56.2
Profit for the year after tax	14.3	29.6	36.4	48.9	30.4	30.3	33.6	47.1
Cost/income ratio	70.2 %	63.3 %	56.1 %	53.2 %	67.0 %	63.2 %	61.0 %	51.2 %
Return on equity before tax	14.0 %	10.3 %	15.3 %	19.5 %	12.8 %	10.8 %	10.3 %	16.3 %
Tier 1 ratio	n/a	n/a	n/a	n/a	19.9 %	18.7 %	20.3 %	20.4 %

* Operating performance as reported in accordance with the Austrian Commercial Code (UGB) plus the operating result from the sale of infrastructure/energy financing and change in the provision required under Section 57 (1) of the Austrian Banking Act (BWG), also adjusted for restructuring expenses (2018). Consolidated profit for the year before tax, not including net provisioning for impairment losses, valuation gains and operating placement result from infrastructure/energy financing.

Awards 2021

Best ESG Infrastructure Europe (cfi)
Most Sustainable Infrastructure Project Partner (Business Vision)
Best Bank | **Best Special Bank** | **Best Direct Bank** (Börsianer)

Focus on Europe

46
transactions in 2021

EUR 60m EBIT + 26%

26
nationalities as a sign of diversity with over 300 employees

50 | 50 | 10
m EBIT | % CIR | % RoE
Target outperformed ahead of time

PeakSun

Joint venture with eww for photovoltaic rooftop installations

UN Global Compact

Member of Initiative

Contribution to
14
Sustainable Development Goals

Pioneer

First Austrian bank in the European Clean Hydrogen Alliance

H_2

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

Think Tank

Green Energy Transition

All figures – unless otherwise stated – reported under IFRS.

New business + 65%

EUR 1,9 bn

Volume from infrastructure and energy financing

A-

Average rating of premium-grade portfolio

0.0%

Non-performing loan ratio since privatisation in 2015

BBB- | BBB (Senior)

Investment grade ratings S&P, Fitch | DBRS

EUR >700m

capital market issuances manifold oversubscribed

47.9%

Bank stand-alone CIR

EUR 63m

Strengthening the capital base per AT1 emission

A+

Covered Bond rating from S&P

Clear vision. Concise mission.

What is our goal?	How will we achieve our goal?	How do we improve in terms of our core business?	What do we do to achieve this?	Why is this attractive to our shareholders?
Partner of choice for infrastructure investments:	**Concentration on our core business:**	**Looking forward and acting decisively:**	**Improve our market position:**	**Create value:**
▪ Driving innovation and energy transition forward ▪ Applying our financing expertise as a link between sustainability & profitability ▪ Moving the market environment towards a greater contribution to ESG/SDG	▪ Consistent customer focus ▪ Operational efficiency ▪ Future-oriented investments ▪ Unlock complementary revenue streams ▪ Stronger focus on national and international climate targets	▪ Growing the strong commission business ▪ Expanding the product range and market presence ▪ Combination of bank balance sheet and asset management platform ▪ Targeted expansion of project development activities	▪ Continue to strengthen our capital base ▪ Divert capital flows to sustainable/green infrastructure projects ▪ Drive digitalisation forward ▪ Support and integrate the best talent ▪ Increase underwriting capacity	▪ Tick all relevant valuation drivers ▪ High-velocity, low-risk balance sheet ▪ Continuous CAGR* outperformance (Loans | Revenues | Results) ▪ Double-digit return on equity ▪ Excellent dividend yield and attractive distribution rate

* CAGR = Compound Annual Growth Rate

Who we are.

REDEFINING INFRASTRUCTURE.

Driving Innovation. With Speed and Precision.

Annual Report 2021
Kommunalkredit Group

KOMMUNALKREDIT. Nothing else.

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INFRA. BANKING. EXPERTS.

We live for infrastructure. It is an essential backbone of developed economies and enables the rise to prosperity. Demand for investment is high – and not only in times of crisis.

Letter by the Chief Executive Officer

Dear stakeholders,

The world is changing. We are facing new, complex tasks and challenges. The global health crisis and its effects have not yet been overcome, geopolitical tensions and military developments are exacerbating the situation. The Russia/Ukraine conflict, which has been simmering for some time, has escalated into a war. In addition to economic sanctions, sharply rising commodity prices, disruptions to supply chains and the flow of goods, the main consequence of this war is immeasurable human suffering. We are closely monitoring the current political situation to ensure we respond to potential changes quickly and appropriately, even though we do not have any material exposure in Russia or Ukraine ourselves. Apart from this humanitarian tragedy, we now face high rates of inflation, sharply rising prices, ever-increasing income inequality and demographic change. Another factor causing uncertainty is the lack of timely adjustments to interest rate policies by the central and national banks. At the same time, the fight against climate change, decarbonisation, e-mobility, ever-faster digital technologies and processes as well as cutting-edge healthcare, nursing and training centres are only some of the agendas which are increasingly occupying us. The financial sector can and should take responsibility in this regard and steer capital flows towards sustainable and future-oriented investments.

In these times that are very challenging on an economic, political and, above all, humanitarian level, Kommunalkredit has expanded its leading role as a specialist in infrastructure and energy financing as well as public finance with its resilient and sustainable business model. Despite macroeconomic changes, not least as a result of the COVID-19 pandemic, low interest rates and rising inflation, our strong performance in the 2021 financial year proves once again that the financing and implementation of innovative projects in the areas of hydrogen, green and sustainable energy production and storage, e-mobility, digital communication and data centres as well as social institutions are essential to the community. This is also a testament to the resilience of the European market for infrastructure financing, which achieved a record volume of nearly EUR 300bn despite the considerable impact of the health crisis.

Kommunalkredit responded quickly to the varied challenges, especially by focusing more on digitalisation & communication in light of working from home, distance learning and a secure and reliable energy supply. About 80% of the projects implemented in 2021 are related to these areas. With a new business volume in infrastructure and energy financing of EUR 1.9bn (2020: EUR 1.1bn), we have further expanded our position in the European infrastructure market.

Our proactive approach to global megatrends in infrastructure is also reflected in the official league tables of the industry platform Inframation: awarded fourth place for “transactions < EUR 500m” and awarded eighth place based on “number of transactions”, the bank proves its excellent standing in an environment dominated by much larger institutions.

EBIT increased significantly by 26% to EUR 60.1m compared to the same period in the previous year. The cost/income ratio of the bank is 47.9%, that of the Group (including Kommunalkredit Public Consulting) 53.2% (2020: 56.1%), while the return on equity) before taxes came to 19.5% (2020: 15.3%). We have therefore outperformed the strategic targets we set for ourselves in 2018 “50 | 50 | 10” (EBIT| cost/income ratio | return on equity) by the end of 2022, coming in well ahead of schedule.

We implemented 46 projects in 2021: wind power plants in Scandinavia, broadband expansion in the Netherlands, solar photovoltaic parks in Southern Europe, fibre-optic projects in Germany, health infrastructure in the United Kingdom and, for the first time, an export credit agency (ECA) financing for the expansion and repair of a street in Ghana, Africa.

However, Kommunalkredit operates not only in Europe and beyond, but also supports pioneering initiatives in the Austrian domestic market. We are investing in the construction of the largest electrolysis plant in Austria jointly with OMV, where up to 1,500 tonnes of green hydrogen will be produced annually from 2023 onwards, thus reducing CO_2 emissions by up to 15,000 tonnes annually. We see great potential in hydrogen technologies and plan to expand our commitment in this area. To continue promoting this promising technology in a systematic manner, clear national and international prerequisites need to be established. From holistic hydrogen strategies to a reliable regulatory framework right through to simplifying requirements relating to green electricity production (key word “additionality”) or the Ordinance on Automotive Fuels in the transportation sector. Another lighthouse project is our joint venture “PeakSun” with the Upper Austrian energy supplier eww, to finance, assemble and operate photovoltaic rooftop systems on commercial real estate.

Public finance has been another key element of our business model for many years. In 2021, we were heavily invested in Austria and supported municipalities and cities with financing worth more than EUR 200m, above all for nurseries, schools, sports and tourism facilities, commercial properties right through to water supply, sewers, sewage treatment and roads.

All our activities have a clear focus: sustainability in accordance with ESG (Environment, Social, Governance) and SDG (Sustainable Development Goals) criteria. The issue of sustainability is part of our DNA. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – forms the basis for our business model. The infrastructure and energy projects we have implemented contribute to decarbonisation, national and international climate targets and the European Union’s (EU) Green Deal. We take our socio-political responsibility and our role as a pioneer seriously: Kommunalkredit was the first Austrian financial services provider with EMAS certification, the first Austrian issuer of a social covered bond and the first Austrian bank in the European Clean Hydrogen Alliance.

We joined the UN Global Compact sustainability initiative in summer. In addition, we are engaging with national and European regulatory guidelines, the EU taxonomy and the United Nations' 2030 Agenda as well as the implementation of the requirements that they entail.

And our thinking goes beyond this. In cooperation with the international infrastructure investor Meridiam, we further developed its Simpl.® (Sustainability Impact Measurement Platform) tool to help both borrowers and lenders assess and validate the impact of their projects. Our subsidiary Kommunalkredit Public Consulting (KPC) makes a substantial contribution to meeting national and international climate and energy targets by focusing on climate and environmental protection projects through subsidy management, project consulting and development. In 2021, just under 100,000 projects were evaluated (an increase of 142% compared to the previous year) based on a subsidy volume of more than EUR 4.5bn. Our focus on sustainable investments and our expertise in green finance is also being positively received by industry media. In 2021 alone, Kommunalkredit garnered the awards "Best ESG Infrastructure Finance Europe" (cfi), "Most Sustainable Infrastructure Project Partner" (Business Vision) and, at the beginning of 2022, we were awarded the sustainability quality seal by the Austrian daily newspaper Kurier.

The successful path that has been forged was validated by the major rating agencies. In 2021, S&P Global Ratings awarded an investment grade rating of "BBB-/A-3"; the covered bond rating was raised to "A+". Fitch Ratings assigned an investment grade rating of "BBB-/F3" to the bank. DBRS Morningstar had already raised our rating to "BBB/R-2 (high)" at the end of 2020. All ratings carry a positive outlook, emphasising the increased franchise strength arising from the collaboration with our customers and institutional investors.

In 2021, we further expanded our refinancing structure and capital market visibility: in the spring we launched an AT1 issue accounting for a volume of EUR 62.8m, which was followed in May by a EUR 300m public senior preferred bond, the bank's first publicly syndicated refinancing transaction since the issue of a social covered bond in 2017. Investor interest was massive – the closed order book, amounting to more than EUR 700m, included investors throughout all of Europe. In September, the bank placed a public covered bond amounting to EUR 250m with European investors, which was oversubscribed nearly five times over. Furthermore, about EUR 100m was issued among institutional investors as part of private placements.

2021 has once again highlighted that our employees are the most important factor contributing to our success. Our international team with its long-standing expertise in infrastructure and energy and a large number of young talented professionals who we are keen to support with training and education have shown high levels of commitment. We attach a great deal of importance to the exchange and transfer of knowledge and are gradually bolstering our various divisions by hiring more experts. Amid the difficulties caused by the pandemic – including changed living conditions due to working from home and especially for carers with school-age children, distance learning and many other restrictions in everyday life – we have done our best to contribute to increased security and well-being. Daily in-house PCR testing facilities, added flexibility in terms of organising working times, enhanced occupational health care, rigorous hygiene and protective measures were implemented. The figures for the 2021 financial year show that the concerted efforts of the entire team paid off. At this point, I would like to express my sincere thanks to them. As a sign of our appreciation, we have paid a special bonus.

We are already thinking about what lies ahead. We continue to see opportunities for growth. We intend to seize them and prepare Kommunalkredit for the future. The past months and years have shown that the infrastructure and energy sector is vital to a sustainable future while being able to withstand economic setbacks and crises. Therefore, we have defined three key strategic priorities going forward: we will invest more heavily in future-oriented solutions, expand our product range as well as our market position and thereby generate additional sources of income. We are confident as we look ahead and have set ourselves ambitious goals: we plan to strengthen our capital, double our profits and triple our revenues. And how will we achieve that? Through a constant above-average growth rate, double-digit return on equity, a decrease in the cost/income ratio by an additional 10% and a return on equity (before tax) of 15%. We aim to generate an attractive dividend yield of over 6% for our shareholders and intend to offer a high distribution rate.

We could and can only achieve our excellent performance, the path of growth we have forged and the successfully implemented sustainable projects thanks to the dedicated commitment of our employees. Together we create value. For us, our customers, our shareholders and our stakeholders – for the community.

"What we do today determines what the world of tomorrow will look like." We can only fully endorse this quotation from Marie von Ebner-Eschenbach. Let's do the right thing. Together for a sustainable future.

Best regards,

Bernd Fislage
Chief Executive Officer
Kommunalkredit Austria AG

Vienna, March 2022

Executive Committee

The Executive Committee is Kommunalkredit's central management body. It comprises the Executive Board and the management personnel from Front Office, Back Office and Strategy.

First row
Mariella Huber (Head of Corporate Services)
John Philip Weiland (Head of Banking)

Second row
Jochen Lucht (CFO, COO), until 31 December 2021
Bernd Fislage (CEO)
Sebastian Firlinger (CRO), since 1 January 2021

Third row
Andreas Schortje (Head of Risk Controlling)
Claudia Wieser (Head of Corporate Development, designated CFO from 1 April 2022)
Reinhard Fuchs (Head of Markets)


MUNAL
DIT

Functions within the Company

Executive Board

KARL-BERND FISLAGE
Chief Executive Officer

JOCHEN LUCHT
Member of the Executive Board, until 31 December 2021

SEBASTIAN FIRLINGER
Member of the Executive Board, since 1 January 2021

Supervisory Board

PATRICK BETTSCHEIDER
Chairman of the Supervisory Board
Appointed by Gesona Beteiligungsverwaltung GmbH;
Managing Director Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH

CHRISTOPHER GUTH
Deputy chairman of the Supervisory Board, until 30 September 2021
Appointed by Gesona Beteiligungsverwaltung GmbH

FRIEDRICH ANDREAE
Deputy chairman of the Supervisory Board, since 30 September 2021
Previously a member of the Supervisory Board, until 30 September 2021
Managing Director Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH

TINA KLEINGARN
since 30 September 2021
Partner Westend Corporate Finance

JÜRGEN MEISCH
Managing Director Achalm Capital GmbH

MARTIN REY
Managing Director Maroban GmbH

ALOIS STEINBICHLER
Managing Director AST Beratungs- und Beteiligung GmbH

RENATE SCHNEIDER
until 1 September 2021
Nominated by the Works Council

ALEXANDER SOMER
Nominated by the Works Council

As of 17/2/2022 Gesona Beteiligungsverwaltung GmbH was merged into Satere Beteiligungsverwaltungs GmbH.

State Representative

PHILIPP SCHWEIZER
State Representative
Federal Ministry of Finance

MARKUS KROIHER
Deputy State Representative
Ministry of Finance

Government Representative for Cover Pool for Covered Bonds

KARIN FISCHER
Government Representative
Federal Ministry of Finance

ANNA STAUDIGL
Deputy Government Representative
Federal Ministry of Finance

Report of the Supervisory Board

The Supervisory Board of Kommunalkredit Austria AG submits its report on the 2021 financial year to the Shareholders' Meeting.

At the time of reporting, the Supervisory Board comprises four capital representatives, two independent members and one employee representative. Patrick Bettscheider, Managing Director of Gesona* Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH, delegated by Gesona Beteiligungsverwaltung GmbH, holds the position of Chairman of the Supervisory Board. Christopher Guth (Deputy Chairman of the Supervisory Board) tendered his resignation as a Supervisory Board member (delegated by Gesona Beteiligungsverwaltung GmbH) with effect from 30 September 2021, as did Friedrich Andreae (Managing Director of Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH). The latter was delegated to the Supervisory Board by Gesona Beteiligungsverwaltung GmbH with effect from 30 September 2021 and appointed Deputy Chairman of the Supervisory Board of Kommunalkredit. In addition, Tina Kleingarn was appointed a member of the Supervisory Board for the first time on 30 September 2021.

Alois Steinbichler remains a capital representative; Jürgen Meisch (Managing Director of Achalm Capital GmbH) and Martin Rey (Managing Director of Maroban GmbH) continue to exercise their mandates as independent members of the Supervisory Board. Alexander Somer and Renate Schneider were delegated by the Works Council (the latter left the Supervisory Board on 31 August 2021). The Supervisory Board thanks all members who stepped down in the 2021 financial year for their reliable and constructive collaboration.

As of 1 January 2021, Sebastian Firlinger was appointed to the Kommunalkredit Executive Board as Chief Risk Officer. Jochen Lucht (Chief Financial Officer and Chief Operating Officer) resigned his mandate as an Executive Board member with effect from 31 December 2021. At the time of reporting, the Executive Board consists of CEO Karl-Bernd Fislage (Chief Executive Officer) and Sebastian Firlinger (Chief Risk Officer). Claudia Wieser was appointed Chief Financial Officer (CFO) with effect from 1 April 2022 and will therefore assume additional responsibility on the Executive Board.

Kommunalkredit looks back on a very successful financial year in 2021. New business volume of EUR 2,145.6m in infrastructure and energy financing, as well as in public finance, exceeded the two billion mark for the first time, despite the ongoing challenges caused by the global health crisis. Profit for the year after tax increased by 34.1% to EUR 48.9m compared to the previous year and EBIT improved by 26.5% or EUR 12.6m to EUR 60.1m. The significant improvement in EBIT was also reflected in a significant reduction in the cost/income ratio to 53.2% (2020: 56.1%); individually at Kommunalkredit Austria AG, a cost/income ratio below 50% (47.9%) was achieved a year earlier than planned. The return on equity before tax increased from 15.3% the previous year to 19.5%. The bank's portfolio also proved to be robust in 2021; the non-performing loan (NPL) ratio remained constant at 0.0%.

In addition to financing projects, Kommunalkredit continued to rely on its in-depth industry expertise to intensify its activities in the fields of acquisition finance, hybrid/corporate finance and financial advisory. The bank placed EUR 711.4m with insurers, asset managers and banks in 2021. It provides its business partners with access to infrastructure and energy financing through an asset management solution in the form of its Fidelio KA infrastructure fund. A project development company for equity investments, Florestan KA GmbH, was also established mid-year to drive forward sustainable infrastructure projects through equity funding.

The Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings, one extraordinary meeting and a constituent meeting; the committees (Audit Committee, Risk Committee, Remuneration Committee and Credit Committee) also held their meetings and performed their tasks in accordance with the Articles of Association. The Rules of Procedure of the Supervisory Board were updated to reflect optimisations in the organisation of the Supervisory Board (i.e. the Risk Committee was completely abolished) and the resolution procedure. At the same time, they were adapted to the general legal principle of requesting a quorum in the case of abstentions, in accordance with § 92 (5) of the Stock Corporation Act (AktG). The Rules were also updated by virtue of the entry into force of Regulation 2019/876 of the European Parliament and Council (CRR II) and the resultant changes relating to the large exposure provisions. The Rules of Procedure of the Executive Board were adapted based on a finding of the OeNB pursuant to the OeNB's on-site audit report in 2020. In addition, due to the changes in the Executive Board and the consequent reorganisation of the divisions, the allocation of responsibilities of the Executive Board was redefined and approved.

In the course of the meetings of the Supervisory Board and its committees, as well as through direct information, the Supervisory Board was continuously updated on the development of business, the position and performance of the company and its business policy plans. In exercising its tasks conferred upon it by law, and under the Articles of Association and the Rules of Procedure, the Supervisory Board advised and supervised the Executive Board in the management of the company.

In accordance with the fit-and-proper guideline (based on the EBA/ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders, version 2021/06, and the FMA fit-and-proper circular of August 2018), the members of the Boards of the bank underwent comprehensive fit-and-proper training covering regulatory changes and/or innovations in December 2021.

These annual financial statements and the management report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit did not result in any findings and the statutory provisions were adhered to. As the annual financial statements present a true and fair view of the assets and the financial position of the company as of

* As of 17/2/2022 Gesona Beteiligungsverwaltung GmbH was merged into Satere Beteiligungsverwaltungs GmbH.

31 December 2021, the auditors issued an unqualified audit opinion. The Supervisory Board endorsed the results of the audit and approved the 2021 annual financial statements, which were therefore formally adopted, at its meeting held on 30 March 2022. Moreover, the consolidated financial statements as of 31 December 2021, including the management report, were examined and acknowledged by the Supervisory Board.

Patrick Bettscheider
Chairman of the Supervisory Board

Vienna, 30 March 2022

VISION. MISSION. ALWAYS FIRST.

We enable infrastructure. We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives.
Not just for ourselves, but also for the coming generations.

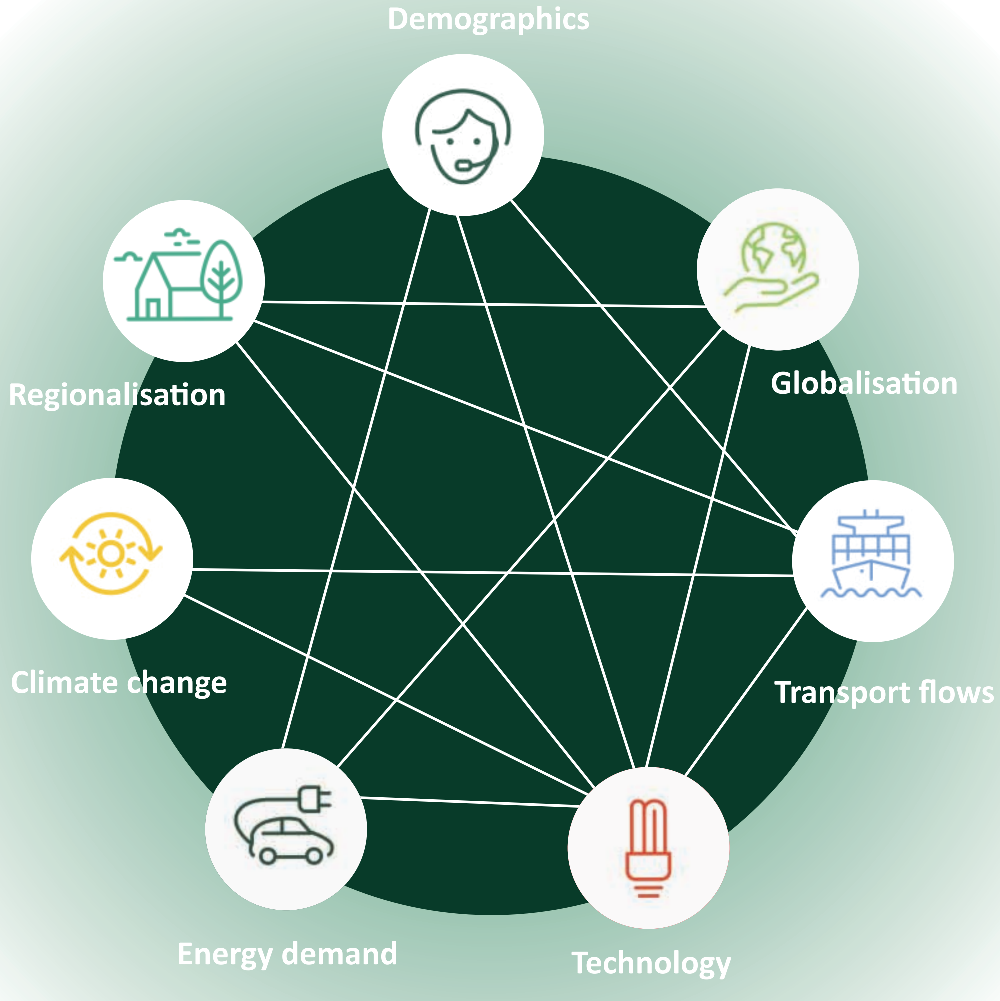
ALWAYS ESSENTIAL.

Infrastructure is our future

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

Infrastructure is attractive.
Infrastructure investments are proving increasingly popular. They represent alternative investment options. They have become a separate, attractive asset class with stable rates of return.

Infrastructure is essential.
Efficient and high-quality infrastructure has a key influence on economic growth. It is absolutely crucial for social and economic wealth and sustainably increases a society's quality of life.



Infrastructure is crisis-proof.
Infrastructure and energy financing prove stable with recovery rates that are largely independent of economic trends and a low default risk. The focus is increasingly on telecommunications and renewable energies.

Infrastructure is sustainable.
Climate change increases the need for sustainable energy solutions. Infrastructure relating to utilities, transport and social facilities must be modernised and implemented in order to offer adequate living conditions and prevent any crises.

ALWAYS COMMITTED.

Infrastructure specialist

Infrastructure investments are a powerful tool for responding to social and environmental needs as well as fundamentally increasing the general well-being of communities. Infrastructure bolsters economic power, encourages urban development, gives regions a new lease of life, creates jobs, supports social cohesion and is an indispensable part of the fight against climate change. In particular, in challenging times, the relevance of high-performance infrastructure is even more noticeable.

As a specialist for infrastructure and energy financing Kommunalkredit is a strong, agile partner for businesses, innovators and the public sector when it comes to implementing economically sustainable projects in a profitable manner.

Our aim
We want to establish ourselves as a leading name in the European infrastructure market in the long term.

Our mission
We are a small and agile institution focusing on the implementation of sustainable financing and subsidy solutions – not only with a stable anchor in our domestic market, Austria, but also as a powerful player throughout Europe. Working in partnership with our customers, we create value that sustainably improves people's lives.

Our goal
We use our business model to continuously improve the standard of living in society. At the same time, we generate attractive and sustainable returns for our investors in the long run.

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

Inframation League Table | Total Transaction Value < EUR 500m

RANK	COMPANY	EUR m	# DEALS
1	Santander	2,703	69
2	BNP Paribas	1,539	36
3	Natixis	1,449	20
4	**Kommunalkredit**	**1,407**	**36**
5	Crédit Agricole CIB	1,348	36
6	Société Générale	1,344	36
7	Lloyds Banking Group	1,286	22
8	UniCredit Group	1,156	19
9	NORD/LB	1,127	29
10	Intesa Sanpaolo	1,127	38

Inframation League Table | Number of Transactions

RANK	COMPANY	EUR m	# DEALS
1	Santander	6,930	94
2	Crédit Agricole CIB	7,230	70
3	BNP Paribas	6,900	69
4	Société Générale	5,228	68
5	Intesa Sanpaolo	3,448	58
6	ING Group	3,854	49
7	Natwest Group	3,231	42
8	**Kommunalkredit**	**1,931**	**39**
9	Banco de Sabadell	1,225	38
10	Natixis	4,300	37

We are now among Europe's elite for infrastructure financing.

Let us be the shaper.
Not the shaped.

Our vision

We will become the most dynamic and innovative infrastructure bank in Europe, helping to create a better world. We combine sustainable and responsible investments with attractive returns.

Our mission

We are always first when it comes to delivering outstanding results with speed and precision.
We take “always first” as an obligation to get better every day.

We provide benefit to the community

We help to create a better world by enabling the development of sustainable infrastructure that improves the quality of people’s lives. Not just for ourselves, but also for the coming generations.

We see infrastructure investments as a powerful tool for responding to social needs and fundamentally increasing the general well-being of communities.

We provide tangible benefits to the population at large:
- Economic dynamism
- Urban development and renewal
- Strengthening rural areas
- Job creation
- Social cohesion
- Climate protection measures

We focus on providing a secure, stable and sustainable yield to our investors.

We are the partner of choice for a long-term commitment.

ALWAYS SUCCESS-DRIVEN.

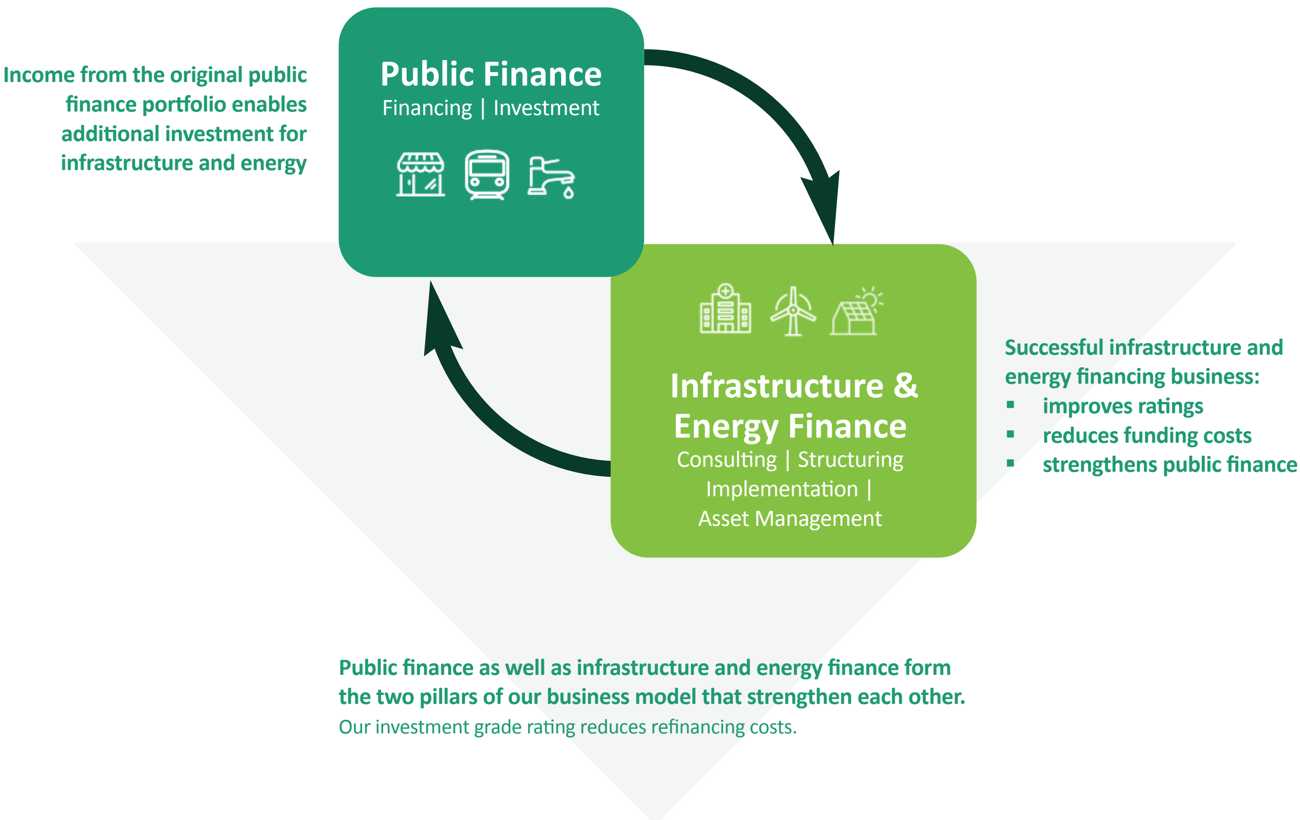
Our business model

Kommunalkredit's business model is associated with an attractive risk/reward profile due to its well-defined form. The bank is a partner for both corporate and financial sponsors active in the construction, acquisition and/or operation of infrastructure and energy projects, and is on hand to assist the public sector when it comes to providing advice and financing investments in the field of public finance.

Our focus

We help to tackle key challenges such as economic growth, regional development, job creation, social cohesion and climate protection. We enable the implementation and operation of infrastructure assets by matching the financing needs of project sponsors and developers with the growing number of investors seeking sustainable **investment opportunities** (such as insurance companies, pension funds and asset managers). We have strong relationships with international clients and investors as well as local authorities.

We offer customised **finance solutions** across the whole capital structure – from providing debt and subordinated capital, mezzanine or bridge financing to equity funding. We provide an extensive range of products, from public finance to a wide variety of financing types in the infrastructure and energy sectors such as financial advisory, corporate finance, acquisition & leverage finance, export financing and project financing, as well as asset management through our Fidelio KA Infrastructure Debt platform and equity financing for project development through our Florestan KA GmbH.



*The world is changing.
Let's take the opportunity to positively
design the future.*

What sets us apart from our competitors

- Our unique combination of in-depth industry expertise and structuring know-how combined with the financing capabilities of a bank.
- Our broad network of customers and investors.
- The strong track record of our senior team in managing growth and risk when it comes to expanding business.
- Our expertise in assessing risk appropriately and providing our customers with competent advice.
- Our expertise in turning economically sustainable projects into a profitable reality.
- Our investments in the development of our employees.
- The benefits of an agile bank: nimble, flexible, solution-driven and goal-oriented.

Our sectors

We enable the development of new technologies (green hydrogen, energy storage), finance utilities, solar and wind parks, contribute to the technical infrastructure for connectivity and e-mobility, support the modernisation of care and educational institutions.

Our markets

Whether it's supplying sustainable energy, high-speed broadband connections, vital transport routes or steps for climate change … infrastructure knows no bounds. Successful projects in our core markets provide the foundation for our dedicated approach in the European infrastructure and energy market. We mainly operate in the member states and associated countries of the European Union.

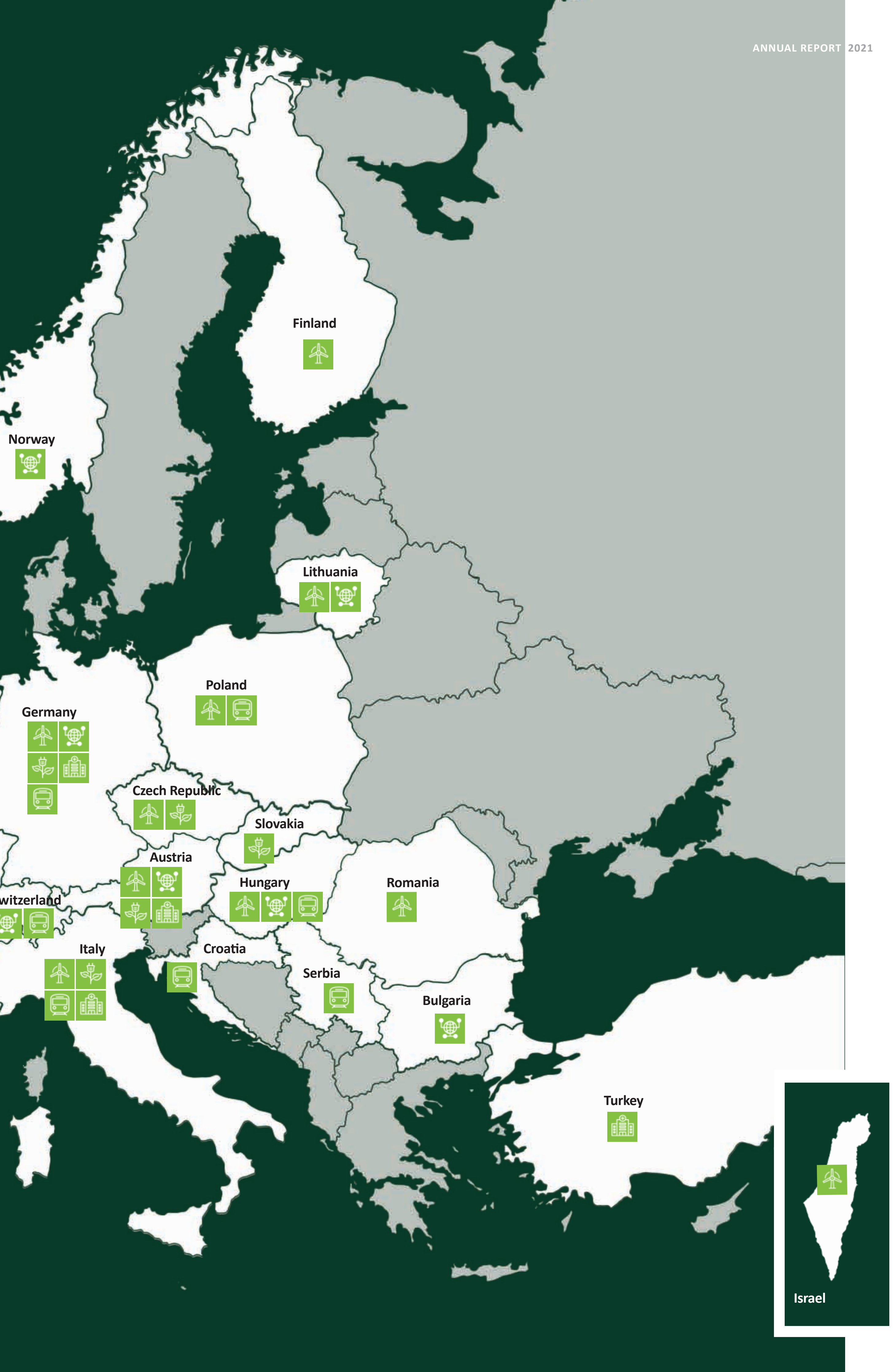
Energy & Environment

Communication & Digitalisation

Transport

Social Infrastructure

Natural Resources


Finland
Norway
Lithuania
Poland
Germany
Czech Republic
Slovakia
Austria
Hungary
Romania
witzerland
Italy
Croatia
Serbia
Bulgaria
Turkey
Israel

ALWAYS AMBITIOUS.

Our objective – Redefining infrastructure

In 2018 Kommunalkredit started a strategy programme with clear and ambitious objectives. 50 | 50 | 10 – EUR 50m EBIT, 50% cost/income ratio, 10% return on equity – until the end of 2022. Faithful to our motto: "Always first when it comes to delivering outstanding results with speed and precision", we have exceeded these targets one year ahead of time.

We are therefore setting new milestones: we continue to lead positive impulses in the infrastructure and energy market. Sustainable and profitable.

1 What is our goal?

Partner of choice for infrastructure investments:

- **Driving innovation and energy transition forward**
- **Applying our financing expertise as a link between sustainability and profitability**
- **Moving the market environment towards a greater contribution to ESG/SDG**

2 How will we achieve our goal?

Concentration on our core business:

- **Consistent customer focus**
- **Operational efficiency**
- **Future-oriented investments**
- **Unlock complementary revenue streams**
- **Stronger focus on national and international climate targets**

3 How do we improve in terms of our core business?

Looking forward and acting decisively:

- **Growing the strong commission business**
- **Expanding the product range and market presence**
- **Combination of bank balance sheet and asset management platform**
- **Targeted expansion of project development activities**

4 What do we do to achieve this?

Improve our market position:

- **Continue to strengthen our capital base**
- **Divert capital flows to sustainable/green infrastructure projects**
- **Drive digitalisation forward**
- **Support and integrate the best talent**
- **Increase underwriting capacity**

5 Why is this attractive to our shareholders?

Create value:

- **Tick all relevant valuation drivers**
- **High-velocity, low-risk balance sheet**
- **Continuous CAGR* outperformance: Loans | Revenues | Results**
- **Double-digit return on equity**
- **Excellent dividend yield and attractive distribution rate**

* CAGR = Compound Annual Growth Rate

Each target achieved is only another milestone on our path to redefine and implement infrastructure for everybody.

ALWAYS SUSTAINABLE.

Benefit to the community

Kommunalkredit is actively dealing with the global and local trends of modern infrastructure. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – and core ethical values form the basis for the bank. Its focus here is on efficiency and effectiveness in accordance with the ESG (Environment, Social and Governance) and SDG (Sustainable Development Goals) criteria.

Sustainability as a key component

One of the biggest **challenges** facing us is climate change. In order to counter the effects, comprehensive investment is required, in particular, for infrastructure and energy. In addition, permanently dealing with sustainable energy solutions, e-mobility, digital communication platforms, and social institutions is one of the bank's strengths. Our business model has a natural approach to detecting and seizing opportunities that arise from the ESG/SDG issue at an early stage. We are focused on sustainable investments and are experts for green finance.

We combine the expertise of our bank with the technical know-how of our subsidiary Kommunalkredit Public Consulting (KPC). It develops and implements national and international environmental and energy support programmes. The “Climate Austria” initiative, for example, which allows CO_2 emissions to be offset voluntarily, was established by KPC as far back as 2008. KPC also provides an advisor for the Austrian representative of the Federal Ministry of Finance in the **Green Climate Fund** (GCF); a fund for projects to reduce greenhouse gases and adapt to climate change in developing countries. In 2021 KPC again sent a member of the Austrian negotiation team to the **UN Climate Change** Conference on behalf of the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology (BMK). KPC also contributes to a range of international consulting projects relating to water management, energy and climate financing to develop and implement modern environmental and technological standards.

*We are not just a bank.
We are a partner for a whole
range of solutions around
sustainable infrastructure.*

The path taken is viewed positively by the market. We have regularly received **industry awards** from renowned infrastructure magazines since 2017. In 2021 alone, Kommunalkredit was awarded “Best ESG Infrastructure Finance Europe” by Capital Finance International (cfi) and “Most Sustainable Infrastructure Project Partner” by Business Vision.

The “Sustainability Seal of Approval” by Austrian daily newspaper Kurier underlines the sustainable standing also in the home market.

We also have **sustainability ratings** from renowned agencies. Sustainability has a long tradition inside the corporate group. We have published an environmental declaration for 25 years and – following environmental developments on sustainability management – a sustainability report since 2004. The focus of the reporting are the significant effects of the company on industry, environment and society. The report is subject to an external audit using the GRI Standards (Global Reporting Initiative) and EMAS as well as ISO14001 and can be downloaded from

1992
First Austrian issuer of an environmental bond

1997
Introduction of annual environmental declaration | ISO14001 certification | first Austrian financial services provider with EMAS certification

2004
First sustainability report

2006–2008
Combined annual and sustainability report

2008
Introduction of Climate Austria for voluntary compensation of CO_2 emissions

2017
First Austrian issuer of a social covered bond

2020
First Austrian bank in the European Clean Hydrogen Alliance

2021
Start of cooperation with Meridiam | Sustainability analysis tool for infrastructure projects

2021
Membership of UN Global Compact sustainability initiative

Sustainability as a global challenge

The **"Agenda 2030 for Sustainable Development"** by the United Nations comprises a political declaration, 17 Sustainable Development Goals and 169 targets for the period from 2016 to 2030, a package of measures for implementing the goals and a system for evaluating and monitoring the progress made.

The Sustainable Development Goals (SDG) set out intentions that allow us to tackle the complex global challenges of our time together and leave behind a world that is worth living in for future generations. They give equal consideration to economic, social and environmental aspects.[1]

Despite the additional difficulties caused by the COVID-19 pandemic, **climate change** is and remains one of the biggest global challenges. This will require extensive investment, particularly in the areas of infrastructure and energy. The financial sector is called upon to play its part in climate protection. The aim is to redirect cash flows towards sustainable investments (Green Finance). With our focus on energy & environment, communications & digitalisation, transport, social infrastructure and natural resources, we at Kommunalkredit are taking on this challenge. And in doing so, we enable sustainable infrastructure projects that help to the improve quality of life in a community.

1 Contributions of the Federal Ministries to Austria's implementation of the 2030 Agenda for Sustainable Development, March 2017.

17 GOALS THAT WILL CHANGE THE WORLD.

How we contribute to this

1

Where do we want to go?

The aim is to provide high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change.

2

What are we doing to this end?

We concentrate on our investment sectors:

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social Infrastructure
- Natural Resources

3

How do we achieve this?

We feel bound by the UN's 2030 Agenda and have integrated it into our corporate culture. For each infrastructure project, we identify how compliant it is with SDG criteria and which direct and indirect effects it will have on the environment and society.

We are currently making contributions to the following goals:

1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry, inovation and infrastructure
10 Reduced inequalities
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
14 Life below water
15 Life on land
16 Peace, justice and strong institutions
17 Partnerships for the goals

Questions for ...

Kurt Svoboda
Chief Financial and Risk Officer
UNIQA Insurance Group AG

UNIQA has put a clear focus on sustainability as part of its corporate strategy. How is this practised in daily business?
UNIQA sees the fight against the climate crisis as a key challenge in the coming years. Driven by profound conviction, UNIQA has committed itself to meeting the climate goals of the Paris Agreement. The Group aims to achieve climate neutrality in Austria by 2040 and internationally by 2050. Sustainability must become part of every company's DNA, in all its products, processes and procedures. We have set clear goals in terms of our ESG approach and intend to promote positive – and above all, sustainable – development with our investments as part of our Green Bond framework. For this reason, we attach a great deal of importance to diversification and transparency, especially with regard to asset allocation. We see this as a clear commitment to our customers, shareholders and institutional investors such as banks, funds and other insurers.

Infrastructure investments are a relatively new asset class. Was it important to you to play a leading role in this area early on?
Absolutely. We have dealt with sustainable investment options for years, and have a long-standing, reliable partnership with Kommunalkredit across several areas – which benefits both sides. Their focus on sustainability, their established market presence, proven expertise in infrastructure and energy, and innovative assertiveness are powerful factors that help us meet our investment criteria.

How do you manage the sustainable orientation of your investments?
In June 2020, UNIQA published its Green Bond framework, in which we explain how funds are used to finance and/or refinance green or sustainable projects. This category includes investments in renewable energy, prevention and reduction of environmental pollution, environmentally-friendly transport solutions and sustainable water and waste management. The investment we made in Kommunalkredit's Fidelio fund allows us to make an important contribution here as well. With a total of more than one billion euros in sustainable investments thus far that we have built up according to EU regulations, UNIQA is clearly a pioneer in the Austrian insurance industry.

UNIQA's sustainability strategy is based on these five pillars:

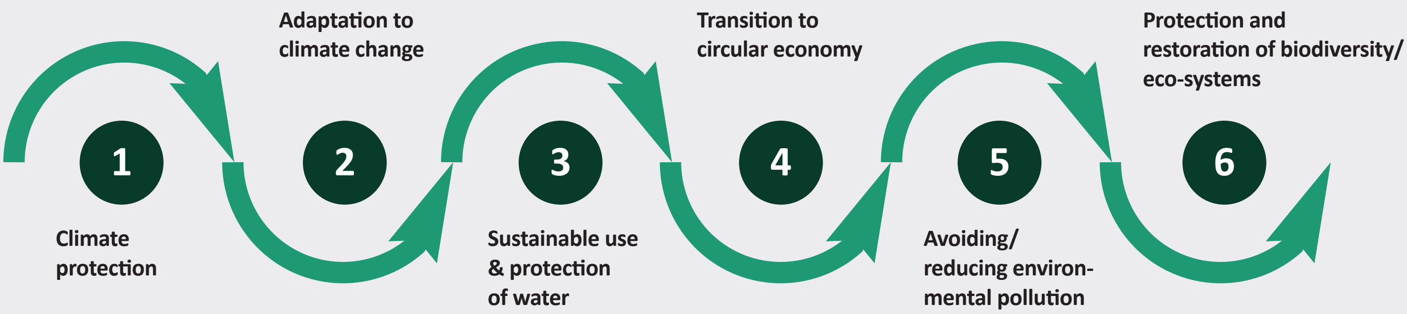
Sustainability as a strategic requirement

Kommunalkredit's business model is predestined to provide an important contribution to climate targets and a sustainable economy. Our projects are sustainably aligned to focus on infrastructure and energy financing, which is our advantage over our competitors and addresses a wide base of investors.

Regulators are already dealing with sustainability risks and other ESG factors. With our ESG action plan, we are creating the regulatory and strategically necessary framework for implementing the sustainable finance agenda and following their on-time implementation.

> *We want to proactively drive trends forward and not be driven by them.*

The EU taxonomy is a green classification system so that investors can switch their investments to more sustainable technologies and companies and make a key contribution to climate neutrality. Only business activities that make a significant contribution to achieving environmental objectives and at the same time do not significantly affect other environmental targets are graded as green. Finance market participants and large companies are obligated to publish revenues and investments relevant to the taxonomy.



1+2 valid from 1/1/2022 | 3-6 valid from 1/1/2023

Existing reporting obligations from the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD) and the Non-Financial Reporting Directive (NFRD) extend the taxonomy. The SFDR divides investment funds and other investment vehicles in three categories:

Art. 6
„Neutral" products

Integration of ESG aspects or no relevance for sustainability risks

Art. 8
„Light-green" products
ESG

Taking into account ecological and social aspects

Art. 9
„Dark-green" products
Impact

Striving for a sustainability objective | Sustainable investments

The **Green Asset Ratio** from the European Banking Authority (EBA) builds on the EU taxonomy and measures the share of green financing of the complete portfolio.

The European **Guidelines for assigning and monitoring lending** set the minimum standards for the whole loan awarding process and set strict requirements for risk management in terms of the financial stability and resistance of the banking system.

The national **guideline for handling sustainability risks** from the Austrian Financial Market Authority (FMA) refers to sustainability risks roughly as events or conditions relating to sustainability factors, the occurrence of which have actual or potentially significant negative effects on assets. The focus is on future-oriented and low-risk financial investments.

The **Green Bond Standard** and **Green Bond Principles** define requirements for setting up a bond that ensure that a financial product is following green objectives.

03/2021
SFDR comes into force
Harmonisation of transparency requirements in the decision-making process for financial service providers > 500 employees

12/2021
End of first reference period for publishing the strategy to take into account relevant sustainability risks

06/2022
Implementation of PAIs (Principal Adverse Impacts) into reporting

12/2022
End of second reference period for publishing the strategy to take into account relevant sustainability risks

06/2023
Comparison of first and second reference period

Sustainability as a lived practice

We live a **comprehensive sustainability approach** in the corporate group as much as in the daily cooperation with our stakeholders. It provides the framework for making the ESG strategy (Environment, Social and Governance) an integral element of our corporate culture. Kommunalkredit used a materiality analysis to initially evaluate whether the areas of “sustainable products”, “price policy and conditions”, “added value for society”, “indirect impact” and “product portfolio” are balanced with regard to the three pillars of sustainability – economical, ecological and social. The topics of “business ethics” (legal and regulatory framework, compliance, data protection and client satisfaction), “employees” (initial and further training, motivation, health, etc.) and “operational ecology” were also studied in detail.

This analysis identified a series of SDG criteria that could be achieved by means of the activities of Kommunalkredit and KPC. For each infrastructure project, we identify how compliant it is with the SDG criteria and how it will affect the environment and society.

In cooperation with the international infrastructure investor Meridiam, Kommunalkredit has further developed an innovative **instrument to measure the sustainability impact**, which enables transparency and disclosure.

WE SET NEW STANDARDS.

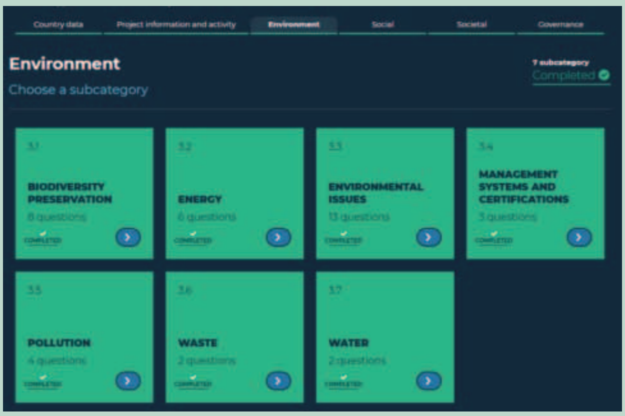
1 Tool to expand one's view.

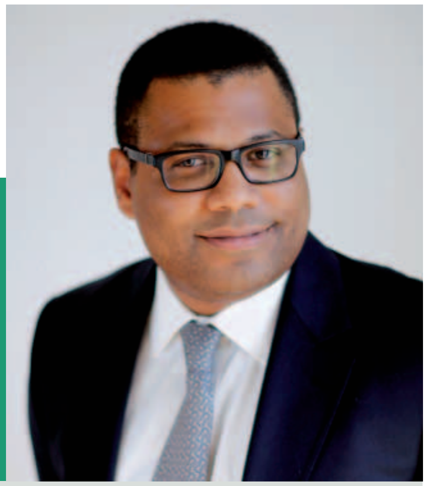
We are convinced that it is not enough to simply take into account financing and funding parameters as part of an infrastructure project. We also want to give our stakeholders the opportunity to take a more detailed look at our work on an infrastructure project and to include their expertise in the sustainable assessment.

Simpl.® (Sustainability Impact Measurement Platform) enables the analysis and measurement of the effects of each individual project or a complete portfolio for compliance with the SDG criteria using a common valuation framework. Simpl.® helps to identify potential improvements for each asset in order to develop strategies that ensure even more targeted and sustainable benefits. Up to 260 quantitative and qualitative factors are analysed for each project; the "trust index" improves the reliability of the information.

The tool enables the user to ...

- Measure, monitor and document the performance of individual assets or portfolios in regard to SDG criteria.
- Consider different SDGs for each investment class.
- Set the result in relation to the aspect of energy, environment, health, education or social justice, for example.
- Identify the strengths of an audited project and contribute suggestions for improvement.
- Compare the results with the peer group using economic and geographic factors.
- Create an SDG roadmap in close cooperation with the project company to validate measures that have positive effects on the project.
- Actively get involved with assets.
- Implement an annual review.
- Build up a new type of communication with investors.





Questions for ...

Thierry Déau
Founder and CEO of Meridiam

Your focus on sustainability was part of your business model from the very start. How did this come about?
This focus comes from a conviction and intuition:

- the deep conviction that investors and companies must contribute to positive, ecological and social change in their sphere of influence, which leads to strategies aligned with sustainability, and
- intuition that sustainability will soon no longer be a burden but rather an advantage for long-term investment. Not only because the company prefers positive effects but also because sustainability offers long-term protection against many risks that are associated with climate change, but also social acceptance and the economic conditions.

We have to take the future into account!

Meridiam is a pioneer when it comes to complying with ESG/SDG criteria, even more so with the introduction of "Simpl.®". Why did you decide to introduce your own tool?
We developed our own tool because we wanted our vision to match our data and stand on scientifically tenable foundations. At the same time, it should have a strong connection to the SDG framework. It had to offer a solid option for monitoring and permit reporting tailored to investors and partners. We wanted to improve our asset management and finally drive forward our investment policy to maximise the effect. To be honest, there were not many tools to monitor the effects of infrastructure investment, which also contributed to our decision.

The tool's applications can be extended through cooperation with customers such that it reflects not only the perspective of the investor but also that of the lender. Will this have an even greater effect in the long term?
Of course, investors are not the only ones to influence the term and sustainability of a project. Lenders play an important role when it comes to providing high amounts of finance to projects. This applies, in particular, to infrastructure, where they provide the majority of the funds and make a key contribution to the financial balance of the projects. When it is not only investors but also bankers and lenders who are generally moving towards measuring effects, they are significantly accelerating the transition to a more sustainable economy. This will reduce the gap that sometimes exists between the interests of the lender and those of the more progressive fund and its partners. Using the tool, lenders have a more comprehensive overview of the assets that they have financed. It, therefore, contributes to developing an investment policy that is more closely aligned to sustainability.

What is your vision for the future in terms of green/sustainable investments?
I think that so-called "impact" investments will become a general trend, just as ESG is a general trend for current investments. With the key difference that "impact" in terms of data collection and designing investment proposals is much more demanding than ESG and enables a much deeper analysis of the hopefully positive – effects of future finance. In my opinion, individual investors will in future not only ask for their financial yield preferences but also state the other non-financial objectives that they desire. For example, they will request a particular yield, job creation, carbon reduction or water recycling with appropriate performance indicators. This will prepare the way for more sustainable finance and contribute to financing the massive gap for infrastructure that exists due to ecological change: we are talking about billions in investments that are required over the next ten years in order to cover the rising demand for renewable energies, public transport, building renovation etc.

> "We do not consider our investments in isolation but rather assess them using comparable companies and their specific economic and geographical contexts, in order to better track their performance at the regional and global level."

REFERENCE PROJECT

Waste recycling project

The project company for this waste recycling plant has the exclusive right to receive the solid residential waste collected from regional local authorities for the concession duration of 35 years. As there have to date been no landfill sites in the whole area, the waste was transported out of the region due to a lack of handling options.

