THERE FROM THE BEGINNING.

Integrated Annual Report of Kommunalkredit Group 2023

KOMMUNAL KREDIT

Kommunalkredit at a glance

SELECTED PERFORMANCE INDICATORS in EUR m or %	IFRS				
	2019	2020	2021	2022	2023
Net interest income	58.6	77.1	78.9	125.7	192.4
EBIT*	33.2	47.5	60.1	85.2	134.3
Profit for the period before tax	27.3	48.0	67.1	99.3	135.7
Profit for the period after tax	29.6	36.4	48.9	78.2	100.5
Cost/income ratio**	57.9%	50.8%	47.6%	42.8%	36.7%
Return on equity before tax***	10.3%	15.3%	19.5%	28.3%	33.8%
Return on equity after tax***	11.2%	11.6%	14.2%	22.3%	25.0%

* Profit of the year before tax under IFRS, adjusted for the net provisioning for impairment losses and measurment gains/losses
** Result from subsidiary KPC (cost plus model) netted in CIR calculation to provide a fair view on efficiency of the group
*** Return on Equity = profit for the period projected to one year/common equity tier 1 capital of the group as of 1.1.

New business

EUR

1.6bn

Volume from infrastructure and energy financing

EUR

134m

EBIT + 58%

EUR

165m

Gross income + 19%

27

nationalities as a sign of diversity with over 400 employees

A-

Average rating of premium-grade portfolio

C

Prime Status

ISS ESG Rating

All figures – unless otherwise stated – reported under IFRS.

SELECTED PERFORMANCE INDICATORS in EUR m or %	Austrian GAAP				
	2019	2020	2021	2022	2023
Net interest income	45.6	57.4	55.6	94.5	173.0
EBIT*	27.0	31.9	52.5	61.2	139.1
Profit for the period before tax	28.7	32.4	56.2	68.5	135.6
Profit for the period after tax	30.3	33.6	47.1	70.2	100.4
Cost/income ratio	63.2	61.0%	51.2%	47.8%	35.1%
Return on equity before tax	10.8%	10.3%	16.3%	24.7%	31.4%
Return on equity after tax	11.4%	10.7%	13.7%	20.0%	23.3%
Tier 1 ratio	18.7%	20.3%	20.4%	19.4%	20.0%

* Operating performance as reported in accordance with Austrian Commertial Code (UGB) plus operating result from the sale of active portfolio (infrastructure & energy financiang) and change in provision required under Section 57 (1) of the Austrian Banking Act (BWG)

BBB- | BBB (Senior)

Investment grade ratings
Outlook positive
S&P, Fitch | DBRS

25%

Return on equity after tax

37%

Cost/income ratio

Awards in 2023

Best Specialist Bank in Austria
(Der Börsianer magazine)
Seal of Approval for Sustainable Commitment
(Kurier newspaper)

Commitment to the environment

Joined the Partnership for Carbon Accounting Financials Initiative

Take a look.

“We are confident that we will be able to drive our vision as ‚Green Transition Financing Champion‘ forward even further.”

THERE FROM THE BEGINNING.

Integrated Annual Report
of Kommunalkredit Group 2023

KOMMUNALKREDIT. Nothing else.

Table of contents

INFRA. BANKING. EXPERTS.

We live for infrastructure. It is an essential backbone of developed economies and enables the rise to prosperity. We enable sustainable energy solutions, e-mobility, digital communication platforms and social institutions. That is what sets us apart.

Letter by the Chief Executive Officer

**Dear customers,
stakeholders and colleagues,**

Today's world is unlike anything we have seen before. New conflicts, challenges and upheaval seem like a daily occurrence. A complex economic environment, characterized by high inflation, climbing interest rates, volatile energy prices, capital market turmoil – and this worldwide.

Against the backdrop of Russia's ongoing war of aggression in Ukraine, Yemen's Houthi rebels targeting shipping and Hamas' terrorist attack on Israel, one thing is clear: It is up to us to take a stand for integrity, solidarity and openness. It is up to us to defend the right to freedom of thought, which is the foundation of democracy. This is a responsibility that we all share, business, finance and politics as well as individual members of society.

Kommunalkredit is committed to fairness and acceptance. We show respect and champion human dignity across national, religious and ideological dividing lines in everything we do, no matter how big or how small. From benefit concerts, donations to underprivileged groups and clear statements of solidarity with Ukraine through to #neveragainisnow. As a society, we have the ability and the duty to stand up for democracy and stand against all forms of antisemitism, xenophobia and demagoguery. Together, we can overcome any crisis.

We want to use our position as specialists in public finance and infrastructure and energy financing to make a positive impact - from developing new sustainable technologies, providing financing for utility companies and renewable energy projects, keeping people and regions connected through telecommunication or digitalisation projects to providing medical and care services and modernising how we get around and the infrastructure we use. We actively promote the energy transition and decarbonisation as well as the urgently required diversification of oil and gas.

We are convinced that now is the perfect time to invest in the energy transition and diversify our energy supply so that we can minimise our dependence on particular sources. The European infrastructure financing market underlines our efforts. Transactions in this sector came to around EUR 280bn in 2023 compared to a record-setting EUR 360bn in 2022, EUR 300bn in 2021 and EUR 200bn in 2020, illustrating that the market is continuing its excellent run since the coronavirus pandemic.

Kommunalkredit generated EUR 1,813.1m in new business (including public finance) – fresh confirmation of our comprehensive expertise in different sectors and markets. 51% of the transactions in the bank's infrastructure and energy financing business were attributable to the Energy & Environment segment, followed by Communication & Digitalisation (28%) and Transport (14%).

2023 – A year of uncertainty and challenges, which Kommunalkredit met with consistency, discipline, resilience and foresight to achieve record-high earnings. Despite the challenging macroeconomic conditions, EBIT went up by more than 58% year-on-year to EUR 134m. The cost/income ratio fell to 37% (2022: 43%) and return on equity after taxes rose to 25% (2022: 22%). We had a strong Tier 1 capital ratio of 18%. Our strategic focus on infrastructure and energy financing, and public finance, paid off once again.

We supported a wide range of projects in 2023, including water treatment plants in Italy, wind farms and photovoltaic facilities in Romania, Hungary, Finland and on the Iberian peninsula, broadband initiatives in Spain and Serbia, health facilities in the United Kingdom, and a port portfolio in Portugal.

Public finance is a key element of our business model alongside infrastructure and energy financing. In 2023, we helped municipalities, cities and states to finance projects with a volume of EUR 191m, which largely related to nurseries, schools and fire brigades, water supply and wastewater disposal, recycling centres, cycle paths and walkways. Kommunalkredit has also provided a long-term investment credit for the targeted expansion of broadband coverage in one of Austria's least networked regions.

We develop, finance and implement projects across Europe and beyond. But that's not all: we are also committed to playing an active role in the energy transition. We are there from the beginning. Kommunalkredit has a dedicated project development team providing expert support at each stage of a project. From contracts, potential rezoning, environmental appraisals and securing grid connections to the final granting of the relevant planning permission.

We set up a dedicated advisory team focused on M&A and equity & debt raising to provide our partners with even more support in the areas of acquisitions and project financing. This team of international experts already has a solid track record, from acting as Asterion's exclusive financial advisor during the purchase of Germany-based company STEAG, providing buyers with their M&A expertise as part of two A2 Motorway PPP projects in Poland and acting as the sole M&A advisor for the buyers involved in acquiring an 84 MW wind farm in Eastern Europe.

Our biggest projects in Austria include our joint investment with OMV to build Austria's largest hydrogen electrolysis plant in Schwechat and our joint venture "PeakSun" with the Upper Austrian energy supplier eww, to finance, assemble, lease out and operate photovoltaic rooftop systems on commercial real estate.

Our top priority has long been to create benefit for the community. We set two areas that we will focus on when we updated our sustainability strategy in 2022: We want to accelerate the energy transition and help improve people's quality of life.

Kommunalkredit has set itself the following targets for 2025:

- at least 40% of annual infrastructure financing is directed towards transactions related to the energy transition and environmental protection, such as renewable energies, environmentally friendly mobility and water management
- up to 10% of the annual volume will be allocated to new green solutions
- at least 30% of the annual volume of new infrastructure financing will be channelled into social infrastructure and/or digitalisation and communication projects

We made a significant impact and lived up to our responsibility to society in 2023 by implementing transparent sustainability requirements for projects and our partners and carrying out checks. EUR 880m (54%) was invested in projects contributing to the energy transition and environmental protection. EUR 44m (3%) went towards new green solutions and EUR 392m (24%) was used to finance social infrastructure and connectivity in order to improve the quality of life of both individuals and communities as a whole.

Every part of the Group – bank, asset management platform, project development company – has a strong focus on sustainability, and none more so than our subsidiary Kommunalkredit Public Consulting (KPC). KPC plays a significant role in meeting national and international climate action and energy targets with its subsidy management and consulting business segments. It provides the Austrian Ministry of Climate Action and Energy (BMK) with climate policy advice at an EU level and in the context of UN negotiations (e.g. as part of the COP28 conference in Dubai), in addition to providing advisory services for the Austrian representative of the Federal Ministry of Finance (BMF) in the Green Climate Fund. Demand for environmental support schemes continued to go up in 2023. KPC evaluated around 633,000 climate action and environmental protection projects (2022: 414,355) over the course of the year with an investment volume in excess of EUR 7.1bn (2022: EUR 6.0bn).

The major rating agencies highlighted our well-established and resilient business model, strong asset quality and outstanding profitability. S&P Global Ratings confirmed its covered bond rating of A+ at the beginning of 2023 and revised its outlook for our investment grade rating of BBB- to positive. In September, Morningstar DBRS confirmed our BBB rating and improved its outlook to positive. Fitch Ratings affirmed our rating of BBB- in the first quarter of 2023 and judged the outlook to be stable. On 8 February 2024, Fitch reconfirmed our investment grade rating and revised the outlook to positive, largely as a result of our established infrastructure and energy financing franchise and the experience of our management team.

We bolstered our refinancing structure in 2023 and remained active in the capital market with a private placement of EUR 89.9m in senior preferred bonds and a placement of EUR 50m in covered bonds.

We are there from the beginning. Alongside every idea, every project and every innovation. We know that we have our highly motivated and committed colleagues to thank for everything we have achieved so far, as well as everything we will achieve going forward.

We have big plans. We want to continue this run of excellent performance, drive our sustainability strategy forward and get the "green revolution" started, together with you. All the talk at the moment is about achieving sustainable "transformation" – but that's not enough. What we need is to bring about a quick and decisive revolution!

The clock is ticking for the whole world when it comes to climate change. The European Union wants to be climate-neutral by 2050. That's 25 years away. That might sound like a long time, but it's not. It's 300 months; 9,100 days.

Infrastructure – all of the piping, cabling and connection points for energy, water and human beings – is the nervous system underpinning our existence. It has to function quickly, smoothly and safely – ideally while also being sustainable and environmentally friendly. We still have so much to do. We can do it, but only if we work together. It's time for us to put out the call. We all need to stand side by side with one another for this revolution to work. Everybody needs to play their part – from politicians at a regional, national and EU level to energy companies, businesses, the financial sector and investors. Together, we have the power, the opportunity, but also the duty to play an active role in the energy transition and make a positive impact.

If history has taught us one thing, it's that revolutions need a great deal of courage and strong partners to be successful. We need to bet big on the future with a clear conviction that we know what needs to be done. Now is the time to support new sustainable technologies. Now is the time to develop and foster innovative projects. That is exactly what we are doing. We are courageous. We are there. From the beginning.

We need to think big, and be brave enough to change our ways. Let's take an open-minded approach and act decisively and sustainably. Our "green revolution" has a positive aim. It will create a future that's worth living in. For us. For our children. And for the generations to come.

Best regards,

Bernd Fislage
Chief Executive Officer
Kommunalkredit Austria AG
Vienna, February 2024

“We are constantly addressing the question of how we can create a holistic system that covers all aspects of financing sustainable ideas and projects. What drives us is the desire to make the world a better place.”

Functions within the Company

Executive Board

KARL-BERND FISLAGE
Chief Executive Officer

SEBASTIAN FIRLINGER
Member of the Executive Board

CLAUDIA WIESER
Member of the Executive Board,
until 31 March 2023

Supervisory Board

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

FRIEDRICH ANDREAE
Deputy Chairman of the Supervisory Board
Appointed by Satere Beteiligungsverwaltung GmbH;
Managing Director Satere Beteiligungsverwaltungs GmbH

TINA KLEINGARN
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

OLIVER FINCKE
Nominated by the Works Council,
since 3 February 2023

PETER KRAMMER
Nominated by the Works Council,
until 7 December 2023

BRIGITTE MARKL
Nominated by the Works Council,
until 31 January 2023

CLAUDIA SLAUER
Nominated by the Works Council,
since 28 December 2023

GERALD UNTERRAINER
Nominated by the Works Council

>Corporate governance documents at kommunalkredit.at

State Representative

PHILIPP SCHWEIZER
State Representative
Federal Ministry of Finance

MARKUS KROIHER
Deputy State Representative
Federal Ministry of Finance

Government Representative* for Cover Pool for Covered Bonds

KARIN FISCHER
Government Representative
Federal Ministry of Finance,
until 30 April 2023

ANNA STAUDIGL
Deputy Government Representative
Federal Ministry of Finance,
until 30 April 2023

* To enable continual monitoring of the cover pool, the Covered Bond Act (Pfandbriefgesetz) of 8 July 2022 provides for the mandatory establishment of a trustee.

Report of the Supervisory Board

The Supervisory Board of Kommunalkredit Austria AG submits its report on the 2023 financial year to the Shareholders' Meeting. Patrick Bettscheider, Managing Director of Satere Beteiligungsverwaltungs GmbH, delegated by Satere Beteiligungsverwaltung GmbH, holds the position of Chairman of the Supervisory Board. Further capital representatives are Friedrich Andreae (Deputy Chairman of the Supervisory Board, Managing Director of Satere Beteiligungsverwaltungs GmbH, delegated by Satere Beteiligungsverwaltung GmbH) Alois Steinbichler and Tina Kleingarn. 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. The Works Council delegated Brigitte Markl (stepped down from the Supervisory Board on 31 January 2023), Oliver Fincke (from 3 February 2023), Gerald Unterrainer and Peter Krammer (stepped down from the Supervisory Board on 7 December 2023). Claudia Slauer was delegated to the Supervisory Board as an employee representative on 28 December 2023. At the time of reporting, the Supervisory Board comprises four capital representatives, two independent representatives and three employee representatives. The Supervisory Board thanks all members who stepped down in the 2023 financial year for their reliable and constructive collaboration.

At the time of reporting, the Executive Board consists of Karl-Bernd Fislage (Chief Executive Officer) and Sebastian Firlinger (Chief Risk Officer and Chief Financial Officer). After spending over twenty years in a variety of executive roles at Kommunalkredit, Claudia Wieser stepped down from the Group's Executive Board and decision-making bodies on 31 March 2023.

Kommunalkredit can look back on a thoroughly successful 2023 financial year – in spite of ongoing economic challenges, tense markets and geopolitical turbulence. New business volume of EUR 1,813m in infrastructure and energy financing, as well as in public finance confirmed the focus on sustainable crisis-proof infrastructure. EBIT improved by 58%, or EUR 49m to EUR 134m. Profit for the year after tax increased by 29% compared to the previous year to EUR 101m. The significant improvement in EBIT was also reflected in a marked reduction in the cost/income ratio to 37% (2022: 43%). The return on equity after tax increased from 22% in 2022 to 25%. The bank's portfolio remained robust in 2023; the net non-performing loan (NPL) ratio came to 1.0% (after factoring in cover/guarantees from export credit agencies), with just three loans involved. This was once again well below the weighted European Banking Authority (EBA) average.

In addition to financing projects, Kommunalkredit enhanced its in-depth industry expertise and intensified its activities in the fields of acquisition finance, hybrid/corporate finance and financial advisory. The bank placed EUR 358m among insurance companies, asset managers and banks in 2023.

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 family. Kommunalkredit uses the project development company Florestan KA GmbH to provide equity funding for infrastructure and energy projects with development and growth potential.

The Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings and one extraordinary meeting. The committees (Audit, Remuneration and Credit Committee) also held their meetings and performed their tasks in accordance with the Articles of Association.

The Articles of Association were amended due to new legislation coming into effect to provide the option of holding general meetings virtually following the enactment of the Virtual General Meeting Act [Virtuelles Gesellschafterversammlungen-Gesetz – VirtGesG]. Amendments were also made to reflect the Federal Act on Wiener Zeitung GmbH and Establishing a Federal Electronic Publication and Information Platform [WZEVI Act]. The Rules of Procedure of the Executive Board were amended to change the powers of authorised representatives. 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 March 2023), the members of the Boards of the bank underwent comprehensive fit and proper training covering regulatory changes and/or innovations in December 2023.

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 financial position of the company as of 31 December 2023, the auditors issued an unqualified audit opinion.

The Supervisory Board endorsed the results of the audit and approved the 2023 annual financial statements, which were therefore formally adopted, at its meeting held on 22 February 2024. Moreover, the consolidated financial statements as of 31 December 2023, including the management report, were examined and acknowledged by the Supervisory Board.

In the 2023 financial year, Kommunalkredit Austria AG's two shareholders with indirect control – UK-based Interritus Limited and Trinity Investments Designated Activity Company, which is managed by Attestor Limited – sold their entire stake in Satere Beteiligungsverwaltungs GmbH (Kommunalkredit Austria AG's holding company) to Green Opera Finance BidCo AB, which has its registered office in Sweden. The current owners of the holding company will each hold a minority stake of at most 9.9% of the shares in the acquiring company. Green Opera Finance BidCo AB is backed by funds managed by Altor with assets under management (AuM) totalling around EUR 11bn.

The sale had been subject to competition law and regulatory approval. It was approved by the Competition Authority on 1 April 2023. At the time of publication of this report, the regulatory ownership control procedure is still ongoing.

Patrick Bettscheider
Chairman of the Supervisory Board

Vienna, 22 February 2024

THERE FROM THE BEGINNING.

We enable infrastructure. We combine industry expertise and structuring know-how with the financing capabilities of a bank. We are on hand to support our customers from the beginning: from advisory to project preparation and development to structuring, arranging and financing, all the way through to successful implementation.

Infrastructure

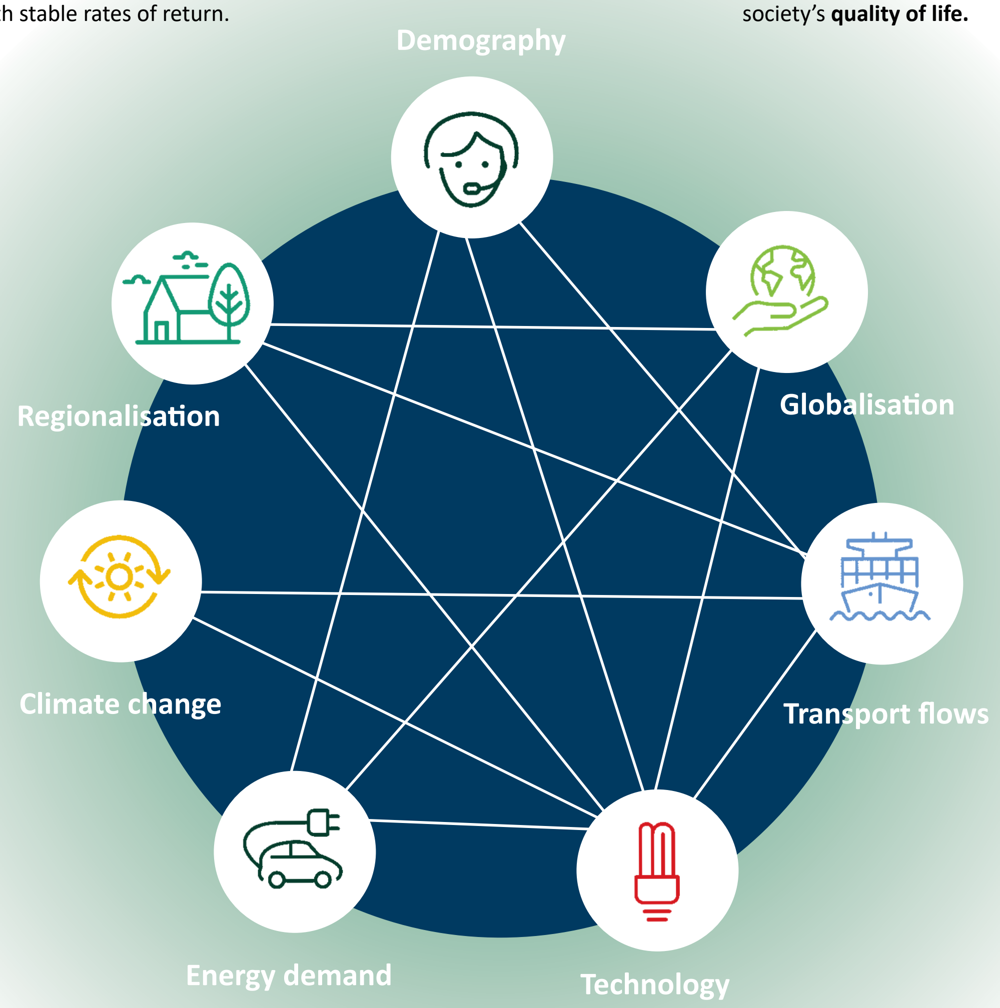
Infrastructure is, by its very nature, essential to the efficient functioning of society. Its quality has a significant impact on economic growth at local, regional, national and global levels. Megatrends such as digitalisation, decarbonisation, e-mobility and sustainable investments for an ageing population, as well as additional challenges – health crises, geopolitical tensions and the necessity for change in climate policy – increase the need for infrastructure.

Infrastructure is attractive.

Infrastructure investments are extremely popular. They increasingly represent alternative and **responsible investment options.** They are now 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 is a **stable** investment, 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 crises**.

Expertise

State-of-the-art, efficient – and, most importantly – secure infrastructure is the foundation of every society. Financing has continued to evolve in recent years. We are witnessing a shift from conventional public-sector budget financing to private investment and public-private partnerships. These interests need to be bundled so as to achieve sustainable and innovative infrastructure project implementation.

As a specialist in infrastructure and energy financing, Kommunalkredit focuses on providing benefit to the community through its projects, thereby facilitating the **development of sustainable infrastructure** and combining **responsible investment** with attractive returns.

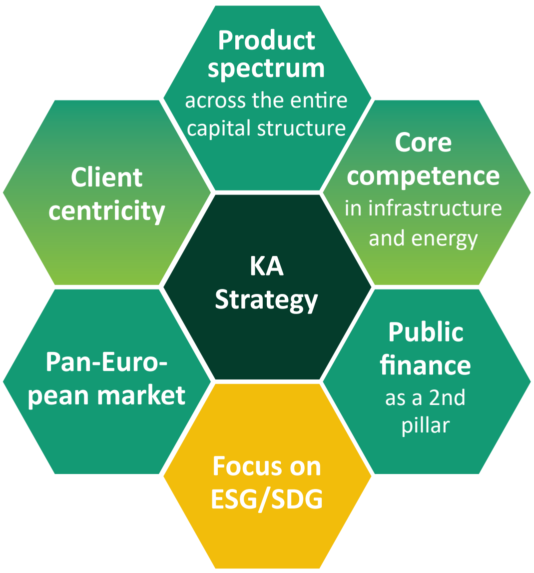
The bank is a strong and agile partner for businesses, innovators and the public sector when it comes to implementing economically sustainable projects in a profitable manner.

Our vision

We will become the most agile and innovative infrastructure bank in Europe, helping to create a better world.

Our strategy

We are on hand to support our customers every step of the way – from advice and planning to financing, arranging collaborations, development and production. **We are there from the beginning.**



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.

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.
- 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.

Building bridges

Kommunalkredit's business model is associated with an attractive risk/reward profile due to its solid design. 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 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.

Energy & Environment

Energy supply & distribution
Renewable energy
Water supply & distribution
Waste management & disposal

Communication & Digitalisation

Broadband
Fibre optic
Data centres

Transport

Roads, bridges, tunnels, airports, ports, waterways
Rail/public transport, rolling stock

Social Infrastructure

Nurseries, schools, universities, hospitals, care homes
Court buildings and correction facilities
Administrative buildings

Natural Resources

Hydrogen
LNG terminals
Pipelines
Energy storage

Success factor

Kommunalkredit sets ambitious strategic objectives, creates positive impact in the infrastructure and energy market and constantly strives to reach new sustainable milestones.

What is our goal?

Partner of choice for infrastructure investments:

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

How will we achieve this 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

How are we improving in 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

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

Why is this attractive to our shareholders?

Create value:

- Tick all relevant valuation drivers
- High-velocity, low-risk balance sheet
- Continuous above-average CAGR* performance: Loans | Revenue | Profit
- Double-digit return on equity
- Excellent dividend yield and attractive distribution rate

* CAGR = Compound Annual Growth Rate

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.

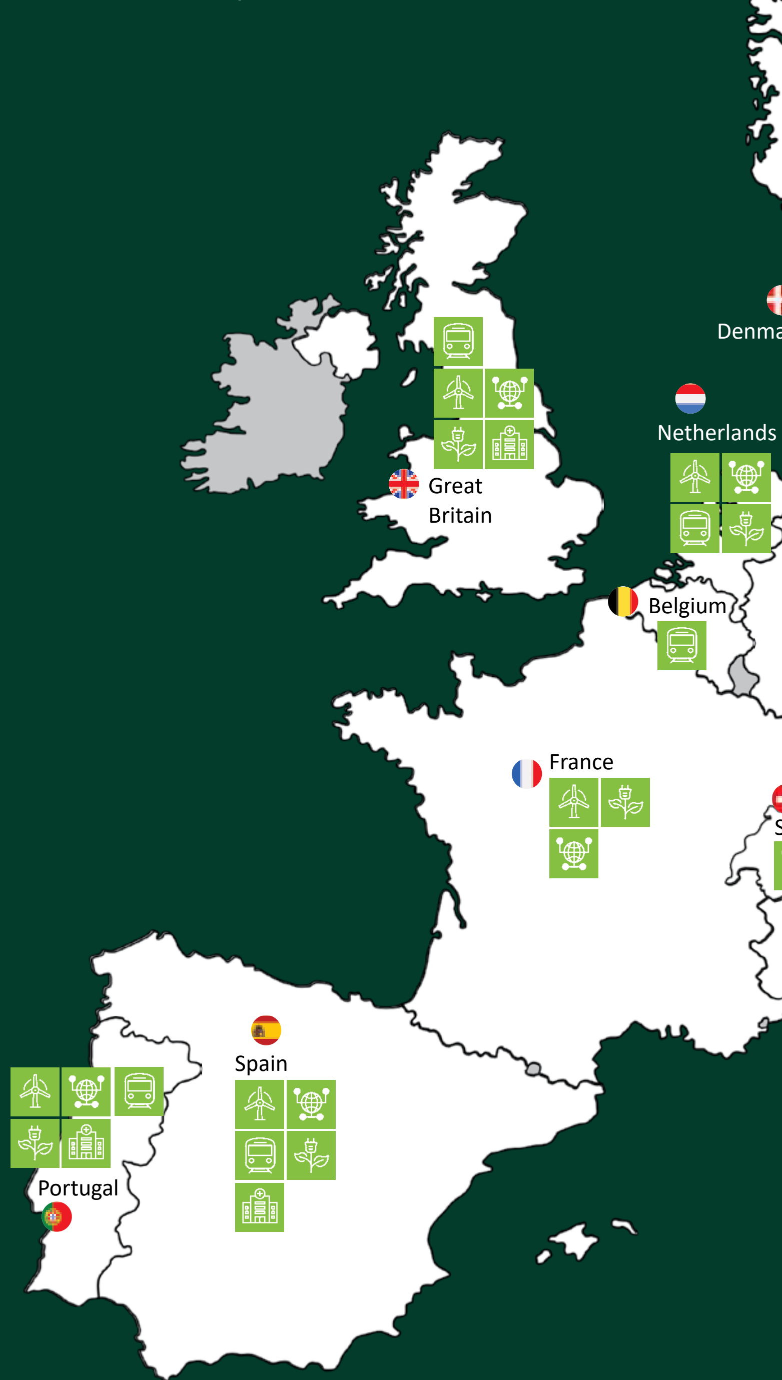
Energy & Environment

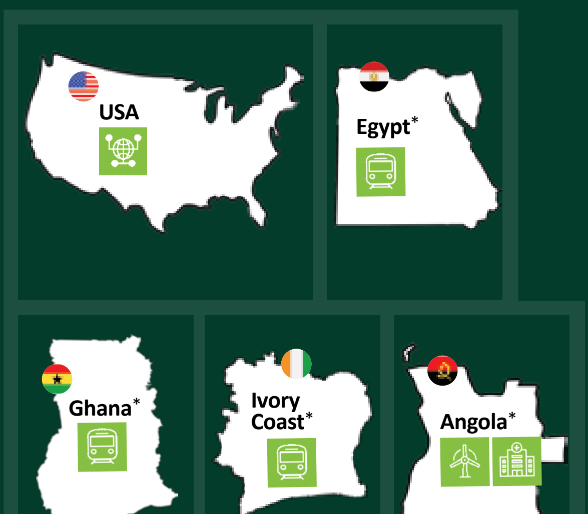
Communication & Digitalisation

Transport

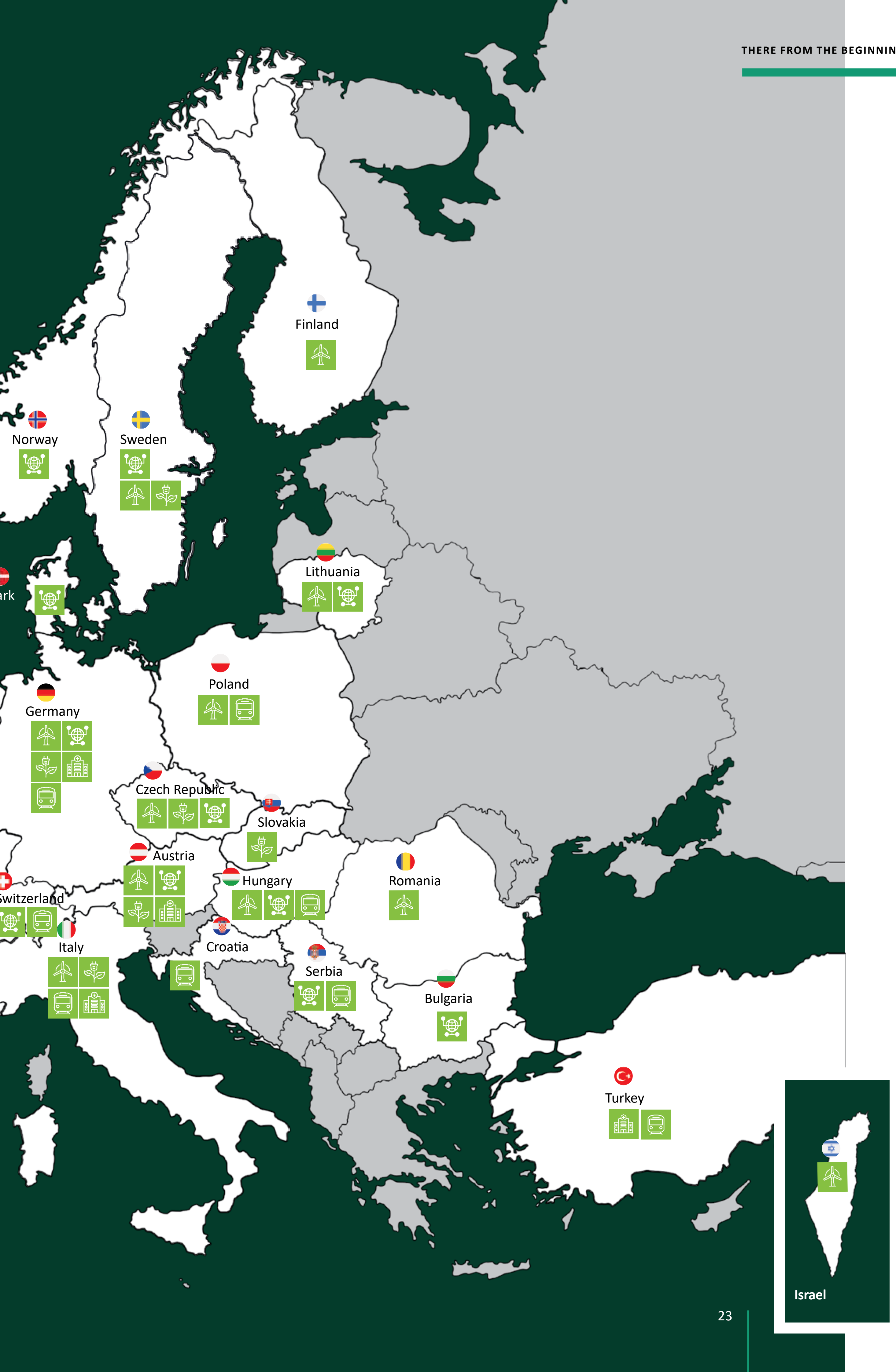
Social Infrastructure

Natural Resources





* Selected structured export financings in Africa, collateralised by an export credit agency (ECA).


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

SUSTAINABILITY.

We think infrastructure. We actively address global and local modern infrastructure trends. We understand our responsibility comprehensibly. This is why sustainable management and core ethical values form the basis for our activities.

Sustainability in 2023

Kommunalkredit is actively adressing 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 FRAMEWORK

Sustainability as a key component

One of the biggest challenges facing us is **climate change**. In order to counter its effects, comprehensive investment is required, in particular, for infrastructure and energy. Permanently dealing with sustainable energy solutions, e-mobility, digital communication platforms and social institutions is one of Kommunalkredit's unique selling proposition due to our specialisation.

Our dynamic business model allows us to pick up on and grapp opportunities at an early stage, particularly **with regard to the European Green Deal** and national and international climate targets. We are focused on sustainable investments and are experts and partners for all agendas related to the energy transition. 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. 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 focusing on **incorporating aspects related to sustainability** into our strategy and our core business and are continually enhancing our sustainability management system.

1992
First Austrian issuer of an environmental bond

1997
Introduction of annual environmental declaration | ISO 14001 certification | first Austrian financial services provider with EMAS certification

2004
First sustainability report

2008
Introduction of Climate Austria for voluntary compensation of CO_2 emissions

2006–2008
Combined annual and sustainability report

2012
Integration of ESG analysis into the credit process

2017
First Austrian issuer of a social covered bond

2021
Membership of UN Global Compact sustainability initiative

2020
First Austrian bank in the European Clean Hydrogen Alliance

2022
Sustainability focus strengthened through refreshed sustainability strategy with strong commitment

2023
Signed up to the UN Principles for Responsible Banking

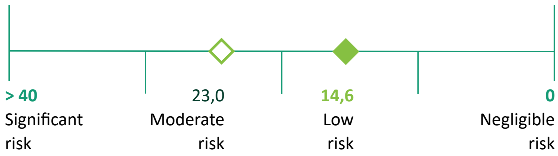
2023
Joined the Partnership for Carbon Accounting Financials (PCAF) Initiative

2023
Publication of Kommunalkredit's Sustainable Funding Framework

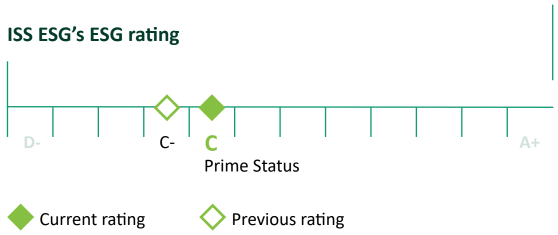
Sustainability ratings and memberships

Kommunalkredit has a number of sustainability ratings from renowned agencies. Based on its updated sustainability strategy, Kommunalkredit has stepped up its commitment and dialogue with sustainability rating agencies. Kommunalkredit was given a "low risk" **ESG risk rating** (and a score of 14.6) by Morningstar Sustainalytics[1], putting it among the top 10% in the banking industry. At the beginning of February 2024, Morningstar Sustainalytics upgraded this rating to 12.7, thereby downgrading the ESG risk once again. On 8 February 2023, ISS ESG awarded Kommunalkredit a "C" rating, meaning that it enjoys "Prime" status, and a transparency level of "very high".

Morningstar Sustainalytics' ESG rating



ISS ESG's ESG rating



The path taken is viewed positively by the market. We have regularly received **industry awards** from renowned infrastructure magazines since 2017. The Austrian daily newspaper Kurier honoured Kommunalkredit with its Seal of Approval for Sustainable Commitment (2023 and 2024). This also underlined the sustainable standing on the home market.

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

We are committed to the UN Sustainable Development Goals and the targets of the Paris climate agreement at international level, and to the **European Green Deal** and the Austrian government's National Energy and Climate Plan (NEKP). Kommunalkredit has been a signatory to the UN Global Compact since 2021 and is dedicated to the ten universal principles relating to human rights, employment standards, environmental protection and the fight against corruption. 2023 also saw Kommunalkredit sign up to the **UN Principles for Responsible Banking** (UN PRB) and **the Partnership for Carbon Accounting Financials** (PCAF) initiative to further emphasise its commitment to sustainable business.

The UN Principles for Responsible Banking are part of a standardised framework for sustainable banking that has been developed in partnership between banks across the globe and the United Nations Environment Programme Finance Initiative (UNEP FI). Its purpose is to ensure that bank strategies and practices align with the vision that society has defined for the future in the UN Sustainable Development Goals and the Paris Agreement. The banks that have signed up to the principles have made a commitment to ambitious sustainability strategies and are striving to make sustainability a focal point of their business activities. They consistently aim to promote sustainable finance and offer corresponding financial products.

The Partnership for Carbon Accounting Financials (PCAF) initiative is a cooperation among global financial institutions designed to enable the standardised assessment and disclosure of greenhouse gas emissions financed by loans and investments (known as financed emissions).

1 Copyright © 2022 Morningstar Sustainalytics. All rights reserved. This publication contains information developed by Sustainalytics (www.sustainalytics.com). This information and data are the property of Sustainalytics and/or its third party providers (third-party data) and are provided for information purposes only. They constitute neither an endorsement of a product or project, nor investment advice, and provide no guarantee that they are complete, up-to-date, accurate or suitable for a specific purpose. Their use is subject to conditions that can be downloaded from https://www.sustainalytics.com/legal-disclaimers.

UN Sustainable Development Goals

Sustainability policy

We facilitate the **development of sustainable infrastructure** to accelerate the energy transition and improve the quality of people's lives.

We combine sustainable and responsible investments with attractive returns. As a specialist bank for infrastructure and energy financing, Kommunalkredit provides a tangible benefit to the community. We help our customers realise projects geared towards sustainable infrastructure aimed at **enhancing quality of life**. Investments in infrastructure are a tool for addressing social needs and increasing the general well-being of society. Efficient infrastructure bolsters economic momentum, promotes urban development, creates jobs, is an indispensable part of the fight against climate change and strengthens social cohesion. It meets the needs of today's generation and creates opportunities for the generations to follow.

Our **sustainability commitments** for our own business activities and our loan portfolio are based on a materiality analysis and are geared towards international standards, as well as what our stakeholders expect of us. Whenever we grant loans, ensuring that our commitments are accepted and put into practice is a top priority for us:

- We are aware of our responsibility as regards contributing to prosperity and our society's core values. In addition to this ethical foundation, **sustainable management** – i.e. acting responsibly in economic, social and ecological terms – plus our commitment to the UN Global Compact and the UN Principles for Responsible Banking form the basis of everything we do. The obligations provide for the implementation of **due diligence** and **application of the precautionary principle**.
- Our aim is to be successful in the long run by creating **added value for the community** with our Infrastructure & Energy and Public Finance projects.
- We strive to build **long-term partnerships** with our customers. As an innovative and dynamic infrastructure bank, we aim to be the first-choice partner for our customers. Excellent problem-solving skills, quick decision-making processes and premium service for our customers, coupled with clear, transparent communication with our stakeholders, are what set us apart from our peers. Securing the **trust** of customers, employees, investors, owners and regulatory and supervisory authorities is a top priority for us. Committed and highly qualified employees are a key factor in our success. We are successful as a team.
- We make every commercially feasible effort to help **reduce** the **direct and indirect environmental impact of our activities on an ongoing basis**.
- We see **dialogue** with our stakeholders as a chance to exchange knowledge and evolve and as an opportunity to pass on our experience.
- Our success relies on our committed and **highly qualified employees** and is largely due to the extent to which they identify with Kommunalkredit.
- Our social commitment is something we put into practice not only in-house in our dealings with each other but also in the way we live up to our **social responsibility**.
- We strive to promote **positive ESG impacts** and mitigate any potential negative ones.
- In our efforts to enhance our sustainability management system, we focus on **incorporating sustainability aspects** into our core business areas and on transparent dialogue with our stakeholders.
- We provide the general public with information on our sustainability/ESG performance on a regular basis.

Our Code of Conduct
is a key component
of our sustainability policy.

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

SUSTAINABILITY STRATEGY

Sustainability is an integral part of Kommunalkredit's strategy. **ESG agendas** are incorporated into business processes and the bank's business focus on infrastructure and energy is naturally aligned with sustainability. In 2022, the focus was strengthened with the adoption of an updated sustainability strategy featuring specific targets. Having adopted this strategy in 2022, the Sustainability Board forged ahead with its implementation in 2023.

Sustainability strategy

Kommunalkredit's sustainability strategy is closely correlated to its core business and has a green and a social focus:

Accelerate the energy transition
We facilitate the decarbonisation of the economy and are committed to driving it forward. Our financing activities focus on renewable energies, hydrogen and new, innovative technologies that are of crucial importance if the energy transition is to succeed.

Help improve people's lives
A large part of our Infrastructure & Energy and Public Finance activities is dedicated to financing social infrastructure and connectivity.

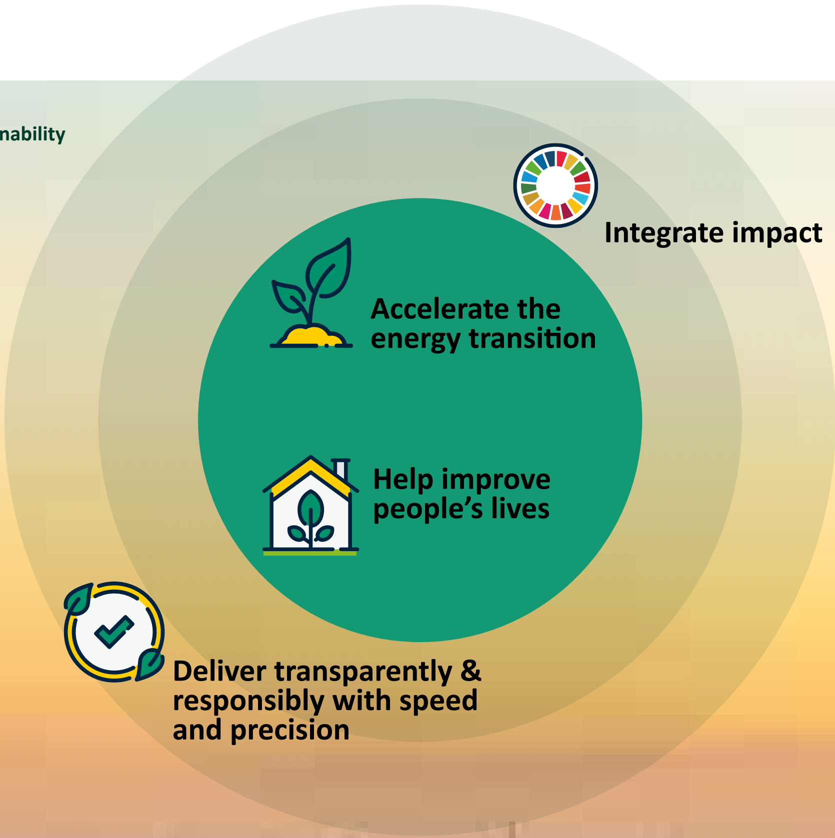
"We facilitate the development of sustainable infrastructure to accelerate the energy transition and improve the quality of people's lives." (from our sustainability mission)

Key levers that will help us to implement our strategy are:

Integrate impact
We take sustainability factors into account in each and every infrastructure project. As a company, we are committed to the UN Sustainable Development Goals (SDGs), the UN Global Compact, the UN Principles for Responsible Banking, the Paris Agreement and the European Green Deal.

Deliver transparently & responsibly with speed and precision
We are making continuous improvements to our ESG reporting and take measures to ensure that we conduct our business responsibly and with the very highest standards of integrity.

Kommunalkredit's sustainability strategy.



Sustainable Development Goals

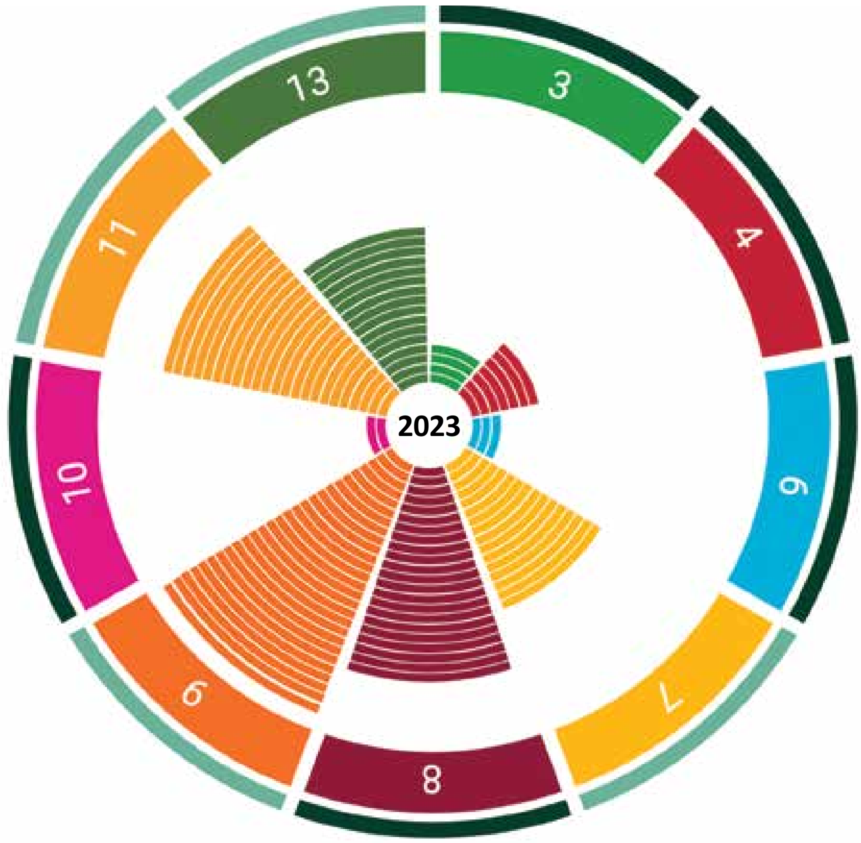
Kommunalkredit provides high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change. We feel bound by the UN's 2030 Agenda and the Sustainable Development Goals (SDGs) and have **integrated them into our corporate culture**.

Every investment and financing project must contribute to at least one of the 17 UN SDGs. We have also defined nine SDGs that we prioritise when it comes to selecting projects. The weighting system, developed as part of the strategy process on the basis of interviews conducted with internal and external stakeholders, is geared towards the strategic priorities of Kommunalkredit.

SDG priority 1
Very important for Kommunalkredit **and** its stakeholders

SDG priority 2
Very important for Kommunalkredit **or** its stakeholders

SDG contribution made by new I&E business in 2023.
NOTE: One bar corresponds to one project.



SDG priority 1
SDG priority 2

Kommunalkredit's sustainability commitments.

Accelerate the energy transition	≥ 40% for energy transition and environmental protection ≤ 10% for innovative, green projects ≥ 30% for social infrastructure or digitalisation and communication	**Help improve people's lives**
Integrate impact	≥ 95% of employees trained on sustainable development Impact curriculum KA Environmental Sustainability Ratio GHG measurement based on PCAF* | Net zero target set ≥ 30% of managers female by 2025 Eliminating the gender pay gap (within the same occupational groups) by 2025 * Partnership for Carbon Accounting Financials	**Deliver transparently & responsibly with speed and precision**

2025 sustainability commitments

Kommunalkredit concentrates on generating a **positive impact**. We use our expertise and flexibility to turn infrastructure projects into a reality in a wide range of sectors and regions. Kommunalkredit is a company that is constantly growing. Our commitment to relative targets means that the absolute funds we allocate to impact projects are consistent with our business as a whole. We manage our business in a responsible manner, which is why we have developed our sustainability commitments within the context of our lending policy to ensure highly diversified business.

Kommunalkredit has defined the following strategic targets that it is aiming to achieve by 2025:

Focal areas

- At least 40% of annual new infrastructure financing will be directed towards the **energy transition and environmental protection**, such as renewable energies, environmentally friendly mobility and water management.

≥ 40 % energy transition

- Up to 10% of the annual volume of new infrastructure financing will be allocated to state-of-the-art **green solutions** to accelerate their commercialisation and expansion. These solutions include innovative projects or projects still in their early stages. The bank is leveraging its flexibility, expertise and risk appetite to play a pioneering role in areas such as hydrogen, battery storage and new forms of renewable energy.

≤ 10 % innovation

- At least 30% of the annual volume of new infrastructure financing will be channelled **into social infrastructure and/or digitalisation and communication projects**.

≥ 30 % social/digital infrastructure

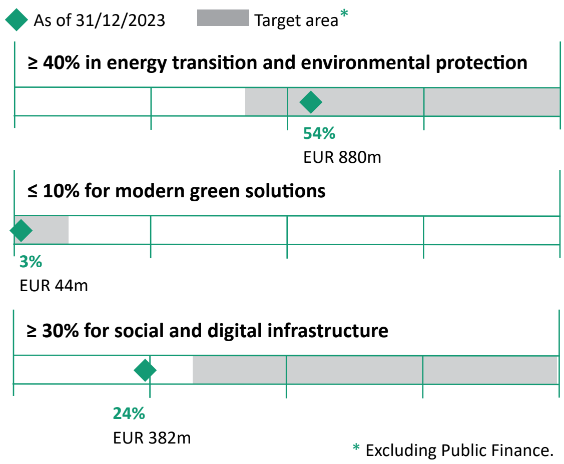
Key levers

Integrate impact

- At least 95% of our employees will undergo **sustainable development training**.
- An impact curriculum is used to train our banking staff on **impact maximisation**. By 2025, at least 95% of banking staff will have been trained accordingly.

Deliver transparently & responsibly with speed and precision

- A Kommunalkredit Environmental Sustainability Ratio (**KA Environmental Sustainability Ratio**) is being defined. This will help us to forge ahead with strategy implementation and improve transparency.
- The greenhouse gas emissions from our financing activities will be measured in accordance with the Partnership for Carbon Accounting Financials (PCAF) by 2024 and, taking this data as a basis, **net zero and reduction targets** will be set by 2025.
- At least **30%** of **managers** will be **female** by 2025.
- The **gender pay gap** (within the same occupational groups) will be closed by 2025.



Strategy implementation

The process involved in putting the updated sustainability strategy and commitments into effect was launched in 2022 as part of a comprehensive sustainability programme and was continued in 2023. The **Sustainable Funding Framework** was published at the start of 2023 and further measures were taken to incorporate ESG issues into risk management. As part of the 2023 ESG programme, **sustainable finance processes** were revamped and the **KA Environmental Sustainability Ratio** and other sustainability indicators were defined and calculated. The **Sustainability Check**, which assesses the impact that a project has with regard to ESG aspects, was expanded and used as the basis for developing impact training. Kommunalkredit started implementing the calculation of financed emissions when it joined the Partnership for Carbon Accounting Financials (PCAF) initiative.

The following **key topics** are planned for the sustainability programme in **2024**:

- Further implementation of PCAF (Partnership for Carbon Accounting Financials) for **calculating financed emissions** and launch of the process for setting science-based **CO_2 reduction targets**
- Measures to expand disclosures – in particular preparatory work for **implementing the requirements set out in the Corporate Sustainability Reporting Directive** and the European Sustainability Reporting Standards (ESRS)
- Gradual roll-out of the **sustainability training programme**

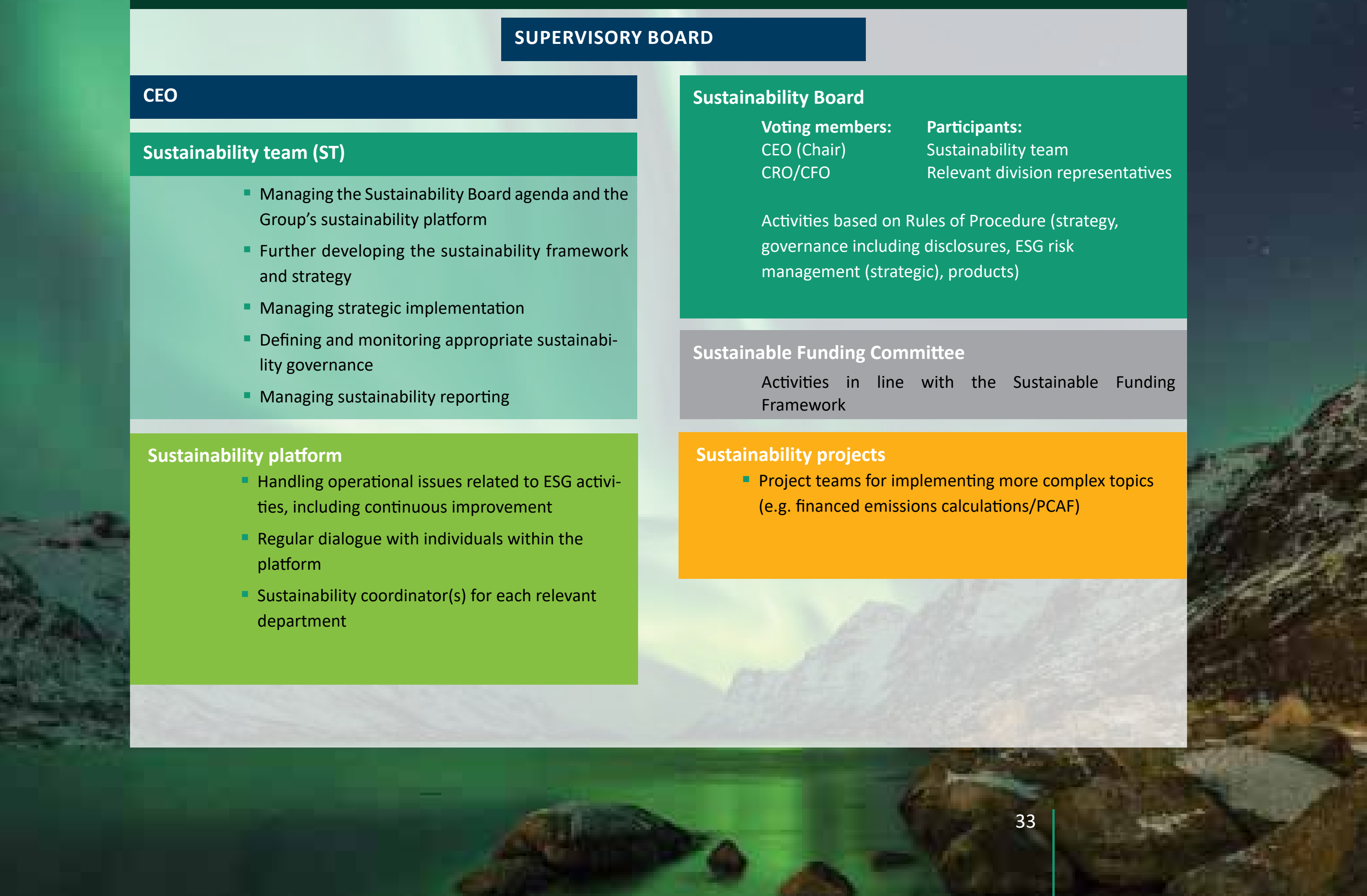
Sustainability governance

The **sustainability management system** is established so as to encompass all areas of Kommunalkredit Austria AG and Kommunalkredit Public Consulting GmbH (KPC).
Overall responsibility for sustainability lies with the Executive Board, which has delegated this remit to the Sustainability Board.

Sustainability Board

The Sustainability Board meets on a regular basis and comprises the Executive Board, the sustainability team and experts from various divisions (Banking, Compliance & Non-Financial Risk, Corporate Services, Credit Risk, Finance, Internal Audit, IT & Transformation, Markets, Risk Controlling). Working hand-in-hand with the Sustainability Board, the sustainability team is responsible for **implementing and ensuring compliance with Kommunalkredit's sustainability policy and strategy** in all areas of the Group. The Executive Board provides the Supervisory Board with information on key sustainability issues. The activities of the Sustainability Board are governed by its Rules of Procedure. The sustainability strategy was adopted by the Supervisory Board as part of the corporate strategy. As part of the Fit & Proper training for members of the Executive Board and the Supervisory Board, the programme also focused on ESG topics.

Sustainability governance at Kommunalkredit.



Sustainability team

The Sustainability team reports to the Sustainability Board. Its main remit includes the following:

- Managing the Kommunalkredit Group's Sustainability Board and sustainability platform
- Developing the sustainability framework and strategy
- Managing strategic implementation
- Defining and monitoring appropriate sustainability governance
- Managing sustainability reporting

Sustainability platform

The sustainability platform is a dialogue platform for sustainability issues and improvements. Each area has appointed at least one sustainability coordinator. They act as the main points of contact for the sustainability team, coordinate ESG/sustainability issues within their area of responsibility, serve as sustainability ambassadors within these areas and have relevant ESG/sustainability knowledge. In addition to direct dialogue between the sustainability team and coordinators, meetings and information events are also held with all platform members.

Sustainable Funding Committee

Kommunalkredit has set up a Sustainable Funding Committee to ensure compliance with the Sustainable Funding Framework and foster transparency. After bonds are issued, the committee meets at least once every six months and reports to the Sustainability Board. The Sustainable Funding Committee is governed by the "Sustainable Funding Committee" guidelines.

Sustainability projects

More complex issues are implemented as part of sustainability projects or programmes. In 2023, for example, all sustainable finance agendas were developed further as part of the ESG programme and the key sustainability topics were cultivated in line with the Global Reporting Initiative (GRI) Standards and European Sustainability Reporting Standards (ESRS) under the umbrella of the materiality analysis project.

Kommunalkredit's key stakeholders.

Materiality analysis
Processes and stakeholders

Since the 2017 Sustainability Report, Kommunalkredit's sustainability reporting has been based on the **Global Reporting Initiative (GRI) Standards**. 2023 saw Kommunalkredit conduct a comprehensive materiality analysis in accordance with GRI and the future requirements to apply under the European Sustainability Reporting Standards (ESRS).

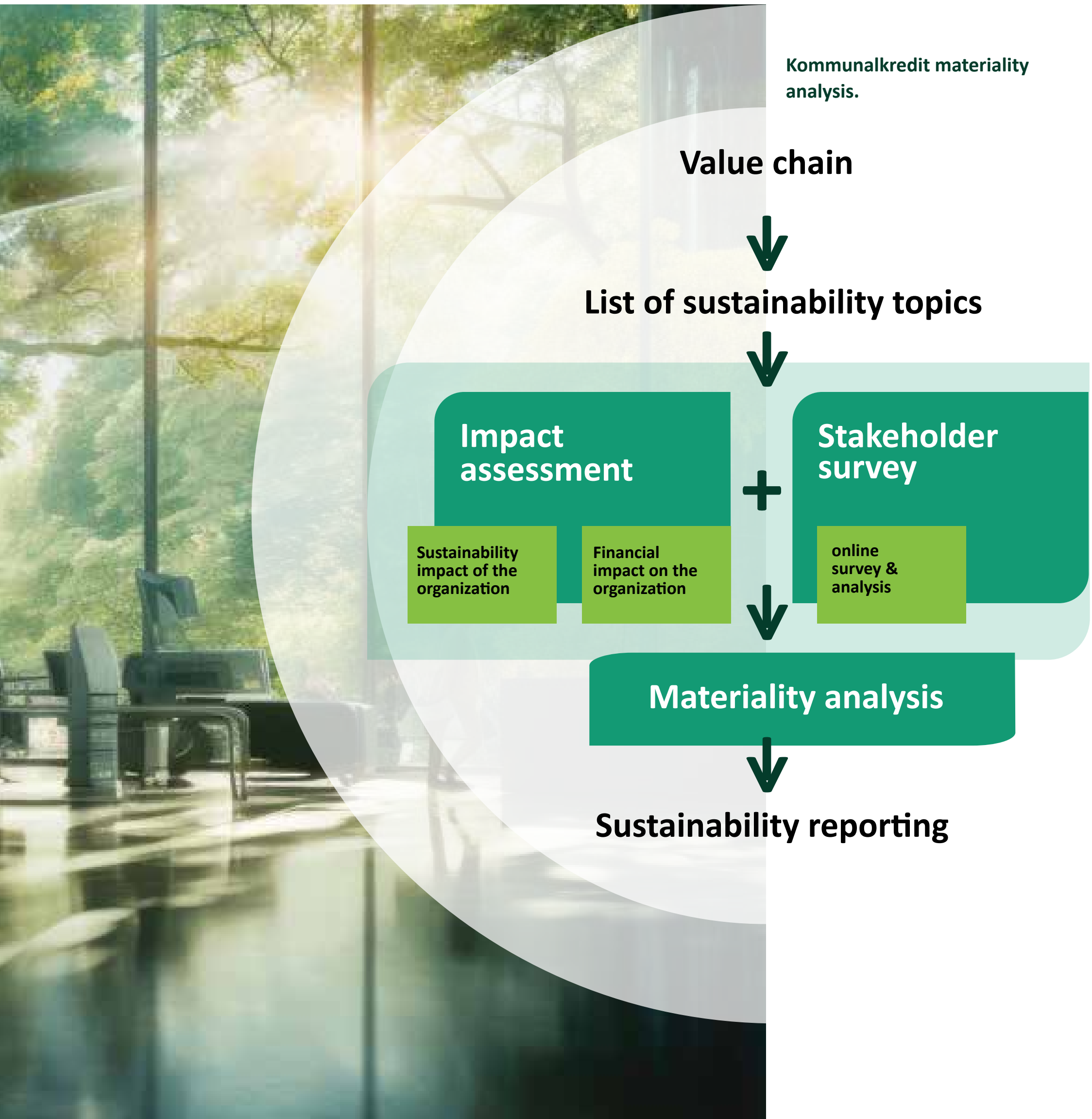
The materiality analysis was conducted by a project team comprising members of the sustainability team with support from an external sustainability consultancy firm. The process started with an analysis of Kommunalkredit Group's **value chain** and **portfolio**. Workshops were used to evaluate the granularity of the sustainability topics and a list of all topics that could potentially have an impact on the company, society or the environment was drawn up. A survey was conducted on selected sustainability topics to gain an idea of **stakeholders' views** on these issues. Relevant stakeholders were invited to rate each sustainability topic on a scale. They were also given the opportunity to select the five most important topics and use qualitative comments to express what would be important to them in terms of sustainability.

The next step involved analysing the **financial impact of sustainability issues**. A sustainability aspect is considered to be material in financial terms if it has a significant financial impact on the company or can be realistically expected to do so. Several scenarios (risks and opportunities) were defined for each sustainability topic before being evaluated by the project team and internal experts in terms of their impact scope and probability of occurrence.

The final analysis looked at **sustainability impacts**. A sustainability aspect is to be classified as material if it relates to an area in which the company has a significant actual or potential positive or negative impact on society or has a significant short-, medium- or long-term impact on the environment. The impacts include the consequences in connection with the company's operations and value chain. This involved external sustainability experts analysing and evaluating the scale, scope and reversibility of the impact concerned.

The results of the stakeholder survey and the financial and sustainability impact assessment were presented internally in a materiality matrix. The final step in the process of completing the materiality assessment involved defining the materiality threshold in order to distinguish between material and non-material topics for further processing. The results were discussed within, and confirmed by, the Sustainability Board.

Kommunalkredit materiality analysis.



Material topics for Kommunalkredit

The results of the revised materiality analysis are listed below.

MATERIAL TOPICS (pursuant to ESRS)	SUSTAINABILITY REPORTING ISSUES (pursuant to GRI)	CHAPTER OF THE SUSTAINABILITY REPORT
Climate change	▪ CO_2 emissions ▪ Energy consumption	▪ Operational ecology ▪ Sustainable finance ▪ GRI indicators
Own employees	▪ Employment ▪ Training and education ▪ Diversity	▪ Employees ▪ GRI indicators
Compliance	▪ Fighting against corruption ▪ Human rights ▪ Socio-economic compliance	▪ Business ethics ▪ Operational ecology ▪ GRI indicators
End consumers	▪ Financing ▪ Refinancing ▪ Sustainable services (KPC) ▪ Protecting customer data	▪ Sustainable finance ▪ Sustainable services ▪ Business ethics ▪ GRI indicators

Material topics for the company are assigned to the appropriate areas in accordance with **GRI Standards** and reported on the basis of indicators. The indicators include both those based on GRI Standards and company-specific indicators. The findings of the materiality analysis are reflected in the sustainability strategy and the sustainability targets and form the basis for preparing the report in accordance with the **European Sustainability Reporting Standards**.

Scope and boundaries of the report

The Sustainability Report of Kommunalkredit Group includes Kommunalkredit Austria AG and the fully consolidated subsidiaries based at the Vienna site. The branch in Frankfurt am Main, Germany, set up in 2017, is not covered by the environmental management system.

Kommunalkredit Austria AG has investments and holdings in a number of affiliated companies. Kommunalkredit Public Consulting GmbH (KPC), Florestan KA GmbH, the companies of the Fidelio KA Debt Fund platform 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 **has been publishing an environmental statement since 1997** and, in line with the shift from environmental to sustainability management**,** a sustainability report/integrated annual and sustainability report since 2004.

Transparent reporting is enshrined in Kommunalkredit's sustainability policy, which is why the Executive Board commissioned a voluntary **external audit of the sustainability reporting**. This report was prepared in line with the GRI Standards issued by the Global Reporting Initiative. The topics are prepared according to their materiality. The report has been subjected to an independent limited assurance review conducted by the auditing and tax consultancy firm KPMG with regard to sustainability reporting in accordance with the GRI Standards.

Sustainability risks

Sustainability risks form an integral part of the risk strategies and 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.

Further details on Kommunalkredit's risk management system can be found in the "Risk management" section of the consolidated financial statements.

> Details on the internal control and risk management system page 174

Creating a better everyday life

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

... connect over

33.5 million

people with one another through telecommunications technology.

Our services allow us to ...

... contribute to the education of around

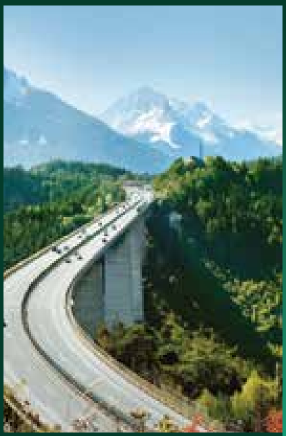
4,100

students.

... equip

256,000

households with efficient heating and cooling energy systems.



... support infrastructure development, financing over

640 km

of roads.

... develop the refuelling infrastructure for electromobility with around

28,000

charging stations.

… connect over

33.5 million

people with one another through telecommunications technology.

… create support institutions for around

42,500

patients.

… create accommodation for more than

8,900

elderly and disabled people.

… enable around

5.2 million

households to use renewable energy each year.

… contribute to eliminating

4.1 million

tonnes of waste per year.

… supply drinking water to

17 million

people.

SUSTAINABILITY TOPICS IN THE SPOTLIGHT

Sustainable finance

Regulatory framework

Since the **UN Paris Agreement on climate change of 2015** and the EU's Agenda for Sustainable Development, calls for the financial sector to do its bit to protect the climate have become louder than ever. With the UN climate agreement, the international community has set the goal of limiting the global temperature increase to **significantly less than two degrees Celsius** by the end of the 21st century when compared to pre-industrial levels and also to make efforts to keep the increase below 1.5 degrees as far as possible.

In order to adhere to this 1.5-degree threshold, **net zero greenhouse gas emissions** (GHGe) will have to be achieved by 2050 at the latest. This will require massive investments, particularly in the infrastructure sector. The financial sector has a key role to play in contributing to this objective. Article 2 (1c) of the Paris Agreement states that "finance flows [are to be made] consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

The aim is to steer capital flows towards sustainable investments in order to achieve inclusive growth. This topic is already being implemented in the EU. Building on the work and recommendations of the high-level expert group (comprising experts from the financial sector), the European Commission has come up with its **"Financing Sustainable Growth" action plan**.

This is based on three pillars:

- Re-routing capital flows to sustainable investments
- Incorporating sustainability into risk management
- Supporting transparency and durability

The heart of the action plan is the EU Taxonomy Directive (EU) 2020/852 for the definition of ecologically sustainable economic activities. This has an impact on all three pillars. Various regulatory requirements are based on this action plan. The **Sustainable Finance Disclosure Regulation (SFDR)** includes the obligations of investors to consider the factors of environment, society and governance in their disclosure requirements. The **Corporate Sustainability Reporting Directive (CSRD),** on the other hand, is based on the target of increasing corporate disclosures about sustainability. The introduction of an **EU Green Bond Standard (EU GBS)** and an EU label for green investments are measures related to standards and certifications. In terms of developing reference values for sustainability, the EU has initiated its Benchmark Regulation. The entire regulatory landscape has been continually adapted and expanded. In 2023, for example, the remaining four environmental targets were published as part of the EU Taxonomy and, with regard to the CSRD, the first set of European Sustainability Reporting Standards (ESRS) was developed. The regulations will apply to European companies as mandatory requirements in phases. The main regulations, such as the CSRD, will apply to Kommunalkredit for the first time in the second phase of the implementation process, namely in the 2025 financial year.

EU
taxonomy

Sustainable finance at Kommunalkredit

Sustainable finance has been implemented and further developed on an ongoing basis in the context of various projects at Kommunalkredit since 2020. Efforts began in 2021 to review the Kommunalkredit infrastructure and energy portfolio with regard to the ability of individual projects to meet taxonomy criteria, and a sustainable finance action plan was also implemented. The ESG programme involved implementing a number of aspects, including the following:

- Defining the sustainability strategy, including **commitments in the area of sustainable finance**, setting up the Sustainable Funding Framework as a prerequisite for issuing a green bond, as well as firmly establishing ESG risk scores and the EU Taxonomy assessment as components of the credit approval process.
- 2023 saw the further development of the **sustainable finance classifications**, based on which the KA Environmental Sustainability Ratio was defined and calculated.
- The relevant Kommunalkredit manuals and tools were revised based on further information and guidelines from European institutions in the field of sustainable finance.
- In 2023, the foundations were also laid for enabling the calculation of **financed emissions** (Scope 3, category 15) at Kommunalkredit.

New I&E business in strategic sustainability focal areas

Kommunalkredit's new business places a strong emphasis on sustainable infrastructure. Projects related to the "energy transition and environmental protection" area include, among others, renewable energy, water management, environmental solutions and environmentally-friendly transport solutions. The projects are categorised based on KA Sustainable Finance classifications. Projects aimed at "improving quality of life" include social infrastructure (such as hospitals, support institutions) and the communication and digitalisation sector (e.g. broadband, data centres).

In 2023, new business in the **"energy transition and environmental protection"** area was very strong, accounting for a share of 54% (2022: 41%[2]).

The contribution to **"improving quality of life"** was down on the impressive heights achieved in the previous year (2022: 54%[2]) at 24%, falling short of the commitment level. These segments were hit by the challenging market environment in 2023, which translated into a low volume of new business.

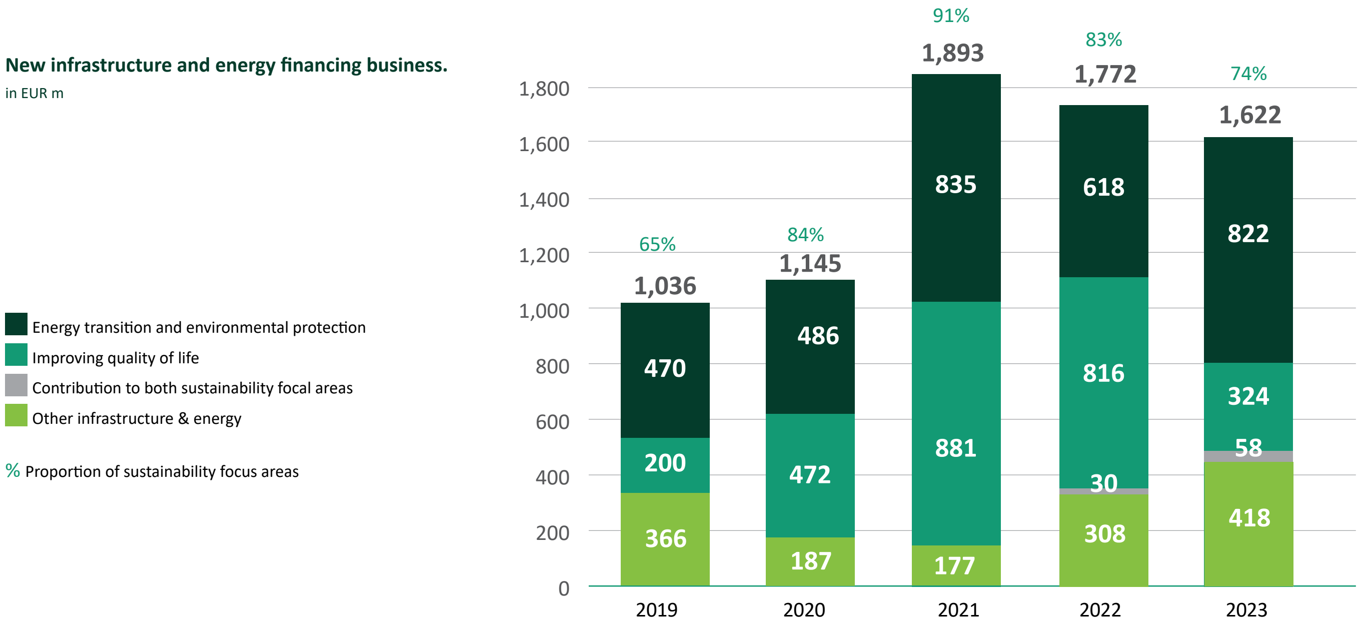
Energy transition and environmental protection*	Improving quality of life*	Innovative green solutions/early-stage green projects*
54%	**24%**	**3%**
EUR 880m	EUR 382m	EUR 44m

* Excluding Public Finance.

Activities related to digitalisation increased significantly during the years dominated by the pandemic and are supporting the trend towards new and flexible workplace and learning models. 2023 was a year of sector consolidation, prompting Kommunalkredit to adopt a cautious stance towards new business, which in turn led to lower volumes. The share of **innovative green solutions and early-stage green projects** in relation to the total volume of new infrastructure and energy financing business was approximately 3% in 2023 (2022: 8%[2]).

2 The figure excludes the acquisition of a loan portfolio from a third party bank.

New infrastructure and energy financing business.
in EUR m



Early-stage photovoltaic development | Poland

Kommunalkredit offers active support for the expansion of new green solutions and, together with its specialist project development team, assisted solar photovoltaics developer Pegasus Group S.A. in implementing a pipeline of six PV projects with a total capacity of 470 MWp in Poland. Consultancy activity involves providing a project with professional support through the varyious stages of development. The bank also acted as sole mandated lead arranger for the development financing in the amount of EUR 8.8m. In addition to this portfolio, the company has identified further PV solar projects in Poland with a capacity of more than 1.6 GWp. At only an early phase of the project, this marks the beginning of a more extensive collaboration with Pegasus Group S.A. The bank adopts a flexible approach, sharing expertise and showing a willingness to take risks so as to give customers support that is tailored to their needs at the various stages of their activities.

H2 Green Steel | Sweden

H2 Green Steel is a project that is fully committed to developing new green solutions. Kommunalkredit is involved in financing the construction of the world's first steelworks that will produce green steel– based on green hydrogen and fossil-free electricity. The fully integrated, digitalised and recycling-oriented plant, which boasts a capacity of 2.5 million tonnes, is being constructed near Boden in northern Sweden and is scheduled to be commissioned in 2025. The innovative production procedure, whose main emissions consist of water and heat and thus save around 95% of the CO_2 emissions associated with conventional steel production, will allow the project to make a significant contribution towards meeting European climate action targets. The total project costs are approximately EUR 6.5bn, with debt financing accounting for some EUR 4.2bn.

Incorporation of sustainability criteria into the credit process

Kommunalkredit introduced a mandatory sustainability check for all projects in its infrastructure and energy portfolio back in 2012. This check must be carried out prior to the credit application and includes exclusion criteria as well as the contribution towards defined ESG criteria and the Sustainable Development Goals (SDGs). It forms part of the credit risk policy.

Exclusion criteria

The following **exclusion criteria** have been defined for all new business (financing and investments) and are set out in the relevant policies:

- No financing of business or facilities associated with sustainable/material environmental hazards or the extraction of fossil fuels (coal, gas, oil).
- No financing of activities with a severe negative social impact, posing a risk to human life or health, activities pursued by countries embroiled in war, gambling or weapons trading/manufacturing, hard alcoholic beverages, tobacco or pornography (in each case where the activities concerned account for more than 5% of a borrower's revenue).
- No financing in the event of violations of national or international legislation, sanctions, human rights or ethical principles or in cases involving problematic governance issues.
- No financing provided to customers that do not supply sufficient information or that have unclear ownership structures, or for lending transactions that are not transparent/comprehensible.

A special standard of care has to be applied, also with regard to reputational risk. Projects to which these exclusion criteria apply are not financed.

Sustainability check

Each project in the portfolio is also evaluated with regard to its **impact on specific ESG criteria**. The result of this evaluation is categorised as "positive", "neutral" or "negative". If all criteria are classed as either "positive" or "neutral", the asset is deemed ESG-compliant. If one criterion is classed as "negative", corrective action must be initiated upon consultation with the client, if necessary. Each new transaction must also, at a minimum, make a positive contribution to a UN Sustainable Development Goal. The result of the review is also documented in the Sustainability Check. In 2023, the manual and templates for the sustainability check were revised as part of the ESG programme so as to meet the requirements imposed under international standards (e.g. Equator Principles or IFC Performance Standards) and the EU Taxonomy (minimum safeguards and "do no significant harm" criteria) more specifically.

Sustainability check criteria.

Environmental aspect	▪ Impact on the emissions of particulate matter (PM) and other air pollutants ▪ Impact on CO_2 emissions ▪ Impact on biodiversity, habitats and other impacts on nature ▪ Impact on soil and water and other pollution ▪ Impact on energy efficiency ▪ Impact on the circular economy ▪ Controversy: Environmental impacts ▪ Physical impacts of climate change and extreme weather events ▪ Environmental guidelines ▪ Implementation of an environmental management system
Social dimension	▪ Controversy: Diversity, equality and integration ▪ Controversy: Human or labour rights ▪ Controversy: Customer relationship management ▪ Controversy: Occupational health and safety ▪ Controversy: Health and safety in the community ▪ Impact on the local population owing to land purchase, involuntary resettlement and other negative impacts ▪ Impact on the maintenance of cultural capital and heritage ▪ Impact on economically underdeveloped regions and on the employment quota/number of jobs ▪ Impact on the level of education/training situation ▪ Impact on infrastructure as a productivity factor ▪ Impact on healthcare provision ▪ Policies and processes relating to human rights and labour rights ▪ Implementation of an occupational health and safety management system
Governance aspect	▪ Controversy: Regional corruption ▪ Controversy: Restrictions on competition or tax conduct ▪ Controversy: Corruption, bribery or other controversies related to corporate governance ▪ Good management structures (corporate governance, Code of Conduct)

A distinction was also made between screening criteria relating to controversies and impact criteria. Employees are being trained on how to use these revised documents as part of the **impact training programme**. These changes will be applied in the course of 2024.

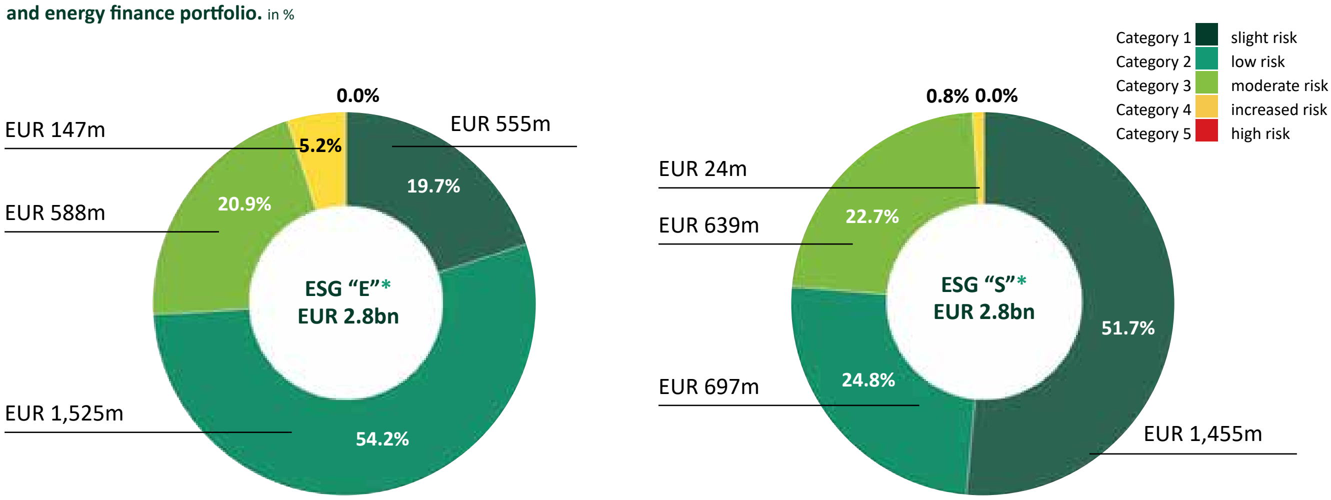
ESG risk score

In 2022, a **risk classification of Kommunalkredit's infrastructure and energy portfolio** was implemented using a five-tier ESG scale ("category 1 to 5") at the level of financed industry sectors and sub-sectors. A low risk means that environmental, social or governance-related physical or transition risks do not aggravate the probability of default on a receivable, or do not do so to any significant extent. A moderate risk means that ESG factors have a low adverse impact on the risk profile. Classification as a high or very high risk means that potential risks which could impact the probability of default have been identified in the areas referred to above. This is reflected accordingly in the credit rating. Infrastructure and energy portfolio transactions are classified and assessed in order to obtain an overview of environmental and social sustainability credit risks in the portfolio and to ensure that the industry-related sustainability risks in the portfolio are adequately assessed. The risks are assessed over the term of each loan including, where relevant, any risks that emerge with regard to refinancing. Physical and transition risks are included, taking mitigating factors into account in each case. External databases are used for physical risks.

As of 31 December 2023, **in the area of environmental risks, (ESG "E") 74%** (2022: 71%) of the infrastructure and energy portfolio was assessed as **low risk** (category 1 and 2). Around 21% (2022: 21%) of the exposure indicates medium risk (category 3) and only 5% (2022: 8%) an increased risk (category 4). No exposure was assessed in risk category 5 (high risk).

As of 31 December 2023, in the area of social **sustainability risks (ESG "S")** , around **77%** (2022: 69%) of the infrastructure and energy portfolio was assessed as **low risk** (category 1 and 2). Approx. 23% (2022: 28%) has a medium risk (category 3) and only 1% (2022: 3%) an increased risk (category 4). No exposure was assessed in risk category 5 (high risk) here either. In addition, the top 20 customers in the Austrian municipality portfolio were also assessed based on the five-tier ESG scale in 2023 and were all classified as being low risk (category 1 and 2).

ESG risk classification of the infrastructure and energy finance portfolio. in %



* ESG "E" – environmental risks

* ESG "S" – social sustainability risks

Sustainable finance classifications

As part of the credit process, Kommunalkredit assesses every new financing arrangement to determine whether it can be classified as sustainable. Kommunalkredit's **sustainable finance classification system** was enhanced in 2023. Financing is reviewed with regard to the EU Taxonomy, the KA Sustainable Funding Framework and a Kommunalkredit-specific framework for further sustainable financing.

EU Taxonomy

A component used to determine sustainable activities as defined by the EU Taxonomy is the **EU Taxonomy check** on the energy and infrastructure portfolio. Existing and new exposures are checked for their relevance to the taxonomy and their taxonomy eligibility, as well as to determine whether they make a significant contribution to the environmental objectives, and compliance with the technical thresholds is analysed. A check is also performed to verify that the projects do not impair other environmental objectives ("Do no significant harm" (DNSH) principle) and to check whether minimum social standards are met.

EU taxonomy check

The results of the taxonomy check provide information on whether a particular project is taxonomy-eligible, i.e. whether the economic activity associated with the project is covered by the Taxonomy. If this is the case and the project in question meets the review criteria described, the project is considered taxonomy-aligned. Being able to use data/documents to sufficiently substantiate what are often detailed criteria according to the EU Taxonomy is a challenge. If data or information to prove taxonomy alignment is missing for individual projects, it has to be collected from the client on a case-by-case basis. Most of Kommunalkredit's customers are not subject to reporting requirements under the Non-Financial Reporting Directive (NFRD), which is why the taxonomy check is based on an analysis of data and information supplied by customers.

All projects for which a financing request is prepared are also subjected to the taxonomy check. This ensures that projects are already screened for taxonomy alignment during the application phase. The EU is issuing further provisions and guidance on how to determine taxonomy alignment on an ongoing basis. These documents form the basis for ongoing adjustments to the taxonomy check to reflect current developments and requirements. As the EU Taxonomy is continuously being supplemented and defined in further detail and can only be applied to a very limited extent to our project finance customers, Kommunalkredit will not be publishing any indicators related to the EU Taxonomy for the time being. The progress made in relation to, and status of, the EU Taxonomy are discussed with the management on an ongoing basis within the Sustainability Board. The introduction of the Corporate Sustainability Reporting Directive (CSRD) means that Kommunalkredit will be subject to mandatory reporting for the 2025 financial year.

Sustainable Funding Framework

Kommunalkredit started developing its **Sustainable Funding Framework** in 2022. This framework was completed at the start of 2023 and was subjected to a quality assurance check in the form of a **second-party opinion** prepared by the renowned ESG consultancy service provider **ISS ESG**. This framework document enables the issue of "use of proceeds" bonds (green, social, sustainability bonds), which are used to refinance assets that have been defined as eligible. Kommunalkredit pursues a dual approach when defining eligible projects. The project categories defined based on the International Capital Market Association (ICMA) principles for green and social bonds form the basis for this approach. Based on the ICMA Green Bond Principles, renewable energy projects such as wind farms and solar parks, among other things, have been defined as eligible. The project categories based on the ICMA Social Bond Principles also include projects relating to the school and healthcare sectors. The framework also defines activities according to the EU Taxonomy Regulation (EU) 2020/852. This allows taxonomy-aligned assets to be allocated to a green bond issue. Ultimately, Kommunalkredit can issue up to 100% taxonomy-aligned bonds, for corresponding assets.

Sustainable Funding Framework

In order to identify eligible projects for refinancing under the Sustainable Funding Framework, the credit process involves conducting an assessment as to whether the asset corresponds to one of the ICMA categories defined in the Framework. If the result is positive, the asset is marked accordingly. **ESG compliance** also has to be confirmed as part of the Sustainability Check. In the event of an issue, a Sustainable Funding Committee explicitly set up under the Framework checks whether the pre-selected assets meet the eligibility criteria and decides on their possible use in the bond.

The **green category** within the Sustainable Funding Framework comprises the following activities:

- Renewable energy (e.g. wind, solar, geothermal energy)
- Energy efficiency projects (e.g. district heating, smart metering)
- Clean transport solutions (e.g. charging stations for electric cars, rail)
- Waste management solutions
- Water and wastewater management solutions

The **social category** within the Sustainable Funding Framework comprises the following activities:

- Educational facilities (e.g. schools, universities)
- Healthcare (e.g. public hospitals, nursing care facilities)
- Digital inclusion (e.g. broadband in areas with no Internet connection)
- Social housing
- Public transport in developing countries

Framework for further sustainable activities

Kommunalkredit has developed the **framework for further sustainable (green or social) activities** to provide for sustainable commitments that are not currently covered by the EU Taxonomy or the KA Sustainable Funding Framework. The framework is used to extend the defined KA Environmental Sustainability Ratio to cover the full portfolio of sustainable activities. The following areas have been defined as sustainable:

- Green technologies (in accordance with the EU Innovation Fund)
- Green, social and sustainable bonds
- Public finance commitments in green and social categories, as defined in the KA Sustainable Funding Framework
- Waste-to-energy plants that meet the best practice criteria set out by the Confederation of European Waste-to-Energy Plants. Applying these criteria mitigates the risk of a potential impact on the circular economy.
- Bioenergy projects that meet the RED II criteria for feedstock. Applying these criteria reduces the risk of a potential impairment of land use.

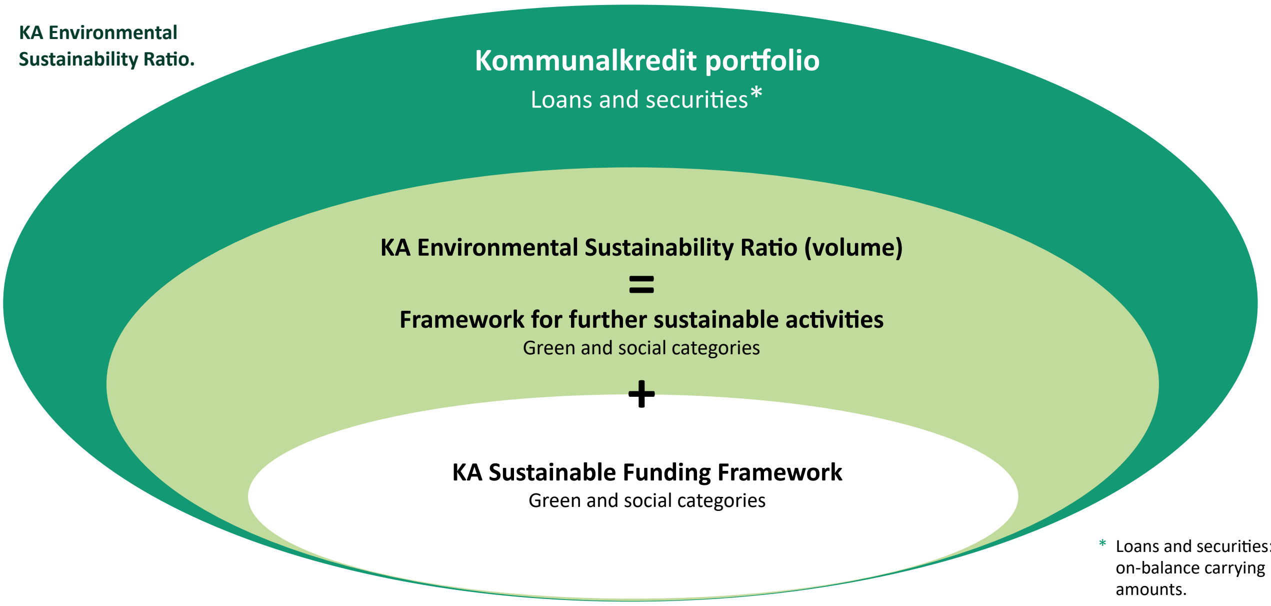
Sustainable commitments in the Kommunalkredit portfolio

In 2023, the bank developed a Kommunalkredit-specific **Environmental Sustainability Ratio** (KA ESR) as set out in the 2025 sustainability commitments. This ratio helps us to forge ahead with strategy implementation and improve transparency. This specific ratio was developed to reflect the fact that implementation of the EU Taxonomy is only at a very early stage and Kommunalkredit's customers are not covered by a regulatory green asset ratio, particularly in the field of project finance. Moreover, an EU Taxonomy for social activities is still only in the process of being developed. This means that, for the time being, the KA ESR does not include any voluntary EU Taxonomy assessments conducted by Kommunalkredit.

KA Environmental Sustainability Ratio

The KA Environmental Sustainability Ratio (KA ESR) includes commitments that have been classified as green or social based on the Sustainable Funding Framework or the framework for further sustainable activities.

KA Environmental Sustainability Ratio.



* Loans and securities: on-balance carrying amounts.

40% green/social

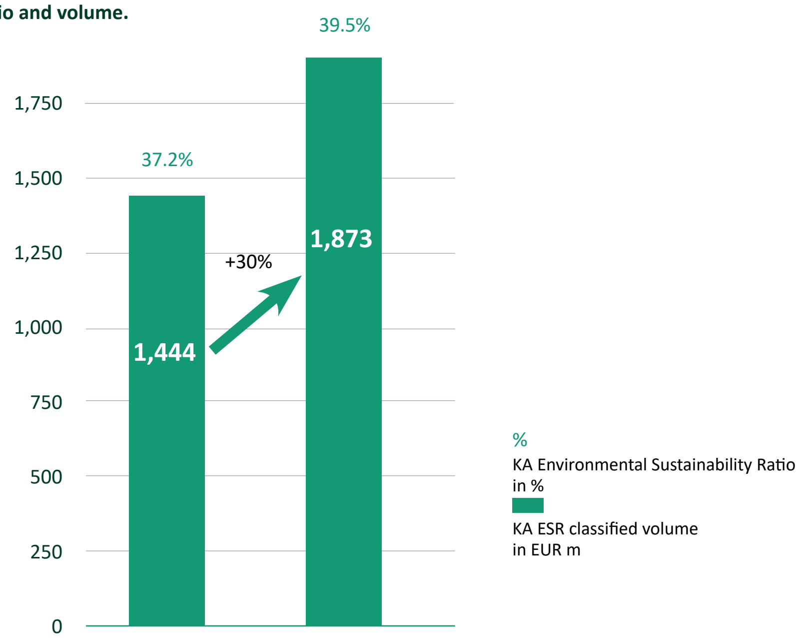
15% digital

The initial calculation performed in 2023 reveals that the portfolio as a whole contains around **40% sustainable financing**, a volume that has increased as the overall portfolio has grown. In line with the strategic sustainability focal areas for the new I&E business – "energy transition and environmental protection" and "improving quality of life" – the volume in these areas is to be increased continuously. While the communication and digitalisation sector (e.g. broadband) is a significant one for Kommunalkredit, it is not covered in full by the current frameworks for sustainable finance classifications. In 2023, this sector accounted for around 15% of the overall portfolio.

As soon as European or international guidelines for classification in this sector are available, they will be incorporated into Kommunalkredit's sustainable finance classification frameworks.

In 2022 and 2023, the initial classifications for the entire portfolio were carried out as part of the ESG programme. As additional customer information is required for certain categories (e.g. RED II certificates for raw materials for bioenergy), there were a number of projects that could not be definitively classified as sustainable. However, due to the general demand for additional sustainability information among a vast range of stakeholders, Kommunalkredit expects to see ongoing improvements in the information and data situation. The issue regarding additional available information is raised with customers at regular intervals so that we can update our sustainable finance classifications.

KA Environmental Sustainability Ratio and volume.



Financed emissions (PCAF)
As part of its sustainability strategy, Kommunalkredit has made a commitment to measuring the greenhouse gas emissions of its financing activities by 2024 and, taking this information as a basis, setting **net zero and reduction targets by 2025**. The financed emissions will be reported under Kommunalkredit's Scope 3 emissions (indirect greenhouse gas emissions) under category 15, "Investments". Kommunalkredit joined the **Partnership for Carbon Accounting Financials (PCAF) initiative** in 2023.

The PCAF is a global partnership of financial institutions that have joined forces to develop and implement a harmonised approach to measuring and disclosing the greenhouse gas (GHG) emissions associated with their loans and investments. The PCAF was established back in 2015, and more than 450 financial institutions had joined the initiative by the end of 2023. The harmonised accounting approach provides financial institutions with the starting point they need to set science-based targets and bring their portfolio into line with the Paris Agreement. The PCAF facilitates transparency and accountability and has developed a **global open source standard for GHG accounting for financial institutions**.

Kommunalkredit classified and analysed its portfolio on the basis of the PCAF guidelines in 2023. The PCAF classes "Business loans and unlisted equity", "Project finance" and "Sovereign debt" are the main categories to be applied due to Kommunalkredit's business model, which focuses on infrastructure and energy financing, as well as public finance. The PCAF standard also gives financial institutions the option of calculating their financed emissions in different levels of detail in terms of the data involved (known as data quality scores). For the purposes of its initial calculations, Kommunalkredit opted to analyse the level and portfolio composition on the basis of economic activity and the emission intensity factors used in the PCAF database.

This first analysis showed which sub-sectors and projects have higher emission intensities based on the initial assessment and what the composition of the overall portfolio looks like. At the end of 2023, a plan was developed to further improve the **data pool and data quality score**. The aim is to calculate a stable baseline in 2024.

PCAF Partnership for Carbon Accounting Financials

Sustainable services

Project development

We set ourselves the goal of accelerating the energy transition early on and opted to play a **proactive, creative role,** involving not only the financing of projects but the planning and developing as well, i.e. supporting projects from day one. After all, for a system to be fully constructed and commissioned, a whole number of key requirements have to be met, from contracts, potential rezoning, environmental appraisals and securing grid connections to the final granting of the relevant planning permission.

Kommunalkredit's **own project development team**, which boasts long-standing international experience in activities related to renewable energy, looks primarily at wind and solar projects in Austria, but also elsewhere within the EU. A development partnership with an experienced Polish project developer was established in 2023. This cooperation involves five **photovoltaics projects** in south-western Poland that have already been defined. They have a **total capacity of 470 MWp** and both parties intend to expand this to 1 GWp. Among other measures, a corresponding loan agreement was concluded with the customer as part of this initiative. Further projects are in the initiation stages.

Kommunalkredit Public Consulting GmbH (KPC)

Kommunalkredit Public Consulting GmbH (KPC) acts as the **interface** between the funding agencies which provide financial resources and applicants. It oversees the entire project support process. Its duties also include the development and implementation of support programmes. KPC employees are sought-after keynote speakers at industry events on climate and environmental protection issues.

Due to global developments, 2023 was characterised by increased utilisation of support, as well as the creation of new support programmes. Support services were implemented to help transform industry and the economy and move towards Carbon neutrality, to help revamp cultural institutions as part of the "Klimafitte Kulturbetriebe" (Climate-friendly cultural enterprises) programme and to support thermal rehabilitation and boiler replacement in buildings for vulnerable individuals. Subsidies forming part of the Biodiversity Fund were also launched, while additional funding was made available in support of circular economy. KPC primarily manages national funds provided by Austrian ministries, as well as EU funds.

Subsidies are processed digitally, thus guaranteeing the fast, unbureaucratic use of the instruments. Clear criteria for the subsidies ensure planning security for projects and help contribute towards customer satisfaction.

The **range of services** includes:

- Applications for funding reviewed for form and content
- Ascertaining the level of funding
- Support for applicants during the decision-making process
- Creating recommendations for funding
- Guidance for decision-making bodies
- Issuing contracts and letters of rejection
- Processing the final invoices and payment management
- Monitoring and reporting

EIB
EBRD
BMF

Consultancy services were provided not only to prestigious international financing institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), but also to national clients such as the Federal Ministry of Finance (BMF).

Subsidy management in 2023

In 2023, KPC awarded subsidies of EUR 1,735m (2022: EUR 1,273m), in particular on behalf of Austria's Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), Ministry of Agriculture, Forestry, Regions and Water Management (BML), Ministry for Arts, Culture, Civil Service and Sport (BMKÖS) and Climate and Energy Fund. The subsidies went to a total of **633,403 projects** in 2023 (2022: 414,355) with an overall investment volume of around EUR 7,100m (2022: EUR 6,015m), up by around 19% year-on-year.

Renovation support

EUR **940**m

As part of the 2023/24 renovation support programme, private individuals and businesses will again receive assistance, thanks to a record budget of EUR 940m (so far just over EUR 415m have been committed), to **replace fossil fuel heating systems** with an environmentally friendly alternative, as well as support for energy-efficient retrofitting measures in the form of a flat-rate subsidy.

EUR **379**m

The new additional **"Heating optimisation in multi-storey housing"** programme is designed to promote checks on, and the optimisation of, existing heating systems in multi-storey homes. All in all, 45,357 private households and 493 businesses received renovation support funding amounting to EUR 379.4m, which equates to annual CO_2 savings of around 303,170 tonnes. These measures make a significant contribution towards Austria achieving climate-neutral status by 2040 at the latest.

Transformation of industry and the economy

EUR **100**m

"Economic transformation" is a programme under the umbrella of the Climate and Energy Fund and is aimed at **transformative schemes to reduce emissions in the economy** that make a key contribution towards cutting greenhouse gas (GHG) emissions. These include measures that enable efficient use of energy or a switch to renewable energy sources or help to maximise the reduction in GHG emissions. The EUR 100m that has been made available for this programme is provided by the European Union's Recovery and Resilience Facility (RRF), the cornerstone of "NextGenerationEU", and embedded in the Austrian Recovery & Resilience Plan 2020-2026 (ÖARP); the funds will be awarded through competitive tenders.

As part of the support provided for the "Transformation of industry", the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology (BMK) is facilitating, via the Environmental Support in Austria (UFI) scheme, the maximum possible reduction in greenhouse gas emissions from the direct combustion of fossil fuels or directly from industrial production processes. The aim of this is to contribute to the decarbonisation of these sectors of the economy by 2040 and to strengthen Austria's standing as an industrial and business hub.

According to the Austrian Environmental Subsidy Act (UFG), a total of EUR 2.975bn in funding will be available for this purpose in the period leading up to 2030. The funds will be awarded in tenders based on both quantitative and qualitative criteria.

Biodiversity Fund

EUR 80m

The new Biodiversity Fund programme was launched at the beginning of 2023. The Biodiversity Fund is aimed at preserving, improving and restoring **biodiversity** in Austria by supporting measures to implement the national biodiversity strategy. The budget amounts to EUR 80m, with EUR 50m coming from the RRF, which is set to run until 2026.

Circular economy

The Austrian circular economy strategy is aimed at reducing fossil material and energy consumption in the long run, while simultaneously replacing it with renewable raw materials. **Funding is being provided for multi-use systems, reverse vending machines and sorting plants** in a quest to deliver a boost to the circular economy in Austria and support better recycling and the avoidance of plastic waste. The "repair bonus" support programme is designed to take a decisive step away from our "throwaway society" and move towards more sustainable use of valuable resources. The aim is to reduce the volume of waste, support the domestic repair industry and kick-start a more sustainable consumer culture. A total of EUR 320m is being made available for circular economy funding from 2022 to 2026, EUR 300m of which comes from European RRF funds.

EUR 320m

Water management

In order to protect our groundwater and keep our water bodies clean, we need functional and **high-quality water infrastructure**. The "residential water management" funding instrument bundles these endeavours and implements them at municipal level: the aim is, first of all, to ensure an uninterrupted supply of high-quality drinking water for the population and secondly, to guarantee public wastewater disposal with a view to groundwater protection and preventing water pollution. Ensuring that our water bodies have a good ecological status is another key objective. The funding for aquatic ecology serves to improve or eliminate hydromorphological measures, such as river regulation or transverse structures that are not fish-passable. Around EUR 160m was made available for residential water management in 2023, with roughly EUR 150m still available for aquatic ecology between now and 2027.

EUR 160m

Waldfonds investment fund

The Waldfonds is an investment fund for a sustainable, future-proof forestry sector. KPC handles the funds for the sustainable construction of large-scale residential and public buildings, such as schools and municipal buildings, in this area. The prerequisite is that they feature wooden constructions with a high proportion of regenerative raw materials from sustainably managed forests. The projects receiving these funding streams in 2023 had an environment-relevant investment volume of around EUR 47.6m and save approximately 8,490 tonnes of CO_2.

EUR 47.6m

Climate-friendly cultural enterprises

The "Climate-friendly cultural enterprises" scheme was initiated by the Austrian Ministry for Arts, Culture, Civil Service and Sport (BMKÖS) and the Climate and Energy Fund and is financed by the European Union Recovery and Resilience Facility as part of "NextGenerationEU". Funding is available for, among other things, projects involving a **switch to climate-friendly heating, cooling and ventilation systems**, as well as energy-efficient retrofitting and also energy-efficient indoor and outdoor lighting systems. Energy advice must be obtained before an application is submitted as a mandatory requirement. In 2023, projects receiving these funding streams had an environment-relevant investment volume of around **EUR 11.7m** and **saved approximately 1,070 tonnes of CO_2**.

Consultancy services

- International consultancy services
- National consultancy services

As a consultant, KPC successfully provides services for national and international development organisations and financial institutions. In terms of its **international consulting activities**, KPC has focussed in particular on the field of energy, climate protection and sustainable finance. It mainly provides technical and economic consultancy services, as well as conducting studies, ensuring the transfer of expertise and offering advice to policymakers. It also evaluates projects and develops sustainable credit lines.

Clients include prestigious 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 Co-operation and Development (OECD) or the German Kreditanstalt für Wiederaufbau (KfW).

OECD
KfW
GCF

In terms of climate policy consultancy for the BMK, KPC provides direct support to the Austrian negotiation team for the climate negotiations at EU level and at international climate summits, including COP 28 in Dubai. 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 schemes to reduce greenhouse gas emissions and for enabling adaptation to climate change in developing countries.

COP28 UAE

In the field of bilateral climate project funding, KPC manages climate action projects funded directly by the BMK to support **climate action measures in developing countries and emerging markets**. The first programme call for climate action projects was also developed and published as part of this funding programme in 2023, resulting in EUR 10m in funding being awarded for projects in developing countries. In 2023, KPC prepared a total of 34 project applications with a potential contract volume of EUR 34.6m and submitted them to institutions inviting tenders. Eleven attractive new contracts were signed, together with extensions of existing mandates, with an overall contract volume of EUR 3.3m.

Environmental support provided.[3]

2023: **633,403**
Projects approved
2022: **414,355**

2023: **1,300,000**
contaminated land remediated/secured (approx. in m²)
2022: **700,000**

2023: **7,133**
Investments (m)
2022: **6,063**

2023: **585**
Water pipes laid (approx. in km)
2022: **302**

2023: **232**
Canals created (km)
2022: **205**

2023: **1,735**
Subsidies (m)
2022: **1,321**

2023: **4,618**
Connection to sewer system (properties)
2022: **3,631**

2023: **10,298**
Residents protected from flooding
2022: **8,213**

2023: **2,213,276**
Energy generated from renewable sources (MWh per year, overall subsidy business)
2022: **2,101,029**

2023: **41,019**
Inhabitants connected to the water supply
2022: **16,102**

2023: **1,094,210**
Energy saved (MWh per year, overall subsidy business)
2022: **871,626**

2023: **3,299,122**
CO_2 savings per year (approx. in t, overall subsidy business)
2022: **781,671**

3 The performance figures relate to applications for funding approved in the year concerned.

Climate Austria

The Austrian provider for voluntary carbon offsetting

KPC has been managing Climate Austria since 2008, drawing on its long-standing experience with climate protection projects in Austria and beyond. Climate Austria calculates and evaluates companies' climate-related activities and allows them to make a compensatory contribution to protecting the environment for all of the **CO_2 emissions** that cannot be avoided by their CO_2 saving drives and efficiency measures.

CLIMATEAUSTRIA
Klimaneutral gedruckt

Voluntary climate action was a key issue again in 2023. Many companies are actively looking for opportunities to take action in this area. Climate Austria acts as a co-operation partner that supports **national and international climate action projects** in order to reduce CO_2 emissions that cannot be cut to zero within a company. As part of this cooperation model, support amounting to just under EUR 3m was provided to more than 400 national and international projects in 2023, allowing **20,000 tonnes of CO_2 to be avoided**.

20,000 tonnes of CO2 avoided

Business ethics

Code of Conduct

Responsible **business management** is the basis for our long-term success. As a result, professional standards and basic ethics are the norm in our day-to-day business and codified in our Code of Conduct. We commit to the highest compliance standards and are aware of our corporate social responsibility.

Human rights

We respect and support the safeguarding of human rights as set out in the **European Convention on Human Rights** and the **Universal Declaration of Human Rights** and conduct our business in accordance with these principles. We expect the same of all of our service providers and business partners.

Compliance and statutory requirements

We have a compliance organisation in place that has been established in accordance with the statutory provisions and its main remit is to ensure **compliance with statutory requirements and rules of conduct** on an ongoing basis.

Kommunalkredit has created a suitable compliance mechanism in line with the relevant responsibilities and policies, implements the necessary **review and training measures** on the basis of a robust risk analysis and reports regularly to the Executive Board.

Data protection

Kommunalkredit treats the personal data of employees, customers and business partners in accordance with the applicable **legal requirements governing the protection of personal data** and **data security**. In order to implement and monitor the regulatory requirements, Kommunalkredit and its subsidiaries have appointed decentralised data protection coordinators and an external data protection officer as well as a central coordination unit. The data protection policies that have been put in place set out regulations governing all data processing operations along with the rights of data subjects within this context.

The data protection policy is available for all employees on the intranet. All information regarding data processing and relevant data protection policies are available on the website for individuals outside of the company, and can also be accessed by employees on the intranet. All employees also receive ongoing training on these topics.

Information security

Kommunalkredit recognises the significance of information security for the **effective attainment of the organisation's targets**. By operating an information security management system (ISMS) and continually developing it, Kommunalkredit is able to live up to its commitment to implement the legal requirements. The ISMS is designed in accordance with ISO/IEC 27001 and has been certified accordingly.

All employees undergo information security training as part of a programme comprising several modules.

Preventing corruption/inducements

An internal policy setting out provisions on how to deal with inducements provided by third parties to employees, as well as inducements granted to third parties, was adopted **in line with the Austrian Anti-Corruption Act (Antikorruptionsgesetz)**. This policy applies to the entire Kommunalkredit Group.

Inducements granted or received are reported to the Compliance Office on an ongoing basis. They are also monitored and are prohibited if they give rise to a conflict of interest, are deemed inappropriate or otherwise violate Kommunalkredit policies, or if they result in reputational risks.

Employees are trained accordingly. There were no cases of corruption during the reporting period.

Combatting money laundering and the financing of terrorism

For Austrian banks, the due diligence and reporting requirements apply as set out in the **Austrian Financial Markets Anti-Money Laundering Act** (**FM-GwG**), as well as the provisions of the **Beneficial Owners Register Act** (**WiEReG**) with regard to the beneficial owner. Maintaining these due diligence and reporting requirements serves, in particular, to prevent money laundering and the financing of terrorism. Banking transactions may only be processed for identifiable customers. Employees in relevant areas undergo corresponding training on an ongoing basis.

Corporate governance

In 2023, the Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings and one extraordinary meeting. The Audit, Remuneration and Credit Committees also held their meetings and performed their tasks in accordance with the Articles of Association. > Report of the Supervisory Board, page 14

The allocation of responsibilities and the collaboration within the Executive Board are governed by the Rules of Procedure for the Executive Board. Executive Board meetings are held on a weekly basis with agendas for resolutions to be passed and for reporting. Minutes are taken at these meetings and any agreed follow-up points are recorded and closely monitored. The members of the Executive Board also maintain ongoing dialogue both with each other and with the responsible managers.

There is **regular dialogue** between the chair of the Supervisory Board and the Executive Board in the interests of proper corporate governance. In particular, this process defines the corporate strategy (including the sustainability strategy) and addresses business development and risk management. The Executive Board provides the Supervisory Board with timely and comprehensive information on all issues relevant to business development, including the risk situation and risk management within the company and at its major subsidiaries. Further information can be found in the separately published **Corporate Governance Handbook on Kommunalkredit's website**.