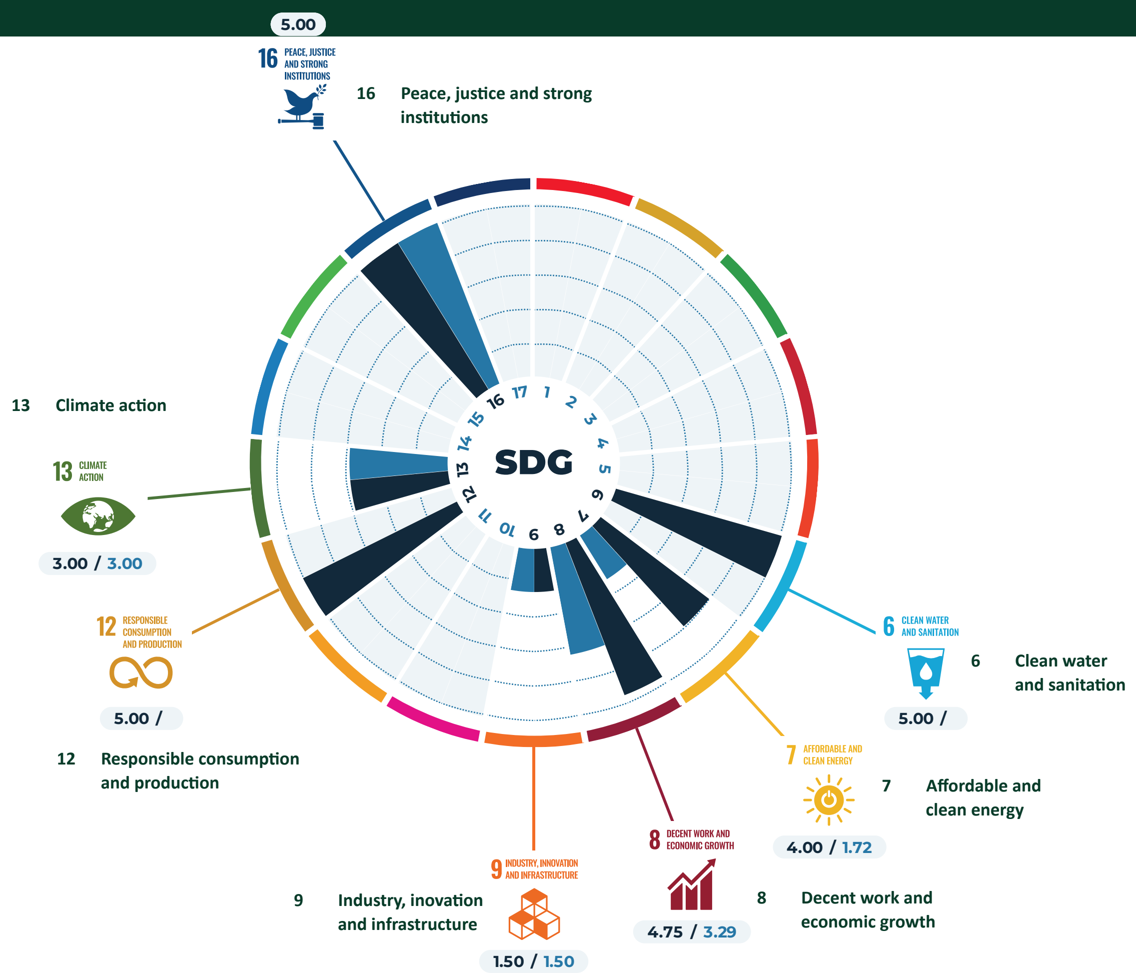
The complex comprises a mechanical-biological treatment facility (MBT) and a waste-to-energy plant (WtE) with a capacity of 200,000 tonnes of residential waste. For the waste-to-energy plant, electricity is generated for the project company's own use and for sale into the electricity network. It also supplies more than 45,000 households. The emissions are significantly below the statutory limit values and thus reduce carbon emissions.

The project was analysed for SDG criteria using a comprehensive catalogue. The validation is based on documents, feedback, due diligence reports etc.

The graphic shows the comparison of the analyses of the pilot project from 2019 (light blue) and 2020 (dark blue). The values have clearly improved and were included in the assessment. The following explanations are shown as examples:
(Note: the highest grade is 5.)

- **SDG 6 Clean water and sanitation +**
  SDG 12 Responsible consumption and production:
  5 out of 5 points thanks to obtaining the voluntary certification to ISO 14001 for the sustainability of the infrastructure
- **SDG 7 Affordable and clean energy:**
  4 out of 5 points which can be improved by installing solar cells on the roof.
- **SDG 9 Industry, innovation and infrastructure:**
  1.5 out of 5 points for implementing strategies and monitoring systems with reference to resistance to disasters/climate change

As of February 2022 the relevant SDG contributions and the desired improvements for 2021 of the waste recycling plant had just been analysed in order to validate the measures set, enable a year-on-year comparison and further expand the positive impact.



Kommunalkredit & the Simpl.® tool

We aspire to positively – and sustainably – change and shape society by financing and realising the right kind of projects. The Simpl.® tool allows for the qualitative and quantitative measurability and validation of the impact on different levels – from individual project treatment to entire portfolio analysis with the help of a clearly defined catalogue of criteria. At the start of the cooperation with Meridiam in mid-2021, the existing Simpl.® tool was developed further from the lender's (equity) perspective and adapted to also include the borrower's side appropriately. The positive feedback from project partners and customers has shown that it is also very important for them to implement future-oriented and sustainable projects. Our objective is, therefore, to analyse and assess our portfolio with Simpl.® and to then identify potential improvements. The first analysis step covers our energy and environment portfolio, with the particular inclusion of renewable energy assets. Currently, more than a dozen projects in the areas of wind, hydro power and solar photovoltaics are undergoing this evaluation phase. The main concern in the evaluation of these facilities is about what they contribute to the following SDGs:

- **SDG 7 Affordable and clean energy**
- **SDG 8 Decent work and economic growth**
- **SDG 15 Life on land**
- **SDG 16 Peace, justice and strong institutions**

We are in direct and intensive dialogue with the relevant borrowers and are currently assessing and validating on the basis of the comprehensive list of questions answered.

We cite three projects here as examples of the energy and environment portfolio (wind power in Scandinavia, solar photovoltaics in southern Europe) to show the positive impact of infrastructure supported by Kommunalkredit. From the quantitative and qualitative data, excellent ratings emerge for contributions to the focused SDGs. The audited facilities make a significant contribution from the perspective of the UN agenda through their concrete design and processes, such as the nature of the facility, the production of clean energy, the compliance with sustainability criteria, safety systems, protective measures for employees, diversity within the employees, preservation of biodiversity, anti-corruption measures and much more.

Kommunalkredit projects that are now in the preparation or construction phases are currently being evaluated and validated. Getting involved early makes the sustainable impact of the facilities even easier to manage and subsequently adapt and improve based on the results of the analysis. Projects are subject to annual review in which the goals achieved are audited.

The entire energy and environmental portfolio is currently being examined in detail. The results will be analysed and can be made available to project partners in order to develop further optimisation potential and to sustainably improve the quality of life for people living nearby.

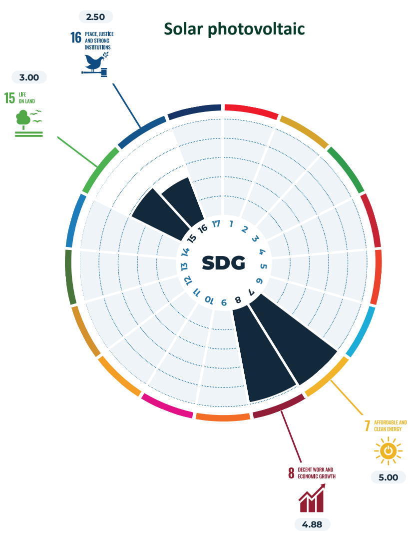
The next range of projects that we will validate with Simpl.® is from the Communication & Digitalisation sector with a focus on data centres and fibre-optic networks. We then plan to roll it out across the rest of the portfolio.

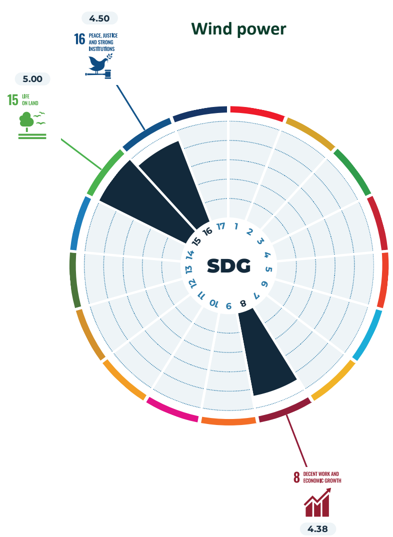
Kommunalkredit portfolio and EU taxonomy

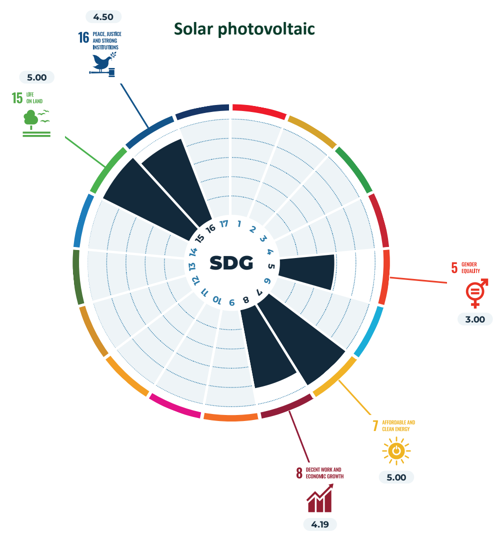
The Kommunalkredit portfolio complies with Article 8, i.e. the transactions take ecological and social aspects into account. The ongoing assessment process will provide important impetus in the coming months to meet sustainability criteria even more precisely and quickly in the future.

In parallel, the bank is performing a taxonomy check. The exposure is checked for taxonomy relevance and ability, the fulfilment of a key contribution to the environmental objectives is raised, significant adverse effects on other environmental targets defined, attention paid to compliance with minimum social standards and a grading by taxonomy compliance and ability undertaken.

1	No poverty	10	Reduced inequalities
2	Zero hunger	11	Sustainable cities and communities
3	Good health and well-being	12	Responsible consumption and production
4	Quality education	13	Climate action
5	Gender equality	14	Life below water
6	Clean water and sanitation	15	Life on land
7	Affordable and clean energy	16	Peace, justice and strong institutions
8	Decent work and economic growth	17	Partnerships for the goals
9	Industry, inovation and infrastructure		







Creating a better everyday life

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

Our services allow us to…

… connect over

24.5 million

people with one another with telecommunications technology.

… contribute to the education of around

1,100

students.

… equip

five

highrise buildings with an efficient heating and cooling energy system.

… support infrastructure development, financing over

550 km

of roads.

… develop the refuelling infrastructure for electromobility with around

10,400

charging stations.

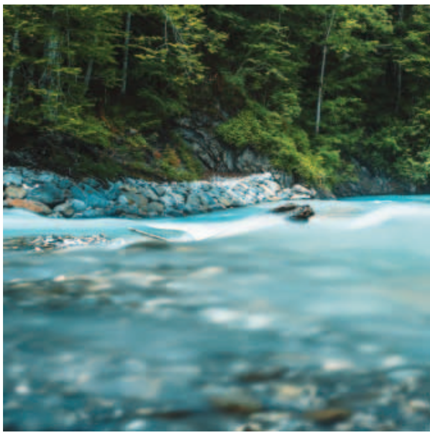
… enable transport solutions for
27 million
passengers per year.

… create support institutions for around
1,500
patients.

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

… enable around
4 million
households to use renewable energy each year.

… contribute to eliminating
3.0 million
tonnes of waste.



… supply drinking water to
9.3 million
people.

MANAGEMENT REPORT.

We invest in infrastructure. The financing of infrastructure projects has changed significantly in recent years. Let's seize the opportunity to shape this change for the better.

WORLD.MOVEMENT.

Economic environment

2021 – a lost year? No! The significance of systemically important infrastructure has certainly become evident in this challenging time. The support measures quickly introduced by governments and central banks led to a recovery of economic activity in many sectors. The progress of the vaccination campaign and a certain routine when handling the situation makes the outlook seem brighter. Principle of hope.[2]

Another year of restrictions – the impact on the real economy

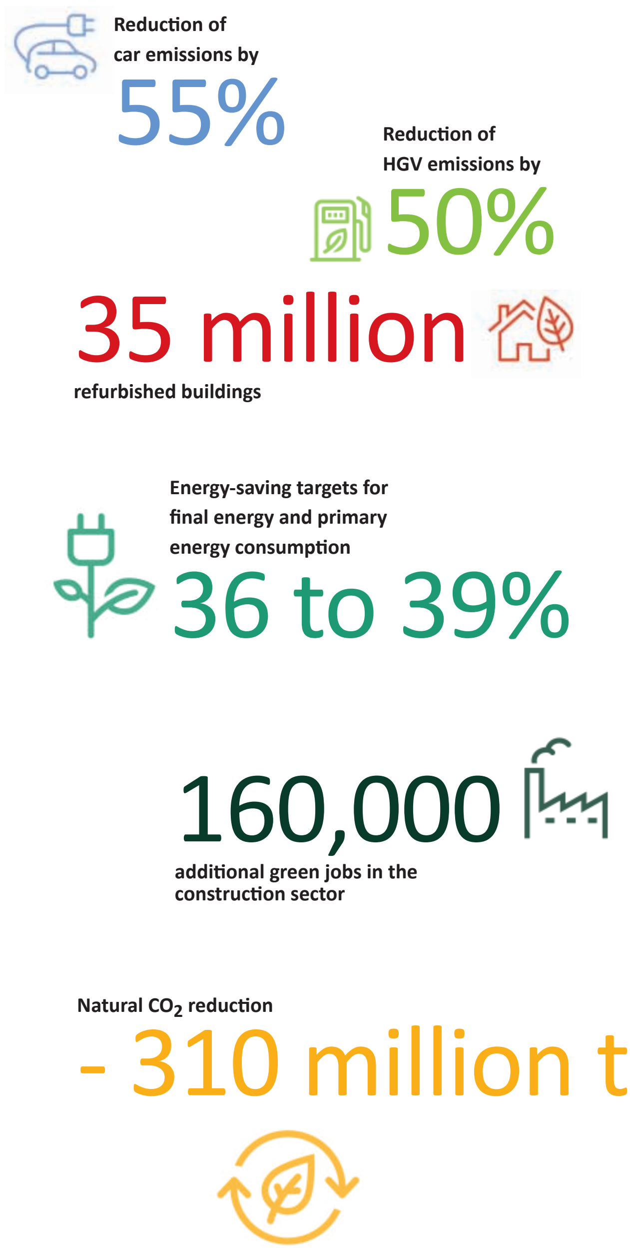
At the time of the presentation of the European **Green Deal**[3] at the end of 2019 COVID-19 was a contained virus in China. In Europe, 2020 began with a clear commitment: the transition to a modern, resource-efficient and competitive economy was initiated with the "investment plan for a sustainable Europe". A total of EUR 1tn was earmarked to promote public and private investments and make Europe more prepared to face the climate crisis. During this dynamic period, the outbreak of the global health crisis brought with it strong headwinds. Greater demands were placed on countries; they introduced stimuli through fiscal and monetary policies in order to boost income, maintain trust and reduce uncertainty. They boosted overall economic demand through public investments.[4]

The reconstruction plan of the European Union (EU) is this kind of stimulus. Recovery and Resilience Facilities help the member states to overcome the economic and social impact of the health crisis and also ensure that their economies complete the environmental and digital transformation in order to become more sustainable and resilient.[5]

By introducing the Pandemic Emergency Purchase Programme (PEPP) in March 2020, the European Central Bank (ECB) has also wasted no time in putting a key element in place to boost the economy. It encompasses bond purchases totalling EUR 1,850bn to counteract risks which the outbreak of the pandemic poses to the monetary policy transmission mechanism and the outlook of the eurozone.[6]

Despite the challenges caused by the ongoing COVID-19 pandemic, the EU pressed ahead with its schedule to implement its climate pact. With the "Implementation of the European Green Deal"[7] – better known as "Fit-for-55" – the 27 member states were reminded of the urgency mid-2021 to make the EU the first climate-neutral continent by 2050 by reducing emissions by at least 55% by 2030 compared to 1990. This opened up new opportunities for innovation, investment and occupational safety, particularly in infrastructure.

Ambitious goals of the EU until 2030[8]



The year 2021 was under the influence of the virus and provided an uncertain environment. In the **eurozone**[9], the gross domestic product (GDP), which saw a huge decline in 2020 (-7.5%), will probably only return to pre-COVID levels at the end 2022. The virus mutations and the measures to contain them negatively impacted economic activity – and will continue to do so; the varying rates of vaccination (from Bulgaria at 25% to Portugal at 90%) have an impact on the entire economic area. Economic activity rebounded in the first half of 2021, with the result that growth in the third quarter retained a high degree of momentum. Private consumption, which was boosted due to pent-up demand and the rise in wages, drove growth and spurred a recovery in the service sectors. At the same time, there were delays, notably in the construction and transport sectors, due to bottlenecks in the supply chain. This – in conjunction with a rise in energy prices – led to increased annual rates in overall and core inflation (as of October: 4.1% and 2%, respectively). The ECB maintained its very favourable financing conditions for public and private borrowers while expanding its Pandemic Emergency Purchase Programme (PEPP). Given that the net emergency purchases are only expected to last until March 2022, this could highlight the importance of the Public Sector Purchase Programme (PSPP). According to the ECB, even if the pressure on base interest rates increases, they should remain unchanged as per the current status.

Austria's[10] economy grew more quickly than expected in the first three quarters of 2021. The service sector, in particular, was able to breathe a sigh of relief. At the same time, the shortage of raw materials put significant pressure on energy prices and prevented a more marked increase in economic activity. Consumer prices rose year-on-year by more than 3% in September and October 2021, primarily due to the Transport, Energy and Restaurant Trade sectors. The government adjusted its COVID-19 support programmes and introduced tax reforms aimed at gradually increasing carbon prices while reducing income and corporation tax, adding to the family contribution and promoting investment measures.

In the third quarter of 2021, GDP in **Germany**[11] was up 1.7% on the previous quarter. Although export orders in the manufacturing industry reached record levels due to global demand, industrial production declined due to a lack of raw materials (such as semi-conductors in automotive production) and intermediate products. Employment growth has picked up since the middle of the year, consumer prices had rebounded by 4.5% by October. Green financing is the key to the stimulus package: by supporting and promoting infrastructure investments, the energy transition and digitalisation were not only accelerated but private investments supported and jobs were also created.

In **France**[12] demand increased by 3.8% in the second and third quarter of 2021, confidence indices from November suggested an ongoing, albeit slow, recovery. Employment is above pre-crisis levels; overall, inflation had climbed to 3.2% by October. As the recovery takes hold, a medium-term fiscal strategy to gradually reduce public expenditure and increase its efficiency is to be implemented with resolve in order to increase growth and improve the medium-term viability of the public finances.

In **Italy**,[13] too, growth continued from the second quarter of 2021, although to industrial production saw a more modest increase. Tourism rebounded, but is still far below pre-crisis levels.

In **Spain**[14] the labour markets have proven to be more resilient compared to previous crises (capital market crisis, real estate crisis...). That said, the unemployment rate stood at 14.7% in the third quarter. GDP grew by 2% during the same period.

Production in the **United Kingdom**[15] rebounded sharply in the first half of 2021, although there are strong indications that a slowdown may be imminent due to product and labour shortages. GDP rose to 1.3%. Fiscal measures need to be introduced to counter the continuing pressure on prices.

In the **USA**[16] the first year did not run as smoothly for the Biden administration as the President would have liked. The continual withdrawal of fiscal support acted as a break on economic growth. That being said, the excess savings accumulated from previous fiscal stimulus measures should continue to support household consumption and corporate investments in the coming quarters.

After very high rates in previous quarters, growth in the **People's Republik of China**[17] increased 4.9% year-on-year in the third quarter. Industrial production slowed down due to the strict implementation of environmental measures and power outages in more than half of the provinces, while the service sector gained further momentum. Export growth remained strong as overseas economies recovered, even though growth was affected by the port closures brought on by COVID-19.

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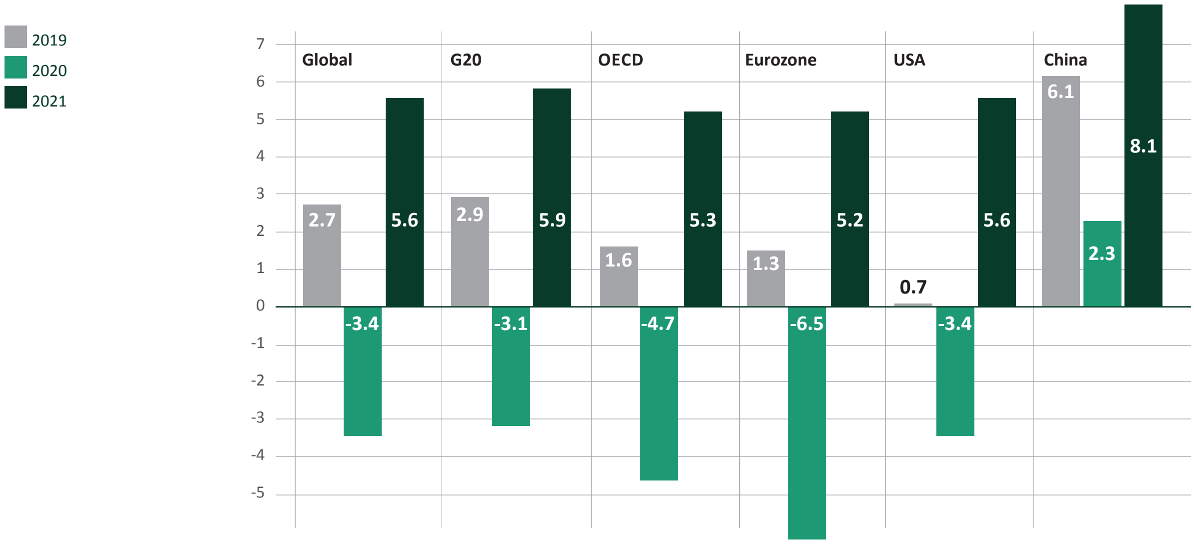
2 Based on the main work of the German philosopher Ernst Bloch. The work was originally supposed to be called "The dreams of better life".
3 European Parliament (EP) – Green Deal: Key to a climate-neutral and sustainable EU, press release, 29/6/2020.
4 OECD – Economic Outlook, September 2020.
5 European Council – A Development Plan for Europe, 18/12/2020.
6 ECB – Press Release, 10/12/2020.
7 European Commission: Communication, 14/7/2021.
8 European Commission – European Green Deal, Communication, 14 July 2021.
9 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
10 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
11 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
12 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
13 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
14 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
15 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
16 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
17 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.

GDP growth/decline in %[18]

(Source OECD)



We are currently experiencing the next mutation of the COVID-19 virus. It is difficult to predict how long the restrictions in place due to the pandemic will last and how severe they will continue to be. The progress of the vaccination campaign will, to some extent, determine this duration. Hopefully, we will soon reach the post-COVID age. This would benefit the economy and, more especially, society at large.

Another year of challenges – the return to inflation

The general conclusion is: the COVID-19 pandemic also impacted the world in 2021. However, the global economy managed to stage a recovery in 2021 due to vast fiscal and monetary support measures.

Scarce resources, a sudden increase in energy prices and difficulties with global supply chains resulted in a significant increase in producer prices in 2021, which were ultimately reflected in consumer prices, too. In the United States, the annual inflation rate as of December 2021 climbed to 7%, while inflation in the eurozone stood at 5% as of December 2021, driven by a rise in energy prices of 26%.

The **Federal Reserve Bank** (FED) also responded to the sharp rise in inflation and increasingly scaled back its securities purchases. Economists expect up to four base interest rate hikes in 2022. The **European Central Bank**[19] (ECB) is of the view that the increase in inflation is primarily of a temporary nature and should lose steam once one-off effects are eliminated. For 2023 and 2024 it forecasts an inflation rate of 1.8%, and that is why it has adopted a wait-and-see approach with regard to possible key interest rate hikes. In view of recent global changes, it remains to be seen whether and to what extent the ECB will remain on this course. The extraordinary securities purchases as part of the PEPP will prospectively come to an end in March 2022, with the increase in purchases in the PSPP to be reduced in the months thereafter concurrent with the expiration of the PEPP. The total value of securities in the purchase programmes of currently approx. EUR 4.7tn will continue to rise in the first months of 2022, although it will slow down thereafter. Interest rates will remain unchanged for the time being.

The last tranche of the targeted longer-term refinancing operations (TLTRO III), that have been improved many times, and that were introduced by the ECB to strengthen the banks, was offered in December 2021. A follow-up programme has yet to be determined.

With regard to the regulatory requirements for banks, the regulatory authorities are being more restrictive. For example, Germany introduced a countercyclical capital buffer (0.75% of the risk-weighted assets, in addition to a system risk buffer for mortgage loans amounting to 2% of the risk-weighted assets, in each case as of February 2023). Other European countries, too, have established or increased countercyclical capital buffers, including Bulgaria, Denmark, the Republic of Estonia, Norway, Romania, Sweden and the Czech Republic.

Another year of opportunities – the relevance of infrastructure

From a global perspective, the infrastructure sector was not only – as in the 2nd quarter of 2020 – highly crisis-resistant in 2021, but increasingly **a reliable guarantor of growth** in a global economy still impacted by the pandemic. Extremely positive developments in many sub-sectors, especially those in the fields of digital infrastructure and renewable energy, outweighed any ongoing challenges (in particular disruptions in the supply chain). A sharp increase in gas and electricity prices, as well as inflationary trends, meant that 2022 got off to an uncertain start. That being said, this uncertainty has and will have been more than offset by positive market developments and political momentum.

This proactive intensification of megatrends that impact the infrastructure sector, such as decarbonisation, digitalisation and investments in growing social/health infrastructure, has also driven the European market for infrastructure financing to a new volume record in 2021. As a result, the total volume for Europe (including the United Kingdom) in 2021, stood at EUR 299bn and thus beat the previous pre-COVID record year of 2018 by approximately 16%. Nevertheless, the appeal and resilience of the infrastructure sector over the past years has also led to a growing field of market participants and, as a result, increased liquidity and competition – not only in the equity sector, but also in credit financing.

Inframation League Table | Total Transaction Value < EUR 500m

RANK	COMPANY	EUR m	# DEALS
1	Santander	2,703	69
2	BNP Paribas	1,539	36
3	Natixis	1,449	20
4	**Kommunalkredit**	**1,407**	**36**
5	Crédit Agricole CIB	1,348	36
6	Société Générale	1,344	36
7	Lloyds Banking Group	1,286	22
8	UniCredit Group	1,156	19
9	NORD/LB	1,127	29
10	Intesa Sanpaolo	1,127	38

Inframation League Table | Number of Transactions

RANK	COMPANY	EUR m	# DEALS
1	Santander	6,930	94
2	Crédit Agricole CIB	7,230	70
3	BNP Paribas	6,900	69
4	Société Générale	5,228	68
5	Intesa Sanpaolo	3,448	58
6	ING Group	3,854	49
7	Natwest Group	3,231	42
8	**Kommunalkredit**	**1,931**	**39**
9	Banco de Sabadell	1,225	38
10	Natixis	4,300	37

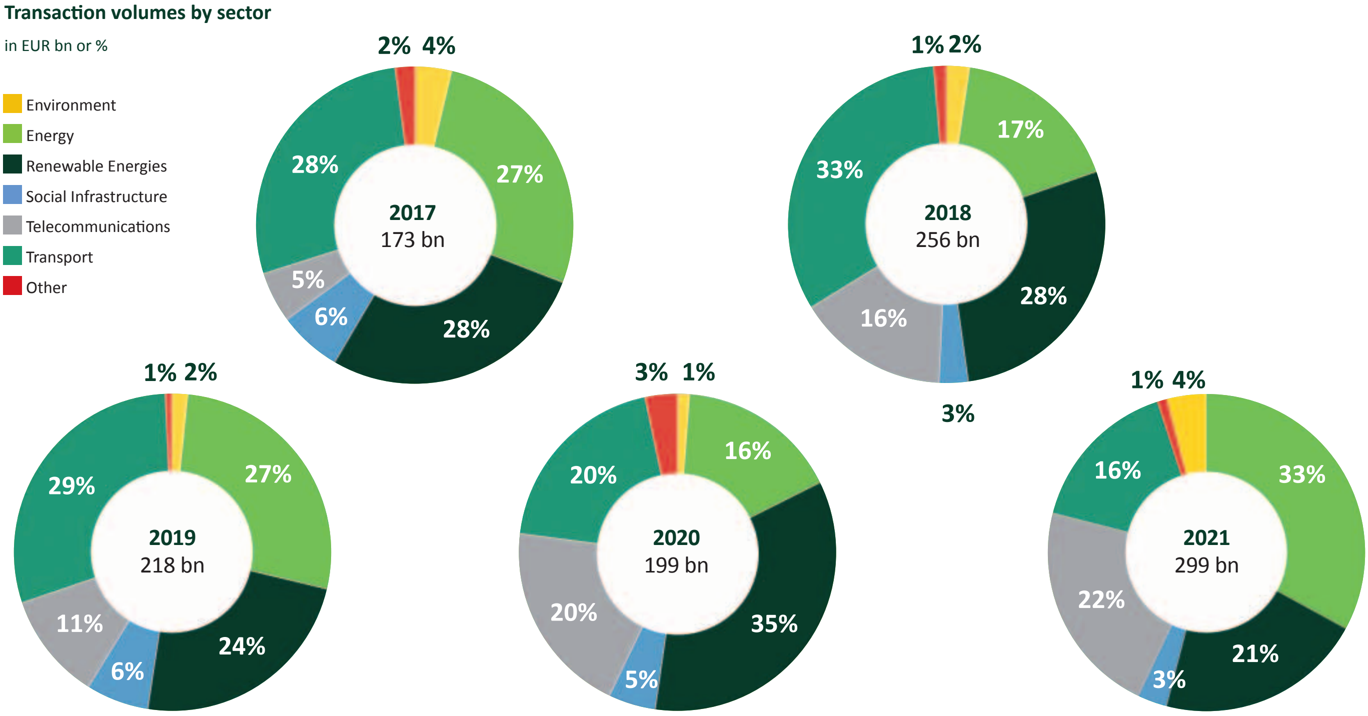
Kommunalkredit was able to build on its positive performance in recent years and has established itself as a leading player in the European market for infrastructure financing. In the official league tables of the infrastructure platform Inframation it is, based on the number of transactions, already ranked 8th (2020: 16), alongside much bigger banks. IJGlobal currently lists the bank in place 11 of the Mandated Lead Arranger (2020: 42). An achievement attributable to specialisation, flexibility, strong customer focus and high-level expertise.

Geographically, the United Kingdom (+30%), Spain (+35%) and Italy (+50%), in particular, were highly attractive markets for Kommunalkredit, as were Germany (+10%) and France (+2%). Kommunalkredit seized the opportunities that arose, in particular those in the fields of digital infrastructure and renewable energy.

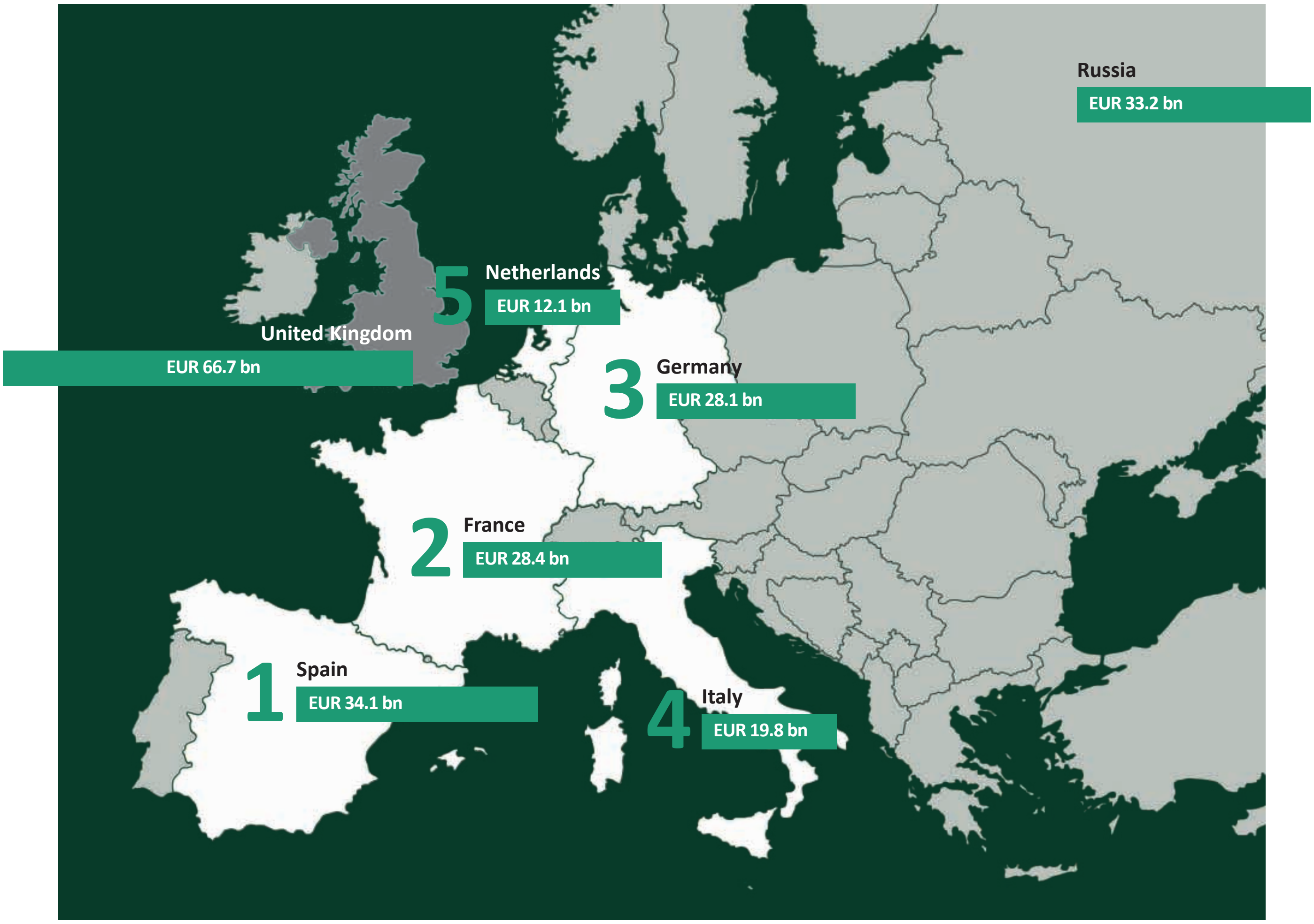
18 OECD – Economic Outlook, Volume 2/2021, 1/12/2021.
19 ECB – Press Release, 03/02/2022.

The European infrastructure market 2017-2021: Transaction volumes by sector

in EUR bn or %



The largest infrastructure markets in the eurozone 2021
by volume [22] (United Kingdom and Russia for comparison)



Given not only how the performance of the various sectors is diverging so heavily but also the nature of the concluded transactions in Europe, the volume of greenfield transactions[20] rose by 59% to EUR 97bn (2020: EUR 61bn), of brownfield/M&A transactions[21] by 46% to EUR 136bn (2020: EUR 93bn). The market for refinancing, too, posted transactions amounting to EUR 97 bn, an upward trend (2020: EUR 61bn).

The United Kingdom was the dominant infrastructure market in Europe with 262 transactions and a volume of EUR 67bn. It was in digital infrastructure, above all, that Kommunalkredit succeeded in entering into transactions with leading equity investors such as Antin, Cube and Infracapital. In the Energy & Environment as well as Social Infrastructure sectors, the bank supported leading sponsors such as AMG Capital or EIG, both with acquisition financing and with refinancing.

In Germany, fibre optics/fibre-to-the-home (FTTH) transactions reached a new high in 2021, driven by the EUR 6bn refinancing of Deutsche Glasfaser, which was acquired by EQT Infrastructure and OMERS Infrastructure. Kommunalkredit provided, including its Fidelio KA Debt Fund Platform, a ticket amounting to EUR 150m. In addition, it managed to support long-standing customers such as Basalt Infrastructure and iCon Infrastructure with their FTTH roll-outs. As for meeting climate targets, Germany is increasingly relying on energy transition sectors (EV charging, battery storage, hydrogen). The bank assisted with the launch of the first battery storage project in 2021.

Renewable energy continues to dominate the infrastructure market in Spain. Kommunalkredit had a major presence here (photovoltaics/solar), and also financed a bioenergy project together with DWS Infrastructure. In other markets, Kommunalkredit was also able to expand its activities proactively. In France, it supported InfraVia, among others, in its effort to expand its B2B fibre optics assets Celeste, in the booming Italian market, several solutions that were agreed bilaterally and tailored to the needs of customers in PV/solar, water infrastructure and healthcare were implemented. Transactions in countries such as Finland, the Netherlands, Poland, Portugal, Hungary extended its reach.

20 Greenfield projects are new infrastructure assets erected on undeveloped ("green") land, which may involve construction phases of varying lengths and financing requirements – depending on the sector and nature of the project – before they can enter service.

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

22 Inframation & Sparkspread Database – An Acuris Company, 31/12/2021. An adjustment to the measurement method may lead to changes in comparative values from the past.

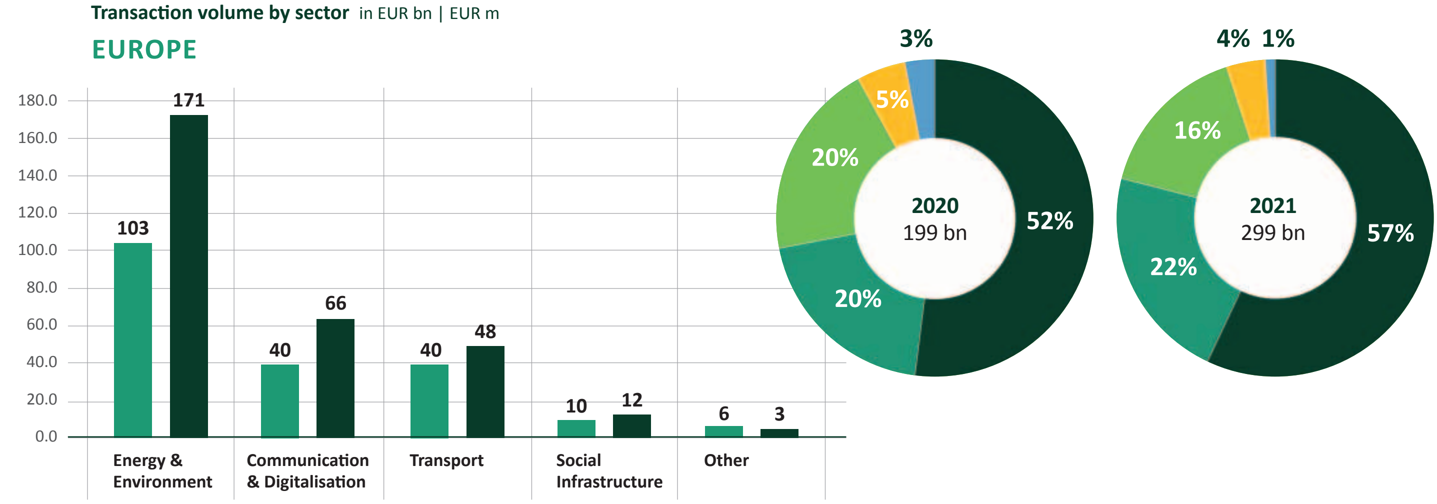
Kommunalkredit contributed to sustainability in the important domestic market of Austria in 2021. In cooperation with OMV, it is currently investing in the largest electrolysis plant in Austria producing green hydrogen. Jointly with the SORAVIA Group, it helped develop the innovative heating and cooling system for the building complex TrIIlple and Austrotower in Vienna. And with the Upper Austrian energy provider eww, it launched the joint venture PeakSun for rooftop photovoltaic systems.

With its specialisation in the Energy & Environment, Communication & Digitalisation, Transport, Social Infrastructure and Natural Resources sectors, Kommunalkredit is well-positioned to meet the future challenges in the infrastructure market. It addresses green energy solutions, e-mobility, digitalisation and social infrastructure head-on and, in doing so, has a clear focus: sustainability that meets SDG/ESG criteria.

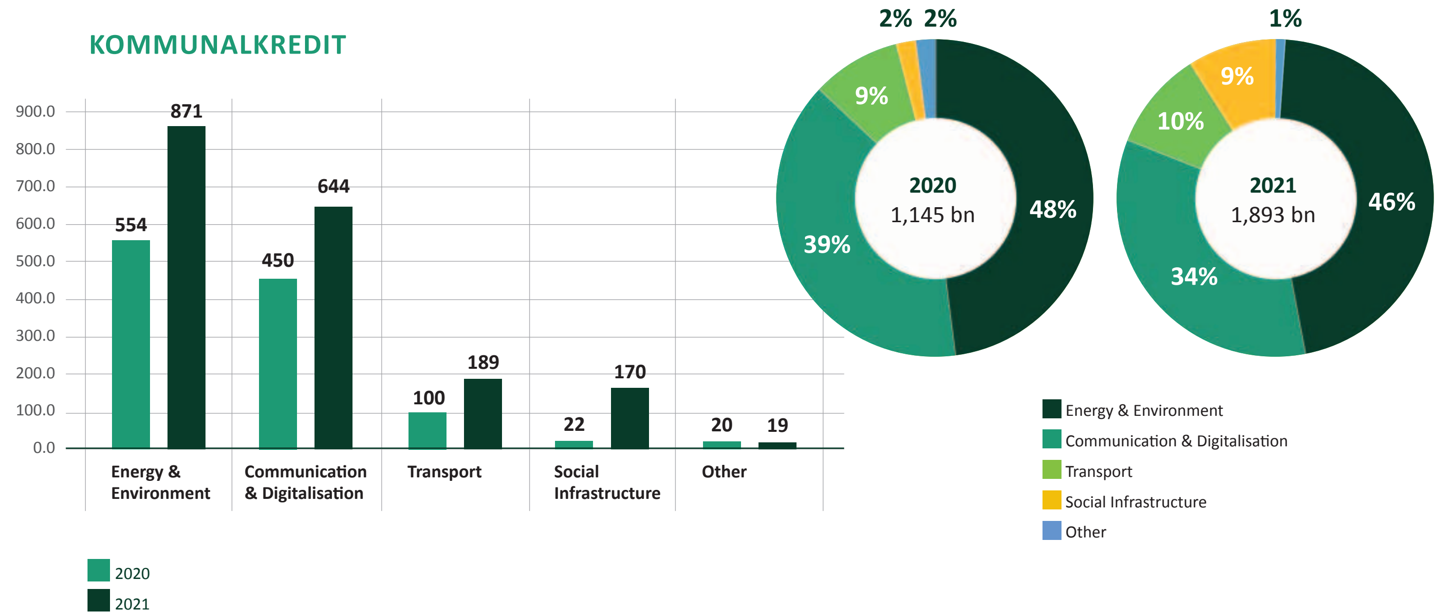
> *Our projects are intended to serve as a role model for green and energy-efficient infrastructure.*

Transaction volume by sector in EUR bn | EUR m

EUROPE

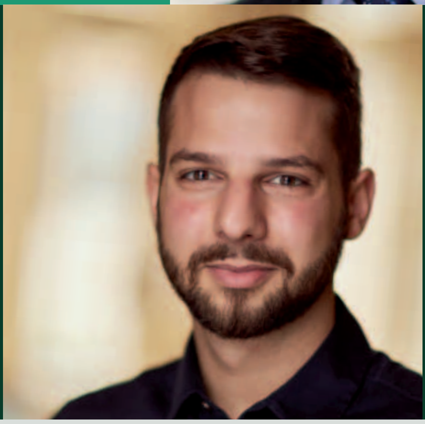


KOMMUNALKREDIT



Questions for …

Cameron Hepburn
Professor of Environmental Economics at Oxford University
Moritz P. Schwarz
Climate Economist at Oxford University



What major variables do you have to grapple with when predicting climate change?

When predicting climate change, there are three major variables. First, we already have a very good understanding of our climate and weather system, although it is not perfect. There are numbers of factors, such as the exact climate effect of clouds, which makes an exact long-term prediction difficult. Second: the climate system, as a chaotic system, has a certain variability that we cannot predict. Third: the most important variable when it comes to predicting climate change is human activity. Trying to predict what direction a society will take is extremely challenging – but this aspect is obviously the most interesting from an economic point of view.

Does humanity even have an alternative?

The 2015 Paris Agreement was based on a general consensus globally that humanity has no other alternative. Of course, lip service by politicians is not enough, and the implementation of an effective climate policy is now the top priority. That is where we see just how difficult it is to implement politically popular climate policy in society. For instance, the Fit for 55 package of measures proposed by the European Union certainly includes aspects that could lead to conflict. The consumer has noticed changes, such as higher petrol prices. Of course, this is deliberate, as prices can send a signal that a combustion engine emits more CO_2 than an electric vehicle charged with renewable power. However, the impact of this increase in price, particularly on the poorer sections of the population, has been ignored in political and economic discourse for far too long. The redistribution of income from the national CO_2 pricing through the EU regional climate bonus or the proposed social fund (note: EUR 72bn per annum is available to lower-income households and investments) are designed to lessen the impact of this predicament.

Climate policy stimulus packages have a long-term benefit – if they are tailored.

The COVID crisis has led to a historic economic downturn, the likes of which we have never seen before. The impact on unemployment, sovereign debt, economic growth is known, but was relatively short-lived historically speaking. In 2020, more specifically, the main priority was to provide economic stimulus so things could get back on track and to prevent even greater damage from being inflicted on society. From a climate perspective, when proposing such stimulus packages and future investments, we need to consider which sectors and parts of the economy are worth supporting in order to protect jobs and decarbonise in the long term.

What stimulus must be provided in this regard?

An example in Austria is the expansion of the network infrastructure for renewable energy. Such a measure is a major macroeconomic multiplier. It is also apparent that solar and wind energy creates about twice as many jobs as a similar investment in gas or coal-fired power plants. Another example is the replacement of grimy heating systems in our houses and the thermal rehabilitation that it entails. Oil heating has absolutely no place in a future where we seek to combat climate change successfully. Research & development now needs to focus on the fundamental changes in the economy coming over the next 20-30 years so we can develop breakthrough technologies. Otherwise, we will miss out on a major opportunity and will have to buy these key technologies in a few years. We also have to be aware that climate change will become increasingly apparent in Austria – today's ski tourism region must prepare for a future with different conditions.

> "Climate change means society now faces very different challenges, challenges which we never had to solve before. However, the global trend towards decarbonisation is now unstoppable – the only question is what role do we want to play."

INFRASTRUCTURE.NEEDS.

Business review

The last two years have shown us to spectacular effect how important a powerful infrastructure is. With its focus on infrastructure and energy financing, Kommunalkredit's business model has proven to be largely crisis-resistant and secure even before the outbreak of the COVID 19 pandemic. Now the bank is showing how it is setting the course for the future.

Redefining infrastructure

The global health crisis has highlighted the limitations of society in many areas. The existence and functioning of relevant infrastructure such as hospitals and nursing homes, a secure energy supply, a powerful communications infrastructure or the maintenance of public transportation increasingly became the focus of attention. A number of these systematically important sectors were already stretched before COVID-19. However, the additional challenges now led to partial or total collapse. After-effects that were felt around the world. The bank specialises in precisely these areas of critical infrastructure.

Infrastructure will become even more of a focal point in future, not just as an asset class, but as an essential factor for preventing new epidemics and economic collapse as well as for modernising and realising agendas such as digitalisation and the Green Deal. This is where Kommunalkredit has been active throughout Europe and beyond. This path – combined with the years of experience in the public finance sector – has also proven to be correct in the year of 2021. With its in-depth market expertise, a high level of diversification and quick reactions, Kommunalkredit has successfully **continued** on its **growth path**. The contribution made by the core business to gross revenues rose to 70.4% (31/12/2020: 70.0%) under IFRS and to 80.2% (31/12/2020: 75.0%) under the Austrian Commercial Code (UGB).

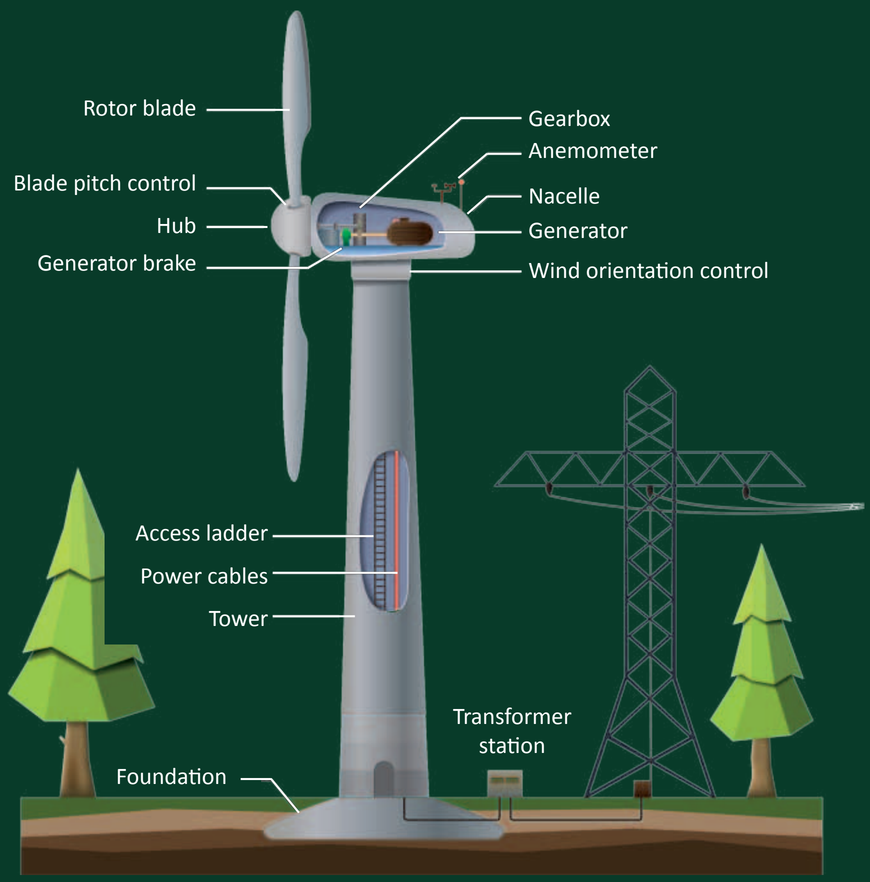
New business volume, at EUR 2,145.6m (including public finance), exceeded the two billion limit for the first time (31/12/2020: EUR 1,213.4m). The bank has a balance of diversity in terms of its asset classes, regions, terms, and product and customer segments. Business acquisitions focus on clearly defined selection criteria and efficient use of capital. In addition to the risk-and-return profile of a transaction, attention is also paid to the ability to place it among institutional investors.

As in the previous year, digital infrastructure (not least due to the increase in working and learning activities in private households) and the switch to renewable energy in relation to the European Green Deal dominated activities. 46.5% of the financing volume was attributable to the Energy & Environment sector, 34.0% to Communication & Digitalisation. Transport (9.7%), Social Infrastructure (9.1%) and Natural Resources (0.7%) played a lesser role in the financial year. Geographically, business was consistently diverse across the European Union and the EU's associated countries. Kommunalkredit was especially active in Spain and France as well as in the United Kingdom, which left the EU Single Market on 1 January 2021. Three sustainable projects were launched in the domestic market of Austria through projects with the oil, gas and chemical group OMV (electrolysis plant for green hydrogen), the real estate group SORAVIA (innovative heating/cooling system for building complex) and the energy provider eww (photovoltaic rooftop systems). The bank also had exposure in Africa for the first time with an export credit agency guarantee.

The bank conducts business in a manner that is geared towards collaborative endeavours with established partners **(originate and collaborate)**. It focuses in particular on its ability to place its transactions with its business partners on the international financing market. The volume placed with insurers, asset managers and banks in 2021 was EUR 711.4m (2020: EUR 603.6m). Thanks to its infrastructure fund (Fidelio KA Infrastructure Debt Fund Europe 1) established in 2018, Kommunalkredit is also capable of offering its business partners access to infrastructure and energy financing through an asset management solution. With the launch of Florestan KA GmbH in May 2021, the bank is in a position to support innovative project concepts and developments with equity funding in an even more focused way. In cooperation with the Upper Austrian energy provider eww it established PeakSun, a company specialising in the assembly of rooftop photovoltaic systems.

In the 2021 financial year, transactions helping to reach climate targets and expand digital communication channels topped the agenda: these included the financing of broadband initiatives in Southern and Western Europe; the expansion of photovoltaic systems and solar parks on the Iberian peninsula; the construction of wind farms in Finland; the construction of data centres in the Netherlands and Switzerland; the outfitting of healthcare and nursing facilities in the United Kingdom.

REFERENCE PROJECTS



Soidinmäki – wind power (Finland)

To realise its plan to be CO_2-neutral by 2035, the Finnish government has opted for wind power. About ten per cent of electricity production comes from this sustainable source so far – and it's a fast-growing trend. The wind farm in Soidinmäki comprises seven power plants, with construction scheduled to be completed by the end of 2022. The project will have an installed output of 38.5 MW and consists of seven 5.5 MW turbines that will be provided under a commercially typical turbine service agreement. The maintenance agreement covers a period of 30 years and includes operational and maintenance services for the internal network and the substation. The overall cost was put at EUR 49.3m, to be financed by equity attributable to the sponsors and interim financing by Kommunalkredit as Sole Mandated Lead Arranger. It is the second wind farm financing involving Kommunalkredit in Finland in 2021 and is further proof of the bank's structuring expertise in the renewable energy sector.

REFERENCE PROJECTS

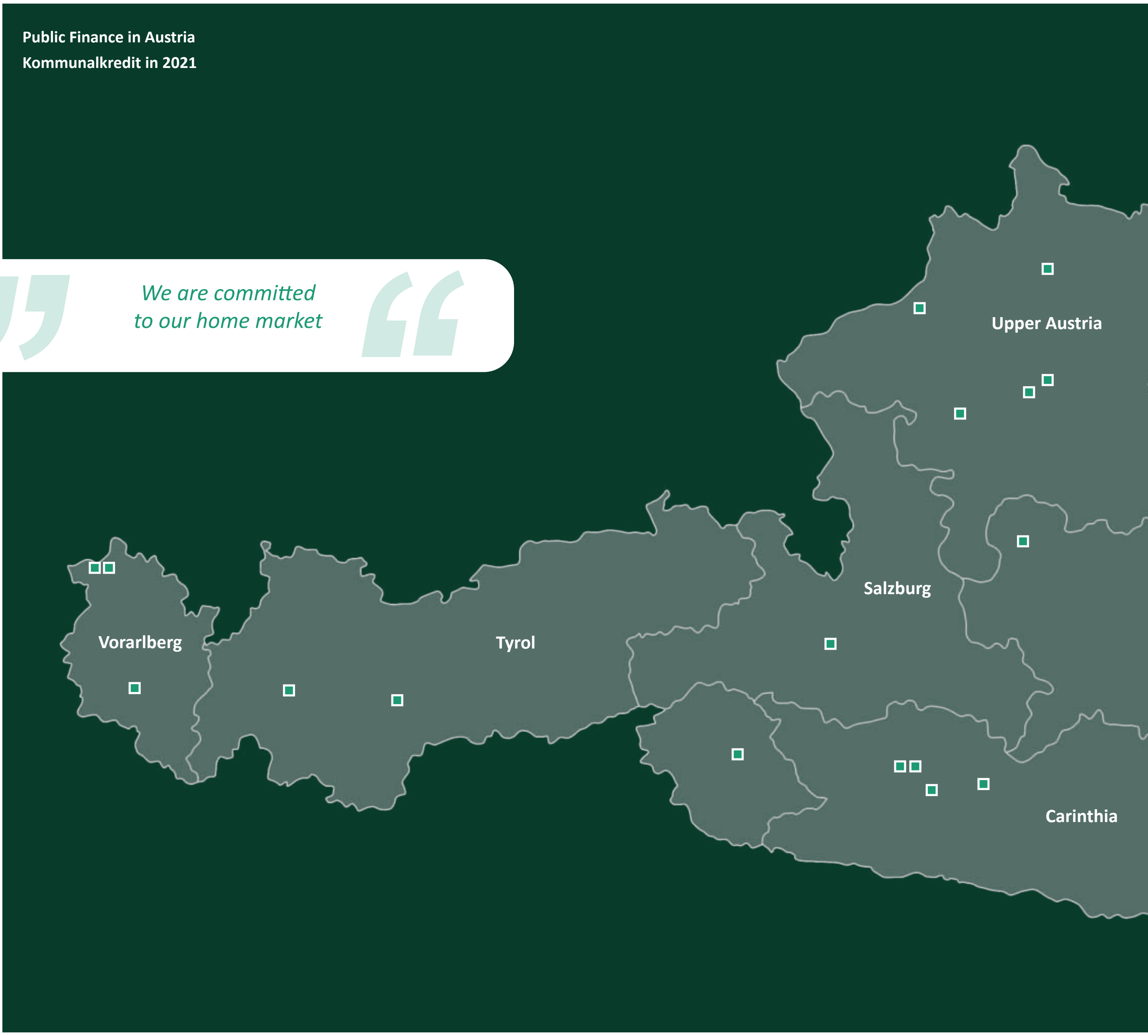
Roots – broadband (Netherlands)

The Netherlands is a front-runner when it comes to broadband connectivity in Europe; two thirds of households have fast internet connections. To further expand the fibre optics infrastructure in high-density, urban areas, Open Dutch Fiber will provide at least 1 million additional households and companies with fibre optics-based broadband services (FTTH) by 2025. The aim is to upgrade the T-Mobile Netherlands network so it can deliver speeds of 1 gigabyte per second. The financing comprises a CAPEX facility of EUR 540m with a maturity of seven years, a five-year availability period and a repayment on maturity. The investments will be provided through a combination of debt from merchant banks and equity attributable to the two owners. Kommunalkredit acted as the Lead Arranger. Through this commitment, the bank makes its own contribution to meeting the UN Sustainable Development Goals (SDG). Fast internet connections help to increase location appeal, speed up the success of local companies and promote social and cultural integration. In addition, its importance in times when more people are working from home and engaging in distance learning has become more apparent.

Siberie – biomass plant (Netherlands)

The project comprises a biomass plant including heating network with a capacity of 15 MW thermally and 1 MW electrically. The plant processes about 25,000 tonnes of biomass from wood per annum and is operated using locally produced waste wood from the public and private sector as well as from the recycling industry. Bionenergy is the most sustainable primary energy supply. It can be used for heat and cold, electricity and transport. Kommunalkredit refinanced the transaction with a green bond equal to EUR 19m, which was transferred in full to the Fidelio KA debt fund.

The sums stated correspond to the total volume of the respective transaction.



We are committed to our home market

Public finance has a long tradition and is a key part of the bank's business. Countries, federal states and municipalities are a major economic driver. With investments in essential infrastructure that is used directly by citizens, municipalities and their public institutions create and protect jobs and help to keep the economy going.

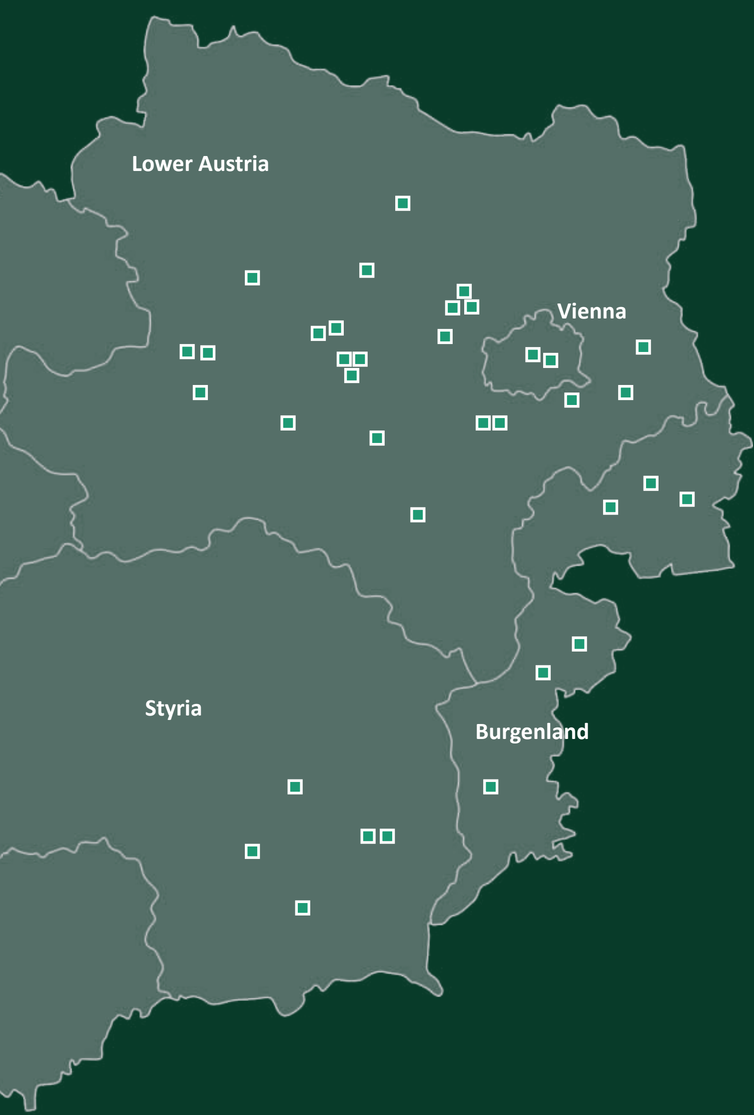
In the 2021 financial year, Kommunalkredit closed new financing deals amounting to EUR 203m, notably in the Social Infrastructure (schools, nurseries, sports facilities, fire brigade, builder's yard), Energy & Environment (wastewater disposal, sewage treatment, sewer construction) and Transport (roads and pavements) sectors, among others.

Industry awards & level of recognition

The bank's success has also been noticed by the market. One look at the **rankings of the infrastructure trade media** shows that Kommunalkredit leaves behind a footprint as a valued stakeholder and contact of interest within Europe. We are consistently in the top rankings in this highly competitive environment (such as Inframation: Social Infrastructure #1 | Solar #4 | Deals Europe #8; IJGlobal: Telecoms #7 | Renewables #18).

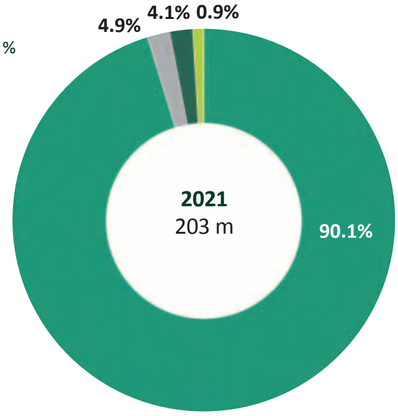
Kommunalkredit won its first **industry awards** in 2017. This was followed by numerous awards from renowned leading infrastructure magazines (Business Vision, cfi Capital Finance International, IJ Global, PFI Project Finance International from Thomson Reuters). In 2021, Business Vision recognised the bank as the "Most Sustainable Infrastructure Project Partner", cfi awarded it the title "Best ESG Infrastructure Finance Europe". The Austrian business magazine Börsianer awarded the institution the three titles of "Best Bank", "Best Specialist Bank" and "Best Direct Bank".

At the turn of the year, Kommunalkredit was awarded the "Quality seal for sustainability" and the "Quality seal for popular employers" by the Austrian daily newspaper Kurier.



Public Finance in Austria

Kommunalkredit activities 2021 in %



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

Strong performance in Europe | opportunities seized

We have positioned ourselves successfully in the European infrastructure and energy market over the past number of years. Through developing new hydrogen technologies, financing water supply companies, expanding photovoltaic systems and solar parks, constructing wind farms, implementing broadband projects, providing the healthcare sector with high-tech equipment.

#4
total transaction value
< EUR 500m*

#8
for the number of transactions*

#24
Overall ranking among Europe's infrastructure financers*

#1
for Social Infrastructure transactions*

#4
for Solar | PV transactions*

#7
for Telecommunications transactions**

#18
for Renewable Energy transactions**

* Inframation – An Acuris Company
** IJGlobal (as of 10/2/2022)

2021 AUSGEZEICHNET VON BÖRSIANER 500 Beste Bank 1

2021 AUSGEZEICHNET VON BÖRSIANER 500 Beste Direktbank 1

2021 AUSGEZEICHNET VON BÖRSIANER 500 Beste Spezialbank 1

BV .WORLD 2021 AWARDS WINNER
MOST SUSTAINABLE INFRASTRUCTURE PROJECT PARTNER CENTRAL EUROPE

cfi.co 2021 BEST ESG INFRASTRUCTURE FINANCE WINNER EUROPE

KURIER AUSGEZEICHNET BELIEBTER ARBEITGEBER 2022

KURIER AUSGEZEICHNET Kommunalkredit Austria AG HÖCHSTE REPUTATION ALS NACHHALTIGES UNTERNEHMEN 2022

A solid basis

In times of crisis, two key issues become a major focus at any bank: the quality of the portfolio and sufficient liquidity. Kommunalkredit manages a balanced overall portfolio and all transactions are backed by sufficient liquidity. As of 31 December 2021, no requests have been submitted for deferral or restructuring in the field of infrastructure and energy – despite the ongoing economically strained environment caused by the COVID-19 pandemic.

High asset quality

Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank holds a **total portfolio** of high asset quality without a single loan loss in the 2021 reporting year. As of 31 December 2021, it had an average rating of "A-", with 67.6% of the exposure rated as investment grade.

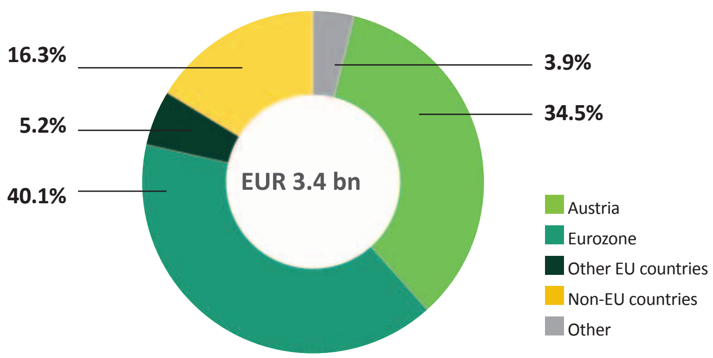
The **loan portfolio** is well-balanced, comprising an increasing proportion of infrastructure and energy financing transactions and a significant volume of public finance loans. As of the end of the year, loans to municipalities accounted for 29% of the portfolio (almost exclusively Austrian municipalities), infrastructure and energy financing transactions accounted for 47%, while loans to public sector enterprises had a share of 7%. Since privatisation in 2015, the non-performing loan ratio (NPL) has been kept at 0.0%. This is a testament to the considerable resilience of the assets in the field of public finance as well as infrastructure and energy.

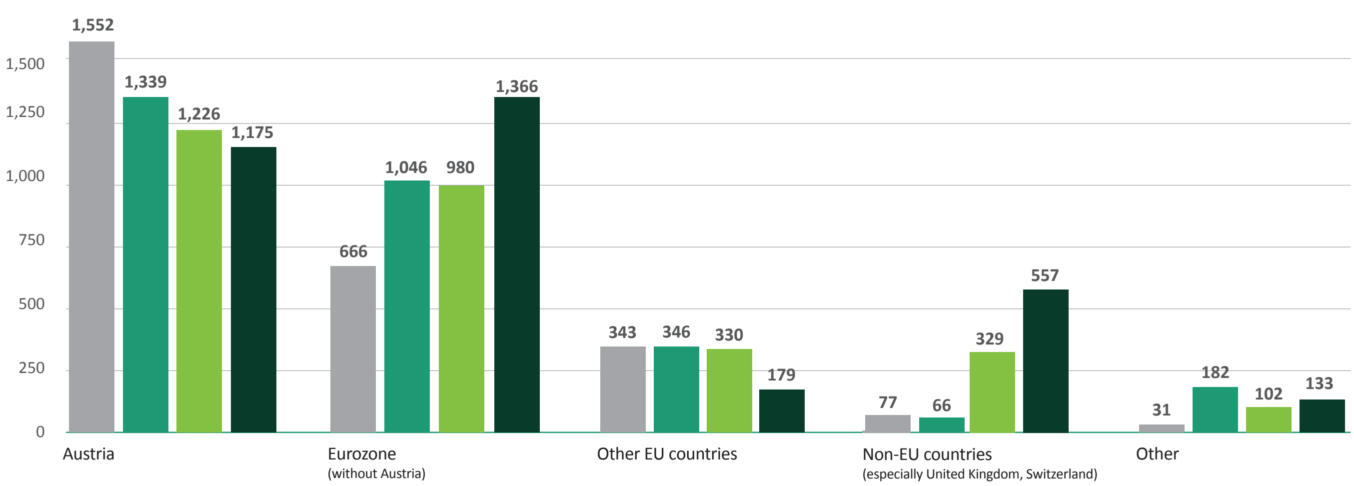
Geographically, 35% was attributable to Austria (2020: 41%), followed by the rest of the eurozone (40%) and other EU countries (5%) (2019: 33% and 11%, respectively).

0.0% NPL ratio since 2015 is a sign of our considerable resilience.

Loan portfolio by region

in EUR m, as of 31/12/2021





Stable and diversified refinancing structure

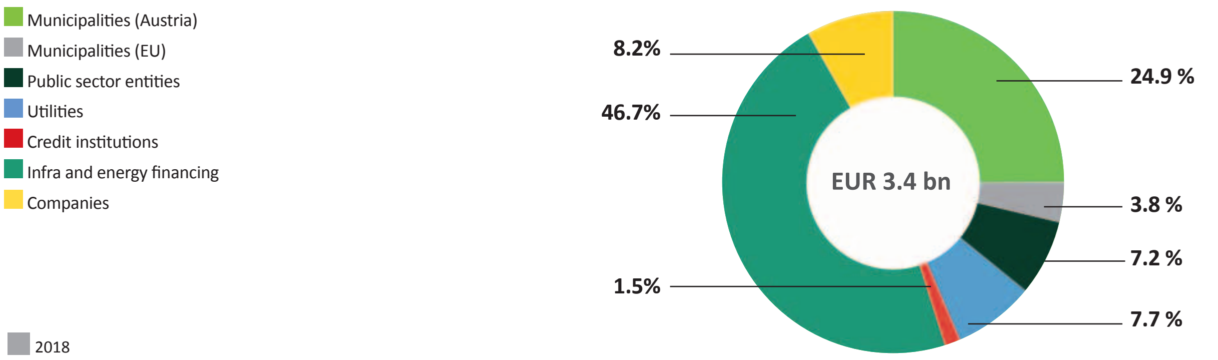
As of 31 December 2021, Kommunalkredit reported a strong **liquidity position** of EUR 971.0m. The bank held cash and cash equivalents and balances with central banks of EUR 543.4m (31/12/2020: EUR 808.6m). Furthermore, Kommunalkredit had access to a free liquidity reserve consisting of high-quality liquid securities (HQLA) of EUR 427.6m (31/12/2020: EUR 268.1m).

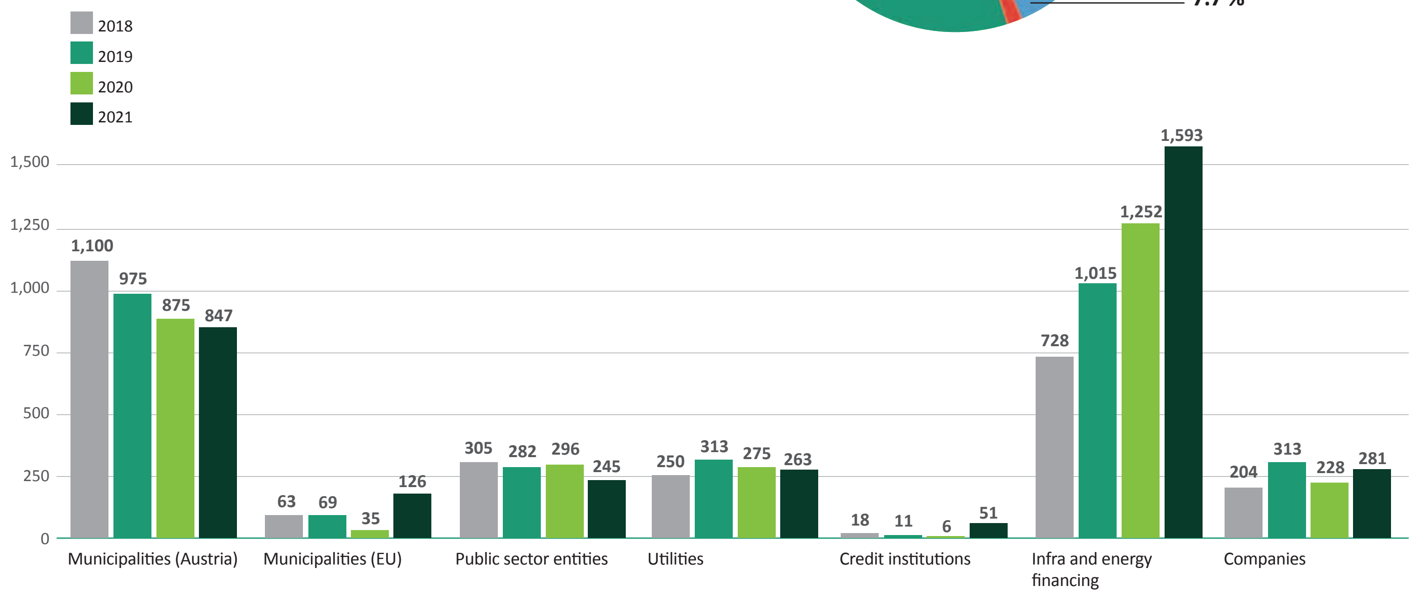
A diversified **refinancing structure** remains a major focal point. Gradually, existing funding sources have been expanded and new ones established over recent years. In order to adequately manage liquidity risks, it is important to not be dependent on any single refinancing source. As a European financial institution, Kommunalkredit focuses on infrastructure and energy financing projects – many of which provide a social and/or environmental benefit to the community. This is precisely why its products appeal to investors, as they enable sustainable investments.

The bank continued to expand its diversified refinancing strategy in 2021. After spending the past few years concentrating on developing and expanding a solid deposit base, the focus in 2021 was on entering the capital market to further diversify funding sources and strengthen the capital base.

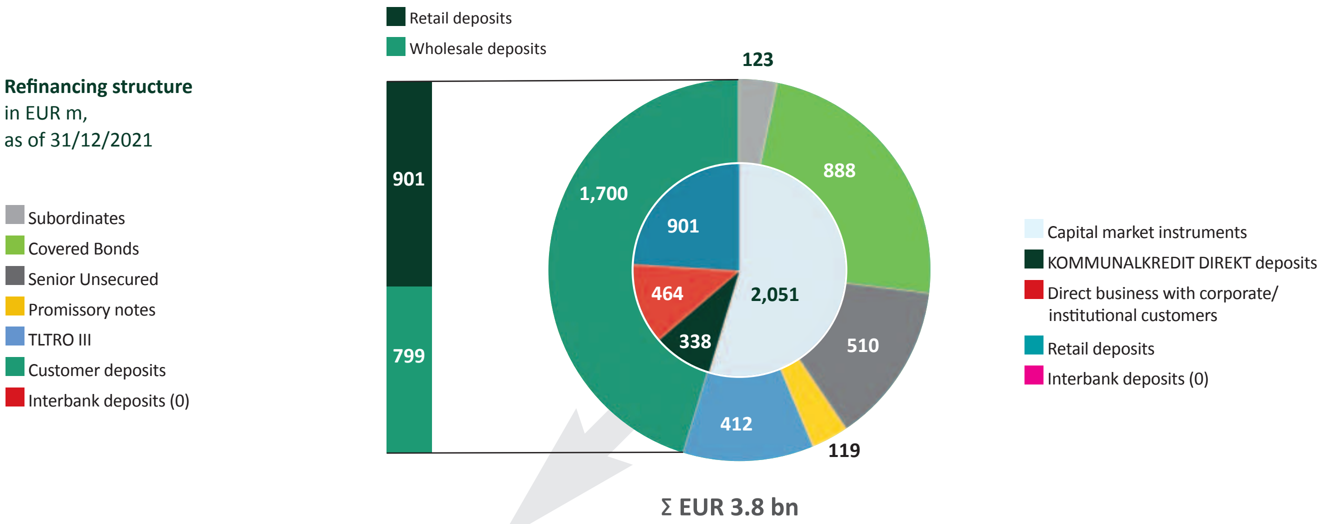
Loan portfolio by borrowers

in EUR m, as of 31/12/2021

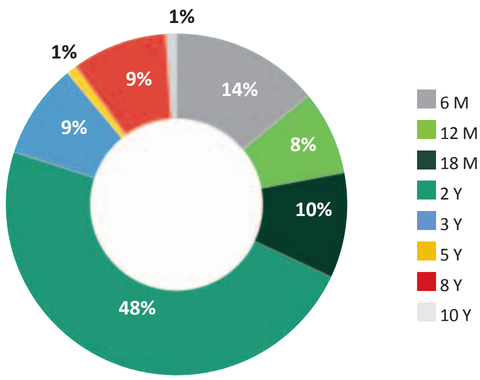




Refinancing structure
in EUR m,
as of 31/12/2021



Maturities of deposits
in %



Public sector covered bonds | cover pool

As of 31 December 2021, Kommunalkredit had a well-diversified cover pool with a value of EUR 1,026.6m, while public sector covered bonds denominated in EUR and CHF amounting to approximately EUR 887.9m were outstanding. The cover pool as of 31 December 2021 consisted of assets from Austria (92.4%), Portugal (3.4%), France (2.6%) and Germany (1.6%). 85.5% of the cover pool had a rating of "AAA" or "AA"; 9.8% had a rating of "A". The level of surplus cover as of 31 December 2021 was 13.4%.

Rating

S&P Global Ratings	Fitch Ratings	DBRS Morningstar	Covered Bond S&P Global Ratings
BBB-	BBB-	BBB	A+
A-3	F3	R-2 (high)	Stable
Stable	Stable	Stable	

The investment grade ratings from S&P Global Ratings and Fitch Ratings were newly awarded on 24 February 2021 and 22 March 2021, respectively. In addition to the continuously increasing operational profitability, particular attention was paid to the brand strength in partnerships with our customers and institutional investors as well as the demand for our infrastructure fund Fidelio KA based on the "originate and collaborate" approach. Moreover, the resilience of the business model in the COVID-19 crisis and the stable liquidity, risk-bearing capacity and capital strength have been listed as major factors for the awarded ratings. The **covered bond rating** for Kommunalkredit awarded by S&P Global Ratings was increased from "A" to "A+" with a stable outlook as of 4 March 2021.

Successful entry into the capital market

Kommunalkredit further expanded its access to the capital markets in 2021. A new **debt issuance programme** (DIP 4) was launched in 2020 amounting to EUR 800m, which was updated in April 2021 and approved by the Financial Market Supervision in Austria (FMA). Issues under this programme are listed in Vienna and highlight Kommunalkredit's sense of solidarity with its domestic capital market.

AT1 bonds: EUR 62.8m in subordinate AT1 issues were floated in 2021. Following the first-time issue of an AT1 bond to the value of EUR 6m at the start of the year, another AT1 bond of EUR 56.8m was issued and successfully placed with multiple investors following the publication of the investment grade ratings from S&P and Fitch. The issue of the AT1 bonds has strengthened and optimised the bank's capital base.

Public senior preferred bond: The bank's capital market activities were further expanded in May 2021 with the issue of Kommunalkredit's senior preferred bond to the value of EUR 300m. It was the first publicly syndicated refinancing transaction for the bank since the issue of a social covered bond in 2017. Due to massive investor interest, the final emission volume was significantly oversubscribed. The closed order book amounting to around EUR 700m encompassed over 70 investors throughout Europe. In addition to the bank's home market of Austria, the bond was also placed among investors in the asset management, insurance and banking sectors in Germany, the Benelux countries, Scandinavia, the United Kingdom and southern Europe.

Public covered bond: After the repayment of the social covered bond to the value of EUR 300m in July 2021, Kommunalkredit issued a public covered bond to the value of EUR 250m and with a maturity of seven years in September 2021. There was massive investor interest in this issue as well (oversubscribed 4.8 times over). The issue was placed among 59 investors in the asset management, insurance and banking sectors primarily in Austria, Germany, Scandinavia and southern Europe.

Private placements of capital market issues: In addition to the issue of public issues, EUR 79m in private placements of senior preferred bonds and a EUR 20m covered private placement were also placed among institutional investors in 2021.

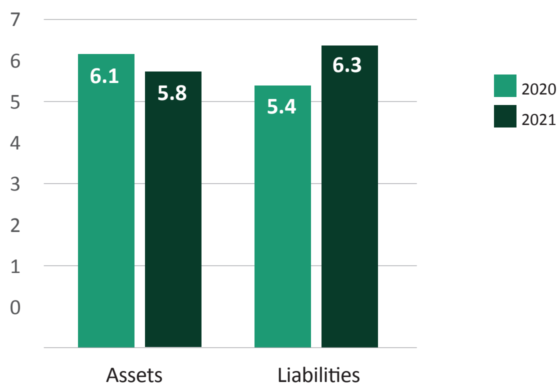
With the capital market issues, Kommunalkredit has further strengthened and diversified its refinancing structure while also increasing its visibility on the market in 2021.

Amounts owed to customers decreased to a total of EUR 1,861.0m (31/12/2020: EUR 2,115.9m). The deposits included in this amount remained stable at EUR 1,710.2m (31/12/2020: EUR 1,766.7m). Amounts owed to customers also include long-term private placements, which decreased to EUR 111.3m (31/12/2020: EUR 291.8m) due to optimisation measures in the funding structure, and liabilities from collateral received in connection with derivatives of EUR 39.5m (31/12/2020: EUR 57.5m).

Development of deposit business

Deposit business also shows, amid the continuing difficult economic environment in relation to COVID-19, a **balanced ratio** between retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and public-sector companies and direct business with corporates and institutional customers). In view of the more than sufficient liquidity situation, the wholesale deposits were deliberately reduced in favour of capital market funding in 2021. In addition, the maturity and cost structures in the deposit business were optimised.

Weighted average term in years



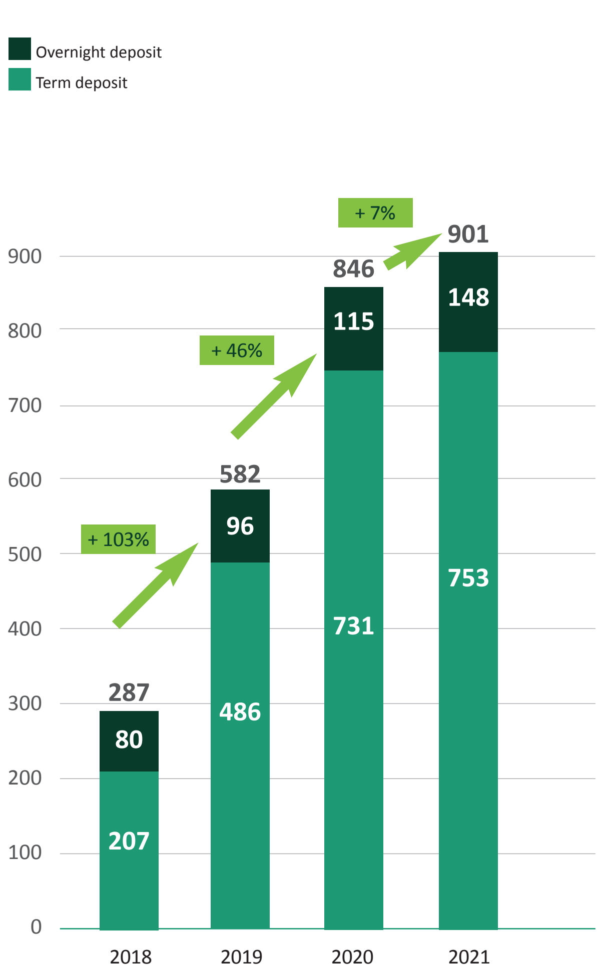
Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its business with private customers in Austria and Germany via its online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 31 December 2021, the bank had 16,043 private customers (31/12/2020: 14,489), which represents an increase of 10.7%.

The average deposit volume per customer of EUR 56,168 remains at a high level (31/12/2020: EUR 58,416). The share of term deposits as of 31 December 2021 remained stable at 84% (31/12/2020: 86%); the average term length of term deposits was 26 months (31/12/2020: 26 months). The deposit volume at the end of the year came to EUR 901m (31/12/2020: EUR 846m), up by 6.5%. More than half of the term deposits is invested to mature in three to ten years.

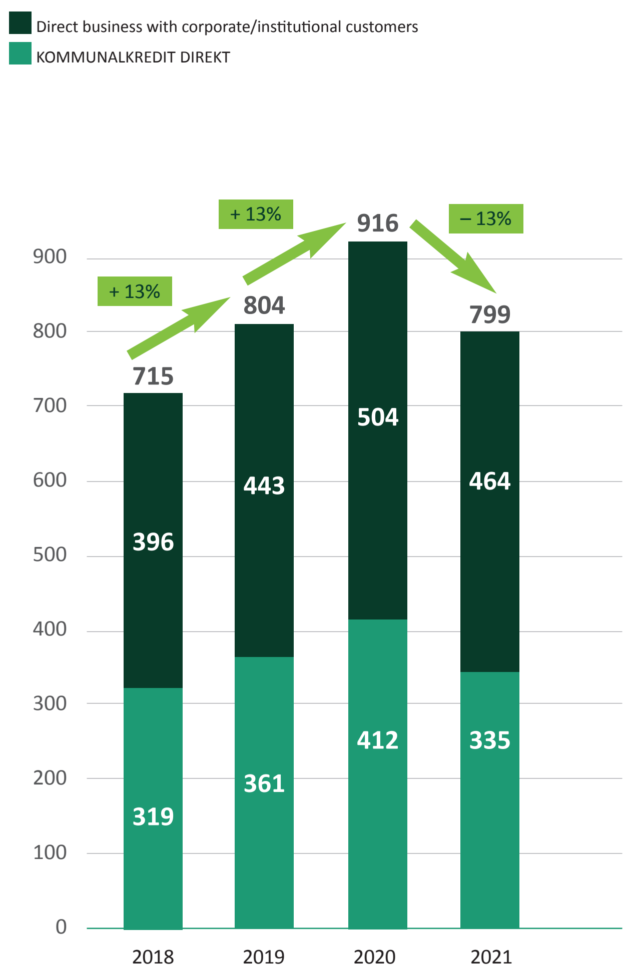
Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and corporates with close ties to municipal authorities. KOMMUNALKREDIT DIREKT provides customers with a cutting edge platform. New customers register using a completely digital onboarding process; the clear, user-centric design allows customers to easily manage their investments (including automatic reinvestments) themselves in a transparent manner and to monitor any financing arrangements.

Wholesale deposits declined by 12.7% in 2021 and stood at EUR 799m at year-end (31/12/2020: EUR 916m). As previously mentioned, the deposits were deliberately reduced in favour of capital market funding in order to prevent excess liquidity.

Retail deposits (KOMMUNALKREDIT INVEST)
in EUR m, as of 31/12/2021



Wholesale deposits
in EUR m, as of 31/12/2021



Strong liquidity ratios

The liquidity coverage ratio (LCR), in accordance with the CRR (Capital Requirements Regulation), measures the short-term resilience of a bank's liquidity risk profile over a 30-day scenario and is closely monitored as part of the bank's early warning system. With a ratio of 735% as of 31 December 2021 (31/12/2020: 421%), Kommunalkredit continued to significantly exceed the regulatory minimum ratio of 100%.

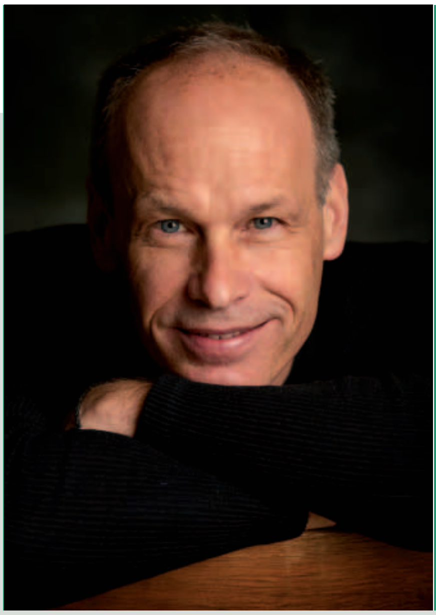
Banks are also required to maintain a stable long-time refinancing fund in terms of their assets and off-balance-sheet activities. The structural liquidity ratio (net stable funding ratio, NSFR) was also increased further in 2021. According to the CRR, this requires banks to maintain a stable refinancing fund in terms of their assets and off-balance-sheet activities. As of 31 December 2021, it was 122% (31/12/2020: 118%).

LCR
735%

NSFR
122%

Questions for ...

Marcus Wadsak
Meteorologist, TV Presenter,
Non-Fiction Writer



How do you explain climate change in 30 seconds?
It is getting warmer and warmer, our earth is heating up. We humans have caused this warming by emitting greenhouse gases. Extreme weather events are on the rise. What we are now experiencing – heavy rainfall, floods, heatwaves, drought and forest fires – are the direct result of climate change.

That being said, there are people who still dispute the effects of climate change.
The number of people denying climate change is gradually declining. These groups notice that and are therefore becoming more vocal. Certain social networks offer a platform where false theories can be broadcast across a wide spectrum. And there are people who simply have other interests. Industries that want to hold on to their fossil fuels, for example, give a lot of money to climate deniers. When the facts are there for all to see – and they have been since the 1970s – you cannot argue climate change out of existence.

Why is climate change such an emotional issue?
I'm afraid it still isn't a really emotional issue because it is very abstract for many people and remote geographically speaking. The image of polar bears on ice floes stays with you, but this reality is far too removed from everyday life. The truth is: climate change has been around for some time. Austria is warming twice as much as the global average: 2 degrees more than in the pre-industrial age. The glaciers are melting, there are more heat waves, periods of drought are lasting longer, crop failures, floods, extreme weather events with damage caused by hail, storms ... all of this is happening more frequently in Austria.

Austria has set itself the goal of being climate-neutral by 2040 and must therefore take appropriate action. With this in mind, what will the region of the future look like?
We will have regions that will and must remain untouched. And we will have regions that will clearly change. I, myself, can see huge wind turbine fields from my bedroom in Burgenland. They are far from houses, make no noise, and do not disturb anybody. Having said that, each wind turbine is the subject of a discussion. Generally, people are all for them. There are specific requirements and nobody wants them right on their doorstep. What is the alternative? A coal-fired power plant, a nuclear power plant ...? Solar and wind power have enormous potential and are increasingly attracting attention. You always have to keep in mind that they produce sustainable, clean energy – unlike things that pollute our air and pose a risk to our health.

> "We are the first generation to feel the effects of climate change. And we are the last who can do something about it."

PERFORMANCE.INDICATORS.

Assets, financial position and income

The 2021 financial year was a record year for Kommunalkredit. With profit for the year of EUR 48.9m, up 34%, we continued on our path of growth with impressive results. With its focus on infrastructure and energy financing as well as public finance, Kommunalkredit's business model has proven to be largely crisis-resistant and profitable even amid the challenges posed by the COVID 19 pandemic. This was corroborated at the beginning of the year by the rating agencies S&P Global Ratings and Fitch Ratings with the award of an investment grade rating.

Financial performance indicators according to IFRS (Selected performance indicators)

in EUR m or %	2021	2020
Total assets	4,427.9	4,423.5
Total capital (subscribed capital, reserves, additional tier 1)	437.7	359.4
Net interest income	**78.9**	**77.1**
Net fee and commission income	29.4	28.5
General administrative expenses	-63.6	-57.2
Other operating income	15.5	2.2
EBIT*	**60.1**	**47.5**
Loan impairment, valuation and realised gains	7.0	0.2
Consolidated profit for the year before tax	**67.1**	**48.0**
Income taxes	-18.2	-11.6
Consolidated profit for the year	**48.9**	**36.4**
Cost/income ratio (based on EBIT)	53.2 %	56.1 %
Return on equity before tax**	19.5 %	15.3 %
Cost/income ratio bank stand-alone	47.9 %	51.3 %

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

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

Regulatory performance indicators of Kommunalkredit Austria AG according to Austrian GAAP

in EUR m or %	31/12/2021	31/12/2020
Risk-weighted assets	2,026.5	1,692.2
Total capital (CET 1, additional Tier 1, Tier 2)	458.2	392.8
CET 1 ratio	17.3 %	20.3 %
Common equity ratio	20.4 %	20.3 %
Total capital ratio	22.6 %	23.2 %

Rating

Issuers rating	S&P GLOBAL RATINGS	FITCH RATINGS	DBRS MORNINGSTAR
Long-term rating	BBB-	BBB-	BBB
Short-term rating	A-3	F3	R-2 (high)
Outlook	stable	stable	stable

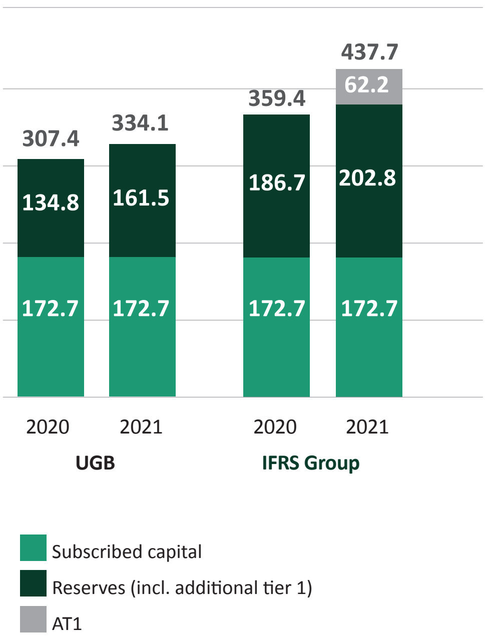
The main differences in EBIT between the separate financial statements under the Austrian Commercial Code (UGB) and the consolidated financial statements according to IFRS resulted from diverging implementation dates of fees related to the new lending business, the differentiated treatment of derivatives in the portfolio hedge and EBIT of the fully consolidated subsidiaries.

Selected performance indicators of Kommunalkredit Austria AG according to Austrian GAAP

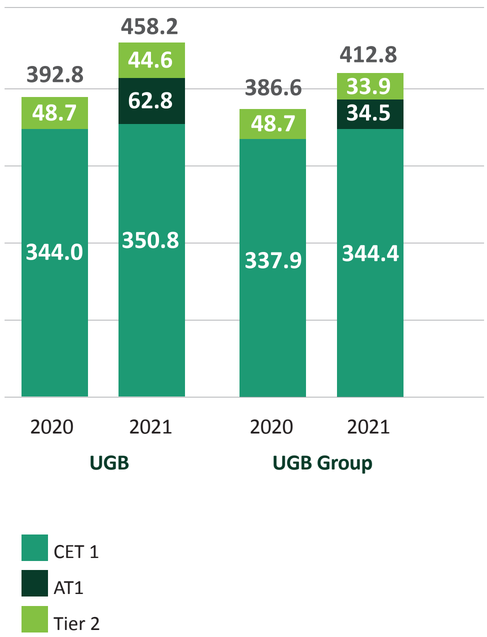
in EUR m or %	2021	2020
Total assets	4,230.4	4,108.7
Total capital (subscribed capital, reserves, additional tier 1)	334.1	307.4
Net interest income	**55.6**	**57.4**
Net fee and commission income	29.6	20.4
General administrative expenses	-51.9	-47.4
Other operating income	18.4	3.0
EBIT*	**52.5**	**31.9**
Other loan impairment, valuation and sales result	3.7	0.5
Profit on ordinary activities	**56.2**	**32.4**
Income taxes	-9.0	1.2
Profit for the year after tax	**47.1**	**33.6**
Cost/income ratio (based on EBIT)	51.2 %	61.0 %
Return on equity before tax[29]	16.3 %	10.3 %

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

Balance sheet equity
in EUR m



Regulatory total capital
in EUR m



Structure of statement of financial position

Kommunalkredit's total assets according to IFRS amounted to EUR 4.4bn as of 31 December 2021 (31/12/2020: EUR 4.4bn). The largest item in the statement of financial position was "loans and advances to customers" amounting to EUR 2.0bn (31/12/2020: EUR 1.8bn). A further EUR 1.1bn (31/12/2020: EUR 1.0bn) was attributable to financing transactions intended for opportunistic placement, which are reported in the statement of financial position under the item "Assets at fair value recognised directly in other comprehensive income". The increase in these items was mainly attributable to the continued growth in infrastructure and energy finance. In 2021, new payouts reflected in the statement of financial position of EUR 1.1bn were made, while the placement volume of EUR 0.7bn was increased significantly. Furthermore, the bank held cash and cash equivalents of EUR 0.5bn as of 31 December 2021 (31/12/2020: EUR 0.8bn).

Customer liabilities of EUR 1.9bn (31/12/2020: EUR 2.1bn) and securitised liabilities of EUR 1.4bn (31/12/2020: EUR 1.1bn) were the largest refinancing items under equity and liabilities. The increase in issue activities in 2021 to further diversify the funding sources was mainly shown through a EUR 300m public sector senior preferred bond and a EUR 250m public sector covered bond transaction.

The Kommunalkredit Group's equity according to IFRS amounted to EUR 437.7m as of 31 December 2021 (31/12/2020: EUR 359.4m). In addition to profit retention, the increase of EUR 78.3m mainly reflects the first-time issue of AT1 bonds with a nominal value of EUR 62.8m to diversify the capital base.

Risk-weighted assets and total capital

As of 31 December 2021, Kommunalkredit individually had common equity tier 1 capital (CET 1) of EUR 350.8m (31/12/2020: EUR 344.0m), core capital (tier 1) of EUR 413.6m (i.e. CET 1 plus EUR 62.8m additional tier 1 – AT1) (31/12/2020: EUR 344.0m) and total capital of EUR 458.2m (i.e. tier 1 plus EUR 44.6m tier 2) (31/12/2020: EUR 392.8m). To diversify the capital base and optimise the capital structure, additional Tier 1 capital (AT1) amounting to EUR 62.8m was successfully placed on the capital market in the first half of 2021. The difference between the regulatory total capital individually (EUR 458.2m) and at Group level (EUR 412.8m) largely results from the imputation restriction pursuant to Article 81 ff CRR ("minority deduction").

Risk-weighted assets rose in the 2021 financial year to EUR 2,026.5m (31/12/2020: EUR 1,692.2m) due to the positive performance of new business.

As of 31 December 2021, Kommunalkredit therefore once again reported strong capital ratios: the total capital ratio came to 22.6% (31/12/2020: 23.2%), the Tier 1 capital ratio came to 20.4% (31/12/2020: 20.3%), and the common equity tier 1 ratio came to 17.3% (31/12/2020: 20.3 %).

Total capital ratio	Tier 1 capital ratio	Common equity Tier 1 ratio
22.6 %	20.4 %	17.3 %

"Our focus on infrastructure and energy financing as well as public finance has proven to be crisis-resistant and profitable despite the challenges of the COVID 19 pandemic."

Questions for …

Werner Krammer
Mayor of Waidhofen an der Ybbs

How does a small town in the north of Austria feel the effects of climate change?
The rise in certain weather extremes is also impacting us in this region. Since Waidhofen is located in a valley, we see little flooding despite the increase in heavy rainfall. However, more water is coming down the slopes, which means our sewer network is often pushed to its capacity limits. We know that we need to make some changes here.

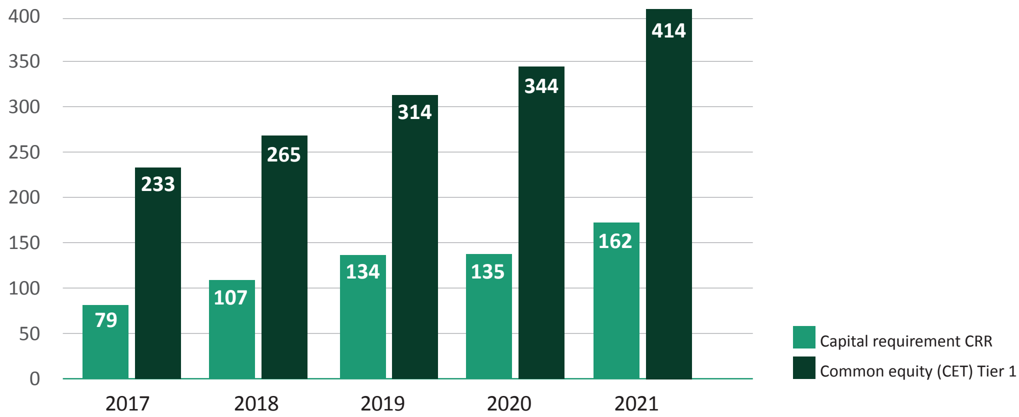
To kick-start the energy transition, you began launching initiatives a few years ago.
We were one of the first towns to switch completely to LED lighting. We have had our own hydro power plant on the Ybbs since 2012. We believe energy groups offer huge potential. And, as a first step, we have fitted the municipal buildings with photovoltaics. Our relationship with the citizens is excellent in this regard. Many of them are actively addressing climate issues and, by joining forces with us, are raising awareness.

> “We must try to organise mobility using urban concepts so that not everyone needs to take their own car.”

How does the Renewable Energy Expansion Act support the implementation of municipal projects?
At the moment, it is primarily the energy groups that are being heavily promoted, as this allows us to motivate people to opt for sustainable electricity – both as a producer and as a consumer. We need to keep issues such as blackout in mind; we have invested heavily in photovoltaics. Wind power, however, is not an issue due to spatial planning. From a transport policy perspective, we have an advantage in that we are located right beside the Rudolfsbahn, which is connected to the western axis via Amstetten. We have a regional bus system that goes in all directions on the hour; downtown, we have a relic in the Ybbs Valley Railway, which covers the main frequency points every half hour. We round it off with a city bus system. But then we have reached our limits. Some districts are not connected. That’s why we have thought about introducing new mobility services: we are stepping up efforts to establish mobility associations that provide transportation on a voluntary basis, especially for younger age groups or the elderly.

Keyword mobility: What about electric cars and infrastructure?
We have electric charging points and are currently expanding the network. It’s not that easy because energy providers are unable to direct the electricity everywhere. The cables need to be properly dimensioned, although we sometimes lack the infrastructure for this. As for PV, we have inspected all our municipal buildings for statics, solar radiation ... First, you are pleased that you have large areas, but then you become disillusioned because the local transformer is unable to draw the electricity. There is a need for action, something that is not within the remit of the municipality.

Risk-weighted assets and total capital
Capital resources in EUR m



The values shown reflect the total capital performance indicator basis of Kommunalkredit's separate financial statements according to Austrian GAAP, taking into account the profit for the year in 2021 after a planned dividend of EUR 23.0m.

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). Satere prepares its consolidated financial statements according to the relevant requirements of Austrian GAAP; the scope of consolidation is determined according to § 30 of the Austrian Banking Act. As of 31 December 2021, the consolidated total capital ratio came to 20.4% (31/12/2020: 22.9%), the consolidated Tier 1 capital ratio to 18.7% (31/12/2020: 20.0%) and the consolidated CET 1 ratio to 17.0% (31/12/2020: 20.0%).

Income statement of the Kommunalkredit Group under IFRS

The Kommunalkredit Group has had a very successful financial year in 2021, with profit for the year after tax rising by 34.1% compared to the previous year to EUR 48.9m, and EBIT improving by EUR 12.6m or 26.5% to EUR 60.1m. The clear increase in EBIT is attributable to the continuous expansion of the core businesses of infrastructure and energy financing as well as public finance combined with targeted measures in interest rate and liquidity management. The significant improvement in EBIT was also reflected in a considerable reduction in the cost/income ratio to 53.2% (2020: 56.1%); individually at Kommunalkredit Austria AG, a cost/income ratio below 50% (47.9%) was achieved a year earlier than planned. The return on equity before tax increased from 15.3% the previous year to 19.5%.

CIR
Bank Stand-alone
47.9 %

RoE
19.5 %

NPL
0.0 %

Kommunalkredit's portfolio also proved to be very robust in 2021 despite the COVID-19 pandemic; the non-performing loan (NPL) ratio remained at 0.0%.

The main income and expense items under IFRS for 2021 are as follows:

EBIT

EBIT (profit for the year before tax, not including net provisioning for impairment losses or measurement gains/losses) amounted to EUR 60.1m (2020: EUR 47.5m) and comprises the following essential components:

Net interest income
Net interest income rose by 2.3% to EUR 78.9m (2020: EUR 77.1m) and proved a main pillar of Kommunalkredit's business model in the 2021 financial year despite an increased burden caused by negative interest for liquidity reserves.

Net fee and commission income
Net fee and commission income from the range of services that are continually expanded by Kommunalkredit in the credit and service business as well as from the subsidy management and consulting/project development business of the subsidiary Kommunalkredit Public Consulting GmbH (KPC) increased by 3.2% to EUR 29.4m (2020: EUR 28.5m). This includes EUR 31.0m (2020: EUR 30.3m) in fee and commission income and EUR 1.6m (2020: EUR 1.8m) in fee and commission expenses.

General administrative expenses
General administrative expenses of the Kommunalkredit Group increased by 11.2% to EUR 63.6m (2020: EUR 57.2m) and comprised personnel expenses of EUR 44.8m (2020: EUR 39.0m) – mostly to performancelinked remuneration due to outperformance and the difficult working conditions under COVID19 restrictions –, and other administrative expenses of EUR 18.8m (2020: EUR 18.1m). The increase in general administrative expenses is reflective of the growth in capacity and the strategic expansion of the team, both in the front and back office, with international know-how and substantial experience in the infrastructure and energy sectors resulting from the growth path taken and the broadening of the product range. The cost/income ratio decreased despite increased general administrative expenses to 53.2% after 56.1% the previous year.

Other operating income

Other operating income amounted to EUR 15.5m in 2021 (2020: EUR 2.2m) and mainly includes realised income of EUR 14.9m from the repurchase of customer liabilities in the amount of EUR 155.5m and the reversal of related interest rate hedges. The rating improvements in 2021 triggered by the positive and stable business development in the infrastructure and energy business enabled a further diversification of funding sources. This way, access to the capital market was expanded and equity and debt capital issues were successfully implemented. As part of the optimisation of the funding structure, repurchases of promissory note loans were carried out with a positive effect on the result, taking into account sufficient liquidity.

Loan impairment, valuation and realised gains

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

The net result of asset valuation and realised gains and losses was EUR 7.2m in 2021 (2020: EUR 0.7m). This item included positive measurement effects of EUR 6.8m (2020: EUR -1.0m) from financial instruments measured at fair value through P&L; the increase in long-term market interest rates resulted in positive measurements of interest rate derivatives that are not part of hedge accounting.

Income taxes

The tax expense came to EUR -18.2m (2020: EUR -11.6m) and includes the utilisation of the capitalised loss carryforwards in addition to the current tax expense and the release of deferred tax assets from temporary differences between the values recognised according to IFRS and the amounts calculated for tax purposes.

Development in risk provisions taking COVID-19 into account

The risk provisions for statistically expected credit losses are taken into account based on a risk provisioning model with statistically calculable empirical values. The expected loss is determined as the product of the probability of default (PD) taking into account forward-looking information, the loss given default and the exposure at default.

One of the key drivers of the PDs is changes in macroeconomic input parameters. Despite the current increase in COVID-19 case numbers, the outlook for 2022 is very positive, and a sustainable economic recovery with significant economic growth as well as a decline in rates of unemployment is forecast. The economic recovery led to more rating upgrades than downgrades being recorded in the portfolio in 2021. This positive economic environment resulted in a considerable reduction in PDs in 2021 which are now marginally below the long-term through-the-cycle PDs again and are still deemed to be sufficiently conservative.

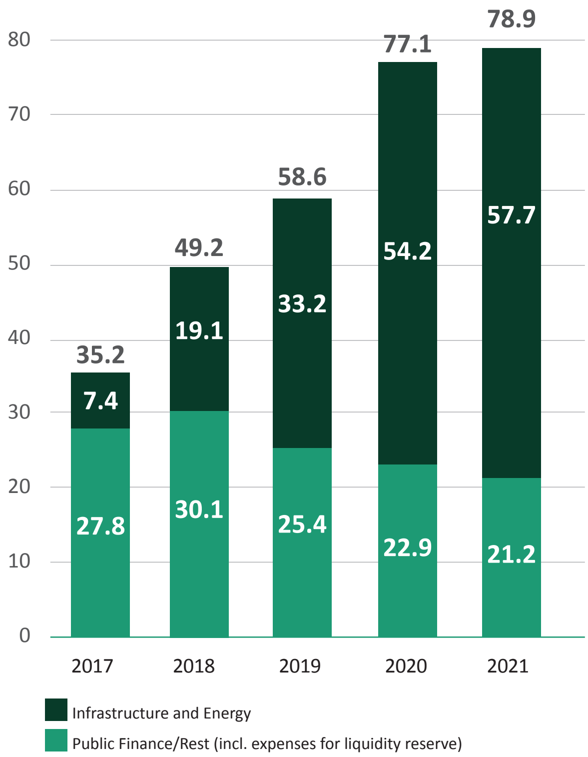
The bank's portfolio has also been very stable in 2021 due to the contractual and structural risk mitigation factors that are typical for infrastructure financing. Much of the project financing benefits from availability models, fixed feed-in tariffs or long-term contracts and also contains additional risk-mitigating contractual agreements such as extensive disbursement checks, restrictive financial covenants and reserve accounts. Based on sensitivity analyses, the financing structures and the repayment profiles are defined so as to ensure that there are sufficient reserves in place for servicing loans in a due and proper manner. Credit performance in the entire infrastructure portfolio was in accordance with the contractual agreements, apart from two cases where the repayment profile was adjusted (forbearance). As of 31 December 2021, four exposures from the infrastructure portfolio with an exposure amounting to EUR 95.3m were recognised in ECL 2 (lifetime ECL).

Isolated deferrals (deferred interest payments and repayments totalling EUR 2.3m) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages resulting from the COVID pandemic. There were no long-term financial difficulties/deteriorations in credit ratings as of 31 December 2021; all exposures are in ECL 1.

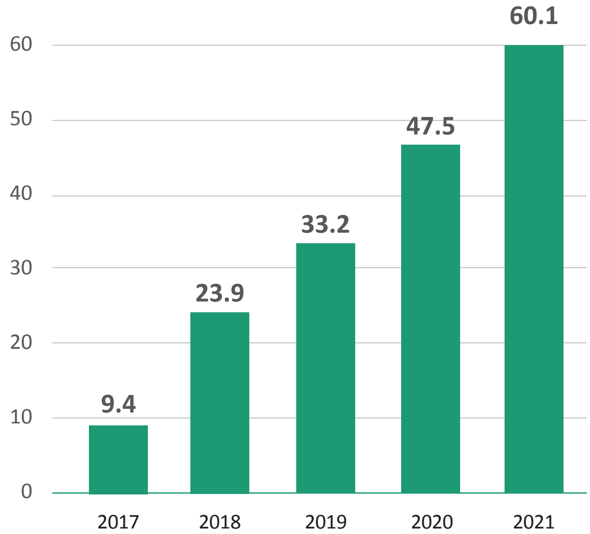
> *Kommunalkredit has reacted swiftly to the changed demands, in particular through the increased focus on digitalisation & communication due to home office, distance learning and a secure and resilient energy supply.*

IFRS Indicators

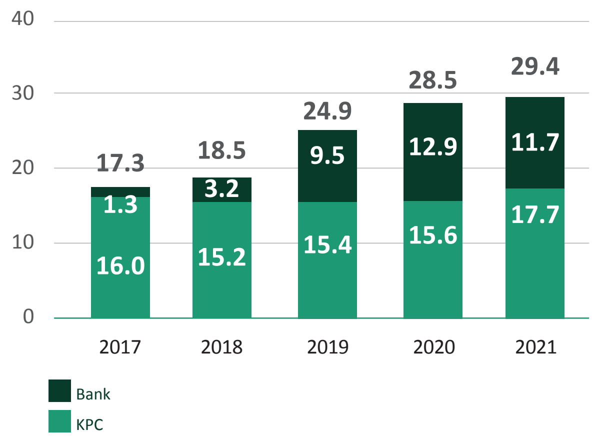
Net interest income in EUR m



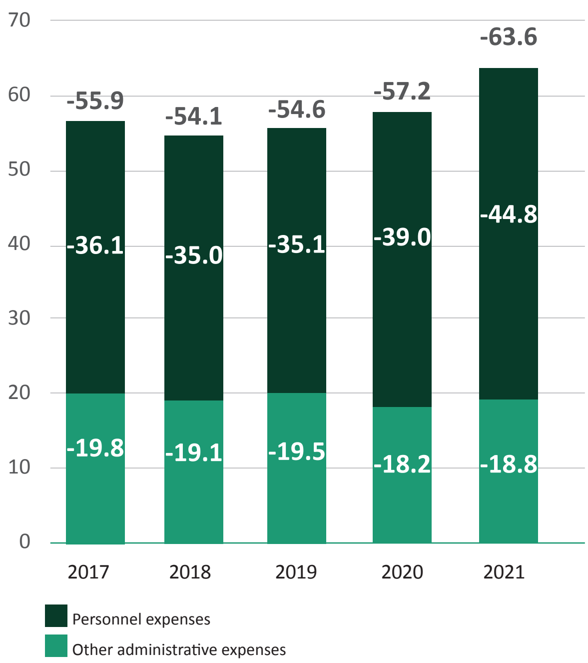
EBIT in EUR m



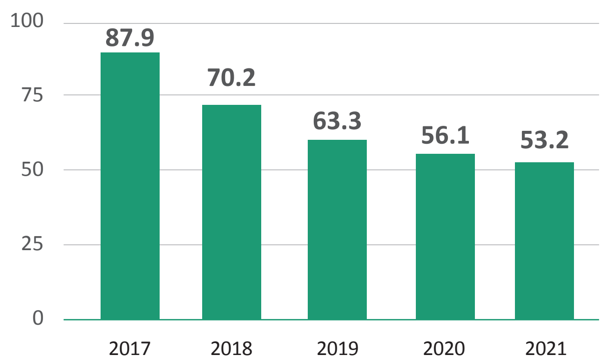
Net fee and commission income in EUR m



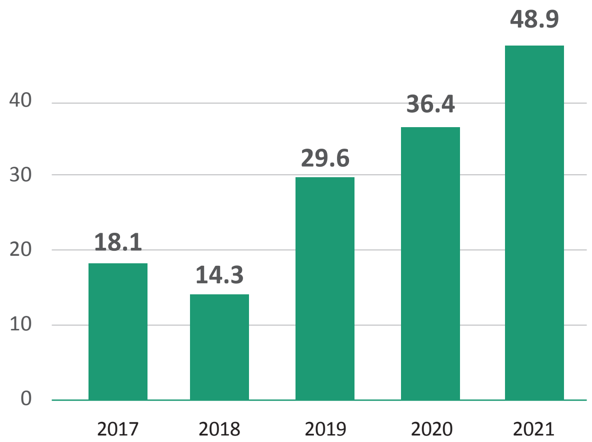
General administrative expenses in EUR m



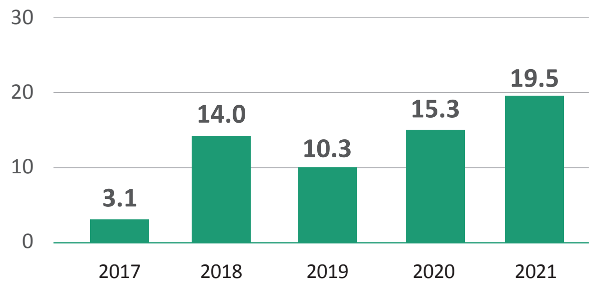
Cost/income ratio in % (based on EBIT)



Profit for the year in EUR m



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



Income statement of Kommunalkredit Austria AG in the non-consolidated financial statements according to Austrian GAAP

Kommunalkredit Austria AG reported an operating result of EUR 49.8m for 2021 in accordance with Austrian GAAP (2020: EUR 33.1m). EBIT, which adds the operating result from infrastructure/energy and the change in the provision pursuant to § 57 (1) of the Austrian Banking Act (BWG), also illustrates, with an impressive increase of 64.4% or EUR 20.6m to EUR 52.5m (2020: EUR 31.9m), the changes in the bank's operating earnings power in the 2021 financial year combined with targeted measures in interest rate and liquidity management. Based on EBIT, this results in a markedly reduced cost/income ratio of 51.2% (2020: 61.0%).