Internal control and risk management system (ICS and RMS)

The ICS and RMS are designed to ensure that **risks** in relevant business processes **are identified quickly** and that appropriate measures are then taken to mitigate them. In order to achieve this, control points, controls and control officers are defined, specifying which core risks are to be reduced or avoided.

Whistleblowing and complaints management system

The **whistleblower system** (as per Section 99g Austrian Banking Act, BWG) was adapted in 2023 to reflect the requirements as set out in the Austrian Whistleblower Protection Act (HSchG). A corresponding reporting channel is available on the website of the relevant Kommunalkredit Group companies. No reports pursuant to this Act were made in the reporting period.

This system is set out in an internal policy and in the Code of Conduct, and every new employee is made aware of it. The documents are available in German and in English.

There is also a complaints management mechanism (as per Section 39e Austrian Banking Act, BWG) in place at Kommunalkredit.

Procurement management

Within Kommunalkredit, provisions governing various aspects of procurement are set out in a central "Procurement Handbook". Goods and services for business purposes must selected and purchased **based on the principles of cost-effectiveness, appropriateness, economy and sustainability**. The "Sustainable procurement" work instruction has been in use for over 15 years now in order to ensure the sustainable procurement of products essential to business operations. This was incorporated into the central set of rules in 2023 and supplemented to include a **code of conduct for suppliers** and service providers.

A distinction is made between three main product groups in the context of sustainable procurement:

- Office supplies, printed forms and advertising material
- Office furniture
- IT products

Kommunalkredit uses and consumes materials based on the **principle of resource conservation.** This means that the best possible conservation and use of materials is already taken into account when materials are used/consumed by the company's employees.

Supplier screening

Irrespective of the three main product groups, suppliers are screened before a decision is made on a specific product so as to guarantee **compliance with the procurement policy**.

Kommunalkredit selects suppliers based on the following sustainability criteria over and above economic and content-related criteria:

- Ecological principles (certificates, environmental management systems, environmental and sustainability reports)
- Social and sustainability principles (child labour, forced labour, health and safety, working hours, salaries, discrimination)
- Choice of materials used in product design
- Optimisation of delivery logistics, taking back recycling material at the same time if needed
- Repairability of the products thanks to modular design
- Resource efficiency in the everyday use of the product (energy consumption)
- Durability
- Local/regional products

The results of the supplier screening process are a decisive factor when selecting suppliers and result in an alternative supplier being chosen if serious doubts arise. No new key suppliers were selected in the year under review.

Services

Construction work:

The **"Guidelines for Construction Work"** (work instructions) apply both to refurbishment work and the construction of new office space. Ecological, economic and social aspects are taken into account when planning measures like these. The aim is to ensure that users' current needs are met and that no disposal problems arise in the future by ensuring an adequate level of ecological quality.

In-house and external events:

Regulations governing procurement activities relating to services and materials for in-house and external events are set out in a separate work instruction, the **"Guidelines for Events"**. Before an event is organised, a check is performed to see whether it is consistent with the company's guiding philosophy and principles. **Particular attention is paid to ecological aspects** such as electronic communication, accessibility using public transport, organic catering by regional providers and waste management. At the same time, **social aspects** such as the involvement of local and regional target groups and participation by social project sponsors are also taken into account. In cases involving in-house events organised by third parties, reference is made – to the greatest extent possible – to the principles set out above, to sustainable suppliers and to our "house caterers" (some of these providers are certified, including with the Austria Bio Garantie (Austria's leading inspection body), the Austrian Eco-label, and the Fairtrade label).

Operational ecology

Taking responsibility for the environment has a long tradition at Kommunalkredit, with the **EMAS environmental management system** introduced back in 1997. The company has been using recycled paper since 1997, exclusively green electricity since 2003 and a pellet heating system since 2005. An integral part of our employees' identity and day-to-day routine is the careful use of resources.

Energy efficiency measures are currently being implemented on an ongoing basis as part of the renovation of the main building in Vienna. In order to achieve the ecological objectives, the building has been connected to the **district heating system**, a **100 KWp photovoltaics system** has been installed on the roof and the windows have been refurbished.

Energy consumption

The main building's total energy consumption comprises its **electricity consumption** and **heating energy consumption**. The figures have decreased steadily in recent years and came to around 1.36m kWh in 2023 (2022: 1.39m kWh), corresponding to a further **year-on-year reduction** of approximately **2%**. The large proportion of renewable energy sources (2023: 66%, 2022: 62%) is explained by the purchase of green electricity (100%) and the fact that heating for part of the building is supplied by a pellet boiler. **Total energy consumption** per employee **has fallen by a further 9,3% to 3,361 kWh** (2022: 3,706 kWh).

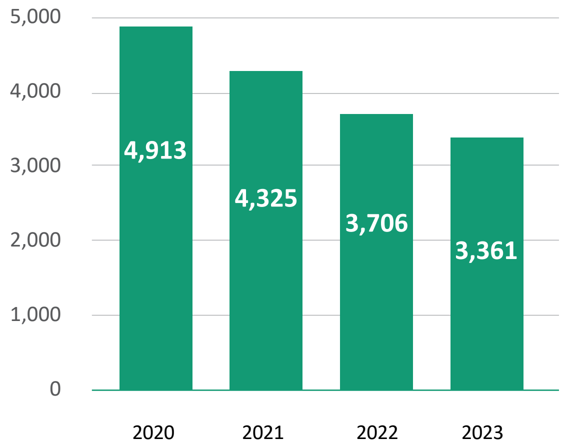
Electricity consumption

Kommunalkredit has been purchasing **only green electricity** for years now**.** Ongoing optimisation measures have resulted in a constant reduction in electricity consumption in recent years. In 2023 (637,887 kWh), electricity consumption increased by 7,6% against 2022 (592,617 kWh). Calculated at 1,575 kWh per employee (2022: 1,580 kWh), the relative **electricity consumption** remained almost the same in 2023.

Heating energy consumption

The building's heating energy was provided by pellets and gas in 2023. Heating energy consumption amounted to approximately 720,477 kWh in 2023 (2022: approx. 794,516 kWh). Consumption per m² comes in at 93.3 kWh/m², with 1,779 kWh (2022: 2,119 kWh) consumed per employee, **down by 16% year-on-year** . We can expect to see further improvements in subsequent years as a result of the **retrofitting measures that are currently being carried out and the commissioning of a PV system**. District heating went into operation back in December 2023 and gas and pellet heating was partly decommissioned.

Total energy consumption per employee.
in kWh



Transport

Business travel:

At Kommunalkredit, business trips are made by car, train and plane. The kilometres covered per employee rose in 2023 to 2,988 km (2022: 2,228 km). Kommunalkredit is constantly growing and supports all of its international clients from offices in Vienna and Frankfurt. The increase in business travel can be traced back to a **normalisation in travel activity** following the pandemic, as well as to business growth. Around 98% of the trips taken were by air, with 1% taken by train and 1% by car. The in-house business travel policy requires ecological aspects to be taken into account when planning and organising business travel.

Vehicle fleet:

Kommunalkredit's fleet comprises one **hybrid vehicle**. A total of 8,193 kilometres was covered in 2023.

CO_2 emissions

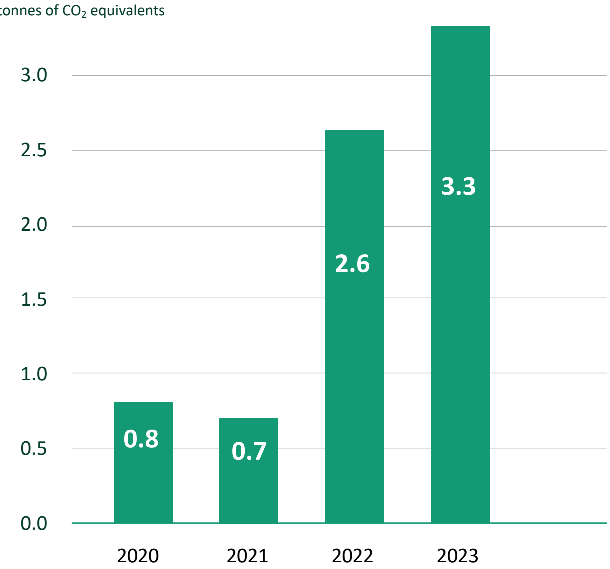
The higher number of business trips also led to an increase in emissions generated by total business activity (heating, electricity, vehicle fleet, business trips) in 2023 to around 1,340 tonnes of CO_2 equivalents (2022: 969 tonnes). Scope 1 emissions (heating and vehicle fleet) fell by around 11% compared to previous years, at around 123 tonnes of CO_2 equivalents in 2023 (2022: 139 tonnes); Scope 2 emissions came to 9 tonnes of CO_2 equivalents (2022: 0 tonnes), because 100% green electricity was purchased; Scope 3 emissions (business travel) amounted to 1,208 tonnes of CO_2 equivalents in 2023 (2022: 831 tonnes).

The total carbon emissions per employee generated as a result of our business activities increased when compared with 2022 levels due to business travel (2023: 3.3 tonnes, 2022: 2.6 tonnes).

The total CO_2 emissions that Kommunalkredit Group was unable to avoid came to 1,339 tonnes of CO_2 in 2023. **Austrian climate protection projects are supported by way of a voluntary contribution via Climate Austria.** This contribution matches the scope of these unavoidable emissions.

The graph below shows the development in CO_2 emissions per employee (in kg CO_2 equivalent) over the past few years.

CO_2 emissions per employee.
in tonnes of CO_2 equivalents



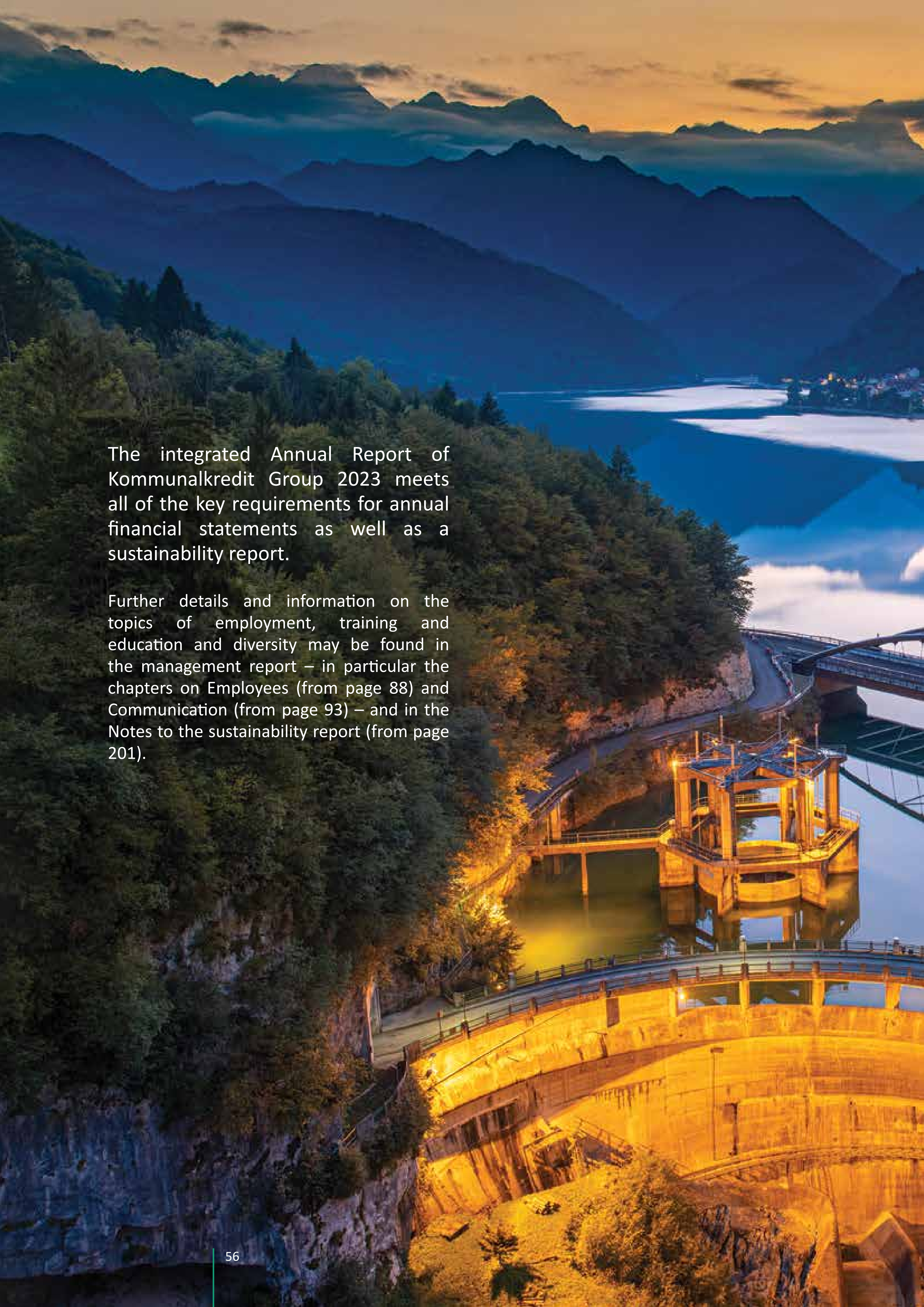
Resource consumption and waste management

Paper consumption:
Consumption of photocopying and printer paper increased in 2023 as against 2022, but was down considerably on the long-term average at 2,000 kg (2022: 1,123 kg, average for the period from 2019 to 2021: 2,583 kg). Since the introduction of the environmental management system in 1997, photocopying and printer paper made from **100% recycled paper** has been used.

Waste:
In 2023, Kommunalkredit's total annual waste volume (around 31 tonnes) increased only slightly compared to 2022 (around 30 tonnes). By contrast, Kommunalkredit's total annual **waste volume per employee fell by approximately 3%** in 2023 to around 77 kg (2022: 80 kg). The majority of this was domestic-type commercial waste (46%) and waste paper (36%). A correction was made to the data collected on the volume of waste paper and this was applied to the environmental performance figures for 2019 to 2022 to improve comparability.

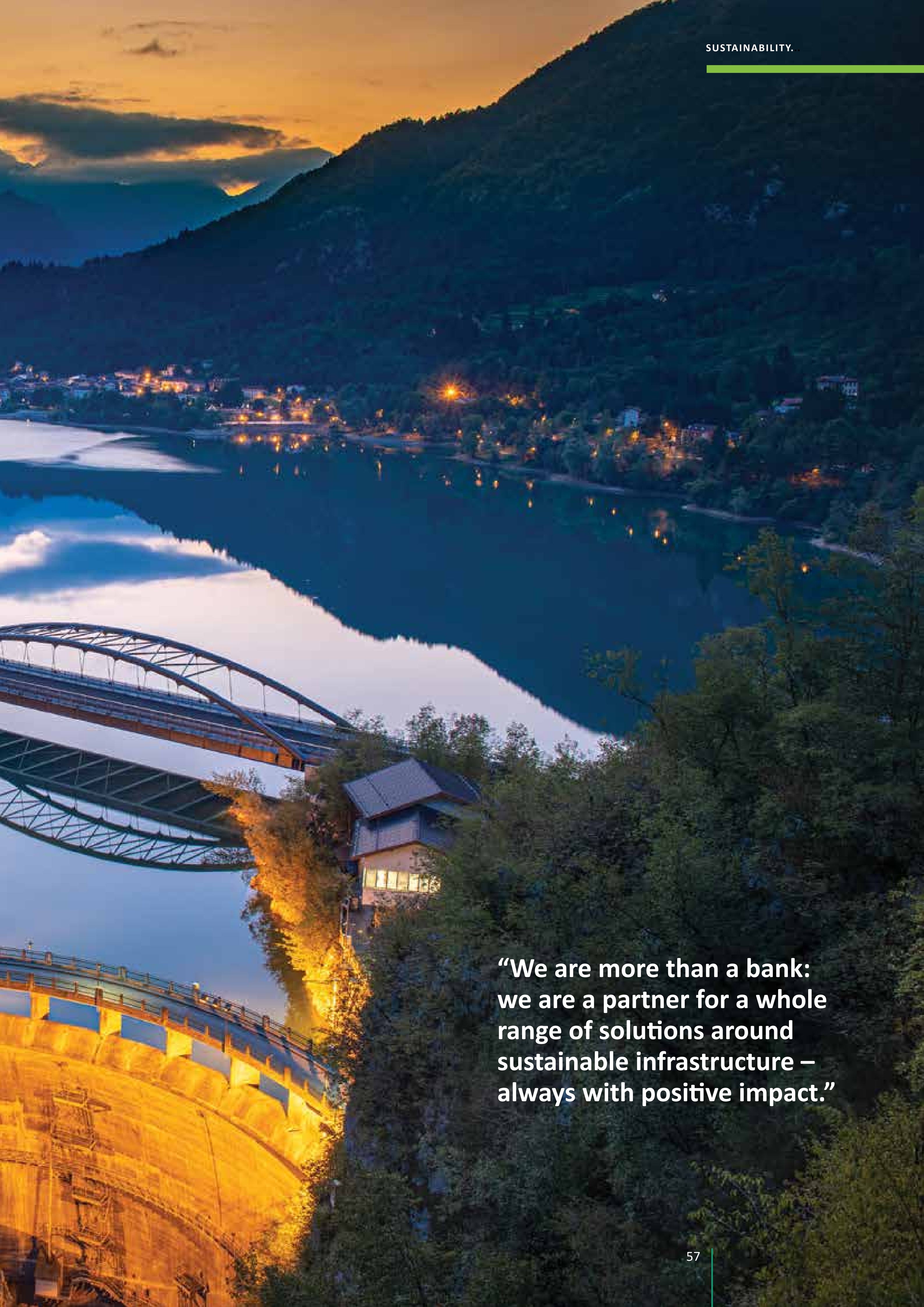
Total mass flow:
Total mass flow, i.e. the annual mass flow of the various input materials (excluding energy sources and water), results from paper consumption and the total volume of waste (the overlap between paper consumption and waste paper is negligible). In 2023, this amounted to around 82 kg per employee (2022: 83 kg).

Kommunalkredit has made **continual improvements** almost across the board when it comes to operational ecology and remains committed to minimising our environmental footprint. Over the next few years, the retrofitting measures being carried out in the main building will be the main contributing factor.



The integrated Annual Report of Kommunalkredit Group 2023 meets all of the key requirements for annual financial statements as well as a sustainability report.

Further details and information on the topics of employment, training and education and diversity may be found in the management report – in particular the chapters on Employees (from page 88) and Communication (from page 93) – and in the Notes to the sustainability report (from page 201).



“We are more than a bank: we are a partner for a whole range of solutions around sustainable infrastructure – always with positive impact.”

MANAGEMENT REPORT.

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

Economic environment

Characterised by economic uncertainty due to high inflation, drastic interest rises and volatile energy prices, 2023 was no less challenging than the year before. Turmoil on capital markets was accompanied by the collapse of Silicon Valley Bank and First Republic Bank in the USA, plus the necessary takeover of Crédit Suisse by UBS in Europe. The geopolitical crisis between Russia and Ukraine was accompanied by the Hamas attack in Israel and ongoing tensions in the China Sea. There were massive supply chain problems, the collapse of Ukrainian grain exports (especially to Africa), drastic crop failures and extreme weather conditions – a stark reminder of the need for a change in climate policy.

2023 – Sentiment continues to fluctuate

2023 got off to a turbulent start. In the spring, fluctuations in the banking industry prompted uncertainty. The USA saw the collapse of first Silicon Valley Bank, then First Republic Bank. In Europe, the Swiss National Bank was forced to intervene in the market in order to prevent Crédit Suisse from going under.

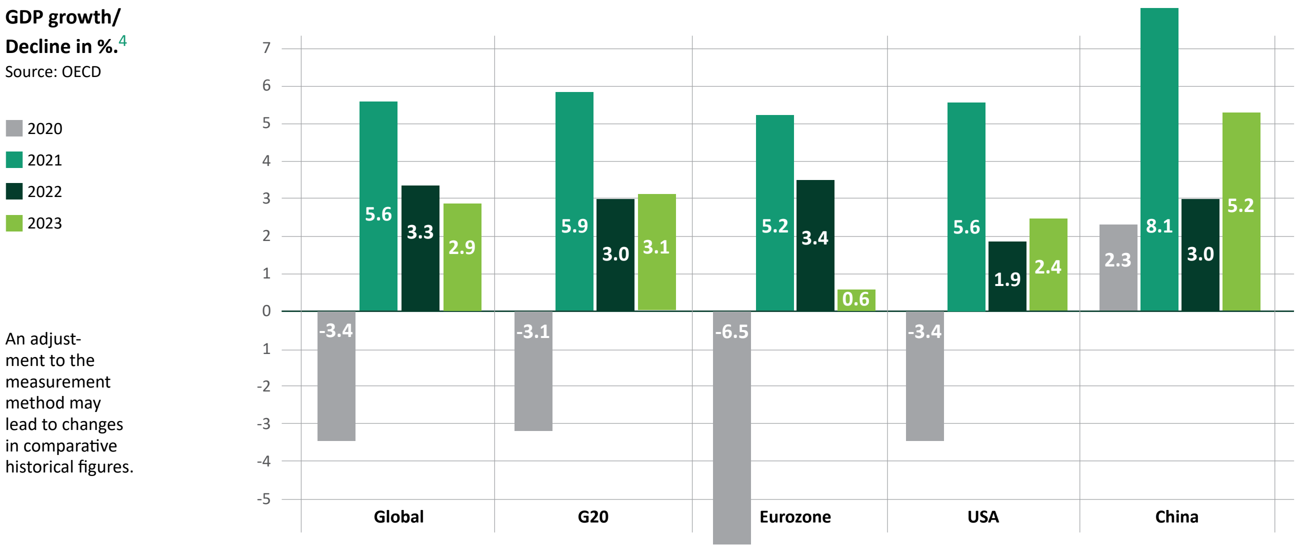
At the **geopolitical level**, Russia's invasion of Ukraine continued. Besides the human suffering, this affected the food and energy markets in particular. On the African contingent – which is rapidly gaining in importance not only for Europe, but for China too, in view of its high development potential – the political instability in some countries is driving strong migratory movements. Most transactions in the Arab region have been put on hold following Hamas' attack on Israel and Israel's response. It remains to be seen whether this war will develop into a wider conflagration and what consequences this may entail. The attacks by Yemeni Houthi rebels represents another threat to international shipping.

The price of gold rose sharply in 2023 while the appreciating dollar weighed on the oil price. Global growth held up surprisingly well in this environment, and in the face of the drastic tightening of monetary policy by central banks in response to above-target inflation.

Nonetheless, the **global economy** continues to face challenges associated with ongoing inflation and a dampened growth outlook. Global GDP growth in 2023 was stronger than expected but dropped off towards the end of the year, with the effects of the more stringent financial conditions, weak trade growth and the low level of business and consumer confidence increasingly making themselves felt.

Overall inflation has fallen in almost all of the world's economies, which is reducing pressure on private households' incomes. Nonetheless, core inflation remains high. Global GDP growth of 2.9% (2023), 2.7% (2024) and 3.0% (2025) is predicted.

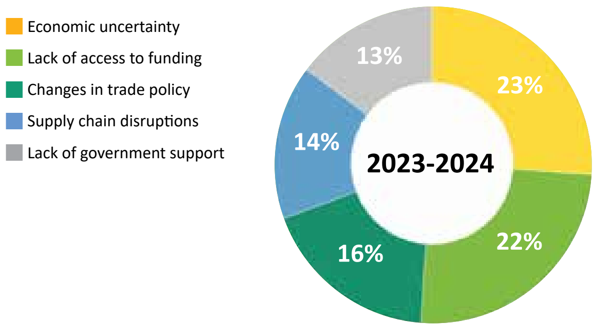
GDP growth/ Decline in %.[4]
Source: OECD



An adjustment to the measurement method may lead to changes in comparative historical figures.

4 OECD – Economic outlook, Issue 2/2023, November 2023.

Obstacles to trade growth 2023-2024 in %.[5]
Source: OECD



A further increase in trade restrictions, restructuring of global value chains and greater emphasis on countries' national interests might give rise to a headwind. Ongoing cost pressure, a further rise in energy and food prices or indications of the inflation outlook trending upwards might force the central banks to adjust their key interest rate policy, which would adversely impact the financial markets.

To date, the global economy and the financial markets have proven relatively resilient in the face of tighter monetary policy. The eurozone's economy has posted only marginal growth of 0.1%, while countries in central and eastern Europe registered declines in output in the same period. GDP growth fared better in the USA and in commodity-producing economies; emerging markets and developing countries maintained their pre-COVID growth rates. Japan has not tightened up its monetary policy and posted above-average growth in spite of higher energy prices. Following the reopening of its economy in early 2023, China was volatile on account of the pressure affecting its real estate sector, but stabilised over the course of the year as the Chinese government tightened policy.

2023 – A year which marked a turning point

4.5% refinancing rate

The **European Central Bank** (ECB) increased key interest rates by 200 basis points in six steps in 2023: the ECB's deposit facility climbed from 2.0% at the start of the year to 4.0% while its main refinancing operations rate rose from 2.5% to 4.5% at the end of the year.[6] In view of the central bank's assessment that it will reach its inflation target of 2.0% in 2025, capital markets do not anticipate further interest rate hikes in 2024.

4% deposit facility rate

In the USA, increasing signs of an economic slowdown and a significant downward trend for inflation prompted the **Federal Reserve Bank** (Fed) to refrain from raising interest rates any further, following a final key interest rate hike in July 2023 (to a target range of between 5.25% and 5.5%).[7]

target range of up to **5.5%**

In conjunction with an economic slowdown, the measures taken by the central banks – in particular the raising of key rates and reductions in the volume of their asset purchase programmes – have resulted in a sharp decline in inflation. Within a one-year period, it had fallen from 10.6% to 2.4% in Europe and from just under 7.0% to 3.1% in the USA.[8] As a result, long-term interest rates, taking the 10-year swap rate in the eurozone as an example, fell by more than 80 basis points to below 2.7%, following the rise of up to 3.5% in October 2023. The euro swap curve is therefore inverted across almost the entire maturity range.

The first six months of 2023 were highly successful for Austria's banks. Bank earnings rose by 28% thanks to the turnaround in interest rates and despite falling demand for loans. In spite of the inflation-related increase in administrative expenses, net profits reached record levels in overall terms. On the refinancing side, covered bonds remained a key refinancing instrument in 2023. Since 2018, the volume of outstanding covered bonds from Austrian issuers has nearly doubled, with the proportion of mortgage-backed cover pools climbing to over 80%.

2023 – The infrastructure market defies the times

The particular **robustness** of the global market, and especially the European market for infrastructure financing which is relevant to Kommunalkredit, is a great strength given the ongoing negative influences on international economic growth. Neither the COVID pandemic nor geopolitical conflicts have shaken this resilience, which was underlined by the volume of EUR 283bn for the European market as a whole (including the United Kingdom) in 2023 (equity and debt)[9].

Political and macroeconomic conditions failed to improve in 2023. The main focus was on inflation and the resulting trend in interest rates. While this creates a favourable environment for loans in relative terms, it can have a marked impact on absolute volumes – particularly when it comes to refinancing. Although the megatrends such as decarbonisation and digitalisation, which are still highly relevant, counteracted these negative influences in 2022, this will not be the case in 2023 despite positive developments in the infrastructure asset class.

5 OECD – Economic outlook, Issue 2/2023, November 2023.

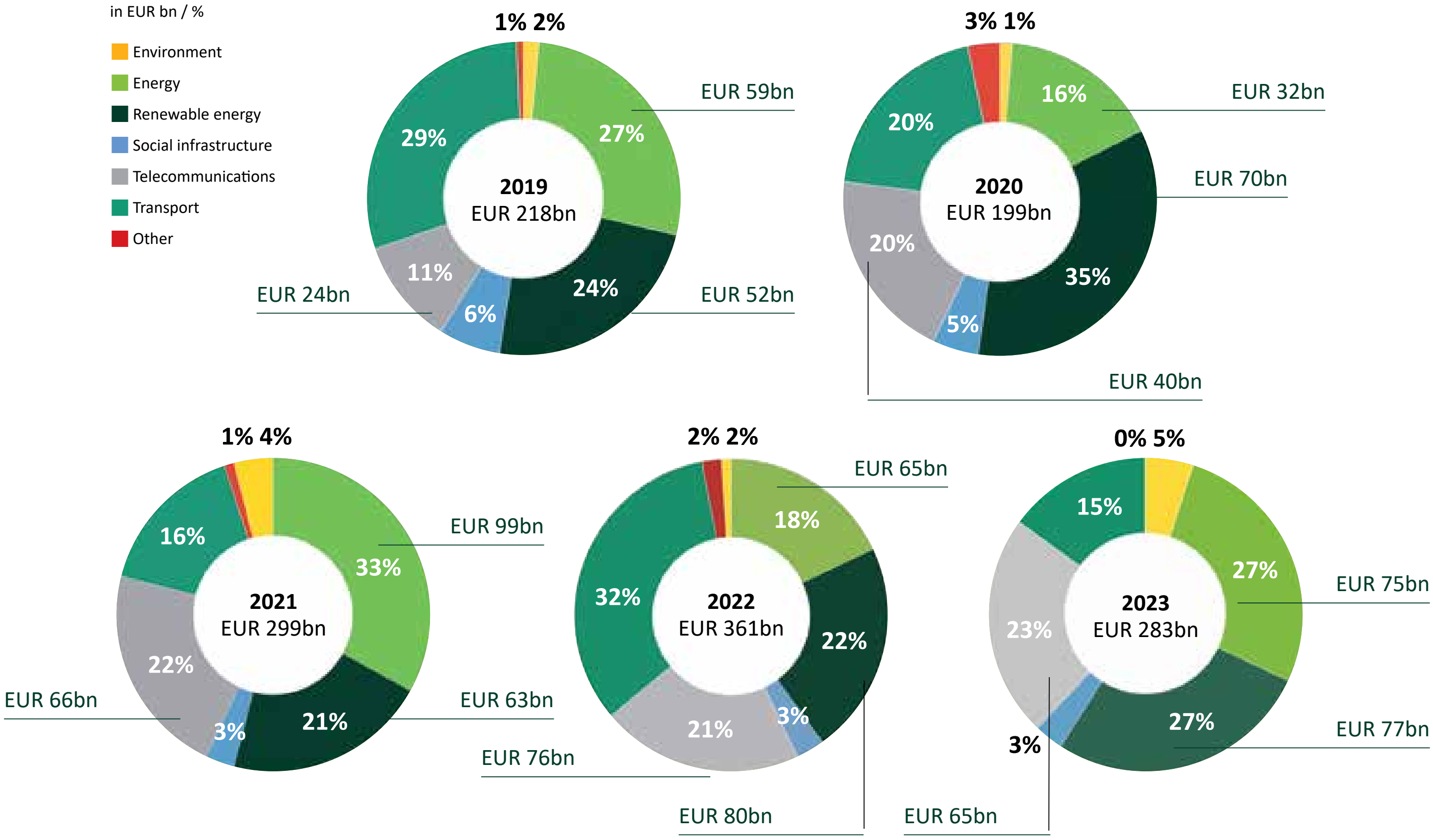
6 European Central Bank – Monetary policy decisions, press release, 14/9/2023.

7 Federal Reserve – FOMC statement, press release, 13/12/2023.

8 Eurostat – Inflation rate from December 2021 to December 2023, Statista, 17/1/2024.

9 Inframation & Sparkspread Database, 18/1/2024.

The European infrastructure market 2019 to 2023: Transaction volumes by sector.[10]
in EUR bn / %

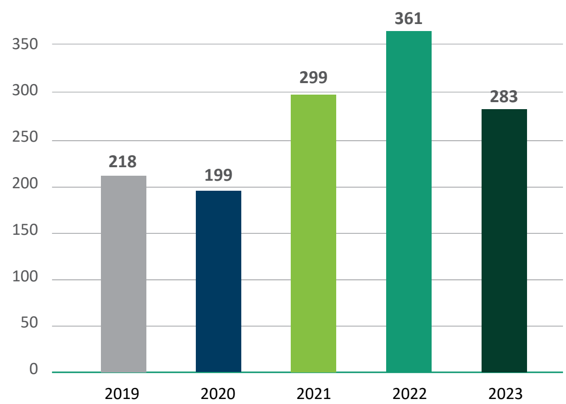


The high base rates certainly left their mark on the European market for infrastructure financing. In early December, at around 3.6% the 1-year swap rate was at the top of a yield curve which remained inverted, albeit at a somewhat lower level compared to the mid-year point. On the other hand, the 3M Euribor, which is significant for floating rates, remained at the 400 basis point mark. It comes as no surprise that the European market for infrastructure and energy investments which is relevant for Kommunalkredit has not achieved a new record volume (2022: EUR 361bn). The "greenfield"[11] segment, which is particularly important to Kommunalkredit, has exceeded its 2022 level, particularly in the **renewable energy sector** (which increasingly encompasses new fields such as battery storage, e-mobility and EV charging as well as traditional areas such as solar installations and wind farms). This has laid the foundations for another successful year for Kommunalkredit, and for its positioning as a leading energy transition bank.

The era of cheap loans came to an end in 2023, especially in the "brownfield/M&A"[12] segment. Price expectations

In a period of geopolitical and economic uncertainty, buyers' and sellers' price expectations are increasingly diverging, leading to lengthier sales processes or else prompting vendors to postpone sales. Kommunalkredit has also noticed these challenges. Thanks to its broad geographical positioning and its focus on **customer-oriented financing solutions and consulting services**, the bank embraced these as an opportunity in its M&A and debt advisory segment in particular. Kommunalkredit successfully completed a series of mandates in its consulting business. An analysis of the various sub-sectors shows that the renewable energy sources (27% market share) and conventional energy production and distribution segments (jointly 27%) are the driving forces shaping the European financing market. Kommunalkredit has closed transactions in high-growth fields such as biogas/biomethane, EV charging and battery storage in particular, and it has a strong pipeline for 2024.

Transaction volumes in the European infrastructure market 2019-2023.[10]
in EUR bn

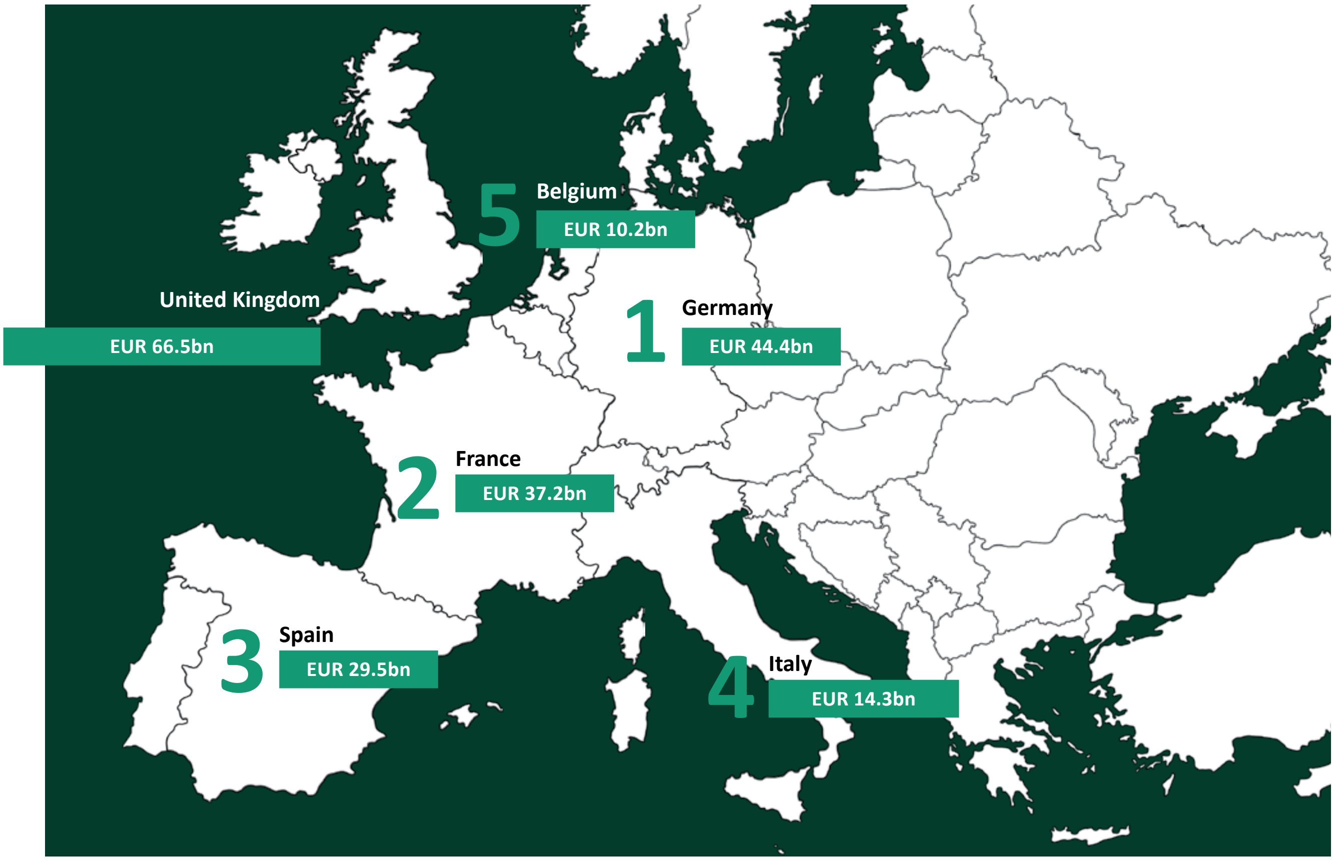


10 Inframation & Sparkspread Database, 18/1/2024. An adjustment to the measurement method may lead to changes in comparative values from the past.

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

12 Brownfield projects involve existing infrastructure assets, most of which are usually in operation, and the financing of which is generally reorganised in the context of M&A transactions.

The largest infrastructure markets in the eurozone 2023.[10]
by volume (United Kingdom for comparison) [13]



59% energy

Looking beyond energy production alone in relation to the energy transition and reducing CO_2, it is clear that even switching to 100% renewable energy will only eliminate roughly a third of greenhouse gases. (Heavy) industry accounts for a significant proportion of these (around 20%). It requires a very large volume of financing, for instance in the areas of green steel, aluminium and cement production. Kommunalkredit has made a significant financing contribution to the H2 Green Steel greenfield project in Sweden with the aim of implementing hydrogen-based steel production (enabled by 100% wind power-based renewable energy). Preparations are currently under way for similar projects in the transport and agriculture (hydrogen-based ammonium production) sectors.

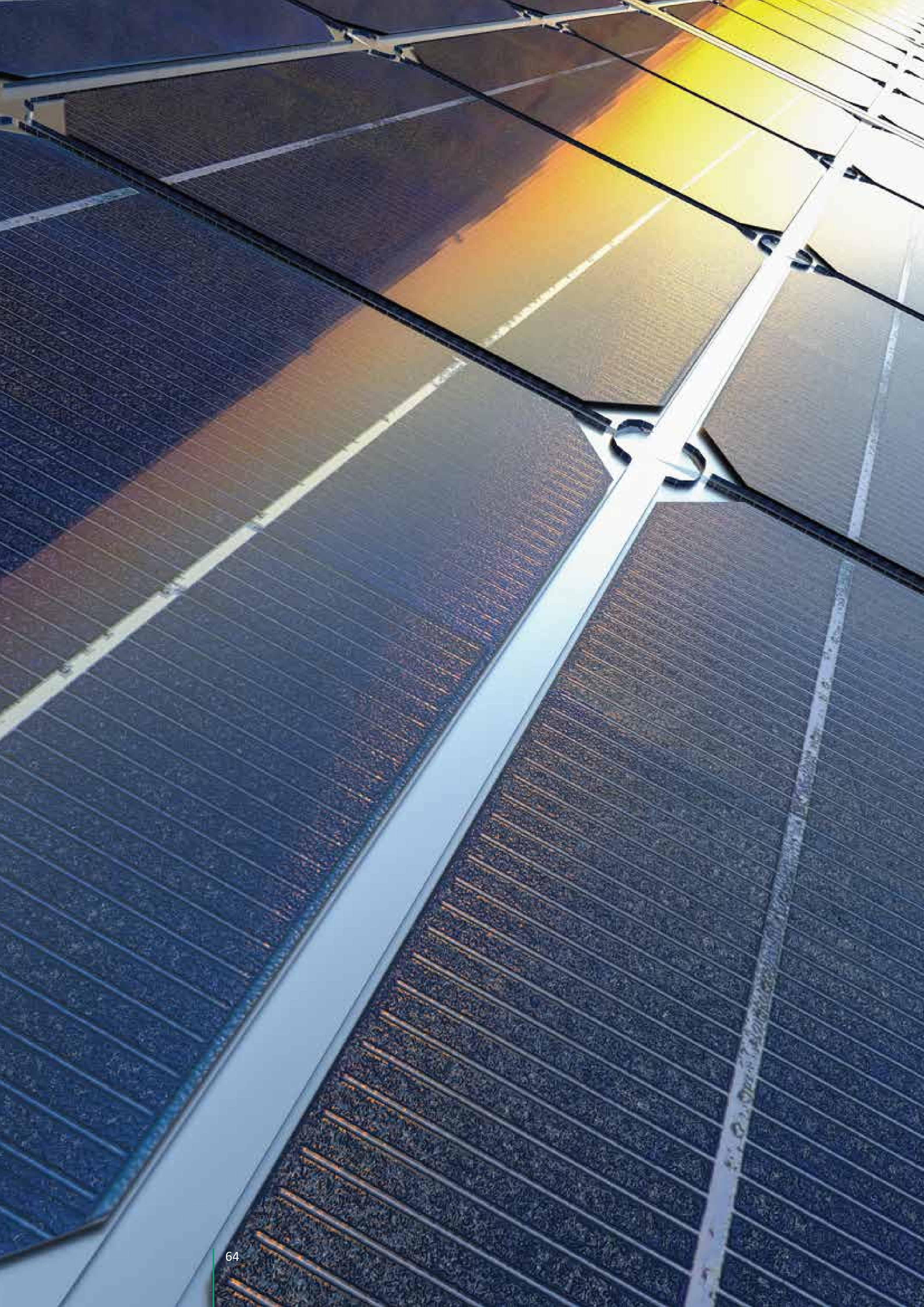
23% digital infrastructure

In the **digital infrastructure** sector (23%), data centres account for a heightened level of investor interest in the fibre-optic field. While some fibre-optic projects (in the United Kingdom in particular) are behind schedule due to increased construction costs and growing competition, and in many cases insufficient attention is given to connecting customers up to laid-out grids, data centres are essential for the transfer and storage of data volumes which are growing exponentially, and they require rapid expansion of capacities. Kommunalkredit was able to build on its impressive track record here, especially in Sweden, Norway and the Netherlands. Aside from large hyperscaler data centres for Google, Amazon and Microsoft, the bank also entered into attractive transactions with small and medium-sized colocation data centres.

In 2024, this asset class will remain an important element in Kommunalkredit's further positive development. In the **transport** sector, which is recovering strongly from the COVID crisis, the bank was involved in a series of attractive transactions throughout Europe in 2023. Among other projects, Kommunalkredit supported a portfolio of six Portuguese container ports and is currently working on toll roads, seaports and more.

The **social infrastructure** sector is increasingly responding to the trend of a continuously ageing overall population, combined with medical achievements in the field of diagnostics. For this reason, there is a growing volume of investment in care homes for elderly people, but above all in private clinics and diagnostic centres, which are benefiting from long-term contracts with government institutions and insurers. While this sector is comparatively niche, in 2023 Kommunalkredit successfully completed transactions such as refinancing Inframedica, a platform in this field developed by the leading infrastructure investor DWS.

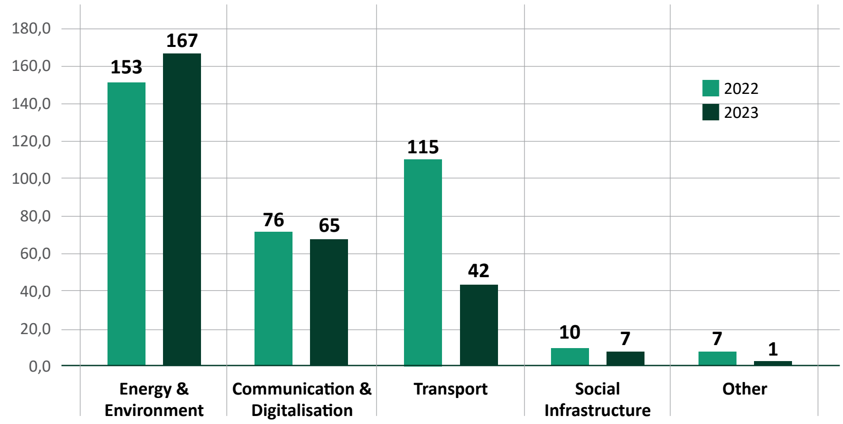
13 Poland (EUR 13.0bn) and Sweden (EUR 12.1bn) are both ahead of the fifth-placed eurozone country.

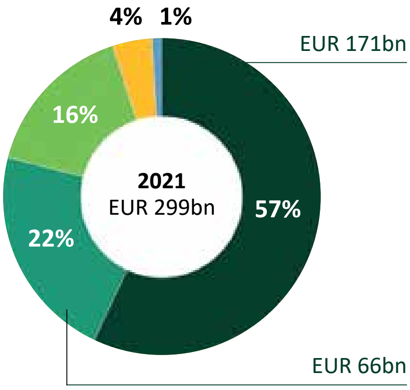


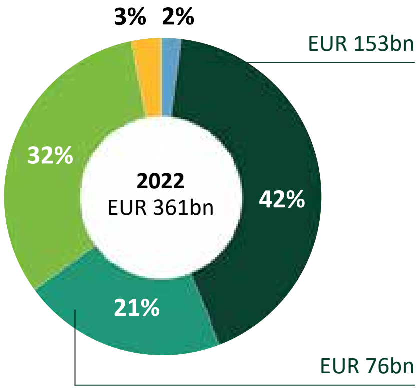
Transaction volumes by sector.[14]
in EUR bn or %

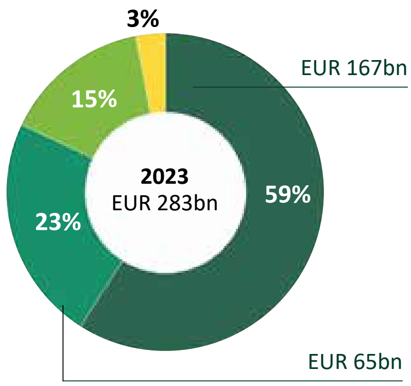
EUROPE

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social infrastructure
- Other





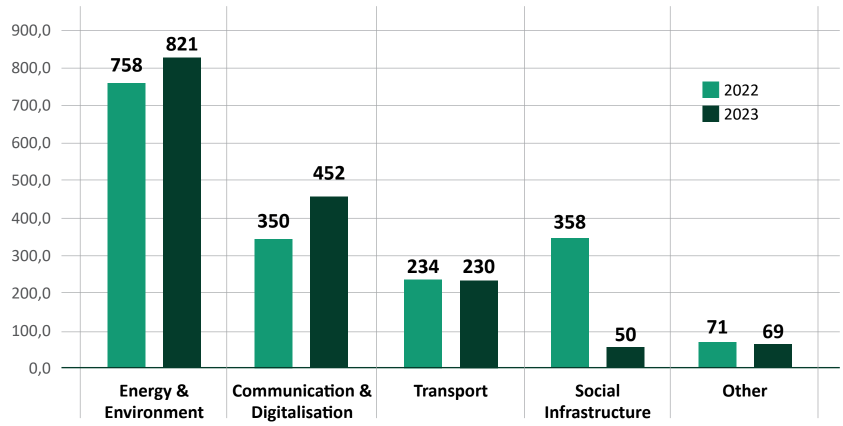


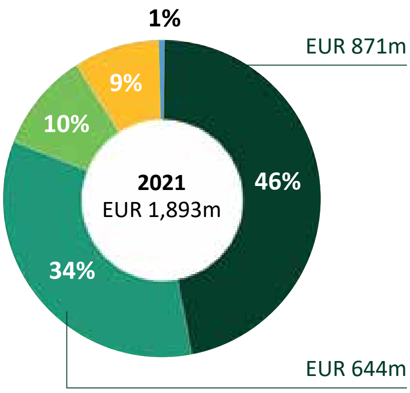


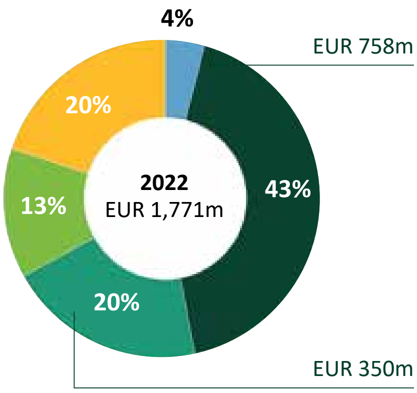
Transaction volumes by sector.
in EUR m or %

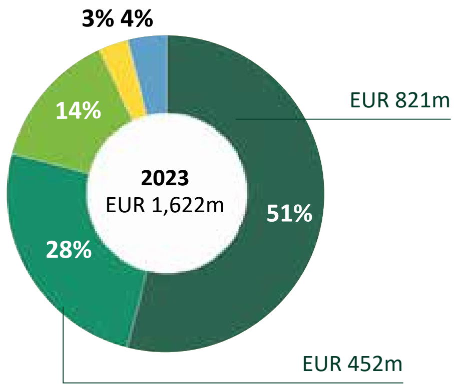
KOMMUNALKREDIT

- Energy & Environment
- Communication & Digitalisation
- Transport
- Social infrastructure
- Other









14 Inframation & Sparkspread Database, 18/1/2024. An adjustment to the measurement method may lead to changes in comparative values from the past.

Business review

The clock is ticking. And mercilessly so in terms of the climate action we are still able to take. Yet there is no alternative in view of the economic impact of climate change. In these challenging times, we need to close ranks and join forces to build a better and more sustainable future. In this context, infrastructure represents the nervous system which underpins our existence.

Redefining infrastructure

Investing in infrastructure addresses key social needs and paves the **way to a green future**. The past few years have been shaped by manifold crises and challenges: supply chain disruptions, soaring energy costs and high inflation. The climate crisis is increasingly making itself felt, as environmental disasters are occurring ever more frequently. All of this points to the fact that projects involving green and renewable energy sources must be rapidly realised and that they need to be easier to implement. Energy costs must be brought down and energy dependencies reduced, while at the same time action must be taken to counter climate change.

Our experience of the industrial and information revolutions and their implications has taught us that not only do innovative, state-of-the-art technologies require (further) development, but they also need financing. Green hydrogen, carbon capture and storage, sustainable and/or synthetic fuels and new and progressive clean energy technologies are just a few examples of the **green revolution** that is now on the horizon.

Infrastructure is set to become even more of a focal point in future – not just as an asset class, but as a major factor in preventing new epidemics and economic collapse, and for modernisation and the realisation of important schemes such as digitalisation and the Green Deal.

Together with its clients and partners, the bank strives to support the implementation of necessary investments. Essential changes must be initiated in order to achieve goals rapidly and efficiently. Kommunalkredit has set out five propositions on this subject:

- **The use of private capital as a stimulus for greater sustainability.** The demand is there, as is the money. Now straightforward processes with clear regulatory timelines are needed.
- **Faster, stronger, more decentralised networks.** These are crucial. They are the only way to transport ever-increasing volumes of energy safely and quickly.
- **Openness to viable transitional solutions.** We need to switch over to green, independent energy sources. In the meantime, we must rely on transitional solutions.
- **Regulations that create security and freedom.** The application of practical, reasonable and time-sensitive requirements with streamlined processes is vital, even if this means restrictions are imposed.
- **Ways out of expensive dependency.** We can no longer afford to rely on certain energy sources – neither from an economic nor a political and moral perspective.

Our new business is characterised by balanced diversification in terms of 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-return profile of a transaction, attention is also paid to the ability to place it with institutional investors and the contribution it will make to the company's sustainability targets.

51%
energy & environment

The last three years were particularly challenging for the world. But they have also shown the importance of economic cooperation, social responsibility and breaking dependencies. In this environment, Kommunalkredit generated a **new business volume** in its infrastructure and energy segment (including public finance) of EUR 1,813.1m (2022: EUR 1,980.5m). 51% of the transactions in the bank's infrastructure and energy financing business were attributable to its Energy & Environment sector, followed by Communication & Digitalisation (28%) and Transport (14%). Geographically, the focus is on Europe, where Germany, Finland and the United Kingdom in particular were important markets for the bank in the 2023 financial year. Kommunalkredit's core business is closely correlated with its sustainability strategy.

28%
communication & digitalisation

"What is needed is a financial sector which assumes responsibility and steers capital flows towards sustainable and forward-looking investments."

54% energy transition

Around EUR 880m (54%) of new business directly supports the acceleration of the energy transition, while 24% (or EUR 382m) of our project volume helps to improve people's quality of life.

Kommunalkredit's investment decisions not only focus on sustainability aspects but also on attractive risk-return profiles, high-quality assets and future-oriented business models. In all activities, providing **benefit to the community** and improving people's quality of life are key. Investing in infrastructure creates economic momentum, contributes to urban development and regeneration, strengthens rural areas, creates jobs, reinforces social cohesion and supports climate protection measures. Kommunalkredit therefore also supports projects in Africa on a selective basis by structuring risk-guaranteed financing. These, in turn, favour secure export activities by European companies.

The bank pursues a business approach of originate and collaborate that is geared towards collaborative endeavours with established partners,focusing in particular on its ability to place transactions on the international financing market. The volume placed with insurers, asset managers and banks in 2023 stood at EUR 358m (2022: EUR 564m). Thanks to its Fidelio KA Infrastructure Debt Fund Europe 1 and Europe 2 infrastructure funds, the bank is also capable of offering business partners access to infrastructure and energy financing with asset management solutions. With Florestan KA GmbH, Kommunalkredit implements lighthouse projects (hydrogen production with OMV, rooftop photovoltaic systems with eww) using equity financing to drive the energy transition forward.

Kommunalkredit's activities in 2023 mainly encompassed transactions aimed at achieving climate targets, the expansion of digital communication channels and the improvement of social services: these include the financing of water treatment plants in Italy; the construction of wind farms and photovoltaic systems on the Iberian peninsula and in Romania, Hungary and Finland; the transition to sustainable electricity production in Germany; the expansion of broadband initiatives in Spain and Serbia; the development of healthcare facilities in the United Kingdom; and the expansion of the port portfolio in Portugal.

24% quality of life

TRIUMPH
Expanded port portfolio | Portugal

Yilport has five port concessions in the Lisbon region as well as the north of the country. The ports boast a combined container capacity of 2.1 million containers equal to 1 TEU (6.1 m long | 2.4 m wide | up to 2.9 m high). Kommunalkredit acted as the mandated lead arranger and structuring bank for the EUR 198m facility to refinance the acquisition costs.

GRETCHEN
Transformation of renewable power generation technologies | Germany

Steering the transformation of our energy system towards sustainable power generation requires new and improved technologies. Officium Holding specialises in smart metering devices that measure and process data on different types of consumption (e.g. water, gas, steam), making them part of the solution for a climate-conscious, sustainable energy concept. Kommunalkredit was involved in the financing of the EUR 83.5m package for Germany's leading water and heat meter company as the mandated lead arranger.

ACE
Fibre-to-the-home | Spain

The Spanish fibre-optic operator Adamo focuses on rural regions with low population densities. It runs an open high-speed access grid which is available to the retail and wholesale sectors as well as private households. As the mandated lead arranger, Kommunalkredit continued to cultivate its fruitful relationship with Adamo with this transaction.