The other loan impairment, valuation and sales result came to EUR 3.7m (2020: EUR 0.5m). The statistically calculated provisions for expected credit losses decreased slightly by EUR 0.1m and came to EUR 6.2m as of 31 December 2021. There is also a general risk provision according to § 57 (1) BWG amounting to EUR 4.1. There were no credit losses in 2021, either; the NPL ratio remains constant at 0.0%.

The profit on ordinary activities came to EUR 56.2m and was 73.5% or EUR 23.8m above the previous year's value of EUR 32.4m. After full utilisation of the tax loss carryforwards, the tax expense amounted to EUR 9.0m in 2021 (2020: tax income of EUR 1.2m). Nevertheless, the profit for the year after tax increased by 40.3% to EUR 47.1m (2020: EUR 33.6m).

The total assets under Austrian GAAP came to EUR 4.2bn as of 31 December 2021 (31/12/2020: EUR 4.1bn). The main asset items in the statement of financial position were loans and advances to customers amounting to EUR 2.7bn (31/12/2020: EUR 2.6bn). Bonds and debt securities, which mainly include securities from the liquidity book, amounted to EUR 0.7bn as of 31 December 2021 (31/12/2020: EUR 0.5bn). Customer liabilities of EUR 1.9bn (31/12/2020: EUR 2.1bn) and securitised liabilities of EUR 1.3bn (31/12/2020: EUR 1.0bn) are the largest refinancing items under equity and liabilities.

Kommunalkredit's equity amounted to EUR 334.1m as of 31 December 2021 (31/12/2020: EUR 307.4m). The bank also still has EUR 40.0m from a fund for general bank risks according to § 57 (3) of the Austrian Banking Act.

Selected income statement under local GAAP

in EUR m	1/1-31/12/2021	1/1-31/12/2020
Net interest income	**55.6**	**57.4**
Net fee and commission income	29.6	20.4
General administrative expenses	-51.9	-47.4
Other operating income	18.4	3.0
Other operating expenses	-2.8	-1.3
Operating result	**49.8**	**33.1**
Operating result from sale of infrastructure/energy financing	3.3	-0.3
Net allocation to provision (§ 57 (1) Austrian Banking Act)	-0.7	-0.9
EBIT	**52.5**	**31.9**
Other loan impairment, valuation and sales result	3.7	0.5
Profit on ordinary activities	**56.2**	**32.4**
Taxes on income	-9.0	1.2
Profit for the year after tax	**47.1**	**33.6**
Cost/income ratio (based on EBIT)	51.2 %	61.0 %
Return on equity before tax	16.3 %	10.3 %

KNOW-HOW. PROVIDERS.

Branch office and equity investments

Vienna (headquarters) and Frankfurt (branch office) are the main hubs from which Kommunalkredit performs its function as a specialist for infrastructure and energy financing. The company operates across all of Europe from these two economic hubs. The 188 employees in the bank and 113 in the environmental subsidisation and consulting subsidiary are responsible for the performance.

Focus on core business

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), the companies of the Fidelio KA Debt Fund platform, Florestan KA GmbH and Kommunalnet E-Government Solutions GmbH are strategic investments or investments in affiliated companies, while the companies relating to the bank's real estate (serving as head office) primarily serve to support the core business.

Kommunalkredit Public Consulting GmbH

Investments in infrastructure and measures to combat climate change are essential for our society. With its two areas of business **subsidy management** and **consulting**, Kommunalkredit Public Consulting GmbH (KPC) makes a major contribution to these goals. It is an expert and competent partner for climate and environmental protection projects in the fields of renewable energy, energy efficiency, climate-friendly mobility, urban water management, protective water management and remediation of contaminated sites. 90% of its shares are owned by Kommunalkredit. With its broad and specific knowledge of topics regarding the environment, climate and energy, KPC is a recognised partner in the field of **sustainable finance** and for the recognition of ESG and SDG criteria in daily business.

Subsidy management

The high demand for environment support schemes persisted in 2021. KPC awarded subsidies of EUR 773m, in particular on behalf of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), the Federal Ministry for Agriculture, Regions and Tourism (BMLRT) and the Climate and Energy Fund. The subsidies consequently went to 98,298 environmental and climate protection projects with a total investment volume of EUR 4,559m. This is equivalent to an increase of about 81% against the same period in 2020.

In keeping with the efforts made by the Austrian federal government to promote climate protection at regional and local level and revive the economy in times of COVID-19, funding was increased significantly in 2021 for any climate-related subsidy instruments. There has never been more funding available. As a result, demand for subsidies surged; applications increased by 110% compared to the previous year.

KPC acts as the **point of contact** between the subsidisers who provide the financial resources and the applicants. They oversee the entire process of a project. Its duties also include the development and implementation of support programmes. In 2021, these were, for example, subsidy programmes to promote wooden construction in the Waldfonds investment fund, numerous subsidies within the framework of the Austrian Recovery and Resilience Plan and the introduction of a subsidy to decarbonise district heating.

KPC in 2021

98,298
Project assessments
+142%

EUR 4,559m
Investment volume
+81%

EUR 773m
Subsidy volume
+73%

Effects of environmental support in 2021

over
1,091,000 MWh
of energy generated from renewable energy sources

over
380 km
of water pipes laid

over
2,800,000 m²
of contaminated land remediated

over
290 km
of canals created

almost
505,000 t
CO_2 saved per year

almost
905,000 MWh
in energy savings per year

over
10,000
residents protected from flooding

Consultancy services

As a consultancy, KPC provides services for renowned national and international development organisations and financial institutions. Its range of services includes technical and economic consulting, the preparation of (market) studies, the implementation of evaluation projects and the development of sustainable credit facilities, as well as capacity development and policy advice. In international consulting, KPC focuses more specifically on consultancy services in the field of energy, climate protection and sustainable finance. In addition, it focuses increasingly on services in the field of ESG (Environment, Social & Governance) and on the issues associated with green financing and EU taxonomy. For example, KPC was accredited as a **verifier of green bonds** in accordance with the CBI (Climate Bond Initiative) standard.

Clients include renowned institutions such as the World Bank, the European Commission, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Organisation for Economic Cooperation and Development (OECD) or the German Kreditanstalt für Wiederaufbau (KfW).

On behalf of the BMK, KPC appointed a member of the Austrian negotiation team in the climate negotiations at EU level and in the context of the international climate negotiations in Glasgow (COP 26) again in 2021. The contribution of donor countries to funding for international climate projects under the Paris Agreement will be negotiated as part of this mandate, and the position of the Member States at EU level will be agreed upon. KPC also acts as an advisor to the Austrian representative in the Green Climate Fund (GCF), an instrument for funding for international climate projects that provides money for projects to reduce greenhouse gas emissions and for enabling adjustments to climate change in developing countries.

In the field of bilateral climate project funding, the KPC manages climate protection projects funded directly by the BMK to support climate protection measures in developing countries and emerging markets.

In 2021, KPC received new attractive commissions as well as extensions for existing appointments to support Green Financing Facilities in the energy efficiency segment. One example is the implementation of the EBRD support programme “Green Economic Financing Facility – Western Balkan” for the thermal rehabilitation of buildings in the Balkans. The aim of this programme is to ensure a significant reduction in the use of woodfuels in inefficient ovens in uninsulated buildings in order to counter environmental pollution (especially particulate matter) and the waste of local wood resources. KPC is implementing the project with local banks in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. It also conducts training sessions, calculates the amount of subsidies for each rehabilitation project and markets the programme.

The seven-year term of the Pilot Auction Facility for Methane and Climate Change (PAF), which stimulates private investments in climate protection measures, will come to an end in 2022. This pilot project launched by the World Bank is intended to revitalise the lack of financial incentives in CO_2 trade with the purpose of providing more finance to projects that combat climate change. About USD 55m has been contributed in the auctions. KPC supports the World Bank as a “Verification Agent” in this process by verifying project credits related to the climate protection projects using tender conditions.

KPC has also offered a platform for the voluntary offsetting of CO_2 emissions in the form of “Climate Austria” since 2008, which has now become one of the leading tools in Austria. In cooperation with Austrian Airlines, passengers can offset their journeys.

Project development

For KPC, too, 2021 was dominated by the expansion of the fields of business. The aim of the new area of focus, “project development in the field of renewable energy”, is to take advantage of KPC’s technical know-how combined with Kommunalkredit’s financial background and develop projects in Austria as well as in the EU. A team of experts, tasked with developing photovoltaic or wind power projects within KPC and through partnerships with other companies and implementing them together with the bank, is currently being set up.

REFERENCE PROJECTS

PeakSun – photovoltaic rooftop facilities (Austria)

By joining forces with the Upper Austrian energy provider eww, Kommunalkredit formed a joint venture for the development, construction and operation of rooftop photovoltaic systems in Austria. The business model is structured in such a manner that customers do not need to make initial investments, and there is no technical risk. Under a contracting agreement, the company constructs, finances and leases the system on the roof areas provided by the customers. The electricity produced is either used in the building itself or fed into the public power grid. If the customer uses the electricity produced by the system, this can result in substantial cost savings compared to conventional electricity procurement. The system can be taken over after 15 years or leased again.

Europe’s largest photovoltaics park (Spain)

Cobra Concesiones is one of the leading sponsors and project developers in the field of renewable energy. The company is an expert in project development and has many years of experience in the construction and operation of renewable energy projects. Europe’s largest photovoltaics park in the region of Murcia in Spain covers an area of 1,088 hectares; 494 megawatt hours of solar power are produced. Kommunalkredit acted as a Senior Lender for the project, the consultants at KPC were on hand to provide support for the technical requirements during the entire construction phase and start-up of the project.

The unique combination of financial expertise and technical know-how from one single source makes us special.

Questions for ...

Frank Hasselwander, Gerlinde Mayerhofer-Fras, Christopher Giay

KPC Management Board

2021 was an intense year, project assessments increased by almost 150%. What are your expectations for 2022?
In subsidisation management, environmental support in Austria, the climate fund and thermal rehabilitation will be given a lot more funding to support the national climate targets. In addition, there are new subsidies available from the European Reconstruction and Resilience Fund (RRF) to achieve the EU target of climate neutrality by 2050 and set the stage for digital change. And we are waiting in the wings for the implementation of new subsidy schemes such as circular economy, repair service bonus or a support programme for farms transitioning to energy self-sufficiency. This means that there will be a sharp increase in the number of applications.

Sustainable finance is becoming more of a priority for consulting. ESG and SDG are becoming increasingly important, including in the regulations. A new field of business?
Providing consulting services for sustainability issues is part of our DNA. Of course, new opportunities arise, and we intend to take advantage of them. One example is the focus of companies on the implementation of an EU-compliant sustainability strategy in accordance with the Paris Goals as well as non-financial reporting including disclosure of taxonomy compliance in accordance with the CSRD Directive. In the field of green financing we support companies with the preparation of green or social bond frameworks right through to verification of green bonds in accordance with the standards of the Climate Bonds Initiative. And we are involved in sustainable risk management, assessing climate risks and incorporating these risks in traditional business risks. In Austria alone, 2,000 companies will need to take the new reporting on board over the coming years. We can and would like to offer our expertise in this area.

In 2021, international project development was added to the portfolio. An initial summary?
We launched that in March 2021. The aim is to establish a strong team that focuses initially on the development and implementation of PV and wind projects in Austria and the EU. In conjunction with Kommunalkredit and through joint ventures with local project developers, we identify and develop MW class projects. This year we expect to complete the > 250 MW range with local developers and to implement the first PV project from this pipeline. Additional projects are in the pipeline and pursue the objective of the “Green Deal” in the EU and the decarbonisation of our economy.

KPC is a sought-after partner in international consulting, has been sending a representative to the World Climate Conference for years. What else is happening on the international stage?
We have been a partner for international financing institutions and consultants in the areas of water, climate change, environment and energy for over 25 years. Our services include technical and commercial studies (feasibility studies, cost-benefit analysis, preliminary planning), the management and implementation of projects, the development of sustainable credit and subsidy facilities, capacity development and policy advice. For our clients, we are a global player, our principal business areas at the present being Central, Eastern and Southern Europe as well as the Caucasus and the Mediterranean region. There is huge demand. A greater focus will therefore be on the acquisition of new business; the stage is set for this.

Florestan KA GmbH

In May 2021 the project development company "Florestan KA GmbH" was founded for equity investments. The aim is to provide equity funding for infrastructure and energy projects with development and growth potential.

In this connection, Kommunalkredit is investing in the construction of the largest electrolysis plant in Austria at Schwechat Refinery jointly with OMV, Austria's leading oil, natural gas and chemical group. With an annual production of up to 1,500 tonnes of green hydrogen, the carbon footprint is reduced by up to 15,000 tonnes per year.

Questions for ...

Dirk Langhammer
Vice President Business Transformation OMV*

"Let's allow hydrogen to play its true role: Not as an exclusive, high-priced product such as champagne, but as the bottled water of the energy transition."

The largest electrolysis plant in Austria, for the production of green hydrogen, is currently being constructed at Schwechat Refinery. 1,500 tonnes will be produced each year in the future. What can you do with it?
Just picture it: with this amount you can make 17 million kilometres of HGV or bus travel CO_2-free. This is equivalent to roughly 150 heavy goods vehicles per year. We can decarbonise these accordingly.

How is green hydrogen produced?
Water (H_2O) is separated during electrolysis. Alternating current is rectified, producing a positive and a negative pole. Oxygen collects at the positive pole and hydrogen at the negative pole. We use PEM electrolysis featuring a so-called proton exchange membrane, which is needed to exchange particles. Hydrogen is then considered green when the energy for production comes from renewable power.

Can the residual products from the process also be used?
The use of the oxygen recovered is often only economically viable if used in larger plants. Gas has to be collected, processed, compressed and liquefied. Waste heat is also produced, which can be used via a heat pump. Our plant, therefore, focuses on hydrogen.

If you look at the automotive industry, it is opting for electricity. Does green hydrogen even have a good chance of being adopted in this segment?
That is true when it comes to cars, at least in Europe, although the debate on production and use of batteries has yet to come to a satisfactory conclusion. As for HGV and bus transportation, there is no doubt that an alternative solution to the diesel combustion engine must be found. Here the fuel cell in HGVs is an indispensable solution for long distances and heavy loads.

What role will green hydrogen play in the energy transition?
Its potential knows no bounds. And hydrogen has many applications. In refineries, it can replace grey and blue hydrogen, be a key component in heavy goods vehicles, be used to decarbonise entire industries. Hydrogen is not a scarce commodity. We need to ensure that we get it at the right price. This requires technological development and openness, exciting partnerships and regulations to truly achieve decarbonisation. My vision is that we actually reach net carbon zero.

* at the time of the interview, as of 1/1/2022
Vice President Strategy & Group Development Borealis

REFERENCE PROJECTS

Green hydrogen – investment in electrolysis plant (Austria)

The largest electrolysis plant in Austria is currently being constructed at Schwechat Refinery. From the second half of 2023, the 10 MW polymer electrolyte membrane electrolysis will produce up to 1,500 tonnes of green hydrogen each year. This means a reduction of 15,000 tonnes of fossil CO_2, which corresponds to about 17 million kilometres of bus or HGV travel per year. OMV, the integrated, international oil, gas and chemical company with its registered office in Vienna and Kommunalkredit are investing EUR 25m in the construction of the plant. Hydrogen plays a pivotal role in meeting the climate targets and therefore has potential for the future.

The sums stated correspond to the total volume of the respective transaction.

Kommunalkredit has formed a joint venture with the Austrian energy provider eww for the development, construction and operation of rooftop photovoltaic systems in Austria. As part of the proposed "contracting model", customers do not need to make an initial investment, as the company finances the rooftop photovoltaic systems erected on the roof areas provided by the customers and leased to the customers. The customers receive all the electricity produced by the system and can use it in the building itself or feed it into the public power grid.

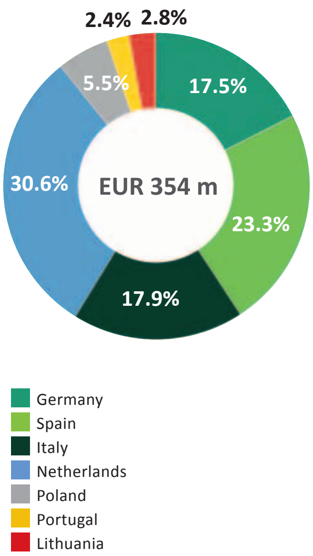
Fidelio KA Debt Fund platform

Kommunalkredit has established an independent infrastructure debt fund platform that gives institutional investors diversified access to the bank's infrastructure pipeline with the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA. The successful launch of the first infrastructure debt fund saw the bank expand its range of products to include **asset management solutions**. The formation of Fidelio KA Investment Advisory GmbH, which acts as Investment Advisor, is linked to this.

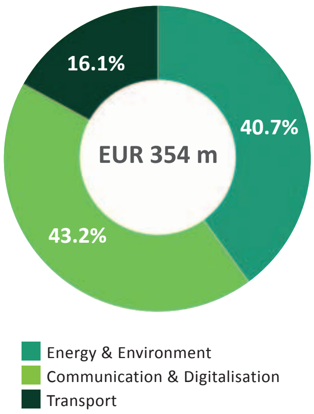
Investors benefit from Kommunalkredit's strong origination, structuring and portfolio management expertise in the field of sustainable European infrastructure and energy transactions. The bank benefits from deeper strategic partnerships with fund investors, ultimately translating into an increased number of transactions and higher volumes. The "Fidelio KA Infrastructure Debt Fund Europe 1" **sub-fund**, for example, which had its final close at the end of February 2020 with a volume of EUR 354m, outstripping the original target volume of EUR 150m by a wide margin, is already closed and fully invested with 17 projects. The portfolio overcame the COVID-19 challenges of the last two years without its performance being compromised and has no defaults or impairments.

Facts on Fidelio KA Infrastructure Debt Fund Europe 1 as of 31/12/2021

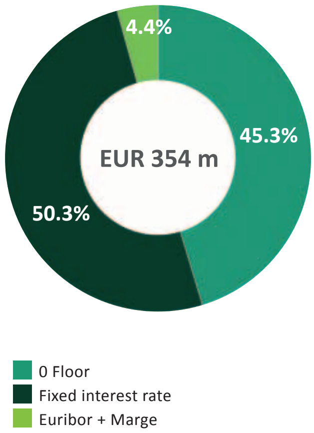
Geographical allocation
in %



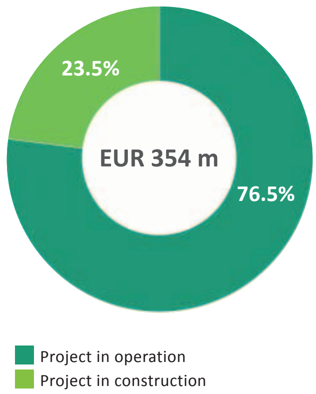
Sector diversification
in %



Interest rate
in %



Portfolio status
in %



Fidelio combines a broad range of sustainable projects linked to infrastructure and energy investments that benefit the public and offers much sought-after access to an attractive asset pipeline. The projects combined in the fund make a major contribution to the Social Development Goals.

The fact that Kommunalkredit makes its own investments in parallel with the fund allows it to present itself as a dependable partner with aligned interests. At year-end 2021, the bank invested EUR 268.5m in infrastructure and energy transactions in parallel with the first sub-fund. Due to strong **investor demand**, other fund concepts are planned. The second European infrastructure fund focusing on infrastructure and energy projects in Europe with average ratings of investment grade will include in particular the areas of renewable energy and digitalisation.

Kommunalkredit Co-Funding EUR 268.5m

Questions for …

Susanne Riess
CEO Wüstenrot

Why has the Wüstenrot Group been so successful for almost 100 years?
Wüstenrot brought building society savings to Austria in 1925, in the process creating a highly successful model to counter the dramatic rise in housing shortages. Building society financing has always enabled people with a low income to afford their own home. The foundation of Wüstenrot Versicherungs-AG in 1976 marked a key turning-point in the expansion of this business area. Today, Wüstenrot is a financial group serving over 1.2 million customers in Austria, providing all-in-one solutions from a single source in the areas of saving, financing, pension planning and insurance. In-house sales activities across the Group, a distinct customer and service focus as well as tailored solutions enable Wüstenrot to establish long-standing customer relations. In applying for a bank licence to expand and add to the business, Wüstenrot is set to become the only genuine all-round financial services provider in Austria.

What are the trends for the next few years?
The key issue of our time is what kind of world do we want our children to inherit? Today's globalised world provides major opportunities, although policymakers and economists – including in the world of finance – are also facing new challenges. The Austrian insurance industry alone, worth EUR 110bn, has major leverage which allows it to support the implementation of climate targets. The Wüstenrot Group represents a business model where the promotion of ESG targets in the building society and insurance segments was and continues to be of major importance. This is especially obvious in the Group's responsible investment policy. Kommunalkredit's Fidelio infrastructure fund combines a broad range of sustainable products in the infrastructure and renewable energy sectors, which benefits the society and constitutes a sustainable investment option for investors such as Wüstenrot.

Creating your own home is one of the key milestones in life and has become even more important in light of the COVID-19 pandemic. But, people are faced with a real estate market marked by sharply increasing prices in both the purchasing and rental sectors, making the financing of housing a real issue for many people. Building society loans offer even people with a lower income the opportunity to build or renovate their own houses. In 2021, the Wüstenrot Group, which posted a record result of EUR 889.9m in new business, was also a key economic engine driving the domestic economy.

Digitalisation is changing both our business and personal lives. The last two years have dramatically accelerated this trend. In the insurance industry, digitalisation is driving forward new innovative business models and products due to artificial intelligence (AI) and e-mobility and has a much further reach than the simple automation of business processes. This is a trend Wüstenrot Versicherung can take advantage of.

What are your main goals for 2022?
Needless to say, launching our digital retail bank is our top priority. As a building society and insurance provider – and soon to be a bank, too – we intend to offer our existing customers all-in-one solutions from a single source for current accounts and cards, saving, financing, pension planning and insurance. This is a unique offering for retail customers in Austria.

Questions for ...

Mariella Huber, Frank Schramm
Fidelio Management Board

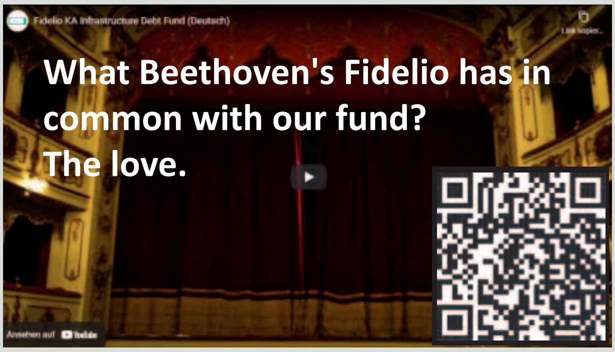
After the success of the first sub-fund, the question of continuation arises. What are your plans?
The next senior debt fund is to be launched as an Article 8 fund from the outset. It will focus specifically on renewable energy and digital projects. Hence, we are currently structuring the seed portfolio.

What makes the fund so attractive?
The value of Fidelio KA evolves to ensure an attractive return in an all-time low-interest-rate environment. This enables investors to enjoy benefits that traditional investment products do not.

To what extent has the issue of ESG gained a foothold in the fund landscape?
ESG is becoming more important, including in terms of fund structures. Clear-cut exclusion criteria have been established, which the investment advisor is aware of. In future, all projects will be reviewed for their Article 8 features, and a more detailed report about ESG will be contained in the portfolio.

Can you give an example?
Prime examples are wind, solar and water projects. However, there has been a high demand for digital solutions (broadband, data centres) in recent times.

„The fund will focus even more on ESG criteria in the future.“



Kommunalnet E-Government Solutions GmbH

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet). Another 45% is owned by the Austrian Association of Municipalities, while the other 10% is owned by three state associations of the Austrian Association of Municipalities. Kommunalnet is the digital work and information portal for Austrian municipalities, mayors and municipal civil servants. It offers the latest news for municipalities and access to important databases for municipal authorities, and serves as an information and communication hub for the federal, state and municipal authorities. Kommunalnet is an official component of the Austrian **eGovernment Roadmap**.

With 16,629 registered users from 2,075 Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (97%) and thus enjoys a unique position.

In 2021, and in spite of the COVID-19 crisis, numerous projects were launched and have already been implemented to provide municipal authorities with even better assistance in their day-to-day tasks, to further expand the business segment and to therefore generate growth potential. The most important project has been “GemNet Salzburg” in collaboration with the Salzburg provincial government – a pioneer in integrating federal states. The services went online in July and have attracted a lot of interest from the Salzburg municipalities.

Thanks to the partnership with Regionalmedien Austria, regional news has been exported automatically to **www.kommunalnet.at** since mid-2021 via an interface. This enables Kommunalnet to provide optimum coverage of relevant regional news in its communications and offers users digital access to regional information tailored to their needs.

ID Austria will provide a special means of identity for digital applications and services. It represents an evolution of the smartphone signature and the Citizen Card and is currently undergoing a pilot trial.

Regarding loanboox, the online platform implemented in 2018 for local authority loans, over 1,000 municipal authorities have been contacted to date, and two-thirds have expressed interest. In 2021, 89 financing requests accounting for a volume of EUR 105m (2020: EUR 58m) were published via the portal.

Kommunalkredit TLI Immobilien GmbH & Co KG

Kommunalkredit TLI Immobilien GmbH & Co KG holds and manages the properties at Tuerkenstrasse 9 and Liechtensteinstraße 13. The office premises of the real estate are mainly leased to Group companies.

Kommunalleasing GmbH

Kommunalleasing GmbH is a joint venture with BAWAG P.S.K. (with each holding 50%). This company finances a portfolio of around EUR 59m in the municipal leasing sector. The company did not engage in any new business due to changes in municipal tax law. The 50% stake held by Kommunalkredit was sold to the syndicate partner BAWAG P.S.K. in November 2021.

Questions for …

Lucas Sobotka
Kommunalnet Managing Director

Almost 1,000 users joined Kommunalnet last year. Was that because of the crisis?
It was partly due to the pandemic restrictions, but mainly because of the appeal of the portal itself, which has attracted more and more users over the years. With our 24/7 service, Kommunalnet has become an indispensable source of information in Austrian municipalities. Common challenges involving fast communication are state-of-the-art. That's why the network works so well.

Does an overload of information mean important details may be overlooked?
We live in a digital society where each person can now share their views with just a few clicks. It's about interacting with these channels in an appropriate way and using them selectively. When I read the newspaper, I don't have to read all the sections. Kommunalnet offers variety, but it is tailored to the public readership and is clearly structured. Each user has their own individual settings and therefore receives the information required for their work "anywhere on the screen".

What are the next steps?
We launched a partnership with Regionalmedien Austria in June 2021. As a result, regional news is automatically sent to our portal via an interface and, depending on the region, is passed on to our users. This is very well received. Given that whistleblowing is becoming an increasingly important issue, we are planning to set up an appropriate platform for municipalities with more than 10,000 inhabitants with a long-term legal partner. And, in conjunction with a local company, we are in the process of setting up a rental space for municipal technology, given the amount of interest in this area.

"Combined municipal knowledge – that is our strength."

TEAM.STRENGTH.

Employees

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

More than a bank

The green infrastructure business is as varied as the individual knowledge and personal skills of our employees. The **diversity** of our employees is a fundamental asset and indicative of a modern, dynamic business. As of 31 December 2021, 26 nationalities contributed to a strong corporate culture. Respect and appreciation, fairness and acknowledgement of each other's skills, privacy and individual needs – all these are key aspects of the corporate culture. Discrimination due to gender, origin, nationality, skin colour, sexual identity, age, disability, religion or world view and any form of bullying have no place at Kommunalkredit.

Responsible business management is the basis of our long-term success. Professional standards and basic ethics are the norm in our day-to-day business and codified in our Code of Conduct. We consider compliance with this **Code of Conduct** to be essential for the reputation and continued existence of the company and a positive contribution to the public image of the financial industry. Appreciation, problem-solving, performance and innovation – both internally and externally – are key pillars of how we engage with one another every single day. Respectful interaction, transparency and commitment are fundamental.

The work environment, corporate culture and career opportunities were also key factors in our company being designated one of the most popular employers in Austria based on a study conducted by the Institute for Management and Economic Research. The entity commissioning the survey – the Austrian daily newspaper Kurier – awarded us the corresponding seal of quality at the turn of the year. As an employer, we offer attractive employment opportunities in a dynamic and exciting environment. We realise infrastructure projects every day, which improve the quality of people's lives and provide tangible benefits for society. Creativity, initiative and personal development are encouraged in order to provide top-class results with precision and speed.

Having the trust of customers, partner banks, investors, owners, regulatory authorities and supervisory authorities, as well as all of our colleagues, is important to us. We always engage in **proactive and transparent dialogue** with our stakeholders. We see it as a chance to exchange knowledge and evolve, and as an opportunity to pass on our experience. The primary objective is to foster and strengthen trust in our company.

Internal governance encourages and ensures fair competition and protects our customers' interests. The **principle of sustainability** in our business strategy is also reflected in the bank's internal organisation. The procurement and care of materials, the supply of working resources, the handling of company property and proper disposal of waste must satisfy the high standards of environmental protection and sustainability. An interdisciplinary sustainability team with a broad-based approach promotes understanding and ensures compliance with the internal criteria catalogue.

Understanding complexities

We have a top-class team with extensive international know-how and a broad range of **experience in the infrastructure business**. This dynamic, entrepreneurial environment offers attractive employment opportunities with room for creativity, initiative and personal development. We, therefore, invest specifically in talents to build on our competitive advantage.

Recruiting and retaining talented and motivated employees and ensuring their continued development is something that we see as an essential aspect of our management duties. For us, personal contact is just as important as the quick digital point of contact for interested individuals.

We are a team with a broad-based approach, from different professional backgrounds.
Corporate Development

301
Employees
67%
Share of academics
Dajana | Compliance
Andreas | Markets
Jiho | Human Resources
Ulyana | Banking Operations
26
nationalities
44%
Share of women
42
Average age
Vienna
on the Danube
Marcus | Communications
Attila | Internal Audit
Tamara | Banking
Claudia | Banking
360+
Children
1
Mission
1
Vision
Sustainability in our
DNA
Vera | Communications
Elitsa | Markets
Dhaval | Banking
Ugur | Finance
Training &
education
Expertise
Occupational
health care
100%
Green power
Olivier | Banking
Angela | Assistant
Klaudia | ICS
Otto | CNFR
Frankfurt
on the Main
Infra
Think Tank

Training, education and personnel development are essential in ensuring that employees can identify with the company and are thus key to the success of Kommunalkredit itself. We ensure professional as well as personal development by not only holding specialist workshops, but also offering practical courses for everyday scenarios that empower the individual – right across all management levels. As a company operating on an international scale with multicultural employees, language courses and work-life balance programmes are also on the agenda, as are insights into project financing, financial models or legal and GDPR issues. Personnel development for us means helping employees in a targeted manner to do their jobs as best they can and to overcome the challenges that they encounter in their working environment. We also understand personnel development to be a link between the corporate strategy and the employees. Its purpose is to encourage commitment and drive development among the employees and managers. And it plays an important role in ensuring that together, we remain true to our vision and our mission and achieve our goals.

Employees should see themselves not only as employees, but rather as contributors and shapers. Our common goal is to create an environment where people can develop and apply their talents and gifts to the fullest. The working environment should be challenging and performance-centric, but also positive, respectful and healthy. Our approach also involves commitment to a **healthy work-life balance**. This creates the space needed and gives a perspective to generate momentum, produce ideas and foster creativity.

Providing for safety

The health and safety of our employees has top priority. Current risks and health burdens are identified, assessed and are quickly counteracted. This enables us to guarantee continuous improvement in the workplace and provide a **high level of safety** for people in the company.

Especially in these times where health is at greater risk, this is a topic that is not without its controversies. Kommunalkredit switched its working approach in March 2020 (!) with the first measures of the Austrian federal government against the growing COVID-19 pandemic. The majority of the employees relocated their workplace to their homes in order to keep the risks of infection as low as possible. Needs for mobile devices, office utensils and ergonomic furniture were met immediately; physical meetings and business trips were reduced to an absolute minimum. Making the core hours rule more flexible for the colleagues that were still working in the office spaces has helped them to avoid rush hour on public transport. It was also evident that this rule offered colleagues with school-age children a significant advantage in looking after their children.

Room occupancy, disinfectants, masks, safe distances and rules of conduct as well as the restricted use of lifts, kitchen areas, etc. have helped to minimise the potential risk of infection. The 2021 financial year was dominated by these "requirements" that were agreed upon with the occupational physicians given the epidemiological situation and adapted as necessary. We carried out tests on a daily basis on-site, and an on-site testing area was introduced. The "**coronavirus crisis management team**" unifies all of the COVID-19 information channels and is in permanent contact with the Executive Board. Regular, open and personal communication with all employees by email or video gave them an additional feeling of trust. At the moment, almost all of the employees have been vaccinated many times – the result of a vaccination campaign initiated by the company. Clear safety precautions are still in place. Some employees are still or have reverted to working from home.

The period of physical absence has also made **IT security** even more important to a level that is more than standard for financial institutions. There are an increasing number of cyber attacks and cases of fraud worldwide which take advantage of vulnerabilities caused by restricted communication and the use of private devices. Employees were therefore made more aware of potential dangers.

Development in figures

The company's employees are the motor that drives it. As of 31 December 2021, the number of employees of the Kommunalkredit Group was 301 full-time equivalents (31/12/2020: 272). 188 of these worked at Kommunalkredit Austria AG (31/12/2020: 168), while 113 worked for Kommunalkredit Public Consulting GmbH (31/12/2020: 104). Of the 188 banking em-ployees, 14 work from the branch office in Frankfurt am Main.

The share of women in the Kommunalkredit Group was 44% (33% in management positions) as of 31 December 2021. An aspect that is impressive and compares favourably and was explicitly highlighted in the context of the diversity challenge set by the business magazine sheconomy. The average age was 42. The share of academics remained at a high level at 67%. Seven women were on parental leave as of 31 December 2021; during the year, three employees took paternity leave, and four employees took a "dad month" – as established in the collective bargaining agreements for births since 1 July 2011 – or "family leave" – as established for births since 1 March 2017.

Short internal channels enable quick decision-making.
Credit Risk

DIALOGUE.OPENNESS.

Communication

In a world of constant change, open dialogue is fundamental for the ability to take effective action. Kommunalkredit places great value in communicating transparently with its stakeholders – the company, customers, business partners, investors, the media, regulatory authorities, shareholders and, of course, its employees.

Establishing a dialogue

Given its size and specialisation, Kommunalkredit is a "hidden champion". That is precisely what makes it increasingly more attractive – with partners, potential employees, competitors and the media. In the 2021 financial year, communication measures again, therefore, focused on **clearly positioning** the bank as a specialist for infrastructure and energy financing as well as public finance; whether as an in-demand advisor and financier for the public sector or as a point of contact for businesses and investors involved in the creation, acquisition and/or operation of infrastructure or energy projects; or as a pioneer for sustainable approaches, especially in the domestic market of Austria.

To engage with our stakeholders, we use a broad spectrum of communication channels. These include personal communication methods as well as digital media, conventional PR efforts and direct marketing. We report on completed transactions, sustainability-related achievements and exciting events through our **online channels**. We provide an insight into the genesis of the bank and the DNA of our employees. And we get national and international experts to take the microphone and talk about sustainable infrastructure for our series of videos or our own podcast "Stadt I Land I Fluss". The COVID restrictions were utilised to further enhance the bank's social media presence. The new website was launched mid-June 2021; it allows visitors to immerse themselves in the modern world of sustainable infrastructure.

External communications focused on intensifying discussions with the media, both in the Austrian domestic market and with international specialist infrastructure-related media. Activities were performed both for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for private customers). We began to roll out our latest product at the end of the year: PeakSun is a joint venture with the Upper Austrian energy provider eww to construct rooftop photovoltaic systems. By combining the strengths of both companies, we plan to contribute to the achievement of climate targets.

"We are more than a bank. We see ourselves as a think tank, sparring partner and arranger in the universe of sustainable infrastructure."

Kommunalkredit is traditionally rooted in Austrian town, city and municipal authorities. A key aspect of our business model is providing consulting for and financing in relation to public-sector infrastructure investments (public finance). In 2021, too, we continued our partnerships with the two most important municipal decision-makers in Austria and were represented both at the Congress of City & Town Authorities held by the Austrian Association of Cities & Towns and the Congress of Municipalities held by the Austrian Association of Municipalities.

Congress of Municipalities 2021:
expert talk "Digitalisation & Energy Transition" | Bernd Fislage, Federal Minister Karoline Edtstadler, Policy Advisor Thomas Hofer, APG Board Member Gerhard Christiner, Head of the Association of Municipalities for Lower Austria Johannes Pressl (from left to right)

Our event forum **KOMMUNALE SOMMERGESPRÄCHE** (Municipal summer talks), which has been held together with the Austrian Association of Municipalities for 17 years, took place safely and without incident at the start of September despite coronavirus restrictions with an extensive COVID-19 prevention concept discussed with the municipal authorities in conjunction with the Austrian Red Cross. It brought together guests from political, business, academic and media circles to Bad Aussee for active discussions on the impact, consequences and challenges associated with the energy transition.

KOMMUNALE SOMMER-GESPRÄCHE 2021

Snippets

Verbund CEO Michael Strugl, ORF Meteorologist Marcus Wadsak, Kommunalkredit CEO Bernd Fislage, Federal Minister Leonore Gewessler, President ot the Association of Municipalities Alfred Riedl, State Secretray Magnus Brunner (now Federal Minister), Mayer of Bad Aussee Franz Frosch (f. l. t. r.)

"I know: many municipalities are already a step ahead ... whether PV facilities or local heating, sustainable investments have been part of municipal life for years."

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

"If Austria continues to consume as much energy until 2050 as it does today, climate neutrality will only be achieved if there is a huge expansion in the area of renewable energy."

Karl Steininiger, Economist and Climate Researcher, University of Graz

"Climate change is the biggest issue facing modern society. We, therefore, need to have more public debate about the climate issue."

Christoph Badelt, Head of WIFO, the Austrian Institute for Economic Research (since 1/10/2021 President Fiskalrat Austria)

"The most recent extreme weather events are a very clear proof that climate change is a reality. But there is already something we can do at a regional level. From local providers via agriculture all the way to future-oriented forestry, we can all contribute something."

Johann Seitinger, Councilman Styria

"Domestic energy independence is a key issue. To achieve this, we need to make investments in domestic energy production, implement the Renewable Energy Expansion Act, establish renewable energy groups and cut down on bureaucracy."

Magnus Brunner, State Secretary
(Federal Minister for Finance since 6/12/2021)

"Awareness of climate protection and sustainability has increased in recent years. The European Green Deal has geo-strategic relevance. Europe must therefore set global standards: 70% of the current buildings in Europe, for example, have not been thermally rehabilitated!"

Johannes Hahn, EU Commissioner

"The current climate change is man-made. We can still change our habits and ensure that the climate crisis doesn't become a climate disaster."

Marcus Wadsak, Meteorologist and ORF Weatherman

With regard to our investor relations activities, we are permanently in close contact with investors, analysts and business partners. Our experts from the bank and also from our subsidiary Kommunalkredit Public Consulting (KPC) are highly sought-after speakers at numerous specialist events within Austria and abroad. KPC is also well-positioned in the Austrian market in the field of subsidy processing and sponsors sustainable initiatives such as the Neptune Water Award (from the Federal Ministry for Agriculture, Regions and Tourism) or the Phönix Waste Management Award (from the Federal Ministry for Climate Protection, the Environment, Energy, Mobility, Innovation and Technology and the Austrian Water and Waste Management Association (Österreichischer Wasser- und Abfallwirtschaftsverband). KPC also participated as a member of Austria's official negotiating delegation in the 2021 **UN Climate Change Conference** in Glasgow.

In **internal communications**, we place great value in an open flow of information and respectful conduct within the company. In times of increased challenges and social distancing, up-to-date and transparent information increasingly helps to counteract the feeling of uncertainty. That's why – in light of the restrictions still in place as a result of the pandemic – we predominantly used video and online formats, newsletters and the Intranet in 2021 to keep in regular contact with our employees. We increasingly use our employees as "testimonials" to provide a more personal insight into Kommunalkredit via our website or social media. Information from the Sustainability Team and the Works Council helped actively drive discussions.

Questions for …

Alfred Riedl
President of the Austrian Association of Municipalities

Everything takes place in the municipalities: from childcare to schools, from medical care to nursing, from local providers to recreational activities. Can the municipality manage all that in the long term?

The lives of citizens are played out in the municipalities – today more than ever. With the coronavirus pandemic, people are no longer attracted to the cities, with many moving to the countryside. People appreciate living where it's green, the regional focus, the local community, short distances – in a nutshell, the quality of life. That's why I believe that the municipalities should take advantage of this trend. In order for rural areas to remain attractive, full broadband coverage must be provided – without any 'ifs' or 'buts'. The coronavirus pandemic has shown which areas have good broadband coverage and which areas still have some catching up to do. The government has recognised this shortcoming and earmarked EUR 1.4bn for the expansion of broadband coverage in rural areas. This is the only way we can create equal conditions for everyone. This surge in investment for broadband expansion gives an important impulse to the lifelines in the municipalities, particularly in rural areas. After all, working at home and distance learning are only two areas of our life that will remain after the pandemic. Our everyday lives are becoming increasingly digitalised in the areas of health, care, tourism, administration, etc. It is important to stay the course, because competition and the quality of the municipalities' location are at stake. If the municipalities accept these challenges, they will survive in the long term.

The municipalities are reputed to be pioneers of progress, especially when it comes to climate protection. Is this true?

The municipalities have been role models, trendsetters and disseminators for decades as far as climate and environmental protection is concerned. We have been demonstrating for decades how to protect the climate and the environment, how this ultimately benefits us, and how easy it is for citizens to replicate it. Countless photovoltaic systems, thousands of climate and energy projects, many energy communities and customised mobility solutions are testimony to the fact that municipalities play a key role in the implementation of the energy transition. The municipalities often act as a kind of laboratory by demonstrating and trying new things in the village which people can easily understand and implement. That's why it's clear to us that the energy transition can only succeed with the help of municipalities. Local innovativeness combined with people's ideas create new, sustainable solutions.

Has the pandemic seriously affected the local economic engine?

Despite the global economic collapse, short-time working arrangements, high unemployment and several lockdowns, the municipalities have done their best even during these years of crisis to safeguard the infrastructures of public services while investing in the future. Last but not least, the government's municipal packages have secured the liquidity of the municipalities and provided support for investments in the local and regional economy. The packages undoubtedly averted a deeper downturn – this was confirmed not least by WIFO. Overall, the municipalities have clearly shown how important they are in the economy as a whole. As regional economic engines, they also invested in the regions during the pandemic and thereby supported the local economy and thousands of jobs.

"Working from home is here to stay. This is a key factor, especially for municipalities."

SOLUTION.COMPETENCE.

Research and development

At Kommunalkredit, no research activities are conducted within the meaning of § 243 (3) Z 3 of the Austrian Commercial Code (UGB). However, its activities as a specialist bank for infrastructure and energy financing involve a clear strategic focus in a broad spectrum of different sectors and a high level of diversification in products and customers.

The development of made-to-order products and the optimisation of the digital portals are key to the intensification of our customer relationships.

Tailored solutions – analogue as well as digital

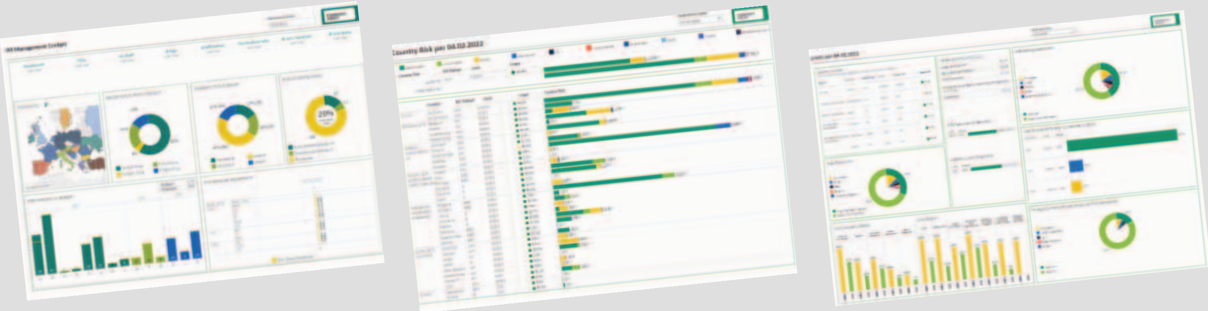
In the high-growth infrastructure finance market, Kommunalkredit acts as the bridge between project sponsors on the one hand (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds on the other. We link industry expertise with structuring know-how, the financing opportunities of a bank and the technical background of our subsidiary specialising in environmental support schemes. Kommunalkredit caters to the entire infrastructure financing value chain – from consulting, arranging and structuring to financing and risk hedging, we develop a broad range of tailored, **individual solutions** for our customers and partners. This area of operations also encompasses investment opportunities for municipalities, businesses, institutional and private customers, as well as recognition of support instruments. Our strategic innovations linked to our business model were awarded three first places by Austrian trade magazine “Der Börsianer” in 2021.

In conjunction with Meridiam, an independent Investment Benefit Corporation under French law, which specialises in the development, financing and long-term management of a sustainable public infrastructure in the core areas of mobility, energy transition, environment and social infrastructure, Kommunalkredit is working on a methodology to analyse and measure the **impact** of an infrastructure project **on the Sustainable Development Goals**.

Through this increased transparency, potential improvements for each asset are identified in order to be employed in a more sustainable manner in the future. The tool can, if used in a wide range of applications, make a major contribution to the achievement of international climate targets in the future.

Since 2018, Kommunalkredit has been working on a comprehensive **internal Management Information System** (MIS), which provides a quick and reliable 360° view of the bank. With the establishment of a data warehouse, which collects all data and documents including history in all details, the basis was created. Together with an external provider, we implemented the solution for reporting and analysis in all areas.

MIS enables a view of the portfolio, the development of deposits, sales pipeline, syndication progress, the current budget, limits, forecasts and much more. Through the linking of the data, it is possible, for example, to view a portfolio at project level down to each individual booking. The modular kits can be combined as required.
In 2022, the focus will be on the support of cost and revenue reporting.



STRUCTURE.STRENGTH.

Other material disclosures

Clearly defined structures and short decision-making processes within the organisation help drive forward-looking development.

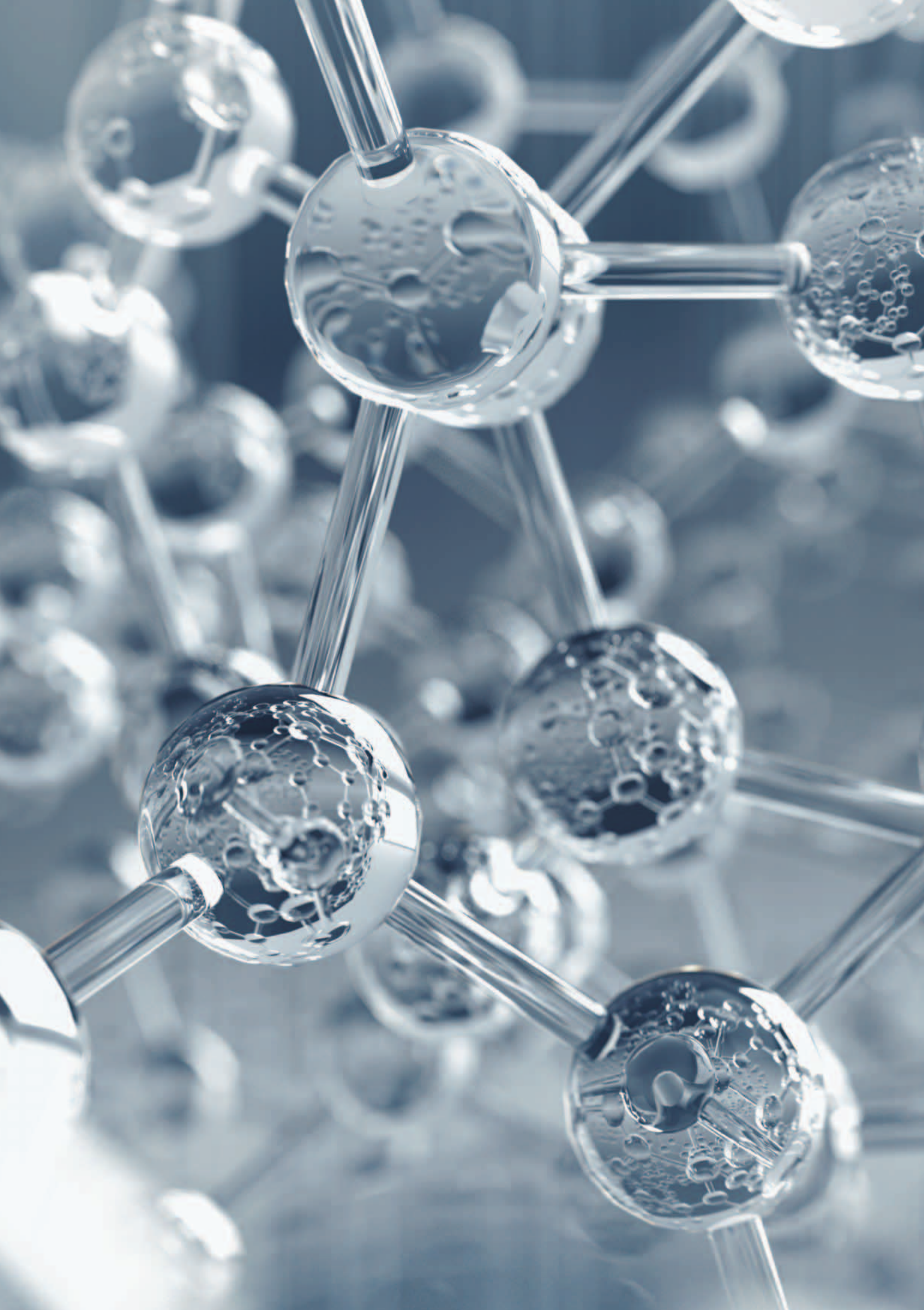
Strengthening management

As of 1 January 2021, Sebastian Firlinger has been appointed to the Kommunalkredit Executive Board as Chief Risk Officer (CRO). His in-depth industry experience benefits the top management. As of 31 December 2021, Jochen Lucht (CFO, COO) left Kommunalkredit. As of 1 January 2022, the Executive Board, therefore, consists of Bernd Fislage (CEO) and Sebastian Firlinger (CRO). Claudia Wieser was appointed to the Executive Board as Chief Financial Officer (CFO) from 1 April 2022. She has been working at Kommunalkredit in various leadership capacities for more than 20 years, most recently as Executive Vice President.

Significant events after the reporting period

For optimisation and efficiency reasons, the owners of Kommunalkredit Austria AG, Interritus Limited and Trinity Investments, decided to simplify the ownership structure that had existed up until now. Gesona Beteiligungsverwaltung GmbH was therefore merged into Satere Beteiligungsverwaltungs GmbH. The approval procedure of the European Central Bank (ECB) has now been positively completed and the merger was cleared on 31 January 2022. As of 17 Feburary 2022 this ownership structure has been registered in the Austrian commercial register and is therefore legally valid.

The development of the conflict between Russia and Ukraine and the sanctions imposed by the European Union in reaction to it have no direct material impact on Kommunalkredit since it has no direct exposure to these two countries, with the exception of a project with a net exposure of EUR 0.5m. Indirect consequences such as volatility on the financial markets, restrictions in oil and gas delivery or expenses resulting from deposit insurance cannot be ruled out. Due to its business model, no material negative impact on Kommunalkredit's assets, financial position and income is expected.



RISK.CONTROL.

Internal control and risk management system

The Executive Board of Kommunalkredit is responsible for establishing and structuring an internal control system and risk management system that meets the needs of the company regarding the accounting process. The Audit Committee monitors the effectiveness of the internal control system and the accounting process as a whole.

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

The "internal control system" (ICS) encompasses all processes designed by the Executive Board and executed within the company that are used to monitor and control

- the effectiveness and efficiency of the operating activities for the purpose of protecting assets against loss as a result of damage and misappropriation,
- the reliability of financial reporting and
- compliance with the statutory regulations of relevance for the company.

The objective of the ICS is to assist the management in such a way that enables it to ensure the performance of effective and continuously improving internal controls for accounting processes. It is designed on the one hand to ensure compliance with policies, guidelines and regulations and on the other to create favourable conditions for specific control measures in key accounting and financial reporting processes.

Within the accounting process, the ICS is procedurally organised on the basis of an intended **standardisation of processes** in the Finance division and in the Accounting, Financial Reporting & Taxation teams and in Reporting & Managerial Accounting. Visualised procedural descriptions, policies, guidelines and work instructions are in place for processes. The two-person-review principle defined therein for major operations is mandatory. Data and IT systems are protected from unauthorised access. Relevant information is only provided to those employees who actually require the information for their work. Results are discussed between divisions where necessary.

23 COSO – Committee of Sponsoring Organizations of the Treadway Commission.

The Kommunalkredit ICS comprises five components from the COSO[23] framework:

Control environment

The control environment is based on communication and the corporate culture in which management and employees work. Kommunalkredit always works to ensure effective communication and to convey the company's own guiding principles as laid out in the "Code of Conduct". Key organisational principles include the **avoidance of conflicts of interest** by strictly separating front and back-office units, **transparently documenting** core processes and control steps in risk & control matrices, and the consistent application of the **two-person-review principle**. With their diverse functions and rules of business, the committees of the Supervisory Board lay out the responsibilities of the Executive Board and limit the scope of possible action at the highest level of the company.

The implementation of the ICS regarding the accounting process is defined in the internal policies and regulations. These ensure that transactions and the sale of company assets are disclosed correctly, compliantly and in sufficient detail. Functions that play a key role in the accounting process – Finance and Risk Controlling – are clearly separated and are organised into separate divisions. Other committees (Risk Management, Fixed Valuation committee) and divisional meetings serve as interdivisional forums for various specialist divisions. Executive, transactional or administrative activities such as payments and payment booking are clearly isolated from one another or are subject to the two-person-review principle.

Within the procedural organisation in Finance, as well as in the Accounting, Financial Reporting & Taxation teams and in Reporting & Managerial Accounting, standard software is used to ensure a systematic approach for booking, cross-checking, controls and reporting as far as possible to avoid errors.

Internal Audit independently and regularly reviews compliance with internal regulations relating to the accounting process. The Internal Audit management reports directly to the Executive Board and Supervisory Board.

Risk assessment

The main risk in the accounting process is that circumstances may not be accurately be represented in keeping with the company's assets, financial position or income due to errors or wilful misconduct. At Kommunalkredit, risks are identified in relation to the accounting process by the process managers; these are then described and monitored in **risk & control matrices** in accordance with the specified methods. All identified risks must be evaluated, and measures must be taken in line with the nature of the risk to protect against and mitigate these by means of optimised processes. The focus is on those risks deemed to be material. Internal control measures implemented by the specialist divisions undergo regular evaluation.

Control measures

All control measures are applied to current business processes to ensure that potential errors or deviations in financial reporting are prevented or, if appropriate, identified and eliminated.

Control measures relating to accounting are described in policies, guidelines and work directives for recording, booking and accounting for transactions and in processes and risk & control matrices. Based on **risk assessments**, control steps and key controls are defined for the processes. Compliance with the key controls defined in the risk & control matrices is reviewed in its entirety by the division management, with spot checks performed by the ICS Officer and Internal Audit.

The software used for accounting and reporting is market-standard software (SAP). Automated controls (validations) are performed in SAP, and manual controls are performed by employees in the Accounting & Taxation team as well as the Accounting team in SAP and SAP BW; plausibility and data quality checks are conducted.

Control measures relating to accounting and IT security are a cornerstone of the ICS. Separation of sensitive activities by restrictively assigning IT rights and strict observance of the two-person-review principle are closely monitored.

To increase the quality of controls, various divisions are involved in certain processes and agreement is required. For example, the inter-divisional new product launch process serves to ensure that the products are represented in a standardised and systematic way for accounting purposes. The processes and results of the market valuations performed by the Risk Controlling Team Valuation & Modelling division for the given fixed valuation dates are also discussed and agreed. Another example of an inter-divisional agreement is the process for creating annual and interim reports. In editorial meetings, the affected divisions agree the content of the annual and financial reports and confirm the content before approval by the Executive Board.

Information and communication

Kommunalkredit's divisions – in particular Finance and Risk Controlling – regularly report to the Executive Board, in particular in the form of monthly and quarterly results. The Executive Board, in turn, regularly reports to the Supervisory Board. The Head of Internal Audit, the Risk Manager and the Compliance Officer also report directly to the Supervisory Board.

The **flow of information** includes the calculated data for the company (statement of financial position, income statement, budget and capital planning statements, target/actual comparisons, including comments on major developments), a quarterly risk report, reports and analyses on liquidity risk for the Markets division, and reports and analyses on the Banking division's operating activities. The owners, investors and market partners, as well as the public, are comprehensively informed via a half-year report and the annual financial report. The requirements laid out by statutory provisions regarding ad hoc disclosures are also satisfied.

Monitoring

Financial statements to be published are subject to a final review and express **approval** by senior employees, employees of the Financial division and the Executive Board in conjunction with the auditor before being forwarded to the Audit Committee of the Supervisory Board.

The active monitoring of compliance with all rules aims to ensure that all operating processes are as reliable as possible and to ensure consistency with Group-wide internal and statutory regulations. If risks and flaws in control processes are discovered, remedial and preventative measures are developed promptly by those responsible, and the implementation of the follow-up measures is monitored.

To ensure compliance with regulations and banking requirements, compliance with the requirements is also reviewed based on the annual audit plan laid out by Internal Audit.

In the year under review, the existing processes and control activities related to the ICT (information & communication technology) risk management, in particular, were expanded and documented in working directives and risk & control matrices.

FUTURE.THINKING.

Outlook

At the beginning of 2022, the pandemic development remains the great unknown. With the invasion of Ukraine by Russia another major factor of uncertainty has been added. The year 2021 demonstrated that the global economy can deal better with the effects of the global health crisis than expected and, faced with the progress on vaccinations, the prospects were positive. This encouraging trend has been dampened by the global political situation.

The global economy is recovering – even if the developments in markets and sectors are extremely varied. This cannot hide the fact that we are confronted with rising inflationary pressure, higher food and energy costs, further price rises, delivery bottlenecks and employment restrictions. Monetary and financial policy will therefore continue to play an important role in overcoming this exceptional situation.

Macroeconomic environment in 22 I 23

The international central banks have dampened the economic burdens with their aggressive monetary policy. For example, the **European Central Bank** (ECB)[24] decided at the end of 2021 to extend the reinvestment period for the PEPP (Pandemic Emergency Purchase Programme) to the end of 2024 in order to counter the adverse effect on the transmission of financial policy. At the same time, this aims to ensure guaranteed but lower purchases as part of the programme to buy assets so that the monetary policy rate remains in line with the medium-term stabilisation of inflation as its target. In terms of base interest rates, they currently remain unchanged at 0.00%, 0.25% or 0.50%. How long the ECB will still retain this rate is unclear due to the record levels of inflation.

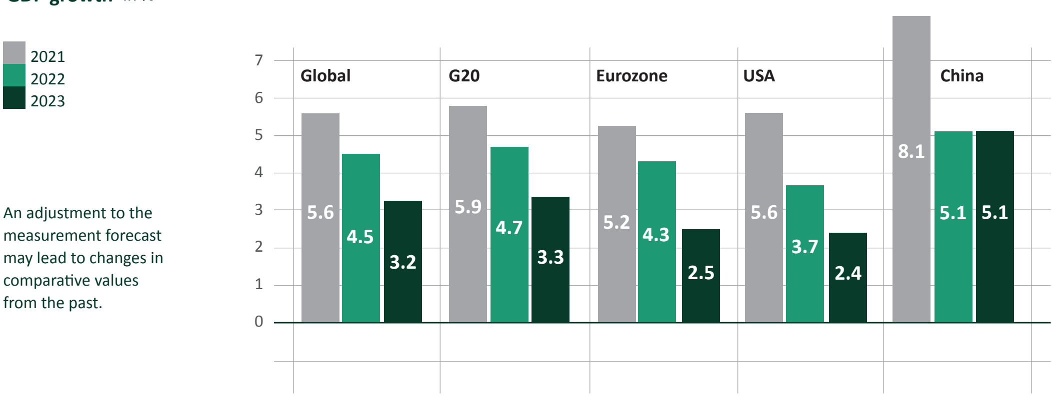
The **Federal Reserve Bank** (Fed) has to date hidden its hand. It is generally expected that an initial interest rate rise will take place at the latest in the third quarter of 2022 – even if it will be moderate.

To the extent to which the demand patterns normalise, production capacities increase again, and more people return to work, the bottlenecks on the supply side should gradually reduce in 2022/2023. Recovery will continue whereby global GDP growth[25] will weaken over time: from 5.6% in 2021 to 4.5% in 2022 and 3.25% in 2023. The most developed economies should return to the pre-COVID production path by 2023 – with higher levels of debt and modest growth potential.

2022 offers opportunities: on the one hand, to concentrate again increasingly on production to foster growth and make investments in infrastructure; on the other, quickly agreeing to the necessary steps to still comply with climate change agreements.

24 ECB – Press Release, 3/2/2022.
25 OECD – Economic Outlook, Volume 2/2021, 01/12/2021.
26 OECD – Economic Outlook, Volume 2/2021, 01/12/2021.

GDP growth in %[26]



An adjustment to the measurement forecast may lead to changes in comparative values from the past.

Infrastructure 22 I 23

Crisis-proof infrastructure will remain one of the most important topics on the agenda. 2021 has impressively demonstrated the resilience of the infrastructure market. Megatrends such as decarbonisation and digitalisation were prioritised (politically), in particular in Europe. Little will change concerning this throughout 2022.

As demonstrated by looking at Kommunalkredit's transaction pipeline, one can assume that the market for infrastructure finance will see robust development, above all in Digital Infrastructure and Renewable Energies. The planned fibre-optic projects will develop somewhat more from greenfield[27]/roll-out-focused structures to brown field/M&A[28] finance, as in some markets like United Kingdom and Germany, market consolidation is expected in the medium-term.

With regard to decarbonisation – a key issue at the COP26 Conference and heavily promoted as part of the "Fit-for-55" programme – in addition to the further expansion of the classical areas of PV solar and wind power, the focus will increasingly be on the energy transition. Electric charging stations, battery stores, hydrogen and carbon capture are key words for the sustainable future.

In social infrastructure care institutions, private clinics and outpatient health services are very popular with some leading infrastructure investors due to their predictable and calculable cash flows. The transport sector, which was drawn into the adverse effects of the crisis, saw gentle movement again at the end of the year, in particular for rail and passenger transport.

But uncertainties still exist. Current disruption to global supply chains will continue to ensure challenges in individual areas of the infrastructure market (e.g. PV panels). Strong increases in energy prices and the accompanying inflationary tendencies represent additional hurdles.

27 Greenfield projects are new infrastructure assets erected on undeveloped ("green") land, which may involve construction phases of varying lengths and financing requirements – depending on the sector and nature of the project – before they can enter service.

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

Kommunalkredit 22 I 23

The year 2021 – like the previous year – showed how quickly the demand for crisis-resistant infrastructure can develop and how important functioning infrastructure is to the survival of society. The focus has moved to hospitals, nursing homes, energy suppliers and telecommunication service providers, and they will continue to play a key role. The necessary steps for the energy transition and to prevent climate change must be undertaken now for the future.

As a specialist for infrastructure and energy finance as well as public finance, Kommunalkredit is well-prepared for these challenges. The bank arranges, finances and consults on sustainable projects in the Energy & Environment, Communication & Digitalisation, Transport, Social Infrastructure and Natural Resources sectors. In 2021 we enabled, amongst other projects, wind parks in Finland, photovoltaic systems in Spain and Italy, hospitals in the United Kingdom, data centres in Switzerland, broadband projects in France and Germany and transport routes in Ghana.

In our home market, we have demonstrated our commitment to sustainable infrastructure multiple times: with OMV we are investing in Austria's largest electrolysis plant; as a partner with the SORAVIA Group we have installed innovative heating and cooling technology for the TrIIIple and Austrotower building complex; with the Upper Austrian energy provider eww we are implementing photovoltaic rooftop systems via a joint venture.

A look at the key performance indicators confirms the route we have chosen to focus on infrastructure and set sustainable accents here. The recognition of European competitors and the perception of the media underline the validity of this decision. We have prepared the ground; now we need to continue to care for it.

In the coming years, infrastructure will play a key role. Not only as an asset class but above all as the essential factor for implementing the Green Deal to achieve national and international climate and energy targets. Funding must be provided for relevant innovative projects in a constant and forward-looking manner to boost energy generation and related technologies such as hydrogen, electrical charging infrastructure and battery storage.

We are also keeping a close eye on the current political situation so that we can react quickly and appropriately to potential changes if necessary. Kommunalkredit itself has no material exposure to Russia or Ukraine.

Kommunalkredit stands for broad expertise, a recognised team of specialists, proactive commitment, quick and flexible analysis and efficient implementation. The interest in our Fidelio KA fund from international investors in sustainable infrastructure is ongoing, and with our new “Florestan KA GmbH”, we are driving infrastructure and energy projects forward with development and growth potential through equity funding.

Demand for infrastructure is high – and not only in times of crisis. We see ourselves as a think tank and sparring partner on all aspects of sustainable infrastructure. We are redefining infrastructure.

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG

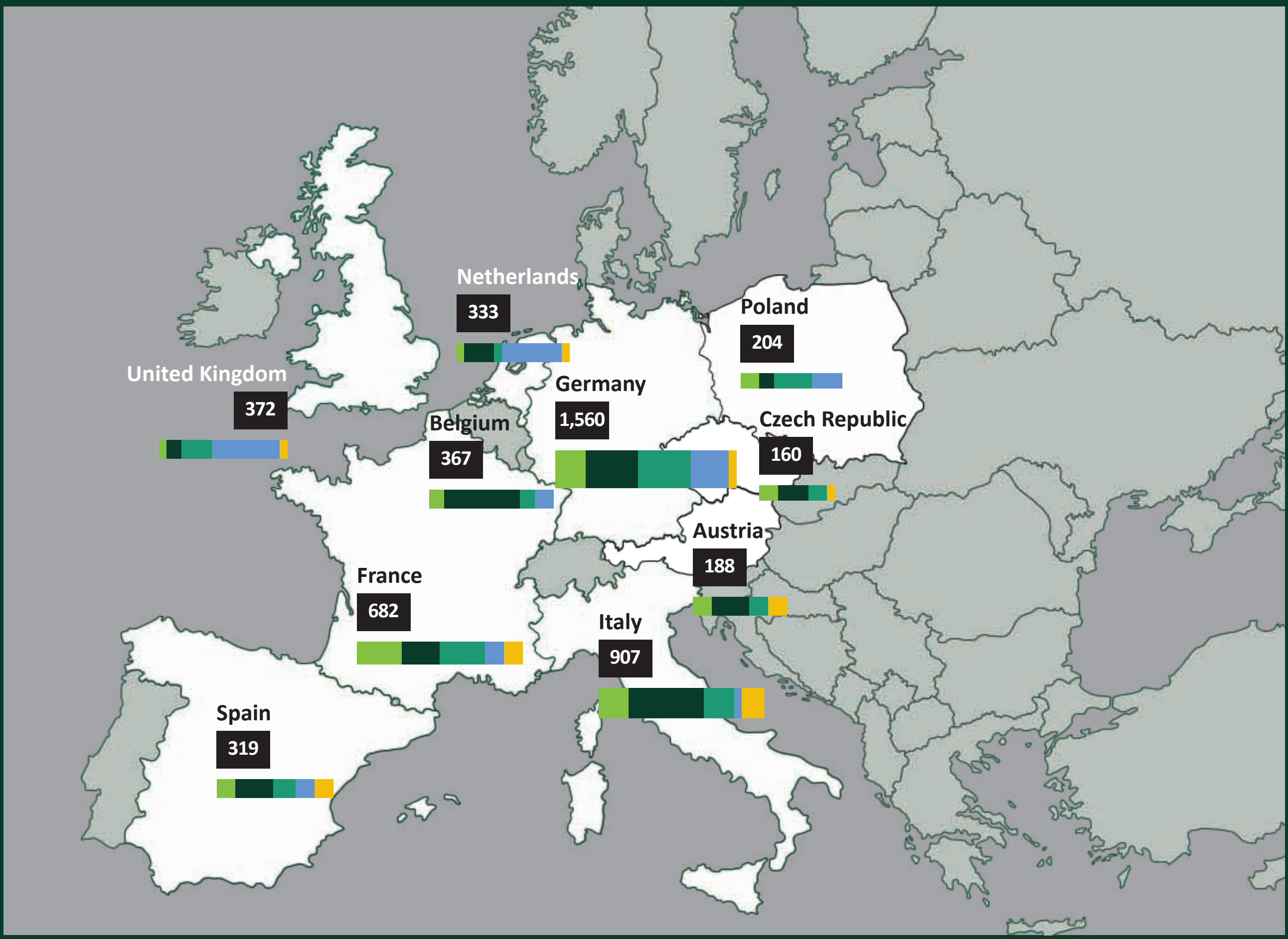
Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

Infra Facts

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

Renewable energy mix 2050. The ten EU countries profiting most. Source: Energieatlas 2018

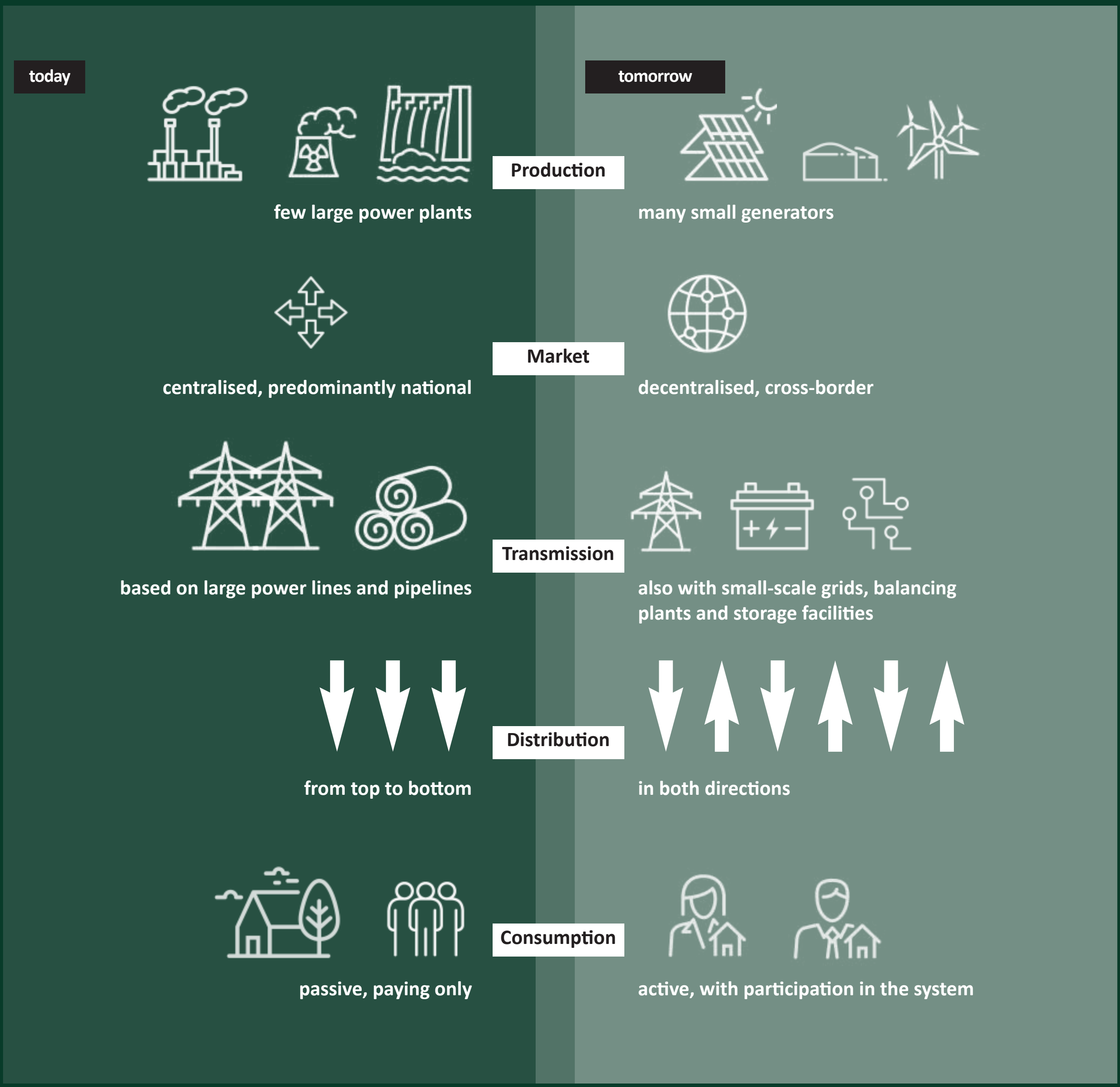


- Solar thermal energy (with energy roofs on residential, commercial and public buildings)
- Photovoltaics (including solar thermal power plants)
- Onshore wind power
- Offshore wind power
- Others (with geothermal, wave tidal and hydropower)

xxx **new jobs in factories and in construction,** in thousands

This graphic from Energieatlas 2018 by the Heinrich Böll Foundation, Green European Foundation, European Renewable Energies Federation and Le Monde diplomatique shows that renewable energies can be used more efficiently by promoting the connection between the electricity, transport and heating sectors. Extra electricity heats houses, stores heat in district heating networks, cools industrial processes and charges electric batteries. The use of coal and gas is also lessening, even though it had always been dominant in this area. The energy mix of renewables after a complete energy transition and with improved energy efficiency contributes to the achievement of climate targets and creates new jobs.

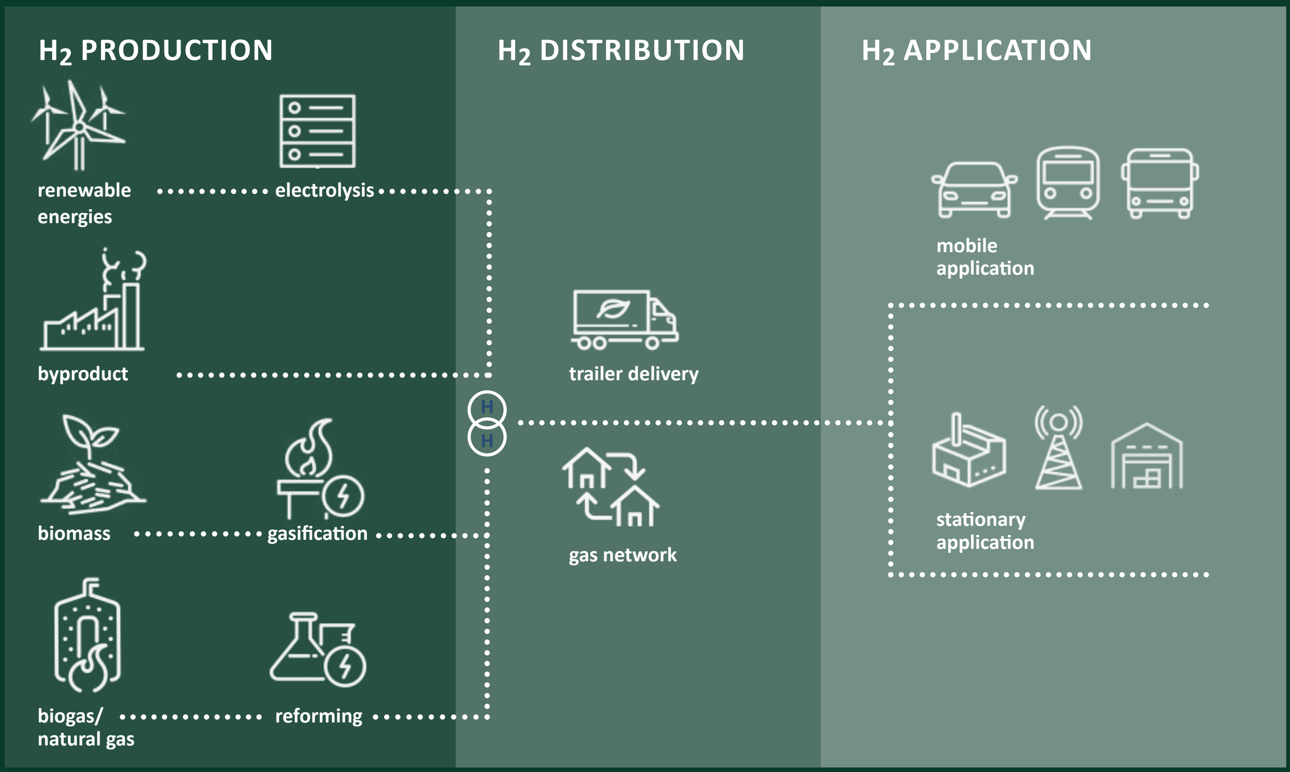
Structural change in the energy sector. Digitalisation accelerated. Source: Energieatlas 2018



This graphic from Energieatlas 2018 by the Heinrich Böll Foundation, Green European Foundation, European Renewable Energies Federation and Le Monde diplomatique sketches out the changes in energy systems. Digitalisation also plays a key role here, helping technologies in the energy system to communicate with each other: How are supply and demand behaving? How to store surpluses and resell them when needed? How can we enable consumers to access the energy system? The authors conclude that the future of the energy system is largely dependent on the extent to which new technologies are used as tools for democratisation and participation or merely to increase the efficiency of established energy suppliers.

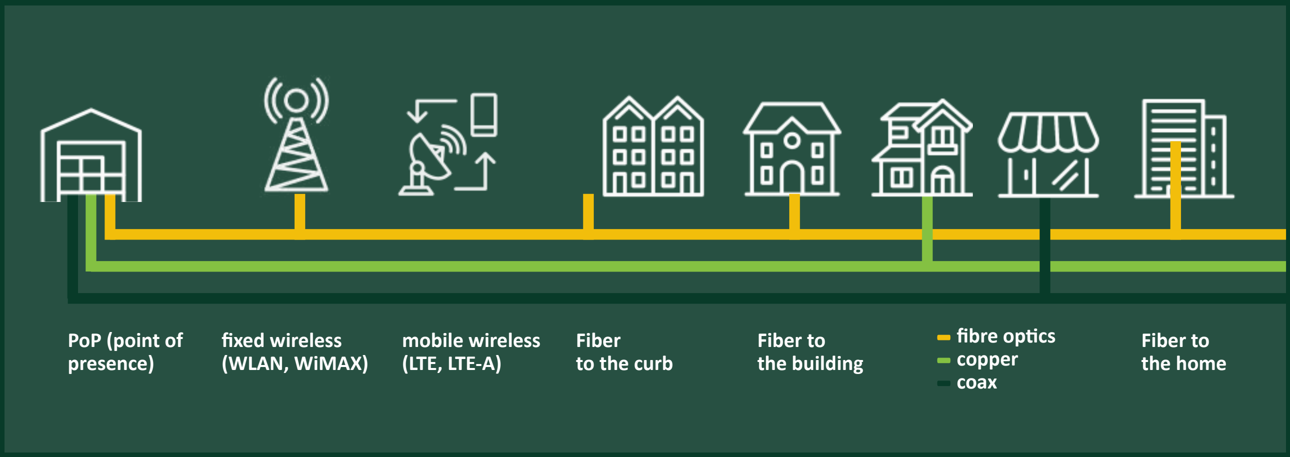
Infra Facts

Hydrogen infrastructure. From production to application. Source: emcel



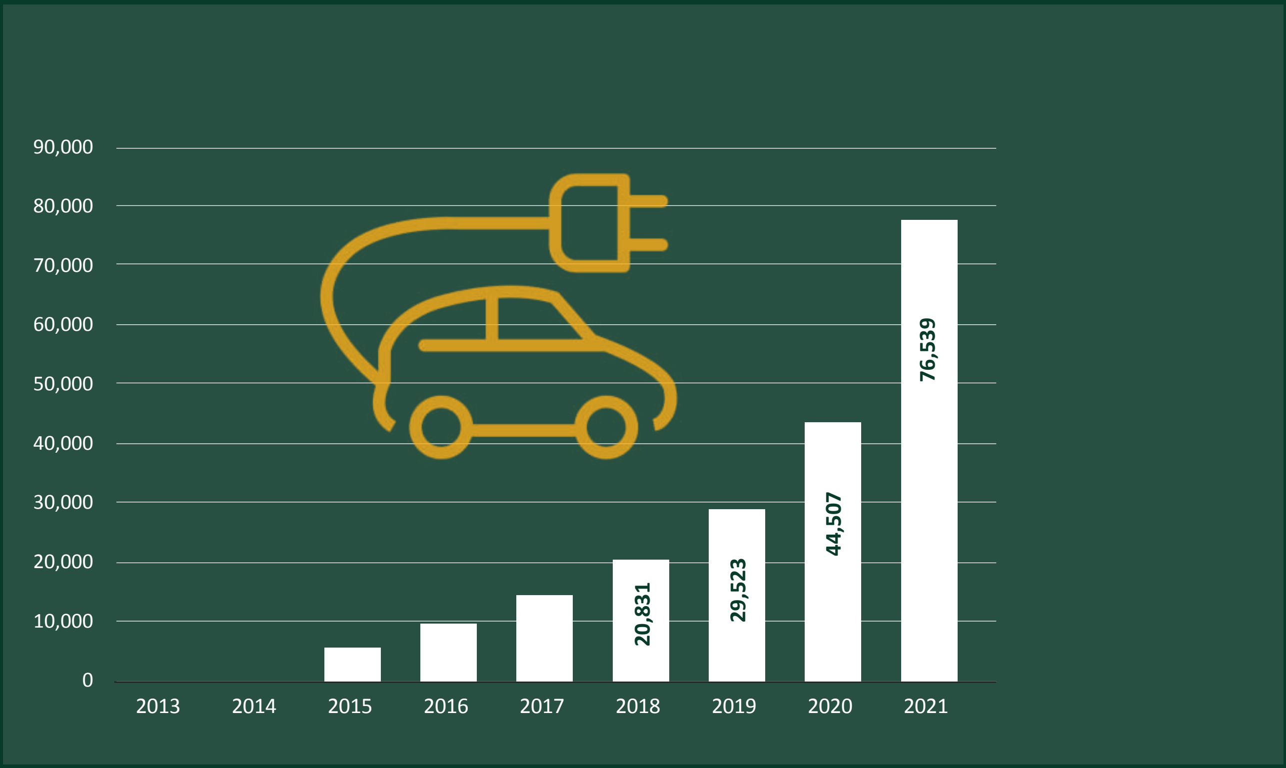
Hydrogen plays an increasingly important role in sustainable energy supply. Its versatility means that fossil energy sources can be successively substituted. Hydrogen can be made in many ways and is sometimes produced as a byproduct. For it to be used on a broad scale, the infrastructure needs to be expanded accordingly, as this graphic from the Cologne-based engineering firm Emcel illustrates.

Broadband access technologies. From PoP to FTTH. Source: BMK



Now that more and more people are working from home and doing remote learning, the demand for broadband is rising sharply. What broadband technologies are available and how does data get from the local distribution node directly to the home PC? An overview from the broadband office of the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology.

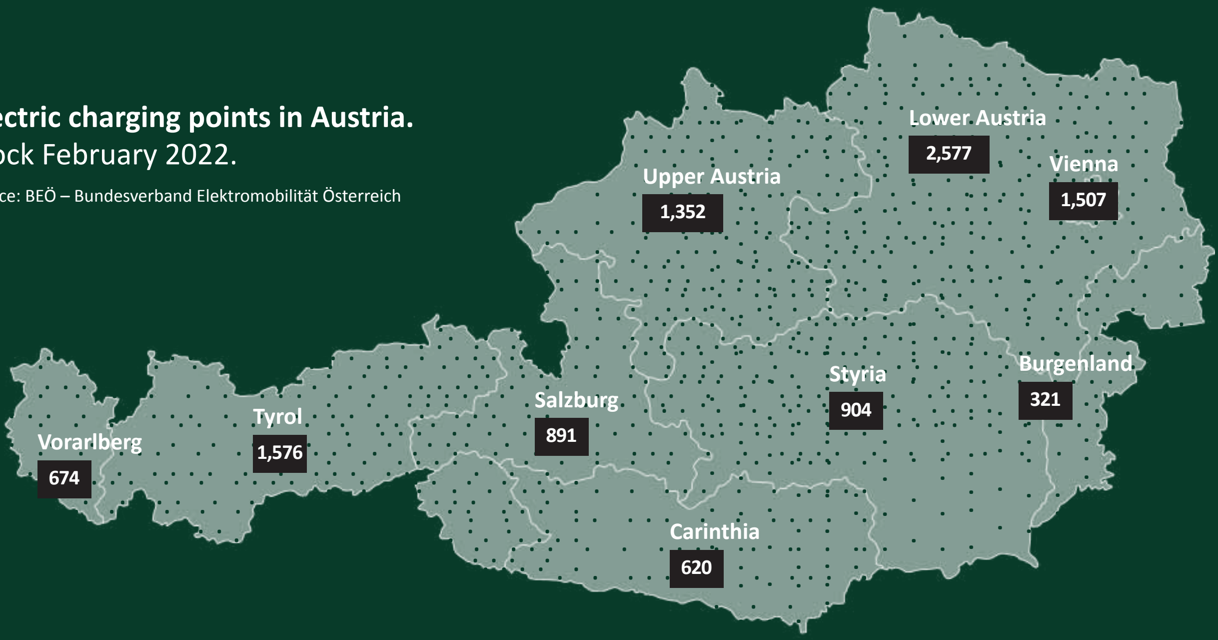
Electric cars in Austria. Stock. Source: BEÖ – Bundesverband Elektromobilität Österreich



As of the end of January 2022, there are 78,434 fully electronic passenger cars in Austria. That is 1.5% of all passenger cars in Austria. This data comes from Statistik Austria and the Austrian federal association for e-mobility. According to econtrol in February 2022, there are approximately 10,400 charging stations in the whole of Austria.

Electric charging points in Austria.
Stock February 2022.

Source: BEÖ – Bundesverband Elektromobilität Österreich



CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2021 FINANCIAL YEAR

I. Consolidated statement of financial position

ASSETS in EUR 1,000	Note	31/12/2021	31/12/2020
Cash and cash equivalents	(24)	543,366.7	808,622.3
Assets at amortised cost	(25), (26)	2,393,909.5	2,170,020.8
Assets at fair value through other comprehensive income	(27)	1,085,203.8	973,903.7
Assets at fair value through profit or loss	(29)	244,590.9	295,196.1
Derivatives	(30)	128,390.9	135,924.0
Portfolio hedge		1,225.3	4,336.5
Property, plant and equipment	(32)	23,733.5	24,430.9
Intangible assets	(34)	848.8	489.5
Current tax assets		0.0	1,352.5
Deferred tax asset		0.0	4,005.2
Other assets	(36)	6,581.5	4,882.1
Assets		**4,427,851.0**	**4,423,163,6**

LIABILITIES AND EQUITY in EUR 1,000		31/12/2021	31/12/2020
Liabilities at amortised cost		3,772,808.5	3,802,220.0
of which amounts owed to banks	(37)	*480,764.6*	*520,329.1*
of which amounts owed to customers	(38)	*1,861,048.3*	*2,115,908.8*
of which securitised liabilities	(39)	*1,370,698.7*	*1,097,679.7*
of which subordinated liabilities	(40)	*60,296.9*	*68,302.4*
Derivatives	(41)	168,930.9	222,959.7
Provisions	(42)	5,547.7	6,846.0
Deferred tax liabilities	(43)	1,552.8	0.0
Current tax liabilities	(43)	9,045.3	489.8
Other liabilities	(44)	32,223.6	31,266.6
Equity	(45)	437,742.2	359,381.4
of which subscribed capital		*172,659.5*	*172,659.5*
of which fixed reserves		*35,657.5*	*31,298.5*
of which reserves for assets at fair value through other comprehensive income		*79,043.6*	*89,341.1*
of which other reserves		*87,990.9*	*65,900.1*
of which additional Tier 1 capital		*62,243.7*	*0.0*
of which non-controlling interests		*146.9*	*182.2*
Liabilities and equity		**4,427,851.0**	**4,423,163.6**

II. Consolidated income statement

CONSOLIDATED INCOME STATEMENT in EUR 1,000	Note	1/1-31/12/2021	1/1-31/12/2020
Net interest income	(46)	78,864.9	77,123.1
Interest income		96,838.4	95,037.6
of which calculated using the effective interest method		*71,819.9*	*72,745.7*
Interest expenses		-17,973.4	-17,914.5
Net fee and commission income	(47)	29,440.1	28,525.0
Fee and commission income		31,007.0	30,347.4
Fee and commission expenses		-1,566.9	-1,822.4
Result from the disposal of assets at fair value through other comprehensive income	(48)	2,086.1	223.9
Net provisioning for impairment losses	(49)	-159.0	-156.6
General administrative expenses	(50)	-63,584.4	-57,164.3
Personnel expenses		-44,770.2	-39,019.7
Other administrative expenses		-18,814.2	-18,144.6
Contributions to the Bank Resolution Fund	(51)	-2,005.2	-1,764.8
Income from associates	(52)	1,975.0	355.9
Income from investments		54.0	355.9
Other operating result	(53)	12,309.3	211.0
Other operating income		15,472.2	2,165.8
Other operating expenses		-3,162.9	-1,954.8
Net result of asset valuation and realised gains and losses	(54)	7,807.5	350.5
Result from the disposal of financial assets measured at amortised cost	(55)	299.1	304.7
Consolidated profit for the year before tax		**67,087.4**	**48,008.5**
Income taxes	(56)	-18,233.7	-11,582.4
Consolidated profit for the year		**48,853.7**	**36,426.1**
of which attributable to owners		*48,825.4*	*36,365.1*
of which attributable to non-controlling interests		*28.3*	*61.0*

III. Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Consolidated profit for the year	**48,853.7**	**36,426.1**
Items to be recycled to the Income Statement	**-10,364.9**	**-19,786.2**
Changes in debt capital instruments at fair value through other comprehensive income	**-10,364.9**	**-19,786.2**
Valuation of debt capital instruments at fair value through other comprehensive income	-15,384.6	-14,040.1
Recycled to the Income Statement	1,564.8	-12,341.5
Deferred tax on debt capital instruments at fair value through other comprehensive income	3,455.0	6,595.4
Items not to be recycled to the Income Statement	**420.6**	**-408.8**
Change in actuarial gains/losses	**353.2**	**75.7**
Actuarial result from pension provisions	470.9	101.0
Deferred tax on actuarial result from pension provisions	-117.7	-25.2
Changes in equity instruments at fair value through other comprehensive income	**67.4**	**-484.6**
Valuation of equity instruments at fair value through other comprehensive income	89.9	-646.1
Deferred tax on changes in equity instruments at fair value through other comprehensive income	-22.5	161.5
Total	**38,909.4**	**16,231.0**
of which attributable to owners and additional equity components	*38,860.7*	*16,179.1*
of which attributable to non-controlling interests	*48.7*	*51.9*

IV. Consolidated statement of changes in equity

Equity according to IFRS developed as follows in 2021 and 2020:

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

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

STATEMENT OF CHANGES IN EQUITY 2020 in EUR 1,000	**Subscribed capital**	**Fixed reserves[1]**	**Other retained earnings (incl. consolidated profit for the year)**
as of 1/1/2020	**172,659.5**	**29,620.4**	**29,975.5**
Consolidated profit for the year	0.0	0.0	36,365.1
Changes in debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Measurement of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Recycling of debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Changes in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Change in actuarial gains/losses	0.0	0.0	0.0
Total	**0.0**	**0.0**	**36,365.1**
Capital increase	0.0	0.0	0.0
Other effects from changes in shareholdings	0.0	0.0	1.4
Profit distribution	0.0	0.0	0.0
Appropriation to fixed reserves	0.0	1,678.1	-1,678.1
as of 31/12/2020	**172,659.5**	**31,298.5**	**64,664.0**

1 The fixed reserves include statutory retained earnings of TEUR 8,955.2, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 15,511.5 and fixed capital reserves of the parent company of TEUR 6,831.8.

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

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

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

4 Includes additional AT1 bonds that represent unsecured and subordinated bonds of Kommunalkredit and are classified as equity under IFRS.

Reserve for debt capital instruments at fair value through other comprehensive income[2]	Reserve for equity instruments at fair value through other comprehensive income[3]	Actuarial gains/losses IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Equity
108,759.2	**852.7**	**1,151.3**	**343,018.6**	**164.2**	**343,182.8**
0.0	0.0	0.0	36,365.1	61.0	36,426.1
-19,786.2	0.0	0.0	-19,786.2	0.0	-19,786.2
-10,530.1	0.0	0.0	-10,530.1	0.0	-10,530.1
-9,256.1	0.0	0.0	-9,256.1	0.0	-9,256.1
0.0	-484.6	0.0	-484.6	0.0	-484.6
0.0	0.0	84.8	84.8	-9.1	75.7
-19,786.2	**-484.6**	**84.8**	**16,179.1**	**51.9**	**16,231.0**
0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	1.4	17.5	18.9
0.0	0.0	0.0	0.0	-51.4	-51.4
0.0	0.0	0.0	0.0	0.0	0.0
88,973.0	**368.1**	**1,236.1**	**359,199.2**	**182.2**	**359,381.4**

2 As of 31/12/2020, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 29,657.7.

3 As of 31/12/2020. the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 122.7.

V. Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS in EUR 1,000	**1/1-31/12/2021**	**1/1-31/12/2020**
Consolidated profit for the year after tax	**48,853.7**	**36,426.1**
Non-cash items included in the profit for the year and reconciliation to cash flow from operating activities		
Depreciation and amortisation/reversals of depreciation and amortisation on property, plant and equipment and intangible assets	1,607.3	1,416.3
Appropriation to/release of provisions and risk provisions	-1,139.3	-0.7
Non-realised gains/losses from exchange rate fluctuations	11.4	156.1
Gains/losses from the valuation of financial assets and gains from the buyback of own issues	-7,807.5	-350.5
Income tax deferrals	15,466.0	8,970.3
Result from the deconsolidation	0.0	-1,922.8
Non-cash deferrals/accruals and other adjustments	-2,062.1	3,780.7
Sub-total	**54,929.4**	**48,475.4**
Change in assets and liabilities from operating activities after correction for non-cash items		
Assets at amortised cost		
of which loans and advances to banks	*-15,682.6*	*-55,090.0*
of which loans and advances to customers	*-207,551.9*	*-135,566.4*
Assets recognised at fair value through other comprehensive income	-112,010.4	161,744.0
Assets at fair value through profit or loss	52,453.0	-40,437.3
Derivatives and portfolio hedge	-45,478.9	48,516.9
Other assets from operating activities	-1,699.3	2,577.8
Liabilities at amortised cost		
of which amounts owed to banks	*-34,779.0*	*30,391.1*
of which amounts owed to customers	*-256,137.2*	*454,997.0*
of which securitised liabilities	*271,255.0*	*-170,637.5*
Other liabilities from operating activities	-1,919.1	1,986.3
Dividends received	54.0	355.9
Income taxes paid	-250.6	-194.6
Cash flow from operating activities	**-296,817.7**	**347,118.8**
Proceeds from the sale/redemption of property, plant and equipment and intangible assets	0.7	0.0
Payments for the acquisition of property, plant and equipment and intangible assets	-1,271.6	-623.0
Proceeds from the sale of associates[1]	-1,975.0	0.0
Cash flow from investing activities	**-3,245.9**	**-623.0**
Dividend payments attributable to the owners of the parent	-20,371.1	0.0
Dividend payments attributable to non-controlling interests	-84.0	-51.4
Change in funds from other financing activities (subordinated capital)	-5,000.0	-236.4
Cash inflows from the issue of AT1 capital	62,800.0	0.0
AT1 vouchers	-2,337.2	0.0
Cash outflow from repayments on lease liabilities	-199.6	-199.6
Cash flow from financing activities	**34,808.1**	**-487.4**
Cash and cash equivalents at the end of the previous period	**808,622.3**	**462,613.8**
Cash flow from operating activities	-296,817.7	347,118.8
Cash flow from investing activities	-3,245.9	-623.0
Cash flow from financing activities	34,808.1	-487.4
Cash and cash equivalents at the end of the period	**543,366.7**	**808,622.3**
of which cash flows contained in cash flow from operating activities:		
Interest received	*99,797.5*	*89,330.0*
Interest paid	*-16,550.6*	*-15,987.6*

1 Relates to the sale of the investment in Kommunal-leasing GmbH for TEUR 1,975.0 in the 2021 financial year.

DEVELOPMENT OF SUBORDINATED LIABILITIES CARRIED ON THE BALANCE SHEET in EUR 1,000	2021	2020
as of 1/1	68,302.4	68,536.4
Changes in cash items	-5,000.0	-236.4
Changes in cash items (primarily from hedge accounting)	3,005.5	2.4
as of 31/12	**60,296.9**	**68,302.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2021 FINANCIAL YEAR

General Principles

1. General Information

Kommunalkredit Austria AG (Kommunalkredit), which has its registered office in Vienna, Tuerkenstrasse 9, Austria, is a specialist bank for infrastructure and energy financing as well as public finance; it forms the bridge between project sponsors (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds. It is registered with the Commercial Court (Handelsgericht) of Vienna under Companies Register number 439528s.

Gesona Beteiligungsverwaltung GmbH (Gesona) owns 99.80% of Kommunalkredit, with a stake of 0.20 % held by the Association of Austrian Municipalities. Gesona is a holding company through which Interritus Limited (Interritus) and Trinity investments Designated Activity Company (Trinity) – via Satere Beteiligungsverwaltungs GmbH (Satere) – hold their participations in Kommunalkredit; Interritus and Trinity respectively hold 55 % and 45 % of Satere, which in turn holds a 100 % stake in Gesona.
The consolidated financial statements of Kommunalkredit, based on the IFRS as they are to be applied in the European Union (EU), are prepared pursuant to § 59a of the Austrian Banking Act (BWG) in conjunction with § 245a of the Austrian Commercial Code (UGB). These financial statements meet the requirements of § 59a of the Austrian Banking Act. As an issuer of exchange-listed securities, Kommunalkredit publishes a Group Management Report pursuant to § 124 (1) of the Austrian Stock Exchange Act (BörseG) as part of this annual financial report.

2. Standards and interpretations applied

The consolidated financial statements of Kommunalkredit were produced based on all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committees (IFRICs and SICs) approved and published by the International Accounting Standards Board (IASB), adopted into European law by the European Union (EU) and applicable on a mandatory basis as of 31 December 2021.

Overview of new standards/interpretations or changes to be applied for the first time in the 2021 financial year:

STANDARD/INTERPRETATION	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform (IBOR Reform) – Phase 2	1/1/2021
Amendments to IFRS 16	COVID-19 related rent concessions	1/6/2020

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

Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases)
The IASB published phase 2 of the Interest Rate Benchmark Reform on 27 August 2020. This publication addresses matters liable to impact financial reporting whenever an existing interest rate benchmark is replaced.

The amendments in phase 2 largely relate to the following matters:
- Recognising changes to cash flows that were necessitated by the reform by updating the effective interest rate. All other modifications continue to be recognised according to the existing IFRS.
- Following the amendments, hedge accounting will not be discontinued merely because of the IBOR reform. The hedges must be amended to reflect modifications to the underlying transaction, the hedging instrument and the hedged risk.
- Expanded disclosures in connection with the IBOR reform:
  - Disclosure of how the transition from interest rate benchmarks to alternative interest rate benchmarks is managed
  - Quantitative information about derivatives and non-derivative financial instruments that continue to reference interest rate benchmarks and are the subject of the reform
  - A description of the amendment to the risk management strategy in connection with the IBOR reform

Kommunalkredit made extensive preparations last year to ensure a proper transition to the new risk-free interest rates as planned. In an inter-divisional project, the necessary steps were implemented to prepare the IT systems and the transition processes coordinated. The management team was updated regularly on the progress of the projects and potential risks. The focus of the project is currently on the redemption of existing LIBOR interest rates in the loan portfolio. The transition is already at an advanced stage. As of 31 December 2021, five contracts still remained, which have yet to be switched to an alternative interest rate benchmark. From Kommunalkredit's perspective, the remaining contracts do not produce material risks from the transition to the alternative interest rate benchmarks as of the reporting date.

The following table shows the carrying amounts of the non-derivative financial assets still existing that had not yet been switched to an alternative interest rate benchmark as of the reporting date and do not include fallback clauses:

CARRYING AMOUNT AS OF 31/12/2021 in EUR 1,000	EONIA	GBP LIBOR
Assets at amortised cost	0.0	44,839.4
of which loans and advances to customers	*0.0*	*44,839.4*
Assets recognised at fair value through other comprehensive income	2,869.6	54,387.9
Total	**2,869.6**	**99,227.3**

Contracts from financial liabilities and derivatives have already been switched in full to an alternative interest rate benchmark and include corresponding fallback clauses; the transition did not result in any material impact.

Amendments to IFRS 16 (Leases)
Amendments to IFRS 16 enable a lessee, as a default option, to forego an assessment of whether a rent concession (e.g. deferment of rent or rent reduction) is classified as an amendment to a lease. Therefore, rent concessions that are a direct consequence of the COVID-19 pandemic need not be reported as a modification.

There are no significant leases where Kommunalkredit is the lessee, nor were there any lease concessions as a result of COVID-19, which is why the changes have no impact on the Group's net assets, financial position and results of operations.

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

STANDARD	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvement of IFRS cycle 2018-2020	1/1/2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1/1/2022
Amendments to IFRS 16	Income prior to planned utilisation	1/1/2022
Amendments to IAS 37	Onerous contracts – costs of performance	1/1/2022
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	1/1/2023

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

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

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

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

Amendments to IFRS 3 (Business Combinations)
The purpose of the amendments in IFRS 3 is to resolve a conflict between the new disclosures in the revised Conceptual Framework from March 2018 and IAS 37/IFRIC 21 regarding the recognition criteria for liabilities in the context of a business combination. For this purpose, it was decided to update the reference in IFRS 3 to the revised conceptual framework as well as an amendment of the IFRS to include the requirement that an acquirer must generally observe the provisions set out in IAS 37/IFRIC 21 when identifying obligations entered into that fall within the scope of IAS 37 or IFRIC 21.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

Amendments to IAS 16 (Property, plant and equipment)
The amendments in IAS 16 clarify whether the income from the sale of equipment that was manufactured during the period in which an item of property, plant and equipment is put into its operational condition or brought to its location is to be recognised in profit and loss or whether the income reduces the cost of the item of property, plant and equipment. It was determined that a reduction in the cost will no longer be possible.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

Amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)
According to IAS 37, an onerous contract refers to a contract in which the unavoidable costs for performing the contractual obligations are higher than the expected economic benefits. The objective of the amendments in IAS 37 is to specify the costs to be taken into account when determining whether or not a contract is onerous. The new rules provide that all costs of performance that are directly attributable to the contract are to be used for this assessment.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

IFRS 17 (insurance contracts) and amendments to IFRS 17
The new standard sets out the principles for the measurement, recognition and reporting and the presentation of insurance contracts and was published to supersede IFRS 4 Insurance Contracts. These provisions not only apply to insurance companies, but rather apply across all sectors if the contracts concerned correspond to the definition of an insurance contract. The term "insurance risk" also includes product or residual value risks, for example.

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

The amendments in June 2020 relate to issue and implementation problems that were identified after the publication of IFRS 17. The date of adoption was therefore deferred until 1 January 2023. IFRS 17 is to be adopted retrospectively unless it is not possible to implement it. If it is not possible to implement it, either the modified retrospective approach or the fair value approach will be applied.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

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

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

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

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

The amendments clarify that the classification of liabilities as current or non-current is based on the existing substantive rights to defer the performance by at least 12 months as of the balance sheet date. The classification is made regardless of the likelihood of whether or not an entity will exercise its right to defer perfomance. If this right is subject to compliance with certain conditions, the existence of such right is only assumed if these conditions were actually complied with as of the balance sheet date. The amendments also include the insertion of an explanatory note on the criterion "performance". In this case, performance relates to the transfer of cash, equity instruments and other assets or services to the counterparty.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 supersede the passages where entities have to disclose all significant accounting policies by providing material information on the accounting and measurement principles. The amendment defines what is meant by material accounting policies and how they can be identified. They also clarify that immaterial information on accounting and measurement principles does not need to be disclosed. However, if it is provided, then material information must not be concealed. In addition, the IASB has amended the guidance document "IFRS Practice Statement 2" and developed guidelines and examples to provide entities with guidelines regarding the practical application of the concept of materiality to disclosures on the accounting policies.
From today's perspective, the amendments are not expected to have any impact on the Group's assets, financial position and income.

Amendments to IAS 8
The amendments to IAS 8 clarify how it is possible to differentiate between amendments to accounting policies and accounting-related estimates. According to the new definition, accounting-related estimates relate to monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. They are designed to clarify that estimates are the result of measurement techniques requiring the use of assumptions or discretionary decisions by the entity.
Furthermore, the IASB added two examples to the guideline on the implementation of IAS 8 to avoid causing irritation about the amendments.

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

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

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

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

3. Scope of consolidation

The scope of consolidation of the Kommunalkredit Group, in accordance with the provisions set out in IFRS 10, encompasses the following companies in addition to the parent company Kommunalkredit as of 31 December 2021:

NAME AND REGISTERED OFFICE	Investment		Share in capital 31/12/2021 in %	Share in capital 31/12/2020 in %
	direct	indirect		
1. Affiliated companies				
Fully consolidated affiliated companies				
Kommunalkredit Public Consulting GmbH, Vienna	x		90.0 %	90.0 %
Kommunalkredit KBI Immobilien GmbH, Vienna	x		100.0 %	100.0 %
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	x		100.0 %	100.0 %
Kommunalkredit TLI Immobilien GmbH & Co KG, Vienna		x	100.0 %	100.0 %
Fidelio KA Beteiligung GmbH (DE)	x		75.0 %	75.0 %
Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. (LUX)		x	75.0 %	75.0 %
Fidelio KA Investment Advisory GmbH (DE)		x	75.0 %	75.0 %
Florestan KA GmbH, Vienna	x		100.0 %	–
Florestan KA Hydrogen GmbH, Vienna		x	100.0 %	–
2. Associates				
Associates included using the equity method				
Kommunalleasing GmbH, Vienna	x		–	50.0 %
PeakSun Holding GmbH, Wels		x	40.0 %	–

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

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

Changes to the scope of consolidation in the 2021 reporting year
Florestan KA GmbH was founded during the 2021 financial year with the business purpose of awarding equity investments in infrastructure and energy projects. Florestan KA GmbH holds a 100% stake in Florestan KA Hydrogen GmbH and 40% in PeakSun Holding GmbH (PeakSun); both companies were founded in the financial year. The business purpose of the fully consolidated Florestan KA Hydrogen GmbH is the production and sale of green hydrogen. PeakSun, which is included as an associate in the consolidated financial statements, is a company specialising in the assembly of rooftop photovoltaic systems.

Kommunalleasing GmbH was sold in the second half of 2021. The activities of Kommunalleasing GmbH, included at equity, comprise leasing transactions for Austrian local authorities; the company has not engaged in any new business since 2008.

Accounting and measurement principles

4. General accounting and measurement methods

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

No reporting changes were made in 2021.

These financial statements are intended to give a true and fair view of the assets, the financial position and the income of the Kommunalkredit Group according to IFRS rules, as adopted by the EU.

Acquisitions and disposals in all classes of financial assets are recognised on the day of trading.

Income and expenses are accrued/deferred pro rata temporis and are recognised in the period to which they are attributable in economic terms. Interest is recognised as it accrues in net interest income, considering all contractual arrangements made in connection with the financial assets or liabilities. Dividend income is only booked when a corresponding legal claim to payment arises.

Fees and commissions for services provided over a certain period of time are recognised over the period of service provision. Fees related to the completion of a specific service are booked as income at the time of completion of the service. Contingent commissions are recognised when the required performance criteria are met.

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

5. Consolidation Principles

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

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

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

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

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

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

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

Amounts reported in other comprehensive income for this subsidiary are treated as though there had been a sale of the individual assets. These amounts are therefore either reclassified to the income statement or directly transferred to the result carried forward.

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

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

6. Currency translation

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

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

7. Classification and measurement of financial assets

7.1. Classification principles

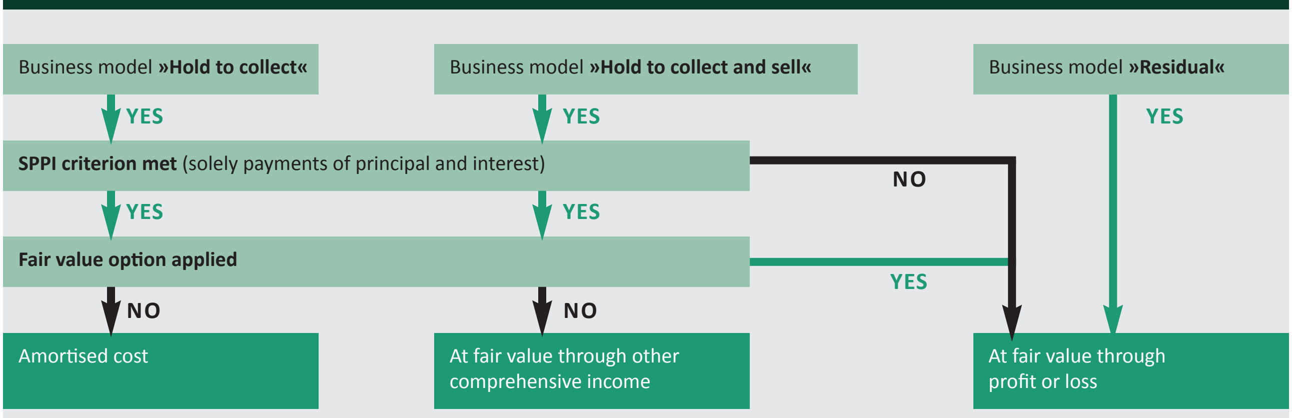
IFRS 9 requires all financial assets to be measured either at amortised cost or fair value depending on the features of the contractual cash flows and the business model. Measurement at fair value may be reflected directly in equity (other comprehensive income) or recognised in profit and loss through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

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

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

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

Classification according to IFRS 9



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

7.2. Financial assets at amortised cost

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

Financial assets under this measurement classification are reported in the statement of financial position (IFRS) under “loans and advances to banks”, “loans and advances to customers” and “cash and cash equivalents”. When these financial assets are recognised for the first time, they are reported at fair value 11) taking into account transaction costs. Subsequent measurements are reported at amortised cost. These costs are calculated from the amount that the financial assets were first measured at upon initial recognition less repayments, plus/less the cumulative distribution of differences arising between the original amount issued and the repayable amount upon maturity, using the effective interest method and taking into account the risk provisions (see Note 8). The result of the amortisation of the differences, applying a constant effective interest rate, is reported in the income statement under net interest income. The method of accounting for loans and receivables that represent hedged items in hedging relationships is described in more detail under Note 10.

Fees are part of the effective interest rate of assets in this category, Fees in connection with credit that has not yet been disbursed are reported in other liabilities and taken into account at the effective interest rate at the time of disbursement, except for ongoing commitment fees, which relate directly to the not yet utilised scope of an asset in this category. These are booked as net interest income for a specific time period and not considered part of the effective interest rate. If commitment fees are collected for the provision of the loan regardless of the respective utilisation, these are part of the effective interest rate provided that a disbursement of the loan is probable. The treatment of fees which are not part of the effective interest rate and are booked as net fee and commission income is explained in Note 22.

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

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

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

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

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

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

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

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

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

7.5. Equity instruments

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

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

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

7.6. Modifications/changes to estimates of financial assets

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

Qualitative factors that are considered in the assessment of modifications include the adjusted term of the modified asset, the nature of fees received in connection with the modification, possible changes in the purpose of the financing and a significantly changed reward or risk profile for Kommunalkredit.

Modification effects are assessed both for financial assets and for financial liabilities (see Note 18).

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

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

POCI assets refers to financial instruments that, upon purchase or origin, already had impaired creditworthiness. IFRS 9 has special provisions regarding the determination of the interest income and risk provisioning for assets that are reported at amortised cost or at fair value through other comprehensive income. See Note 8 for details on the POCI instruments risk provisions.

8. Risk provisions

Risk provisions in the lending business encompass impairments (for lending business reported in the statement of financial position) and provisions (for the off-balance-sheet lending business) where the affected financial instruments are not reported at fair value through profit or loss. The impairment model of IFRS 9 requires that impairments be reported on the basis of expected credit losses.