The total values stated here represent
the total volume for the transaction in question.

CURA
Largest pan-European provider of cancer treatment | United Kingdom

Through the merger of the Italian company Medipass (Advanced Medical Services), the German radiotherapy provider RON and the UK's Althea Group (Integrated Healthcare Technology), Germany's DWS has accumulated a vast wealth of medical knowledge in the fight against cancer. To refinance the biggest pan-European provider in this segment, Kommunalkredit was involved in the EUR 576m package as the arranger.

WHITE GOLD
Broadband expansion | Germany

NFH Northern Fiber Holding focuses on the large-scale expansion of fibre-optic networks in northern Germany. As the digital infrastructure platform of UBS AM in Germany, it secured debt capital of EUR 240m in the spring of 2023 in order to finance fibre-optic connections for 350,000 households. Kommunalkredit acted as the mandated lead arranger for this transaction, once again highlighting its leading role in the implementation of digital infrastructure in Germany and across Europe.

SUNRISE –
Consulting mandate for Steag transaction | Germany & Spain

Steag's Iqony subsidiary focuses on renewable energy production and related services. Its new owner – the Spanish investor Asterion Industrial Partners – intends to significantly expand its business activities by investing in green technologies such as hydrogen, batteries, solar and wind energy and district heating. Kommunalkredit acted as the sole M&A and financial advisor for this EUR 2.6bn transaction.

TWISTER
Waste disposal | Italy

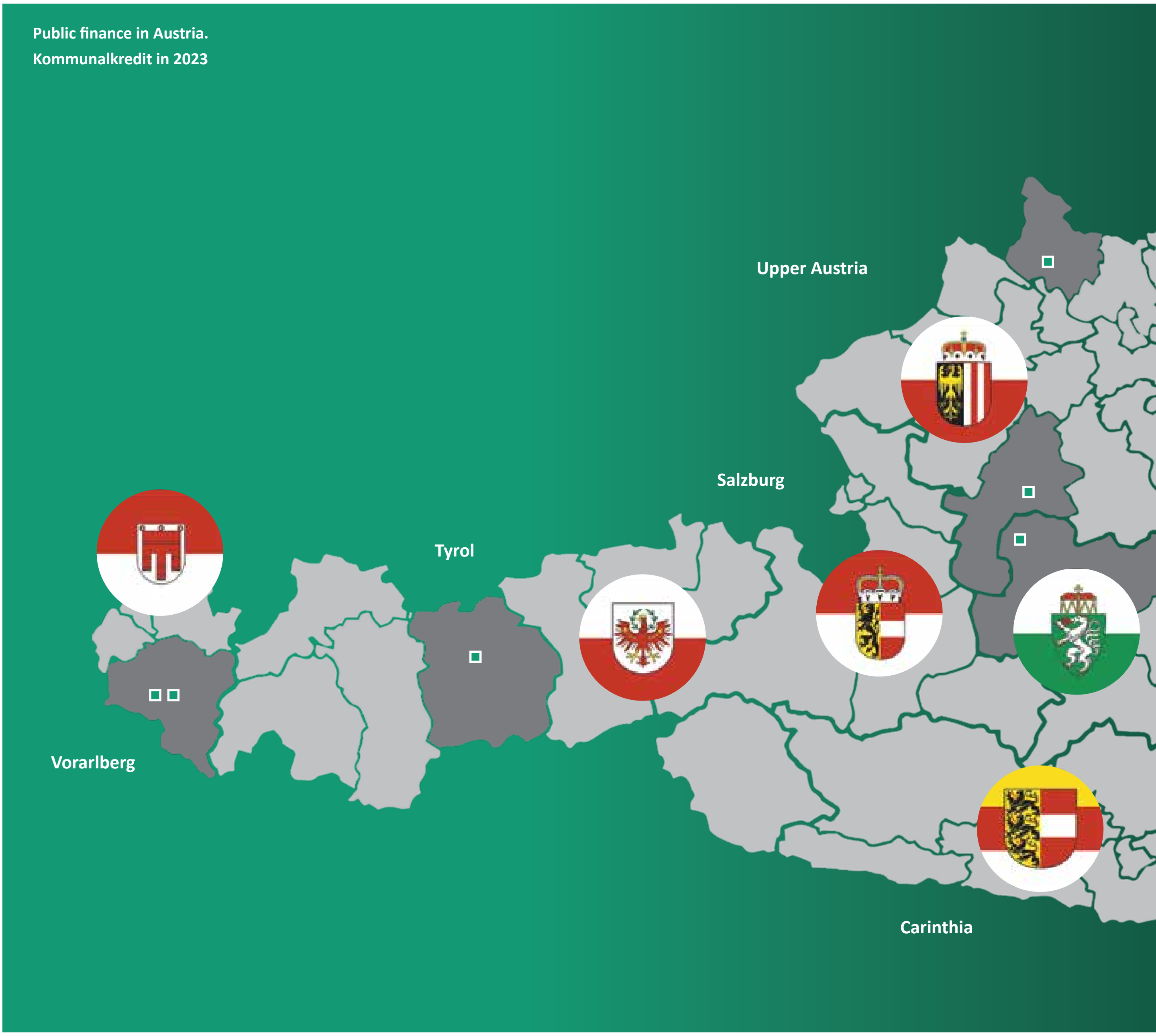
Italy's leading waste disposal company Eco Eridania SpA is mainly active in two key segments: sanitary waste and special industrial waste. To enable the further expansion of its activities throughout the waste value chain – from collection to transport and disposal – Kommunalkredit provided substantial support for this project as the mandated lead arranger, contributing EUR 70m of a EUR 340m financing package.

THOR
Data centre | Sweden

Data centres in Nordic countries are increasingly attracting interest due to their competitive electricity costs, thanks to the high proportion of renewable energy sources in the energy mix. Driven by the rising demand for public cloud services, the Swedish company EcoDataCenter has expanded its capacities. This firm uses a unique heat recovery solution in the operation of its data centres. Kommunalkredit acted as the global coordinator and mandated lead arranger for this EUR 170m CAPEX facility.

SENYÖ
Solar PV system | Hungary

As the sole mandated lead arranger, Kommunalkredit supplied interim financing of EUR 37.5m to build a 63 MWp solar PV system. This transaction is seen as a flagship project in the Hungarian energy sector due to its innovative "merchant" structure, which offers and sells the energy generated on the free market instead of using fixed offtake agreements.



A partner for towns, cities, and municipalities

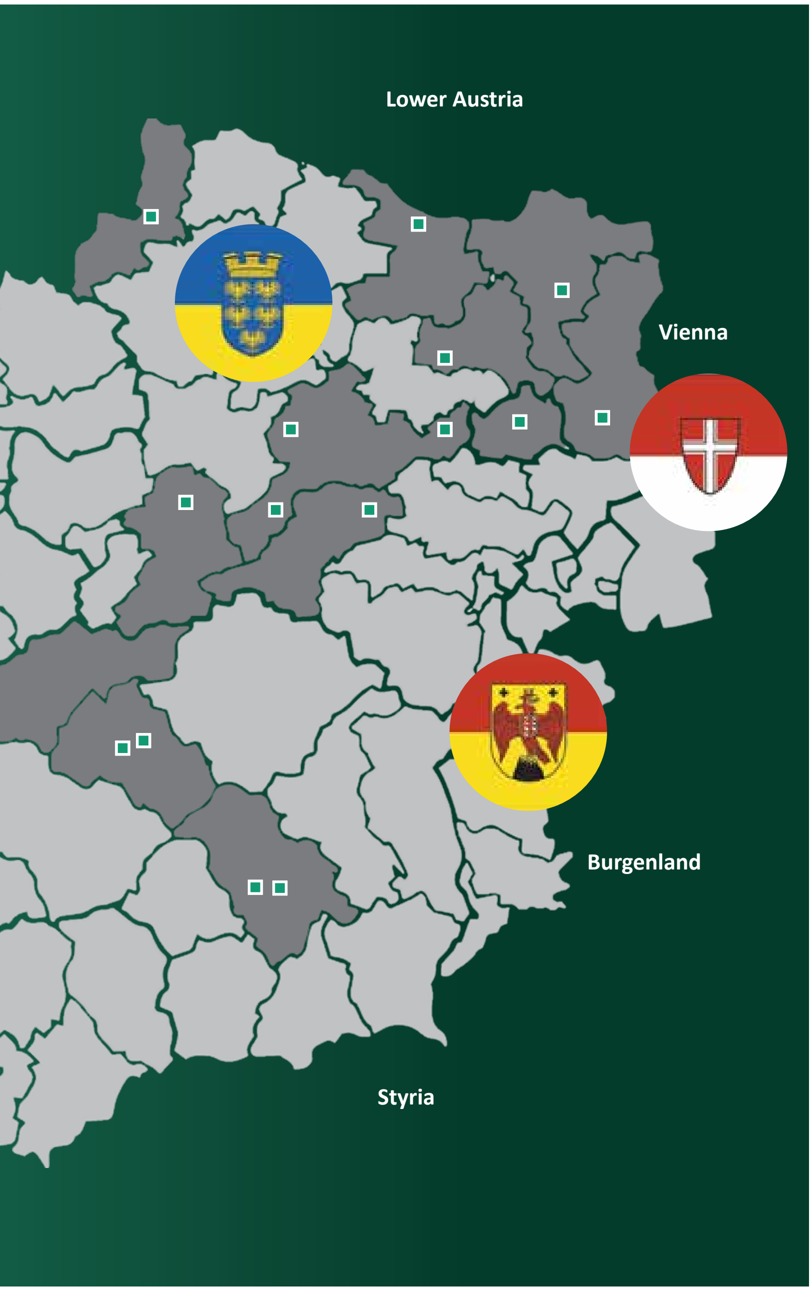
Public finance has a long tradition and remains a significant part of the bank's business. Countries, cities and municipalities are key economic drivers that are supported with financing solutions from Kommunalkredit. By investing in essential infrastructure that is used directly by citizens, municipalities and their public institutions create and protect jobs and help to stimulate the economy, especially in economically challenging times. In 2023, Kommunalkredit concluded new financing in the amount of **EUR 191m** (of which EUR 163m in Austria), mainly in the sectors of Social Infrastructure (schools, kindergartens, fire brigade, housing), Energy & Environment (water supply and disposal) and Traffic & Transport (cycle and footpaths, trams), among others. Kommunalkredit has also provided a long-term investment credit for the targeted expansion of broadband coverage in one of Austria's least networked regions.

EUR
191m
public finance

Recognition and awards

In recent years, Kommunalkredit has successfully positioned itself in the European infrastructure and energy market. Whether in developing new technologies in the hydrogen sector, financing water utilities, expanding photovoltaic systems and solar parks, building wind farms, implementing broadband projects, providing high-tech equipment in the healthcare sector or developing important transport solutions – Kommunalkredit is known and respected as a point of contact throughout Europe.

In 2023 (as in 2022), the Austrian daily newspaper Kurier awarded the bank its "Quality seal for sustainability". The business magazine Börsianer once again ranked it in first place in its "Best specialist bank" category.



Public finance in Austria.
Kommunalkredit's activities
in 2022 and 2023 in EUR m / %

1.7% 0.8%
22.1%
2022
EUR 115m
75.4%

2022

- Social Infrastructure EUR 87m
- Energy & Environment EUR 25m
- Transport EUR 2m
- Communication & Digitalisation EUR 1m

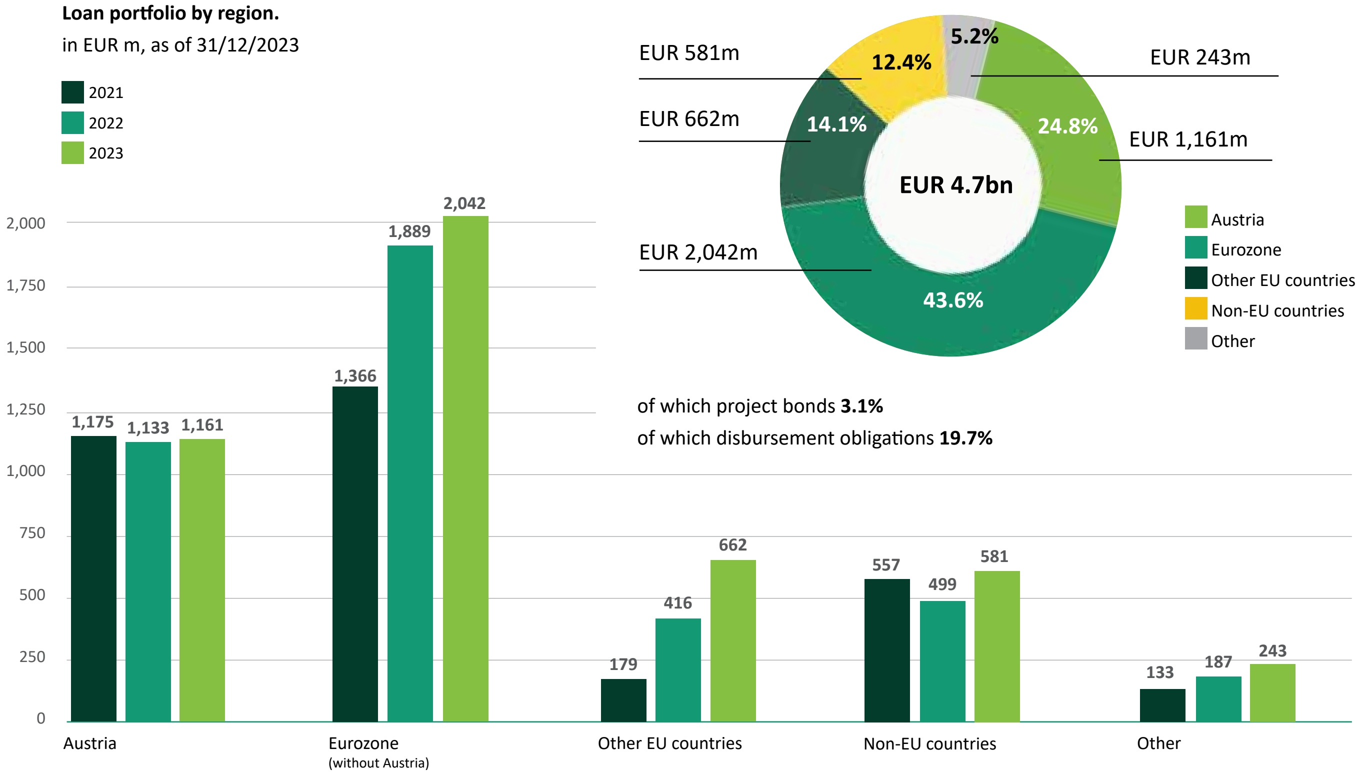
5.9%
7.2%
20.2%
2023
EUR 167m
61.2%
5.5%

2023

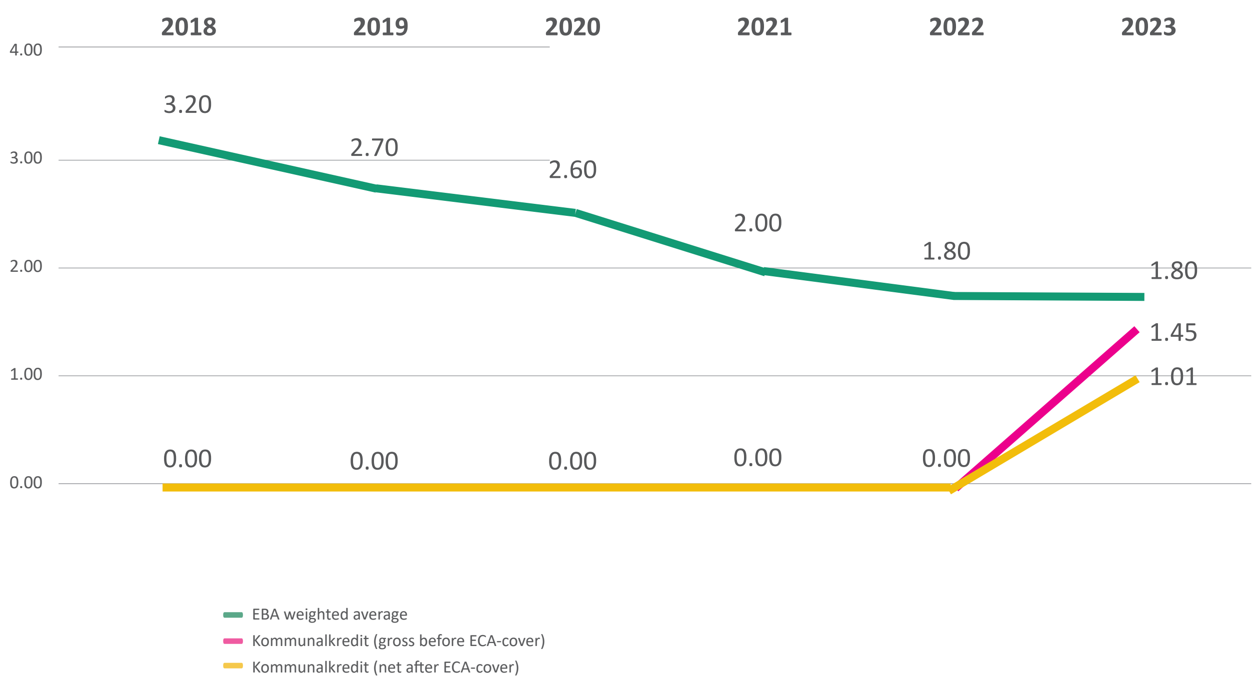
- Social Infrastructure EUR 102m
- Energy & Environment EUR 9m
- Transport EUR 34m
- Communication & Digitalisation EUR 12m
- Other EUR 10m (civil protection, maintenance, etc.)

Public Finance International EUR 24m

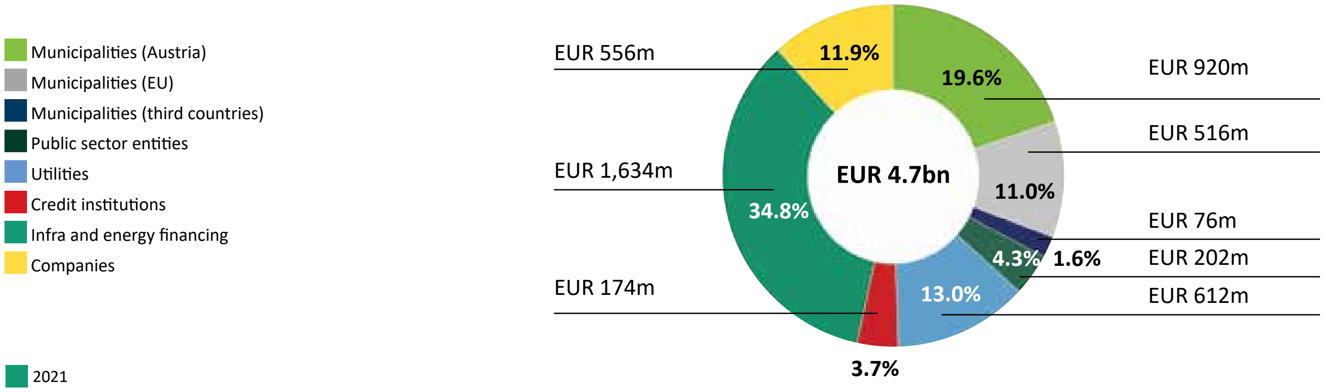
Loan portfolio by region.
in EUR m, as of 31/12/2023

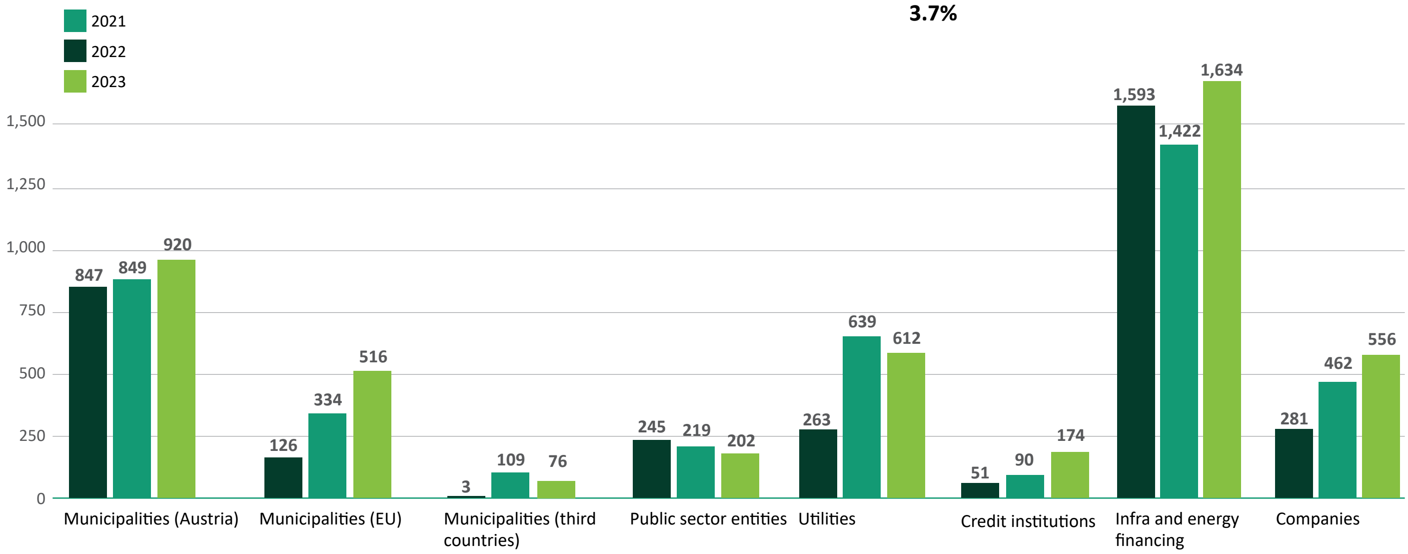


NPL ratio 2018-2023.
in %, as of 31/12



Loan portfolio by borrower.
in EUR m, as of 31/12/2023





Overall portfolio characterised by high asset quality

Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank's **overall portfolio** is characterised by a high level of asset quality. As of 31 December 2023, it had an average rating of "A-" and 66% of the exposures were classified as investment grade.

A-
average rating

The non-performing loan ratio (NPL) is 1.5%. Taking guarantees (cover from export credit agencies with the highest credit rating of 90-95%) into consideration, its adjusted net NPL ratio is 1.0%, well below the weighted EBA average.

The broadly diversified **credit portfolio** comprises the two pillars of the business model: infrastructure and energy financing, plus public finance. As of 31 December 2023, the public sector accounted for 32% of the loan portfolio (mostly Austrian municipalities) and infrastructure and energy financing accounted for 35% while loans to public sector entities had a share of 4%. Geographically, 25% was attributable to Austria (31/12/2022: 28%), 44% to the rest of the eurozone and 14% to other EU countries (31/12/2022: 46% and 10% respectively).

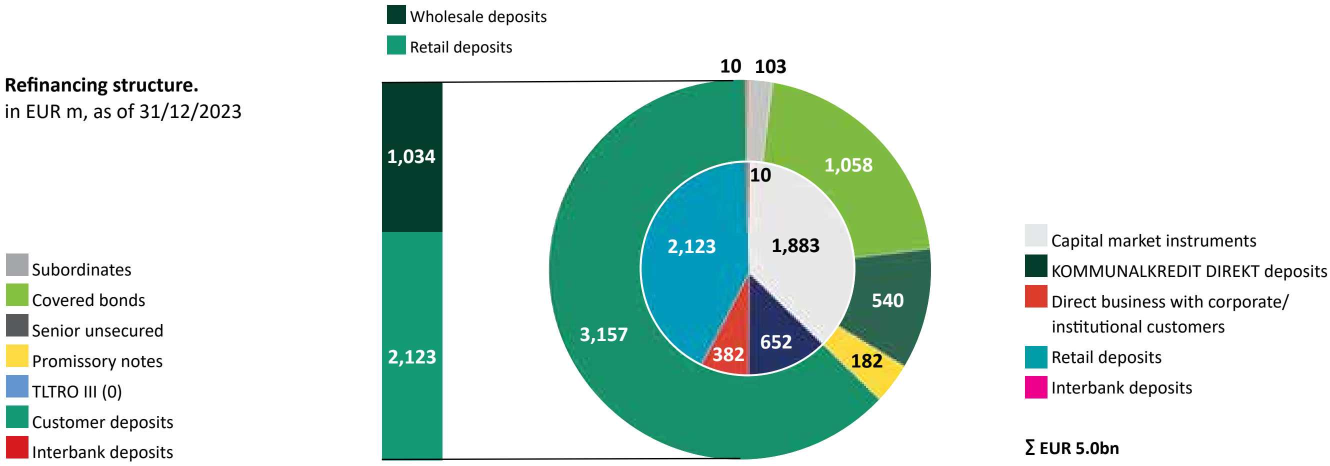
Stable refinancing structure

As of 31 December 2023, Kommunalkredit reported a **strong liquidity position** of EUR 1,752m. The bank held cash and cash equivalents and balances with central banks of EUR 888m (31/12/2022: EUR 503m). Furthermore, Kommunalkredit had access to a free liquidity reserve consisting of high-quality liquid securities (HQLA) of EUR 864m (31/12/2022: EUR 639m).

EUR
1,752
m liquidity

Kommunalkredit's **diversified refinancing structure** is particularly important in the difficult capital market conditions which prevailed in 2023. In recent years, existing funding sources have been gradually expanded and new ones established. Due to its business model and in order to adequately manage liquidity risks, Kommunalkredit's strategic priority is diversification, so as not to be dependent on any single source of funding. Following strong issuing activity in 2021 and 2022, Kommunalkredit increased its focus on its deposit business for retail customers and corporates in 2023. At the same time, the bank continues to issue private placements for international investors.

Refinancing structure.
in EUR m, as of 31/12/2023



Public sector covered bonds | Cover pool

As of 31 December 2023, Kommunalkredit had a well-diversified cover pool with a volume of EUR 1,196m, while public sector covered bonds denominated in EUR and CHF in an amount of approximately EUR 1,058m were outstanding.

The cover pool as of 31 December 2023 consisted of assets from Austria (87.8%), France (4.9%), Portugal (2.7%), Belgium (2.5%) and Germany (2.1%). 79.1% of the positions in the cover pool have a rating of "AAA" or "AA"; 18.2% have an "A" rating. The level of surplus cover as of 31 December 2023 was 13.1%.

S&P Global Ratings	Fitch Ratings	Morningstar DBRS
BBB-	**BBB-**	**BBB**
A-3	**F3**	**R-2 (high)**
positive	stable	positive

Rating

The **investment grade ratings** were affirmed by S&P Global Ratings (BBB- | outlook lifted to "positive") and Fitch Ratings (BBB- | stable outlook) in September 2023, and by DBRS Morningstar (BBB | outlook lifted to "positive) in September 2023. On 8 February 2024, Fitch once again verified our investment grade rating and raised the outlook to positive. The improved outlooks from S&P and DBRS reflect our very good business development combined with strict risk discipline. The rating agencies have

- established and resilient business model,
- high level of profitability and
- continuously strong asset quality.
- Furthermore, the bank's stable liquidity, diversified refinancing structure and capital strength were cited as key factors.

The rating agencies also mention the bank's growth trajectory, the planned increase in its capital base and its strategic focus on further diversifying its product and service portfolio as positive aspects.

A+
covered bond

S&P Global Ratings confirmed its **covered bond rating** for Kommunalkredit as "A+" with a stable outlook in February 2023. S&P pointed to the bank's portfolio, with a high level of credit quality from largely Austrian and German public sector assets, as a strength.

Capital market presence

Kommunalkredit has continuously expanded its access to the capital markets in recent years. In 2020, the bank launched a new debt issuance programme (DIP 4) with a volume of up to EUR 800m. This was increased to EUR 2bn by means of a supplement in February 2022. Within the scope of the annual programme update, the base prospectus was last approved by the Austrian Financial Market Authority on 24 February 2023, with a supplement dated 31 August 2023. Issues under this programme can be listed in Vienna and underline Kommunalkredit's commitment to its domestic capital market. EUR 89.9m of privately placed senior preferred bonds were issued in 2023 and placed with institutional investors, together with a EUR 50m covered bond.

Development of deposit business

Kommunalkredit's deposit business consists of retail deposits (KOMMUNALKREDIT INVEST) and wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and public sector entities and direct business with corporates and institutional customers). Wholesale deposit business was **further expanded** in 2023, as was the retail deposit business. Customer behaviour in the first six months of 2023 remained largely shaped by expectations of higher interest rates and uncertainty arising from high inflation, rising living costs, geopolitical tensions and waning economic momentum. This led to demand for shorter maturities for investment products in both the retail and wholesale segments. In the second half of 2023, the prospect of interest rates having peaked resulted in longer maturities for investments. A positive development is that the proportion of term deposits relative to overnight deposits was gradually increased in 2023.

Retail deposits | KOMMUNALKREDIT INVEST: Kommunalkredit 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 2023, the bank had 36,452 active retail customers (31/12/2022: 22,351), which equates to an increase of 63.1%. The average deposit volume per customer of EUR 58,249 remained largely unchanged (31/12/2022: EUR 57,598). The share of term deposits had increased as of 31 December 2023 to 89.7% (31/12/2022: 66%); the average maturity of term deposits is 28 months (31/12/2022: 21 months). The deposit volume amounted to EUR 2,123m as of 31 December 2023 (31/12/2022: EUR 1,287m) – an increase of 65%.

28 months
average maturity

+19 %
wholesale

Wholesale deposits | (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With KOMMUNALKREDIT DIREKT, the bank offers a state-of-the-art online platform for efficient investment and cash management for municipalities and related entities. The platform allows customers to easily monitor and manage their investments themselves. Wholesale deposits increased by 19% in 2023 to EUR 1,034m as of 31 December 2023 (31/12/2022: EUR 869m).

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 an LCR of 542% as of 31 December 2023 (31/12/2022: 348%), Kommunalkredit comfortably exceeded the regulatory minimum ratio of 100%.

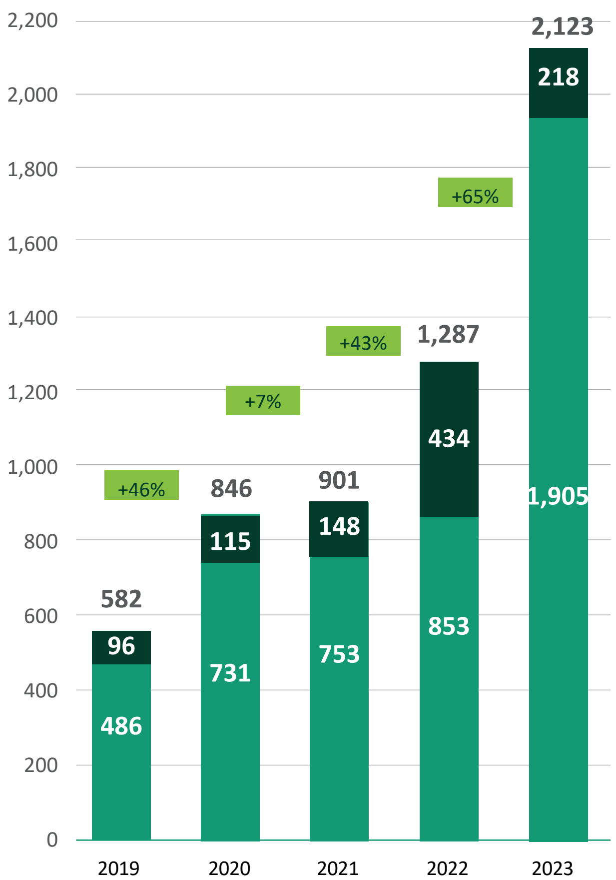
Banks are also required to maintain a stable long-term funding base in terms of assets and off-balance sheet activities. Kommunalkredit's net stable funding ratio (NSFR) was a comfortable 135% as of 31 December 2023 (31/12/2022: 129%).

LCR
542 %

NSFR
135 %

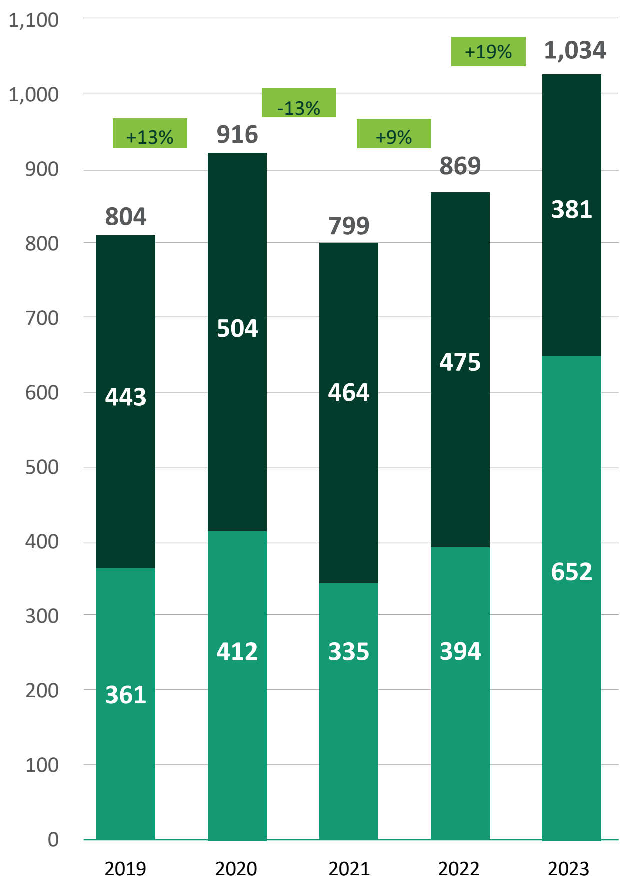
Retail deposits (KOMMUNALKREDIT INVEST).
in EUR m, as of 31/12/2023

Overnight deposits
Term deposits



Wholesale deposits.
in EUR m, as of 31/12/2023

Direct business with corporate/institutional customers
KOMMUNALKREDIT DIREKT



Assets, financial position and income

2023 – another record year! Despite challenging macroeconomic conditions, EBIT was raised by more than 58% to EUR 134m, the cost/income ratio was reduced to 37%, and a post-tax return on equity of 25% was achieved. Our strategic focus on infrastructure and energy financing, and public finance, paid off once again.

Financial performance indicators according to IFRS

in EUR m or %	31/12/2023	31/12/2022
Total assets	5,871.1	4,628.3
Total capital	577.0	471.9
Net interest Income	**192.4**	**125.7**
Neт fee & commision income	38.5	29.9
General administrative expenses	-93.1	-75.8
Other operating income	1.2	10.2
EBIT *	**134.3**	**85.2**
Loan impairment, valuation and realised gains	1.4	14.2
Consolidated profit for the year before tax	**135.7**	**99.3**
Income taxes	-35.2	-21.1
Consolidated profit for the year	**100.5**	**78.2**
Cost/income ratio (based on EBIT)**	36.7%	42.8%
Return on equity before tax***	33.8%	28.3%
Return on equity after tax (based on EBIT)	25.0%	22.3%

* Operating result = pretax result for the period excluding credit risk, valuation and operating placement result from infrastructure/energy financing.
** Result from subsidiary KPC (cost plus model) netted in CIR calculation to provide fair view on efficiency
*** Return on equity before tax = Profit for the period before tax projected to one year/common equity tier 1 capital of the Group as of 1/1.

Regulatory performance indicators of Kommunalkredit Austria AG under Austrian GAAP

in EUR m or %	31/12/2023	31/12/2022
Risk weighted assets	2,965.7	2,552.5
Total capital (CET 1, additional Tier 1, Tier 2)	635.6	538.9
CET 1 ratio	17.9%	16.9%
Common equity ratio	20.0%	19.4%
Total capital ratio	21.4%	21.1%

Rating

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

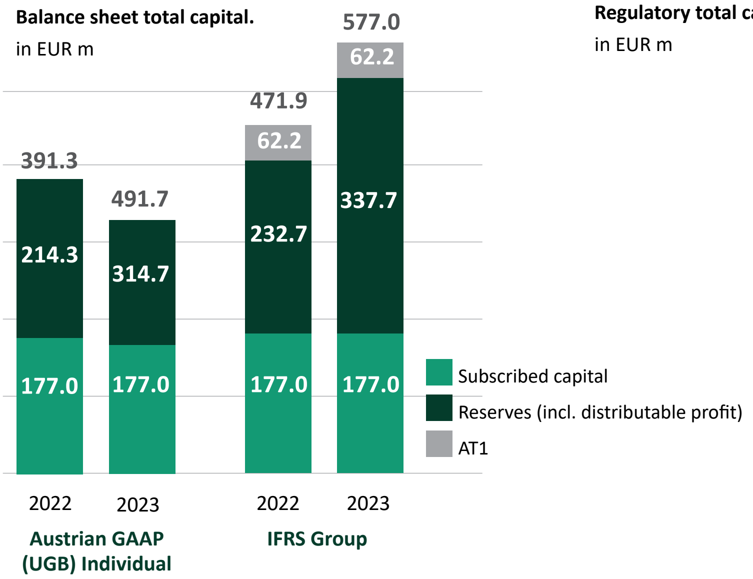
The main differences in EBIT between the separate financial statements under the Austrian Commercial Code (UGB) and the consolidated financial statements according to IFRS resulted from diverging implementation dates of fees related to the new lending business, the differentiated treatment of derivatives in the portfolio hedge, the EBIT of the fully consolidated subsidiaries and an intra-group restructuring, which had no effect on the consolidated financial statements.

Financial performance indicators under Austrian GAAP (Kommunalkredit Austria AG)

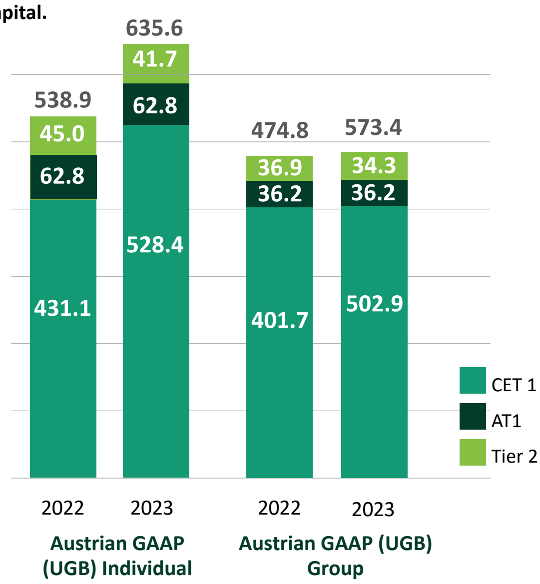
in EUR m or %	31/12/2023	31/12/2022
Total assets	5,833.6	4,609.8
Total capital	491.7	391.3
Net interest Income	**173.0**	**94.5**
Net fee & commision income	32.2	21.3
General administrative expenses	-73.0	-62.0
Other operating income	5.4	5.1
Placement result*	1.0	5.4
Net allocation to provision (§57 (1) Austrian Banking Act)	3.3	-0.9
EBIT **	**139.1**	**61.2**
Loan impairment, valuation and realised gains	-3.6	7.4
Profit for the year before tax	**135.6**	**68.5**
Result from restructuring	0.0	17.9
Income taxes	-35.1	-16.2
Profit for the year	**100.4**	**70.2**
Cost/income ratio bank standalone	35.1%	47.8%
Return on equity before tax***	31.4%	24.7%
Return on equity after tax	23.3%	20.0%

* Includes the operating placement result from infrastructure/energy financing; in the income statement included in the result from valuations and realisations.
** Included in items 11 to 13 of the income statement.
*** Return on equity before tax = Profit for the period before tax projected to one year/common equity tier 1 capital as of 1/1.

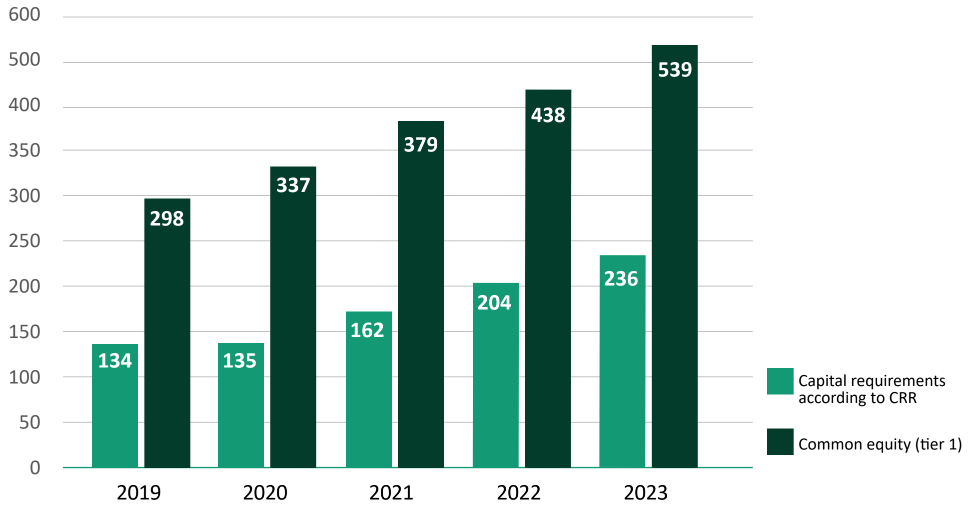
Balance sheet total capital.
in EUR m



Regulatory total capital.
in EUR m



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



Structure of statement of financial position

EUR
5.9 bn
total equity and liabilities

Kommunalkredit's total assets according to IFRS amounted to EUR 5.9 bn as of 31/12/2023 (31/12/2022: EUR 4.6 bn). The largest item in the statement of financial position is "loans and advances to customers" amounting to EUR 3.8 bn (31/12/2022: EUR 3.0 bn). A further EUR 1.4bn. (31/12/2022: EUR 1.1bn) represents financing with an opportunistic placement intention, which is shown in the statement of financial position under assets at fair value through other comprehensive income. The increase in these items was mainly attributable to the continued growth in infrastructure and energy finance. In 2023, new payouts reflected in the statement of financial position of EUR 1.6bn were made. The placement volume stood at EUR 0.4bn. Furthermore, the bank held cash and cash equivalents of EUR 0.9 bn as of 31 December 2023 (31/12/2022: EUR 0.5 bn).

Customer liabilities of EUR 3.3 bn (31/12/2022: EUR 2.3 bn) and securitised liabilities of EUR 1.6 bn (31/12/2022: EUR 1.4 bn) are the largest refinancing items under equity and liabilities. Capital market activities comprised EUR 89.9m of private placements of senior preferred bonds and EUR 50m public sector covered bond transactions.The Kommunalkredit Group's equity according to IFRS amounted to EUR 577.0 m as of 31 December 2023 (31/12/2022: EUR 471.9 m).

EUR
577 m
capital

Risk-weighted assets and total capital
As of 31 December 2023, Kommunalkredit individually had common equity tier 1 capital (CET 1) of EUR 531.1 m (31/12/2022: EUR 431.2 m), core capital (tier 1) of EUR 593.9m (i.e. CET 1 plus EUR 62.8m additional tier 1 – AT1 | 31/12/2022: EUR 494.0m) and total capital of EUR 635.6 m (i.e. tier 1 plus EUR 41.7m tier 2 | 31/12/2022: EUR 538.9 m).

The difference between the regulatory total capital individually (EUR 635.6 m) and at Group level (EUR 573.4 m) largely results from the imputation restriction pursuant to Article 81 et seq. CRR ("minority deduction").

In the 2023 financial year, risk-weighted assets rose to EUR 2,944.0 m due to the positive performance of new business. (31/12/2022: EUR 2,534.1 m).

EUR
2,944 m
risk-weighted assets

20 %
tier 1 capital ratio

As of 31 December 2023, therefore, Kommunalkredit once again reported strong capital ratios: Consequently, the total capital ratio stood at 21.4 % (31/12/2022: 21.1 %), the tier 1 capital ratio at 20.0 % (31/12/2022: 19.4 %) and the CET 1 ratio at 17.9 % (31/12/2022: 16.9 %).

The values shown reflect the total capital performance indicator basis of Kommunalkredit's separate financial statements under Austrian GAAP, taking into account the profit for the year in 2023.

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltung GmbH (Satere). Satere prepares its consolidated financial statements according to the relevant requirements under Austrian GAAP; the scope of consolidation is determined according to § 30 of the Austrian Banking Act. As of 31 December 2023, the consolidated total capital ratio came to 19.5 % (31/12/2022: 18.7 %), the consolidated tier 1 capital ratio to 18.3 % (31/12/2022: 17.3 %) and the consolidated CET 1 ratio to 17.1% (31/12/2022: 15.9%).

RoE after tax 25% | **CIR 37%** | **Capital ratio 21%**

EUR **134** m operating result

Income statement of Kommunalkredit Group under IFRS

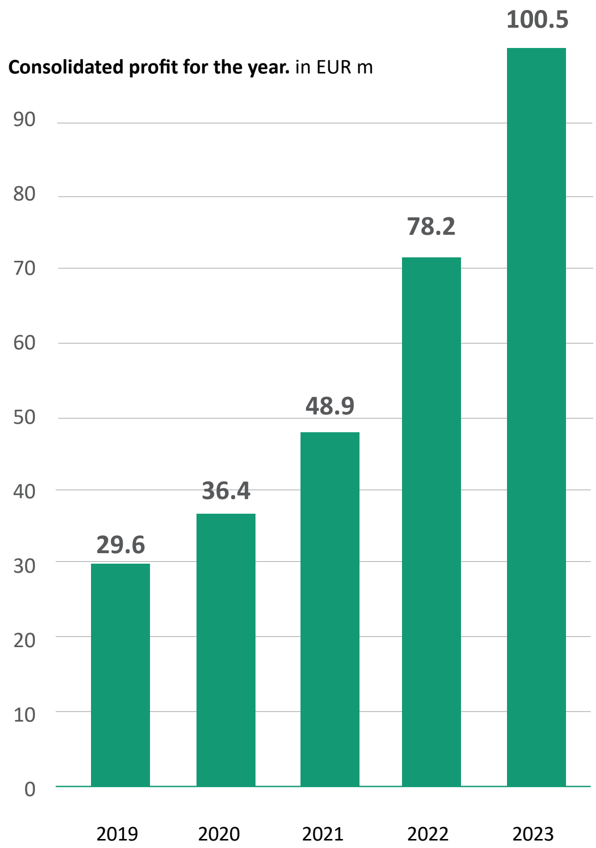
Kommunalkredit Group can look back on a very successful 2023 financial year: Profit for the year after tax rose by 28% compared to the previous year to EUR 100.5 m, and EBIT improved by EUR 49.1m or 58% to 134.3m. The clear increase in EBIT is attributable to the continuous expansion of the core businesses of infrastructure and energy financing, as well as public finance. The significant improvement in EBIT was also reflected in a considerable reduction in the cost/income ratio to 36.7 % (2022: 42.8 %). The return on equity before tax increased from 22.3% in the previous year to 25.0%.

37 % CIR

Kommunalkredit's portfolio also proved to be very robust in 2023; the non-performing loan (NPL) ratio is at 1.5 % or net after considering ECA (Export Credit Agency) coverages at 1.0%.

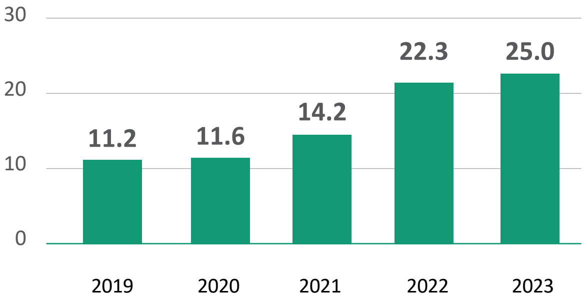
1.0 % net NPL

Consolidated profit for the year. in EUR m



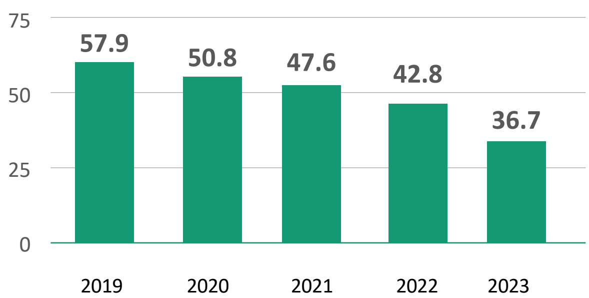
Return-on-equity after tax. in %

(after utilisation of capitalised tax loss carryforwards up until 2020)



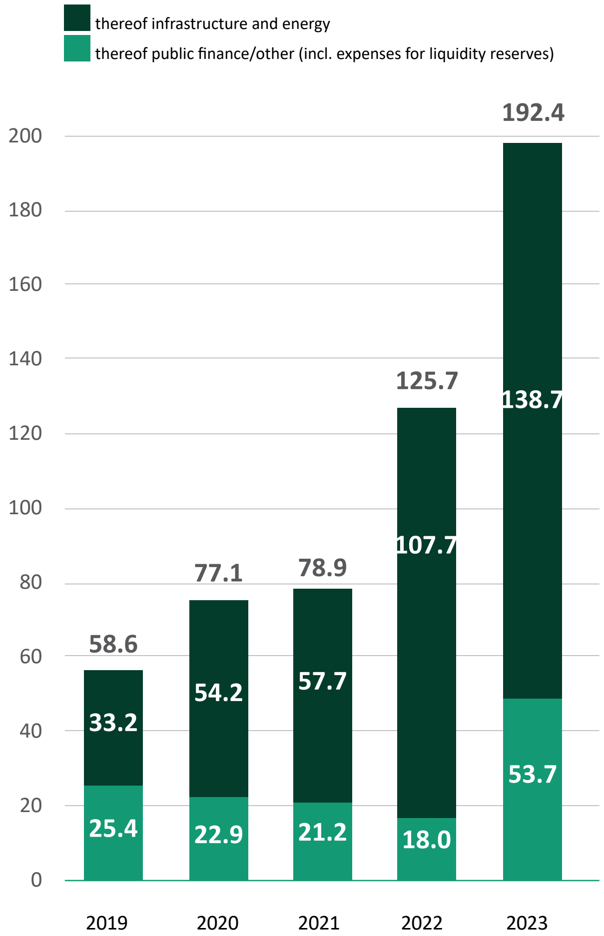
Cost-income-ratio. in %

(taking into account the KPC cost-plus model on a net basis)

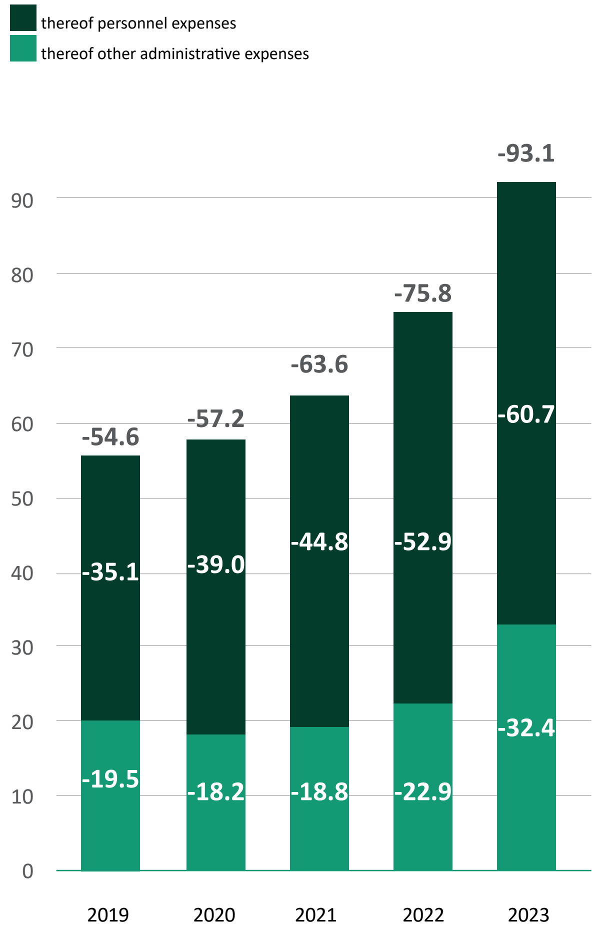


IFRS indicators

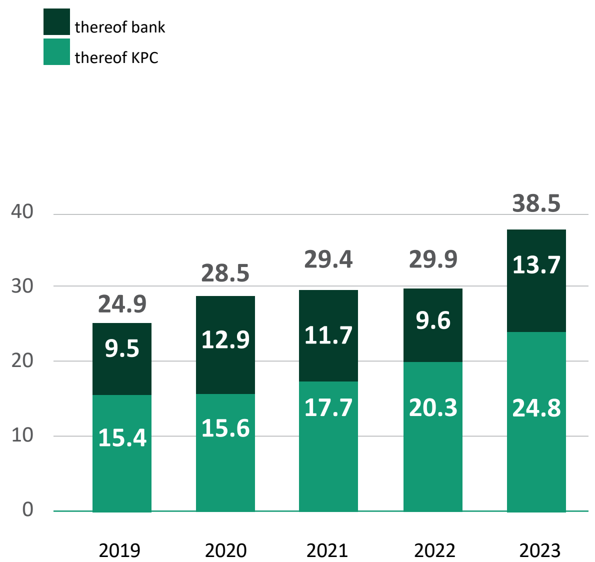
Net interest income. in EUR m



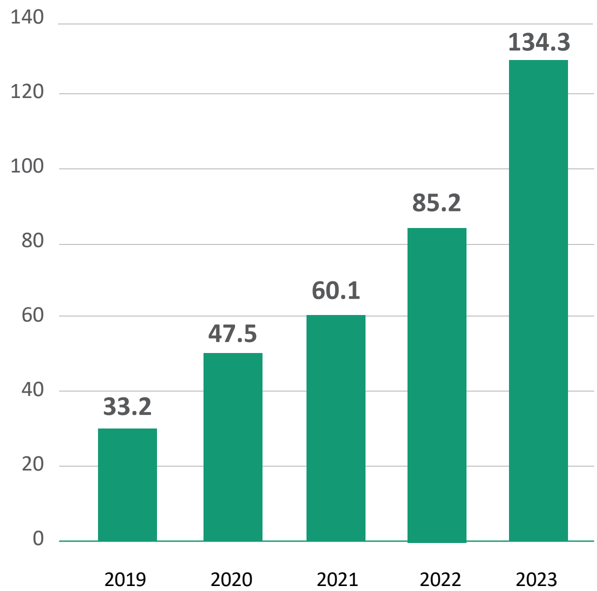
General administrative expenses. in EUR m



Net fee and commission income. in EUR m



EBIT. in EUR m



The main income and expense items under IFRS for 2023 are as follows:

EBIT

EBIT (profit for the year before tax, not including net provisioning for impairment losses or measurement gains/losses) amounted to 134.3m (2022: 85.2m) and comprises the following essential components:

Net interest income

Net interest income increased by 53% to EUR 192.4m (2022: EUR 125.7m). The increase compared to the previous year is mainly due to the further increase in income from the infrastructure and energy portfolio and the higher interest rate environment.

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 business of the subsidiary Kommunalkredit Public Consulting GmbH (KPC) changed by around 28.9% to EUR 38.5 m (2022: EUR 29.9 m). This includes EUR 40.9m (2022: EUR 33.7m) in fee and commission income and EUR 2.4m (2022: EUR 3.9m) in fee and commission expenses.

General administrative expenses

General administrative expenses of Kommunalkredit Group increased by 22.8% to EUR -93.1m (2022: EUR -75.8m) and comprised personnel expenses of EUR -60.7m (2022: EUR -52.9m) and other administrative expenses of EUR -32.4m (2022: EUR -22.9m). 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, as well as the increase in employees at the subsidiary KPC as a result of the recent expansion of the environmental support schemes by the responsible federal ministries. The cost/income ratio decreased despite increased general administrative expenses to 36.7% after 42.8% in the previous year.