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

The valuation allowance under IFRS 9 is calculated either as the expected 12-month credit loss (IFRS level 1) or the expected credit loss over the residual term until maturity, depending on whether the risk of default has increased significantly since the initial recognition of the financial asset (IFRS level 2) or there is a default (IFRS level 3). Individual risk provisioning is required for IFRS level 3 financial assets. During its monthly assessments of whether the risk of default has increased significantly (level transfer), Kommunalkredit takes quantitative and qualitative factors into account. These include, in particular:

- The absolute level of the credit risk ("low credit risk" criterion), with financial assets in the investment grade segment generally being allocable to IFRS level 1. However, a qualitative review is also carried out to identify significant increases in the credit risk for all financial assets in the investment grade segment as part of the regular rating and review process.
- Relative change in credit risk on the basis of the probability of default (rating)
- Changes of internal price indicators with terms and conditions remaining the same
- Possible significant changes in contractual terms if the financial instrument had been newly issued;
- Changes in external market indicators of a financial instrument with an equivalent structure
- Where arrears of more than 30 days have developed, an individual analysis is performed to establish if this leads to a significant increase in credit risk.

If the (quantitative or qualitative) circumstances that necessitated a downgrade in the exposure cease to apply, the exposure is transferred back after a corresponding recovery period.

Probabilities are factored into the calculation of the valuation allowances for IFRS level 1 and IFRS level 2, also taking into account all expected disbursements and repayments in the period under review as well as the maximum contract term during which Kommunalkredit is exposed to a risk of default. Input parameters for the calculation of the expected credit losses such as the exposure at default (EAD), probability of default (PD) and the loss-given-default ratio (LGD) are determined from a combination of internal and external data. The expected credit losses are discounted on the reporting date and aggregated; the discount rate is equal to the interest rate effective. The inclusion of forward-looking information in input parameters is based on a macro-economic model that incorporates factors such as GDP growth, unemployment rates and changes to the two share indices S&P 500 and STOXX Europe 50. The derivation of macro-economic scenarios as a basis for the probability-weighted calculation of expected credit losses takes into account the specifics of Kommunalkredit's portfolio and undergoes regular validation.

Valuation allowance requirements (IFRS level 3) are evaluated within Kommunalkredit for individual transactions, with financial assets and their associated credit commitments being individually taken into account for each transaction. To define default events, Kommunalkredit applies the definition of a default as laid by Art. 178 CRR. This includes both receivables that are more than 90 days in default (overdue receivables) and the criterion "unlikeliness to pay". A receivable is deemed to be 90 days in default if the overdue receivable exceeds the approved and communicated total amount by more than 1.0%, and is at least EUR 500.00. At IFRS level 3, cash flow estimates are applied on the basis of the specific transaction.

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

- **Risk level 0: Regular business**
  Standard risk level for all exposures that exhibit no anomalies and therefore do not fall in the subsequent risk levels.
- **Risk level 1: Intensive care – not distressed**
  Exposures exhibiting an elevated credit risk or other anomalies. They are therefore subject to close monitoring (intensive care) and are added to the watchlist. These exposures are not deemed to be at risk of default and do not yet exhibit any need for individual valuation allowances.
- **Risk level 2: Work out – restructuring**
  Exposures in distressed loan processing classified as restructuring cases.
- **Risk level 3: Work out – winding down**
  Exposures where there is little point to loan restructuring and collection measures are defined.

From risk level 1, the need to form a risk provision (impairment test) is performed monthly. Individual valuation allowances (IFRS level 3) must be formed if it is to be expected that a receivable – including interest – cannot be collected in full or at all. The need to form an individual valuation allowance is also reviewed if the regulatory default definitions are met or if at least one of the following conditions is satisfied for a loan exposure:

- Waiver of the ongoing application of interest for creditworthiness-related reasons
- There has been a significant adjustment to the credit risk, e.g.:
  - Rating downgrade by several levels to the B level or lower
  - Default rating from an external rating agency
  - Reduction of current market price by more than 25%
  - Termination and immediate demand for payment of a receivable for creditworthiness-related reasons
- Forbearance for creditworthiness-related reasons
- Bankruptcy protection proceedings or a comparable procedure have been initiated or ordered on the customer's assets, or the initiation of bankruptcy protection proceedings has been denied due to a lack of assets to cover the debt, or the debtor has been dissolved as a legal person due to the ruling of a court of law or administrative authority.
- Availability of major negative information

Individual valuation allowances are formed amounting to the difference between the carrying amount of the financial asset and the present value of the expected future cash flows, discounted by the original effective interest rate of the financial asset. The application of interest on the impaired financial assets is also neutralised so that contractually agreed interest income is no longer recorded. Instead, the interest income is determined by applying interest to the present value of the expected cash flows over the reporting period with the aid of the originally used effective interest rate applied when determining the impairment loss. As soon as it is known that payment will not be received, the receivable is derecognised against the impairment.

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

9. Derivatives

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

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

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

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

10. Hedge accounting

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

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

To be able to apply the rules of hedge accounting, evidence of an economic relationship between the hedged item and the hedge itself must be provided. Kommunalkredit establishes such a hedge relationship by means of prospective (matching of the components determining the market value) and retrospective effectiveness tests. Prospective effectiveness testing involves a comparison or review of all parameters of the hedged item and the hedge itself affecting the scope of the hedged value change to determine whether value changes of the hedged item or the hedge itself usually offset one another as regarded the hedged risk. Retrospective effectiveness testing involves a review of how effectively the market values of the hedged item and hedging item oppose one another in respect of the hedged risk.

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

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

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

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

11. Fair value calculation

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

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

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

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

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

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

Financing involving Export Credit Agencies (ECAs) consists of a collateralised and a non-collateralised part, the collateralised part constituting the predominant share of the financing. The non-collateralised portion of the financing is treated as project financing in the calculation of spreads, whereas the calculation of spreads in the collateralised part is based on observable market data.

Since the collateralised portion constitutes the predominant share of the transaction, financing involving the ECAs is classified as level 2 in accordance with IFRS 13.

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

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

Derivatives are measured by means of an internal model based on the discounted cash flow method, taking all current yield and basis spread curves into account. Embedded options are valued using market-standard option pricing models (e.g. Hull-White, Dupire, Libor Market Model).

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

For derivatives in several currencies (e.g. cross-currency swaps), a cross-currency basis is used in line with prevailing market standards, in addition to the adaptation of forwards by basis swap spreads. In the simplest case with collateralised derivatives, the OIS discount factor curve for the side not matching the collateral currency is compared against the collateral currency using cross-currency basis spreads. With structured trades with an FX component, the cross-currency basis is also reflected in the calculation of the cash flows.

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

12. Financial guarantees

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

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

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

13. Categories of financial instruments

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

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

As in the previous year, the following classes of financial instruments were not used as of 31 December 2021:
- Assets at fair value through profit or loss – FV option
- Liabilities at fair value through profit or loss
- Liabilities at fair value through profit or loss – FV option

14. Investments in associates

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

15. Property, plant and equipment

Property, plant and equipment includes land, buildings that are largely used by the company itself, office furniture and equipment, and also rights of use in accordance with IFRS 16 “Leases”. Land is reported in the statement of financial position at cost. Buildings, office furniture and equipment are measured at cost, less depreciation on a straight-line basis. The following time periods are applied as expected useful lives:

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

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

16. Leases

a. Kommunalkredit as a lessee:

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

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

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

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

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

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

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

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

The lease liability is remeasured if a subsequent change in the leases results in an adjustment of the estimate made during the initial measurement regarding payment expectations or the scope of the right of use. If the scope of the lease is extended at current market conditions as a result of a contractual change, an additional right of use will be accounted for.

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

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

b. Kommunalkredit as a lessor:

Kommunalkredit recognises a lease identified according to IFRS 16 as an operating lease or finance lease. Depending on the classification, lease payments are recognised in income or the assets are entered in the statement of financial position (IFRS) and shown as a receivable amounting to the net investment in the lease. If a right-of-use asset from a lease for which Kommunalkredit is a lessee is transferred to a third party as part of a sublease, it must be classified as an operating lease or a finance lease and depicted in the statement of financial position (IFRS) depending on the existing entitlement to use the underlying leased object from the main lease. The general requirements when accounting for leases as a lessee apply to the presentation of the main lease in the statement of financial position.

17. Intangible assets

The only intangible assets are software licences acquired against payment. These are amortised on a straight-line basis over three to five years under general administrative expenses. If there are indications of impairment, the assets are written down if the carrying amount exceeds the higher of net realisable value or value in use. If the reasons for impairment cease to apply, these impairments are reversed up to a maximum of amortised cost.

18. Financial liabilities

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

Kommunalkredit has financial liabilities from selected longer-term refinancing transactions of the ECB (TLTRO III). Based on an analysis of the conditions that can be obtained on the market for comparably secured refinancing sources, Kommunalkredit has come to the conclusion that the conditions of the TLTRO III programme do not offer a substantial advantage compared to the market. The financial liability is therefore recognised as a financial instrument according to IFRS 9. Expectations of achieving the lending targets under this programme are taken into account when defining the effective interest rate. A change in the estimate of the achievement of lending targets is recognised as a change in estimate in profit and loss.

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

19. Provisions

Provisions for pensions, severance pay and jubilee bonus obligations are calculated annually by an independent actuary according to the projected-unit-credit method in accordance with IAS 19. The "AVÖ 2018-P calculation bases for pension insurance – Pagler & Pagler", in their version for salaried employees, are used as a basis. The actuarial discount rate was determined on the basis of the yields of prime fixed-income corporate bonds, with due consideration given to the terms of the obligations to be met.

The most important parameters underlying the calculation are:
- an actuarial discount rate of 0.75% to 1.00% (2020: 0.50% to 0.75%) for pension obligations, 0.50% (2020: 0.25%) for obligations from severance pay, and 0.25% (2020: 0.00%) for obligations from jubilee bonuses;
- an increased rate for the calculation of severance pay and pension development of 3.50% (2020: 3.50%);
- assumed pensionable ages of 60 for women and 65 for men, taking into account the transitional provisions of the 2003 Austrian Budget Framework Act (Budgetbegleitgesetz) and the provisions on age limits for women of the Act on Occupational Old-Age Provision (BVG Altersgrenzen);
- a personnel turnover discount for severance pay obligations calculated on the basis of statistically derived rates of early termination of employment with or without severance pay, depending on the length of service.

All pension obligations towards active employees have been transferred to a pension fund. The provisions reported therefore only contain entitlements from defined benefit pension obligations for eight employees not covered by the pension fund, resulting from direct commitments within the framework of the collective bargaining agreement (1961 pension, as amended on 1 January 1997) made prior to the transfer to the pension fund, or from individual contracts. The pension plan is a defined-benefit plan under which benefits for active staff, relative to the risk of death and invalidity, depend on the salary earned. Benefits for employees reaching retirement age are already fixed and therefore only subject to adjustment in line with the annual increase agreed upon through collective bargaining. As the defined benefit components are fully funded, subsequent adjustments will only be required in the event of the underperformance of plan assets or "premature" payment of benefits.

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

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

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

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

Taxes on income are recognised and calculated according to IAS 12.

Current income tax assets and liabilities are measured at current tax rates. Tax claims are shown under "Current tax assets", and tax payable under "Current tax liabilities".

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

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

Effective as of 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 31 December 2021 include Gesona, Kommunalkredit and Kommunalkredit Public Consulting GmbH (KPC). On the basis of a group and tax contribution agreement, the stand-alone method was chosen for the calculation of the tax contributions. According to this method, the amount of the tax contributions of the group members depends on the amount of corporate income tax the group member would have had to pay if its tax result had not been counted toward the group parent. Tax loss carryforwards of a group member from periods prior to the formation of the group (pre-group losses) are credited up to the amount of the profit of the group member and diminish the tax contribution of the group member. If a group member's negative income is counted toward the group parent, this tax loss is kept on record for the group member (internal loss carryforward) and offset against the positive income of the group member in subsequent years up to 100%. Upon termination of the tax group or elimination of a group member, a final compensation has to be paid for tax losses not yet offset, multiplied by the corporate tax rate applicable at the time of termination of the agreement.

21. Derecognition of financial assets and liabilities

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

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

If the Group largely retains all risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset as well as a collateralised financial instrument for the consideration received. A financial liability is derecognised upon redemption, i.e. when its contractual obligations have been discharged or are cancelled or expire, or when a financial liability is replaced by a liability against the same lender under significantly different contractual terms.

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

22. Revenue from customer contracts

IFRS 15 “Revenue from customer contracts” uses a five-step model to govern whether or not, when and in what amount revenue from contracts with customers is recognised. Based on this model, revenue from fees and commissions is recognised in the statement of financial position when control over the services is passed, meaning that the contractual performance obligations to the customer have been met.

Kommunalkredit generates fee and commission income from the lending business and the subsidy management and consulting business of Kommunalkredit Public Consulting GmbH (KPC). If services are provided over a certain period, the fees and commissions are realised for the specific period when these services are provided. If the customer is responsible for monitoring the service at a certain time, the revenue is realised for a specific period.

In the case of revenue from the subsidy management and consulting business of Kommunalkredit Public Consulting GmbH (KPC), the realisation of revenue is either dependent on the service provided or lump-sum price agreements are employed. If it is offset directly, the service provided is invoiced retrospectively based on agreed daily rates and realised for a specific period. In the case of lump-sum price agreements, revenue is realised after the service is provided for a specific period. In both cases, invoicing is carried out after the service provided is accepted by the customer with the usual payment terms. There are currently no contracts with customers in the subsidy management and consulting business which contain significant financing components, significant variable consideration, redemption obligations or guarantees.

Kommunalkredit also provides services for an investment fund that constitute its own performance obligation. These fees are not dependent on the performance of the investment fund and are also collected for a specific period. Fees that are not an integral part of the effective interest rate are realised in net fee and commission income for a specific period. Commission fees related to the new lending business mainly fall under this category. Fees are also collected for financial assets, which are recognised at fair value through profit or loss on the contractually agreed accounting day or transaction date as net fee and commission income.

23. Significant assumptions and estimates

The preparation of financial statements according to IFRS requires management to make discretionary decisions and assumptions regarding certain categories of assets and liabilities. Areas in which this is necessary include the issue of the control of other companies (see Note 5), the setting up of risk provisions (see Note 8), the determination of the fair value of financial assets and liabilities (see Note 11), the determination of the term of lease agreements (see Note 16), the measurement of provisions (see Note 19), the recognition and measurement of deferred tax assets (see Note 20) and the assessment of legal risks (see Note 70).

These assessments and assumptions influence the measurement of assets and liabilities, contingent claims and contingent liabilities on the balance sheet date, and of income and expenses of the reporting period. Management holds regular meetings to carry out this task. Decisions are taken by the competent bodies of the bank and documented accordingly. The underlying assumptions are continuously reviewed and recorded. Actual results may differ from management estimates.

Disclosures relating to the statement of financial position (IFRS) of Kommunalkredit Group

24. Cash and cash equivalents

CASH AND CASH EQUIVALENTS in EUR 1,000	31/12/2021	31/12/2020
Cash on hand	3.5	7.7
Balances with central banks	543,363.2	808,614.5
Total	**543,366.7**	**808,622.3**

25. Assets at amortised cost – loans and advances to banks

LOANS AND ADVANCES TO BANKS in EUR 1,000	31/12/2021	31/12/2020
Repayable on demand	129,278.0	152,720.6
Securities	216,735.8	176,718.9
Provisions for expected credit losses	-24.2	-50.9
Total	**345,989.6**	**329,388.6**

Loans and advances to banks repayable on demand include cash and cash equivalents provided as cash collateral for negative market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 71,880.0 (31/12/2020: TEUR 92,150.0) and positive balances with credit institutions in the amount of TEUR 57,398.0 (31/12/2020: TEUR 60,570.6). Securities in the amount of TEUR 216,735.8 (31/12/2020: TEUR 176,718.9) are recognised at amortised cost. These are public listed bonds.

26. Assets at amortised cost – loans and advances to customers

LOANS AND ADVANCES TO CUSTOMERS in EUR 1,000	31/12/2021	31/12/2020
Repayable on demand	89,040.2	111,112.8
Loans	1,313,804.4	1,205,599.7
Securities	645,992.4	525,366.9
Provisions for expected credit losses	-917.2	-1,447.1
Total	**2,047,919.9**	**1,840,632.3**

Loans and advances to customers only include assets to customers that are recognised at amortised cost.

Loans and advances to customers repayable on demand include cash and cash equivalents provided as collateral for negative market values of derivatives (transactions with non-bank financial institutions) according to ISDA/CSA arrangements in the amount of TEUR 89,040.2 (31/12/2020: TEUR 111,112.8).

Securities include bonds in the amount of TEUR 645,992.4 (31/12/2020: TEUR 525,366.9), of which TEUR 449,108.22 (31/12/2020: TEUR 318,941.2) are listed.

27. Assets at fair value through other comprehensive income

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME in EUR 1,000	31/12/2021	31/12/2020
Loans	1,036,272.1	912,893.4
Securities	47,977.8	60,135.3
Equity instruments	924.5	834.6
Other	29.4	40.4
Total	**1,085,203.8**	**973,903.7**

Loans and securities measured at fair value through other comprehensive income include assets which are used to generate revenue through the collection of contractual cash flows and sales.

Securities include bonds in the amount of TEUR 47,977.8 (31/12/2020: TEUR 60,135.3), of which TEUR 13,565.4 (31/12/2020: TEUR 26,273.0) are listed,

Details on the calculation of the fair values can be found in Note 11. A breakdown based on the fair value hierarchy categories pursuant to IFRS 13.72 and a detailed description in this regard can be found in Note 67.

As of 31 December 2021, risk provisions (see also Note 8 and Note 28) for financial assets measured at fair value through other comprehensive income amounted to TEUR 3,185.2 (31/12/2020: TEUR 2,645.7).

The equity instruments reported are long-term, strategic investments measured at fair value through other comprehensive income, as permitted by IFRS 9. The carrying amounts are as follows:

EQUITY INSTRUMENTS in EUR 1,000	Carrying amounts 31/12/2021	Carrying amounts 31/12/2020
Investment in Kommunalnet E-Government Solutions GmbH	924.5	834.6
Total	**924.5**	**834.6**

The carrying amounts of the equity instruments correspond to their fair values.

The dividends earned are recognised as income from investments and amounted to TEUR 54.0 (1/1-31/12/2020: TEUR 355.9). This included income of TEUR 302.0 from TrendMind IT Dienstleistung GmbH the previous year; this was sold in the first half of 2020.

28. Risk provisions

28.1. Development in risk provisions

Risk provisions included in “Loans and advances to banks”, “Loans and advances to customers”, “Assets recognised at fair value through other comprehensive income” and “Provisions” developed as follows:

RISK PROVISIONS in EUR 1,000	**Stage 1** 12m ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Risk provisions as of 1/1/2021	**3,656.8**	**615.5**	**0.0**	**4,272.3**
Changes with impact on P&L	-592.8	1,348.8	0.0	756.0
Addition of new financial assets	1,425.0	0.0	0.0	1,425.0
Changes in risk parameters (PD/LGD/EAD)	-1,694.0	171.4	0.0	-1,522.6
Result from rating migrations and other fair value effects	989.1	-62.6	0.0	926.5
Foreign currency effects and other changes	-23.8	-4.0	0.0	-27.8
Disposals of financial assets/repayments	-1,398.1	0.0	0.0	-1,398.1
Risk provisions as of 31/12/2021	**2,362.2**	**2,069.1**	**0.0**	**4,431.3**
of which assets at amortised cost	*1,129.6*	*116.5*	*0.0*	*1,246.1*
of which assets at fair value through other comprehensive income	*1,232.6*	*1,952.6*	*0.0*	*3,185.2*
Total net change in P&L during the reporting period	**1,294.6**	**-1,453.6**	**0.0**	**-159.0**

As of 31 December 2021, the total provisions for expected credit losses according to IFRS 9 amounted to TEUR 4,431.3 (31/12/2020: TEUR 4,272.3), of which TEUR 1,246.1 (31/12/2020: TEUR 1,626.6) were set up for assets measured at amortised cost and reduced the carrying amount accordingly. Provisions of TEUR 3,185.2 (31/12/2020: TEUR 2,645.7) for expected credit losses were set up for assets measured at fair value through other comprehensive income. Risk provisions of TEUR 395.7 (31/12/2020: TEUR 306.8) were set up for expected losses from credit commitments. Moreover, an amount of TEUR 54.6 (31/12/2020: TEUR 63.5) was booked for expected credit losses from other financial assets and trade receivables.

An evaluation and an update of the probabilities of default (“PD“[29]) were also carried out in the 2021 financial year and used as a basis for the ECL[30] calculation The model bought from Standard & Poors (S&P) for the transformation of through-the-cycle PDs into point-in-time PDs remained unchanged in 2021. The forecast for economic growth has a material influence on the point-in-time PDs within the framework of the macroeconomic model. To avoid distortion from unsustainable growth rates, a cap in 2021 of +4% (globally) and +3% (for Kommunalkredit portfolio/Europe) on the maximum economic growth taken into account was introduced, which will also be maintained from now on. The definition of the macroeconomic scenarios, including their weightings, remained unchanged.

As a result of the continuing economic upswing with a forecast of a further improvement in the macroeconomic parameters (significant economic growth, a decline in the rate of unemployment), as well as the positive rating changes in the portfolio (rating upgrades outnumber rating downgrades), there was a reduction in PDs, which are now marginally below the long-term through-the-cycle PDs for the first time.

Due to contractual and structural risk mitigation factors typical of infrastructure financing, the bank’s portfolio proved highly stable in 2021 as well; there are still no exposures in IFRS level 3. Much of the project financing benefits from availability models, fixed feed-in tariffs or long-term contracts and also contains additional risk-mitigating contractual agreements such as extensive disbursement checks, restrictive financial covenants and reserve accounts. Based on sensitivity analyses, the financing structures and the repayment profiles are defined so as to ensure that there are sufficient reserves in place for servicing loans in a due and proper manner.

As of 31 December 2021, there are four exposures in IFRS 9 level 2 (lifetime ECL), with an exposure amounting to TEUR 95,266.4 (31 December 2020: three exposures with a total exposure value of TEUR 51,944.0). Credit performance in the entire infrastructure portfolio was in accordance with the contractual agreements, apart from two cases where the repayment profile was adjusted (forbearance).

Isolated deferrals (deferred interest payments and repayments in 2021: TEUR 758.6 / 2020: TEUR 1,488.9) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages. There were no long-term financial difficulties/deteriorations in credit ratings in this portfolio as of 31 December 2021.

As in the previous year, the company held no assets that, upon purchase or origin, already had impaired creditworthiness (POCI) in portfolios measured at amortised cost or at fair value through other comprehensive income in the 2020 financial year.

29 The PDs are determined by applying the provisions of IFRS 9, taking into account forward-looking information.
x9 ECL = expected credit loss, risk provisions for expected credit losses.

Assuming a change in the GDP growth rate, unemployment rate and share indices (a global and a European share index) in the underlying macroeconomic model, this would result in the following change in risk provisions:

	Change in parameters	Change in %	Change in TEUR
ECL sensitivity in the event of a change in the gross domestic product growth rate	plus 1.0 %[1]	-6.7 %	-295.5
	minus 1.0 %	+29.0 %	+1,283.5
ECL sensitivity in the event of a change in the unemployment forecast	plus 1.0 %	+1.3 %	+57.4
	minus 1.0 %	-1.6 %	-69.8
ECL sensitivity in the event of a change in the share indices	plus 20.0 %	-2.6 %	-115.2
	minus 20.0 %	+8.5 %	+376.2

1 To calculate the PIT PDs, positive growth rates with +4% (worldwide) and +3% (KA portfolio/Europe) are limited to avoid distortion from unsustainable economic growth

The comparative figures for the period from 1 January 2020 to 31 December 2020 are as follows:

RISK PROVISIONS in EUR 1,000	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Risk provisions as of 1/1/2020	**4,206.3**	**375.0**	**0.0**	**4,581.3**
Changes with impact on P&L	-31.3	480.1	0.0	448.8
Addition of new financial assets	649.3	0.0	0.0	649.3
Changes in risk parameters (PD/LGD/EAD)	-378.1	-164.7	0.0	-542.8
Result from rating migrations and other fair value effects	597.1	-89.7	0.0	507.3
Foreign currency effects and other changes	19.9	14.8	0.0	34.8
Disposals of financial assets/repayments	-1,406.5	0.0	0.0	-1,406.5
Portfolio changes during the reporting period	**-549.5**	**240.5**	**0.0**	**-309.0**
Risk provisions as of 31/12/2022	**3,656.8**	**615.5**	**0.0**	**4,272.3**
of which assets at amortised cost	*1,491.2*	*135.4*	*0.0*	*1,626.6*
of which assets at fair value through other comprehensive income	*2,165.6*	*480.1*	*0.0*	*2,645.7*
Total net change in P&L during the reporting period[1]	**52.6**	**-209.2**	**0.0**	**-156.6**

1 Includes the net provisioning for impairment losses of the assets of sub-fund Fidelio KA Infrastructure Debt Fund Europe 1 fully consolidated in the period 1/1/2020-30/09/2020 in stage 1. Income from the deconsolidation of the sub-fund as of 1/10/2020 is shown in other comprehensive income for the 2020 financial year.

28.2. Development of gross book values in connection with risk provisions

The following table shows the gross book values of the financial assets that are relevant to the calculation of risk provisions, broken down by rating class:

CARRYING AMOUNTS 31/12/2021 in EUR 1,000	Stage 1	Stage 2	Stage 3	Not rated	Total
	12m ECL	Lifetime ECL	Lifetime ECL		
AAA	218,026.6	0.0	0.0	0.0	218,026.6
AA+	383,201.4	0.0	0.0	0.0	383,201.4
AA	628,360.8	0.0	0.0	0.0	628,361.8
AA-	287,037.0	0.0	0.0	0.0	287,037.0
A+	163,738.3	0.0	0.0	0.0	163,738.3
A	277,204.1	0.0	0.0	0.0	277,204.1
A-	162,412.6	0.0	0.0	0.0	162,412.6
BBB+	32,591.5	0.0	0.0	0.0	32,591.5
BBB	261,682.3	0.0	0.0	0.0	261,682.3
BBB-	226,970.7	0.0	0.0	0.0	226,970.7
BB+	414,058.7	0.0	0.0	0.0	414,058.7
BB	196,906.9	20,103.3	0.0	0.0	217,010.2
BB-	124,643.0	0.0	0.0	0.0	124,643.0
B+	742.0	48,187.7	0.0	0.0	48,929.7
B	17,026.8	15,965.7	0.0	0.0	32,992.5
B-	3,731.4	0.0	0.0	0.0	3,731.4
Not rated	0.0	0.0	0.0	953.9	953.9
Gross book values	**3,398,334.0**	**84,256.7**	**0.0**	**953.9**	**3,483,544.6**
Risk provisions	**2,362.2**	**2,069.1**	**0.0**	**0.0**	**4,431.3**
Carrying amounts after risk provisions	**3,395,971.8**	**82,187.6**	**0.0**	**953.9**	**3,479,113.3**
of which assets at amortised cost	*2,358,056.8*	*35,852.7*	*0.0*	*0.0*	*2,393,909.5*
of which assets at fair value through other comprehensive income	*1,037,915.0*	*46,334.9*	*0.0*	*953.9*	*1,085,203.8*

The carrying amount of TEUR 953.9 (31/12/2020: TEUR 929.4) in the “Not rated” category relates primarily to investments that are not part of the scope of consolidation and are included in the “Assets at fair value through other comprehensive income” item.

There were no substantial modifications to IFRS stage 2 financial instruments during the reporting year and in the previous year; cash value losses of TEUR 342.1 (1/1-31/12/2020: TEUR 0.0) resulted from immaterial contract changes. The carrying amount before the modification was TEUR 24,235.4. Kommunalkredit had no IFRS stage 3 financial instruments during the reporting year, as in the previous year. There were no downward stage transfers due to modifications during the reporting year.

The comparative figures as of 31 December 2020 are as follows:

CARRYING AMOUNTS 31/12/2020 in EUR 1,000	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Not rated	Total
AAA	38,052.8	0.0	0.0	0.0	38,052.8
AA+	368,113.5	0.0	0.0	0.0	368,113.5
AA	646,159.6	0.0	0.0	0.0	646,159.6
AA-	311,465.6	0.0	0.0	0.0	311,465.6
A+	178,600.8	0.0	0.0	0.0	178,600.8
A	313,972.4	0.0	0.0	0.0	313,972.4
A-	168,193.3	0.0	0.0	0.0	168,193.3
BBB+	120,924.5	0.0	0.0	0.0	120,924.5
BBB	237,082.3	0.0	0.0	0.0	237,082.3
BBB-	154,097.4	0.0	0.0	0.0	154,097.4
BB+	173,131.0	5,443.8	0.0	0.0	178,574.8
BB	172,309.6	0.0	0.0	0.0	172,309.6
BB-	126,813.7	0.0	0.0	0.0	126,813.7
B+	58,530.0	25,953.3	0.0	0.0	84,483.3
B	13,123.8	15,664.5	0.0	0.0	28,788.3
B-	19,635.5	0.0	0.0	0.0	19,635.5
Not rated	0.0	0.0	0.0	929.4	929.4
Gross book values	**3,100,205.8**	**47,061.6**	**0.0**	**929.4**	**3,148,196.8**
Risk provisions	**3,656.8**	**615.5**	**0.0**	**0.0**	**4,272.3**
Carrying amounts after risk provisions	**3,096,549.0**	**46,446.1**	**0.0**	**929.4**	**3,143,924.5**
of which assets at amortised cost	*2,148,993.5*	*20,972.9*	*0.0*	*54.4*	*2,170,020.8*
of which assets at fair value through other comprehensive income	*947,555.5*	*25,473.2*	*0.0*	*875.0*	*973,903.7*

28.3. Forbearance

Forbearance exposures are exposures to counterparties at risk of no longer being able to meet their payment obligations.

On account of the quality of its portfolio and/or its credit risk profile, forbearance practices are of minor importance for Kommunalkredit. During the preceding financial year, there were occasional temporary deferrals to the bridging of short-term liquidity bottlenecks in the public finance portfolio due to the COVID-19 pandemic; concessions were not required due to financial difficulties.

Forbearance measures were taken in the infrastructure portfolio for two partners in 2021, which related to adjustments to the repayment profile. The forbearance classification was omitted for the only forbearance exposure that existed on the reporting date of 31 December 2020 after the two-year probation period expired. In Kommunalkredit's portfolio, there were two counterparties rated “B+” (31/12/2020: a counterparty with a “BB+” rating), with a carrying amount after risk provisions of TEUR 52,925.2 (31/12/2020: TEUR 5,387.3) classified as a forbearance exposure (“forbearance performing”) as of 31 December 2021. From this volume, TEUR 46,235.1 (31/12/2020: TEUR 5,387.3) will be assigned to the calculation of IFRS stage 2 risk provisions and provided with the lifetime ECL. The remaining volume of TEUR 6,690.1 (31/12/2020: TEUR 0.0) will be assigned to the assets at fair value through profit or loss.

29. Assets at fair value through profit or loss

ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in EUR 1,000	31/12/2021	31/12/2020
At fair value through profit or loss	244,590.9	295,196.1
Total	**244,590.9**	**295,196.1**

The assets measured at fair value through profit or loss are assets with a carrying amount of TEUR 160,342.6 (31/12/2020: TEUR 195,297.5), which are assigned to the sell business model due to their short-term intentions of syndication. Assets whose cash flows are not solely interest payments, and repayments on the outstanding capital amount, are included with a carrying amount of TEUR 84,248.3 (31/12/2020: TEUR 99,898.6).

Details on the calculation of the fair values can be found in Note 11. A breakdown based on the fair value hierarchy categories pursuant to IFRS 13.72 and a detailed description in this regard can be found in Note 67.

30. Derivatives

Derivatives at Kommunalkredit mainly serve the purpose of hedging interest rate and/or currency risks. The positive fair values (for details on fair value measurement, see Note 11) of the derivative financial instruments are recognised on the asset side and shown in the following table (including interest accruals/deferrals):

The structure of the derivative financial instruments, including their market values, is shown in Note 64.

DERIVATIVES in EUR 1,000	31/12/2021	31/12/2020
Interest-related transactions	105,963.8	134,690.2
of which in fair value hedges	*104,890.4*	*133,713.2*
of which in portfolio hedge	*0.0*	*0.0*
Currency-related transactions	22,427.1	1,233.7
of which in fair value hedges	*0.0*	*0.0*
Total	**128,390.9**	**135,924.0**

31. Investments in associates

The carrying amount of the investment in PeakSun Holding GmbH, which was newly founded in the 2021 financial year, totals TEUR 11.6.

As of 31 December 2021, the assets and liabilities of this company amounted to TEUR 357.8 (31/12/2020: TEUR 0.0) and TEUR 328.8 (31/12/2020: TEUR 0.0), revenues amounted to TEUR 185.0 and the loss for the year was TEUR 6.0.

There were no material non-recognised losses for this at-equity investment for Kommunalkredit.

The investment in Kommunalleasing GmbH was sold in the past financial year.

32. Property, plant and equipment

The development and composition of property, plant and equipment are shown in Note 35 (Schedule of non-current asset transactions). The value of land and buildings used mainly by the Group, as shown on the statement of financial position, is unchanged from the previous year and includes a land value of TEUR 3,961.1.
For information on the composition and development of right-of-use assets, please refer to Note 33.

PROPERTY, PLANT AND EQUIPMENT in EUR 1,000	31/12/2021	31/12/2020
Land and buildings	19,846.6	20,766.7
Office furniture and equipment	2,461.5	2,125.5
Right-of-use assets	1,425.3	1,538.7
Total	**23,733.5**	**24,430.9**

33. Leases

The right-of-use assets capitalised resulted from lease agreements relating to the rental of buildings and vehicles. These are included under property, plant and equipment in the statement of financial position.

The right-of-use assets showed the following development in 2021:

RIGHT-OF-USE ASSETS 2021 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2021	1,519.2	19.5	1,538.7
Additions 1/1-31/12/2021	72.3	0.0	0.0
Depreciation 1/1-31/12/2021	-170.1	-15.6	-185.7
Carrying amount 31/12/2021	**1,421.4**	**3.9**	**1,425.3**

The comparative figures are as follows:

RIGHT-OF-USE ASSETS 2020 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2020	1,689.3	35.1	1,724.4
Additions 1/1-31/12/2020	0.0	0.0	0.0
Depreciation 1/1-31/12/2020	-170.1	-15.6	-185.7
Carrying amount 31/12/2020	**1,519.2**	**19.5**	**1,538.7**

Kommunalkredit elects not to recognise short-term leases with terms of less than twelve months, instead recognising payments made under these agreements as expenses over the term of the lease. There are currently expenses from a leasing relationship amounting to TEUR 44.5 (1/1-31/12/2020: TEUR 39.3).

In addition, an agreement on the use of office equipment whose leasing rate also includes maintenance and consumables is not recognised as a lease, as the recognition of these leases would involve disproportionate reporting effort in relation to the benefit provided by this information. This resulted in an expense of TEUR 71.6 in 2021 (1/1-31/12/2020: TEUR 76.2).

The cash outflows from lease agreements (both capitalised leases, and short term leases and leases of low-value assets) amounted to TEUR 324.4 in 2021 (1/1-31/12/2020: TEUR 317.6). Kommunalkredit has not concluded any material agreements in which it serves as lessor.

34. Intangible assets

Intangible assets exclusively comprise purchased software. The development and composition of this item are shown in Note 35 (Schedule of non-current asset transactions).

35. Schedule of non-current asset transactions

The schedule of non-current asset transactions shows the development and composition of property, plant and equipment and non-current intangible assets.

As of 31 December 2021, the schedule of non-current asset transactions is as follows:

SCHEDULE OF NON-CURRENT ASSET TRANSACTIONS 2021 in EUR 1,000	Acquisition costs				
	as of 1/1/2021	Additions	Disposals	Reclassifications	as of 31/12/2021
Property, plant and equipment	**47,167.2**	**679.5**	**-1.6**	**0.0**	**47,845.0**
Land and buildings	37,825.2	0.0	0.0	0.0	37,825.2
Office furniture and equipment	7,531.6	607.2	-1.6	0.0	8,137.2
Right-of-use assets	1,810.4	72.3	0.0	0.0	1,882.7
Intangible assets	**5,028.5**	**592.2**	**0.0**	**0.0**	**5,620.6**
Total of property, plant and equipment and intangible assets	**52,195.6**	**1,271.6**	**-1.6**	**0.0**	**53,465.7**

SCHEDULE OF NON-CURRENT ASSET TRANSACTIONS 2020 in EUR 1,000	Acquisition costs				
	as of 1/1/2020	Additions	Disposals	Reclassifications	as of 31/12/2020
Property, plant and equipment	**47,520.1**	**268.9**	**-621.9**	**0.0**	**47,167.2**
Land and buildings	37,795.1	30.1	0.0	0.0	37,825.2
Office furniture and equipment	7,914.6	238.8	-621.9	0.0	7,531.6
Right-of-use assets	1,810.4	0.0	0.0	0.0	1,810.4
Intangible assets	**4,674.4**	**354.0**	**0.0**	**0.0**	**5,028.5**
Total of property, plant and equipment and intangible assets	**52,194.5**	**623.0**	**-621.9**	**0.0**	**52,195.6**

Cumulative depreciation and amortisation					
as of 1/1/2021	Additions	Disposals	as of 31/12/2021	Carrying amount 31/12/2021	Carrying amount 31/12/2010
22,736.2	**1,376.9**	**-1.6**	**24,111.5**	**23,733.5**	**24,430.9**
17,058.5	920.0	0.0	17,978.5	19,846.6	20,766.7
5,406.1	271.2	-1.6	5,675.6	2,461.5	2,125.5
271.7	185.7	0.0	457.4	1,425.3	1,538.7
4,539.0	**232.8**	**0.0**	**4,771.8**	**848.8**	**489.5**
27,275.2	**1,609.7**	**-1.6**	**28,883.3**	**24,582.3**	**24,920.4**

Cumulative depreciation and amortisation					
as of 1/1/2020	Additions	Disposals	as of 31/12/2020	Carrying amount 31/12/2020	Carrying amount 31/12/2019
22,049.5	**1,306.4**	**-619.6**	**22,736.2**	**24,430.9**	**25,470.6**
16,138.5	920.0	0.0	17,058.5	20,766.7	21,656.6
5,825.0	200.7	-619.6	5,406.1	2,125.5	2,089.6
86.0	185.7	0.0	271.7	1,538.7	1,724.4
4,427.8	**111.1**	**0.0**	**4,539.0**	**489.5**	**246.6**
26,477.3	**1,417.5**	**-619.6**	**27,275.2**	**24,920.4**	**25,717.2**

36. Other assets

OTHER ASSETS in EUR 1,000	31/12/2021	31/12/2020
Other assets	2,736.8	2,604.5
Deferred income	3,844.7	2,277.6
Total	**6,581.5**	**4,882.1**

Other assets comprise the following material items: trade receivables in the amount of TEUR 954.9 (31/12/2020: TEUR 929.3) and receivables of Kommunalkredit Public Consulting GmbH from the subsidy management for public clients in the amount of TEUR 1,085.7 (31/12/2020: TEUR 845.5). The prepaid expenses mainly comprise fees and other general and administrative expenses recognised according to the accruals concept.

37. Amounts owed to banks

AMOUNTS OWED TO BANKS in EUR 1,000	31/12/2021	31/12/2020
Repayable on demand	64,377,7	51,643,8
Other liabilities	416,386,9	468,685,3
Total	**480,764,6**	**520,329,1**

Amounts owed to banks repayable on demand include cash and cash equivalents received as cash collateral received for positive market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 64,377.7 (31/12/2020: TEUR 51,643.8). Other amounts owed to banks include TEUR 405,935.3 (31/12/2020: TEUR 374,610.0) in medium-term funds from the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB) and TEUR 4,782.6 (31/12/2020: TEUR 55,599.8) in collateralised loans of the European Investment Bank.

38. Amounts owed to customers

Amounts owed to customers include the following:

AMOUNTS OWED TO CUSTOMERS in EUR 1,000	31/12/2021	31/12/2020
Deposits by corporates, municipalities and quasi-municipal enterprises	801,379.5	914,870.8
Deposits by retail customers – KOMMUNALKREDIT INVEST	908,825.1	851,782.1
Cash collateral received for positive market values of derivatives	39,547.5	57,454.8
Other long-term liabilities to customers	111,296.2	291,801.0
Total	**1,861,048.3**	**2,115,908.8**

Amounts owed to customers include TEUR 291,614.4 (31/12/2020: TEUR 307,685.1) repayable on demand.

In the reporting period, Kommunalkredit bought back other long-term liabilities to customers with a nominal value of TEUR 155,539.52 (31 December 2020: TEUR 0.0)

39. Securitised liabilities

SECURITISED LIABILITIES in EUR 1,000	31/12/2021	31/12/2020
Bonds issued	1,135,381.6	837,038.5
Other securitised liabilities	235,317.1	260,641.2
Total	**1,370,698.7**	**1,097,679.7**

The securitised liabilities reported under “Bonds issued” and “Other securitised liabilities” comprise covered bonds with a carrying amount of TEUR 856,292.8 (31/12/2020: TEUR 889,583.2), which are collateralised by a cover pool. Besides covered bonds, this statement of financial position item primarily includes senior unsecured bonds.

In the reporting period, Kommunalkredit redeemed securitised liabilities in the nominal amount of TEUR 347,510.5 (31/12/2020: TEUR 169,062.4) at maturity according to schedule, and bought back/prematurely redeemed securitised liabilities with a value of TEUR 22,392.7 (31/12/2020: TEUR 19,761.4).

40. Subordinated liabilities

As of 31 December 2021, subordinated liabilities were broken down as follows:

TYPE OF LIABILITY	Interest rate 31/12/2021	Currency	Nominal value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	10,479.5
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	10,398.2
Subordinated bonded loan 2007-2047	5.02 %	EUR	10,000.0	9,839.3
Subordinated bonded loan 2007-2047	5.02 %	EUR	9,000.0	8,855.4
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,000.0	9,868.7
Subordinated bonded loan 2007-2037	5.08 %	EUR	800.0	789.5
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,200.0	10,066.1
Total			**60,000.0**	**60,296.9**

The comparative figures as of 31 December 2020 are as follows:

TYPE OF LIABILITY	Interest rate 31/12/2020	Currency	Nominal value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	11,028.8
Subordinated bonded loan 2007-2022	4.67 %	EUR	10,000.0	10,398.2
Subordinated bonded loan 2007-2047	5.02 %	EUR	10,000.0	10,352.2
Subordinated bonded loan 2007-2047	5.02 %	EUR	9,000.0	9,317.0
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,000.0	10,441.8
Subordinated bonded loan 2007-2037	5.08 %	EUR	800.0	835.3
Subordinated bonded loan 2007-2037	5.08 %	EUR	10,200.0	10,650.7
Subordinated bond 2006-2021	5.40 %	EUR	5,000.0	5,278.4
Total			**65,000.0**	**68,302.4**

The difference between the carrying amount and the nominal value is due to hedge accounting according to IFRS 9. Interest expenses for all subordinated liabilities in the reporting period amounted to TEUR 2,674.5 (1/1-31/12/2020: TEUR 2,675.8). Creditor claims to repayment of these liabilities are subordinate in relation to other creditors and, in the event of bankruptcy or liquidation, will be fulfilled only after all non-subordinated creditors have been satisfied.

The subordinated liabilities meet the conditions of Part 2 Title I Chapter 4 of EU Regulation 575/2013 (CRR) and are eligible as tier 2 capital for regulatory purposes.

41. Derivatives

Derivatives at Kommunalkredit mainly serve the purpose of hedging interest rate and/or currency risks. The negative fair values of derivative financial instruments are reported on the liabilities side (for details on fair value measurement, see Note 11) and shown in the following table (including interest accruals/deferrals):

DERIVATIVES in EUR 1,000	31/12/2021	31/12/2020
Interest-related transactions	162,166.5	208,525.5
of which in fair value hedges	*80,015.1*	*96,795.5*
of which in portfolio hedge	*51,262.1*	*74,693.8*
Currency-related transactions	6,764.4	10,458.1
of which in fair value hedges	*0.0*	*0.0*
Other transactions	0.0	3,976.1
Total	**168,930.9**	**222,959.7**

The structure of the derivative financial instruments, including their market values, is shown in Note 64.

42. Provisions

As of 31 December 2021, long-term personnel provisions and provisions for expected losses from credit commitments were reported under provisions.

PROVISIONS in EUR 1,000	Changes			
	Initial value 1/1/2021	reported in income statement	reported in total comprehensive income/equity	End value 31/12/2021
Provisions for pensions	1,308.9	-57.3	-157.6	1,094.0
Provisions for severance pay	5,037.1	-799.0	-313.4	3,924.7
Provisions for jubilee bonuses	193.3	-60.0	0.0	133.3
Provisions for expected losses on credit commitments	306.8	88.9	0.0	395.7
Total	**6,846.0**	**-827.4**	**-470.9**	**5,547.7**

The actuarial provision requirement for personnel provisions changes in 2021 as follows:

CHANGE IN PERSONNEL PROVISIONS in EUR 1,000		Provision for			Total
		pension obligations	severance pay	jubilee bonuses	
as of 31/12/2020					
Present value of defined benefit obligation DBO		1,827.3	5,037.1	193.3	7,057.7
Plan assets		-518.5	0.0	0.0	-518.5
Actuarial provisioning requirement		**1,308.9**	**5,037.1**	**193.3**	**6,539.3**
Current service cost		14.8	258.6	5.5	
Interest cost		9.5	12.5	0.0	
Actuarial gains (-) / losses (+) from DBO		-94.9	-313.4	-20.3	
of which due to changes in demographic assumptions		*0.0*	*-83.5*	*0.0*	
of which due to empirical changes		*-27.3*	*-144.1*	*-18.7*	
of which due to changes in financial assumptions		*-67.5*	*-85.7*	*-1.5*	
Payments		-82.8	-835.2	-45.3	
Other changes		0.0	-234.9	0.0	
Change DBO 2021		**-153.3**	**-1,112.4**	**-60.0**	
Change in plan assets 2021		**-61.5**	**0.0**	**0.0**	
DBO as of 31/12/2021		1,674.0	3,924.7	133.3	5,732.0
Plan assets		-580.0	0.0	0.0	-580.0
Actuarial provisioning requirement as of 31/12/2021		**1,094.0**	**3,924.7**	**133.3**	**5,152.0**
Duration of defined benefit obligation in years		15.7	8.6		
Sensitivity of DBO to change in actuarial interest rate by	plus 0.5%	-7.3 %	-4.2 %		
	minus 0.5%	8.3 %	4.4 %		
Sensitivity of DBO to deviation of salary development by	plus 0.5%		4.3 %		
	minus 0.5%		-4.0 %		
Sensitivity of DBO to deviation of salary development by	plus 0.5%	7.3 %			
	minus 0.5%	-6.5 %			

The comparative figures as of 31 December 2020 are as follows:

PROVISIONS in EUR 1,000	Changes			
	Initial value 1/1/2020	**reported in income statement**	**reported in total comprehensive income/equity**	**End value 31/12/2020**
Provisions for pensions	1,159.6	85.2	64.0	1,308.9
Provisions for severance pay	5,118.7	83.5	-165.0	5,037.1
Provisions for jubilee bonuses	194.1	-0.8	0.0	193.3
Provisions for expected losses on credit commitments	531.0	-224.2	0.0	306.8
Total	**7,003.4**	**-56.3**	**-101.0**	**6,846.0**

The actuarial provision requirement for personnel provisions changes in 2020 as follows:

CHANGE IN PERSONNEL PROVISIONS in EUR 1,000		Provision for			**Total**
		pension obligations	**severance pay**	**jubilee bonuses**	
as of 31/12/2019					
Present value of defined benefit obligation DBO		1,682.8	5,118.7	194.1	6,995.6
Plan assets		-523.2	0.0	0.0	-523.2
Actuarial provisioning requirement		**1,159.6**	**5,118.7**	**194.1**	**6,472.4**
Current service cost		25.2	272.8	6.5	
Interest cost		17.2	25.5	0.5	
Actuarial gains (-) / losses (+) from DBO		54.3	-165.0	2.7	
of which due to changes in demographic assumptions		*0.0*	*-184.9*	*0.0*	
of which due to empirical changes		*-85.0*	*-106.2*	*0.5*	
of which due to changes in financial assumptions		*139.3*	*126.0*	*2.2*	
Payments		47.8	-214.8	-10.4	
Other changes		0.0	0.0	0.0	
Change DBO 2020		**144.5**	**-81.6**	**-0.8**	
Change in plan assets 2020		**4.8**	**0.0**	**0.0**	
DBO as of 31/12/2020		1,827.3	5,037.1	193.3	7,057.7
Plan assets		-518.5	0.0	0.0	-518.5
Actuarial provisioning requirement as of 31/12/2020		**1,308.9**	**5,037.1**	**193.3**	**6,539.3**
Duration of defined benefit obligation in years		16.0	10.2		
Sensitivity of DBO to change in actuarial interest rate by	plus 0.5%	-7.6 %	-4.9 %		
	minus 0.5%	8.7 %	5.3 %		
Sensitivity of DBO to deviation of salary development by	plus 0.5%		5.1 %		
	minus 0.5%		-4.7 %		
Sensitivity of DBO to deviation of salary development by	plus 0.5%	7.4 %			
	minus 0.5%	-6.7 %			

The development of the fair value of plan assets is as follows:

DEVELOPMENT OF THE FAIR VALUE OF PLAN ASSETS in EUR 1,000	2021	2020
as of 1/1	**518.5**	**523.2**
Interest income	2.7	5.4
Actuarial result due to empirical changes	62.7	-9.7
Fund payments	-4.3	-0.4
Changes in the financial year	61.5	-4.8
as of 31/12	**580.0**	**518.5**

The following table shows plan assets broken down by asset classes:

PLAN ASSETS BY ASSET CLASS in EUR 1,000	31/12/2021	31/12/2020
Securities – euro	10.8 %	25.3 %
Securities – euro – inflation-linked	4.1 %	0.0 %
Securities – euro emerging markets	4.5 %	2.9 %
Securities – euro corporate	20.5 %	20.6 %
Term deposits	0.3 %	1.3 %
Equity instruments – euro	17.6 %	10.4 %
Equity instruments – non-euro	14.1 %	10.4 %
Equity instruments – emerging markets	7.1 %	6.4 %
Alternative investments	7.7 %	14.5 %
Real estate	4.9 %	4.6 %
Cash and cash equivalents	5.4 %	3.7 %
Other	3.0 %	0.0 %
Total	**100.0 %**	**100.0 %**

As of 31 December 2021, 19.1% (31/12/2020: 16.9%) of the plan assets had a market price listed on an active market. For 2022, if calculation parameters remain constant, the following changes are expected for defined benefit plans:

EXPECTED DEVELOPMENT OF DBO in EUR 1,000	
Defined benefit obligation (DBO) as of 1/1/2022	**1,674.0**
Expected current service cost	13.4
Expected interest cost	12.7
Expected payments	-100.8
Expected actuarial result	-16.7
DBO as of 31/12/2022	**1,582.6**

EXPECTED DEVELOPMENT OF PLAN ASSETS in EUR 1,000	
Plan assets as of 1/1/2022	**580.0**
Expected interest income	4.4
Expected payments by pension fund	-22.0
Expected contribution by employer	0.3
Expected actuarial result	0.0
Expected plan assets as of 31/12/2022	**562.7**

43. Tax liabilities

TAX LIABILITIES in EUR 1,000	31/12/2021	31/12/2020
Current tax liabilities	9,045.3	489.8
Deferred tax liabilities	1,552.8	0.0
Total	**10,598.1**	**489.8**

Deferred tax assets and liabilities include taxes arising from temporary differences between the values recognised according to IFRS and the amounts calculated for tax purposes. The origin and development of deferred tax assets/liabilities are shown in the following table:

DEFERRED TAXES in EUR 1,000	as of 31/12/2020	Change recognised in P&L	Change recognised in OCI	as of 31/12/2021
Deferred taxes from temporary differences in asset-side items in the statement of financial position				
Tax loss carryforwards	7,114.1	-7,114.1	0.0	0.0
Loans and advances to banks[1]	-2,369.2	1,343.9	0.0	-1.025.3
Loans and advances to customers[1]	-19,349.6	13,736.1	0.0	-5.613.5
Assets at fair value through profit or loss	-1,508.5	949.4	0.0	-559.1
Assets at fair value through other comprehensive income	-29,163.4	156.7	3,432.5	-25,574.2
Derivatives	-29,755.4	7,473.3	0.0	-22,282.2
Portfolio hedge	-1,084.1	777.8	0.0	-306.3
Investments in associates	53.6	-53.6	0.0	0.0
Property, plant and equipment	-365.7	38.3	0.0	-327.4
Other loans and advances	106.3	-17.1	0.0	89.1
Deferred taxes from temporary differences in liability-side items in the statement of financial position				
Amounts owed to banks	-82.1	-206.3	0.0	-288.4
Amounts owed to customers	4,656.3	-4,047.7	0.0	608.6
Derivatives	47,498.0	-13,997.7	0.0	33,500.3
Securitised liabilities[1]	23,996.5	-6,683.3	0.0	17,313.2
Subordinated liabilities	193.7	-751.3	0.0	-557.6
Provisions	898.6	-81.7	117.7	699.2
Provisions for expected losses	48.3	-48.3	0.0	0.0
Other liabilities	3,118.1	-347.1	0.0	2,771.0
Total	**4,005.2**	**-8,872.7**	**3,314.8**	**-1,552.8**

1 Deferred taxes in these items relate primarily to differences between the values recognised according to IFRS and the amounts calculated for tax purposes in the context of hedge accounting.

The liability item for deferred tax liabilities of TEUR 1,552.8 (31/12/2020: asset item for deferred tax assets of TEUR 4,005.2) is solely composed of temporary differences (31/12/2020: capitalised loss carryforwards of TEUR 7,114.1 and temporary differences of TEUR -3,108.9) as shown in the table above.

The change in profit or loss of TEUR -8,872.7 (31/12/2020: TEUR -11,868.3) is included in its entirety (31/12/2020: TEUR -11,249.1) in the deferred tax expense. In 2020, the remaining TEUR -619.2 was attributed to the fund units fully consolidated by 30 September 2020 and was included in the result from the deconsolidation under other operating result.

The deferred taxes from tax loss carryforwards of TEUR 28,456.2 capitalised on 31 December 2020 were completely used in 2021. There are no plans to realise deferred tax liabilities resulting from financial instruments and provisions (apart from measurement effects and maturities) within the coming twelve months. The comparative figures as of 31 December 2020 are as follows:

DEFERRED TAXES in EUR 1,000	as of 31/12/2019	Change recognised in P&L	Change recognised in OCI	as of 31/12/2020
Deferred taxes from temporary differences in asset-side items in the statement of financial position				
Tax loss carryforwards	15,277.1	-8,163.1	0.0	7,114.1
Loans and advances to banks[1]	-1,718.6	-650.7	0.0	-2,369.2
Loans and advances to customers[1]	-24,069.3	4,719.7	0.0	-19,349.6
Assets at fair value through profit or loss	12,651.5	-14,160.0	0.0	-1,508.5
Assets at fair value through other comprehensive income	-41,033.3	5,113.0	6,756.9	-29,163.4
Derivatives	-38,252.6	8,497.2	0.0	-29,755.4
Portfolio hedge	-843.1	-241.0	0.0	-1,084.1
Investments in associates	80.4	-26.8	0.0	53.6
Property, plant and equipment	-597.8	232.1	0.0	-365.7
Other loans and advances	0.0	106.3	0.0	106.3
Deferred taxes from temporary differences liability-side items in the statement of financial position				
Amounts owed to banks	0.0	-82.1	0.0	-82.1
Amounts owed to customers	2,465.0	2,191.3	0.0	4,656.3
Derivatives	46,409.5	1,088.5	0.0	47,498.0
Securitised liabilities[1]	33,871.8	-9,875.3	0.0	23,996.5
Subordinated liabilities	252.8	-59.1	0.0	193.7
Provisions	925.2	-1.3	-25.2	898.6
Provisions for expected losses	371.2	-322.9	0.0	48.3
Other liabilities	3,352.1	-234.0	0.0	3,118.1
Total	**9,141.8**	**-11,868.3**	**6,731.7**	**4,005.2**

1 Deferred taxes in these items relate primarily to differences between the values recognised according to IFRS and the amounts calculated for tax purposes in the context of hedge accounting..

44. Other liabilities

OTHER LIABILITIES in EUR 1,000	31/12/2021	31/12/2020
Other liabilities	9,262.8	12,422.9
Personnel liabilities	17,177.3	13,448.5
Lease liabilities	1,447.0	1,551.5
Deferred income	4,336.6	3,843.7
Total	**32,223.6**	**31,266.6**

Other liabilities mainly include obligations for personnel expenses and accruals for audit, legal and consulting expenses. Prepaid expenses largely include costs not yet booked.

45. Equity

A. Development and composition

The share capital of Kommunalkredit as of 31 December 2021 amounted to EUR 172,659,452.81 as was the case in the previous year.

Gesona Beteiligungsverwaltung GmbH holds 33,498,895 no-par-value shares, i.e. 99.80% of the shares; 68,216 no-par-value shares, i.e. 0.20% of the shares, are held by the Association of Austrian Municipalities. Each no-par-value share represents an equal part of the share capital. There are no shares that have been issued but not fully paid up. Each no-par-value share represents a share of EUR 5.14 in the share capital.

By way of a resolution passed by the Annual General Meeting held on 27 June 2019, the Executive Board was authorised to increase the share capital of the company through the issue of up to 16,783,555 new no-par-value registered shares by a maximum amount of EUR 86,329,723.84 (authorised capital), subject to approval by the Supervisory Board, within a period of five years following registration of the amendment to the Articles of Association.

To strengthen the capital base and the capital structure, additional Tier 1 capital (AT1) amounting to TEUR 62,800.0 was successfully placed on the capital market in the first half of 2021. In line with the contractual terms & conditions, the issue was reported under equity in accordance with the provisions of IAS 32. Costs incurred in connection with the issue of the additional Tier 1 capital were deducted from equity. Coupon payments were also deducted from equity and not recognised through profit or loss. The development and composition of equity as reportable according to IFRS is declared under Item IV (statement of changes in equity).

B. Servicing of equity/proposal for appropriation of profit

The profit for the year 2021 of Kommunalkredit Austria AG according to Austrian GAAP is TEUR 47,091.8. Following the reserve allocation of TEUR 23,359.0, this results in retained profit of TEUR 23,732.7. The Executive Board will propose to the Annual General Meeting to be held on 30 March 2022 that an amount of TEUR 23,000.00 be distributed from the net profit and that the remaining TEUR 732.7 be carried forward to new account.

C. Total capital management and regulatory capital indicators

Just as in the previous year, we adhered to the statutory total capital requirements at all times throughout the reporting year. These included a capital conservation buffer, countercyclical capital buffer and premium from the supervisory review and evaluation process (SREP).

Operational monitoring and management take the form of not only ongoing monitoring activities but also monthly reports to the Executive Board. Equity management is also elucidated under Note 68.

C.1. Regulatory group of credit institutions

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere), which holds 100% of Gesona. Gesona owns 99.80% of Kommunalkredit's equity. Given that both Satere and Gesona are classified as financial holding companies as defined by CRR, Kommunalkredit – as per Art. 11 (2) and (3) CRR – is the only credit institution obliged to fulfil the requirements of consolidated position specified in Parts 2 to 4 (Total Capital, Capital Requirements, Large Exposures), Part 6 (Liquidity), Part 7 (Debt) and Part 8 (Disclosure) CRR. Kommunalkredit also meets the definition of a superordinate credit institution pursuant to § 30 (5) of the Austrian Banking Act, which is responsible for compliance with the provisions of the Austrian Banking Act applicable to groups of credit institutions.

In addition to Satere, Gesona and Kommunalkredit, the regulatory group of credit institutions also includes Kommunalkredit KBI Immobilien GmbH, Kommunalkredit KBI Immobilien GmbH & Co KG and Kommunalkredit TLI Immobilien GmbH & Co KG as providers of additional services. The total capital and total capital requirements of the group of credit institutions pursuant to Austrian GAAP, calculated according to the CRR, show the following structure and development:

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	31/12/2021	31/12/2020
Total risk exposure amount pursuant to Art. 92 CRR	**2,026,560.0**	**1,687,514.4**
of which credit risk	*1,852,312.5*	*1,541,045.4*
of which operational risk	*159,471.0*	*132,852.2*
of which CVA charge	*14,557.7*	*12,444.2*
of which default fund of a qualifying counterparty	*218.9*	*1,172.6*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	31/12/2021	31/12/2020
Common equity tier 1 after deductible items (CET 1)	344,357.4	337,901.9
Additional tier 1 (AT1)	34,470.3	0.0
Common equity (tier 1)	**378,827.7**	**337,901.9**
Tier 2 capital	33,946.5	48,728.9
Total capital	**412,774.2**	**386,630.8**
Common equity tier 1 ratio (CET 1)	17.0 %	20.0 %
Common equity ratio (tier 1)	18.7 %	20.0 %
Total capital ratio	20.4 %	22.9 %

The total capital disclosed reflect the annual net income values of the consolidated group companies in accordance with Austrian GAAP amounting to TEUR 46,912.6 (2020: TEUR 33,703.3) less the planned profit distribution of Satere of TEUR 35,600.0 (2020: TEUR 3,384.4).

C.2. Regulatory total capital of Kommunalkredit Austria AG

Total capital and total capital requirements calculated in accordance with CRR as reported in the individual financial statements of Kommunalkredit pursuant to Austrian GAAP have the following composition and development:

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	31/12/2021	31/12/2020
Total risk exposure amount pursuant to Art. 92 CRR	**2,026,456.0**	**1,692,204.9**
of which credit risk	*1,857,515.7*	*1,547,049.3*
of which operational risk	*154,163.7*	*131,538.8*
of which CVA charge	*14,557.7*	*12,444.2*
of which default fund of a qualifying counterparty	*218.9*	*1,172.6*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	31/12/2021	31/12/2020
Common equity tier 1 after deductible items (CET 1)	350,793.9	344,044.6
Additional tier 1 (AT1)	62,800.0	0.0
Common equity (tier 1)	**413,593.9**	**344,044.6**
Tier 2 capital	44,641.5	48,728.9
Total capital	**458,235.4**	**392,773.6**
Common equity tier 1 ratio (CET 1)	17.3 %	20.3 %
Common equity ratio (tier 1)	20.4 %	20.3 %
Total capital ratio	22.6 %	23.2 %

The own funds disclosed reflect the annual net income values of Kommunalkredit in 2021 in accordance with Austrian GAAP amounting to TEUR 47,091.8 (2020: TEUR 33,561.5) less the planned profit distribution of Kommunalkredit of TEUR 23,000.0 (2020: TEUR 3,384.4).

Notes on the income statement of the Kommunalkredit Group

46. Net interest income

NET INTEREST INCOME in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Interest income	**96,838.4**	**95,037.6**
Interest income from loans and advances to banks	5,482.1	5,837.8
Interest income from loans and advances to customers	53,202.7	60,145.5
Interest income from assets at fair value through other comprehensive income	47,301.8	41,093.8
Interest income from assets at fair value through profit or loss	14,684.2	13,266.6
Interest income from derivatives in hedges	-34,166.7	-34,331.4
Interest income from derivatives not in hedges	63.7	356.3
Interest income from maturing derivatives in the portfolio hedge	8,036.5	8,508.8
Interest income from other assets and changes to estimates	2,234.1	160.1
Interest expenses and expenses similar to interest expenses	**-17,973.4**	**-17,914.5**
Interest expenses for amounts owed to banks	-6,064.5	-5,926.9
Interest expenses for amounts owed to customers	-11,844.0	-11,883.9
Interest expenses for derivatives in hedges	30,992.0	33,108.8
Interest expenses for derivatives not in hedges	-3,080.8	-2,984.2
Interest expenses for securitised liabilities	-24,142.7	-27,359.2
Interest expenses for subordinated capital	-2,674.5	-2,675.8
Interest expenses for other liabilities and changes in estimates	-1,158.9	-193.3
Net interest income	**78,864.9**	**77,123.1**

Net interest income rose year on year by 2% to TEUR 78,864.9 (1/1-31/12/2020: TEUR 77,123.1).

Due to the negative interest rates applied to credit with Österreichische Nationalbank (OeNB) and to other deposits with banks, the net interest income was reduced by TEUR 4,520.4 (1/1-31/12/2020: TEUR 2,511.9) in 2021 and is reported under interest expense for amounts owed to banks in the table above.

TEUR 4,817.8 (1/1-31/12/2020: TEUR 1,316.9) in interest income was collected in 2021 as part of the specific long-term refinancing transactions of the ECB (TLTRO III). TEUR 2,110.5 of this (1/1-31/12/2020: TEUR 0.0) can be attributed to a change in estimate determined according to the provisions of IFRS 9 in conjunction with a changed estimate of the achievement of certain interest-rate-related lending goals.

Interest income was collected from negative interest of TEUR 337.5 (1/1-31/12/2020: TEUR 3,835.8) for other loans. Income from negative interest for loans are reported under interest income for loans and advances to banks.

The interest expenses for financial liabilities calculated based on the effective interest method that are not measured at fair value through profit or loss came to TEUR 13,733.7 in 2021 (1/1-31/12/2020: TEUR 14,737.0).

47. Net fee and commission income

NET FEE AND COMMISSION INCOME in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Fee and commission income	**31,007.0**	**30,347.4**
Subsidy management and consulting business	17,676.1	15,608.6
Lending business	9,964.3	13,526.9
Other service business	3,366.5	1,211.8
Fee and commission expenses	**-1,566.9**	**-1,822.4**
Lending business	-505.2	-974.9
Securities business	-297.1	-445.3
Money and FX trading	-764.6	-333.3
Other service business	0.0	-68.9
Net fee and commission income	**29,440.1**	**28,525.0**

The net fee and commission income of TEUR 29,440.1 (1/1-31/12/2020: TEUR 28,525.0) was largely shaped by the revenue from Kommunalkredit Public Consulting GmbH (KPC) in relation to the subsidy management and consulting business amounting to TEUR 17,676.1 (1/1-31/12/2020: TEUR 15,608.6). Fee and commission income from the lending business of TEUR 9,964.3 (1/1-31/12/2020: TEUR 13,526.9) mostly includes fees related to the new lending business. These primarily include commission and transaction-related fees concerning financial instruments measured at fair value through profit or loss.

Fee and commission expenses were largely generated from guarantees in relation to the lending business amounting to TEUR -505.2 (1/1-31/12/2020: TEUR -974.9), from the securities business in the amount of TEUR -297.1 (1/1-31/12/2020: TEUR -445.3) as well as money and FX trading in the amount of TEUR -764.6 (1/1-31/12/2020: TEUR -333.3). All fee and commission income and expenses are recognised according to the accruals concept.

48. Result from the disposal of assets at fair value through other comprehensive income

The result from the disposal of assets at fair value through other comprehensive income amounted to TEUR 2,086.1 in the reporting year (1/1-31/12/2020: TEUR 223.9). Where these assets that only serve to generate SPPI-compliant cash flows and are allocated to the “hold and sell” business model are sold, the amount recorded as of 31 December of the previous year in the reserve for assets measured at fair value and reported directly in other comprehensive income is carried over to the income statement.

49. Net provisioning for impairment losses

NET PROVISIONING FOR IMPAIRMENT LOSSES in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Change in expected losses for level 1	1,294.6	52.6
Change in expected losses for level 2	-1,453.6	-209.2
Change in expected losses for level 3	0.0	0.0
Total	**-159.0**	**-156.6**

Net provisioning for impairment losses came to TEUR -159.0 in the 2021 reporting period (1/1-31/12/2020: TEUR -156.6) and only includes changes in expected credit losses in accordance with IFRS 9. Details on the development in risk provisions can be found in Note 28.

50. General administrative expenses

GENERAL ADMINISTRATIVE EXPENSES in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Personnel expenses	**-44,770.2**	**-39,019.7**
Salaries	-36,889.6	-30,859.6
Statutory social security contributions	-6,421.7	-7,019.0
Voluntary social security contributions	-665.1	-677.7
Expenses for pensions and employee benefits	-793.8	-463.4
Other administrative expenses	**-17,204.6**	**-16,727.1**
Depreciation, amortisation and impairment	**-1,609.7**	**-1,417.5**
on intangible assets	-232.8	-111.1
on property, plant and equipment	-1,376.9	-1,306.4
Total	**-63,584.4**	**-57,164.3**

General administrative expenses increased in the reporting period by 11.2% or TEUR 6,420.1 to TEUR 63,584.4 (1/1-31/12/2020: TEUR 57,164.3). Personnel expenses increased by TEUR 5,750.5 compared to the previous year; this reflects the targeted expansion of the team – both in front office and back office – and also an increased participation in the bank’s success.

In addition to the change in severance and pension provisions, expenses for pensions and employee benefits include TEUR 448.8 (1/1-31/12/2020: TEUR 387.3) for defined contribution plans (pension fund contributions under collective bargaining agreements) and TEUR 394.2 (1/1-31/12/2020: TEUR 327.2) for contributions to company pension plans.

Other administrative expenses include the following items:

OTHER ADMINISTRATIVE EXPENSES in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Third-party services	-5,598.2	-5,298.4
Data processing	-3,402.9	-2,566.8
Consulting and auditing fees	-2,556.3	-3,141.4
Public relations and advertising	-1,193.5	-1,674.3
External news services	-886.0	-878.8
Headhunting and personnel development	-863.8	-888.5
Rating	-457.0	-265.8
Other non-personnel administrative expenses	-2,246.8	-2,012.9
Total of other administrative expenses	**-17,204.6**	**-16,727.1**

Expenses for auditing services by the financial auditor allocable to the reporting period came to TEUR 488.8 (1/1-31/12/2020: TEUR 479.4). TEUR 169.0 of this (1/1-31/12/2020: TEUR 45.6) was attributable to the audit of the separate financial statements, TEUR 49.7 (1/1-31/12/2020: TEUR 102.0) was attributable to the audit of the consolidated financial statements, and TEUR 24.6 (1/1-31/12/2020: TEUR 24.0) was attributable to other auditing services. Other advisory services provided by the auditor came to TEUR 245.6 (1/1-31/12/2020: TEUR 307.8).

51. Bank Resolution Fund

The expense for the contribution to the European Bank Resolution Fund came to TEUR 2,005.2 (1/1-31/12/2020: TEUR 1,764.8).

52. Income from associates

The investment in Kommunalleasing GmbH was sold in the past financial year. Income of TEUR 1,975.0 (2020: TEUR 0.0) was generated therefrom.

53. Other operating result

OTHER OPERATING RESULT in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Other operating income	**15,472.2**	**2,165.8**
Other operating income	15,472.2	242.9
Result from the deconsolidation	0.0	1,922.8
Other operating expense	**-3,162.9**	**-1,954.8**
Deposit guarantee regime	-1,943.5	-1,076.3
Bank stability tax	-641.2	-652.0
Other	-578.2	-226.5
Total	**12,309.3**	**211.0**

Other operating income included income of TEUR 14,882.5 (1/1-31/12/2020: TEUR 0.0) generated from the repurchase of liabilities to customers of TEUR 155,539.5 (1/1-31/12/2020: TEUR 0.0) as part of interest rate and liquidity management. Income from the previous year included TEUR 1,922.8 of profit from the deconsolidation of Fidelio KA Infrastructure Debt Fund Europe 1.

Other operating expenses mainly include the contribution of Kommunalkredit within the framework of the statutory deposit protection of TEUR 1,943.5 (1/1-31/12/2020: TEUR 1,076.3) and the stability tax payable by Austrian banks of TEUR 641.2 (1/1-31/12/2020: TEUR 652.0)

54. Net result of asset valuation and realised gains and losses

The net result of asset valuation and realised gains and losses for 2021 came to TEUR 7,807.5 (1/1-31/12/2020: TEUR 350.5) with a detailed breakdown as follows:

NET RESULT OF ASSET VALUATION AND REALISED GAINS AND LOSSES in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
a) Result from financial instruments measured at fair value through P&L	**7,749.1**	**-1,381.9**
a1) of which loans and securities	*499.1*	*-189.1*
a2) of which interest and currency hedging derivatives	*7,250.0*	*-1,192.8*
b) Result from the placement of assets	**-163.8**	**3,023.1**
c) Remeasurement result from fair value hedge	**-1,494.0**	**-1,135.6**
c1) of which interest rate derivatives	*5,554.7*	*-39,375.0*
c2) of which underlying instruments	*-7,048.7*	*38,239.4*
d) Remeasurement result from portfolio hedge	**-76.4**	**480.1**
d1) of which interest rate derivatives	*8,989.9*	*5,838.1*
d2) of which underlying instruments (layer)	*-9,066.3*	*-5,358.1*
e) Result from modifications	**-466.5**	**-773.3**
e1) of which income from modifications	*201.9*	*4.5*
e2) of which expenses from modifications	*-668.4*	*-777.8*
f) Foreign currency valuation/Other[1]	**2,259.1**	**138.2**
Total	**7,807.5**	**350.5**

1 The foreign currency valuation/other item includes the change to an impending loss provision of TEUR 1,181.7 (1/1-31/12/2020: TEUR -123.2) as well as compensation payments from the conversion of derivatives as part of the IBOR reform of TEUR 376.2 (1/1-31/12/2020: TEUR 266.0).

The result from financial instruments measured at fair value through profit or loss includes loans and securities whose contractual cash flows are not SPPI-compliant as well as loans allocated to the “sell” business model. This item also includes the measurement of interest rate and currency hedging derivatives that are not part of hedge accounting.

A result of TEUR -163.8 (1/1-31/12/2020: TEUR 3,023.1) was generated in 2021 from the repurchase/early redemption of own issues (securitised liabilities) and the closure of associated interest rate derivatives.

The remeasurement result from the fair value hedge or the portfolio hedge indicates the ineffectivities of the hedging relationships reported in the statement of financial position by Kommunalkredit. Details on how hedging relationships are reported in the statement of financial position and how effectiveness is measured are provided under Note 10.

The result from modifications shows income and expenses arising from contractual changes to cash flows. These were non-substantial modifications in the 2021 financial year that resulted in an effect of TEUR -446.5 (1/1-31/12/2020: TEUR -773.3).

In line with its business strategy, Kommunalkredit does not engage in activities involving an intent to trade. According to IFRS, the result from the remeasurement of derivatives, which are not in accounting hedges, is by definition allocable to assets held for trading. Derivatives at Kommunalkredit are not trading positions, but economic hedges. The result of assets held for trading according to the IFRS definitions came to TEUR 7,238.6 (1/1-31/12/2020: TEUR -1,348.9) and includes the following components:

- a2) Valuation of interest rate and currency hedging derivatives of TEUR 7,250.0 (1/1-31/12/2020: TEUR -1,192.8)
- f) Foreign currency valuation of TEUR -11.4 (1/1-31/12/2020: TEUR -156.1)

55. Result from the disposal of financial assets measured at amortised cost

Kommunalkredit did not sell a significant amount of assets measured at amortised cost in the reporting year.

This related to the sale of a publicly listed bond at a nominal amount of TEUR 3,000.0 (1/1-31/12/2020: TEUR 22,000.0) and a loan at a nominal amount of TEUR 14,700.0 (1/1-31/12/2020: TEUR 2,500.0) which were dedicated to the “hold” business model and reported in loans and advances to customers.

The result from the disposal of these assets was TEUR 299.1 (1/1-31/12/2020: TEUR 304.7) in 2021. TEUR 88.8 (1/1-31/12/2020: TEUR 239.9) of this was attributable to the sale of the bond and TEUR 210.3 (1/1-31/12/2020: TEUR 64.8) to the sale of the loan.

56. Income taxes

INCOME TAXES in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Current tax expense	-9,360.9	-333.3
Deferred tax income/expense	-8,872.7	-11,249.1
Total	**-18,233.7**	**-11,582.4**

The current tax expense is calculated based on tax results of the financial year with the local tax rate to be applied by the group companies (all group companies residing in Austria are subject to a corporation tax of 25% as was the case in the previous year; the branch residing in Germany is subject to a corporation tax of 15%, a solidarity surcharge of 5.5% and trade tax of 16.1%).

The deferred tax expense amounts to TEUR -8,872.7 (1/1-31/12/2020: TEUR -11,249.1) and results from the change in temporary level differences between tax carrying amounts and IFRS carrying amounts and the change in capitalised tax loss carryforwards. In the financial year under review, capitalised loss carryforwards in the amount of TEUR 7,114.1 were used in full on the basis of the tax annual profit (1/1-31/12/2020: use of capitalised tax loss carryforwards of TEUR 8,362.6 and capitalisation of tax loss carryforwards based on tax budgeting of TEUR 9,363.6). The level of capitalised deferred tax on tax loss carryforwards came to TEUR 0.0 on 31 December 2021 (31/12/2020: TEUR 7,114.1); due to the formation of a tax group in accordance with § 9 of the Austrian Corporate Income Tax Act with Satere Beteiligungsverwaltungs GmbH as the group parent (see Note 20 for details) in 2016, any tax loss carryforwards applicable to Kommunalkredit from periods prior to the time at which the group of companies became effective (pre-group losses) are offsettable without limitations up to a maximum of the company’s own profit.

The following reconciliation table shows the relationship between the expected and reported income taxes:

TAX RECONCILIATION TABLE in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Profit for the year before tax	**67,087.4**	**48,008.5**
Expected tax expense in the financial year at the Austrian income tax rate (25%)	-16,771.8	-12,002.1
Decrease of tax expense due to tax-exempt income from associates	13.5	89.0
Increase of tax expense due to non-deductible items	-1,050.3	-641.0
Capitalisation of deferred tax on tax loss carryforwards	0.0	0.0
Deconsolidation – Tax effect reported in the deconsolidation result	0.0	619.2
Other	-425.1	352.5
Income taxes	**-18,233.7**	**-11,582.4**

Other disclosures

57. Significant events after the reporting period

On 11 February 2022, Claudia Wieser was appointed a member of the Executive Board in her capacity as Chief Financial Officer (CFO), with effect from 1 April 2022.

For optimisation and efficiency reasons, the owners of Kommunalkredit Austria AG, Interritus Limited and Trinity Investments have decided to simplify the two-stage ownership structure in Austria in place to date. Gesona Beteiligungsverwaltung GmbH was therefore merged into Satere Beteiligungsverwaltungs GmbH. The approval procedure of the European Central Bank (ECB) was concluded and approval of the merger was granted on 31 January 2022. The simplified ownership structure was entered into the company register on 17 February 2022 and is therefore legally valid.

The development of the conflict between Russia and Ukraine and the sanctions imposed by the European Union in reaction to it have no direct material impact on Kommunalkredit since it has no direct exposure to these two countries, with the exception of a project with a net exposure of EUR 0.5m. Indirect consequences such as volatility on the financial markets, restrictions in oil and gas delivery or expenses resulting from deposit insurance (e.g. Sberbank Europe AG) cannot be ruled out. Due to its business model, no material negative impact on Kommunalkredit's assets, financial position and income is expected.

58. Presentation of revenues by region

The business activities of Kommunalkredit are conducted primarily in the areas of municipal and infrastructure-related project financing. The bank's activities are concentrated in a single business segment, the results of which are reported regularly to the Executive Board and the Supervisory Board in the form of the consolidated financial statements prepared according to IFRS.

The disclosures relating to the business segment are presented in the statement of financial position (IFRS) and the income statement of the Group. Reconciliation is therefore not required.

Information about geographical distribution for the reporting year, broken down into net interest income and net fee and commission income, is provided in the list below (additional information on the geographical distribution of the credit volume is provided in Note 68):

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	32,436.8	62,039.3	2,362.2	96,838.4
Interest and similar expenses	-11,562.7	-6,027.1	-383.7	-17,973.4
Net interest income	**20,874.1**	**56,012.3**	**1,978.5**	**78,864.9**
Fee and commission income	15,443.5	15,461.2	102.3	31,007.0
Fee and commission expenses	-205.7	-1.275.1	-86.0	-1,566.9
Net fee and commission income	**15,237.8**	**14,186.1**	**16.3**	**29,440.1**

The comparative figures for the period from 1 January 2020 to 31 December 2020 are as follows:

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	38,690.8	51,923.9	4,423.0	95,037.6
Interest and similar expenses	-10,385.2	-7,270.3	-258.9	-17,914.5
Net interest income	**28,305.5**	**44,653.5**	**4,164.0**	**77,123.1**
Fee and commission income	12,651.6	17,586.7	109.2	30,347.4
Fee and commission expenses	-258.3	-1,249.8	-314.3	-1,822.4
Net fee and commission income	**12,393.3**	**16,336.8**	**-205.1**	**28,525.0**

59. Structure of residual maturities

Residual maturity is defined as the period of time between the balance sheet date and the contractual maturity of the receivable or liability; in the case of partial amounts, residual maturity is shown for each partial amount. Interest accruals are assigned to the residual maturity "up to 3 months". Cash and cash equivalents (cash collateral) is reported as "repayable on demand". Refer to Note 68 for further details on liquidity risk management. A break-down of the carrying amounts of key asset and liability items by residual maturity as of 31 December 2021 is provided below:

ASSETS BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances with central banks	543,366.7	0.0	0.0	0.0	0.0	**543,366.7**
Loans and advances to banks	129,278.0	1,578.9	2,010.6	112,343.8	100,778.3	**345,989.6**
Loans and advances to customers	89,040.2	223,022.6	146,995.1	707,083.0	881,779.0	**2,047,919.9**
Assets recognised at fair value through other comprehensive income	0.0	31,075.8	73,378.4	509,226.2	471,523.4	**1,085,203.8**
Assets at fair value through profit or loss	0.0	2,001.2	12,071.4	118,257.4	112,260.8	**244,590.9**
Other assets	4,158.1	2,140.9	0.0	26.0	256.5	**6,581.5**
Total[1]	**765,813.0**	**259,819.5**	**234,455.5**	**1,446,936.4**	**1,566,598.1**	**4,273,652.5**

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

LIABILITIES BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	64,377.7	250.2	5,692.3	407,708.2	2,736.2	**480,764.6**
Amounts owed to customers	291,614.4	168,839.6	524,358.4	683,809.6	192,426.3	**1,861,048.3**
Securitised liabilities	0.0	186,993.1	37,748.4	654,086.3	491,870.9	**1,370,698.7**
Subordinated liabilities	0.0	22,608.6	0.0	0.0	37,688.3	**60,296.9**
Other liabilities	10,284.1	550.9	12,350.5	7,591.2	1,447.0	**32,223.6**
of which lease liabilities	*0.0*	*0.0*	*0.0*	*76.2*	*1,370.8*	***1,447.0***
Total[1]	**366,276.1**	**379,242.4**	**580,149.6**	**1,753,195.3**	**726,168.7**	**3,805,050.1**

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

The residual maturity break-down as of 31 December 2020 was as follows:

ASSETS BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances with central banks	808,622.3	0.0	0.0	0.0	0.0	**808,622.3**
Loans and advances to banks	152,720.6	699.9	0.0	91,812.7	84,155.4	**329,388.6**
Loans and advances to customers	111,112.8	39,409.0	182,760.2	758,253.9	749,096.3	**1,840,632.3**
Assets recognised at fair value through other comprehensive income	0.0	31,247.8	51,614.0	480,621.8	410,420.1	**973,903.7**
Assets at fair value through profit or loss	0.0	789.9	11,810.4	117,721.3	164,874.5	**295,196.1**
Other assets	2,656.4	1,781.0	0.0	26.0	418.7	**4.882.1**
Total[1]	**1,075,112.1**	**73,927.6**	**246,184.6**	**1,448,435.6**	**1,408,965.1**	**4,252,625.0**

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

LIABILITIES BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	51,643.8	523.3	85,119.8	379,129.2	3,913.0	**520,329.1**
Amounts owed to customers	307,685.1	224,116.7	674,753.7	558,995.6	350,357.7	**2,115,908.8**
Securitised liabilities	0.0	24,078.6	332,334.1	292,049.5	449,217.6	**1,097,679.7**
Subordinated liabilities	0.0	2,527.6	5,278.4	20,630.5	39,865.8	**68,302.4**
Other liabilities	9,805.4	0.0	10,570.4	7,506.6	3,384.2	**31,266.6**
of which lease liabilities	*0.0*	*0.0*	*0.0*	*85.9*	*1,465.7*	***1,551.6***
Total[1]	**369,134.3**	**251,246.3**	**1,108,056.3**	**1,258,311.4**	**846,738.3**	**3,833,486.6**

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

60. Subordinated Assets

As of 31 December 2021, Kommunalkredit held subordinated assets of TEUR 165,898.6 (31/12/2020: TEUR 124,479.5), TEUR 80,940.8 (31/12/2020: TEUR 58,024.5) of which is reported under "Assets recognised at fair value through other comprehensive income", TEUR 70,086.6 (31/12/2020: TEUR 56,970.5) of which is recognised in "Assets recognised at fair value in profit or loss" and TEUR 14,871.3 (31/12/2020: TEUR 9,484.5) of which in "Assets at amortised cost".

61. Assets assigned as collateral

61.1. Collateralised derivatives

Regarding collateralised derivatives, a distinction is made between bilateral and cleared derivative contracts.

Pursuant to EU Regulation 2016/2251, which entered into force on 1 March 2017, bilateral derivative contracts are subject to a collateralisation requirement. Kommunalkredit complies with all requirements arising in this context. Based on ISDA/CSA arrangements and/or Austrian and German framework contracts/collateral annexes, exclusively cash and cash equivalents (cash collateral) were deposited as collateral by Kommunalkredit with counterparties and/or received by Kommunalkredit from counterparties as of 31 December 2021. The positive and negative present values, calculated by counterparty, are offset against one another and the resulting aggregate net present value of the portfolio is put up or called by the respective counterparty taking collateral parameters into account (threshold, minimum transfer amount).

Kommunalkredit uses the services of LCH (London Clearing House) and Eurex as the central counterparties via clearing brokers. Variation and initial margins are exchanged for cleared derivative contracts.

Offsetting of all payment claims from the market values of derivatives and the repayment of collateral is not possible, except in the event of counterparty default. There is no unconditional right of offset.

61.2. Collateralised funding

- Kommunalkredit has assigned securities as collateral for global loans and other funding received from the European Investment Bank in Luxembourg. The collateral taker has the right to realise the collateral only in the event of the debtor's default.
- For covered bonds issued by Kommunalkredit, loans and securities were assigned to a cover pool which can only be drawn on with the approval of a government commissioner.
- For funding obtained through participation in the ECB tender, assets were provided as collateral as of 31 December 2021 which the collateral taker has the right to realise only in the event of the debtor's default.

61.3. Collateral for KA Finanz AG's liability arising from the demerger

As collateral for the liability arising from the demerger for KA Finanz AG, which is liable jointly and severally with Kommunalkredit for the obligations which arose prior to the entry of the demerger in the Companies Register on 26 September 2015 and were transferred to Kommunalkredit, Kommunalkredit issued a covered bond with a nominal value of TEUR 107,000.0 and pledged it to KA Finanz AG. As the covered bond was not placed on the market, it is not recognised as a liability in the statement of financial position.

The following table shows the carrying amounts of derivatives and funding received and the corresponding financial collateral, broken down by balance sheet item. As none of the transactions meet the prerequisites for offsetting according to IAS 32, they are shown in gross amounts in the statement of financial position (IFRS).

CARRYING AMOUNTS 31/12/2021 in EUR 1,000	Fair value of collateralised derivative	Funding received (-)	Collateral received (-) and provided (+)[2]	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**-43,570.3**	**0.0**	**56,961.2**	**13,391.0**
Derivatives (positive current value)	120,915.7			120,915.7
Derivatives (negative current value)	-164,486.0			-164,486.0
Loans and advances to banks			71,880.0	71,880.0
Loans and advances to customers			89,040.2	89,040.2
Amounts owed to banks			-64,411.5	-64,411.5
Amounts owed to customers			-39,547.5	-39,547.5
European Investment Bank	**0.0**	**-4,782.6**	**6,179.3**	**1,396.6**
Amounts owed to banks		-4,782.6		-4,782.6
Loans and advances to banks			6,179.3	6,179.3
Covered bond issues	**0.0**	**-963,292.8**	**1,047,624.1**	**84,331.3**
Securitised liabilities		-856,292.8		-856,292.8
Collateral for KA Finanz AG's liability arising from the demerger[1]		-107,000.0		-107,000.0
Loans and advances to customers			615,690.3	615,690.3
Assets at fair value through other comprehensive income			393,037.5	393,037.5
Derivatives (positive current value)			38,896.4	38,896.4
TLTRO/ECB tender	**0.0**	**-405,935.3**	**731,723.6**	**325,788.4**
Amounts owed to banks		-405,935.3		-405,935.3
Loans and advances to banks			25,221.1	25,221.1
Loans and advances to customers			692,962.3	692,962.3
Assets at fair value through other comprehensive income			13,540.2	13,540.2
Other	**0.0**	**-5,507.7**	**5,400.3**	**-107.4**
Amounts owed to banks		-5,507.7		-5,507.7
Loans and advances to customers			5,400.3	5,400.3
Total	**-43,570.3**	**-1,379,518.4**	**1,847,888.6**	**424,799.9**

1 Not recognised in the statement of financial position.
2 In the form of financial instruments.

The comparative figures as of 31 December 2020 are as follows:

CARRYING AMOUNTS 31/12/2020 in EUR 1,000	Fair value of collateralised derivative	Funding received (-)	Collateral received (-) and provided (+)[2]	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**-84,517.2**		**94,124.8**	**9,607.6**
Derivatives (positive current value)	132,044.2			132,044.2
Derivatives (negative current value)	-216,561.5			-216,561.5
Loans and advances to banks			92,110.6	92,110.6
Loans and advances to customers			111,112.8	111,112.8
Amounts owed to banks			-51,643.8	-51,643.8
Amounts owed to customers			-57,454.8	-57,454.8
European Investment Bank		**-55,599.8**	**70,242.4**	**14,642.6**
Amounts owed to banks		-55,599.8		-55,599.8
Loans and advances to banks			32,963.0	32,963.0
Loans and advances to customers			37,279.3	37,279.3
Covered bond issues		**-996,653.6**	**1,117,606.3**	**120,952.7**
Securitised liabilities		-889,583.2		-889,583.2
Collateral for KA Finanz AG's liability arising from the demerger[1]		-107,070.3		-107,070.3
Loans and advances to customers			628,589.1	628,589.1
Assets at fair value through other comprehensive income			452,469.3	452,469.3
Derivatives (positive current value)			37,503.4	37,503.4
Derivatives (negative current value)			-955.4	-955.4
TLTRO/ECB tender		**-373,293.1**	**491,441.6**	**118,148.5**
Amounts owed to banks		-373,293.1		-373,293.1
Loans and advances to banks			6,629.4	6,629.4
Loans and advances to customers			471,493.5	471,493.5
Assets at fair value through other comprehensive income			13,318.7	13,318.7
Other		**-13,299.1**	**13,166.1**	**-132.9**
Amounts owed to banks		-13,299.1		-13,299.1
Loans and advances to customers			13,166.1	13,166.1
Total	**-84,517.2**	**-1,438,845.6**	**1,786,581.2**	**263,218.4**

1 Not recognised in the statement of financial position.
2 In the form of financial instruments.

62. Contingent liabilities

Contingent liabilities comprise guarantees from the lending business in a nominal amount of TEUR 1,760.4 (31/12/2020: TEUR 2,783.5). The residual maturities are as follows:

A future outflow of funds from contingent liabilities is considered unlikely.

RESIDUAL MATURITY in EUR 1,000	31/12/2021	31/12/2020
Up to 1 year	1,350.0	1,023.0
1 to 5 years	0.0	0.0
More than 5 years	410.4	1,760.5
Total	**1,760.4**	**2,783.5**

63. Other off-balance-sheet liabilities

As of 31 December 2021, there were promissory commitments and unused lines of TEUR 730,055.5 (31/12/2020: TEUR 469,197.7). The residual maturities are as follows:

RESIDUAL MATURITY in EUR 1,000	31/12/2021	31/12/2020
Up to 1 year	154,540.4	173,837.5
1 to 5 years	558,482.7	286,659.1
More than 5 years	17,032.4	8,701.1
Total	**730,055.5**	**469,197.7**

Moreover, Kommunalkredit has framework contracts for the fiduciary administration of loans with Trinity Investments Designated Activity Company (Trinity) and a related party of Trinity. Kommunalkredit has no rights or obligations relating to the underlying loan transactions, which means that the criteria for recognition in the statement of financial position do not apply. As of 31 December 2021, positions amounting to TEUR 313,040.0 (31/12/2020: TEUR 324,551.2) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity.

64. Derivative financial instruments

Derivatives at Kommunalkredit mainly serve the purpose of hedging interest rate and/or currency risks. The structure of open derivative financial transactions is as follows:

DERIVATIVE FINANCIAL INSTRUMENTS 2021 in EUR 1,000	Nominal amount as of 31/12/2021			Total nominal 2021	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
Interest-related transactions	**760,620.9**	**1,002,975.8**	**1,560,136.1**	**3,323,732.9**	**105,963.8**	**-162,166.5**
OTC products:						
Interest rate swaps – trading[1]	0.0	54,811.8	60,000.0	114,811.8	1,073.4	-30,889.3
Interest rate swaps – fair value hedge	740,620.9	868,164.0	1,219,897.2	2,828,682.1	104,890.4	-80,015.1
Interest rate swaps – portfolio hedge	20,000.0	80,000.0	280,238.9	380,238.9	0.0	-51,262.1
Currency-related transactions	**903,668.3**	**0.0**	**0.0**	**903,668.3**	**22,427.1**	**-6,764.4**
OTC products: FX forward transactions	903,668.3	0.0	0.0	903,668.3	22,427.1	-6,764.4
Total	**1,664,289.2**	**1,002,975.8**	**1,560,136.1**	**4,227,401.2**	**128,390.9**	**-168,930.9**

DERIVATIVE FINANCIAL INSTRUMENTS 2020 in EUR 1,000	Nominal amount as of 31/12/2020			Total nominal 2020	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
Interest-related transactions	**436,507.0**	**627,492.8**	**1,566,034.6**	**2,630,034.3**	**134,690.2**	**-208,525.5**
OTC products:						
Interest rate swaps – trading[1]	0.0	0.0	90,041.9	90,041.9	977.0	-37,036.2
Interest rate swaps – fair value hedge	20,000.0	100,000.0	304,918.9	424,918.9	0.0	-74,693.8
Interest rate swaps – portfolio hedge	416,507.0	527,492.8	1,171,073.8	2,115,073.6	133,713.2	-96,795.5
Currency-related transactions	**773,382.7**	**0.0**	**0.0**	**773,382.7**	**1,233.7**	**-10,458.1**
OTC products: FX forward transactions	773,382.7	0.0	0.0	773,382.7	1,233.7	-10,458.1
Other transactions	**0.0**	**0.0**	**3,976.1**	**3,976.1**	**0.0**	**-3,976.1**
OTC products: Options	0.0	0.0	3,976.1	3,976.1	0.0	-3,976.1
Total	**1,209,889.6**	**627,492.8**	**1,570,010.6**	**3,407,393.1**	**135,924.0**	**-222,959.7**

1 Interest rate and/or currency swaps concluded to hedge interest rate and FX risks, not taken into account as hedges under IFRS 9. The bank does not have a proprietary trading portfolio.

Taking all positions into account, the negative fair value amounts to TEUR 40,540.0 (31/12/2020: negative fair value of TEUR 87,035.8), which is collateralised mainly through cash and cash equivalents according to ISDA/CDA arrangements. Moreover, there are options embedded in loans and/or own issues which are fully hedged through offsetting derivatives. Given the fact that the options are closely associated with their host contracts, they are recognised and measured together with the underlying transactions and not shown in the above table. The negative current values of these options embedded in loans and own issues amount to TEUR 53,552.9 (31/12/2020: TEUR 12,925.7)

Derivatives with positive fair values of TEUR 41,667.3 (31/12/2020: TEUR 19,698.1) will fall due within one year, TEUR 39,410.0 (31/12/2020: TEUR 8,679.6) in one to five years, and TEUR 47,313.6 (31/12/2020: TEUR 107,546.3) in more than five years. Derivatives with negative fair values of TEUR 22,226.7 (31/12/2020: TEUR 26,583.1) will fall due within one year, TEUR 22,806.1 (31/12/2020: TEUR 30,843.8) in one to five years, and TEUR 123,898.1 (31/12/2020: TEUR 165,532.9) in more than five years.

65. Financial instruments in hedge accounting

Financial instruments, the interest rate risk of which is hedged through derivative financial instruments, are recognised as fair value hedges. The carrying amounts of these underlying transactions are as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2021	31/12/2020
Assets		
Loans and advances to banks – fair value hedges	216,711.6	176,668.0
Loans and advances to customers – fair value hedges	771,844.5	723,190.4
Loans and advances to customers – portfolio hedge	147,904.1	166,270.6
Assets at fair value through OCI – fair value hedges	82,469.7	64,385.3
Assets at fair value through OCI – portfolio hedge	425,065.8	490,355.3
Liabilities		
Amounts owed to customers – fair value hedges	85,717.8	266,289.8
Securitised liabilities – fair value hedges	1,303,549.5	1,039,091.5
Subordinated liabilities – fair value hedges	39,419.1	46,875.4

The following table shows the cumulative hedge-related adjustments to the underlying transactions:

HEDGE-RELATED ADJUSTMENTS in EUR 1,000	31/12/2021	31/12/2020
Assets		
Loans and advances to banks – fair value hedges	4,074.8	9,520.0
Loans and advances to customers – fair value hedges	32,748.5	65,007.6
Loans and advances to customers – portfolio hedge	1,225.3	4,336.5
Assets at fair value through OCI – fair value hedges	2,763.6	5,011.9
Assets at fair value through OCI – portfolio hedge	7,489.2	19,487.3
Liabilities		
Amounts owed to customers – fair value hedges	2,439.8	18,629.5
Securitised liabilities – fair value hedges	68,630.7	95,938.8
Subordinated liabilities – fair value hedges	-2,230.4	774.8

The following table shows the maturity profile of the hedging instruments broken down by receiver and payer swaps:

HEDGING INSTRUMENTS 31/12/2021 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	*423,773.11*	*596,138.56*	*556,274.59*
Payer nominal	*316,847.79*	*272,025.47*	*663,622.60*
Interest rate swaps – portfolio hedge			
Receiver nominal	*0.00*	*0.00*	*0.00*
Payer nominal	*20,000.00*	*80,000.00*	*280,238.95*

HEDGING INSTRUMENTS 31/12/2020 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	*340,000.0*	*268,014.3*	*617,991.2*
Payer nominal	*76,507.0*	*259,478.5*	*553,082.6*
Interest rate swaps – portfolio hedge			
Receiver nominal	*0.0*	*0.0*	*0.0*
Payer nominal	*20,000.0*	*100,000.0*	*304,918.9*

The following table shows the ineffectiveness of the hedging relationships recognised through profit or loss in the 2021 financial year and in the previous year for the designated hedging relationships:

INEFFECTIVITIES in EUR 1,000	Ineffectiveness recognised in profit or loss in 2021	Ineffectiveness recognised in profit or loss in 2020	Recognition of ineffectiveness in P&L
Fair value hedge	-1,494.0	-1,135.6	Net result of asset valuation and realised gains and losses
Portfolio hedge	-76.4	480.1	Net result of asset valuation and realised gains and losses

The change in fair value to measure ineffectiveness in the reporting period is as follows:

CHANGE IN FAIR VALUE in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Underlying transactions – fair value hedge	10,548.4	40,016.5
Underlying transactions – portfolio hedge	-23,508.1	-2,523.4
Interest rate swaps – fair value hedge	-12,042.4	-41,152.2
Interest rate swaps – portfolio hedge	23,431.7	3,003.5

66. Supplementary Disclosures Pursuant to § 59a and § 64 of the Austrian Banking Act

In line with its business strategy, Kommunalkredit does not engage in trading activities. Therefore, as in the previous year, Kommunalkredit had no trading portfolio as of 31 December 2021.

Assets denominated in foreign currencies in the amount of TEUR 444,100.7 (31/12/2020: TEUR 350,832.6) were shown in the statement of financial position (IFRS). As of 31 December 2021, liabilities denominated in foreign currencies amounted to TEUR 501,790.3 (31/12/2020: TEUR 524,879.2).

Open currency positions are closed through corresponding swap contracts. Kommunalkredit's open foreign currency position is continuously monitored and strictly limited; therefore, there are no material currency risks.

The return on assets at Group level, calculated as the consolidated profit for the year after tax divided by total assets according to IFRS as of the balance sheet date, stands at 1.10% (2020: 0.82%).

67. Fair value of financial assets and liabilities

67.1. Determination of the fair value measurement (fair value hierarchy)

In general, the methods used to measure fair value can be classified in three categories:

Level 1: There are quoted prices in an active market for identical financial instruments. The bid quotes for assets in this hierarchy level are obtained from Bloomberg or Reuters.
Level 2: The input factors for the valuation can be observed in the market. This category includes the following price determination methods:

- Price determination based on comparable securities
- Price determination through spreads derived from market data (benchmark spreads)

Level 3: The input factors cannot be observed in the market. This includes, in particular, prices based mainly on the estimates of experts and/or that contain non-observable data. The level 3 financial instruments recognised at fair value refer exclusively to infrastructure financing. For information on the definition of the parameters relevant for valuation purposes, in particular credit risk premiums, see Note 11.

67.2. Financial instruments recognised at fair value

The following table shows the breakdown of financial instruments recognised at fair value by category of financial instruments according to the fair value hierarchy:

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2021		
	Level 1	Level 2	Level 3
Assets			
Assets recognised at fair value through other comprehensive income	13,540.2	583,277.2	488,386.4
Assets at fair value through profit or loss	0.0	57,024.7	187,566.2
Derivatives	0.0	128,390.9	0.0
Liabilities			
Derivatives	0.0	168,930.9	0.0

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2020		
	Level 1	Level 2	Level 3
Assets			
Assets recognised at fair value through other comprehensive income	26,248.0	671,954.0	275,701.6
Assets at fair value through profit or loss	0.0	70,807.1	224,389.0
Derivatives	0.0	135,924.0	0.0
Liabilities			
Derivatives	0.0	218,983.6	3,976.1

As of 31 December 2021, Kommunalkredit had level 3 financial assets measured at fair value in the amount of TEUR 675,952.6 (31/12/2020: TEUR 500,090.6). The level 3 classification concerns infrastructure and energy financing and is based on the non-observability of the credit risk premiums required for the discounted cash flow method. The procedure for calculating the credit risk premiums is set out in detail in Note 11.

A facility of TEUR 31,438.9 was converted from level 2 into level 3 in the current period under review. The change in level classification is due to the modified observability of credit spreads as input parameters in the period under review. Reclassifications from level 3 are performed if spreads from comparable bonds or portfolios are available on the market for transactions. Should this information not or no longer be available for certain transactions, the transaction is classified as level 3.

A change in the credit risk premiums by one basis point for the entire portfolio of level 3 assets measured at fair value results in a market value effect of TEUR 330.6 as of 31 December 2021 (31/12/2020: TEUR 308.3). The effect based on a change of 20 basis points is TEUR 6,313.8 (31/12/2020: TEUR 6,118.9) (positive if premiums fall and negative if they rise).

The following table shows a reconciliation table of financial assets recognised at fair value included in level 3 of the valuation hierarchy:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	**1/1-31/12/2021**
as of 01/01/2021	500,090.6
Additions/disbursements	433,618.2
Additions from level 2	31,438.9
Sold/redeemed	-289,995.7
Disbursements in level 2	0.0
Total gains and losses	
recognised in other comprehensive income	142.1
recognised in profit or loss (net interest income)	2,676.0
recognised in profit or loss (net result of asset valuation and realised gains and losses)	-2,017.5
as of 31/12/2021	**675,952.6**

The values compared to the previous year are as follows:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	**1/1-31/12/2020**
as of 01/01/2020	667,903.9
Additions/disbursements	103,977.8
Additions from level 2	88,726.1
Sold/redeemed	-280,307.5
Disbursements in level 2	-84,369.0
Total gains and losses	
recognised in other comprehensive income	-760.9
recognised in profit or loss (net interest income)	3,087.8
recognised in profit or loss (net result of asset valuation and realised gains and losses)	1,832.5
as of 31/12/2020	**500,090.6**

In the case of revenue from level 3 instruments, which are reported in the income statement under net interest income, this essentially relates to the amortisation of fees in the lending business of instruments which are measured at fair value through other comprehensive income.

67.3. Financial instruments not recognised at fair value

The breakdown of categories of fair values of financial instruments not measured at fair value is as follows:

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2021		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	169,354.4	178,730.6	0.0
Loans and advances to customers	399,627.3	1,232,228.1	473,115.3
Liabilities at amortised cost			
Amounts owed to banks	0.0	476,728.5	5,184.4
Amounts owed to customers	0.0	1,867,571.7	0.0
Securitised liabilities	0.0	1,369,931.4	0.0
Subordinated liabilities	0.0	59,905.2	0.0

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2020		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	176,710.4	153,441.2	0.0
Loans and advances to customers	225,749.1	1,180,692.1	498,792.8
Liabilities at amortised cost			
Amounts owed to banks	0.0	507,739.3	12,453.0
Amounts owed to customers	0.0	2,097,329.7	0.0
Securitised liabilities	0.0	1,088,857.1	0.0
Subordinated liabilities	0.0	65,052.4	0.0

No migrations of financial instruments not measured at fair value between the levels of the fair value hierarchy were recorded in the period under review or in the previous year.

67.4. Fair value of financial assets and liabilities

The following table shows a comparison between the carrying amounts and the fair value of those items in the statement of financial position which include financial assets and liabilities:

CATEGORIES: 31/12/2021 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Carrying amount	Fair value
Cash and cash equivalents	543,366.7	0.0	0.0	543,366.7	543,366.7
Loans and advances to banks	345,989.6	0.0	0.0	345,989.6	348,085.0
Loans and advances to customers	2,047,919.9	0.0	0.0	2,047,919.9	2,104,970.7
Assets recognised at fair value	0.0	1,085,203.8	0.0	1,085,203.8	1,085,203.8
Assets at fair value through profit or loss	0.0	0.0	244,590.9	244,590.9	244,590.9
Derivatives	0.0	0.0	128,390.9	128,390.9	128,390.9
Total	**2,937,276.3**	**1,085,203.8**	**372,981.8**	**4,395,461.9**	**4,454,608.1**
Amounts owed to banks	480,764.6	0.0	0.0	480,764.6	481,912.9
Amounts owed to customers	1,861,048.3	0.0	0.0	1,861,048.3	1,865,137.6
Derivatives	1,370,698.7	0.0	0.0	1,370,698.7	1,369,931.4
Securitised liabilities	60,296.9	0.0	0.0	60,296.9	59,905.2
Subordinated liabilities	0.0	0.0	168,930.9	168,930.94	168,930.9
Total	**3,772,808.5**	**0.0**	**168,930.9**	**3,941,739.5**	**3,948,252.2**

The values for the previous year are as follows:

CATEGORIES: 31/12/2020 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Carrying amount	Fair value
Cash and cash equivalents	808,622.3	0.0	0.0	808,622.3	808,622.3
Loans and advances to banks	329,388.6	0.0	0.0	329,388.6	330,151.6
Loans and advances to customers	1,840,632.3	0.0	0.0	1,840,632.3	1,905,234.0
Assets recognised at fair value	0.0	973,903.7	0.0	973,903.7	973,903.7
Assets at fair value through profit or loss	0.0	0.0	295,196.1	295,196.1	295,196.1
Derivatives	0.0	0.0	135,924.0	135,924.0	135,924.0
Total	**2,978,643.1**	**973,903.7**	**431,120.1**	**4,383,666.8**	**4,449,031.6**
Amounts owed to banks	520,329.1	0.0	0.0	520,329.1	520,192.3
Amounts owed to customers	2,115,908.8	0.0	0.0	2,115,908.8	2,097,329.7
Derivatives	0.0	0.0	222,959.7	222,959.7	222,959.7
Securitised liabilities	1,097,679.7	0.0	0.0	1,097,679.7	1,088,857.1
Subordinated liabilities	68,302.4	0.0	0.0	68,302.4	65,052.4
Total	**3,802,220.0**	**0.0**	**218,983.6**	**4,025,179.8**	**3,994,391.2**

The fair values of securities and loans are determined in accordance with the methodology and hierarchy described in Note 11. To determine the fair values of other financial instruments not measured at fair value, term-related, creditworthiness-related and instrument-specific measurement parameters are applied in conjunction with market-standard measurement methods. The maximum credit risk for each category of financial instruments matches the carrying amounts shown in the table. The maximum credit risk for financial guarantees and irrevocable credit commitment corresponds to the nominal values of TEUR 1,760.4 (31/12/2020: TEUR 2,783.5) and TEUR 730,055.5 (31/12/2020: TEUR 469,197.7) respectively.

68. Risk management

Based on Kommunalkredit's corporate objectives, business activities are developed taking risk strategy into account and paying particular attention to risk-bearing capacity. The bank places special focus on the risk-income calculation and the sustained increase in the aggregate risk cover.

68.1. Organisation of risk management

The risk drivers of the business model are identified and measured using annual assessments from which Kommunalkredit derives a risk map. The risk map serves to establish a uniform understanding of the risk concept, a bank-wide view of risk priorities, to review the system for completeness and identify potential control gaps to be closed to ensure the continuous development of risk management.

The economic capital required for the main types of risk (in particular: credit risk, liquidity risk and market risk) is calculated using internal methods based on generally recognised principles of bank management. Additionally, a risk buffer is available for risks that cannot be sufficiently quantified (in particular: operational risk, but also reputation risk, legal risks and other risks) and to cover potential model inaccuracies. All material risks at Kommunalkredit are subject to a bank-wide limit structure that is continually monitored.

A prompt, regular and complete risk reporting system is implemented in the form of risk reporting. In addition to the monthly risk management report ("RMC Report"), which provides a detailed view of all substantive risks and their covering with the available aggregate risk cover, regular reports are provided to the Executive Board about single exposures with increased risk profile (= monitoring or watchlist). Furthermore, the Supervisory Board (in particular the Audit Committee and the Credit Committee) is provided with comprehensive information in the form of regular reports on the latest risk-related developments.

Kommunalkredit has established an organisational structure for risk management which clearly defines the tasks, competencies and responsibilities in the risk management process. Risk-taking organisational units (front office) are therefore clearly separated from organisational units in charge of monitoring and communicating risks (back office) at all levels up to the Executive Board. The Chief Risk Officer (CRO) is responsible for the risk management function, which is independent of the front office, as a member of the Executive Board. The CRO receives technical and operational support from the Risk Controlling (RCON), Credit Risk (CR) and Compliance and Non-Financial Risk (CNFR) departments in particular.

A formalised and structured approval and implementation procedure has been set up for the introduction of new fields of business, new markets or new products, ensuring that these are adequately reflected in all areas of settlement, risk management and reporting, accounting and financial reporting.

- The Risk Management Committee (RMC) constitutes the central element of the comprehensive risk management process, providing information to the Executive Board on the bank's overall risk position on a monthly basis. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of setting limits (except country and counterparty limits) and limit monitoring by type of risk.

- The Asset Liability Committee (ALCO) supports the operational management of market and liquidity risks. At its meetings, the committee evaluates the market situation and discusses the management of interest rate and liquidity risks.

- The Credit Committee (CC) approves individual transactions and new business (unless a resolution of the Supervisory Board is provided for in accordance with the authorisation process) and the review of portfolios and single names from the portfolio.

In addition, working groups at operational level focus on valuation issues and spread assessments of portfolio positions and new business, especially in relation to project financing.

RCON is responsible for the quantification of risks and the aggregate risk cover as well as for the performance of stress tests. Furthermore, this department assesses risk positions and validates the risk measurement methods used by the bank.

CR handles the analysis and assessment of single-name risks, casting of a second vote on credit approval and/or review, rating awards, limitation of industry and country risks, monitoring and management of exposures with increased risk profile (in particular exposures on the monitoring and watch list) as well as qualitative portfolio analyses.

CNFR is responsible for anti-money laundering (AML & CTF Management), capital market and regulatory compliance, as well as for the non-financial risk management (in particular OpRisk and information security) of the bank.

Risks are managed and monitored by the following committees:

Credit Risk | **Liquidity Risk** | **Market Risk** | **Operational Risk**

Limitation of economic risk for each main type of risk **in accordance with the bank's risk-bearing capacity** (ICAAP and/or ILAAP) **and risk appetite**

Monthly Risk Management Committee (RMC)

- Central element of strategic risk steering
- Risk overview of all relevant risks
- Risk-relevant decision making
- Definition and monitoring of limits
- Risk-return-optimised capital allocation

Monthly Asset Liability Committee (ALCO)

- Timely supervision, planning and steering of short-term liquidity and interest rate positions
- Capital planning
- Investor inquiries

Monthly Valuation Meetings

- Month-on-month IFRS valuation and key P&L drivers
- Valuation spreads (quarterly)
- Special topics regarding valuation impacts

Weekly Credit Committee (CC)

- Central role in the credit approval and portfolio review process
- Monitoring of counterparties with increased credit risk, NPLs, etc.
- Uniform analysis of new applications

68.2. Main principles of risk management

Within the context of the risk strategy for the main types of risk, the Executive Board specifies the principles for their adequate management and limitation. The economic risk is limited and monitored in accordance with the defined risk appetite for the bank as a whole in conjunction with the risk-bearing capacity (ICAAP – Internal Capital Adequacy Assessment Process and/or ILAAP – Internal Liquidity Adequacy Assessment Process) and the willingness to assume risk of the bank.

In addition, the following main principles apply to Kommunalkredit's risk management:

- The limitation of risks at Kommunalkredit is commensurate with the bank's earning strength and its equity base.
- Kommunalkredit supports a risk culture characterised by the deliberate management of risks at all levels.
- The bank only takes risks for which it owns or has prompt access to the necessary expertise.
- The introduction of new products or markets is contingent on an appropriate analysis of the business-specific risks.
- All measurable risks are subject to a limit structure. The observance of limits must be continually monitored – any failures to observe such limits must be escalated.
- The risk measurement results have to be subjected to regular stress testing.
- Outsourcing of core bank functions is only permissible with adequate skills and expertise.