Loan impairment, valuation and realised gains

Kommunalkredit's credit portfolio proved to be solid even under the impact of the Russia-Ukraine conflict. The non-performing loan ratio was 1.5 % as of 31 December 2023; The net provisioning for impairment losses reported came to EUR -0.6 m (2022: EUR -1.5 m) and reflects the change in the statistically calculated provision for expected losses under IFRS 9. The net result of asset valuation and realised gains and losses was TEUR -13.7 in 2023 (2022: EUR 16.2). This item included negative valuation effects from financial instruments recognised in profit and loss of EUR -1.5m. (2022: EUR 15.8m).

Income taxes

The tax expense came to EUR -35.2 m (2022: EUR -21.1 m) and includes, in addition to the current tax expense, the change in 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 the current macroeconomic developments 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.

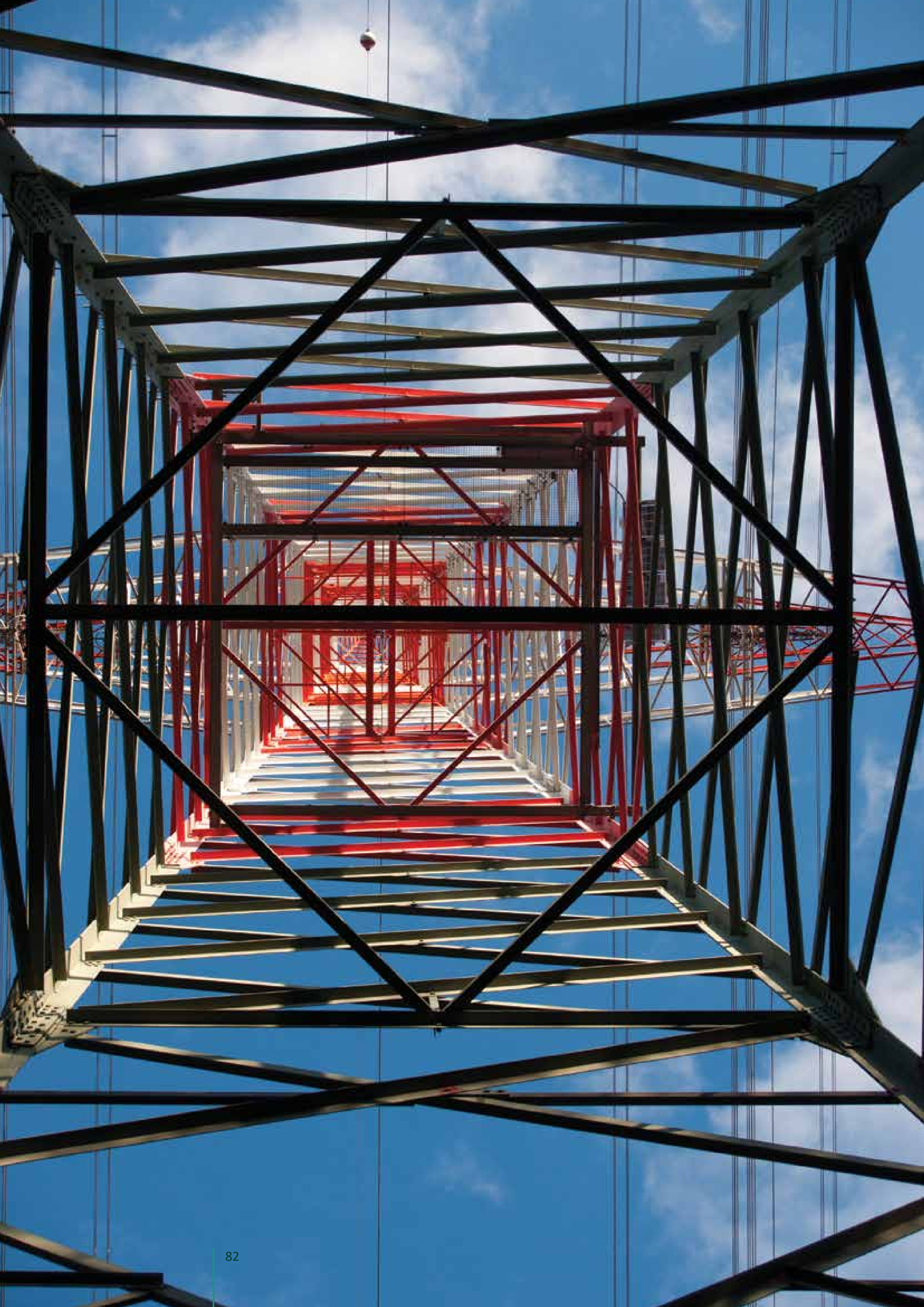
For the PD model, one of the key drivers of the PDs is changes in macroeconomic input parameters. The through-the-cycle PDs fell slightly recently, while slightly improved economic growth as against 2023 is forecast for the eurozone in 2024. Both factors have a positive impact on the point-in-time PDs in the model. By contrast, however, the rating migration trend is less positive than in the previous period (slowdown in positive momentum), even though the number of positive rating changes still exceeds the number of rating downgrades.

The bank's portfolio is solid due to the contractual and structural risk mitigation factors that are typical for infrastructure and energy 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. Nevertheless, a default occurred in two cases. Both of these cases involve government guarantees of 90-95% via export credit agencies (credit rating of the Federal Republic of Germany with only a small residual exposure). This means that repayment of most of the amount is guaranteed in both cases. All in all, including an additional case treated under IFRS as fair value, an exposure volume of EUR 53.4m is in default (non-performing loan ratio of 1.5%, or a net ratio of 1.0% taking account of the ECA cover). There were no new forbearance cases in 2023. One case from 2022 is still in the two-year forbearance probation period. As of 31 December 2023, there were no receivables that had been in default for more than 30 days, with the exception of the receivables in default as referred to above.

As of 31 December 2023, a total of three exposures from the bank's loan portfolio with an exposure amounting to EUR 45m were recognised in ECL 2 (lifetime ECL).

Net provisioning for impairment losses amounted to EUR -0.6 m for the period from 1 January to 31 December 2023. This was the result of new business, rating changes, level transfers, the recognition of new valuation allowances and the PD update.



Financial performance in the separate financial statements of Kommunalkredit Austria AG under Austrian GAAP

Kommunalkredit Austria AG has reported an operating result of EUR 135.9m for 2023 under Austrian GAAP (2022: EUR 57.5m). EBIT, which adds the operating result from the sale of assets and 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 127.3% or EUR 77.9m to 139.1m (2022: EUR 61.2m, the changes in the bank's operating earning strength in the 2023 financial year. Based on EBIT, this results in a markedly reduced cost/income ratio of 35.1 % (2022: 47.8 %).

Other loan impairment, valuation and sales result amounted to EUR -3.6m (2022: EUR 12.0 m). The statistically calculated risk provisions for expected credit losses increased slightly by EUR 1.2m and came to EUR 7.5m as of 31 December 2023. Moreover, for reasons of prudence and in view of the specific risks associated with the banking business, there is a provision pursuant to § 57 (1) of the Austrian Banking Act (reported under loans and advances to customers) amounting to EUR 1.65m as of 31 December 2023 (31.12.2022: EUR 4.95m). The NPL ratio amounted to 1,5 % (net after considering ECA coverages at 1.0%).

At EUR 135.6m the profit on ordinary activities was 93%, or EUR 63.8m, above the previous year's figure of EUR 68.5m The tax expense 2023 amounted to EUR -35.1m (2022: EUR -16.2m). The profit for the year after tax increased by 43% to EUR 100.4m (2022: EUR 70.2m). The total equity and liabilities in accordance with Austrian GAAP as of 31 December 2023 came to EUR 5.8 bn (31/12/2022: EUR 4.6bn). The main asset items in the statement of financial position were loans and advances to customers amounting to EUR 3.8bn (31/12/2022:EUR 3.0bn). Bonds and debt securities, which mainly include securities from the liquidity book, amounted to EUR 0.4bn as of 31 December 2023 (31/12/2022: EUR 0.4bn). Customer liabilities of EUR 3.3bn (31/12/2022: EUR 2.3bn) and securitised liabilities of EUR 1.6bn (31/12/2022: EUR 1.5bn) represent the largest refinancing items under equity and liabilities.

Kommunalkredit's equity amounted to EUR 491.7 m as of 31 December 2023 (31/12/2022: EUR 391.3m). The bank also still has EUR 40m from a fund for general bank risks according to § 57 (3) of the Austrian Banking Act (BWG).

Selected income statement under Austrian GAAP

in EUR m or %	31/12/2023	31/12/2022
Net interest Income	**173.0**	**94.5**
Net fee & commision income	32.2	21.3
General administrative expenses	-73.0	-62.0
Other operating income	5.4	5.1
Other operating expenses	-1.0	-1.2
Operating result	**135.9**	**57.5**
Net allocation to provision (§57 (1) Austrian Banking Act)	3.3	-0.9
EBIT	**139.1**	**61.2**
Other loan impairment, valuation and sales result	-3.6	12.0
Profit for the year before tax	**135.6**	**68.5**
Result from restructuring	0.0	17.9
Income taxes	-35.1	-16.2
Profit for the year	**100.4**	**70.2**
Cost/income ratio bank standalone	35.1%	47.8%
Return on equity before tax	31.4%	24.7%
Return on equity after tax	23.3%	20.0%

Branch office and equity investments

Vienna (headquarters) and Frankfurt am Main (branch office) are the hubs from which Kommunalkredit operates as an infrastructure and energy financing specialist focusing on Europe. 240 employees at the bank and 161 at its environmental subsidies and consulting subsidiary are responsible for its performance.

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 classified as strategic investments or shares in affiliated companies. The companies associated with the bank's real estate (which serves as its corporate headquarters) are mainly held to support its core business.

Kommunalkredit Public Consulting GmbH

Investments in infrastructure and measures to combat climate change are essential for our society. Kommunalkredit Public Consulting GmbH (KPC) makes a material contribution to these goals with its **subsidy management** and **consulting** business segments. It is an expert and competent partner for climate action and environmental protection projects in the fields of renewable energy, energy efficiency, climate-friendly mobility, urban and protective water management, the circular economy, biodiversity and remediation of contaminated sites. With its broad and in-depth knowledge of topics relating to the environment, climate and energy, KPC is also a recognised partner in the field of **sustainable finance**, particularly at an international level. 90% of its shares are held by Kommunalkredit.

Subsidy management

Demand for environment-related subsidies remained high in 2023. KPC awarded subsidies with a volume of EUR 1,735m (2022: EUR 1,273m), in particular on behalf of Austria's Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), Ministry of Agriculture, Forestry, Regions and Water Management (BML), Climate and Energy Fund and Ministry for Arts, Culture, Civil Service and Sport (BMKÖS).

Overall in 2023, a total of 633,403 climate action and environmental protection projects (2022: 414,355) were evaluated, with an investment volume in excess of EUR 7.1bn (2022: EUR 6.0bn). This is equivalent to an **increase of around 53%** against the same period in 2022.

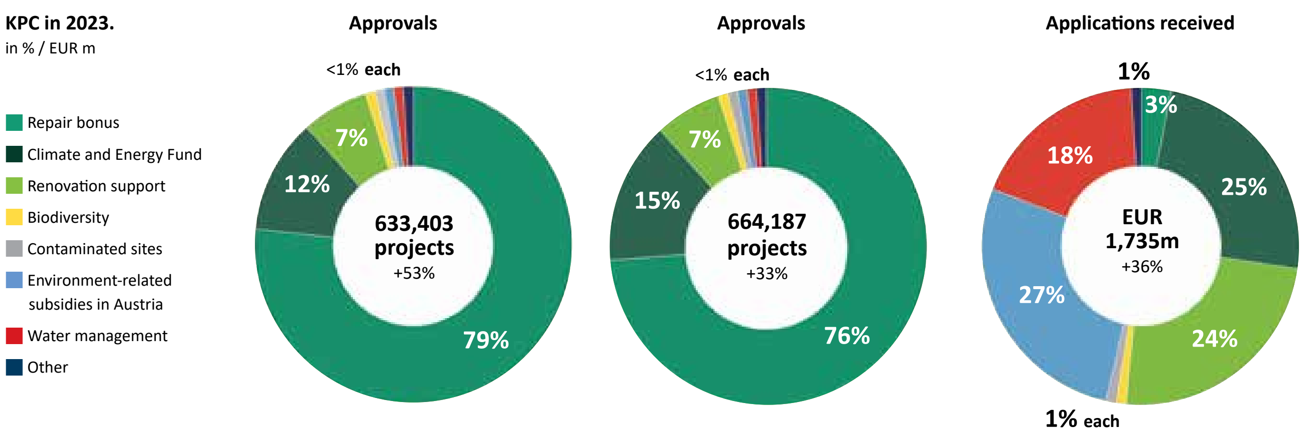
+53%
projects

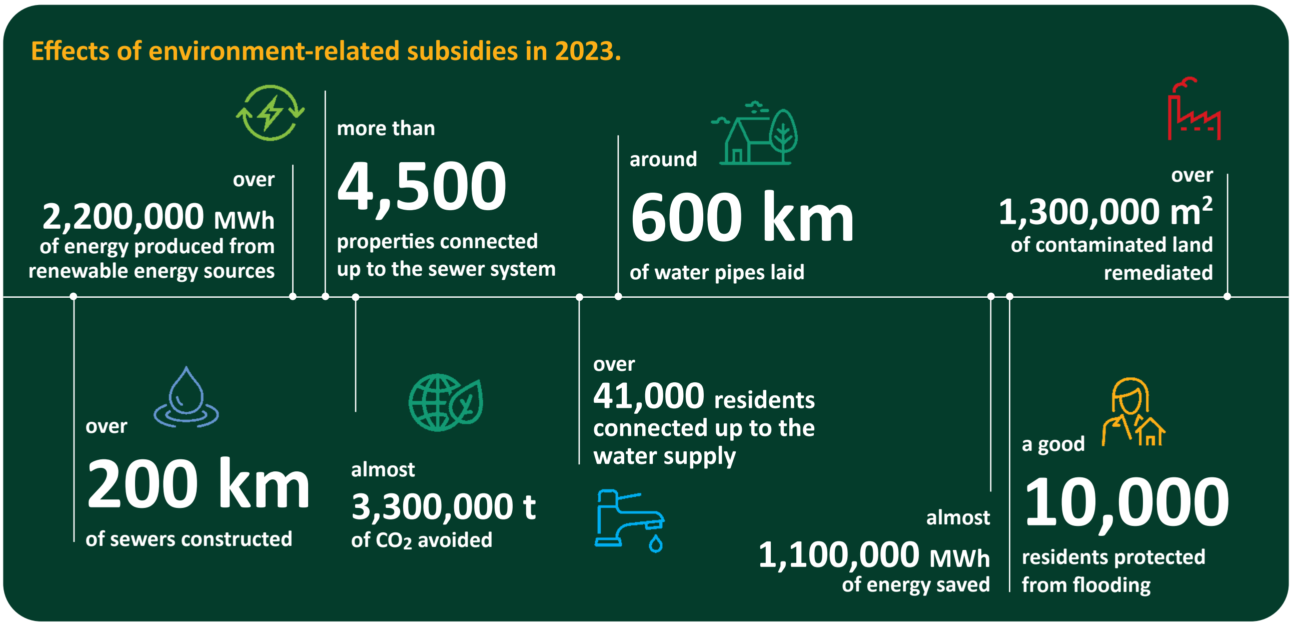
To assist with the Austrian government's climate action efforts and the revival of the regional and local economy, **subsidies** for all climate-related funding instruments were **significantly increased** in 2023, reaching an unprecedented volume. Consequently, demand for subsidies rocketed: around 33% more applications were submitted than in the previous year. KPC acts as the **interface** between the funding agencies which provide financial resources and applicants. It oversees a project throughout the financial support process. Its duties also include the development and implementation of subsidy programmes. In 2023 these included, for example, subsidy programmes aimed at transforming industry and the economy in order to achieve carbon neutrality, revamping cultural institutions as part of the "Klimafitte Kulturbetriebe" (Climate-friendly cultural enterprises) programme and supporting thermal upgrade measures and boiler replacements in buildings for vulnerable individuals. In addition, a subsidy scheme was launched as part of the Biodiversity Fund, while further funding was made available for circular economy-related subsidies.

Consultancy services

As a consultant, KPC successfully provides services for national and international development organisations and financial institutions. In terms of its international consulting activities, KPC focuses in particular on the fields of energy, climate action and sustainable finance. Its core tasks here comprise **technical and**

KPC in 2023.
in % / EUR m





economic consulting, studies, transfer of know-how and policy advice as well as project evaluation services and the development of sustainable credit facilities. Clients include prestigious 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 Co-operation and Development (OECD) or Germany's Kreditanstalt für Wiederaufbau (KfW).

COP28
participant

In terms of **climate policy consultancy** for the BMK, KPC provides direct support to the Austrian negotiation team for the climate negotiations at EU level and at international UN climate summits (such as COP 28 in Dubai). KPC also acts as an advisor to the Austrian **representative to the Green Climate Fund** (GCF), a funding instrument for international climate projects that provides money for schemes to reduce greenhouse gas emissions and enable adaptation to climate change in developing countries.

In the field of bilateral climate project funding, KPC manages climate action projects funded directly by the BMK to support climate action measures in developing countries and emerging markets. **The first programme call for climate action projects** was drafted and published as part of this funding programme in 2023, resulting in nearly EUR 10m in funding being awarded for projects in developing countries.

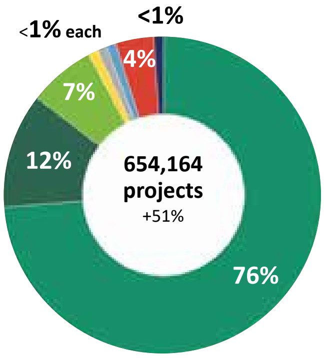
In 2023, KPC prepared a total of 34 project applications with a potential contract volume of EUR 34.6m and submitted them to institutions inviting tenders. Twelve attractive new contracts were signed, together with extensions of existing mandates, with an overall contract volume of EUR 4.3m.

Climate Austria

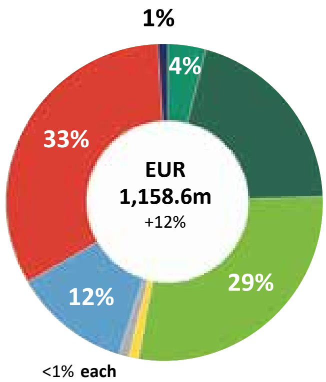
Voluntary climate action remained a key issue for the general public in 2023, and many companies are actively seeking opportunities to implement voluntary climate action measures. KPC has been managing Climate Austria since 2008, drawing on its long-standing experience of climate action projects in Austria and beyond. Climate Austria calculates and evaluates companies' climate-related activities and allows them to make an **active contribution to climate action** for all of their carbon emissions that cannot be avoided through carbon saving and efficiency measures.

To date, more than 400 national and international climate action projects have received support totalling around EUR 3m via this cooperation model. In 2023 alone, almost 20,000 tonnes of CO_2 were avoided thanks to national and international climate action schemes.

Settlements/outflows from projects



Settlement/outflow volume



Fidelio KA Infrastructure Opportunities Fund platform

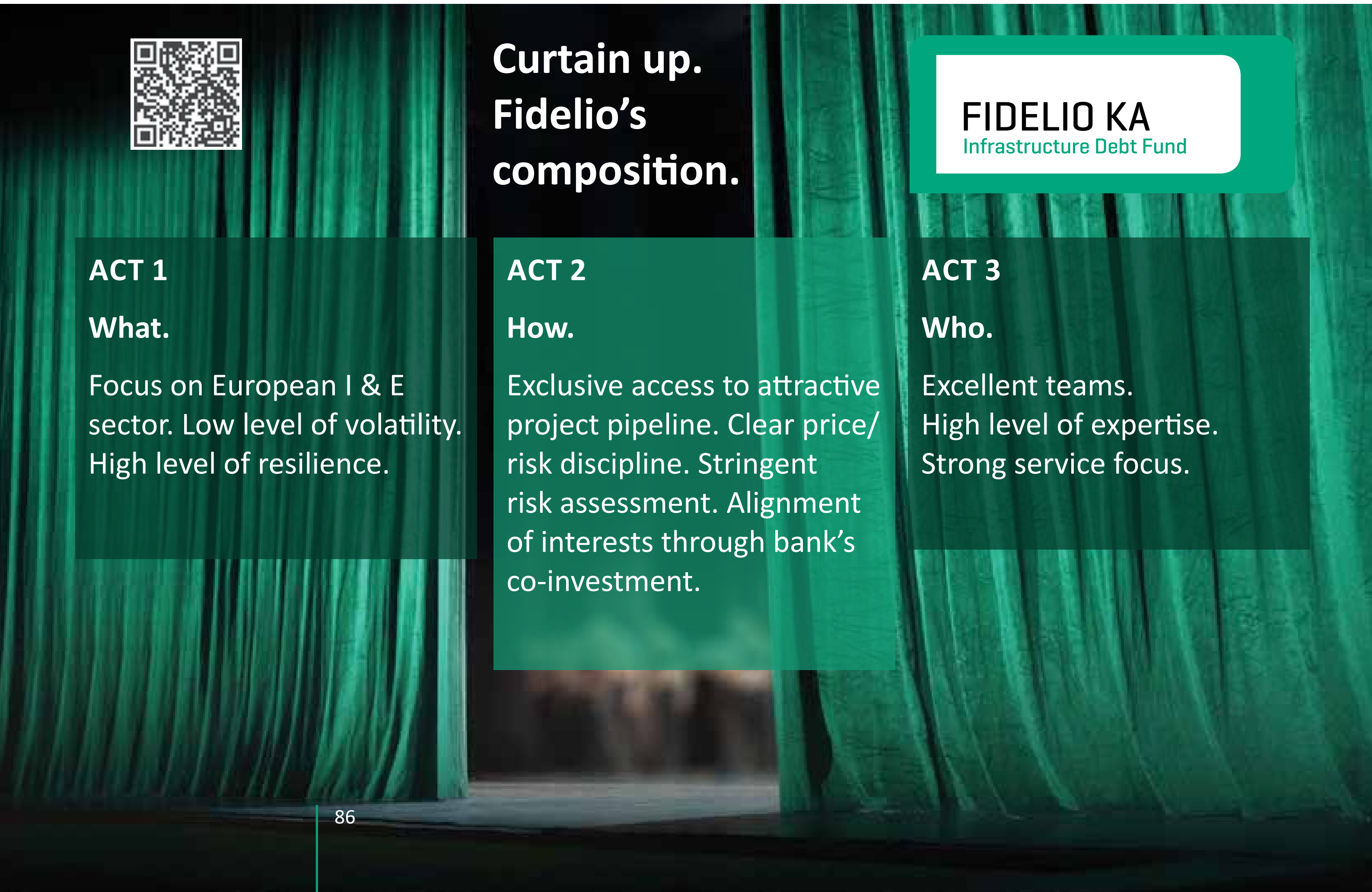
With the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA, Kommunalkredit offers an infrastructure debt fund platform that gives professional investors **diversified access to the bank's infrastructure pipeline**. Investors can make use of Kommunalkredit's strong acquisition, structuring and portfolio management expertise in the field of sustainable European infrastructure and energy projects that benefit the public. In return, the bank derives advantages from in-depth strategic partnerships with the fund investors. The fact that Kommunalkredit enters into its own investments in parallel with the fund allows it to present itself as a dependable partner with aligned interests.

The "Fidelio KA Infrastructure Debt Fund Europe 1" sub-fund has been fully invested since late 2021 and is now mature. The fund combines a **broad range of sustainable projects linked to infrastructure and energy investments** that deliver a significant contribution to the Sustainable Development Goals (SDGs). Its investments have registered a stable performance throughout the persistent challenges and crises of the past few years. At the end of 2023, the bank invested a further EUR 172.4m in infrastructure and energy transactions alongside the first sub-fund's investments in the same transactions. Kommunalkredit is also a shareholder in the fund. The second sub-fund, "Fidelio KA Infrastructure Debt Fund Europe 2", is an Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR) and was launched in August 2022. This fund also concentrates on structured infrastructure and energy projects in Europe which are classified as "investment grade" in terms of their weighted average. This sub-fund places even greater emphasis on **ecological and social issues** in its asset selection.

This assessment is based on a rigorous three-stage evaluation: (i) SDG screening, (ii) exclusion criteria and (iii) ESG analysis. This allows us to support the EU's goal of redirecting capital flows towards sustainable investments. As of 31 December 2023, the bank had invested EUR 78.9m in infrastructure and energy transactions in parallel with this second sub-fund.

While investors worldwide remain circumspect about entering into new infrastructure debt investments due to the difficult market environment, Kommunalkredit regularly holds discussions with potential institutional clients regarding further fund concepts. Sustainability and green transition issues are particularly strong areas of focus. As the exclusive asset sourcer for the fund platform, Kommunalkredit regularly acquires and structures attractive new projects related to this. We focus on a combination of financial success and positive social and ecological impacts. By making targeted investments in sustainable projects and technologies, we create added value for our investors and for society.

We are infrastructure experts. As a bank. As a fund platform. But best of all as both.



Florestan KA GmbH

The project development company Florestan KA GmbH pursues the goal of driving forward infrastructure and energy projects with development and growth potential. It does so by providing equity funding. Fore example, Kommunalkredit is investing in the construction of the **largest electrolysis plant in Austria** at Schwechat Refinery in a joint scheme with OMV, Austria's leading oil, natural gas and chemical group. With an annual output of up to 1,500 tonnes of green hydrogen, the refinery's carbon footprint will be reduced by up to 15,000 tonnes per year. The plant is expected to enter into service in 2024.

15,000t
of CO_2 per year

Kommunalkredit has 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 any initial investment, as the company itself finances the rooftop photovoltaic systems, erects them on the roof areas provided and leases them on a long-term basis. Customers receive all of the electricity generated by the system and can either use it in their building or else feed it into the public grid. This model allows the bank to provide direct support for the climate targets of the Austrian government.

Kommunalnet E-Government Solutions GmbH

Kommunalkredit holds a 45% equity share in Kommunalnet E-Government Solutions GmbH (Kommunalnet); 45% is held by the Austrian Association of Municipalities and 10% 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 relevant databases for municipal authorities and serves as an information and communication hub for the federal, provincial and municipal authorities. Kommunalnet is an official component of the Austrian eGovernment Roadmap.

On 31 December 2023, **the network incorporated 18,414 registered users** representing 2,107 Austrian municipalities and municipal associations. This gives Kommunalnet a unique position in the municipal sector and an exceptionally large market share of 98%. Accessed almost 10 million times, the portal is a sought-after source of information for representatives of municipalities.

2023 saw the further expansion of direct sales activities for Loanboox (for municipal financing) and Reisswolf (digitalisation of construction files), as well as the expansion of the "Tatort Gemeinde" ("The municipality is where it all happens") and "Expertentalk" ("Expert talk") video formats. The expiry of the login function for Austria's "Citizen Card" at the end of November 2023 meant that the implementation of ID Austria, a replacement for the Citizen Card and mobile phone-based signature scheme, was on the agenda. In addition, a new forum was launched. 2,700 municipal employees discussed a wide range of issues up to the end of the year.

98%
market share

In the fourth quarter, preparatory work began for two new products in the IoT (Internet of Things) and AI (artificial intelligence) fields. These are to be rolled out in 2024.

Kommunalkredit TLI Immobilien GmbH & Co KG

Kommunalkredit TLI Immobilien GmbH & Co KG owns and manages the properties at Tuerkenstrasse 9 and Liechtensteinstrasse 13. The offices on these properties are mainly leased to Group companies.

Employees

Kommunalkredit's most important asset is its employees. Their satisfaction and the bank's success go hand in hand. The bank's excellent performance largely depends on collective commitment and achievement. We can only attain our goals by working as a team.

The individual expertise and personal abilities of our employees are every bit as diverse as the sustainable infrastructure sector. The **diversity** of our employees is indicative of a modern, dynamic business. As of 31 December 2023, 27 nationalities contributed to our strong corporate culture. Respect and appreciation, fairness and acknowledgement of each other's skills, privacy and individual needs – all these are key. 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.

27
nationalities

We abide by the fundamental principles of the International Labour Organization (ILO), paying particular attention to the basic rights of freedom from discrimination and work safety, which are also reflected in our **Code of Conduct**. > Business ethics page 51

Responsible business management underpins our long-term success. Professional standards and basic ethics are the norm in our day-to-day business and are laid down in our Code of Conduct. Compliance with them is essential for us: they safeguard the reputation and continued existence of the company and make 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 mutual courtesy are fundamental.

Passion drives our success

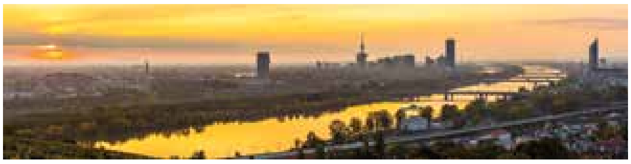
As an employer, we offer attractive employment opportunities in a dynamic and exciting environment. We realise infrastructure projects every day, which improve the quality of people's lives and provide tangible benefits for society. **Creativity**, initiative and personal development are encouraged in order to provide top-class results with speed and precision.

Having the trust of customers, partner banks, investors, owners, regulatory as well as supervisory authorities, as well as all of our colleagues, is important to us. We continually 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. The sustainability team promotes understanding and ensures compliance with the internal catalogue of criteria.

The advantages of our location

Vienna, a city rich in history and stories, has topped the worldwide ranking for the most liveable city for years. In Mercer's international comparative study for 2023, Vienna was ranked first for the eleventh time. It also came first in the Economist and Monocle rankings. Trend-setting events big and small have defined the history of Kommunalkredit's headquarters in the Alsergrund district of Vienna. The building derives its **special appeal** from the famous personalities, residents and visitors from diverse backgrounds who have passed through its doors. The bank has maintained its headquarters in the Gründerzeit-era palace located in the heart of the city for 30 years now, having consciously opted for this location.



In order to provide the bank's 400 or so employees with appropriate working conditions, the **building** has been undergoing a full-scale renovation since the start of 2023: façades and windows have been refreshed; alongside the renovation of the roof, a new photovoltaics system (100 kWp) has been installed, which will supply green energy in future and has been connected up to the district heating system; all of the building services have been modernised as part of the upgrade of the meeting, event and office areas. The installation created by Viennese light artist Brigitte Kowanz in 2006 has been given new, sustainable illuminants and shines brightly every evening, serving as a **landmark** along the façade of the Türkenstrasse/Liechtensteinstrasse buildings which is visible from far and wide.

These upgrades are set to continue in 2024. Modern cooling and ventilation equipment will provide fresh air, while new furniture will offer an enhanced level of comfort during everyday work. The banking area is being expanded to increase the range of options available for work and meeting spaces. In future, the bank will have its own café and lounge as areas for its employees to relax, while a gym will be provided to help them keep fit.

"Our employees are contributors and shapers of our joint success."

Diversity as a fundamental principle

For several years now, Kommunalkredit has honed in on the topic of gender equality, particularly in terms of equal pay ("**gender pay gap analysis**"). In accordance with EBA/GL/2021/04, remuneration policies must be designed in a gender-neutral manner. This principle of equal pay for work that is equal or of equal value is enshrined in Article 157 of the Treaty on the Functioning of the European Union (TFEU). Based on the results of internal findings regarding the gender pay gap, evidence-based discussions were held and specific steps taken in order to remedy potential unequal treatment and increase awareness of equal opportunities. We have set ourselves the target of eliminating the gender pay gap within equal professional groups by 2025. Reporting and developments relating to diversity issues fall within the remit of the Sustainability Board. > Sustainability governance page 33

45% female employees

In addition to our focus on gender equality, we are paying greater attention to diversity both in our recruitment activities and in our succession planning. The goal is that by 2025 at least 30% of managers at the bank will be female and our talent and junior managers will likewise be drawn from a diverse range of backgrounds. Any service providers (headhunters) we engage are always required to ensure gender equality in their recruitment communication. The proportion of women in Kommunalkredit Group was 45% (and had already reached 34% for management positions) as of 31 December 2023.

34% female managers

Kommunalkredit once again took part in the Wiener Töchtertag [Vienna Daughters' Day] in 2023, having done so for the first time in 2022. Our female managers presented the entire group of companies and its diverse range of sectors and business activities to girls and young women from outside the bank, in order to demonstrate the attractiveness of jobs in the STEM (science, technology, engineering, maths) sector. We also focus on gender-neutral communication and the promotion of women (especially in male-dominated fields) when we attend trade fairs (such as the WU Career Fair). Our female colleagues help to provide reassurance and build confidence in this respect.

Training and education as factors for success

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 a varied range of employment opportunities with room for ideas, impetus and development. We invest specifically in talent 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. Face-to-face communication is just as important to us as a quick, digital point of contact for those interested.

Training, education and personnel development play a significant role in ensuring that employees can identify with the company and thus also in ensuring the success of Kommunalkredit itself. We focus on realising professional and personal potential – not only by holding specialist workshops but also through practical courses for everyday situations designed to boost participants' personal development – across all management levels. As a company operating on an international scale with a multicultural workforce, this includes language courses and work-life balance programmes as well as insights into project financing, financial models and legal and GDPR issues. All of the bank's employees have access to its online learning platform **KA Akademie**, where they receive training on general rules and regulations as well as compliance issues (i.e. working hours, internet safety, business continuity management, information management, combating financial crime, the internal control system, conflicts of interest, operational risk).

For us, personnel development means helping employees in a targeted manner to do their jobs as best they can and to overcome potential challenges that they encounter in their working environment. We also understand personnel development to be a link between our corporate strategy and our workforce. Its purpose is to encourage **commitment** and to **drive development** among our employees and managers. It plays an important role in ensuring that, together, we remain true to our vision and our mission and achieve our goals. Together with education, these form part of the regular target-setting meetings between employees and their managers.

Our top priority is to support and encourage our young employees. A networking platform was created in order to successfully integrate young talent into our company. The **Junior Transactor Pool** is a group of young specialists who undergo a six-year training programme to develop the relevant hard and soft skills for our lending business. The duration of this programme may be shortened if participants acquire these skills more rapidly. Upon completing this training, employees may aim to secure a place on our Senior Transactor Team. Moreover, we continued to pursue our **trainee programme** in 2023 and expanded it. The aim of this company-wide training initiative is to find young, committed individuals and train them to become the managers of tomorrow. Thanks to a regular job rotation scheme, they become intimately familiar with how our business operates. The pace of this programme challenges them to do their best across a range of different roles.

High-potential managers regularly take part in seminars to assess their development prospects. Some of them are subsequently given the opportunity to enrol in management training programmes at prestigious schools and universities (INSEAD, St. Gallen Institute of Management, Stanford etc.). Partnerships with educational institutions and joint training programmes are currently being evaluated. Kommunalkredit employees completed 751 training days in 2022 and 700 days of training in 2023.

Our organisational structure is built on sturdy foundations and solid supporting pillars, as well as overarching responsibility and accountability. Our members of staff should not only see themselves as employees, but also as contributors and shapers. Our common goal is to create an environment where people can develop and apply their talents and gifts to the full.

The working environment should be challenging and performance-centric, but also positive, respectful and healthy.

Our approach also involves commitment to a sound work-life balance. This allows employees to maintain the necessary level of distance and provides the potential to generate momentum, produce ideas and foster creativity.

In 2024, we will continue to focus on expanding knowledge in relation to sustainability issues. The foundations for this were laid by a **strategic training programme**, which will be rolled out and developed further over the next few years. 95% of our employees are to receive training on the topic of “sustainable development”; in our Banking division, awareness will also be raised in relation to the issue of “maximising impact”.

Prevention as a safety factor

The health and safety of our employees are top priorities. Current risks and health burdens are identified, assessed and quickly dealt with. This guarantees continuous improvement in the workplace and provides a **high level of safety** for the people in our company.

In 2023, **healthcare services** provided for our employees included vaccinations and nutritional and ergonomic advice in addition to an annual health check-up. Practice in the use of defibrillators and resuscitation training takes place annually and is intended to improve workplace protection for our employees in the event of emergencies. True to the vision of a modern workplace, when the company purchases new office furniture it now always opts for height-adjustable workstations and ergonomic chairs.
Counselling for employees who find themselves in situations that are difficult to cope with psychologically is provided via an external service provider. To ensure safety at our premises, inspections are carried out with our safety specialist, and evacuation drills and CO_2 measurements to ensure indoor air quality are likewise implemented.

Collective bargaining agreement, working hours models and the Works Council

Employment contracts at Kommunalkredit are subject to the Austrian collective bargaining agreement for bank employees and bankers (Kollektivvertrag für Angestellte der Banken und Bankiers). The collective agreement for employees in the information and consulting fields applies for Kommunalkredit Public Consulting (KPC). All of our employees are covered by a collective bargaining agreement.

As an Austrian bank, Kommunalkredit is required to observe the principles for variable remuneration at banks, as set out in the Austrian Banking Act (BWG) and other legislation. In order to adhere to these legal requirements and to document them in a transparent way, Kommunalkredit has drawn up a remuneration policy that is based on a **remuneration and performance management** system (performance-related bonuses) which complies with the applicable legal framework. Variable remuneration is only paid in line with the principles and processes described within this policy. Qualitative and quantitative targets are set for the year in question at regular target meetings. All employees must fill in and sign a form agreeing on targets. The system is designed such that sustainability, business success and risk assumption are all taken into account. **Flexitime and part-time working models**, as well as opportunities to work from home, help employees to strike a balance between professional challenges and family and other interests.

Kommunalkredit and KPC each have a Works Council at our Vienna site. These two bodies are **committees representing the workforce**, established in order to safeguard and promote the economic, social, health and cultural interests of our employees (Section 38 of the Austrian Labour Relations Act, ArbVG). The fact that the Works Councils are represented on the Supervisory Board means that they are always kept abreast of current business activities. The Works Councils are responsible for doing more than just actively fulfilling their statutory obligations. They engage in a broad range of activities, by organising presentations and cultural events and supporting participation in sporting events, as well as encouraging employees' own initiatives. Any grievances can be raised with the Works Councils. Concerns can also be raised in person or anonymously via an internal mailbox or digitally through the internal reporting channel, in accordance with the Austrian Act on the Protection of Whistleblowers (HSchG), within the scope of our **complaints management system**; alternatively, the ombudsman offices of Kommunalkredit or KPC are available. Employees' direct supervisors and the Human Resources division are naturally also on hand to provide advice.

Benefits for employees

Since January 2014, Kommunalkredit has provided its employees with a tax-free "Zone 100" **public transport ticket** (Jobticket), which is valid in Vienna. This supports the Austrian government's initiative to promote the use of public transport. Other ticket types have been added to the programme since 2021: for example, the company now pays a contribution towards the "climate ticket" ("Klima-Ticket"). 224 employees had taken up the bank's "Jobticket" or "Klima-Ticket" scheme as of the end of 2022, and 286 employees at the end of 2023.

Kommunalkredit promotes employees' **occupational health** in cooperation with the Health Consult health centre. Fixed components of this programme include annual vaccination campaigns (protection against the tick-borne encephalitis virus, hepatitis A and B, diphtheria and tetanus/polio/whooping cough and flu protection) and an annual health check-up, as well as regular occupational health advisory sessions. The bank's occupational health programme also offered eye tests, body fat measurement/BMI calculation, audiometry (hearing test), an "MFT S3 check", a coordination test and a lung function test. In 2023, employees made use of the bank's occupational psychology services and their level of commitment and psychological well-being were assessed.

In the Christmas season, we surprised our colleagues with a large Advent calendar that stretched up through the entire stairwell and contained more than 400 presents. Politically, economically and in view of the energy-related situation, 2023 was just as challenging as the year before. It was marked by inflation, interest rate hikes and rising energy prices – and Kommunalkredit employees were not immune. Although collective bargaining agreements are not automatically adjusted for inflation, the commitment of bank employees was recognised for the second time in succession with a tax-exempt cost-of-living bonus up to the statutory maximum of EUR 3,000 to cushion price increases.

Development in figures

The company's employees are the engine that drives it. As of 31 December 2023, the number of employees of Kommunalkredit Group was 394 full-time equivalents (31/12/2022: 364). Of these, 236 worked at Kommunalkredit Austria AG (31/12/2022: 224), while 158 worked for Kommunalkredit Public Consulting GmbH (31/12/2022: 140). Of the 236 banking employees, 13 (plus one on paternity leave) were based at the branch office in Frankfurt am Main.

Our employees' average age was 40. The share of university graduates remained at a high level of 62%. Six women were on parental leave as of 31 December 2023; during the year, two employees took paternity leave and two took a "dad month" – as provided for in the collective bargaining agreements for births since 1 July 2011 – or "family leave" – which has been granted for births since 1 March 2017.

40
is the average age

> GRI indicators on page 202

The Performance Management Tool which was implemented in 2022 paid off in 2023 and represents a milestone in the digital activities of the Human Resources division. This transparent, fully automated, paperless, GDPR-compliant and user-friendly tool has taken annual and semi-annual appraisals to a new level for employees and supervisors alike, with accelerated and integrated processes. In the context of fact-based HR management, Kommunalkredit analyses the key performance indicators and is thus able to provide targeted recommendations for action.


Vienna on the Danube
Halyna | Structuring & Execution
Frankfurt on the Main
Andrea | Vorstandsassistenz
Guillaume | Human Resources
Yigit | Risk Controlling
Spatial security
Flexible working time models
100% Green power
Jose |Structuring & Execution
Anna | Banking
Expertise
Barbara | Finance
45% Share of women
Jovan | Credit Risk
Christian | Banking
394 employees
Jacek | Credit Risk
Angela | Banking
Sustain-ability in our DNA
Occupational health care
Moemen | Traineeship
700 Training days
Philipp | Legal Counsel
62% Share of aca-demics
Shega |Finance
Roman | Banking
27 Nationalities
Karin | Markets
Young Network
Olavi | Banking
Dmitrii | Structuring & Execution
Elisabeth | Stakeholder Coverage
Infra Think Tank
40 Average Age
Roland | IT
Gülhan | Banking Operations

Communication

In a constantly changing world, open dialogue is fundamental to responsible governance. Kommunalkredit carefully cultivates its relationships with society, customers, business partners, investors, the media, regulatory authorities, shareholders and, of course, its employees.

Kommunalkredit is not a traditional bank: it is a **think tank** in the universe of sustainable infrastructure, aiming to link complex relationships and initiate projects that provide benefit to the community. This allows Kommunalkredit to appeal strongly to partners, potential colleagues, competitors and the media.

The subsidiary Kommunalkredit Public Consulting (KPC), which has expertise in energy and energy efficiency, climate and environmental protection, water management and development finance, plays an important role as a hub for environmentally relevant subsidies and consulting, is increasingly the focus of interest, especially given the climate targets we are aiming for.

Kommunalkredit CEO Bernd Fislage on the KroneHit-Studiostunde radio programme.

Promoting engagement

As a **specialist** for infrastructure and energy finance as well as public finance, Kommunalkredit is a sought-after advisor and a provider of public finance. It acts as a point of contact for both companies and investors active in the construction, acquisition and/or operation of infrastructure and energy projects. It is also a pioneer in sustainable approaches throughout Europe, far beyond its home market of Austria.

To engage with our stakeholders, we rely on a broad **spectrum of communication channels**. These include personal communication methods as well as digital media, conventional PR work and direct marketing. We report on completed transactions, sustainability-related achievements, exciting infrastructure facts and interesting events through our online channels. We also offer insights into the genesis of the bank and the DNA of our employees.

For our **podcast series "Stadt I Land I Fluss",** we invite national and international experts to take the microphone and talk and answer questions on sustainable infrastructure. Through social media and our website, we invite interested persons into the world of Kommunalkredit, where we are working daily on solutions for a sustainable future.

In 2023, supporting the implementation of national and international climate targets and reinforcing regions in the area of infrastructure switched the emphasis to the personal approach, long-term contact with partners and transparent relationships with the media. As a bearer of know-how and sparring partner, we were able to apply our **expertise** to press meetings, events and day-to-day business. Our experts also attended numerous events in Austria and abroad, from the PV Kongress and CSR Day (both held in Vienna) to the ESG Congress (Berlin) to the Kommunalwirtschaftsforum [Municipal Economic Forum] and Young Mayors' Meeting, infrastructure, technology and environmental forums and the international climate conference in Dubai (COP28).

Our proximity to the towns and cities of Austria has a long tradition. Advising on and financing public sector infrastructure investments (**public finance**) and advising on**subsidy schemes** through KPC are important components of our business model. Cooperation with the two main municipal decision makers continued in 2023; Kommunalkredit was represented both at the Congress of City and Town Authorities held by the Austrian Association of Cities and Towns in Bad Ischl and at the Congress of Municipalities held by the Austrian Association of Municipalities in Innsbruck.

Activities were also undertaken for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for retail customers). The website hosted by KPC (www.umweltfoerderung.at) was massively expanded in response to the increase in the subsidy budget for renewable energies and retrofitting measures by the Austrian government.

Kommunalkredit CEO Bernd Fislage (left) with Thierry Déau, CEO of global infrastructure investor Meridiam, at the MUNICIPAL SUMMER TALKS.

Networking at our own events: host Bernd Fislage (right) with Palfinger CEO Andreas Klauser.

”Our World. Balancing Solidarity and Resilience” was the slogan for the **2023 MUNICIPAL SUMMER TALKS** held in Ausseerland, to which we welcomed more than 350 national and international representatives from politics, industry, science and the media. This event format, which was initiated in 2005 together with the Austrian Association of Municipalities, has evolved into a high-level international forum.

In the course of our investor relations activities, we are in close contact with investors, analysts and business partners, providing them with up-to-date information on our finances and sustainability activities. In the process, we offer our stakeholders a continuous overview of the current performance of Kommunalkredit. Furthermore, **investor and analyst webcasts** were held in 2023 along with a large number of face-to-face discussions and meetings.

Sharing the success

When the last COVID-19 measures ended mid-2023, the focus switched back to social events. In addition to our in-house summer party, Kommunalkredit supported the 195th anniversary of piano manufacturer **Bösendorfer** (Ignaz Bösendorfer acquired the bank’s current offices in the mid-19th century), which it celebrated with a **charity concert** organised by Plan International for young women in Africa and the **Kindernothilfe** project. In keeping with the slogan “Be a secret Santa and make children happy”, the Works Council bought 50 gifts and made a financial contribution to an **SOS Children’s Village** in Vienna. We supported the Austrian **Wald4Leben reforestation project** through the purchase of 1,000 trees.

In our internal communications, we set great store by an open flow of information and respectful conduct within the company. Regular and transparent information as part of scheduled town hall meetings (live or online) and newsletters as well as information from the Executive Board and the intranet complement our communication flow to our employees. Information from the Sustainability Team and the Works Council has helped to drive active exchanges.

“We are actively promoting dialogue towards a sustainable infrastructure ... across all our communication channels.”















MUNICIPAL SUMMER TALKS 2023

SNIPPETS

“In our globalised world, in an era of multiple crises, our planet, our society and our economy are facing unprecedented challenges. A paradigm shift is inevitable. In a world that until recently was still striving for permanent efficiency, we are now in a time of comprehensive resilience and the postulate of solidarity.”

"One technical challenge is to store summer electricity for use in winter. This will be achieved with hydrogen and other technologies. We also need to convert daytime electricity for use at night, for example using lithium-ion batteries. Storage is a very important topic."

Martin Graf,
CFO Energie Steiermark

"Empty buildings must be revitalized. Since this involves such issues as densification, regional building materials and power storage facilities, municipalities will constitute an important hub in terms of linking supply and demand."

Theresa Mai,
Managing Director WW Wohnwagen

"Solidarity as practised in local communities is visible and tangible, particularly in times of crisis."

Erwin Dirnberger,
Vice President of the Austrian Association of Municipalities

"It is very difficult for individual industries to make additional energy savings. We need to extend electricity price compensation to 2030, as we have seen in other countries."

Peter Koren,
Deputy Director General of the Federation of Austrian Industries

"The grids are no longer strong enough. Electricity generated from the numerous wind farms and solar installations are now making a difference. The generation side has been converted much faster than the grid."

Gerhard Christiner,
Chief Technical Officer of APG Austrian Power Grid

"We are living in very exciting and challenging times, in which we have to deal with a simultaneous wealth of breakthroughs that provoke and even overwhelm us at times. ... the Europe of old is history, and the new Europe has not quite emerged."

Wolfgang Schüssel,
former Federal Chancellor of Austria

"We already have the technical conditions in place, such as suitable pipelines for transporting pure hydrogen. We need to put in place the right regulatory measures and establish investment security to implement actual projects."

Bernhard Painz,
Executive Board Member at Austrian Gas Grid Management

"Given that carbon dioxide cannot be ruled out of every process, it is all the more important that we use it efficiently. We are therefore combining it with renewable H_2. The 'synthetic oil' we derive from this can be used in the production of commodities."

Sorin Ivanovici,
OMV Refining & Marketing

"We are seeing more and more topics on which we need to collaborate, yet our ability to cooperate is declining. The three Cs – cooperation, competition and confrontation – will have to define the foreign policy strategy of the future."

Sigmar Gabriel,
Chairman of Atlantik-Brücke e. V., former German foreign minister

"The older generations will also have to embrace new trends. New technology, in particular, opens up great opportunities for the future."

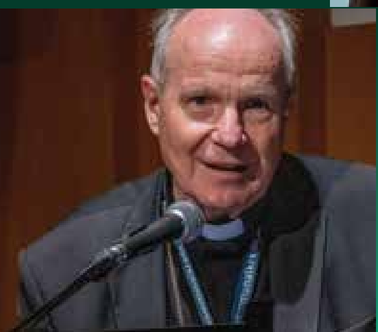
Claudia Plakolm,
State Secretary for Youth and Civilian Service in the Federal Chancellery

"We all have to commit to working together to achieve a carbon neutral economy and society. Climate protection and growth are not mutually exclusive [...] but it will take time.

Walter Oblin,
CFO and future CEO of Österreichische Post

"The reality of the green transition is plain to see, but there is a huge gap between what we say and what we do...We need good ideas, exciting innovations and brave people to create this green revolution."

Bernd Fislage,
CEO Kommunalkredit



"Our grandparents' generations survived two world wars. Why should today's young people be unable to tackle the challenges we are facing?"

Cardinal Christoph Schönborn,
Archbishop of Vienna

"Everything that is happening now in our world and in our society directly affects the municipalities. We only realise how good the social cohesion is when things get difficult."

Andrea Kaufmann,
Vice President of the Austrian Association of Municipalities

"A great deal of reform is needed to create resilience in the electricity market. We urgently need to expand the electricity grids in particular. Boosting investment will benefit the overall economic situation."

Gabriel Felbermayr,
Director of the Austrian Institute of Economic Research

"The global order is changing. Europe is facing major upheavals. It is not just about climate change. It is also about the fundamental change in the continent's industrial strategy and social balance."

Wilhelm Molterer,
Chairman of the GlobSec Board of Directors,
former Director of EFSI

"Speed is of the essence to achieve carbon neutrality. We can't wait for the politicians to do something."

Gabriele Maria Straka,
Chairwoman of RespACT &
UN Global Compact, Member of the Executive Board of Brau Union Österreich

Research and development

Through its activity as a bank specialising in infrastructure and energy financing, the bank has focused on the transformation of the energy system – and has clearly transcended the role of a funding provider in doing so. No research activities are conducted within the meaning of Section 243 (3) no. 3 of the Austrian Commercial Code (UGB).

In order to counter the effects of climate change, comprehensive investment is required in the fields of infrastructure and energy in particular. Piping, cabling and wiring and connection points for energy, water and human beings must operate sustainably. In the high-growth infrastructure finance market, Kommunalkredit acts as a **bridge** between project sponsors (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds, **with the aim of moving forward with projects designed to meet climate goals**. In doing so, we not only perform the normal role of a bank as a funding provider; together with our partners and customers, we also develop tailored, individual solutions for implementing sustainable projects – all the way from when an idea first takes shape through to its ultimate realisation. We combine industry expertise with structuring know-how, the financing opportunities of a bank and the technical background of our subsidiary specialising in environmental support schemes.

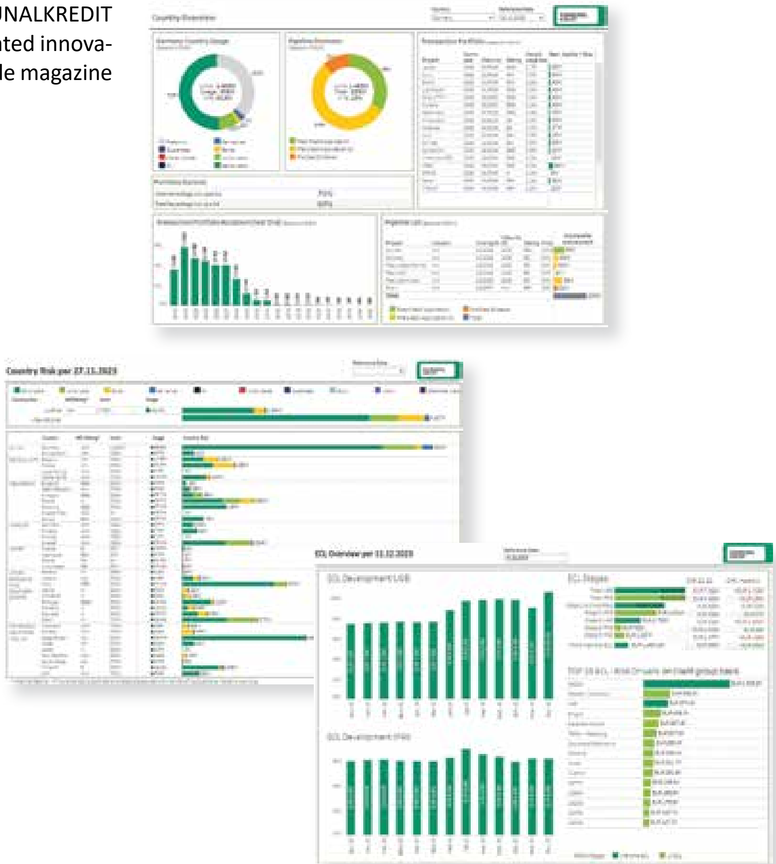
User-friendliness

This area of operations also encompasses investment opportunities for municipalities, businesses and institutional and retail customers, as well as the inclusion of funding schemes. User-friendly, GDPR-compliant **online platforms** play an important role here. In 2023, the bank renewed its strategic partnership with flatexDEGIRO as the basis for its retail deposits platform KOMMUNALKREDIT INVEST. The focus on our business model and our related innovations were once again recognised by the Austrian trade magazine "Der Börsianer" in 2023.

Sustainable focus

Kommunalkredit has a comprehensive **internal management information system** (MIS), which enables a quick and reliable 360° view of the bank's figures and the underlying detailed information. This is based on a data warehouse which collects all the data, structures it and provides a full detailed history. Profitability management in the infrastructure and energy segment has been automated and is now an integral part of our MIS, which is based on the Tableau software package. As part of our ESG activities, we have added relevant classification information to our data universe. We are thus able to measure our portfolio's sustainability in a targeted manner. > Sustainability page 40

In 2023, we sharpened the target vision for our future **IT and application architecture** in relation to our core banking system and decentralised IT landscape, as well as our corresponding new operating models (Cloud first). Over the next few years, we will be switching over to S/4HANA with SAP's core banking system and developing new processes for our Customer Engagement and Deal & Pipeline Management activities, thus laying the technical foundations for our growth strategy.