68.3. Overall bank management process and risk-bearing capacity

The objective of the overall bank management process is to optimise the use of capital resources in terms of risk and return within the limits of the bank's risk appetite and risk-bearing capacity. At Kommunalkredit, the following risks are identified as material as of the reporting date and are monitored on an ongoing basis in the context of the risk-bearing capacity calculation:

CREDIT RISK	
▪ Default and counterparty risk	▪ Country and/or transfer risk
▪ Replacement risk in the event of counterparty default	▪ Settlement risk
▪ Rating migration risk	▪ Cluster risk
▪ Investment risk	▪ Residual risk from credit risk mitigation techniques

LIQUIDITY RISK	
▪ Structural liquidity risk	▪ Market liquidity risk
▪ Funding risk	▪ Information and communication technology risk (ICT risk)

MARKET RISK	
▪ Interest rate risk – banking book	▪ Basis spread risk
▪ Interest rate risk – trading book	▪ Option risk
▪ Foreign currency risk	▪ OIS risk
▪ Credit spread risk	

OPERATIONAL RISK	
▪ People, process and system risk and external risks	▪ Risk from SLA with KA Finanz AG
▪ Legal risk	▪ Information and communication technology (ICT) risk

FUNDING RISK	
▪ BCVA risk*	▪ Replacement risk through rating trigger

OTHER RISKS	
▪ Strategic risk	▪ Excessive debt risk
▪ Risk from demerger liability	▪ Risk of money laundering and terrorism financing
▪ Equity risk	▪ Systemic risk from a financial institution
▪ Reputational risk	▪ Macroeconomic risk
▪ Business risk	▪ Placement and syndication risk

* Comprises CVA risk and DVA risk and is allocated in its entirety to the funding risk.

Depending on the hedging target pursued, two economic control loops are applied in the risk-bearing capacity calculation:

Liquidation perspective (economic control loop based on the principle of creditor protection)

- Hedging objective: the main focus is on the protection of creditors and on securing a level of capitalisation to ensure that, in the event that the company is liquidated, all lenders can have their claims satisfied with a defined level of probability.
- Economic capital requirements (internal risk measurement) are compared with the economic capital/aggregate risk cover. Both economic capital requirements and the aggregate risk cover are determined on the basis of its present value (“full fair value” approach) and are therefore not subject to measurement rules in the statement of financial position. A confidence level of 99.95 % is used in determining the economic risk.
- Risk status as of 31 December 2021 (and/or previous year):

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
45.9 % (44.2 %)	**54.1 %** (55.8 %)

Going concern perspective (economic control loop based on the going-concern principle):

- Hedging objective: if the risks materialise, the survival of the bank as a going concern without additional equity is to be ensured with a defined degree of probability.
- All risks impacting on profit and loss must be covered by the budgeted profit for the year, realisable reserves and the “free capital”. Free capital is the capital which exceeds the internally defined hedging objective, expressed through a minimum T1 rate and a minimum total capital rate. The hedging objectives are preceded by corresponding early warning levels. A confidence level of 95 % is used in determining the economic risk.
- Risk status T1 ratio:

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
35.0 % (39.9 %)	**65.0 %** (60.1 %)

- Risk status TC ratio:

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
48.7 % (51.3 %)	**51.3 %** (48.7 %)

Alongside these economic control loops, compliance with regulatory/statutory minimum requirements and hedging objectives within the context of medium-term planning and current capital budgeting is guaranteed.

Additionally, stress tests are performed on a regular basis to test the robustness of the business model and to ensure capital adequacy. This involves essentially defining two different economic scenarios (general recession scenario and portfolio-specific stress) and quantifying their impact on the bank’s risk-bearing capacity.

In addition to the stressed risk-bearing capacity, a stressed multi-year plan is drawn up for each scenario in order to test the stability of the business model over time. Besides the macroeconomic stress tests, reverse stress tests are performed. These are intended to show the extent to which parameters and risks can be stressed until regulatory or internal minimum requirements can no longer be met.

68.4. Credit risk

68.4.1. Fundamentals

Credit risk is the risk of financial losses arising from a counterparty not meeting its contractual payment obligations.

Based on the current CRR standardised approach for all classes of receivables, Kommunalkredit primarily uses external ratings. If no external ratings are available, ratings are derived from internal scoring and/or rating models for internal risk control. Every active customer is assigned an external or internal rating, which is updated at least once a year. On the basis of an internal rating scale (master scale), the probabilities of default are grouped in categories to which external ratings can be assigned. To ensure a uniform system of determining the probabilities of default, all internal and external rating procedures and/or ratings have to be calibrated against the master scale. The effectiveness and discriminatory power of the rating procedures and their ability to forecast defaults are checked regularly and adjusted if necessary.

Collateral reduces potential financial losses in the event of defaults. At Kommunalkredit, two types of collateral are taken into account: financial collateral and personal collateral. Financial collateral uses netting arrangements and cash collateral that reduce the counterparty risk. Financial collateral received reduces the existing exposure. On the other hand, the exposure is not reduced by personal collateral (guarantees and liabilities). If personal collateral is available, the exposure can be counted towards the collateral giver, depending on the assessment of the risk, and included in the portfolio model and the limit system.

68.4.2. Unexpected loss

To quantify the unexpected loss, monthly credit VaR calculations are performed to manage and limit the risk and to determine the economic capital required as part of risk-bearing capacity analyses. Kommunalkredit uses a default model based on the CreditRisk+ approach to quantify the risk of unexpected default for credit risks. To calculate the credit VaR, rating-dependent one-year probabilities of default (PD) as well as regional and sector-specific loss ratios (LGD) are used. The model used is based on statistical methods and assumptions. These parameters are reviewed and updated at least once a year and documented in a validation report.

From the liquidation perspective, the potential unexpected loss from credit defaults for a holding period of one year as of 31 December 2021 amounted to 9.4% (31/12/2020: 9.8%) relative to the economic aggregate risk cover. From the going-concern perspective, the potential unexpected loss from credit defaults for a holding period of one year as of 31 December 2021 amounted to 10.3% (31/12/2020: 15.4%) relative to the economic aggregate risk cover (T1) and 14.3% as of 31 December 2021 (31/12/2020: 19.9%) relative to the economic aggregate risk cover (total capital).

68.4.3. Rating distribution, portfolio quality and concentration risk

The total exposure by rating of TEUR 4,194,004.0 (31/12/2020: TEUR 3,593,578.7) shows that the exposure is concentrated in the top rating categories; as of 31 December 2021, 35.8% (31/12/2020: 36.8%) of the exposure was rated “AAA”/“AA”, 67.6% (31/12/2020: 69.7%) was rated investment grade. Overall, the Kommunalkredit portfolio has a high asset quality; the exposure-weighted average rating of the total exposure is “A-” (according to Standard & Poor’s rating scale).

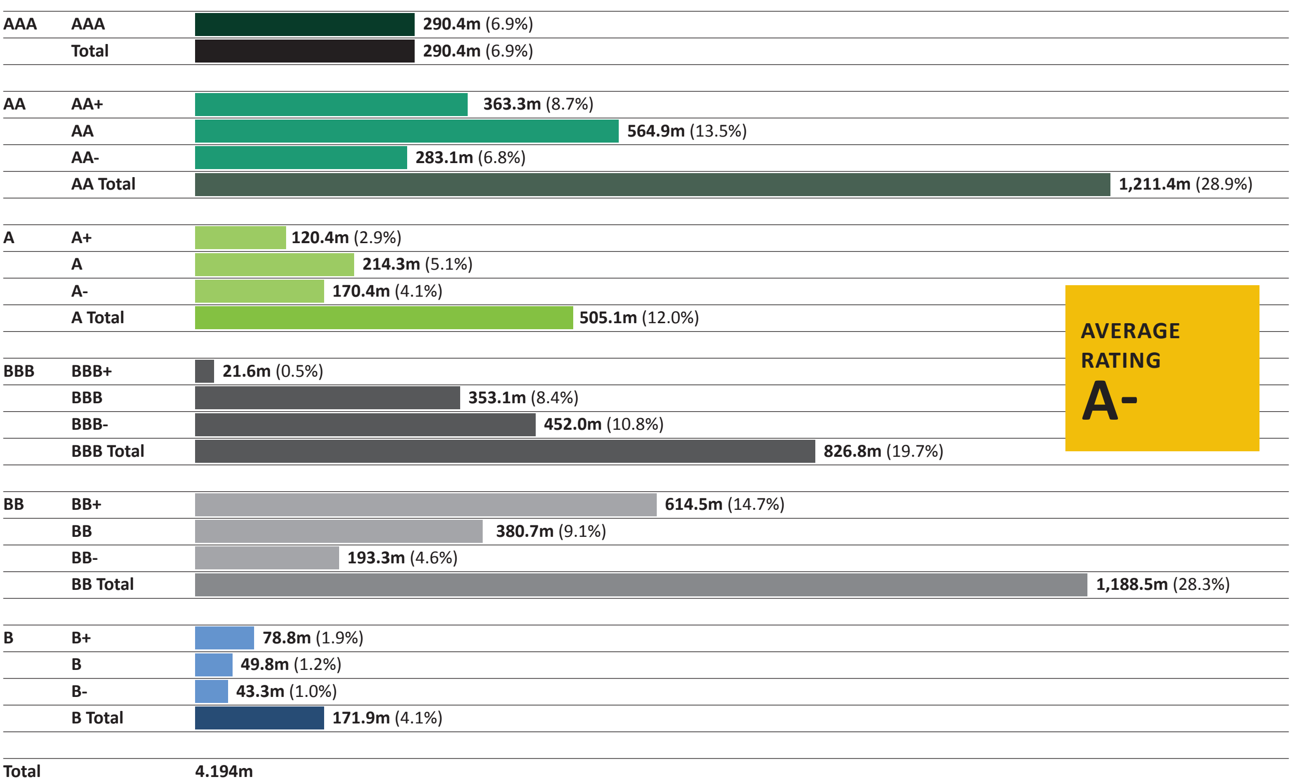
Given the high proportion of investment-grade credit ratings and the good degree of portfolio diversification, the portfolio quality is sound. This is also reflected in the non-performing-loan ratio of 0.0% as of 31 December 2021 (31/12/2020: 0.0%). Kommunalkredit had no financial assets (receivables) on its books that were more than 90 days past due, nor any substantial payment arrears of between 0 and 90 days.

Risk concentrations are taken into account in the process of loan origination, monitored in the course of the monthly credit risk reports submitted to the RMC, and shown in reports submitted to the Credit Committee and the Supervisory Board/Credit Committee. The total portfolio is broken down according to different parameters (breakdown by portfolio, country, region, top 20 “group of related customers”, rating, sector); limits are set by top risk drivers, sectors and geographic distribution, countries and foreign currencies. Similarly, the Total ECL as well as the ECL from the top 15 risk drivers is limited and monitored. In addition, further limitations are defined, which limit the overall exposure with a higher level of risk (e.g. IFRS 9 High Risk Exposure, Single-B Exposures). Depending on the risk assessment, reviews are performed at different intervals, but at least once a year.

68.4.4. Credit risk analysis and monitoring

The lending business is a key element of Kommunalkredit’s core business. Therefore, taking credit risks and their management is one of the bank’s key competencies, the focus being on particularly complex project financing in the infrastructure sector and financial support for public sector projects. The tasks of operational credit risk management (CR) include all activities to review, monitor and limit risks from the individual transaction.

Rating distribution 31/12/2021 Exposure in EUR m and %



As of 31 December 2021, the overall exposure, broken down by sub-portfolio, is as follows (in EUR or %):

			SEGMENT RISK 31/12/2021	DIFFERENCE 31/12/2021 VS 31/12/2020
INFRASTRUCTURE & ENERGY	Project Finance	2.15 bn	**1,595.0m** (38%)	**+341m**
	Utilities		**262.7m** (6.3%)	**-12m**
	Corporates		**294.2m** (7%)	**+35m**
PUBLIC FINANCE	Aut (Sub-)Sovereigns	1.67 bn	**941.2m** (22.4%)	**-31m**
	Public Sector Entitites		**262.6m** (6.3%)	**-36m**
	Int'l (Sub-)Sovereigns		**471.0m** (11.2%)	**+261m**
	Banks/Insurance	0.37 bn	**367.3m** (8.8%)	**+42m**
	Total		**4,194.0m** (100%)	**+600m**

The awarding of loans, the valuation of any collateral and the creditworthiness assessment are subject to clear regulations that are documented in the relevant regulations and working directives of Kommunalkredit. Apart from the awarding criteria (= "credit risk strategy"), this includes the authorisation process, guidelines for creditworthiness assessment and rating determination, as well as guidelines for identifying and managing risk positions.

Given the complexity of the project business, the bank follows a three-tier process for new business in the infrastructure portfolio to make the risk-income profile transparent to the extent required.

Rating distribution 31/12/2020 Exposure in EUR m and %

AAA	AAA	**60.5m** (1.7%)
	Total	**60.5m** (1.7%)
AA	AA+	**363.8m** (10.1%)
	AA	**564.4m** (15.7%)
	AA-	**332.9m** (9.3%)
	AA Total	**1,261.1m** (35.1%)
A	A+	**106.7m** (3.0%)
	A	**271.6m** (7.6%)
	A-	**134.6m** (3.7%)
	A Total	**513.0m** (14.3%)
BBB	BBB+	**67.4m** (1.9%)
	BBB	**288.8m** (8.0%)
	BBB-	**312.8m** (8.7%)
	BBB Total	**669.0m** (18.6%)
BB	BB+	**296.4m** (8.2%)
	BB	**375.4m** (10.4%)
	BB-	**258.9m** (7.2%)
	BB Total	**930.7m** (25.9%)
B	B+	**91.6m** (2.5%)
	B	**48.0m** (1.3%)
	B-	**19.7m** (0.5%)
	B Total	**159.3m** (4.4%)
Total		3.594m

AVERAGE RATING
A-

1. **Initial assessment of a potential transaction** through the front and back offices with a clear recommendation regarding its follow-up (under special circumstances if necessary) or rejection by the competent party;

2. **Due diligence phase** with a focus on economic, financial, technical, legal and insurance-specific aspects as a basis for the application and risk assessment;

3. **Submitting the transaction as part of a credit application (front office), including a risk statement** (back office), for approval by the competent party (Credit Committee of the Supervisory Board).

The organisational separation of front office and back office is always observed.

68.4.5. Credit risk early detection and risk provisions

The portfolio is reviewed regularly for objective indications of impairments of customer exposures or exposures to "groups of related customers". Assessments of impairment are performed in the course of the annual rating/review process or on an ad hoc basis. Exposures with elevated credit risk or anomalies as part of an "early warning" are also monitored monthly at the monthly portfolio monitoring meeting. To that end, Kommunalkredit uses specific early warning indicators for each segment, which identify exposures based on qualitative and quantitative features subject to increased monitoring frequency.

As of the reporting date of 31 December 2021, the exposure on the watchlist ("risk class 1") amounted to TEUR 75,460.1 (31/12/2020: TEUR 58,708.2). There were no exposures in the restructuring and/or resolution ("risk class 2" and "risk class 3").

EARLY WARNING SIGNALS / TRIGGERS

QUANTITATIVE TRIGGERS			QUALITATIVE TRIGGERS		
CORPORATES / UTILITIES[1]					
Internal rating deterioration	Covenant breach	Country risk downgrade	Management reports	Press & Industry reports	External rating report
30 days past due	Reporting delayed > 3 months		Ad-hoc publicity	Individual analysis	
PROJECT FINANCING (SPECIALISED LENDING)					
Internal rating deterioration	Covenant breach	Country risk downgrade	Management reports	Industry reports	
30 days past due	Reporting delayed > 3 months	Lock-up ratio breach	Exercise of PIK interest option	Individual analysis	
PUBLIC SECTOR, SOVEREIGNS & SUPRANATIONAL ORGANISATIONS					
Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread[2]		Ad-hoc publicity	Individual analysis	
FINANCIAL INSTITUTIONS					
Internal rating deterioration	Country risk downgrade		External rating report	Press & Industry reports	
30 days past due	Credit spread[2]		Ad-hoc publicity	Individual analysis	

1 Incl. entities with significant public support.
2 If available/publicly listed.

Credit Risk continuously updates the list of counterparties with increased credit risk and submits monthly reports to the Credit Committee meeting, which then decides on the measures to be taken.

Impairments to be recognised for defaulting loans are determined by Risk Management, subject to approval by the Credit Committee.

68.4.6. Counterparty default risk from derivatives, repurchase transactions and securities business

Legally binding netting arrangements for derivatives and repurchase transactions (close-out netting) have been concluded with all active counterparties of Kommunalkredit. For derivatives, credit support agreements and/or collateral annexes to framework contracts providing for daily collateral margining in accordance with the bilateral collateralisation requirement set out in the European Market Infrastructure Regulation (EMIR) have been concluded with all active financial counterparties. The only exceptions are derivative agreements in the cover pool for which framework agreements and netting arrangements have been made at standard market conditions.

The exposure to the counterparty default risk of derivatives, which is taken into account in credit risk, is defined as the residual risk from the current replacement cost (positive current value), considering CSAs and netting arrangements, plus an “add-on” for potential current value changes during the “residual period of risk” between the default of the counterparty and the closing out/replacement of the derivative transaction.

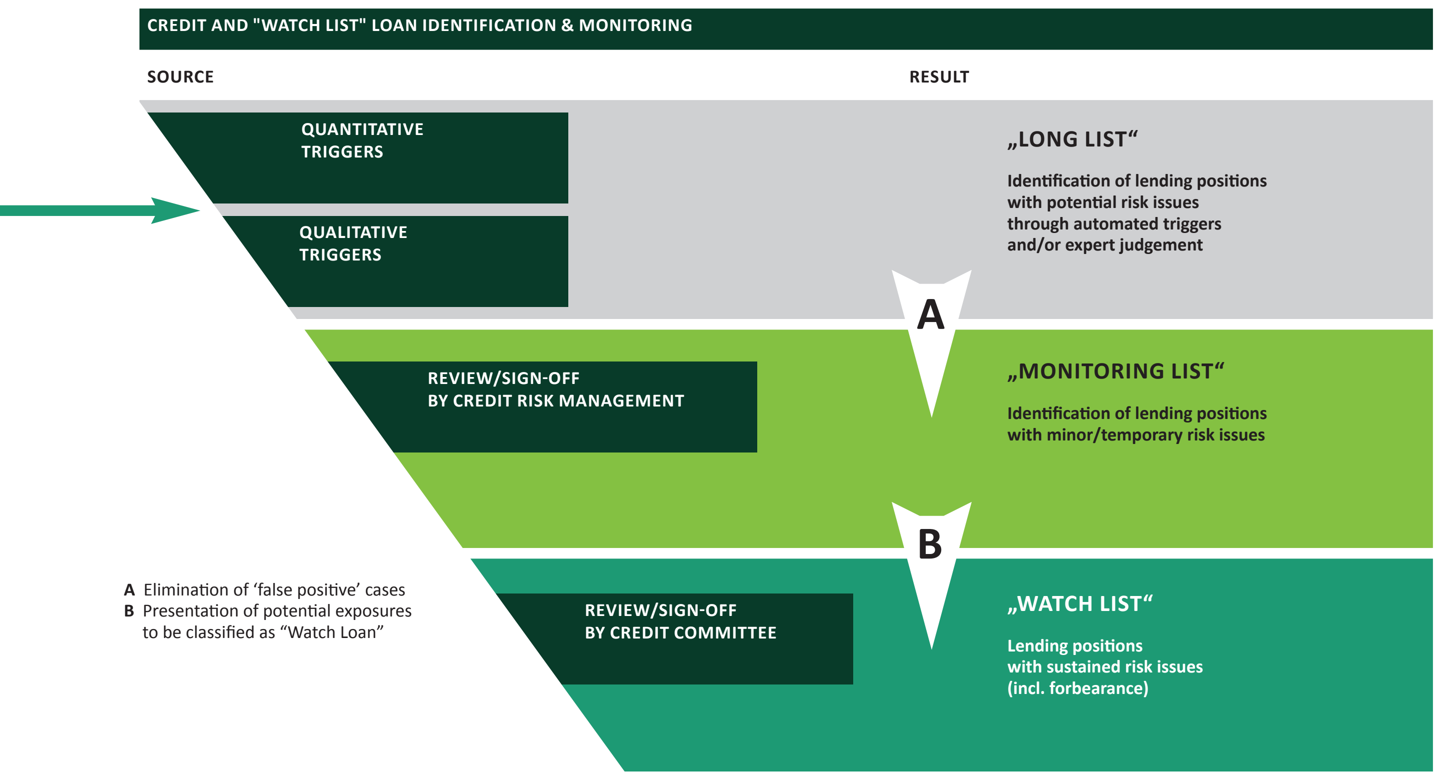
Repurchase transactions are cleared in the form of genuine repurchases, mainly via platforms with daily margining. If a counterparty default risk arises in repurchase or securities lending transactions for Kommunalkredit from the difference between the liability/receivable and the current value of the corresponding collateral put up/received, this risk counts as exposure to the counterparty and is taken into account in credit risk. Securities business is cleared mainly on the basis of “delivery against payment” via Euroclear and/or Clearstream.

Counterparty default risk positions are limited through volume-based counterparty and credit concentration limits on the one hand, and through the economic credit risk in the credit VaR calculation of the risk-bearing capacity calculation on the other.

The counterparty default risk from derivatives is calculated as a credit valuation adjustment (CVA) according to IFRS 13. Kommunalkredit calculates CVA and DVA (debt valuation adjustment), aggregated as BCVA (bilateral CVA), on the basis of the potential future exposure method by means of Monte Carlo simulations. The risk of BCVA fluctuations (BCVA risk) is determined by means of a VaR-based approach.

68.4.7. Investment risk

Given the nature of the participations held, the investment risk is of minor importance. As of 31 December 2021, the carrying amount of investments in associates (at equity) was TEUR 0.0 (31/12/2020: TEUR 0.0). The carrying amount of investments, which are reported under assets at fair value through other comprehensive income, amounted to TEUR 924.5 (31/12/2020: TEUR 834.6).



68.5. Liquidity risk management

Kommunalkredit distinguishes between the structural liquidity risk, the funding risk and the market liquidity risk. The structural liquidity risk (liquidity risk in the narrow sense of the term) generally arises if follow-up financing for asset portfolios cannot be secured according to the maturity schedules. The funding risk is determined by how diversified the funding sources are and the risk of potentially restricted access to certain main funding markets under stressed market conditions. The market liquidity risk consists in a possible increase of liquidity costs due to bank-specific or idiosyncratic factors (liability-side market liquidity risk) on the one hand and the necessary acceptance of discounts or time delays in the realisation of a position due to its relative size and/or the absence of a liquid market (asset-side market liquidity risk) on the other.

The task of liquidity risk management at Kommunalkredit is therefore to identify, analyse and manage the liquidity risk position of the bank with the aim of guaranteeing cost-effective, adequate liquidity cover at all times. The strategic framework of liquidity risk management is defined by the ILAAP, which forms an integral part of the more comprehensive ICAAP. To that end, the bank has implemented extensive policies, working directives and methods such as liquidity risk strategy, ICS framework and funding and/or contingency plans.

Central elements of liquidity risk management include the following:

68.5.1. Analysis of the liquidity position [element 1]

The following table shows the maturities of contractual, non-discounted cash flows of financial liabilities. The figures for interest swaps, cross-currency swaps and currency swaps are shown in gross terms, meaning that only the cash outflows for the derivative in question are shown.

The nominal amount of interest-rate and cross-currency swaps as of 31 December 2021 came to TEUR 3,432,253 (31/12/2020: TEUR 2,677,682). Besides principal repayments, the cash flows also comprise interest payments. For liabilities with variable cash flows, future cash flows are determined on the basis of forward rates.

As a matter of principle, the amounts are allocated on the basis of their contractual rather than expected residual maturity. This means that demand deposits and cash collateral received from collateral margining for derivatives are shown as repayable on demand. If the date of repayment is at the lender's discretion, the amount is allocated to the maturity range with the earliest possible redemption. If the date of repayment is at the discretion of Kommunalkredit, a conservative view is applied. Payments that have been pledged but not yet called, as well as (any) guarantee lines granted, are also shown with the earliest possible call date.
Kommunalkredit does not engage in **any trading activities**.

CASH FLOWS in EUR m	Liabilities at amortised cost		Derivatives designated as hedging instruments		Trading*	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Up to one month	280.9	324.3	4.2	2.8	26.9	40.4
More than one month up to three months	324.0	204.4	2.9	2.6	113.4	242.6
More than three months up to one year	727.9	1,157.6	16.1	15.9	302.1	387.0
More than one year up to five years	2,029.3	1,552.6	63.0	58.1	42.7	54.0
More than five years	1,199.5	1,235.1	79.5	74.9	30.2	39.5
Total	**4,561.6**	**4,473.9**	**165.6**	**154.2**	**515.2**	**763.4**

* The derivatives are not formally embedded in a micro hedge as defined in IFRS but serve for risk management at portfolio level.

68.5.2. Reporting to the Executive Board and the Supervisory Board [element 2]

An operational projection of liquidity calculation for a period of one year is prepared weekly, and reported to the Executive Board. In addition, operational and strategic liquidity issues are discussed in the monthly ALCO. The liquidity risk is also monitored at the monthly RMC meetings. Reporting to the Supervisory Board takes place in quarterly meetings based on the RMC report.

68.5.3. Contingency plan [element 3]

Kommunalkredit's liquidity emergency plan specifies the tasks and the composition of emergency units to be set up in a crisis, the internal and external communication channels and, if necessary, the measures to be taken. The emergency plan permits efficient liquidity management in a market environment in crisis and is activated by clearly defined events and/or early warning indicators. In the event of an emergency, responsibility for liquidity management is assumed by the emergency unit, which then decides on the specific measures to be taken.

68.5.4. Management of the operational and structural liquidity risk [elements 4-8]

For the purposes of short-term liquidity steering (<1 year), the management uses short- and medium-term liquidity scenarios. These scenarios include not only contractually determined cash flows but also expected cash flows from new issues, the termination of existing business, cash outflows from new transactions, cash inflows from syndication agreements, retail deposits repayable on demand, repurchase prolongations and liquidity demand for cash collateral received (under credit support agreements/ISDA arrangements). The resulting liquidity gaps are managed daily in the short-term liquidity scenario, followed by monthly management thereafter.

The following table shows the expected liquidity gaps after the measures planned, the free liquidity reserve, and the net liquidity position resulting from the liquidity gap and the liquidity reserve:

LIQUIDITY in EUR m	Expected liquidity gap		Available liquidity		Liquidity position	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Up to one month	637.5	676.2	312.4	240.6	949.8	916.8
More than one month up to three months	-9.3	50.8	-52.7	4.8	-62.0	55.6
More than three months up to one year	-140.2	318.6	-16.3	19.6	-156.5	338.2
Total	**487.9**	**1,045.6**	**243.3**	**265.0**	**731.3**	**1,310.7**

For the purposes of managing the structural liquidity risk position (> = 1 year), Kommunalkredit analyses the expected capital flows over the entire term of all on-balance and off-balance transactions. Overhangs from capital inflows and capital outflows are monitored by maturity range and at cumulative level and provide the basis for strategic liquidity management.

68.6. Market risk management

Market risks refer to potential risk exposures to balance sheet and off-balance sheet positions arising from market price movements with an adverse impact on the bank. The bank-specific market risks mainly include interest rate risk, currency exchange risk, credit spread risk, basis spread risk and option price risk.

68.6.1. Interest rate risk

When it comes to the measurement, management and limitation of interest rate risks from positions not held in the trading book, Kommunalkredit generally distinguishes between the period-oriented repricing risk and the NPV-oriented risk of changing interest rates.

For the purpose of efficiently managing the interest rate risk and net interest income, Kommunalkredit uses an analysis and simulation tool (interest rate gap structure by currency, interest rate VaR, sensitivity analyses, simulation trades) which enables the forecast and targeted management of the bank's interest rate risk from positions not held in the trading book, the P&L sensitivity of the fair value portfolios according to IFRS, and net interest income for the period. To calculate the interest rate VaR, an internal model based on historical interest rate movements is applied.

Kommunalkredit's portfolio mainly comprises positions with clearly defined interest rate and capital commitment. As a rule, non-linear risks are completely hedged. Open positions are strictly limited and monitored. Retail deposits include positions without clearly defined interest rate and capital commitment (deposits repayable on demand). In principle, the interest rate commitment of deposits repayable on demand is modelled as a function of the pricing strategy. Non-linear risks that are not hedged are quantified using a scenario analysis.

For interest rate risk measurement by the RMC, the gap structures are analysed and the price sensitivity of the overall position, as well as the impact of interest rate changes on the net interest income of the period (repricing risk), are quantified for different scenarios. The repricing risk is measured for the currencies EUR, USD, CHF, JPY.

When managing interest rate risk, Kommunalkredit differentiates between the following sub-portfolios:

- less-than-twelve-months interest-rate position (short-term ALM)
- more-than-twelve-months interest-rate position (long-term ALM)
- equity investment portfolio ("equity book")
- IFRS fair value position
- IFRS OCI value position

An analysis and steering tool is used for the management of short-term, less-than-twelve-months interest risk positions which permits the efficient management of the repricing risk by currency.

- Annual net interest income effect from Kommunalkredit's repricing risk in EUR million in the event of a parallel rise of short-term interest by +100bp:

Stichtag	EUR	USD	CHF	JPY	Sonstiges	Gesamt
31/12/2021	-2.3	0.0	-1.5	-0.1	0.0	**-3.9**
31/12/2020	-1.5	0.0	-0.1	-0.1	0.0	**-1.7**

- NPV risk of interest rate changes in Kommunalkredit's banking book in EUR million in the event of a +30bp parallel shift in the yield curve:

Stichtag	EUR	USD	CHF	JPY	Sonstiges	Gesamt	VAR
31/12/2021	+3.5	0.0	-0.1	+0.1	+0.1	**+3.5**	**-4.0**
31/12/2020	+4.5	0.0	0.0	+0.2	-0.1	**+4.6**	**-5.5**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on P&L in EUR million in the event of a +30bp parallel shift in the yield curve:

Stichtag	EUR	USD	CHF	JPY	Sonstiges	Gesamt
31/12/2021	+1.5	0.0	-0.5	0.0	+0.4	**+1.3**
31/12/2020	+2.3	0.0	-0.3	-0.1	0.0	**+1.8**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on OCI in EUR million in the event of a +30bp parallel shift in the yield curve:

Stichtag	EUR	USD	CHF	JPY	Sonstiges	Gesamt
31/12/2021	-4.5	0.0	0.0	0.0	-0.2	**-4.7**
31/12/2020	-4.5	0.0	0.0	0.0	-0.2	**-4.7**

68.6.2. Currency exchange risk

The currency exchange risk is the risk of losses in foreign currency positions caused by an unfavourable change in the exchange rate, the open FX position being the difference between the sum total of asset positions and the sum total of liability positions, including foreign currency derivatives, in a given currency.

To measure the risk, a VaR of the open foreign currency position, according to the Austrian Commercial Code (UGB), is determined daily based on a variance/co-variance approach with a holding period of one trading day and a confidence interval of 99%, using exponentially weighted historical volatilities and correlations. Except for small residual positions, the open FX position according to the Austrian Commercial Code (UGB) is closed daily. The FX VaR as of 31 December 2021 was TEUR 14.3 (as of 31/12/2020: TEUR 16.5).

68.6.3. Credit spread risk

The credit spread risk is the risk of losses in value due to market-related changes in credit spreads, although there is no deterioration in the rating of the issuing group. Credit spreads refer to the risk premiums allocated by the market, an issuer or an issuing group which are priced-in when determining the market value of a financial instrument.

As of 31 December 2021, the credit spread risk in the event of credit spreads widening by +20 basis points was TEUR -2,067 (31/12/2020: TEUR -2,335) in the IFRS P&L position and TEUR -10,105 (31/12/2020: TEUR -10,637) in the IFRS-OCI position.

68.6.4. Basis spread risk

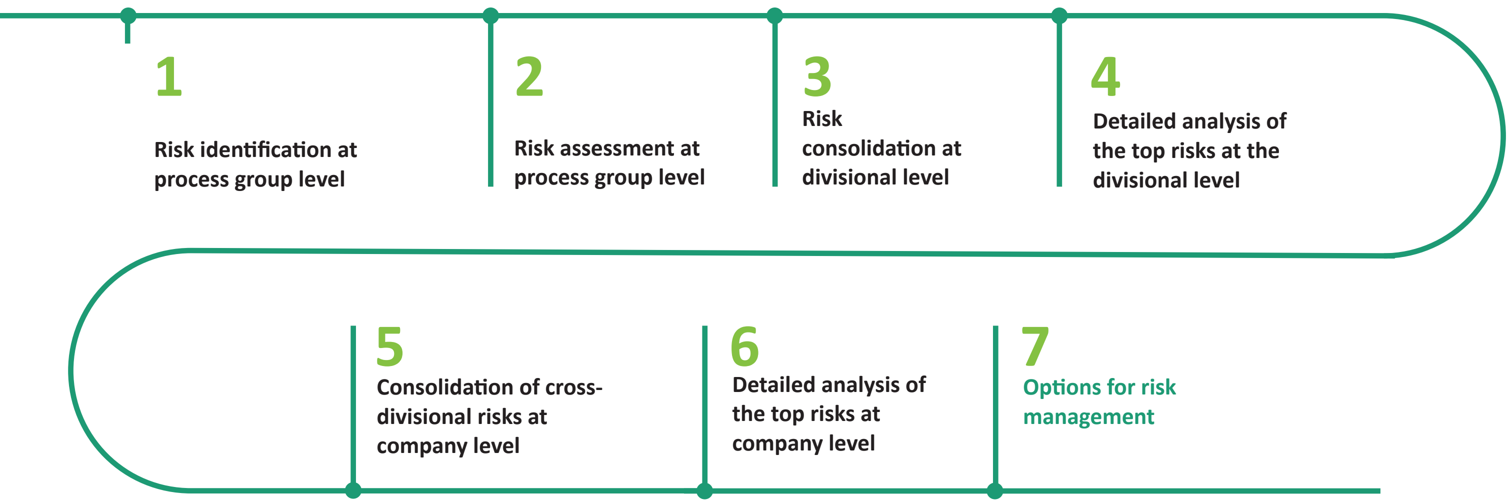
The basis spread risk is the risk resulting from a change in basis spread, which is factored into the variable interest rate conditions for non-standard reference interest rates and payment frequencies. Except for residual risks in the individual currencies, the basis spread risk relevant under IFRS is hedged.

As of 31 December 2021, the basis spread risk in the event of basis spreads widening by one basis point was TEUR +24 (as of 31/12/2020: TEUR +69).

68.6.5. Option price risk

The option price risk for Kommunalkredit is the risk of changes in the market values of open option positions. To measure the option price risk, a scenario matrix is used to determine interest rate shifts (-/+30bp), volatility shifts (-/+30%) and combined shifts.

The option price risk in the banking book calculated on the basis of the scenario matrix amounted to TEUR -1,673 as of 31 December 2021 (31/12/2020: TEUR -1,647 based on a -/+30bp interest rate shift). The open option price risk in the banking book results exclusively from unilateral call rights of Kommunalkredit for own issues (i.e. Kommunalkredit has the right to call). As of 31 December 2021, there were no P&L-relevant option price risks.



68.7. Operational risk

Kommunalkredit defines operational risk as the possibility of losses occurring due to the inadequacy or failure of internal procedures (processes), people and systems or as a result of external events. The legal risk is part of operational risk. External events classified as pure credit risk, market risk, liquidity risk or other types of risk with no operational background are not covered by this definition. The aim of Operational Risk Management (ORM) is to reduce the probability of occurrence of operational risks and their potential to adversely impact the bank.

CNFR is responsible for operational risk management. Operational risk correspondents (ORC), appointed in consultation with CNFR, act as points of contact for the individual units, establishing the link to operational risk management and supporting the ORM process.

An operational default database as well as risk and control self-assessments are the key instruments available for the management of operational risks. The database represents a retrospective view, that is, realised gains/losses from operational events in the past are recorded there with the involvement of the line managers in charge. In contrast, risk and control self-assessments represent a prospective, future-oriented view. Risks are identified and subjected to expert assessment regarding the content of the risk. At Kommunalkredit, these assessments are performed as coached self-assessments, that is, individual risks are assessed and evaluated by the units concerned under the guidance of CNFR. The entries made in the operational default database serve as input and provide feedback for the reassessment of risks. The Executive Board and the senior management are informed about operational risks at the monthly RMC meetings.

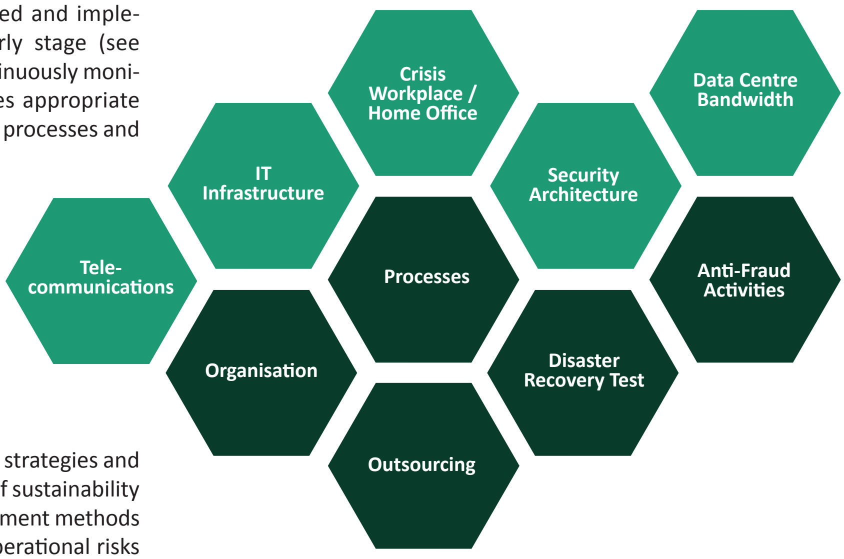
Kommunalkredit uses the standardised approach to quantify its total capital requirements. The total capital held on this basis significantly exceeds the actual losses suffered in the past.

68.8. Business Continuity Management

Business Continuity Management (BCM) ensures the adequate, comprehensive and efficient management of business continuity. It includes the elaboration and management of continuity and recovery plans as well as the implementation of measures designed to minimise interruptions of critical business processes. This includes providing remote workplaces in the event of Kommunalkredit's office premises not being available.

In the context of COVID-19 crisis management, appropriate organisational and technical measures were defined and implemented in some areas of operation at an early stage (see examples on the right). The bank's crisis team continuously monitors the development of the pandemic and takes appropriate measures to ensure the going concern of business processes and the protection of employees.

The annual Business Impact Analysis (BIA) was carried out and served to assess business processes and information and communication technology (ICT) services for their criticality, and to verify the time to full restoration of services. The emergency plans were revised at the same time. The annual emergency exercise to test the reliability of critical infrastructure components was also successfully carried out according to schedule.



68.9. Sustainability risks

Sustainability risks form an integral part of the risk strategies and risk categories of Kommunalkredit. The inclusion of sustainability factors in the concepts, management and measurement methods of the credit, market, liquidity, syndication and operational risks is evaluated and expanded on an ongoing basis. To assess whether investments in infrastructure and energy projects meet the sustainability criteria set by Kommunalkredit, an internally developed "ESG/Sustainability Check", which is a three-stage process, is applied:

1 Contribution to UN Sustainable Development Goals (SDG) | Review of SDG criteria: each new transaction must, at a minimum, make a positive contribution to an SDG.
2 Total exclusion in the event of human rights violations and for certain industries and sectors such as the gambling industry, nuclear power, coal, pornography and armaments.
3 Review of up to 20 qualitative ESG criteria; the criteria catalogue includes, for example, in terms of environmental criteria, an assessment of the impact on CO_2 emissions, biodiversity, water and soil, energy and resource consumption at transaction level; in terms of social criteria, there is an assessment of the impact on diversity, equality, labour market, the healthcare system, provision of green energy, clean water and transport. In terms of corporate governance, the assessment covers corruption, corporate governance and other environmental standards.

In addition, last year Kommunalkredit's infrastructure and energy portfolio was classified and assessed using a defined five-tier ESG scale at the level of financed industry sectors and subsectors in order to obtain an overview of environmental and social sustainability risks in the portfolio and ensure that the industry-related sustainability risks in the portfolio are adequately assessed. The analysis and classification in the scale will be further refined at customer level in 2022. The focus of sustainability risk analyses will then be placed, according to the scale, on sectors/transactions with increased vulnerability to climate and environmental risks. Sector limits in the infrastructure and energy sectors are used to limit risk in line with the bank's strategic orientation. These limits form an integral part of monthly risk reporting to the management team. Moreover, when deriving the liquidity buffer, ESG risks are also included as a distinct component, with the customer and maturity structure of the liabilities, among other factors, analysed for this purpose. In addition, threats posed by climate and environmental events are evaluated, taking operational/non-financial risks into account as part of information security risk management.

Kommunalkredit primarily finances the public sector in Austria and projects in the areas of renewable energy, telecommunications and social infrastructure in Europe. ESG risks in the portfolio are therefore considered to be low based on the analysis carried out. Potential risks are taken into account in the process of loan origination and are adequately reflected in the planning assumptions for the borrower and the determined ratings.

69. Structured units

The Kommunalkredit Group has holdings in Fidelio KA Infrastructure Debt Fund Europe 1, a non-consolidated structured entity in the form of a closed investment fund. The fund offers institutional investors diversified access to the bank's infrastructure pipeline in the area of European infrastructure and energy financing. Kommunalkredit exerts influence on the fund in its role as general partner, asset sourcer and asset servicer. As asset sourcer, Kommunalkredit is entitled to propose investments for the fund within the framework of the investment guidelines. An independent investment advisor and an externally appointed, independent investment fund manager subsequently review and make a decision regarding the proposal. Kommunalkredit is under no obligation to take back the assets transferred to the fund (for example, in the case of non-performance). To support the successful market launch of the first fund, Kommunalkredit subscribed shares in the fund itself upon its launch. As of 31 December 2021, the share held by Kommunalkredit amounted to an insignificant 8.5%. Furthermore, in 2021, income of TEUR 962.6 (1/1-31/12/2020: TEUR 615.4) was booked from distributions and fees.

The shares in the structured unit are recognised as financial instruments in the category "Assets at fair value through profit or loss". As of 31 December 2021, the shares in the structured unit are shown in the consolidated statement of financial position as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2021	31/12/2020
Assets at fair value through profit or loss	28,117.8	24,995.4

The maximum amount in relation to potential losses on the shares in the structured unit amounts to TEUR 28,117.8 as of 31 December 2021. This represents the current share held by Kommunalkredit in the Net Asset Value (NAV) of the investment fund. Furthermore, Kommunalkredit has openly committed to subscribe to additional shares totalling TEUR 1,882.2.

70. Legal risks

Immediately prior to the spin-off of Kommunalkredit to form a new company on 26 September 2015 and the merger of the remaining part of the former Kommunalkredit Austria AG (formerly KA) with KA Finanz AG (as the absorbing company), compensation was paid to the holders of participation capital at Kommunalkredit. A former holder of participation capital claims that this constitutes the unlawful termination of participation capital and is seeking from Kommunalkredit and KA Finanz AG as jointly and severally liable parties, in a legal dispute pending in the first instance, the granting of commercially equivalent rights since 26 September 2015, or a ruling establishing the continuation of the participation capital. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

A claim was brought against Kommunalkredit in December 2020 for payment of a recovery receivable that could result from a possible future loss of the plaintiff in the lawsuit. The plaintiff itself is the defendant (since 2010) in proceedings that have not yet been concluded. These involve the reversal of a transaction by the buyer which is linked to participation capital that was issued by the former Kommunalkredit (formerly KA) in 2006/2007. However, the motion involves having payment of the amount claimed enforced (only) as a provisional substitute, with the primary aim being to have the decision suspended pending a final decision in the proceedings with the buyer. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

On 2 July 2021, the data protection authority initiated proceedings against KPC following a complaint by a data subject. The proceedings are currently suspended as the data protection authority awaits a preliminary ruling by the European Court of Justice on § 30 of the Data Protection Act. It can be assumed to be more likely than not that there will be no penalty for KPC.

71. Other obligations

Liability arising from the demerger
Pursuant to § 15 (1) of the Austrian Demerger Act (SpaltG), Kommunalkredit is liable jointly and severally with KA Finanz AG for liabilities originated prior to the entry of the demerger in the Companies Register on 26 September 2015 and transferred from the former Kommunalkredit to KA Finanz AG. KA Finanz AG is also liable jointly and severally with Kommunalkredit for the liabilities transferred to Kommunalkredit. This does not concern liabilities originating after the effective date of the demerger. The liability arising from the demerger is limited to the net assets of the respective entity as of the effective date of the demerger.

Other obligations
Pursuant to § 2 (3) of the Austrian Deposit Guarantee and Depositor Indemnification Act, Kommunalkredit is obliged to undertake proportional safeguarding of deposits within the framework of the deposit guarantee regime of AUSTRIA Ges.m.b.H., Vienna.

72. Date of release for publication

These Consolidated Financial Statements as well as the Separate Financial Statements of Kommunalkredit were signed by the Executive Board on 15 March 2022. Both the Supervisory Board (30 March 2022) and the Annual Shareholders' Meeting (30 March 2022) can make amendments to the Separate Financial Statements, which in turn can have an impact on these Consolidated Financial Statements.

73. Employee disclosures

From 1 January to 31 December 2021, the Kommunalkredit Group had, on average, 293 employees (1/1-31/12/2020: 261 employees) including the Executive Board; 181 of them (1/1-31/12/2020: 167) were working in banking operations and 112 (1/1–31/12/2020: 94) were working for KPC. Part-time employees are weighted according to the extent of employment.

As of 31 December 2021, the Kommunalkredit Group had 301 employees (31/12/2020: 272 employees) including the Executive Board, 188 (31/12/2020: 168) of them working in banking operations and 113 (31/12/2020: 104) working for KPC.

74. Related party disclosures

Ownership structure/Transactions with owners

NAME OF THE COMPANY	Relationship with Kommunalkredit	Registered office	Shares held
Gesona Beteiligungsverwaltung GmbH	Direct parent	Vienna, Austria Comp.Reg.no 428969m	99.80% in Kommunalkredit
Satere Beteiligungsverwaltungs GmbH	Controlling parent	Vienna, Austria Comp.Reg.no 428981f	100% in Gesona

Satere Beteiligungsverwaltungs GmbH (Satere) is owned by Interritus Limited and Trinity Investments Designated Activity Company (Trinity), which hold 55% and 45%, respectively; the two companies exercise joint control over Satere through contractual agreements. Satere thus qualifies as a joint venture according to IFRS 11 and is classified as the controlling parent company of Kommunalkredit.

Kommunalkredit has framework contracts for the fiduciary administration of loans with Trinity Investments Designated Activity Company (Trinity) and a related party of Trinity. Kommunalkredit has no rights or obligations relating to the underlying loan transactions, which means that the criteria for recognition in the statement of financial position do not apply. As of 31 December 2021, positions amounting to TEUR 313,040.0 (31/12/2020: TEUR 324,551.2) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity. Through the fiduciary management of these transactions, fee and commission income in the amount of TEUR 1,052.7 (1/1-31/12/2020: TEUR 1,140.0) was generated in 2021, with open balances in the amount of TEUR 1,066.7 (31/12/2020: TEUR 970.1) reported under "Other assets" as of 31 December 2021.

Tax group
Effective as of 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 31/12/2021 include Gesona, Kommunalkredit and Kommunalkredit Public Consulting GmbH (KPC).

Relationships with associates
The following relationships exist with PeakSun Holding GmbH, an associate included at equity:

- Loans receivable of TEUR 1,116.0 (31/12/2020: TEUR 0.0); these resulted in interest income of TEUR 26.3 (1/1-31/12/2020: TEUR 0.0)
- Other off-balance-sheet liabilities in the form of promissory commitments of TEUR 18,544.0 (31/12/2020: TEUR 0.0)

Transactions with key management personnel
Key management personnel are people with direct or indirect authority and responsibility for the planning, management and supervision of activities at Kommunalkredit. Kommunalkredit considers the members of the Executive Board and the Supervisory Boards to be key management personnel.

The following table shows the total remuneration earned by members of the Executive Board and the Supervisory Board:

TOTAL REMUNERATION in EUR 1.000	1/1-31/12/2021	1/1-31/12/2020
Active Executive Board members	2,924.8	1,926.5
Active Supervisory Board members	337.4	276.4
Total	**3,262.2**	**2,202.9**

The amounts reported under total remuneration of active Executive Board members include amounts falling due on a short-term basis and other long-term benefits of TEUR 3,503.6 (2020: TEUR 2,616.5) as specified in the remuneration manual (deferrals of variable remuneration) pursuant to § 39b of the Austrian Banking Act. Payments were made to a pension fund for active Executive Board members neither in the 2021 financial year nor in the previous year.

As of 31 December 2021, just like in the previous year, there were no outstanding loans/advances to members of the Executive Board or to members of the Supervisory Board, and there were no liabilities with Kommunalkredit for them either.

There is a company that holds a capital interest of 25% in Fidelio KA Beteiligung GmbH; this company is within the range of influence of an Executive Board member of Kommunalkredit and a close relative. Fidelio KA Beteiligung GmbH was established for the purpose of acquiring and holding participating interests, among others in the fields of business of alternative investment funds, asset management and advisory; it holds participating interests in Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GB S. à r. l.

Expenses for severance pay and pensions

Expenses for severance pay and pensions include pension and severance payments, changes in provisions for severance pay and pensions, statutory contributions to a staff pension plan and payments into a pension fund:

EXPENSES FOR SEVERANCE PAY AND PENSIONS in EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Executive Board members and senior employees	160.5	342.0
Other employees	651.9	1,034.5
Total	**812.3**	**1,376.5**
of which recognised in equity (change in provisions due to actuarial gains/losses)	*470.9*	*101.0*
of which recognised in general administrative expenses	*341.4*	*1,275.5*

75. Disclosure pursuant to Part 8 CRR

In accordance with the requirements of Part 8 CRR, material qualitative and quantitative information relating to the bank is published in a separate Disclosure Report, which can be accessed on the Kommunalkredit website (www.kommunalkredit.at) under “Investor Relations/Financial Information & Reports”.

76. Disclosures relating to the Boards of the bank

Members of the Executive Board

Karl-Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board,
until 31 December 2021

Sebastian Firlinger
Member of the Executive Board,
since 1 January 2021

Members of the Supervisory Board

Patrick Bettscheider
Chairman of the Supervisory Board
Appointed by Gesona Beteiligungsverwaltung GmbH;
Managing Director of Gesona Beteiligungsverwaltung GmbH
and Satere Beteiligungsverwaltungs GmbH

Christopher Guth
Deputy chairman of the Supervisory Board,
until 30 September 2021
Appointed by Gesona Beteiligungsverwaltung GmbH

Friedrich Andreae
Deputy chairman of the Supervisory Board,
since 30 September 2021
Managing Director of Gesona Beteiligungsverwaltung GmbH
and Satere Beteiligungsverwaltungs GmbH

Tina Kleingarn
since 30 September 2021
Partner Westend Corporate Finance

Jürgen Meisch
Managing Director of Achalm Capital GmbH

Martin Rey
Managing Director of Maroban GmbH

Alois Steinbichler
Managing Director of AST
Beratungs- und Beteiligung GmbH

Renate Schneider
until 1 September 2021
Nominated by the Works Council

Alexander Somer
Nominated by the Works Council

State Representative

Philip Schweizer
State Representative,
Federal Ministry of Finance

Markus Kroiher
Deputy State Commissioner,
Federal Ministry of Finance

Government Commissioner

Appointed to serve as Government Commissioner of the cover pool for covered bonds in 2021:

Karin Fischer
Government Commissioner
Federal Ministry of Finance

Anna Staudigl
Deputy Government Commissioner
Federal Ministry of Finance

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

Kommunalkredit Austria AG,
Vienna,

and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2021, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Austrian commercial and banking law as well as the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB and Section 59a BWG.

Basis for our Opinion
We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers
The Management Board explains the procedure for recognizing loan loss provisions in the notes to the consolidated financial statements section 8 "Risk provisions".

Risk to the Consolidated Financial Statements
The loans and advances to customers valued at amortized cost amount to EUR 1,3bn and are mainly comprised of the segments "Project Finance", "Utilities", "Corporate" and "Public Finance".
The group evaluates in the context of credit risk management whether default events exist, and specific loan loss provisions (Stage 3) need to be recognized. This includes an assessment whether customers are able to fully meet their contractual liabilities.
The calculation of the loan loss provisions for defaulted individually significant customers is based on an analysis of the estimated future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer and the valuation of collateral.
For all non-defaulted loans and advances to customers a loan loss provision for expected credit losses ("ECL") is recognized. The loan loss provision is generally based on the 12-month-ECL (Stage 1). In case of a significant increase in the credit risk (Stage 2), the ECL is calculated on a lifetime basis.
The calculation of ECLs is dependent on assumptions and estimates, which include rating-based probabilities of default and loss given default that are derived from current and forward-looking information.
The risk to the financial statements arises from the fact that the stage transfers and the determination of the loan loss provisions are based on assumptions and estimates. This may lead to a margin of discretion and estimation uncertainties regarding to the amount of the loan loss provisions.

Our Audit Approach

We have performed the following audit procedures with the involvement of our Financial Risk Management and IT specialists in respect to the valuation of loans and advances to customers:

— We have analyzed the existing documentation of the processes of monitoring and risk provisioning for loans and advances to customers and assessed whether these processes are suitable to identify impairment triggers and to adequately reflect the valuation of loans and advances to customers. Moreover, we have ascertained the process flows, identified the relevant key controls, assessed their design and implementation and tested their effectiveness in samples.

— We have examined whether there were any indicators of default on a sample basis of different loan portfolios. The selection of the sample was performed risk-oriented with special regard to ratings, regionality and customer segment.

— For all loans, for which the loan loss provision was calculated based on ECL (Stage 1 and 2), we analyzed the group's documentation of methodology for consistency with the requirements of IFRS 9. Furthermore, based on internal model validations, we have checked the models and the parameters used to determine whether they are suitable for calculating the loan loss provisions in an appropriate amount. In addition, we analyzed the selection and assessment of forward-looking information and scenarios and their consideration in the used parameters. For these audit procedures we have involved our financial risk management specialists.

Valuation of loans and advances to customers accounted at fair value

The Management Board explains the procedure for the calculation of the fair value in the notes to the consolidated financial statements section 11 "Fair value calculation".

Risk to the financial statements

The loans and advances to customers valuated at fair value are shown at the balance sheet posi tions "Assets at fair value through profit or loss" and "Assets recognized at fair value through other comprehensive income" and an amount of EUR 1.3bn.

The risk for the financial statements is that the valuation of fair values of the loans and advances using valuation parameters that are not observable on the market, such as credit spreads, (level 3 category) is subject to discretion due to the strong dependence on valuation models and parameter estimates.

Our audit approach

We have performed the following audit procedures regarding the fair value valuation with the involvement of our valuation specialists:

— We have analyzed the processes related to the determination of fair values and assessed whether they are appropriate to determine the fair values appropriately. We also tested key controls with regard to their design and implementation, by inspecting the control documentation, and tested their effectiveness on a sample basis.

— We have assessed the classification process and whether it is suitable to ensure an appropriate classification according to the provisions of IFRS 9. We also tested key controls with regard to design and implementation by inspecting the control documentation and tested their effectiveness on a sample basis.

— On the basis of test cases, we examined loans and advances to customers from different portfolios recognized at fair value to determine whether the calculation parameters and assumptions used in the valuation were appropriately considered and documented in a comprehensible manner. Furthermore, we checked for these test cases whether the calculation of the fair value was mathematically correct.

— We have reconciled the calculated fair values of the calculation system the fair values shown in the core banking system. Additionally, we have reconciled those fair values with the carrying amounts stated in the consolidated financial statements.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report and the annual financial report, other than the consolidated financial statements, the group management report and the auditor’s report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements pursuant to Section 245a UGB and Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit, i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report
In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.
Management is responsible for the preparation of the management report in accordance with Austrian company law.
We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion
In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement
Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation
We were elected as auditors at the Annual General Meeting on 31 March 2020 and were appointed by the Supervisory Board on 23 April 2020 to audit the financial statements of Company for the financial year ending on 31 December 2021.
In addition, during the Annual General Meeting on 23 March 2021, we have been elected as auditors for the financial year ending 31 December 2022 and appointed by the Supervisory Board on 16 September 2021.
We have been auditors of the Company since the financial statements at 31 December 2020.
We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.
We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

ENGAGEMENT PARTNER
The engagement partner is Mr. Bernhard Mechtler.

Vienna, 15 March 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This English language audit report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

STATEMENT BY THE LEGAL REPRESENTATIVES

KOMMUNALKREDIT GROUP

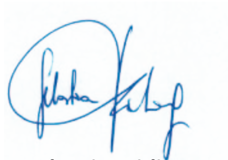
Consolidated Financial Statements 2021

We hereby **confirm** to the best of our knowledge that the **consolidated financial statements** of the parent company, prepared in accordance with the relevant accounting standards, present a true and fair view of the assets, the financial position and the income of the Group, that the Management Report presents the development of business, the results and the position of the Group in such a way that it conveys a true and fair view of the assets, the financial position and the income of the Group, and that the Management Report describes the material risks and uncertainties to which the Group is exposed.

Vienna, 15 March 2022

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer



Sebastian Firlinger
Member of the Executive Board

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