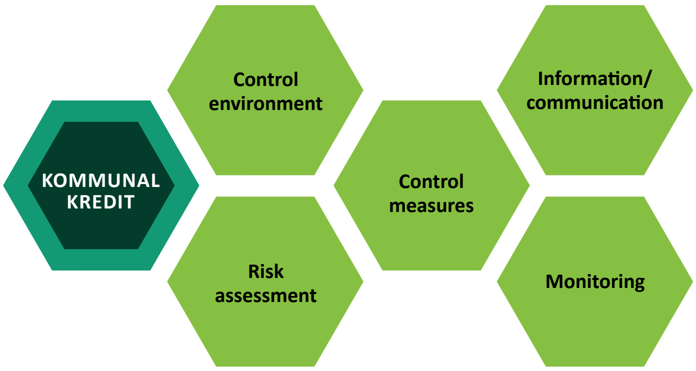


Other material disclosures

Change of control of Kommunalkredit Austria's owners
The envisaged change of control of the owners of Kommunalkredit Austria AG was announced on 7 February 2023 and approved by the Austrian Federal Competition Authority on 1 April 2023. At the time of publication of this report, the regulatory ownership control procedure is still pending at the European Central Bank (ECB).

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

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 with respect to the accounting process. The Audit Committee monitors the accounting process in general as well as the effectiveness of the internal control system.



The Kommunalkredit **internal control system (ICS)** is a component of the company's risk management and serves to help attain the company's objectives. The ICS is integrated in the processes and plays a role in the accounting process.

Risks that could jeopardise the company's objectives need to be identified quickly, and the appropriate measures then taken. To do this, controls are defined in order to minimise or avoid core risks and to safeguard the achievement of the principal business objectives to the greatest extent possible.

Kommunalkredit bases its ICS management approach on the five-component model provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) from 2013:

- Control environment
- Risk assessment
- Control measures
- Information and communication
- Monitoring

Control environment

Kommunalkredit's control environment is shaped by its general **Code of Conduct** as well as specific **policies** and **work instructions.** These are supplemented by a formal organisational structure and procedural organisation (the latter within the scope of an overall process map).

The implementation of the ICS with regard to the accounting process is defined in specific 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 Accounting – are organised into separate divisions. Executive, transactional and administrative activities are clearly separated from one another or are subject to the two-person-review principle. Within the procedural organisation in Finance, standard software is generally used for making entries, cross-checking, controls and reporting. Data and IT systems are protected from unauthorised access. Relevant information is only provided to those employees who actually require it for their work, in line with a "need to know" principle. Results are discussed between divisions where necessary. 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

A two-step risk assessment process is implemented at Kommunalkredit – on the one hand, in order to **define ICS-relevant processes** within the framework of "scoping", and on the other via **analysis** of the **individual processes** described in the overall process map. At Kommunalkredit, accounting processes are classified as ICS-relevant processes in line with a rule-based approach.

The main risk in the accounting process is that circumstances may not be accurately represented in keeping with the company's net assets, financial position and results of operations due to errors or wilful misconduct.

Control measures

Relevant risks are identified on the basis of the individual processes and control points, the respective control objectives, the type of control and the control officer are defined. In a **risk-control matrix** (RCM), the controls allocated to the process in question are defined and assigned to a control officer.

All control measures are applied to current business processes to ensure that potential errors or deviations in financial reporting are prevented or identified and eliminated early on. The software used for accounting and reporting is market-standard software (SAP). As well as automated controls (validations) which are implemented in SAP, manual controls are performed by employees.

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.

Information and communication

Within the scope of the ICS management, the division heads provide semi-annual confirmation of the orderly implementation and documentation of **key controls**.

In addition, all of Kommunalkredit's divisions – in particular, Finance and Risk Controlling within the scope of the accounting process – regularly report to the Executive Board in the form of **monthly and quarterly reports**. The Executive Board is in turn required to report to Kommunalkredit's Supervisory Board. The individual reports include the calculated data for the company (statement of financial position, statement of profit or loss, 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

Monitoring activities within the scope of the ICS are implemented by means of a **structural audit** and a **functional audit**. This includes an appropriate link between the respective risk, control objective and control activity as well as a **spot check audit** of whether controls are actually implemented and documented in an orderly fashion.

The active monitoring of compliance with all rules aims to ensure that all operating processes are as reliable as possible and to ensure compliance with internal and statutory regulations. In case of shortcomings in the control system, remedial and preventative measures will be developed within the scope of the ICS management system and their implementation will be monitored.

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

"We have defined controls to avoid core risks as far as possible and to optimally ensure the achievement of key business objectives."

“We are not simply observers. We are driving things forward, we are an innovator and an incubator for sustainable approaches. We are there from the beginning.”

Risk trends in 2024.[15]

Headwinds for loans

Higher interest rates in the long-term and recession risk
Real estate

Capital flows

Private Markets
Market liquidity and fragmentation

15 S&P Global Ratings – risk trends for 2024 and beyond, www.spglobal.com/ratings/en/research-insights/special-reports/global-credit-outlook-2024, 18/1/2024.

Outlook

We are living through a turning point in history. We expect 2024 to be another challenging year. Geopolitical developments, trade relations and technological advances are all certain to influence the global economic outlook.

Meanwhile, Europe's economic situation is poised for a cautious recovery against a distinctly positive background. Real income, and therefore disposable private consumer spending, are likely to increase while the employment quota is expected to rise again over the years ahead. Approx. four billion people – roughly half the world's population – will elect their governments in 2024 and thereby chart the course for the years ahead; elections will be held in Europe as well as the US, India, a dozen African states, the United Kingdom and Austria.

Macroeconomic environment in 2024

Inflation could remain a key issue in 2024. The slowdown that started in 2023 is expected to continue, with the 2.0% inflation target of the European Central Bank (ECB)[16] unlikely to be reached in 2024; as things stand, this will not happen until 2025. After interest rates peaked at 4.0% (ECB deposit facility) or 4.5% (ECB main refinancing rate), the sharp decline in inflation since September fuelled market speculation that interest rates could be cut as early as the first half of 2024. Although ECB representatives were reluctant to make concrete statements on possible rate cuts in 2024, market rates are now anticipating a first 25 basis point rate cut in April 2024. All in all, as many as five rate cuts of 25 basis points each are expected. The ECB also announced its intention to reduce the purchase programmes in the second half of 2024. From today's point of view, the bank is likely to cease reinvesting the proceeds of maturing bonds completely at the end of 2024.

In the US, the financial markets[17] are currently factoring in an initial easing for May 2024, followed by a total of four to five **rate cuts** of 25 basis points each.

According to market players, the key risks to the economic outlook are associated with geopolitical disruption and tighter central bank policy. The threat of a downturn on the real estate market, the decline in private consumption and stricter monetary policy are seen as other sources of risk. Climate risks will also become increasingly important in the medium term (i.e. over the next five years)

The Austrian banking sector also faces major challenges from geopolitical tensions, inflation and, not least, the significant slowdown in the economy that is expected. These challenges can now be addressed with greater resilience thanks to higher capitalisation since the global financial crisis and substantially increased profitability in the course of the interest rate turnaround. While the funding base will also be largely covered by **stable sources of refinancing** such as deposits and covered bonds, above all the high net supply of covered bonds from Austrian issuers in recent years may prove challenging when placing further issues on the market in the new year. Growing competitive pressure on the deposit side might reduce the interest margin in future.

The European infrastructure market in 2024

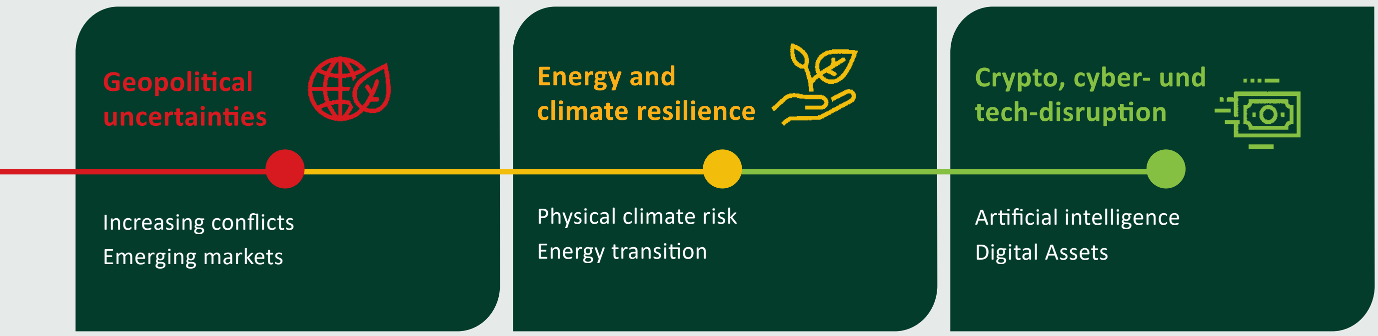
2023 was a demanding year for the European market for infrastructure investment. Although most sectors were very stable, transaction volumes for financing operations were lower. Ultimately, this was a comparatively weak year for fundraising activities by infrastructure funds, on both the equity and the debt side. Higher interest rates and inflation, uncertain economic outlooks and geopolitical tensions will continue to play a role in 2024.

On a macroeconomic level, it was clear at the end of 2023 that the era of interest rate rises by central banks is over, with inflation induced by high energy prices now under control. It is therefore reasonable to assume that this could trigger a marginally positive trend, at least for refinancing volumes, which had fallen sharply in 2022 and 2023.

All in all, **the crisis-resistant nature of the infrastructure sector as a whole** will continue to ensure a continuous flow of deals: in particular, the **success of a rapid energy transition** can only be achieved through private financing for the expansion of re-

16 European Central Bank – Monetary policy decisions, press release, 14/12/2023.

17 Federal Reserve Bank – FOMC statement, press release, 13/12/2023.



newable energies in the medium to long term. Despite all the criticism, this was evident in the final statement at the closing of COP28 conference in December 2023. Aside from the expansion of corresponding capacities, especially in the area of PV solar and wind, momentum is noticeably building in highly promising areas such as biogas/biomethane, EV charging, battery storage etc. With **(heavy) industry** in the areas of steel, cement, aluminium and the agricultural and fertiliser industry making a particularly huge contribution to CO_2 reductions in the future, the sector will be central to **decarbonisation efforts** without being part of the traditional infrastructure sector. Flexible (financing) solutions are needed here to speed up the transition beyond the traditional infrastructure sector. Kommunalkredit is already working on specific projects in the areas of "green steel" and "green aluminium".

The further expansion of **digital infrastructure** is expected to slow down in the broadband segment, increasingly shifting from rollout/capex-dominated structures towards brownfield[18]/M&A situations. Consolidation trends are already evident in some countries, such as the United Kingdom and Germany, where momentum will pick up in the next 6-18 months. However, given that penetration rates remain low in many European countries compared to Northern Europe and Asia, the focus will increasingly be on connecting customers and, to a lesser extent, on expanding the network infrastructure. The infrastructure market also remains very positively inclined to the issue of data centres; a significant increase in transaction numbers across Europe is expected here, which will attract great interest from investors and asset managers.

Kommunalkredit's experience throughout Europe puts it in an excellent position to consolidate its success in M&A advisory.

With regard to **the most important European markets** for infrastructure financing,[19] the following trends are apparent: Italy was less active in 2023 compared to 2022 (the acquisition of Atlantia and the stake in Autostrade per l'Italia in particular had an impact here). Nonetheless, the Italian market remains very positive, especially in the renewable energy sector. The outlook for Spain is even better: recent approvals for a further 40 GW of new projects mean that corresponding financing volumes will be required. The UK market, which has assumed a leading role in pioneering areas such as EV charging and battery storage, remains extremely turbulent. An upward trend is likely in France and Germany in particular, driven by the energy transition in general and the significant expansion of capacities in renewable energies and data centres.

The outlook on the infrastructure market is once again defined by a measure of uncertainty. In spite of this, with its expertise and steadily growing track record, Kommunalkredit enters 2024 with a busy pipeline of suitable opportunities.

Kommunalkredit in 2024

All social and economic activities depend on infrastructure, the essential backbone of the world's developed markets, Our living and working spaces are increasingly urban and global and ever more flexible. Energy and transport networks, care facilities, education centres, utilities and leisure facilities underpin the way of life we are accustomed to. The demographic trend, geopolitical uncertainties and the process of structural transformation are creating additional challenges for us. **Forging ahead with climate protection** remains the utmost priority; rethinking our mobility, pursuing new digitalisation avenues and seeking out innovative solutions for energy use and generation are the new imperative. This requires structural change, shorter communication channels and quick decision-making, plus the will to make a difference and belief in the power of change.

These requirements underline the **value of functioning, modern and sustainable infrastructure**. Energy suppliers, telecommunication service providers, hospitals, nursing homes, alternative drive systems and local public transport will continue to play a key role. The steps necessary to support the energy transition and prevent climate change must be undertaken quickly despite – or because of – the reliance on fossil raw materials.

18 Brownfield projects are existing infrastructure assets, often already operational, with financing restructured mainly through M&A transactions (mergers and acquisitions).

19 Inframation & Sparkspread Database, 18/1/2024.

As a specialist for infrastructure and energy finance as well as public finance, Kommunalkredit will continue to use its expertise to benefit society at large. The infrastructure and energy financing market will continue to play a key role going forward. The bank arranges, finances and consults on sustainable projects in the Energy & Environment, Communication & Digitalisation, Social Infrastructure, Transport and Natural Resources sectors.

Throughout Europe, we are involved in water treatment plants, wind farms, photovoltaic systems, heat generation and distribution, broadband, e-mobility and hydrogen. Naturally, we continue to focus on our home market of Austria, where we are involved in the generation of green hydrogen and the transition to photovoltaics. We also act as a financing and funding partner for Austrian cities and municipalities.

We are not mere observers of this process of change. We are driving things forward, we are an innovator and an incubator for sustainable approaches. Infrastructure is part of our DNA; we live and breathe infrastructure in our daily work – and beyond. We are committed to our slogan ”**THERE FROM THE BEGINNING.**” From project planning through development to financing and realisation.

We will continue to pursue our chosen strategy. Our results are testament to our highly efficient business model and stringent risk management as well as our refreshingly innovative entrepreneurial spirit. We are confident of driving forward our **vision of being the “Green Transition Financing Champion”** even more systematically in future. All to make the future a little more green. Together with you. For the good of us all.

Vienna, 14 February 2024

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

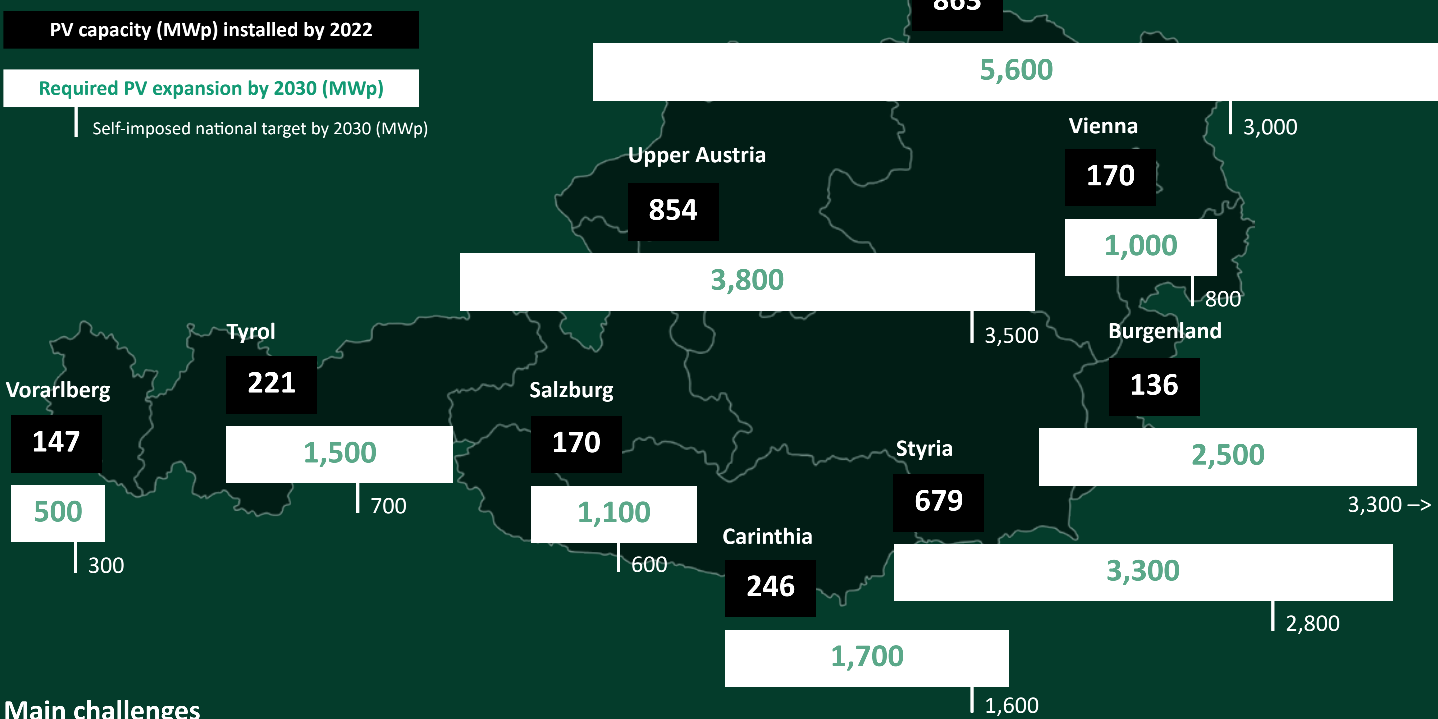
THERE
FROM THE BEGINNING.

Infra facts

The world of infrastructure is multifaceted. The energy transition will be the defining topic of the coming decades. The switch to a sustainable energy supply is now a stated global goal. We are ready to continue to assume responsibility in this context and make our contribution to society. Here we take a look at our Austrian home market.

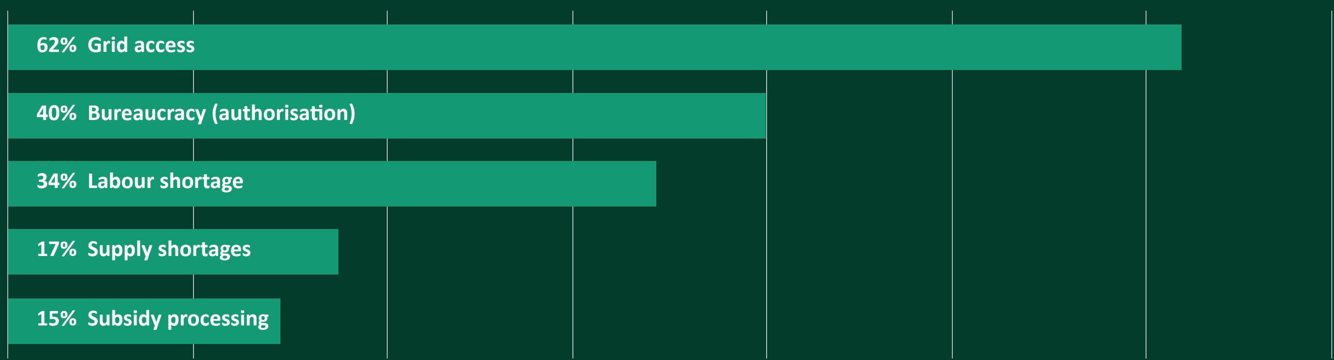
Current and necessary PV output by 2030.

Source: Innovative energy technologies in Austria, market development, Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology 2022; PV Austria.



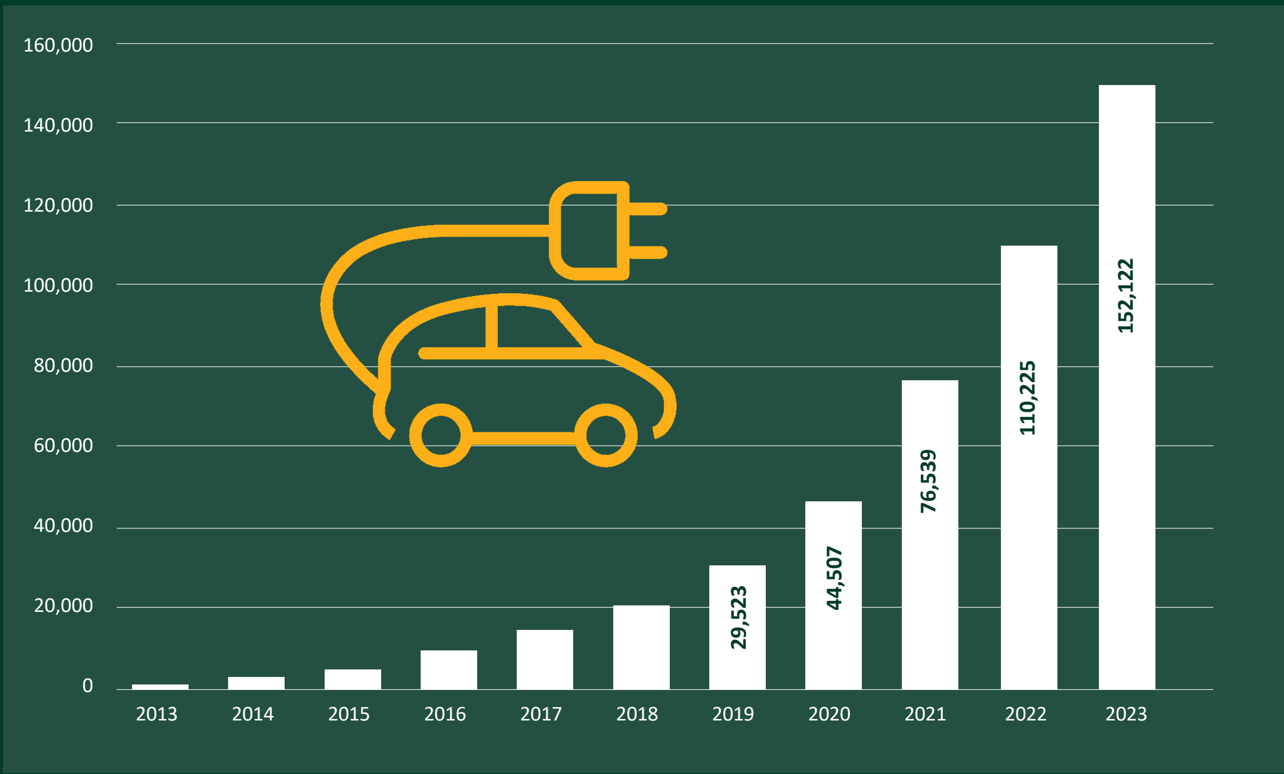
Main challenges to PV expansion by 2030

Source: BEÖ – Austrian Federal Association for Electric Mobility

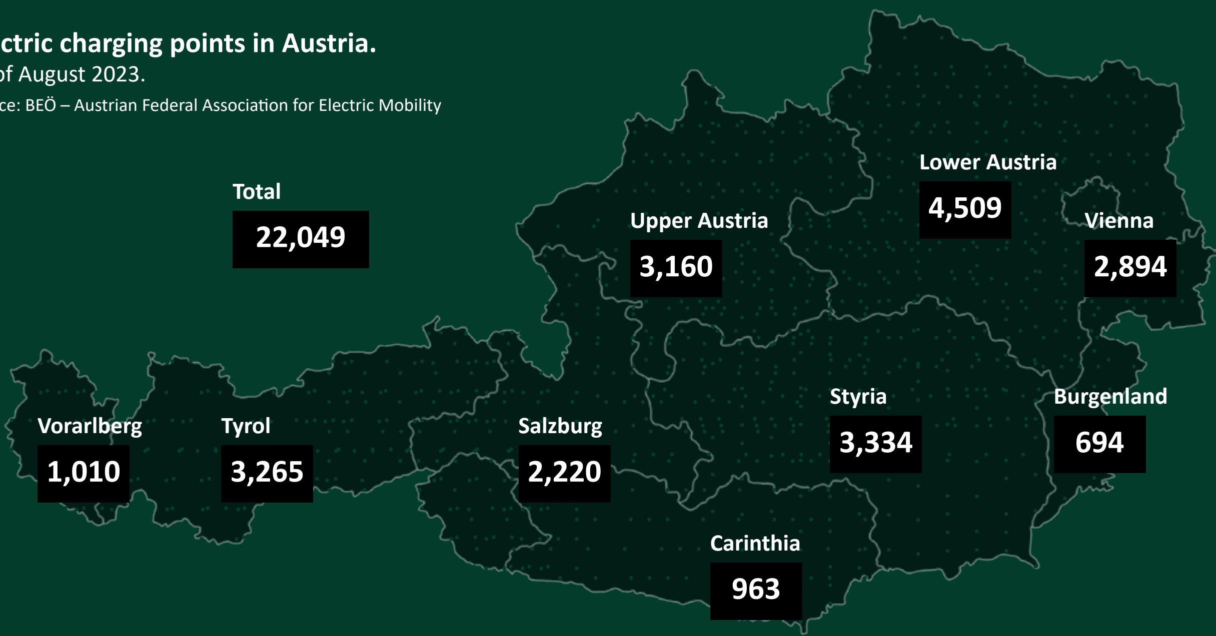


According to the integrated Austrian network infrastructure plan (ÖNIP), we need 21 TWh (terawatt hours) of solar power per annum by 2030 and 41 TWh by 2040 to cover all of Austria. This means that all federal states will quickly have to mobilise and realise their existing PV potential.

Electric cars in Austria. Stock as of November 2023. Source: BEÖ – Austrian Federal Association for Electric Mobility



Electric charging points in Austria.
As of August 2023.
Source: BEÖ – Austrian Federal Association for Electric Mobility



At the end of November 2023, there were 152,122 purely electric passenger cars in Austria. There were 43,602 new registrations, equivalent to 19.8% of all new registrations and a 44.4% increase on the previous year. New petrol car registrations have fallen by 2.5% and diesel-powered vehicles by 3.4%. At the end of July 2023, 22,049 public charging points were available; this compares with around 13,800 in the same period in 2022.

Did you know that ...

... 3,151 hydro power plants were in operation in Austria at the end of 2022? These have a total output of around 14.9 GW.

... 80% of wastewater worldwide is not adequately treated, while many regions suffer from water scarcity?

... at 68.6%, Sweden has the largest share of renewable energy in the heating/cooling sector in the EU?

... investment in clean energy has increased by 40% worldwide since 2020?

... "sponge cities" mimic the natural water cycle to cool buildings and improve air quality by absorbing rainwater through green roofs, building facades and other green spaces?

... Europe generates almost 26 million tons of plastic waste every year? Less than 30% of this waste is collected and recycled.

... at least 3,000 GW of renewable energy projects are waiting to be connected up to the grid? This is five times the PV and wind power capacities added worldwide in 2022.

... the cost of converting gas pipelines to hydrogen pipelines is only around 10–15% of the cost of new piping?

... 75% of the energy and raw material requirements of the iron and steel industries are currently met by coal? The innovative technologies of low temperature electrolysis (LTE) and molten oxide electrolysis (MOE) present an opportunity to decarbonise steel production.

CONSOLIDATED FINANCIAL STATEMENTS OF KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2023 FINANCIAL YEAR.

I. Consolidated statement of financial position

TOTAL ASSETS in EUR 1,000	Note	31/12/2023	31/12/2022
Cash reserves	24	895,762.7	503,203.0
Financial assets measured at amortised cost	25	2,980,153.4	2,523,535.1
thereof receivables from credit institutions		*55,587.9*	*103,542.2*
thereof receivables from customers		*1,998,745.9*	*1,783,866.1*
*thereof securities**		*925,819.5*	*636,126.7*
Financial assets at fair value through other comprehensive income	26	1,413,613.1	1,137,451.8
Financial assets at fair value through profit or loss	28	350,940.0	223,573.4
Associates recognized at equity*	30	2,618.7	0.0
Derivatives	29	181,092.0	201,381.0
Property, plant and equipment	31	26,106.3	23,582.7
Intangible assets	33	7,416.8	4,309.2
Deferred tax assets	42	1,483.9	4,425.7
Other assets	35	11,927.5	6,807.1
Total assets		**5,871,114.2**	**4,628,269.1**

* Please refer to Section "General accounting and measurement methods" regarding presentation changes in the financial statements.

LIABILITIES AND EQUITY in EUR 1,000	Note	31/12/2023	31/12/2022
Total liabilities		5,294,162.2	4,156,416.3
Liabilities at amortised cost*		4,997,622.7	3,846,223.7
thereof amounts owed to credit institutions	*36*	*120,313.6*	*156,632.5*
thereof amounts owed to customers	*37*	*3,313,887.5*	*2,289,163.9*
thereof securitised and subordinated liabilities	*38*	*1,563,421.6*	*1,400,427.3*
Derivatives	40	165,834.7	190,823.9
Portfolio hedge	41	4,821.6	8,443.3
Provisions	42	4,242.6	4,227.9
Deferred tax liabilities		0.0	0.0
Current tax liabilities	43	33,293.8	17,389.9
Other liabilities	44	57,134.1	60,463.9
Subordinated liabilities at cost*	39	31,212.7	28,843.6
Equity**	45	576,952.0	471,852.8
Liabilities and equity		**5,871,114.2**	**4,628,269.1**

* Please refer to Section "General accounting and measurement methods" regarding presentation changes in the financial statements.
** Please refer to section "Consolidated statement of changes in equity" for a more detailed overview.

II. Consolidated income statement

INCOME STATEMENT in EUR 1,000	Note	1/1 – 31/12/2023	1/1 – 31/12/2022
Net interest income	46	192,355.0	125,700.6
Interest income*		326,641.0	201,569.7
thereof calculated using the effective interest method		*292,088.7*	*138,569.9*
Interest expenses *		-134,286.0	-75,869.1
Net fee and commission income	47	38,510.0	29,879.6
Fee and commission income		40,925.4	33,748.1
Fee and commission expense		-2,415.4	-3,868.5
Gains and losses on financial assets and liabilities*	48	-13.7	16,187.5
*Result from the derecognition of financial assets measured at amortised cost**		*-2,315.4*	*489.6*
Net provisioning for impairment losses	49	-565.9	-1,550.0
Generell administrative expenses	50	-93,121.4	-75,839.1
Personnel expenses		-60,698.9	-52,890.5
Other administrative expenses		-32,422.5	-22,948.6
Contributions to the Bank Resolution Fund		-1,761.2	-2,309.1
Result from associates	51	-18.9	0.0
Income from investments		40.5	142.1
Other operating result	52	307.0	7,137.8
Other operating income		1,208.4	10,225.8
Other operating expenses		-901.3	-3,088.0
Profit before tax		**135,731.4**	**99,349.4**
Income taxes	53	-35,222.2	-21,119.7
Profit after tax		**100,509.2**	**78,229.7**
thereof attributable to owners and Additional Tier 1 holders		*100,390.0*	*78,183.5*
thereof attributable to non-controlling interests		*119.2*	*46.2*

* Please refer to Section "General accounting and measurement methods" regarding presentation changes in the financial statements.

III. Consolidated statement of comprehensive income

COMPREHENSIVE INCOME in EUR 1,000	1/1 – 31/12/2023	1/1 – 31/12/2022
Profit after tax	**100,509.2**	**78,229.7**
Items to be recycled to the Income Statement	**8,658.0**	**-28,228.0**
Changes in debt capital instruments at fair value through other comprehensive income	**8,658.0**	**-28,228.0**
Valuation of debt capital instruments at fair value through other comprehensive income	9,418.8	-37,948.2
Recycled to the Income Statement	80.6	313.8
Deferred tax on assets at fair value through other comprehensive income	-841.4	9,406.5
Items not to be recycled to the Income Statement	**36.7**	**1,278.7**
Change in actuarial gains/losses	**-460.3**	**1,250.7**
Actuarial result from pension provisions	-597.8	1,667.5
Deferred tax on actuarial result from pension provisions	137.5	-416.9
Changes in equity instruments at fair value through other comprehensive income	**497.0**	**28.1**
Valuation of equity instruments at fair value through other comprehensive income	629.4	37.4
Deferred tax on changes in equity instruments at fair value through other comprehensive income	-132.4	-9.4
Total comprehensive income, net of tax	**109,203.9**	**51,280.4**
thereof attributable to owners	*109,098.8*	*51,196.3*
thereof attributable to non-controlling interests	*105.1*	*84.1*

IV. Consolidated statement of changes in equity

Equity according to IFRS developed as follows in 2023 und 2022:

STATMENT OF CHANGES IN EQUITY 1/1 – 31/12/2023 in EUR 1,000	**Subscribed capital**	**Fixed reserves**[1]	**Other retained earnings (incl. consolidated profit for the year)**
as of 1/1/2023	**177,017.1**	**45,205.3**	**133,605.9**
Profit for the period	0.0	0.0	100,390.0
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**	**100,390.0**
Capital increase	0.0	0.0	0.0
Profit distribution	0.0	0.0	0.0
Appropriation to fixed reserves	0.0	5,726.0	-5,726.0
AT1 capital	0.0	0.0	0.0
AT1 coupon	0.0	0.0	-4,104.5
As of 31/12/2023	**177,017.1**	**50,931.3**	**224,165.3**

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 28.017,9 and fixed capital reserves of the parent company of TEUR 12.479,3.
2 As of 31/12/2023, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 17.634,7.
3 As of 31/12/2023, the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 142.1.
4 Includes additional AT1 bonds that represent unsecured and subordinated bonds of Kommunalkredit and are classified as equity under IFRS.

STATMENT OF CHANGES IN EQUITY 1/1 – 31/12/2022 in EUR 1,000	**Subscribed capital**	**Fixed reserves**[1]	**Other retained earnings (incl. consolidated profit for the year)**
as of 1/1/2022	**172,659.5**	**35,657.5**	**86,422.1**
Profit for the period	0.0	0.0	78,183.5
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**	**78,183.5**
Capital increase	4,357.7	5,647.4	0.0
Profit distribution	0.0	0.0	-22,994.9
Appropriation to fixed reserves	0.0	3,900.3	-3,900.3
AT1 capital	0.0	0.0	0.0
AT1 coupon	0.0	0.0	-4,104.5
As of 31/12/2022	**177,017.1**	**45,205.3**	**133,605.9**

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 22,291.9 and fixed capital reserves of the parent company of TEUR 12,479,3.
2 As of 31/12/2022, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 16,011.1.
3 As of 31/12/2022, the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 154.5.
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 attributable to Kommunalkredit shareholders	Additional equity component[4]	Noncontrolling interests	Equity
50,380.1	**463.6**	**2,781.6**	**409,453.6**	**62,243.7**	**155.5**	**471,852.8**
0.0	0.0	0.0	100,390.0	0.0	119.2	100,509.2
8,657.8	0.0	0.0	8,657.8	0.0	0.0	8,657.8
8,595.8	*0.0*	*0.0*	*8,595.8*	*0.0*	*0.0*	*8,595.8*
62.0	*0.0*	*0.0*	*62.0*	*0.0*	*0.0*	*62.0*
0.0	497.0	0.0	497.0	0.0	0.0	497.0
0.0	0.0	-446.2	-446.2	0.0	-14.1	-460.3
8,657.8	**497.0**	**-446.2**	**109,098.7**	**0.0**	**105.1**	**109,203.7**
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	-4,104.5	0.0	0.0	-4,104.5
59,038.0	**960.6**	**2,335.4**	**514,447.8**	**62,243.7**	**260.6**	**576,952.0**

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]	Noncontrolling interests	Equity
78,608.1	**435.5**	**1,568.8**	**375,351.6**	**62,243.7**	**146.9**	**437,742.2**
0.0	0.0	0.0	78,183.5	0.0	46.2	78,229.7
-28,199.9	0.0	0.0	-28,199.9	0.0	0.0	-28,199.9
-28,435.2	*0.0*	*0.0*	*-28,435.2*	*0.0*	*0.0*	*-28,435.2*
235.3	*0.0*	*0.0*	*235.3*	*0.0*	*0.0*	*235.3*
-28.1	28.1	0.0	0.0	0.0	0.0	0.0
0.0	0.0	1,212.7	1,212.7	0.0	37.9	1,250.7
-28,228.0	**28.1**	**1,212.7**	**51,196.3**	**0.0**	**84.1**	**51,280.4**
0.0	0.0	0.0	10,005.1	0.0	0.0	10,005.1
0.0	0.0	0.0	-22,994.9	0.0	-75.5	-23,070.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	-4,104.5	0.0	0.0	-4,104.5
50,380.1	**463.6**	**2,781.6**	**409,453.6**	**62,243.7**	**155.5**	**471,852.8**

V. Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS in EUR 1,000	1/1 – 31/12/2023	1/1 – 31/12/2022
Consolidated profit for the year after tax	**100,272.2**	**78,229.7**
Non-cash items included in the profit for the year and reconciliation to cash flow from operating activities		
Depreciation and amortisation of property, plant and equipment and intangible assets	1,923.5	1,796.7
Appropriation to/release of provisions	580.5	230.2
Non-realised gains/losses from exchange rate fluctuations	10.2	1.5
Gains/losses from the valuation of financial assets and gains from the buyback of own issues	-3,838.4	-14,464.4
Income tax deferrals	18,845.7	11,469.5
Other adjustments (mainly interest income and interest expenses)	23,821.1	13,465.4
Sub-total	**141,614.8**	**90,728.5**
Change in assets and liabilities from operating activities after correction for non-cash items*		
Financial assets at amortized cost		
*thereof loans and advances to credit institutions**	*25,273.3*	*-32,694.2*
*thereof loans and advances to customers**	*-600,462.9*	*-370,350.4*
*thereof securities**	*-161,398.8*	*57,615.6*
Assets available for sale and fair value option	-268,378.5	-49,217.6
Assets at fair value through other comprehensive income	-126,681.1	18,012.4
Derivatives	-352.0	-54,167.7
Other assets from operating activities	-4,599.4	-1,559.6
Amounts owed to banks	-31,963.5	-312,476.8
Amounts owed to customers	1,024,269.5	455,585.5
Securitised liabilities	161,448.0	30,525.1
Other liabilities from operating activities	51,107.0	39,674.1
Interest receipts*	301,017.8	159,969.5
Dividend receipts	40.5	142.1
Interest paid*	-89,487.5	-20,247.3
Income taxes paid	-17,195.4	-9,229.1
Cash flow from operating activities	**404,251.9**	**2,310.2**
Cash receipts from the sale / redemption of property, plant and equipment and intangible assets	0.2	0.0
Cash payments for the acquisition of Property, plant and equipment and intangible assets	-7,556.6	-5,108.7
Cash flow from investing activities	**-7,556.3**	**-5,108.7**
Cash inflow from capital increases	0.0	10,005.1
Dividend payments attributable to the owners of the parent	0.0	-22,994.9
Dividend payments attributable to non-controlling interests	0.0	-75.5
Change in funds from other financing activities (subordinated capital)	0.0	-20,000.0
AT1 coupon	-4,104.5	-4,104.5
Cash outflow from repayments on lease liabilities	-268.4	-195.4
Cash flow from financing activities	**-4,372.9**	**-37,365.2**
Cash and cash equivalents at the of the previous period	**503,203.0**	**543,366.7**
Cash flow from operating activities	404,251.9	2,310.2
Cash flow from investing activities	-7,556.3	-5,108.7
Cash flow from financing activities	-4,372.9	-37,365.2
Cash and cash equivalents at the end of the period	**895,525.7**	**503,203.0**

* Please refer to Section "General accounting and measurement methods" regarding presentation changes in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF KOMMUNALKREDIT GROUP FOR THE 2023 FINANCIAL YEAR | General Principles

1. GENERAL INFORMATION

Kommunalkredit Austria AG (Kommunalkredit), which has its registered office at Tuerkenstrasse 9, Vienna, 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.

Satere Beteiligungsverwaltung GmbH (Satere) owns 99.80% of Kommunalkredit, with a stake of 0.20% held by the Association of Austrian Municipalities. Satere is a holding company through which Interritus Limited (Interritus) and Trinity Investments Designated Activity Company (Trinity) hold their participations in Kommunalkredit; Interritus and Trinity respectively hold 55% and 45% of Satere.

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 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 2023.

Overview of new standards/interpretations or changes to be applied for the first time in the 2023 financial year:

STANDARD/INTERPRETATION	Title of standard/ interpretation or amendment	First-time adoption
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting and measurement principles	1/1/2023
Amendments to IAS 8	Definition of accountingrelated estimates	1/1/2023
Amendments to IAS 12 and IFRS 1	Deferred taxes in connection with assets and liabilities from a single transaction	1/1/2023
IFRS 17 and amendments to IFRS 17	Insurance Contracts	1/1/2023

The standards are applicable for the financial years starting on or after the "fist-time-adoption" date

Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 require disclosures to be made in future based on material, as opposed to what were previously defined as significant accounting policies. 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 their accounting policies.

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. The distinction is significant because amendments to accounting policies have to be recorded retrospectively and accounting-related estimates prospectively. 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.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
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.

Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules
The amendments introduce a temporary exception to the recognition of deferred taxes in IAS 12, excluding the recognition of deferred taxes due to the structure of top-up taxes as part of the Pillar Two minimum tax regime from the scope of application of the standard. Additional disclosures also have to be made in the notes depending on the status of implementation of the minimum tax regulations in the relevant national tax legislation.

The amendments mean that the group has to disclose that it has applied the exemption and also has to report the actual tax expense (or income) in connection with Pillar Two income taxes separately.

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 contracts 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 General Measurement Model (GMM) 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 can be applied.
- The Premium Allocation Approach (PAA) is a simplified version of the GMM and is applicable to all contracts for which measurement under the PAA would not result in any material deviations relative to the GMM or which have short terms.
- The Variable Fee Approach (VFA) is another variation of the GMM for insurance contracts with direct participating features, i.e. whose payments are linked to the return on certain underlyings.

IFRS 17 is to be adopted retrospectively unless it cannot be applied to earlier periods. If it is not possible to implement it, either the modified retrospective approach or the fair value approach will be utilised at the time of initial application. This does not give rise to any additional disclosure obligations for Kommunalkredit Group's annual financial statements.

The amendments to the standards and interpretations mentioned above do not have any material impact on the Group's assets, financial position or income.

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

STANDARD/INTERPRETATION	Title of standard/ interpretation or amendment	First-time adoption
Amendments to IAS 1	Classification of liabilities as current and non-current	1/1/2024
Amendments to IFRS 16	Sale and lease back arrangements	1/1/2024

The standards are applicable for the financial years starting on or after the "fist-time-adoption" date

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 performance. 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 inclusion 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.

Amendments to IFRS 16
The amendments to IFRS 16 relate to sale and leaseback transactions with variable payments that do not depend on an index or interest rate. The published amendments to IFRS 16 require a lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that has no impact on profit or loss.

The profit or loss from a partial or full termination of a lease is to be recognised in the income statement.

The amendments to the standards and interpretations mentioned above do not have any material impact on the Group's assets, financial position or income.

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

STANDARD/INTERPRETATION	Title of standard/ interpretation or amendment	First-time adoption
Amendments to IAS 21	Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1/1/2025
Amendments to IAS 7 and IFRS 7	Statements of Cash Flows and Financial Instrument Disclosures	1/1/2024

The standards are applicable for the financial years starting on or after the "fist-time-adoption" date.

Amendments to IAS 21
The amendments to IAS 21 relate to the assessment of whether a currency is exchangeable, how an exchange rate should be determined when exchangeability is lacking, as well as additional disclosure obligations in this regard.

Kommunalkredit's currency holdings consist exclusively of exchangeable currencies with an official ECB rate.

Amendments to IAS 7 and IFRS 7
The IASB has published amendments to IAS 7 regarding supplier finance arrangements and corresponding disclosures in the notes. IFRS 7 explains a company's liquidity risk in connection with supplier finance arrangements in greater detail.

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

In accordance with the provisions of IFRS 10, the scope of consolidation of Kommunalkredit Group comprises the following companies in addition to the parent company Kommunalkredit Austria AG as of 31 December 2023:

NAME AND REGISTERED OFFICE	Investment		Share in capital 31/12/2023 in %	Share in capital 31/12/2022 in %
	direct	indirect		
1. Affiliated companies				
Fully consolidated affiliated companies				
Kommunalkredit Public Consulting GmbH, Wien	x		90.0%	90.0%
Kommunalkredit KBI Immobilien GmbH, Wien	x		100.0%	100.0%
Kommunalkredit 4OG Immobilien GmbH & Co KG		x	100.0%	100.0%
Kommunalkredit KBI Immobilien GmbH & Co KG, Wien		x	100.0%	100.0%
Kommunalkredit TLI Immobilien GmbH & Co KG, Wien		x	100.0%	100.0%
Fidelio KA Beteiligung GmbH (DE)	x		74.9%	75.0%
Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. (LUX)		x	74.9%	75.0%
Fidelio KA Investment Advisory GmbH (DE)		x	74.9%	75.0%
Florestan KA GmbH, Wien	x		100.0%	100.0%
Florestan KA Hydrogen GmbH, Wien		x	100.0%	100.0%
2. Associates				
Associates included using the equity method				
PeakSun Holding GmbH Wels		x	40.0%	40.0%

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 Kommunalkredit Group from its affiliated and associated companies.

Changes to the scope of consolidation in the 2023 reporting year
0.1 % of Fidelio KA Beteiligung GmbH was sold in the 2023 reporting year.

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.

These financial statements are intended to give a true and fair view of the assets, the financial position and the income of 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.

Changes in presentation

As part of a review of the presentation of the financial statements pursuant to IAS 1, the following items were reclassified or supplemented in the 2023 financial year:

- Another “of which” item was added for banks, customers and debt securities under assets at amortised cost.
- The shareholder loan previously granted to PeakSun Holding GmbH was repaid in the first half of 2023 as part of the reorganisation of this company’s refinancing structure and was replaced at the same time by a measure to strengthen equity in the same amount. The shareholder loan had to be derecognised and the strengthening of equity recorded under “Investments accounted for using the equity method”. As a result, this had to be added as a new item on the assets side of the statement of financial position due to its materiality. No value was recognised in the previous year due to immateriality.
- Subordinated liabilities were previously reported under “Liabilities at amortised cost”. Due to the regulatory relevance of these instruments, they are now reported separately in a dedicated “Subordinated liabilities at amortised cost” item within liabilities, directly before equity in the amount of TEUR 31,212.7 (31/12/2022 TEUR 28,843.6).
- When updating the explanations on net interest income in Note 46, a more transparent form of the tabular presentation was chosen. This resulted in minor amendments being made to the previous year’s values. It did not lead to any changes to net interest income.
- A review of the previously-used items of “Result from the disposal of assets at fair value through other comprehensive income” in the amount of TEUR -1,536.7 (1/1–31/12/2022 TEUR 1,233.5), “Result from the disposal of financial assets measured at amortised cost” in the amount of TEUR -2,315.4 (1/1–31/12/2022 TEUR 489.6) and “Gains and losses from financial assets and liabilities” in the amount of TEUR -13.7 (2022: TEUR 16,187.5) revealed that a change in presentation and structure improves the presentation format. These three items have now been grouped in the income statement under a single “Gains and losses from financial assets and liabilities” item in the amount of TEUR -13.7 (2022: TEUR 16,187.5) in order to present more reliable information in one place that is also more relevant for users of the financial statements. Grouping these items provides users of the financial statements with information on the total value of the disposal result as well as measurement gains/losses from financial instruments under a single item in the income statement. The necessary details continue to be provided under “of which” items, with further details in the notes.
- Two “of which” items previously presented in the consolidated statement of cash flows, namely “Interest received” in the amount of TEUR 307,270.1 (2022: TEUR 159,969.5) and “Interest paid” in the amount of TEUR -95,739.8 (2022: TEUR -20,247.3) from the cash flow from operating activities, are now included in the cash flow from operating activities directly.

These reclassifications do not have any material impact on the information presented, but make the financial statements easier to understand. These changes only affect the manner in which the above mentioned items are presented. They do not involve any changes to accounting policies or accounting-related estimates, or corrections of prior period errors. As a result, the comparative period as of 31 December 2022 is being restated; there is no need to restate the opening balance sheet values.

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 Kommunalkredit also simultaneously 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 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 also 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.

All amounts previously recognised in other comprehensive income for the subsidiary in question are declared. This is done on the same basis as would be required in the event of an immediate sale of the corresponding assets or liabilities.

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 “Gains and losses from financial assets and liabilities”. 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 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. In particular, interest rate adjustment clauses (synchronisation between the agreed interest rate tenor and the interest rate adjustment period), contractual interest deferral periods and contractual interest rate levers are subject to examination. In cases of “non-recourse” financing, the rating at the time the loan is granted is also taken into account in order to ascertain possible categorisation as an asset at fair value through profit or loss. In the context of the repayment of capital (or early repayment of capital), care is taken to ensure that the outstanding capital is repaid and that repayment is not dependent on the performance of a financed asset. In the event of a potential extension of the contract term, care is taken to ensure that this is carried out in line with prevailing market conditions.

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:

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 under assets at amortised cost and cash and cash equivalents. When these financial assets are recognised for the first time, they are reported at fair value (see Note 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 and plus/less the cumulative distribution of differences arising between the original amount issued and the amount that has to be repaid as a mandatory requirement 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. Arrangement and other 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.

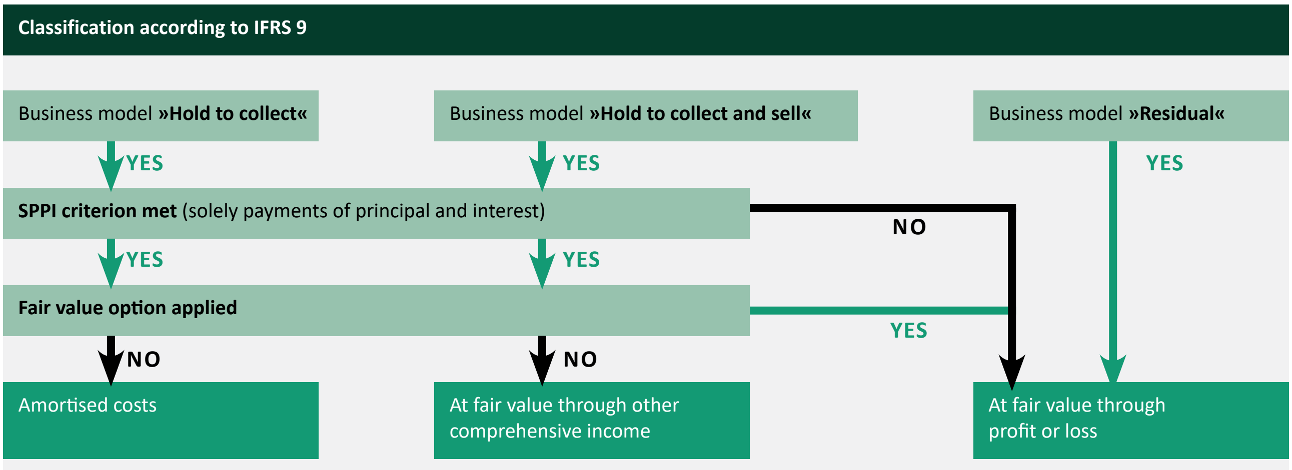
The sale of assets just before their maturity, insignificant or irregular sales or sales for reasons relating to creditworthiness are in principle permissible disposals from the "hold" business model. At Kommunalkredit, such transactions are studied in detail for compliance purposes and the results are 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 that has to be repaid, as a mandatory requirement, 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.

In cases of the disposal of debt capital instruments, the amount recognised as of 31 December of the previous year in the reserve for assets measured at fair value through other comprehensive income is reclassified to the income statement and recognised in profit and loss.



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

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.

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 the derecognition of the original financial instrument and the new recognition of a modified financial instrument. With non-substantial modifications, however, the carrying amount of the financial asset is adapted to the changes in the contractual cash flows. Fees received in connection with a non-substantial modification and paid transactions are directly included in the determination of the modification result. The change in present value brought about directly by the non-substantial 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. Effects from the derecognition and re-recognition of financial instruments in the event of substantial modifications are reported in other operating result. 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

Statistically expected credit losses are taken into account based on a risk provisioning model with statistically calculated empirical values. The valuation allowance is calculated either as the expected 12-month credit loss (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 (level 2). The expected loss for levels 1 and 2 is determined as the product of the probability of default (PD) over 12 months (level 1) or the residual term until maturity (level 2), the loss given default (LGD) and the exposure at the time of default (EAD).

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.

In order to assess if the risk of default has increased significantly (level transfer), Kommunalkredit takes quantitative and qualitative factors into account,covering the 16 indicators according IFRS 9 / B5.5.17 a p. 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. 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 effective interest rate. 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 (level 3) are evaluated within Kommunalkredit for individual transactions for borrowers that are in default according to the regulatory criteria, with financial assets and their associated credit commitments being individually taken into account for each transaction. Cash flow estimates for the individual transaction are used to determine the valuation allowance requirements.

To define default events, Kommunalkredit applies the definition of a default as laid down 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 outstanding loans and advances by more than 1.0%, and is at least EUR 500.00. As part of the “unlikeliness to pay” review, receivables pursuant to Art. 178 CRR are also subject to a qualitative review to determine whether it is unlikely that the debtor can meet its obligations in full. The assessment criteria are specified in more detail by the EBA and ECB. However, a distinction should be made between such criteria which, if met, must generally lead to a default status being assigned and those which must be seen as an indication of potential non-recoverability of the entire receivable. These must then be examined but may not necessarily lead to a default status being assigned.

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

- **Risk level 1a: Normal care**

Standard risk level for all exposures in normal care that are not subject to a higher risk level.

- **Risk class 1b: Monitoring list**

Exposures in normal care but which are subject to monitoring and are on the monitoring list because they exhibit anomalies and are being monitored for various reasons. However, there is no elevated risk (yet) in the sense of a significant deterioration of the probability of default.

- **Risk level 2a: Watchlist / intensive care**

Includes those exposures that are classified as watchlist partners due to material or credit-related anomalies and elevated risk. They are therefore subject to close monitoring and care (intensive care). These exposures are already recorded at valuation allowance level 2 (expected credit loss over the residual term of the exposure). However, they do not yet exhibit any need for individual valuation allowances.

- **Risk level 2b: Work out / no default**

Exposures in risk level 2b are already classified as potential distressed loans. Regardless of any default, risk level 2b includes those exposures that must he classified as “risk positions with a significant need for restructuring” but that are not in default.

- **Risk level 3: Work out / default, resolution**

Restructuring cases in default or for which an individual valuation allowance has been recognised must be classified in risk level 3a, provided no resolution measures are planned. In case of resolution measures (immediate demand for payment and collection of the receivable by realising collateral through judicial or non-judicial measures), the receivable is reclassified to risk level 3b.

From risk level 1b, close monitoring and monthly reporting are performed in the Credit Committee. Individual valuation allowances 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 (90 days in default and/or unlikeness-to-pay).

Individual valuation allowances and expected credit losses are subject to estimation uncertainties, especially in relation to the amount and the time of the estimated cash flows, the estimated probabilities of default and the loss ratio.

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 under “Gains and losses from financial assets and liabilities” 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 measurements recognised in profit or loss in the income statement under the item “Gains and losses from financial assets and liabilities”. 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 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 “Portfolio hedge” item in the statement of financial position; in the income statement, this is reported under "Gains and losses from financial assets and liabilities". 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 corresponding offsetting effects within a reporting period provide compensation of between 80% and 125% relative to the hedged risk.

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

11.1. 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 64).

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 infrastructure and energy financing on a transaction-by-transaction basis; i.e., an individual credit spread is determined for each transaction.

Project financing is classified as level 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 2 based on the price being calculated with spreads derived from market data (benchmark spreads) in accordance with IFRS 13. Under certain circumstances, however (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 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 3 due to the partial use of non-observable information in accordance with IFRS 13.

Financing involving Export Credit Agencies (ECAs) generally consists of a collateralised and a non-collateralised part, the collateralised part constituting the predominant share of the financing. In cases involving ECA transactions, benchmark bonds are used to determine the credit spread. The delta between the spreads of the benchmark bonds used and the spread of the concluded ECA transaction reflects the non-collateralised portion of the transaction and is reflected via transaction characteristics. As the predominant share of the transaction is collateralised via the ECA and its spreads are derived exclusively from market data, ECAs are generally classified as level 2 in accordance with IFRS 13. Under certain circumstances (such as in cases where ECA transactions are subject to high illiquidity premiums), the development of benchmark bond spreads is not the main driver of the fair value measurement. In these cases, too, transaction-specific features in addition to the benchmark spreads observable in the market are included in the calculation of spreads. Due to the greater weighting assigned to non-observable information, these ECA transactions are classified as (IFRS 13) level 3.

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.

Clusters 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.

In the case of derivatives in multiple currencies (e.g. cross-currency swaps), a cross-currency basis is used in accordance 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.

11.2. Day-one gains

Fair value is calculated according to IFRS 9 in conjunction with IFRS 13 following the measurement hierarchy of IFRS 13.72 (see also Note 64).

Kommunalkredit makes opportunistic purchases of loans and securities whose transaction price (purchase price) does not correspond to the fair value of the underlying transactions at the time of purchase. The positive difference between fair value at initial recognition and purchase price is referred to as a day-one gain.

A day-one gain is recognised immediately in Kommunalkredit's income statement if the valuation of the financial asset is based on price quotations in active markets, or on a valuation technique that primarily takes into account data from observable markets. If parameters not observable on the market are used to a significant extent for the valuation, a systematic deferral of the day-one gain is made over the term of the asset or until the point in time at which observable market information is expected to be available (depending on which period is shorter).

Amounts from one-day gains that are still to be recognised are reported under "other liabilities" as deferred income.

From an economic perspective, Kommunalkredit earns higher margins on the acquired loans through purchases of loans where the purchase price at the time of purchase is lower than the fair value. Accordingly, Kommunalkredit reports income from day-one gains in net interest income.

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
Derivates	**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
Derivates	**Fair value**
Contingent liabilities	**Offbalancesheet**
Other offbalancesheet liabilities	**Offbalancesheet**

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 is recognised in the income statement under "Income from investments in associates". Dividends paid are recognised against the carrying amount. 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 recognised. If a change in the contract leads to a reduction in the volume of the lease or to a reduction in the term of the lease, this leads to a pro rata reduction in the right of use and an adjustment of the lease liability. Any resulting difference is recognised in profit or loss.

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 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 sub-lease, 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

Intangible assets comprise purchased software and acquired subscription rights in connection with an investment in the production of green hydrogen (see Note 33 for details). Purchased software and acquired subscription rights have a definite useful life and are amortised on a straight-line basis over a period of three and five years respectively 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 and 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.The contractual cash flows of financial liabilities are amended 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 3.25% for Kommunalkredit (2022: 3.75%) and 3.5% for KPC (2022: 3.75%) for pension obligations, 3.00% (2022: 3.50%) for obligations from severance pay, and 3.00% (2022: 3.50%) for obligations from jubilee bonuses;
- a rate of increase in the relevant basis for calculation during the vesting period of 3.4% in the first year and in subsequent years of 3.35%, 3.30% and 3.25% (2022: 3.25%) for severance pay and obligations from jubilee payments; a rate of increase in the relevant basis for calculation during the vesting period of 2.00% (2022: 2.00%) for pensions;
- ein angenommenes Pensionsantrittsalter von 65 Jahren für Frauen und Männer, unter Beachtung der Übergangsbestimmungen laut Budgetbegleitgesetz 2003 und des „BVG Altersgrenzen“ für Frauen;
- 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 to active employees have been transferred to a pension fund. The provisions reported therefore only contain entitlements from defined-benefit pension obligations not covered by the pension fund for eight employees, resulting from direct commitments within the framework of the collective bargaining agreement (1961 pension reform, 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 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. TAXES, 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 payables 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. With effect from 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. As of 31 December 2023, group members include Kommunalkredit, Kommunalkredit Public Consulting GmbH, KA Florestan GmbH and KA Florestan Hydrogen GmbH. 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 to 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

Kommunalkredit Austria AG generates fee and commission income from lending business. The majority of commission income is realised from financial instruments and is recognised as an integral part of effective interest in accordance with IFRS 9. IFRS 15 is applied to contract components that do not fall within the scope of IFRS 9.

Arrangement and other 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.

Kommunalkredit also provides services for an investment fund that constitute own performance obligations. These fees are not dependent on the performance of the investment fund and are also collected on the basis of specific time periods. 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, fees in connection with identifiable structuring services and credit syndication fees mainly fall under this category. Fees related to financial assets which are recognised at fair value through profit or loss are also included under net fee and commission income as of the contractually agreed accounting date or transaction date.

Kommunalkredit Public Consulting GmbH generates fee and commission income from subsidy management and consulting business. These services are recognised under IFRS 15.

In the case of revenue from the subsidy management and consulting business of Kommunalkredit Public Consulting GmbH, 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.

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 67).

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 RESERVES in EUR 1,000	**31/12/2023**	**31/12/2022**
Cash on hand	2.7	2.2
Balances with central banks	895,760.0	503,200.8
Total	**895,762.7**	**503,203.0**

25. ASSETS AT AMORTISED COST

As of 31 December 2023, the balance sheet item assets at amortised cost was broken down as follows:

Financial assets measured at amortised cost in EUR 1,000	**Total gross carrying amount**	**Impairments Stage 1**	**Impairments Stage 2**	**Impairments Stage 3**	**Total net carrying amount**
Receivables from credit institutions	*55,589.8*	*-1.9*	*0.0*	*0.0*	*55,587.9*
thereof repayable on demand	*55,589.8*	*-1.9*	*0.0*	*0.0*	*55,587.9*
Securities	925,910.8	-91.3	0.0	0.0	925,819.5
thereof public sector debt instruments	*532,283.4*	*-37.9*	*0.0*	*0.0*	*532,245.5*
thereof debt instruments of other issuers	*393,627.3*	*-53.3*	*0.0*	*0.0*	*393,574.0*
Receivables from customers	2,002,446.0	-2,737.6	-147.5	-815.0	1,998,745.9
thereof repayable on demand	*31,992.4*	*0.0*	*0.0*	*0.0*	*31,992.4*
thereof loans	*1,970,453.6*	*-2,737.6*	*-147.5*	*-815.0*	*1,966,753.5*
Total	**2,983,946.6**	**-2,830.8**	**-147.5**	**-815.0**	**2,980,153.4**

As of 31 December 2022, the balance sheet item assets at amortised cost was broken down as follows:

Financial assets measured at amortised cost in EUR 1,000	**Total gross carrying amount**	**Impairments Stage 1**	**Impairments Stage 2**	**Impairments Stage 3**	**Total net carrying amount**
Receivables from credit institutions	*103,629.9*	*-87.7*	*0.0*	*0.0*	*103,542.2*
thereof repayable on demand	*103,629.9*	*-87.7*	*0.0*	*0.0*	*103,542.2*
Securities	763,418.6	-74.3	0.0	0.0	763,344.3
thereof public sector debt instruments	*387,952.3*	*-14.2*	*0.0*	*0.0*	*387,938.1*
thereof debt instruments of other issuers	*375,466.2*	*-60.1*	*0.0*	*0.0*	*375,406.1*
Receivables from customers	1,658,393.8	-1,478.7	-266.5	0.0	1,656,648.6
thereof repayable on demand	*34,834.5*	*0.0*	*0.0*	*0.0*	*34,834.5*
thereof loans	*1,623,559.3*	*-1,478.7*	*-266.5*	*0.0*	*1,621,814.1*
Total	**2,525,442.3**	**-1,640.7**	**-266.5**	**0.0**	**2,523,535.1**

Loans and advances to credit institutions 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 31,442.6 (31/12/2022: TEUR 38,397.9) and positive balances with credit institutions in the amount of TEUR 24.145,4 (31/12/2022: TEUR 65.144,3).

Securities in the amount of TEUR 925.819,5 (31/12/2022: TEUR 763.418,6) are recognised at amortised cost, of which TEUR 190,328.4 (31/12/2022: TEUR 675,619.5) are listed bonds.

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 current values of derivatives (transactions with non-bank financial institutions) according to ISDA/CSA arrangements in the amount of TEUR 31,992.4 (31/12/2022: TEUR 34,834.5).
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 64.

26. ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME in EUR 1,000	31/12/2023	31/12/2022
Loans	1,292,972.4	1,047,216.2
Securities	119,049.3	89,244.3
Equity instruments	1,591.4	961.9
Other	0.0	29.4
Total	**1,413,613.1**	**1,137,451.8**

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. 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 64.

As of 31 December 2023, risk provisions (see also Note 8 and 27) for financial assets measured at fair value through other comprehensive income amounted to TEUR 2,753.9 (31/12/2022: TEUR 3.185,2).

EUR **2.8**m risk provisions at fair value

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 amount 31/12/2023	Carrying amount 31/12/2022
Investment in Kommunalnet E-Government Solutions GmbH	1,591.4	961.9
Total	**1,591.4**	**961.9**

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 40.5 (1/1-31/12/2022: TEUR 142,1).

27. RISK PROVISIONS

27.1. Development in risk provisions

The risk provisions included in the balance sheet items "Assets at amortised cost" and "Assets at fair value through other comprehensive income" 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 1/1/2023	**3,825.9**	**2,155.4**	**0.0**	**5,981.3**
Changes with impact on P&L	-15.1	-658.9	815.0	141.0
Addition of new financial assets	1,743.6	0.0	0.0	1,743.6
Changes in risk parameters (PD/LGD/EAD)	876.2	-181.3	0.0	694.9
Result from rating migrations and other fair value effects	-375.1	-121.5	0.0	-496.6
Foreign currency effects and other changes	-12.2	0.0	0.0	-12.2
Disposals of financial assets/repayments	-1,033.1	-471.7	0.0	-1,504.8
Risk provisions as of 31/12/2023	**5,010.2**	**722.0**	**815.0**	**6,547.2**
of which assets at amortised cost	*2,830.8*	*147.5*	*815.0*	*3,793.2*
of which assets at fair value through other comprehensive income	*2,179.4*	*574.5*	*0.00*	*2,753.9*
Total net change in P&L during the reporting period	**1,184.3**	**-1,433.4**	**815.0**	**565.9**

EUR **6.5**m total IFRS 9

EUR **-0.6**m credit risk result

As of 31 December 2023, the total provisions for expected credit losses according to IFRS 9 amounted to TEUR 6,547.2 (31/12/2022: TEUR 5.981,3), of which TEUR 3,793.2 (31/12/2022: TEUR 2.671,3) were booked for assets measured at amortised cost and reduced the carrying amount accordingly. Provisions of TEUR 2,753.9 (31/12/2022: TEUR 3.310,0) for expected credit losses were booked for assets measured at fair value through other comprehensive income. Total provisions include expected losses from credit commitments in the amount of TEUR 397.3 31/12/2022: TEUR 908,6). Net provisioning in the current financial year amounted to TEUR -565.9 (1/1-31/12/2022: TEUR -1,550.0). This was the result of new business, rating changes, risk level transfers, loan loss provisions and the PD update.

In the 2023 financial year, the probabilities of default ("PD") were evaluated and updated[1], which serve as the basis for calculating ECL[2]. Kommunalkredit uses PD rating system bought from S&P. Through-the-cycle PDs are bought from S&P. They are updated annually and transformed into point-in-time PDs every six months using an S&P model (specific PDs for the Specialised Lending, Corporates and Financial Institutions portfolios and the "All Sectors" PDs for all other exposures). For the PD model, one of the key drivers of the PDs is changes in macroeconomic input parameters. All macroeconomic forecasts are taken from publicly available sources (in particular the International Monetary Fund and the World Bank). Kommunalkredit applies two scenarios in this regard.

While scenario 1 takes into account the global macroeconomic forecasts, scenario 2 only takes into account the macroeconomic data of those countries in which Kommunalkredit is active. The weighting remained unchanged from the previous year at 50:50.

The through-the-cycle PDs fell slightly recently, while a marginal improvement in economic growth compared to 2023 is forecast for the eurozone in 2024. Both factors have a positive impact on the point-in-time PDs in the model. By contrast, however, the rating migration trend is less positive than in the previous period (slowdown in positive momentum), even though the number of positive rating changes still exceeds the number of rating downgrades.

The bank's portfolio is solid due to the contractual and structural risk mitigation factors that are typical for infrastructure and energy financing. Many project financings benefit from availability based revenues, 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 as scheduled. Nevertheless, a default occurred in two cases. Both of these cases involve government guarantees of 90-95% via export credit agencies (credit rating of the Federal Republic of Germany with only a small residual exposure). All in all, including an additional case treated under IFRS as fair value, an exposure volume of EUR 53.4m is in default (non-performing loan ratio of 1.5%, or a net ratio of 1.0% taking account of the ECA cover). Individual loan loss provisions of TEUR 815 have been booked.

In addition to the defaults that carry a specific valuation allowance in accordance with IFRS, the one additional (regulatory) default that is allocated to the measurement category assets at fair value through profit or loss is measured on the basis of the current rating. There were no new forbearance cases in 2023. One transaction from 2022 is still in the two-year forbearance probation period. As of 31 December 2023, there were no receivables that had been in default for more than 30 days, with the exception of one of the receivables in default as referred to above.

1.0% net NPL

1 The PDs are determined by applying the provisions of IFRS 9, taking into account forward-looking information.

2 ECL = Expected credit loss, risk provisions for expected credit losses.

EUR **45.2m** IFRS-level 2

As of 31 December 2023, three exposures from the loan portfolio with an exposure amounting to TEUR 45,183.8 (31/12/2022: five exposures amounting to TEUR 144.549,9) were recognised in IFRS stage 2 (lifetime ECL).

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 financial year under review.

Assuming a change in the GDP growth rate (global macroeconomic forecasts and macroeconomic data only from those countries in which Kommunalkredit is active, with a weighting of 50:50), unemployment rate and share indices (a global and a European stock index) in the underlying macroeconomic model, this would result in the following change in risk provisions:

No POCI assets

	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 %	-23.7%	-1,185.10
	minus 1,0 %	+18,9%	948.40
ECL sensitivity in the event of a change in the unemployment rate	plus 1,0 %	+2,1%	107.20
	minus 1,0 %	-2.4%	-122.50
ECL sensitivity in the event of a change in the share indices	plus 20,0 %	-12.0%	-600.30
	minus 20,0 %	+16,1 %	807.20

The values compared to the previous year are as follows:

	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 %	-15.6%	-935.9
	minus 1,0 %	+10,9%	+649,7
ECL sensitivity in the event of a change in the unemployment rate	plus 1,0 %	+2,2 %	+132,6
	minus 1,0 %	-0,3%	-18,5
ECL sensitivity in the event of a change in the share indices	plus 20,0 %	-8,9%	-533,2
	minus 20,0 %	+5,5 %	+330,9

Risk provisions developed as follows in the comparative period from 1 January 2022 to 31 December 2022:

RISK PROVISIONS in EUR 1,000	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
Risk provisions as of 1/1/2022	**2,362.2**	**2,069.1**	**0.0**	**4,431.3**
Changes with impact on P&L	-29.4	689	0.0	659.6
Addition of new financial assets	2,019.3	0.0	0.0	2,019.3
Changes in risk parameters (PD/LGD/EAD)	123.7	61.7	0.0	185.4
Result from rating migrations and other fair value effects	-43.0	-641.9	0.0	-684.9
Foreign currency effects and other changes	-19.7	-2.1	0.0	-21.8
Disposals of financial assets/repayments	-587.2	-20.4	0.0	-607.6
Risk provisions as of 31/12/2022	**3,825.9**	**2,155.4**	**0.0**	**5,981.3**
of which assets at amortised cost	*1,910.1*	*761.2*	*0.0*	*2,671.3*
of which assets at fair value through other comprehensive income	*1,915.8*	*1,394.2*	*0.0*	*3,310.0*
Total net change in P&L during the reporting period	**1,463.7**	**86.3**	**0.0**	**1,550.0**

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

The following table shows the gross book values of the relevant financial assets for which risk provisions were calculated, broken down by rating class:

CARRYING AMOUNTS 31/12/2023 in EUR 1,000	Stage 1	Stage 2	Stage 3	Not rated	Total
	12m ECL	Lifetime ECL	Lifetime ECL		
AAA	390,355.1	0.0	0.0	0.0	390,355.1
AA+	395,565.3	0.0	0.0	0.0	395,565.3
AA	491,012.4	0.0	0.0	0.0	491,012.4
AA-	281,941.0	0.0	0.0	0.0	281,941.0
A+	110,943.5	0.0	0.0	0.0	110,943.5
A	199,508.6	0.0	0.0	0.0	199,508.6
A-	166,019.5	0.0	0.0	0.0	166,019.5
BBB+	85,948.4	0.0	0.0	0.0	85,948.4
BBB	284,575.7	0.0	0.0	0.0	284,575.7
BBB-	489,832.2	0.0	0.0	0.0	489,832.2
BB+	710,553.3	0.0	0.0	0.0	710,553.3
BB	394,835.9	0.0	0.0	0.0	394,835.9
BB-	228,188.5	6,313.6	0.0	0.0	234,502.0
B+	0.0	0.0	0.0	0.0	0.0
B	71,623.9	17,226.7	0.0	0.0	88,850.5
B-	37,844.4	18,956.7	0.0	0.0	56,801.2
CCC-	0.0	0.0	0.0	0.0	0.0
D1	0.0	0.0	13,743.5	0.0	13,743.5
D2	0.0	0.0	3,802.9	0.0	3,802.9
Not rated	0.0	0.0	0.0	1,591.4	1,591.4
Gross book values	**4,338,747.7**	**42,497.0**	**17,546.4**	**1,591.4**	**4,400,382.4**
Risk provisions	**5,010.2**	**722.0**	**815.0**	**0.0**	**6,547.2**
Carrying amounts after risk provisions	**4,333,737.5**	**41,775.0**	**16,731.4**	**1,591.4**	**4,393,835.2**
of which assets at amortised cost	*2,971,178.7*	*12,842.4*	*16,731.4*	*0.0*	*3,000,752.5*
of which assets at fair value through other comprehensive income	*1,362,558.8*	*28,932.6*	*0.0*	*1,591.4*	*1,393,082.7*

The carrying amount of TEUR 1,591.4 (31/12/2022: TEUR 961.9) in the “Not relevant to ECL” category relates to an investment that is not part of the scope of consolidation and is included in the “Assets at fair value through other comprehensive income” (see Note 26).

During the reporting year, non-material contractual amendments resulted in present value gains of TEUR 2,220.8 (31/12/2022: TEUR 877.5) for IFRS level 1 financial instruments. There were no modifications to IFRS level 2 financial instruments in the current financial year. In IFRS level 3, there were no downgrades due to modifications during the reporting year, as in the previous year.

The comparative figures as of 31 December 2022 are as follows:

CARRYING AMOUNTS 31/12/2022 in EUR 1,000	Stage 1	Stage 2	Stage 3	Not rated	Total
	12m ECL	Lifetime ECL	Lifetime ECL		
AAA	257,704.8	14,153.6	0.0	0.0	271,858.4
AA+	863,993.4	0.0	0.0	0.0	863,993.4
AA	531,885.0	0.0	0.0	0.0	531,885.0
AA-	277,700.1	0.0	0.0	0.0	277,700.1
A+	145,111.2	0.0	0.0	0.0	145,111.2
A	203,770.7	0.0	0.0	0.0	203,770.7
A-	159,666.1	0.0	0.0	0.0	159,666.1
BBB+	100,696.9	0.0	0.0	0.0	100,696.9
BBB	134,830.2	0.0	0.0	0.0	134,830.2
BBB-	492,447.7	0.0	0.0	0.0	492,447.7
BB+	411,056.8	0.0	0.0	0.0	411,056.8
BB	237,254.9	0.0	0.0	0.0	237,254.9
BB-	155,603.7	23,422.4	0.0	0.0	179,026.1
B+	71,065.4	0.0	0.0	0.0	71,065.4
B	50,017.1	16,998.7	0.0	0.0	67,015.8
B-	406.3	19,885.5	0.0	0.0	20,291.8
CCC-	0.0	1,518.7	0.0	0.0	1,518.7
Not rated	0.0	0.0	0.0	961.9	961.9
Gross book values	**4,093,210.2**	**75,978.8**	**0.0**	**961.9**	**4,170,150.9**
Risk provisions	**3,825.9**	**2,155.4**	**0.0**	**0.0**	**5,981.3**
Carrying amounts after risk provisions	**4,089,384.3**	**73,823.4**	**0.0**	**961.9**	**4,164,169.6**
of which assets at amortised cost	*2,993,846.1*	*31,909.7*	*0.0*	*0.0*	*3,026,717.8*
of which assets at fair value through other comprehensive income	*1,095,538.2*	*41,913.7*	*0.0*	*961.9*	*1,137,451.8*

27.3. Forbearance

Forbearance exposures are exposures to counterparties at risk of no longer being able to meet their payment obligations. There were no forbearance measures in the current financial year.

As of 31 December 2023, one partner (31/12/2022: three partners) with a carrying amount after risk provisions of TEUR 41,031.0 (31/12/2022: TEUR 94,254.39) was still in the two-year probation period for forbearance exposures due to a forbearance measure taken in 2022 and is therefore classified as a forbearance exposure (forbearance performing).

2023
no forbearance measures

28. ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in EUR 1,000	31/12/2023	31/12/2022
At fair value through profit or loss	350,940.0	223,573.4
Total	**350,940.0**	**223,573.4**

The assets at fair value through profit or loss are loans, securities and shares in Fidelio KA Infrastructure Debt Fund Europe 1. The carrying amount of the assets assigned to the sell business model due to their short-term intentions of syndication amounts to TEUR 314,459.1 (31/12/2022: TEUR 144,467.5). Assets whose cash flows are not solely interest payments, and repayments on the outstanding capital amount, are included with a carrying amount of TEUR 36,480.9 (31/12/2022: TEUR 79,105.9). This item includes shares with a carrying amount of TEUR 24.287,4 (31/12/2022: TEUR 29.028,0) in Fidelio KA Infrastructure Debt Fund Europe 1, an unconsolidated structured entity in the form of a closed investment fund (see note 66).

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 64.

29. DERIVATIVES (ASSETS)

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

DERIVATIVES (ASSETS) in EUR 1,000	31/12/2023	31/12/2022
Interest-related transactions	169,406.0	194,671.4
of which in fair value hedges	*144,347.6*	*170,619.7*
of which in portfolio hedges	*15,008.9*	*21,110.7*
Currency-related transactions	11,685.9	6,709.6
of which in fair value hedges	*0.0*	*0.0*
Total	**181,092.0**	**201,381.0**

30. INVESTMENTS IN ASSOCIATES

The equity share in PeakSun Holding GmbH came to TEUR 2,618.7 as of 31 December 2023 (31/12/2022: TEUR 5.0). As of 31 December 2023, the assets and liabilities of this company amounted to TEUR 2,779.5 (31/12/2022: TEUR 579.5) and TEUR 4.3 (31/12/2022: TEUR 567.1), respectively, revenues amounted to TEUR 0.0 (31/12/2022: TEUR 0.0) and the loss for the year was TEUR -47.3 (31/12/2022: TEUR -22.6). There were no non-recognised losses for this at-equity investment for Kommunalkredit. The shares in Kommunalnet E-Government Solutions GmbH are recognised at fair value through other comprehensive income under assets and presented in Note 27.

31. PROPERTY, PLANT AND EQUIPMENT

The development and composition of property, plant and equipment is shown in Note 34 (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 32.

PROPERTY, PLANT AND EQUIPMENT in EUR 1,000	31/12/2023	31/12/2022
Land and buildings	18,162.1	18,926.9
Office furniture and equipment	2,402.3	2,355.1
Plants under construction	3,661.2	440.4
Right-of-use-assets	1,880.6	1,860.4
Total	**26,106.3**	**23,582.7**

32. LEASES

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

The right-of-use assets showed the following development in 2023:

RIGHT-OF-USE ASSETS 2023 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2023	1,859.4	1.0	1,860.4
Additions 1/1-31/12/2023	195.9	0.0	195.9
Depreciation 1/1-31/12/2023	-174.6	-1.0	-175.6
Carrying amount 31/12/2023	**1,880.6**	**0.0**	**1,880.6**

The right-of-use assets developed as follows in the same period of the previous year:

RIGHT-OF-USE ASSETS 2022 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2022	1,421.4	3.9	1,425.3
Additions 1/1-31/12/2022	619.0	2.6	621.6
Depreciation 1/1-31/12/2022	-181.0	-5.5	-186.6
Carrying amount 31/12/2022	**1,859.4**	**1.0**	**1,860.4**

The addition to buildings in the amount of TEUR 195.9 relates to an existing leasing relationship for the rental of office premises in Vienna.

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. These are currently expenses from a leasing relationship amounting to TEUR 56.4 (31/12/2022: TEUR 46.6).

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 in 2023 of TEUR 72.0 (31/12/2022: TEUR 63.0).

The cash outflows from lease agreements (both capitalised leases, and short term leases and leases of low-value assets) amounted to TEUR 334,0 in 2023 (31/12/2022: TEUR 309,2). Kommunalkredit has not concluded any material agreements in which it serves as lessor.

33. INTANGIBLE ASSETS

Intangible assets are not self-produced assets that comprise purchased software and acquired subscription rights for consideration in 2023 totalling TEUR 602.7 (31/12/2022: TEUR 886.8) in connection with an investment in the production of green hydrogen. The development and composition of this item is shown in Note 34 (Schedule of Non-current Asset Transactions).

Kommunalkredit has invested in a plant for the production of green hydrogen together with a partner since the beginning of 2022. Economically, this gives Kommunalkredit the right to dispose the hydrogen produced under certain conditions and to sell it to third parties . This constitutes a subscription right to a proportion of the plant's production. Accordingly, the investment is recognised as an intangible asset in the consolidated financial statements as it meets the recognition criteria of IAS 38. The assessment of whether the right of disposal over the hydrogen production exists on the balance sheet date and thus whether the subscription right has economic substance is reviewed on a regular basis. The subscription right increases by the amount invested by Kommunalkredit in the course of the project until the planned completion of the plant in 2024. The subscription right is amortised over the economic life of the plant (10 years) from completion or commencement of production.

As of 31 December 2023, the capitalised subscription right in connection with the investment in green hydrogen amounted to TEUR 6,814.1 (31/12/2022: TEUR 3,422.4).

34. 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 2023, the schedule of non-current asset transactions is as follows:

SHEDULE OF NON-CURRENT ASSETS TRANSACTIONS 2023 in EUR 1000	Acquisition costs				
	as of 1/1/2023	Additions	Disposals	Reclassifications	as of 31/12/2023
Property, plant and equipment	**48,760.5**	**4,212.6**	**-35.7**	**0.0**	**52,937.5**
Land and buildings	37,825.5	160.0	0.0	0.0	37,985.5
Office furniture nd equipment	7,990.3	636.0	-35.7	0.0	8,590.6
Asset under construction	440.4	3,220.8	0.0	0.0	3,661.2
Right-of-use assets	2,504.3	195.9	0.0	0.0	2,700.2
Intangible assets	**9,314.5**	**3,343.9**	**0.0**	**0.0**	**12,658.5**
Total property, plant and equipment and intangible assets	**58,075.1**	**7,556.6**	**-35.7**	**0.0**	**65,596.0**

SHEDULE OF NON-CURRENT ASSETS TRANSACTIONS 2022 in EUR 1000	Acquisition costs				
	as of 1/1/2022	Additions	Disposals	Reclassifications	as of 31/12/2022
Property, plant and equipment	**47,845.0**	**1,414.8**	**-499.3**	**0.0**	**48,760.5**
Land and buildings	37,825.2	0.3	0.0	0.0	37,825.5
Office furniture nd equipment	8,137.2	352.4	-499.3	0.0	7,990.3
Asset under construction	0.0	440.4	0.0	0.0	440.4
Right-of-use assets	1,882.7	621.6	0.0	0.0	2,504.3
Intangible assets	**5,620.6**	**3,693.9**	**0.0**	**0.0**	**9,314.5**
Total property, plant and equipment and intangible assets	**53,465.7**	**5,108.7**	**-499.3**	**0.0**	**58,075.1**

	Cumulative depreciation and amortisation					
	as of 1/1/2023	Additions	Disposals	as of 31/12/2023	Carrying amount 31/12/2023	Carrying amount 31/12/2022
	25,177.8	**1,686.4**	**-33.0**	**26,831.2**	**26,106.3**	**23,582.7**
	18,898.6	924.7	0.0	19,823.3	18,162.1	18,926.9
	5,635.2	586.0	-33.0	6,188.3	2,402.3	2,355.1
	0.0	0.0	0.0	0.0	3,661.2	440.4
	643.9	175.6	0.0	819.5	1,880.6	1,860.4
	5,005.3	**236.4**	**0.0**	**5,241.7**	**7,416.8**	**4,309.2**
	30,183.1	**1,922.8**	**-33.0**	**32,072.9**	**33,523.1**	**27,892.0**

	Cumulative depreciation and amortisation					
	as of 1/1/2022	Additions	Disposals	as of 31/12/2022	Carrying amount 31/12/2022	Carrying amount 31/12/2021
	24,111.5	**1,565.5**	**-499.3**	**25,177.8**	**23,582.7**	**23,733.5**
	17,978.5	920.1	0.0	18,898.6	18,926.9	19,846.6
	5,675.6	458.9	-499.3	5,635.2	2,355.1	2,461.5
	0.0	0.0	0.0	0.0	440.4	0.0
	457.4	186.6	0.0	643.9	1,860.4	1,425.3
	4,771.8	**233.5**	**0.0**	**5,005.3**	**4,309.2**	**848.8**
	28,883.3	**1,799.1**	**-499.3**	**30,183.1**	**27,892.0**	**24,582.3**

35. OTHER ASSETS

OTHER ASSETS in EUR 1,000	31/12/2023	31/12/2022
Other assets	4,703.7	3,599.3
Deferred income	7,223.8	3,207.8
Total	**11,927.5**	**6,807.1**

Other assets comprise the following material items: Trade receivables in the amount of TEUR 948.1 (31/12/2022: TEUR 801.1) and receivables of Kommunalkredit Public Consulting GmbH from the subsidy management for public clients in the amount of TEUR 102.3 (31/12/2022: TEUR 1,304.9). The prepaid expenses mainly comprise commission and other general and administrative expenses recognised according to the accruals concept.

36. AMOUNTS OWED TO CREDIT INSTITUTIONS

AMOUNTS OWED TO CREDIT INSTITUTIONS in EUR 1,000	31/12/2023	31/12/2022
Repayable on demand	30,098.4	32,386.2
Other liabilities	90,215.2	124,246.3
Total	**120,313.6**	**156,632.5**

Amounts owed to credit institutions repayable on demand include cash and cash equivalents received as cash collateral for positive market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 30,098.4 (31/12/2022: TEUR 31,671.3). Other amounts owed to credit institutions include TEUR 3,920.1 (31/12/2022: TEUR 4,347.8) in collateralised loans from the European Investment Bank. The decrease in amounts owed to credit institutions from the TLTRO III programme is due to the early repayment of a TLTRO III tranche with a nominal value of TEUR 37,460.

37. AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers include the following:

AMOUNTS OWED TO CUSTOMERS in EUR 1,000	31/12/2023	31/12/2022
Deposits by corporates, municipalities and quasi-municipal enterprises - KOMMUNALKREDIT DIREKT	1,045,673.4	872,043.1
Deposits by retail customers - KOMMUNALKREDIT INVEST	2,124,123.6	1,253,559.8
Cash collateral received for positive market values of derivatives	23,268.2	20,779.2
Other long-term liabilities to customers	120,822.3	142,781.8
Total	**3,313,887.5**	**2,289,163.9**

Of the amounts owed to customers, TEUR 2,176,951.5 (31/12/2022: TEUR 525,554.3) are repayable on demand. No long-term liabilities to customers were bought back in the reporting period or in the previous year.

38. SECURITISED LIABILITIES

SECURITISED LIABILITIES in EUR 1,000	31/12/2023	31/12/2022
Bond issued	1,387,821.5	1,230,035.3
Other securitised liabilities	175,600.1	170,392.1
Total	**1,563,421.6**	**1,400,427.3**

The securitised liabilities reported under "Bonds issued" and "Other securitised liabilities" comprise covered bonds with a carrying amount of TEUR 1,029,217.3 (31/12/2022: TEUR 926,576.1), 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 47,000.0 (31/12/2022: TEUR 209,905.3) at maturity according to schedule, and did not buy back/prematurely redeem securitised liabilities in the 2023 financial year (31/12/2022: TEUR 7,669.9). With regard to the resulting outcome, please refer to Note 48.

39. SUBORDINATED LIABILITIES

As of 31 December 2023, subordinated liabilities were broken down as follows:

TYPE OF LIABILITY	Interest rate 31/12/2023	Currency	Nominal Value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007–2047	5.02%	EUR	10,000.0	7,414.0
Subordinated bonded loan 2007–2047	5.02%	EUR	9,000.0	6,672.6
Subordinated bonded loan 2007–2037	5.08%	EUR	10,000.0	8,155.3
Subordinated bonded loan 2007-2037	5.08%	EUR	800.0	652.4
Subordinated bonded loan 2007–2037	5.08%	EUR	10,200.0	8,318.4
Total			**40,000.0**	**31,212.7**

The comparative figures as of 31 December 2022 are as follows:

TYPE OF LIABILITY	Interest rate 31/12/2022	Currency	Nominal Value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007–2047	5.02%	EUR	10,000.0	6,928.6
Subordinated bonded loan 2007–2047	5.02%	EUR	9,000.0	6,235.7
Subordinated bonded loan 2007–2037	5.08%	EUR	10,000.0	7,466.3
Subordinated bonded loan 2007–2037	5.08%	EUR	800.0	597.3
Subordinated bonded loan 2007–2037	5.08%	EUR	10,200.0	7,615.6
Total			**40,000.0**	**28,843.6**

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 2,018.0 (31/12/2022: TEUR 2,076.4). 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.

40. DERIVATIVES (LIABILITIES)

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 (LIABILITIES) in EUR 1,000	31/12/2023	31/12/2022
Interest-related transactions	160,129.1	183,946.1
of which in fair value hedges	*13,825.7*	*14,612.9*
of which in portfolio hedge	*128,437.5*	*160,335.8*
Currency-related transactions	5,705.6	6,877.9
of which in fair value hedges	*0.0*	*0.0*
Other transactons	0.0	0.0
Total	**165,834.7**	**190,823.9**

The structure of the derivative financial instruments, including their market values, is shown in Note 61.

41. PORTFOLIO HEDGE

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

Kommunalkredit applies the “bottom-layer” approach for modelling an underlying item (in line with the IAS 39 carve-out). This creates a theoretical combined item from all fixed-interest items that are not individually hedged; this theoretical hedged loans is then compared to hedging derivatives. The change in fair value of the theoretical underlying item attributable to the hedged risk is reported under the separate balance sheet 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 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%.

Kommunalkredit defined two portfolio hedges for the public sector portfolio in accordance with their requirements, one comprising the exposures in the hold portfolio ("AC layer") and one comprising the exposures in the hold & sell portfolio ("OCI layer").

To ensure the highest possible hedge efficiency, the synthetic underlying items were structured as identically as possible to the portfolio hedge derivatives. The key parameters are the volume, the term and the coupons, which correspond as far as possible to the parameters of the hedging derivatives.

The market value of the portfolio derivatives as of 31 December 2023 amounts to TEUR 4,821.6 (31/12/2022: TEUR: 8,443.3).

42. PROVISIONS

As of 31 December 2023, long-term personnel provisions and provisions for expected losses from credit commitments were reported under provisions.

PROVISIONS in EUR 1.000	Changes			
	Initial value 1/1/2023	reported in income statement	reported in total comprehensive income/equity	End Value 31/12/2023
Provisions for pensions	548.4	-94.0	399.3	853.7
Provisions for severance pay	2,444.2	-72.3	198.5	2,570.4
Provisions for jubilee bonuses	91.4	-10.3	0.0	81.1
Provisions for expected loasses on credit commitments	908.6	-511.3	0.0	397.3
Other provisions	235.4	104.8	0.0	340.2
Total	**4,227.9**	**-583.2**	**597.8**	**4,242.6**

Provisions for expected losses from credit commitments are shown in Note 27. The actuarial provisioning requirement for personnel provisions changed in 2023 as follows:

CHANGE IN PERSONNEL PROVISIONTS in EUR 1.000		Provision for			Total
		pensions obligations	severance pay	jubilee bonuses	
as of 31/12/2022					
Present value of defined benefir obligation DBO		1,060.5	2,444.2	91.4	3,596.1
Plan assets		-512.1	0.0	0.0	-512.1
Acturial provisioning requirement		**548.4**	**2,444.2**	**91.4**	**3,084.0**
Curent service cost		7.2	121.0	2.2	
Interest cost		37.8	80.6	2.4	
Acturial gains (-)/ loses (+) from DBO		464.3	198.5	8.9	
of which due to changes in demographic assumptions		*0.0*	*-27.1*	*0.0*	
of which due to empirical changes		*398.3*	*37.3*	*3.9*	
of which due to changes in financial assumptions		*66.0*	*188.3*	*5.0*	
Payments		-108.7	-273.9	-23.8	
Other changes		0.0	0.0	0.0	
Change DBO 2023		**400.7**	**126.2**	**-10.3**	
Change in plan assets 2023		**-95.4**	**0.0**	**0.0**	
DBO as of 31/12/2023		1,461.2	2,570.4	81.1	4,112.6
Plan assets		-607.5	0.0	0.0	-607.5
Acturial provisioning requirement as of 31/12/2023		**853.7**	**2,570.4**	**81.1**	**3,505.1**
Duration of defined benefit obligation in years		10.6	6.5	2.3	
Sensitivity of DBO to change in acturial interst rate by	plus 0,5 %	-4.9%	-3.1%		
	minus 0,5 %	5.4%	3.3%		
Sensitivity of DBO to deviation of salary development by	plus 0,5 %	0.5%	3.2%		
	minus 0,5 %	-0.5%	-3.1%		
ensitivity of DBO to deviations of pen-sion increase by	plus 0,5 %	5.1%			
	minus 0,5 %	-4.7%			

The comparative figures as of 31 December 2022 are as follows:

PROVISIONS in EUR 1.000	**Changes**			
	Initial value 1/1/2022	**reported in income statement**	**reported in total comprehensive income/equity**	**End Value 31/12/2022**
Provisions for pensions	1,094.0	-59.3	-486.4	548.4
Provisions for severance pay	3,924.7	-299.4	-1,181.2	2,444.2
Provisions for jubilee bonuses	133.3	-41.9	0.0	91.4
Provisions for expected loasses on credit commitments	395.7	512.9	0.0	908.6
Other provisions	0.0	235.4	0.0	235.4
Total	**5,547.7**	**347.7**	**-1,667.5**	**4,227.9**

The actuarial provisioning requirement for personnel provisions changed in 2022 as follows:

CHANGE IN PERSONNEL PROVISIONTSn in EUR 1.000		**Provision for**			
		pensions obligations	**severance pay**	**jubilee bonuses**	**Total**
as of 31/12/2021					
Present value of defined benefir obligation DBO		1,674.0	3,924.7	133.3	5,732.0
Plan assets		-580.0	0.0	0.0	-580.0
Acturial provisioning requirement		**1,094.0**	**3,924.7**	**133.3**	**5,152.0**
Curent service cost		13.4	206.6	4.0	
Interest cost		12.7	19.4	0.3	
Acturial gains (-)/ loses (+) from DBO		-536.3	-1,181.2	-18.7	
of which due to changes in demographic assumptions		*0.0*	*-226.0*	*0.0*	
of which due to empirical changes		*14.6*	*-405.6*	*-6.6*	
of which due to changes in financial assumptions		*-550.9*	*-549.5*	*-12.2*	
Payments		-103.3	-525.4	-27.5	
Other changes		0.0	0.0	0.0	
Change DBO 2022		**-613.5**	**-1,480.5**	**-41.9**	
Change in plan assets 2022		**67.9**	**0.0**	**0.0**	
DBO as of 31/12/2022		1,060.5	2,444.2	91.4	3,596.1
Plan assets		-512.1	0.0	0.0	-512.1
Acturial provisioning requirement as of 31/12/2022		**548.4**	**2,444.2**	**91.4**	**3,084.0**
Duration of defined benefit obligation in years		12.4	6.6		
Sensitivity of DBO to change in acturial interst rate by	plus 0,5 %	-5.7%	-3.1%		
	minus 0,5 %	6.3%	3.3%		
Sensitivity of DBO to deviation of salary development by	plus 0,5 %	0.8%	3.3%		
	minus 0,5 %	-1.0%	-3.1%		
ensitivity of DBO to deviations of pension increase by	plus 0,5 %	5.7%			
	minus 0,5 %	-5.2%			

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

DEVELOPMENT OF THE FAIR VALUE OF PLAN ASSETS in EUR 1.000	2023	2022
as of 1/1	**512.1**	**580.0**
Interest income	19.7	4.4
Acturial result due to empirical changes	65.0	-49.9
Fund payments	10.7	-22.6
Changes in the financial year	95.4	-67.9
as of 31/12	**607.5**	**512.1**

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

PLAN ASSETS BY ASSET CLASS	31/12/2023	31/12/2022
Securities - euro	15.1%	11.2%
Securities - euro - inflation - linked	4.5%	4.1%
Securities - euro emerging markets	3.1%	1.9%
Securities - euro corporate	9.6%	10.3%
Term deposits	0.5%	0.3%
Equity Instruments - euro	11.8%	14.5%
Equity Instruments - non-euro	15.8%	14.4%
Equity Instruments - emerging markets	5.0%	6.4%
Alternative Investments	11.8%	11.0%
Real Estate	6.4%	5.6%
Cash and cash equivalents	5.9%	8.4%
Other	10.5%	12.0%
Total	**100.0%**	**100.0%**

As of 31 December 2023, 27.3% (31/12/2022: 26.7%) of the plan assets do not have a market price listed on an active market.

For 2024, 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 1/1/2024	**1,461.2**
Expected current service cost	6.0
Expected interest cost	46.7
Expected payments	-67.0
Expected actuarial result	-7.8
DBO as of 31/12/2024	**1,439.0**

EXPECTED DEVELOPMENT OF PLAN ASSETS in EUR 1,000	
Plan assets as of 1/1/2024	**607.5**
Expected interest income	19.5
Expected payments by pension fund	-26.5
Expected contribution by employer	0.0
Expected actuarial result	0.0
Expected plan assets as of 31/12/2024	**600.5**

43. TAX LIABILITIES/TAX ASSETS

TAX ASSETS/LIABILITIES in EUR 1,000	31/12/2023	31/12/2022
Current tax liabilities	33,293.8	17,389.9
Deferred tax liabilities	0.0	0.0
Total	**33,293.8**	**17,389.9**
Deferred tax assets	1,483.9	4,425.7

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.

DEFERRED TAXES on EUR 1,000	as of 31/12/2022	Changes recognised in P&L	Changes recognised in OCI	as of 31/12/2023
Deferred taxes from temporary differences in asset-side items in the statement of financial position				
Cash and balances with central banks	0.0	4.8	0.0	4.8
Loans and advances to credit institutions at amortized cost	442.4	-179.6	0.0	262.9
Loans and advances to customers at amortized cost*	292,576.0	80,797.5	0.0	373,373.5
Securities	39,814.9	-1,940.5	0.0	37,874.4
Assets at fair value through profit and loss*	-49,630.4	-29,294.2	0.0	-78,924.7
Assets at fair value through other comprehensive income*	-253,597.6	-62,418.2	-973.8	-316,989.6
Derivatives	-40,467.4	8,849.5	0.0	-31,617.9
Portfolio hedge	1,942.0	-833.0	0.0	1,109.0
Investments in associates	0.0	0.0	0.0	0.0
Property, plant and equipment	-427.9	-4.7	0.0	-432.5
Other loans and advances	-141.7	0.0	0.0	-141.7
Deferred taxes from temporary differences in liabilityy-side items in the statement of financial position				
Amounts owed to credit institutions	67.1	-67.1	0.0	-0.0
Amounts owed to customers	-1,480.3	-312.2	0.0	-1,792.5
Derivatives	32,403.0	-6,914.4	0.0	25,488.6
Securitised liabilities	-21,577.9	12,600.4	0.0	-8,977.4
Subordinated liabilities	-2,964.1	545.4	0.0	-2,418.7
Provisions	369.5	-245.5	137.5	261.4
Provisios for expected losses	0.0	0.0	0.0	0.0
Other liabilities	7,098.1	-2,693.7	0.0	4,404.4
Total	**4,425.7**	**-2,110.3**	**-836.3**	**1,483.9**

* 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 change in profit or loss of TEUR -2,110.3 (31/12/2022: TEUR -3,001.7) is included in its entirety in the deferred tax expense.

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 2022 are as follows:

DEFERRED TAXES on EUR 1,000	as of 31/12/2021	Changes recognised in P&L	Changes recognised in OCI	as of 31/12/2022
Deferred taxes from temporary differences in asset-side items in the statement of financial position				
Cash and balances with central banks	0.0	0.0	0.0	0.0
Loans and advances to banks	716.7	-274.3	0.0	442.4
Loans and advances to customers at amortized cost*	282,896.2	9,679.9	0.0	292,576.0
Securities	12,670.3	27,144.6	0.0	39,814.9
Assets at fair value through profit and loss*	-61,531.7	11,901.3	0.0	-49,630.4
Assets at fair value through other comprehensive income*	-267,505.6	4,510.9	9,397.1	-253,597.6
Derivatives	-22,282.0	-18,185.4	0.0	-40,467.4
Portfolio hedge	-306.3	2,248.3	0.0	1,942.0
Investments in associates	0.0	0.0	0.0	0.0
Property, plant and equipment	-363.7	-64.2	0.0	-427.9
Other loans and advances	89.1	-230.8	0.0	-141.7
Deferred taxes from temporary differences in liabilityy-side items in the statement of financial position				
Amounts owed to banks	-288.4	355.4	0.0	67.1
Amounts owed to customers	608.6	-2,088.9	0.0	-1,480.3
Derivatives	33,500.1	-1,097.0	0.0	32,403.0
Securitised liabilities	17,313.2	-38,891.1	0.0	-21,577.9
Subordinated liabilities	-557.6	-2,406.4	0.0	-2,964.1
Provisions	699.2	87.2	-416.9	369.5
Provisios for expected losses	0.0	0.0	0.0	0.0
Other liabilities	2,789.1	4,309.0	0.0	7,098.1
Total	**-1,552.8**	**-3,001.6**	**8,980.2**	**4,425.7**

* 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	31/12/2023	31/12/2022
Other liabilities	15,685.4	12,681.2
Personnel liabilities	25,307.5	21,812.7
Lease liabilities	1,934.3	969.6
Deferred income	14,206.8	25,000.5
Total	**57,134.1**	**60,463.9**

Other liabilities mainly include obligations for personnel expenses and accruals for audit, legal and consulting expenses. Deferred income mainly includes fees and arrangement fees not yet received in connection with loans not yet disbursed as well as income from day-one gains not yet accrued. The fees and arrangement fees included in prepaid expenses are recognised in the effective interest rate at the time of disbursement.

In the first half of 2022, Kommunalkredit acquired a portfolio of several loans at a significant discount to nominal value in the course of a non-standardised business transaction, where, due to the sellers situation, the transaction price (purchase price) at the time of purchase did not correspond to the fair value of the underlying loans. In order to determine the fair value of this portfolio at the time of recognition, a considerable number of parameters not observable on the market were used for the valuation. Accordingly, a systematic deferral of the day-one gain is made over the term of the asset or until the point in time at which observable market information is expected to be available (depending on which period is shorter).

Extraordinary repayments were recognised from this transaction in the second half of 2023, which led to a disposal from existing transactions. The status of day-one gains not yet amortised include the following: the additions from new transactions relate to two loans that were acquired at a significant discount to the nominal value where the transaction price at the time of purchase did not correspond to the fair value of the underlying loans.

The origin and development of deferred tax assets/liabilities are shown in the following table:

DIFFERENCES FROM DAY-ONE GAINS in EUR 1.000	**31/12/2023**	**31/12/2022**
Balance at the beginning of the period	21,328.5	0.0
New transactions	5,080.3	28,660.6
Disposals from existing transactions	-13,533.6	0.0
Amounts recognized in profit or loss during the period	-2,992.7	-7,332.1
Total	**9,882.6**	**21,328.5**

EUR **177**m share capital

45. EQUITY

A. Development and composition

The share capital of Kommunalkredit as of 31 December 2023 amounted to EUR 177,017,120.82.

Satere Beteiligungsverwaltungs GmbH holds 34,343,928 no-par value shares, i.e. 99.80 % of the shares, while the Association of Austrian Municipalities holds 70,367 no-par value shares or 0.20 % of the shares. 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 5.1 in share capital.

EUR **89**m authorised capital

By a resolution passed by the Annual General Meeting held on 22 February 2023, the Executive Board was authorised to increase the share capital of the company through the issue of new no-par-value registered shares by a maximum amount of EUR 88,508,60.4 (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. No shares were issued in the financial year 2023. This means that authorised capital of EUR 88,508,560.4 is still available.

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

EUR **144**m net profit

The profit for the year 2023 of Kommunalkredit Austria AG under Austrian GAAP is TEUR 100,384.5. The Executive Board will propose to the Annual Shareholders' Meeting on 22 February 2024 that the retained profit of Kommunalkredit Austria AG in the amount of TEUR 143,759.8 be carried forward to a 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 65.

C.1. Regulatory group of credit institutions

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltung GmbH (Satere). Satere owns 99.80 % of Kommunalkredit. Given that Satere is classified as a financial holding company 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 and Kommunalkredit, the regulatory group of credit institutions also includes Kommunalkredit KBI Immobilien GmbH, Kommunalkredit 4OG Immobilien GmbH & Co KG, 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 under Austrian GAAP, calculated according to the CRR, show the following composition and development:

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	**according to Art. 92 CRR 31/12/2023**	**according to Art. 92 CRR 31/12/2022**
Total risk exposure amount pursuant to Art. 92 CRR	**2,943,990.2**	**2,534,070.2**
of which credit risk	*2,696,269.7*	*2,324,813.2*
of which operational risk	*233,263.7*	*192,217.4*
of which CVA charge	*14,131.4*	*16,874.0*
of which default fund of a qualifying counterparty	*325.3*	*165.6*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	**31/12/2023**	**31/12/2022**
Common equity tier 1 after deductible items (CET 1)	502,944.0	401,683.6
Additional tier 1 (AT1)	36,173.4	36,230.5
Common equity (tier 1)	**539,177.4**	**437,914.1**
Tier 2 capital	34,331.8	36,869.2
Total capital	**573,449.1**	**474,783.3**
Common equity tier 1 ratio (CET 1)	17.1%	15.9%
Common equity ratio (tier 1)	18.3%	17.3%
Total capital ratio	19.5%	18.7%

The total capital disclosed reflects the annual net income of the consolidated group companies for the financial year under Austrian GAAP amounting to TEUR 188,741.1 (2022: TEUR 91,887.2).

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 under Austrian GAAP have the following composition and development:

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	**according to Art. 92 CRR 31/12/2023**	**according to Art. 92 CRR 31/12/2022**
Total risk exposure amount pursuant to Art. 92 CRR	**2,965,650.7**	**2,552,491.2**
of which credit risk	*2,722,046.4*	*2,347,897.6*
of which operational risk	*229,147.6*	*187,554.1*
of which CVA charge	*14,131.4*	*16,874.0*
of which default fund of a qualifying counterparty	*325.3*	*165.6*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	**31/12/2023**	**31/12/2022**
Common equity tier 1 after deductible items (CET 1)	531,124.2	431,189.4
Additional tier 1 (AT1)	62,800.0	62,800.0
Common equity (tier 1)	**593,924.2**	**493,989.4**
Tier 2 capital	41,650.0	44,950.0
Total capital	**635,574.2**	**538,939.4**
Common equity tier 1 ratio (CET 1)	17.9%	16.9%
Common equity ratio (tier 1)	20.0%	19.4%
Total capital ratio	21.4%	21.1%

The total capital disclosed reflect the net income for the 2023 financial year of Kommunalkredit under Austrian GAAP amounting to TEUR 143,759.8 (2022: TEUR 49,101.3).

Notes to the income statement of Kommunal-kredit Group

46. NET INTEREST INCOME

NET INTEREST INCOME in EUR 1,000	2023	2022*
Net interest income	**326,641.0**	**201,569.7**
Interest income from loans and advances to credit institutions	26,328.9	15,803.5
Interest income from loans and advances to customers	118,312.4	70,530.5
Interest income from assets at fair value through other comprehensive income	122,235.9	73,839.4
Interest income from assets at fair value through profit or loss	24,214.4	19,349.8
Interest income from derivatives in hedges	26,509.6	14,144.8
Interest income from maturing derivatives in portfolio hedge	6,919.2	7,056.9
Interest income from other assets and changes to estimates	2,120.5	844.9
Interest expenses and expenses similar to interest expenses	**-134,286.0**	**-75,869.1**
Interest expenses for amounts owed to credit institutions	-4,744.2	-11,655.3
Interest expenses for amounts owed to customers	-57,903.4	-11,395.2
Interest expenses for derivatives in hedges	-40,399.4	-22,294.2
Interest expenses for derivatives not in hedges	-1,142.6	-2,793.5
Interest expenses for securitised liabilities	-24,835.7	-24,092.2
Interest expenses for subordinated capital	-2,018.0	-2,076.4
Interest expenses for other liabilities and changes in estimates	-3,242.7	-1,562.2
Net interest income	**192,355.0**	**125,700.6**

* adjusted.

Net interest income rose year on year by 53,0 % to TEUR 192.355,0 (31/12/2022: TEUR 125.700,6). The increase compared to the previous year is mainly due to the further increase in income from the infrastructure and energy portfolio and the higher interest rate environment.

In connection with the negative interest rates applied to credit with Oesterreichische Nationalbank (OeNB) and to other deposits with banks, the net interest income was not changed (31/12/2022: TEUR 1,731.5) in 2023. No interest income was collected in 2023 as part of the specific long-term refinancing transactions of the ECB (TLTRO III) (31/12/2022: TEUR 1,752.0).

In 2023, there was no 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 (31/12/2022: TEUR 0.00).

The interest cost of financial liabilities calculated based on the effective interest method that are not measured at fair value through profit or loss came to TEUR 129,900.7 in 2023 (31/12/2022: TEUR 35,074.4). In the reporting year, day-one gains were amortised in net interest income. Details are provided in Note 44.

47. NET FEE AND COMMISSION INCOME

NET FEE AND COMMISSION INCOME in EUR 1,000	2023	2022
Fee and commission income	**40,925.4**	**33,748.1**
Subsidy management and consulting business	24,770.2	20,323.8
Lending business	15,891.6	10,329.0
Other service business	263.6	3,095.4
Fee and commission expenses	**-2,415.4**	**-3,868.5**
Lending business	-1,511.6	-783.7
Securities business	-348.9	-428.2
Money and FX trading	-277.1	-322.4
Other service business	-277.8	-2,334.3
Net fee and commission income	**38,510.0**	**29,879.6**

Net fee and commission income of TEUR 38,510.0 (31/12/2022: TEUR 29,879.6) was largely shaped by the revenue from Kommunalkredit Public Consulting GmbH (KPC) in relation to the subsidy management and consulting business amounting to TEUR 24,770.2 (31/12/2022: TEUR 20,323.8). Fee and commission income from the lending business came to TEUR 6,093.8 (31/12/2022: TEUR 10,329.0) and 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 -1,511.6 (31/12/2022: TEUR -783.7), from the securities business in the amount of TEUR -348.9 (31/12/2022: TEUR 428.2) as well as money and FX trading in the amount of TEUR -277.1 (31/12/2022:TEUR -322.4). All fee and commission income and expenses are recognised according to the accruals concept.

48. GAINS AND LOSSES FROM FINANCIAL ASSETS AND LIABILITIES

The result from the disposal of assets at fair value through other comprehensive income amounted to TEUR -1,536.7 in the reporting year (31/12/2022: TEUR 1,233.5). 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.

Gains and losses from financial assets and liabilities for 2023 came to TEUR -13.7 (31/12/2022: TEUR 16,187.5) with a detailed breakdown as follows:

GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES in EUR 1,000	**2023**	**2022**
a) Realised Gains (Loses) from financial instruments not measured at fair value through P&L	**-1,631.3**	**3,165.6**
a1) result from the disposal of assets at fair value through other comprehensive income	*-1,536.7*	*1,233.5*
a2) financial assets measured at amortised cost	*-2,315.4*	*489.6*
gains from sale of assets measured at amortised cost	*-2,315.4*	*489.6*
losses from sale of assets measured at amortised cost	*0.0*	*0.0*
a3) financial liabilities measured at amortised cost (results from early redemption of own issues)	*0.0*	*565.0*
a4) Gain (Loss) from modifications	*2,220.8*	*877.5*
b) Result from financial instruments measured at fair value through P&L	**-1,500.9**	**15,845.4**
b1) of which loans and securities	*-682.9*	*-4,686.3*
b2) of which interest and currency hedging derivatives	*-818.0*	*20,531.7*
c) Remeasurement result from fair value hedge	**-150.5**	**-1,951.7**
c1) of which interest rate derivatives	*-212.6*	*4,365.3*
c2) of which underlying instruments	*62.1*	*-6,317.0*
d) Remeasurement result from portfolio hedge	**-1.2**	**351.8**
d1) of which interest rate derivatives	*7,148.8*	*55,307.3*
d2) of which underlying instruments (layer)	*-7,150.0*	*-54,955.5*
e) Foreign currency valuation/Other*	**3,270.2**	**-1,223.7**
Total	**-13.7**	**16,187.5**

* The "Other" item primarily includes the foreign currency valuation of FX forwards.

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 0.00 (31/12/2022: TEUR 565.0) was generated in 2023 from the 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 ineffectiveness of the hedging relationships reported in the statement of financial position by Kommunalkredit. Details on how hedge accounting is 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 2023 financial year that resulted in an effect of TEUR 2,220.8 (31/12/2022: TEUR 877.5).

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 -807,8 (31/12/2022: TEUR 20.533,2 and includes the following components:

- a2) Valuation of interest rate and currency hedging derivatives of TEUR -818.0 (31/12/2022: TEUR 20,531.7)
- e) Foreign currency valuation excl. other of TEUR 10.2 (31/12/2022: TEUR 1.5)

Kommunalkredit did not sell a significant amount of assets measured at amortised cost in the reporting year.

This related to the sale of publicly listed bonds at a nominal amount of TEUR 15,000.0 (31/12/2022: TEUR 21,000.0) which were dedicated to the "hold" business model and reported in loans and advances to customers. No loans measured at amortised cost were sold in the reporting year (31/12/2022: TEUR 0.00).

The result from the disposal of these assets was TEUR -2,315.4 (31/12/2022: TEUR 489.6) in 2023.

49. NET PROVISIONING FOR IMPAIRMENT LOSSES

NET PROVISIONING FOR IMPAIRMENT LOSSES in EUR 1,000	2023	2022
Change in expected losses for level 1	-1,184.3	-1,463.6
Change in expected losses for level 2	1,433.4	-86.3
Change in expected losses for level 3	-815.0	0.0
Total	**-565.9**	**-1,550.0**

Net provisioning for impairment losses came to TEUR -565.9 in the 2023 reporting period (31/12/2022: TEUR -1,550.0) 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 27.

50. GENERAL ADMINISTRATIVE EXPENSES

GENERAL ADMINISTRATIVE EXPENSES in EUR 1,000	2023	2022
Personnel expenses	**-60,698.9**	**-52,890.5**
Salaries	-50,691.5	-44,934.7
Statutory social security contributions	-8,247.1	-6,974.6
Voluntary social security contributions	-1,014.4	-884.0
Expenses for pensions and employee benefits	-745.9	-97.2
Other administrative expenses	**-30,499.7**	**-21,149.5**
Depreciation, amortisation and impairment	**-1,922.8**	**-1,799.1**
on intangible assets	-236.4	-233.5
on property, plant and equipment	-1,686.4	-1,565.5
Total	**-93,121.42**	**-75,839.1**

General administrative expenses increased in the reporting period by 23.0% or TEUR 17,321.4 to TEUR 93,121.4 (31/12/2022: TEUR 75,839.1).

In addition to the change in severance and pension provisions, expenses for pensions and employee benefits include TEUR 647.3 (31/12/2022: TEUR 590.2) for defined contribution plans (pension fund contributions under collective bargaining agreements) and TEUR 592.9 (31/12/2022: TEUR 471.9) for contributions to company pension plans.

Other administrative expenses include the following items:

OTHER ADMINISTRATIVE EXPENSES in EUR 1,000	2023	2022
Third-party services	-7,662.5	-6,945.8
Data processing	-4,436.3	-3,909.7
Consulting and auditing fees	-4,492.1	-2,395.5
Public relations and advertising	-2,378.5	-2,048.3
External news serivces	-945.5	-1,243.4
Headhunting and personnel development	-2,352.4	-1,582.3
Rating	-369.7	-294.5
Other non-personnel administrative expenses	-7,862.7	-2,730.2
Total of other administrative expenses	**-30,499.7**	**-21,149.5**

Expenses for auditing services by the financial auditor allocable to the reporting period came to TEUR 319.8 (31/12/2022: TEUR 487.2). Of which TEUR 156.5 (31/12/2022: TEUR 383.4) was attributable to the audit of the separate financial statements, TEUR 72.1 (31/12/2022: TEUR 60.0) was attributable to the audit of the consolidated financial statements, and TEUR 43.2 (31/12/2022: TEUR 43.7) was attributable to other auditing services.

Other advisory services provided by the auditor came to TEUR 43.0 (31/12/2022: TEUR 163.8).

51. INCOME/EXPENSES FROM ASSOCIATES

Expenses from associates amounting to TEUR -18.9 were realised in the past financial year (31/12/2022: TEUR 0.0).

52. OTHER OPERATING RESULT

OTHER OPERATING RESULT in EUR 1,000	2023	2022
Other operating income	**1,208.4**	**10,225.8**
Other operating incoem	1,208.4	10,225.8
Other operating expense	**-901.3**	**-3,088.0**
Other	-901.3	-1,885.3
Total	**307.0**	**7,137.8**

In addition, no income was realised from the repurchase of customer liabilities as part of interest rate and liquidity management in the reporting period (31/12/2022: TEUR 0.0)

Other operating expenses mostly encompass the stability tax for Austrian banks amounting to TEUR 701.7 (31/12/2022: TEUR 695.5)

53. INCOME TAXES

INCOME TAXES in EUR 1,000	2023	2022
Current tax expense	-33,111.9	-18,118.0
Deferred tax income/expense	-2,110.3	-3,001.7
Total	**-35,222.2**	**-21,119.7**

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 24% 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 in 2023 amounts to TEUR -2,110.3 (31/12/2022: TEUR -3,001.7) and results from the change in temporary level differences between tax carrying amounts and IFRS carrying amounts. 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	2023	2022
Profit for the year before tax	**135,731.4**	**99,349.4**
Expected tax expense in the financial year at the Austrian income tax rate (2023: 24%; 2022: 25%)	-32,575.5	-24,837.3
Decrease of tax expense due to taxexempt income from associates	9.7	35.5
Increase of tax expense due to nondeductible items	-1,486.2	-1,086.5
Other	-1,170.2	4,768.6
Income taxes	**-35,222.2**	**-21,119.7**

Other information

54. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

55. 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 65):

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000 in 2023	Austria	Europe	Rest of the world	Total
Interest and similar income	89,274.4	224,613.1	12,753.5	326,641.0
Interest and similar expenses	-97,836.6	-31,372.5	-5,076.9	-134,286.0
Net interest income	**-8,562.2**	**193,240.6**	**7,676.6**	**192,355.0**
Fee and commission income	22,219.7	18,352.0	353.8	40,925.4
Fee and commission expenses	-229.6	-1,956.0	-229.8	-2,415.4
Net fee and commission income	**21,990.1**	**16,396.0**	**124.0**	**38,510.0**

PRESENTATION OF REVENUES BY REGION in 2022 (REGISTERED OFFICE OF COUNTERPARTY) in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	44,786.6	154,843.5	1,939.5	201,569.7
Interest and similar expenses	-29,382.5	-46,371.9	-114.7	-75,869.1
Net interest income	**15,404.2**	**108,471.7**	**1,824.7**	**125,700.6**
Fee and commission income	17,319.2	16,378.9	50.1	33,748.1
Fee and commission expenses	-782.2	-2,908.4	-177.9	-3,868.5
Net fee and commission income	**16,537.0**	**13,470.4**	**-127.8**	**29,879.6**

56. STRUCTURE OF RESIDUAL MATURITIES

Residual maturity is defined as the period of time between the reporting 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 65 for further details on liquidity risk management.

A breakdown of the carrying amounts of key asset and liability items by residual maturity as of 31 December 2023 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	895,762.7	0.0	0.0	0.0	0.0	**895,762.7**
Loans and advances to banks	55,587.9	0.0	0.0	0.0	0.0	**55,587.9**
Loans and advances to customers	49,451.6	103,307.9	199,246.9	965,909.9	680,829.6	**1,998,745.9**
Securities	313,713.2	8,968.0	9,274.5	315,226.1	278,637.6	**925,819.5**
Assets recognised at fair value through other comprehensive income	0.0	1,273.8	23,043.9	263,582.5	63,039.9	**350,940.0**
Assets at fair value through profit or loss	975.7	22,511.1	131,023.3	789,263.8	469,839.1	**1,413,613.1**
Other assets	11,091.4	616.0	0.0	26.0	194.1	**11,927.5**
Total*	**1,326,582.5**	**136,676.8**	**362,588.5**	**2,334,007.2**	**1,492,540.4**	**5,652,395.7**

* 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	30,115.2	10,176.6	435.6	77,843.9	1,742.3	**120,313.6**
Amounts owed to customers	2,176,951.5	357,869.3	483,691.3	195,384.3	99,991.2	**3,313,887.5**
Securitised liabilities	0.0	0.0	300,222.9	1,203,864.1	59,334.5	**1,563,421.6**
Subordinated liabilities	0.0	0.0	0.0	0.0	31,212.7	**31,212.7**
Other liabilities	5,675.6	3,450.4	20,364.3	17,900.6	9,743.3	**57,134.1**
of which lease liabilities	*0.0*	*0.0*	*0.0*	*0.0*	*1,934.3*	**1,934.3**
Total*	**2,212,742.3**	**371,496.4**	**804,714.1**	**1,494,992.9**	**202,023.9**	**5,085,969.5**

* The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

The residual maturity breakdown as of 31 December 2022 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	503,203.0	0.0	0.0	0.0	0.0	**503,203.0**
Loans and advances to banks	103,542.2	0.0	0.0	0.0	0.0	**103,542.2**
Loans and advances to customers	41,400.1	11,164.2	124,044.8	937,186.6	542,852.9	**1,656,648.6**
Securities	99,969.5	82,141.4	13,580.9	251,807.4	315,845.0	**763,344.3**
Assets recognised at fair value through other comprehensive income	6,522.5	935.0	5,178.3	110,535.6	100,402.0	**223,573.4**
Assets at fair value through profit or loss	7,384.3	21,360.2	46,139.5	628,168.0	434,399.8	**1,137,451.8**
Other assets	6,007.2	616.0	0.0	26.0	157.9	**6,807.1**
Total*	**768,028.7**	**116,216.8**	**188,943.5**	**1,927,723.6**	**1,393,657.6**	**4,394,570.4**

* 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	32,386.2	7,000.0	435.4	114,634.8	2,176.0	**156,632.5**
Amounts owed to customers	525,554.3	228,589.4	781,114.7	581,645.0	172,260.4	**2,289,163.9**
Securitised liabilities	0.0	0.0	46,736.6	1,087,682.7	266,008.1	**1,400,427.3**
Subordinated liabilities	0.0	0.0	0.0	0.0	28,843.6	**28,843.6**
Other liabilities	2,204.9	4,047.0	17,131.7	32,126.9	4,953.4	**60,463.9**
of which lease liabilities	*0.0*	*0.0*	*0.0*	*693.9*	*1,202.7*	**1,896.6**
Total*	**560,145.4**	**239,636.4**	**845,418.4**	**1,816,089.4**	**474,241.5**	**3,935,531.2**

* The table shows the main asset and liability items; accordingly, this total is not equal to the total assets.

57. SUBORDINATED ASSETS

As of 31 December 2023, Kommunalkredit held subordinated assets of TEUR 264,870.3 (31/12/2022: TEUR 242,685.7), TEUR 39,178.7 (31/12/2022: TEUR 90,365.0) of which is reported under “Assets recognised at fair value through other comprehensive income”, TEUR 123,845.1 (31/12/2022: TEUR 105,658.5) of which is recognised in “Assets recognised at fair value in profit or loss” and TEUR 101,846.5 (31/12/2022: TEUR 46,662.2) of which in “Assets at amortised cost”.

58. ASSETS ASSIGNED AS COLLATERAL

58.1. 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 2023. 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.

58.2. 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 2023 which the collateral taker has the right to realise only in the event of the debtor’s default.

58.3. 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 had issued a covered bond with a nominal value of TEUR 107,000.0 and pledged it to KA Finanz AG. KA Finanz AG declared the release of the pledge on 26 September 2023. The bond was subsequently terminated on 4 October 2023 on the instructions of Kommunalkredit Austria AG.

Release of the pledge
KA Finanz AG

The following table shows the carrying amounts of derivatives and funding received and the corresponding financial collateral, broken down by item in the statement of financial position. 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.

CARRYING AMOUNTS 31/12/2023 in EUR 1,000	Fair value of collaterised derivatives	Funding received (-)	Collateral receivd (-) and provided (+)	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**59,432.9**	**0.0**	**8,113.3**	**67,546.2**
Derivatives (positive current value)	201,782.3			201,782.3
Derivatives (negative current value)	-142,349.4			-142,349.4
Loans and advances to banks			31,442.6	31,442.6
Loans and advances to customers			31,945.7	31,945.7
Amounts owed to banks			-32,006.8	-32,006.8
Amounts owed to customers			-23,268.2	-23,268.2
European Investment Bank	**0.0**	**-3,920.1**	**8,820.9**	**4,900.8**
Amounts owed to banks		-3,920.1		-3,920.1
Loans and advances to banks			8,820.9	8,820.9
Covered bond issues	**0.0**	**-1,029,217.3**	**1,150,074.7**	**120,857.4**
Securitised liabilities		-1,029,217.3		-1,029,217.3
Collateral for KA Finan AG's liability arising from the demerger*		0.0		0.0
Loans and advances to customers			837,990.6	837,990.6
Assets at fair value through other comprehensive income			301,564.6	301,564.6
Derivatives (positive current value)			10,519.5	10,519.5
TLTRO/ECB tender	**0.0**	**0.0**	**866,476.0**	**866,476.0**
Amounts owed to banks		0.0		0.0
Loans and advances to banks			23,462.1	23,462.1
Loans advances to customers			827,948.4	827,948.4
Assets at fair value through other comprehensive income			15,065.5	15,065.5
Total	**59,432.9**	**-1,033,137.3**	**2,033,484.8**	**1,059,780.4**

* Not recognised in the statement of financial position.

The comparative figures as of 31 December 2022 are as follows:

CARRYING AMOUNTS 31/12/2022 in EUR 1,000	Fair value of collaterised derivatives	Funding received (-)	Collateral receivd (-) and provided (+)	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**6,541.0**	**0.0**	**17,875.0**	**24,416.1**
Derivatives (positive current value)	182,947.0			182,947.0
Derivatives (negative current value)	-176,406.0			-176,406.0
Loans and advances to banks			38,468.9	38,468.9
Loans and advances to customers			34,759.8	34,759.8
Amounts owed to banks			-31,671.5	-31,671.5
Amounts owed to customers			-23,682.1	-23,682.1
European Investment Bank	**0.0**	**-4,352.0**	**8,615.5**	**4,263.5**
Amounts owed to banks		-4,352.0		-4,352.0
Loans and advances to banks			8,615.5	8,615.5
Covered bond issues	**0.0**	**-1,034,111.1**	**1,053,643.7**	**19,532.6**
Securitised liabilities		-926,576.1		-926,576.1
Collateral for KA Finan AG's liability arising from the demerger*		-107,535.0		-107,535.0
Loans and advances to customers			726,662.6	726,662.6
Assets at fair value through other comprehensive income			321,428.5	321,428.5
Derivatives (positive current value)			5,552.5	5,552.5
TLTRO/ECB tender	**0.0**	**-37,294.3**	**678,902.4**	**641,608.2**
Amounts owed to banks		-37,294.3		-37,294.3
Loans and advances to banks			34,327.3	34,327.3
Loans advances to customers			631,787.7	631,787.7
Assets at fair value through other comprehensive income			12,787.4	12,787.4
Total	**6,541.0**	**-1,075,757.4**	**1,759,036.7**	**689,820.4**

* Not recognised in the statement of financial position.

59. CONTINGENT LIABILITIES

There were no contingent liabilities as of 31 December 2023. There were no guarantees arising from the lending business in the previous year either.

The residual maturities are as follows:

RESIDUAL MATURITY in EUR 1,000	31/12/2023	31/12/2022
Up to 1 year	0.0	0.0
1 to 5 years	0.0	0.0
More than 5 years	0.0	0.0
Total	**0.0**	**0.0**

60. OTHER OFF-BALANCE-SHEET LIABILITIES

As of 31 December 2023, there were promissory commitments and unused lines of TEUR 928.8 (31/12/2022: TEUR 1,082.8). The residual maturities are as follows:

RESIDUAL MATURITY in EUR 1,000	31/12/2023	31/12/2022
Up to 1 year	135,708.5	132,999.5
1 to 5 years	765,581.8	793,155.6
More than 5 years	27,552.4	156,617.5
Total	**928,842.7**	**1,082,772.7**

Kommunalkredit also 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 2023, positions amounting to TEUR 193,259.3 (31/12/2022: TEUR 248,474.1) are held in trust for Trinity in fiduciary funds; there are no transactions as of the reporting date for the related party of Trinity.

61. 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 2023	Nominalamount as of 31/12/2023			Total nominal 2023	Positiv fair value	Negative fair value
in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
Interest-related transactions	**397,550.0**	**2,160,850.0**	**1,053,808.9**	**3,612,208.9**	**169,406.0**	**-160,129.1**
OTC products:						
Interest rate swaps - trading*	0.0	378,666.9	82,750.0	461,416.9	10,049.6	-17,866.0
Interest rate swaps - fair value hedge	387,550.0	1,684,915.8	792,964.3	2,865,430.1	144,347.6	-128,437.5
Interest rate swaps - portfolio hedge	10,000.0	97,267.3	178,094.6	285,361.9	15,008.9	-13,825.7
Currency-related transactions	**736,250.4**	**0.0**	**0.0**	**736,250.4**	**11,685.9**	**-5,705.6**
OTC products: FX forward transactions	736,250.4	0.0	0.0	736,250.4	11,685.9	-5,705.6
Total	**1,133,800.4**	**2,160,850.0**	**1,053,808.9**	**4,348,459.3**	**181,092.0**	**-165,834.7**

* 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.

DERIVATIVE FINANCIAL INSTRUMENTS 2022	Nominalamount as of 31/12/2022			Total nominal 2022	Positiv fair value	Negative fair value
in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years			
Interest-related transactions	**79,344.3**	**1,636,438.3**	**1,387,786.7**	**3,103,569.2**	**191,821.2**	**-183,946.1**
OTC products:						
Interest rate swaps - trading*	0.0	0.0	60,000.0	60,000.0	90.8	-8,997.4
Interest rate swaps - fair value hedge	49,344.3	1,546,438.3	1,111,048.8	2,706,831.4	170,619.7	-160,335.8
Interest rate swaps - portfolio hedge	30,000.0	90,000.0	216,737.9	336,737.9	21,110.7	-14,612.9
Currency-related transactions	**597,822.0**	**0.0**	**0.0**	**597,822.0**	**6,709.6**	**-6,877.9**
OTC products: FX forward transactions	597,822.0	0.0	0.0	597,822.0	6,709.6	-6,877.9
Total	**677,166.3**	**1,636,438.3**	**1,387,786.7**	**3,701,391.3**	**201,381.0**	**-190,823.9**

* 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 positive fair value amounts to TEUR 15,257.2 (31/12/2022: positive fair value of TEUR 10,557.1), which is collateralised mainly through cash and cash equivalents according to ISDA/CDA arrangements. There are also 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 24,727.8 (31/12/2022: TEUR 24,105.8).

Derivatives with positive fair values of TEUR 44,254.7 (31/12/2022: TEUR 25,199.8) will fall due within one year, TEUR 49,962.3 (31/12/2022: TEUR 38,810.8) in one to five years and TEUR 86,875.0 (31/12/2022:TEUR 137,370.4) in over five years. Derivatives with negative fair values of TEUR -41,546.6 (31/12/2022: TEUR -25,846.5) will fall due within one year, TEUR -72,082.6 (31/12/2022: TEUR -74,425.6) in one to five years and TEUR -52,205.5 (31/12/2022: TEUR -90,551.9) in over five years.

62. FINANCIAL INSTRUMENTS IN HEDGE ACCOUNTING

Financial instruments for which interest rate risk 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	**31/12/2023**	**31/12/2022**
Assets		
Loans and advances to banks - fair value hedges	216,922.6	222,500.2
Loans and advances to customers - fair value hedges	767,110.6	690,434.1
Loans and advances to customers - portfolio hedges	112,892.7	130,378.5
Assets at fair value through OCI - fair value hedges	119,281.3	102,896.3
Assets at fair value through OCI - portfolio hedge	292,852.6	321,689.6
Assets at fair value through profit or loss – fair value hedges	34,077.5	9,562.1
Liabilities		
Amounts owed to customers - fair value hedges	75,466.7	76,835.0
Securitised liabilities - fair value hedges	1,539,760.9	1,347,593.4
Subordinated liabilities - fair value hedges	31,212.7	28,843.6

The following table shows the cumulative hedge-related adjustments to the underlying transactions:

HEDGE- RELATED ADJUSTEMNTS in EUR 1,000	**31/12/2023**	**31/12/2022**
Vermögenswerte		
Loans and advances to banks - fair value hedges	-10,179.6	-21,220.8
Loans and advances to customers - fair value hedges	-72,378.6	-114,353.2
Loans and advances to customers - portfolio hedge	-4,821.6	-8,443.3
Assets at fair value through OCI - fair value hedges	-150.5	-1,871.9
Assets at fair value through OCI - portfolio hedge	-20,298.1	-30,744.3
Liabilities		
Amounts owed to customers - fair value hedges	-7,793.7	-6,436.1
Securitised liabilities - fair value hedges	-39,897.0	-94,277.5
Subordinated liabilities - fair value hedges	-10,516.0	-12,887.2

The following table shows the maturity profile of the hedging instruments broken down by receiver and payer swaps:

HEDGING INSTRUMENTS 31/12/2023 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years
Interest rate swaps - fair value hedge			
Receiver Nominale	*305,000.0*	*1,234,247.7*	*161,968.1*
Payer Nominale	*82,550.0*	*450,668.0*	*630,952.2*
Interest rate swaps - portfolio hedge			
Receiver Nominale	*0.0*	*0.0*	*0.0*
Payer Nominale	*10,000.0*	*97,267.3*	*178,094.6*

HEDGING INSTRUMENTS 31/12/2022 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1-5 years	Residual maturity more than 5 years
Interest rate swaps - fair value hedge			
Receiver Nominale	*20,000.0*	*1,135,139.3*	*412,324.4*
Payer Nominale	*29,344.3*	*411,298.9*	*698,696.3*
Interest rate swaps - portfolio hedge			
Receiver Nominale	*0.0*	*0.0*	*0.0*
Payer Nominale	*30,000.0*	*90,000.0*	*216,737.9*

The following table shows the ineffectiveness of the hedging relationships recognised through profit or loss in the 2023 financial year and in the previous year for the designated hedging relationships:

INEFFECTIVITIES in EUR 1,000	Ineffectivness recognised in profit and loss in 2023	Ineffectivness recognised in profit and loss in 2022	Recognition of ineefektiveness in P&L
Fair Value Hedge	-150.5	-1,951.7	Gains and losses on financial assets and liabilities
Portfolio Hedge	-1.2	351.8	Gains and losses on financial assets and liabilities

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.-31.12.2023	1.1.-31.12.2022
Underlying transactions - fair value hedge	62.1	-6,317.0
Underlying transactions - portfolio hedge	7,148.8	-54,959.1
Interest rate swaps - fair value hedge	-212.6	4,365.3
Interest rate swaps - portfolio hedge	-7,150.0	55,310.9

63. SUPPLEMENTARY DISCLOSURES PURSUANT TO § 59A AND § 64 OF THE AUSTRIAN BANKING ACT

None trading activities

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 2023.

Assets denominated in foreign currencies in the amount of TEUR 382,143.9 (31/12/2022: TEUR 360,052.9) were shown in the statement of financial position. As of 31 December 2023, liabilities denominated in foreign currencies amounted to TEUR 286,270.5 (31/12/2022: TEUR 283,050.0).

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 the level of Kommunalkredit Group, calculated as the consolidated profit for the year divided by total assets according to IFRS as of the reporting date, stands at 1.71 % (2022: 1.69 %).

64. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

64.1. Fair value calculation (fair value hierarchy)

In general, the methods used to measure fair value can be classified into the following three categories:

Level 1: There are quoted prices in an active market for identical financial instruments. The bid quotes for assets at this hierarchical level are obtained from Bloomberg or Reuters.

Level 2: The input factors for measurement can be observed in the market. Price determination methods in this category include the following:

- 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 particularly includes prices which are based mainly on the estimates of experts and/or which contain non-observable data. The Level 3 financial instruments recognised at fair value consist exclusively of infrastructure and energy financing. For information on the definition of the parameters relevant for valuation purposes, particularly credit risk premiums, see Note 11.

64.2. 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	31/12/2023		
	Level 1	Level 2	Level 3
Assets			
Assets (recognized at fair value through other comprehensive income)	15,062.6	678,516.1	716,764.3
Assets at fair value through profit or loss	0.0	47,291.7	306,337.0
Derivatives	0.0	181,092.0	0.0
Liabilities			
Derivatives	0.0	165,834.7	0.0

CARRYING AMOUNT FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2022		
	Level 1	Level 2	Level 3
Assets			
Assets (recognized at fair value through other comprehensive income)	12,787.4	543,690.0	580,974.3
Assets at fair value through profit or loss	0.0	86,736.9	136,836.5
Derivatives	0.0	201,381.0	0.0
Liabilities			
Derivatives	0.0	190,823.9	0.0

As of 31 December 2023, Kommunalkredit had Level 3 financial assets measured at fair value in the amount of TEUR 1,023,101.4 (31/12/2022: TEUR 717,810.8). 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.

There were no changes in level classification in the current reporting period (31/12/2022: TEUR 0.0 in reclassifications from Level 2 to Level 3). Changes in level classification are due to changes in the 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 473.7 as of 31 December 2023 (31/12/2022: TEUR 199.9). The effect based on a change of 20 basis points is TEUR 9,408.9 (31/12/2022: TEUR 3,991.2) (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 measurement hierarchy:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OCI in EUR 1,000	**1/1-31/12/2023**	**1/1/-31/12/2022**
amount at the beginning of a period	580,974.3	488,386.4
Additions/disbursement	373,008.4	290,730.2
Additions from level 2	0.0	0.0
Sold/redeemed	-212,220.6	-197,573.8
Disbursements in level 2	0.0	0.0
Total gains and losses		
recognised in other comprehensive income	0.0	0.0
recognised in profit or loss (net interest income)	-10,275.6	3,973.6
recognised in profit or loss (net result of asset valuation and realised gains and losses)	-14,722.3	-4,542.0
amount at the end of a period	**716,764.3**	**580,974.3**

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE TROUGH P&L in EUR 1,000	**1/1-31/12/2023**	**1/1-31/12/2022**
amount at the beginning of a period	136,836.5	187,566.3
Additions/disbursement	188,955.4	58,505.7
Additions from level 2	0.0	0.0
Sold/redeemed	-16,970.8	-106.4
Disbursements in level 2	0.0	0.0
Total gains and losses		
recognised in other comprehensive income	0.0	0.0
recognised in profit or loss (net interest income)	17.2	0.0
recognised in profit or loss (net result of asset valuation and realised gains and losses)	-2,501.3	-2.8
amount at the end of a period	**306,337.0**	**136,836.5**

Revenue from Level 3 instruments which is reported in the income statement under net interest income primarily relates to the amortisation of fees in the lending business for instruments which are measured at fair value through other comprehensive income.

64.3. 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	31/12/2023		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	210,360.3	57,887.0	0.0
Loans and advances to customers	529,917.9	1,314,533.1	860,529.7
Liabilities at amortised cost			
Amounts owed to banks	0.0	113,111.1	3,873.4
Amounts owed to customers	0.0	3,319,042.8	0.0
Securitised liabilities	0.0	1,536,211.4	0.0
Subordinated liabilities	0.0	21,097.5	0.0

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2022		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	150,268.5	171,391.7	0.0
Loans and advances to customers	379,482.7	1,135,714.9	688,014.0
Liabilities at amortised cost			
Amounts owed to banks	0.0	149,267.7	4,321.2
Amounts owed to customers	0.0	2,256,154.3	0.0
Securitised liabilities	0.0	1,381,329.8	0.0
Subordinated liabilities	0.0	14,692.0	0.0

Two facilities of TEUR 17,347.6 were reclassified from Level 2 to Level 3 in the current period under review (31/12/2022: TEUR 5.004,8). The change in level classification is due to changes in the observability of credit spreads as input parameters during the period under review.

64.4. Fair value of financial assets and liabilities

The following table shows a comparison between the carrying amounts and the fair values of those items in the statement of financial position which contain financial assets and liabilities:

CATEGORIES: 31/12/2023 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Carrying amount	Fair value
Cash and cash equivalents	895,762.7	0.0	0.0	895,762.7	895,762.7
Loans and advances to banks	55,587.9	0.0	0.0	55,587.9	55,654.2
Loans and advances to customers	1,998,745.9	0.0	0.0	1,998,745.9	1,999,925.5
Securities	925,819.5	0.0	0.0	925,819.5	917,648.3
Assets recognised at fair value	0.0	1,413,613.1	0.0	1,413,613.1	1,413,613.1
Assets recognised through profit or loss	0.0	0.0	350,940.0	350,940.0	350,940.0
Derivatives	0.0	0.0	181,092.0	181,092.0	181,092.0
Total	**3,875,916.0**	**1,413,613.1**	**532,032.0**	**5,821,561.1**	**5,814,635.7**
Amounts owed to banks	120,313.6	0.0	0.0	120,313.6	116,984.5
Amounts owed to customers	3,313,887.5	0.0	0.0	3,313,887.5	3,319,042.8
Derivatives	0.0	0.0	165,834.7	165,834.7	165,834.7
Securitised liabilities	1,563,421.6	0.0	0.0	1,563,421.6	1,536,211.4
Subordinated liabilities	31,212.7	0.0	0.0	31,212.7	21,097.5
Total	**5,028,835.4**	**0.0**	**165,834.7**	**5,194,670.1**	**5,159,170.9**

The values for the previous year are as follows:

CATEGORIES: 31/12/2022 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Carrying amount	Fair value
Cash and cash equivalents	503,203.0	0.0	0.0	503,203.0	503,203.0
Loans and advances to banks	103,542.2	0.0	0.0	103,542.2	103,540.6
Loans and advances to customers	1,656,648.6	0.0	0.0	1,656,648.6	1,712,813.3
Securities	763,344.3	0.0	0.0	763,344.3	708,517.8
Assets recognised at fair value	0.0	1,137,451.8	0.0	1,137,451.8	1,137,451.8
Assets recognised through profit or loss	0.0	0.0	223,573.4	223,573.4	223,573.4
Derivatives	0.0	0.0	201,381.0	201,381.0	201,381.0
Total	**3,026,738.1**	**1,137,451.8**	**424,954.4**	**4,589,144.3**	**4,590,481.0**
Amounts owed to banks	156,632.5	0.0	0.0	156,632.5	153,588.8
Amounts owed to customers	2,289,163.9	0.0	0.0	2,289,163.9	2,256,154.3
Derivatives	0.0	0.0	190,823.9	190,823.9	190,823.9
Securitised liabilities	1,400,427.3	0.0	0.0	1,400,427.3	1,381,329.8
Subordinated liabilities	28,843.6	0.0	0.0	28,843.6	14,692.0
Total	**3,875,067.3**	**0.0**	**190,823.9**	**4,065,891.2**	**3,996,588.9**

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 corresponds to the carrying amounts shown in the table. The maximum credit risk for financial guarantees and irrevocable credit commitments corresponds to the nominal values of TEUR 0.0 (31/12/2022: TEUR 0.0) and TEUR 924,843.0 (31/12/2022: TEUR 1,078,113.2), respectively.

65. RISK MANAGEMENT

In line with Kommunalkredit's corporate objectives, business activities are conducted in a manner which takes risk strategy into account and devotes particular attention to risk-bearing capacity. The bank places special focus on the risk-income calculation and on sustainably increasing the aggregate risk cover.

65.1. 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 risk, bank-wide identification and assessment of the risk drivers of the business model, and to review the risk management system data for completeness and identify potential control gaps to be closed.

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 reputational risk, legal risks and other risks). 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 and sets out the tasks, competences 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.

Risks are managed and monitored by the following committees:

- The **Risk Management Committee (RMC)** constitutes the central element of the comprehensive risk monitoring and steering process, providing information to the Executive Board on the bank's overall risk position on a monthly basis.
- 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 required in accordance with the authorisation process) and conducts the review of portfolios and single names from the portfolio.
- The **assessment regular meeting** deals with valuation issues and spread assessments of portfolio positions and new business, especially in relation to project financing.

Risk Controlling is responsible for the quantification of risks and the aggregate risk cover as well as for the performance of stress tests (RCON). In addition, this department is responsible for assessing risk positions and validating the risk measurement methods used by the bank.

Credit Risk (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.

Compliance & Non-Financial Risk (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.

65.2. 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:

- Kommunalkredit does not incur risks as an end in itself but to create sustainable benefits.
- The limitation of risks at the bank 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 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.

65.3. 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 have been identified 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 (= migration risk)	▪ Cluster risk
▪ Investment risk	▪ Residual risk from credit risk mitigation techniques

LIQUIDITY RISK	
▪ Structural liquidity risk	▪ Market liquidity risk
▪ Funding risk	

MARKET RISK	
▪ Interest rate risk – banking book	▪ Basis spread risk
▪ Foreign currency risk	▪ Option risk
▪ Credit spread risk	▪ OIS risk

OPERATIONAL RISK	
▪ Outsourcing risk	▪ Legal risk
▪ People, process and system risks and external risks	▪ 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 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 (creditor protection).
- 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). A confidence level of 99.95% is used in determining the economic risk.
- Risk status as of 31 December 2023 (and/or previous year):

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
55.2% (59.9%)	**44.8%** (40.1%)

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 of T1 ratio as of 31 December 2023 (and/or previous year):

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
47.8% (39.8%)	**52.2%** (60.2%)

- Risk status of TC ratio as of 31 December 2023 (and/or previous year):

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
66.8% (57.5%)	**33.2%** (42.5%)

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 idiosyncratic stress scenario) 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.

65.4. Credit risk

65.4.1. 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 where available. 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. The effectiveness and discriminatory power of the rating procedures and their ability to forecast defaults are checked regularly and adjusted if necessary.

At Kommunalkredit, two types of credit 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. In addition, collateral packages in line with the market exist for financing by Kommunalkredit, which potentially have a loss-reducing effect in practice, but are not eligible from a regulatory perspective (for example, company shares, asset pledges without valuations) and are therefore not recognised. Overall, based on the values derived from external studies for losses in the event of default (loss given default), they are included indirectly in the determination of the bank's risk costs.

65.4.2. Unexpected loss

To quantify the unexpected loss from credit risks, 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 2023 amounted to 11.5% (31/12/2022: 15.2%) 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 2023 amounted to 10.9% (31/12/2022: 13.2%) relative to the economic aggregate risk cover (T1) and, as of 31 December 2023, to 15.2% (31/12/2022: 19.1%) relative to the economic aggregate risk cover (total capital).

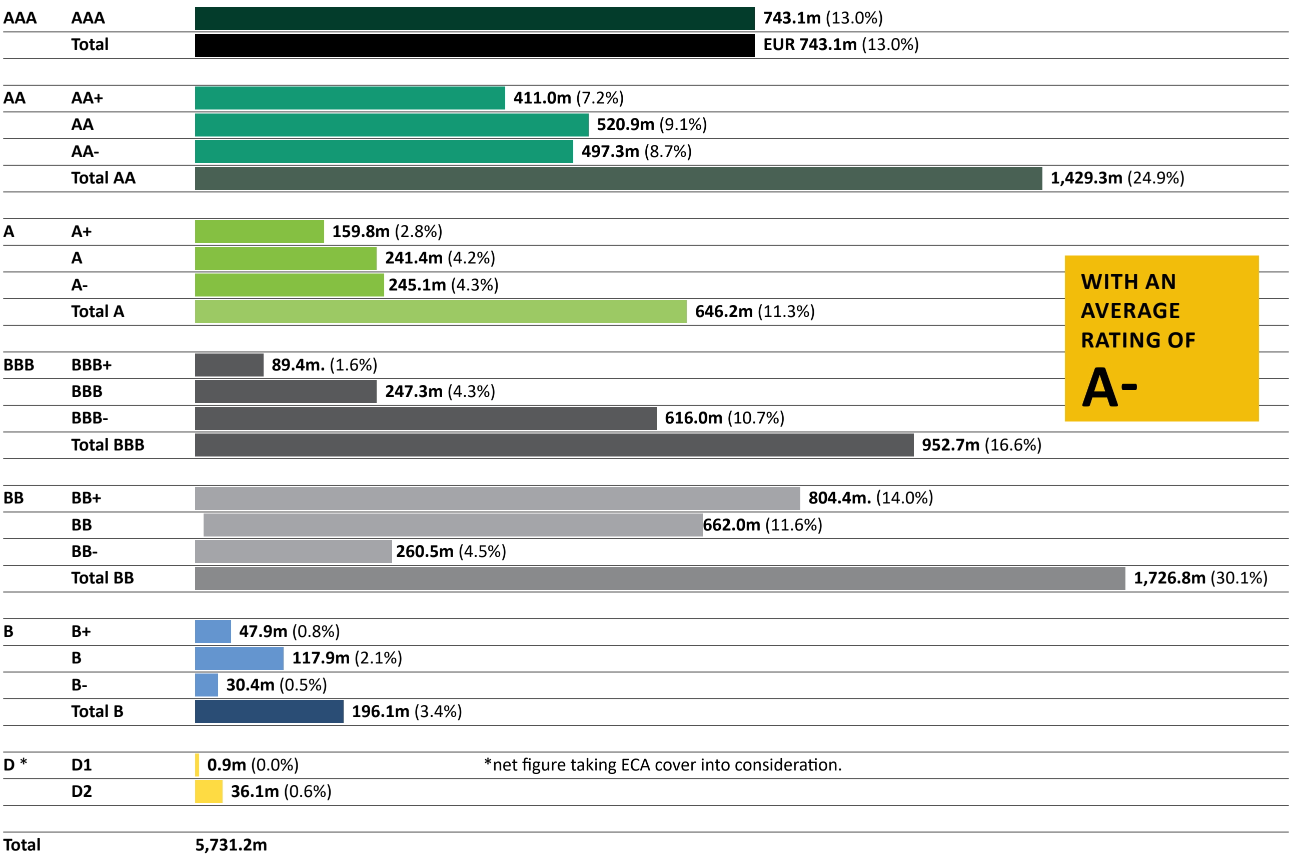
65.4.3. Rating distribution, portfolio quality and concentration risk

The total exposure amounting to EUR 5,731m (31/12/2022: EUR 5,018 m) by rating is concentrated in the top rating categories; as of 31 December 2023, 37.9% (31/12/2022: 35.6%) of the exposure was rated “AAA”/“AA”; 65.8% (31/12/2022: 68.4%) was rated investment grade. Overall, the Kommunalkredit portfolio has 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 moderate non-performing-loan ratio of 1.5 % as of 31 December 2023 (31/12/2022: 0.0 %). Taking guarantees (ECA cover) into account, the adjusted net NPL ratio is only 1.0%. Kommunalkredit monitors overdue receivables in accordance with the regulatory requirements. Apart from one receivable in default, which has been reported as part of the NPL ratio, there were no payments that had been in default for more than 30 days as of the reporting date.

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 (including by sub-portfolio, country, region, top 20 “group of related customers”, rating, segment); 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 (for example, 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.

Breakdown by rating 31/12/2023. Exposure in EUR m or %



*net figure taking ECA cover into consideration.

As of 31 December 2023, the overall exposure, broken down by sub-portfolio, is as follows (in EUR or %):

			GRAPHS 2023	DIFFERENCE 31/12/2023 VS 31/12/2022
INFRASTRUCTURE & ENERGY	Project financing	2.82bn	**1,637.9m** (28.6%)	**+251.7m**
	Utilities		**611.6m** (10.7%)	**-26.9m**
	Companies		**566.0m** (9.9%)	**+88.9m**
PUBLIC FINANCE	Austrian Municipalities	2.43bn	**1,007.7m** (17.6%)	**+67.1m**
	Public sector entities		**260.2m** (4.5%)	**-6.0m**
	Int'l municipalities		**1,163.8m** (20.1%)	**+303.2m**
	Banks/Insurance	0.48bn	**484.1m** (8.4%)	**+71.2m**
	Total		**5,731.2m** (100%)	**+749.2m**

"We place special focus on the risk-income calculation and the sustained increase in the aggregate risk cover."

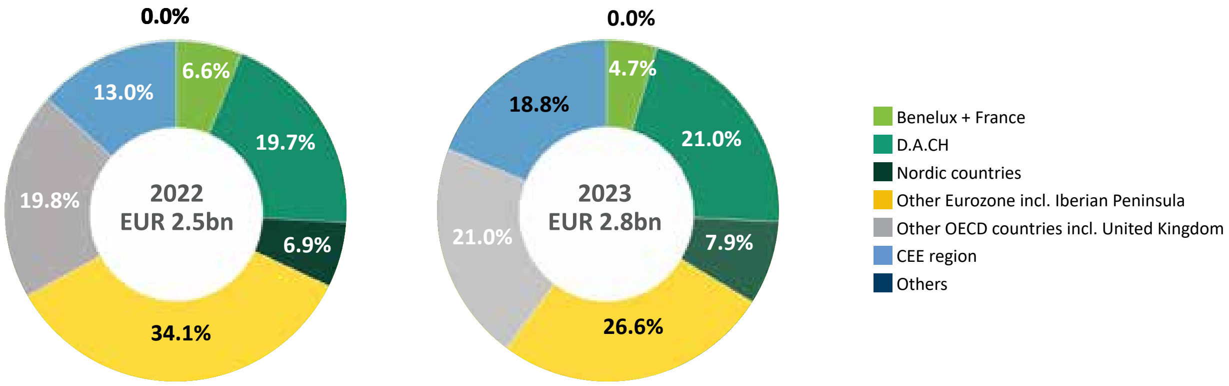
Breakdown by rating 31/12/2022. Exposure in EUR m or %

AAA	**AAA**	**425.1m** (8.5%)
	Total	**425.1m** (8.5%)
AA	**AA+**	**354.6m** (7.1%)
	AA	**614.6m** (12.2%)
	AA-	**392.8m** (7.8%)
	Total AA	**1,362.0m** (27.1%)
A	**A+**	**167.8m** (3.4%)
	A	**242.1m** (4.8%)
	A-	**246.3m** (4.9%)
	Total A	**656.2m** (13.1%)
BBB	**BBB+**	**107.8m** (2.2%)
	BBB	**187.8m** (3.7%)
	BBB-	**695.8m** (13.9%)
	Total BBB	**991.4m** (19.8%)
BB	**BB+**	**661.8m** (13.2%)
	BB	**447.9m** (8.9%)
	BB-	**279.7m** (5.6%)
	Total BB	**1,389.4m** (27.7%)
B	**B+**	**119.2m** (2.4%)
	B	**42.3m** (0.8%)
	B-	**28.9m** (0.6%)
	Total B	**190.4m** (3.8%)
Total *	**5,018m**	

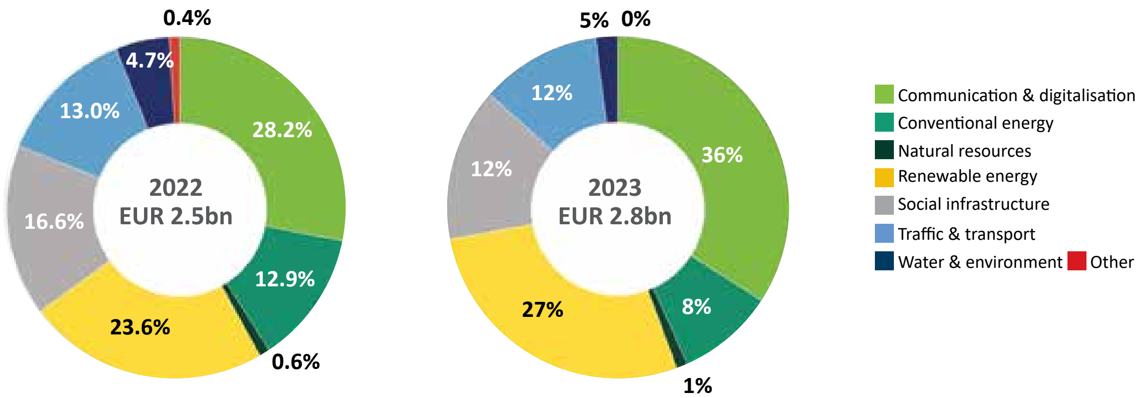
WITH AN AVERAGE RATING OF
A-

*including EUR 3.6m exposure <B.

Exposure of infrastructure and energy financing portfolio by regions
as of 31/12/2023 and 31/12/2022



Exposure of infrastructure and energy financing portfolio by sectors
as of 31/12/2023 and 31/12/2022



65.4.4. 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 in particular being on 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.

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.

For transactions in infrastructure, the bank follows a three-tier process to make the risk-income profile transparent to the required extent:

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 (Supervisory Board Credit Committee).

The organic separation of front office and back office is always observed.

65.4.5. Credit risk early detection and risk provisions

The portfolio is reviewed regularly for objective indications of impairments of customer exposures. 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 2023, the exposure on the watchlist amounted to EUR 25.8m (31/12/2022: EUR 97.8m). There were two exposures in restructuring.

EARLY WARNING SIGNALS / TRIGGERS

QUANTITATIVE TRIGGERS			QUALITATIVE TRIGGERS		
ENTERPRISES / UTILITIES[1]					
Internal rating deterioration	Covenant breach	Country risk downgrade	Management reports	Press & industry reports	External rating report
30 days past due	Reporting delay > 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 delay > 3 months	Lock-up ratio breach	Exercise of PIK interest option	Individual analysis	
PUBLIC SECTOR, SOVEREIGN & 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. enterprises with significant public support.
2 If available / publicly listed.

Credit Risk (CR) 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.

65.4.6. Counterparty default risk from derivatives and securities transactions

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 annexes 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. Clearing framework agreements are also in place in line with the clearing obligation under EMIR. Kommunkredit currently has no repurchase transactions.

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, 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.

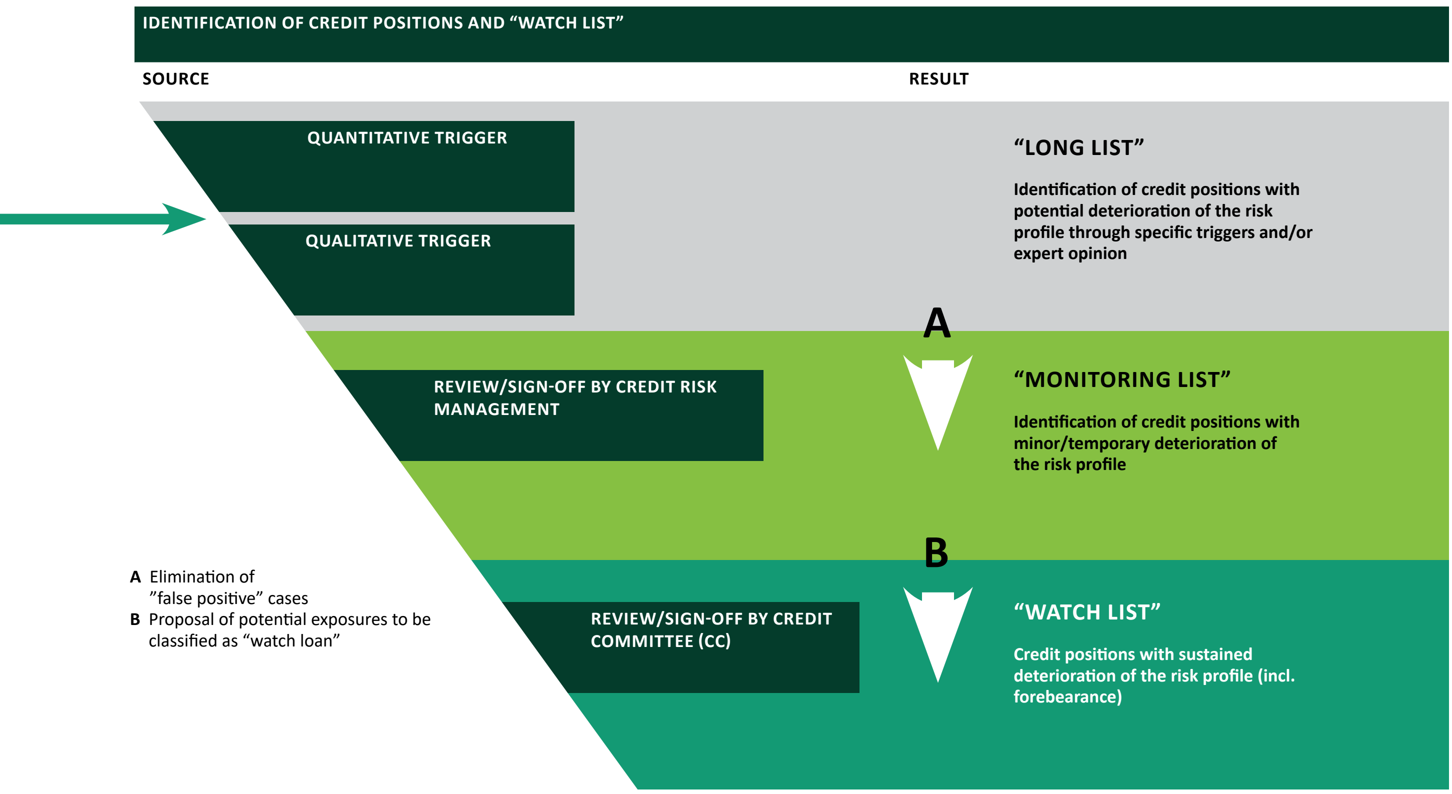
Securities business is cleared mainly on the basis of "delivery against payment" via Euroclear and/or Clearstream.

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.

65.4.7. Investment risk

Given the nature of the participations held, the investment risk is of minor importance. As of 31 December 2023, the carrying amount of investments in associates (at equity) was EUR 2.6m (31/12/2022: EUR 0.0m). The carrying amount of investments, which are reported under assets at fair value through other comprehensive income, amounted to EUR 1.6m (31/12/2022: EUR 0.9m).



65.5. Liquidity risk management

The task of liquidity risk management at Kommunalkredit is 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 for 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:

65.5.1. 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 2023 came to EUR 3.7bn (31/12/2022: EUR 3.1bn). 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 as of 31/12/2023 (and 2022)

CASH FLOWS AS OF 31/12/2022 (and 2021) in EUR m Liabilities	Liabilities at amortised cost		Derivatives designated as hedging instruments		Trading*	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Up to one month	533.9	292.9	1.2	1.2	119.3	128.8
More than one month up to three months	284.4	265.9	19.4	7.7	118.4	35.9
More than three months up to one year	1,602.5	976.1	41.4	36.0	5.6	112.0
More than one year up to five years	2,593.8	2,204.7	126.0	151.8	16.2	21.0
More than five years	1,153.7	1,092.6	105.9	87.1	2.0	3.8
Total	**6,168.3**	**4,832.2**	**293.9**	**283.8**	**261.3**	**301.5**

* The derivatives are not formally embedded in a micro hedge as defined in IFRS, but serve for risk management at portfolio level.

65.5.2. Reporting to the Executive Board and the Supervisory Board [element 2]

An operational projection of liquidity calculation for a period of one year and a time-to-wall stress scenario is prepared weekly. In addition, operational and strategic liquidity issues are discussed in the monthly ALCO. The liquidity risk is also monitored in the monthly RMC and reported to the Supervisory Board at quarterly meetings.

65.5.3. Liquidity 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.

65.5.4. 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 available daily in the short-term liquidity scenario.

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 as of 31/12/2023 (and 2022)

LIQUIDITY in EUR m	Expected liquidity gap		Available liquidity		Liquidity position	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Up to one month	1,091.3	366.5	529.2	499.6	1,620.6	866.1
More than one month up to three months	309.6	56.2	1.1	-75.3	310.6	-19.2
More thaan three months uo to one year	-495.4	118.5	34.5	12.8	-460.9	131.4
Total	**905.5**	**541.2**	**564.8**	**437.1**	**1,470.3**	**978.3**

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- and off-balance sheet transactions. Overhangs from capital inflows and outflows are monitored by maturity range and at the cumulative level and provide the basis for strategic liquidity management.

65.6. 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.

65.6.1. 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.

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 overall 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 and quantified in a scenario analysis; 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.

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, GBP and JPY.

For risk management purposes, 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.

The annual net interest income effect from Kommunalkredit's repricing risk as of 31 December 2023 in the event of a parallel rise of short-term interest by +100 basis points amounts to EUR +3.3m (31/12/2022: EUR +0.7m).

As of 31 December 2023, the NPV risk of interest rate changes in the banking book and of the IFRS interest rate risk position impacting on P&L in the event of a parallel shift by +30 basis points amounts to EUR +8.1m and EUR +0.0m, respectively (31/12/2022: EUR +1.5m and EUR +1.1m). That of the IFRS interest rate risk position with an impact on OCI amounts to EUR -4.9m (31/12/2022: EUR -4.3m).

65.6.2. 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 2023 was TEUR 0.3 (31/12/2022: TEUR 4.5).

65.6.3. 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 2023, the credit spread risk in the event of credit spreads widening by +20 basis points was EUR -1.9m (31/12/2022: EUR -1.3m) in the IFRS P&L position and EUR -13.2m (31/12/2022: EUR -10.6m) in the IFRS OCI position.

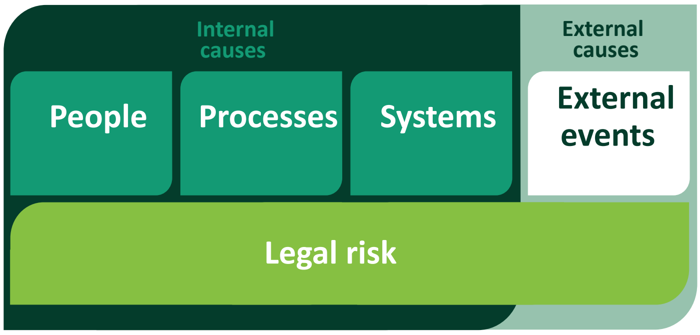
65.6.4. Basis spread risk

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 2023, the basis spread risk in the event of basis spreads widening by one basis point was EUR +0.0m (as of 31/12/2022: EUR +0.0m).

65.6.5. 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 EUR -0.0m as of 31 December 2023 (31/12/2022: EUR -0.1m 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 2023, there were no P&L-relevant option price risks.



Source: OeNB, Guidelines on “Operational Risk Management”, 2005

65.7. 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. Compliance & Non-Financial Risk (CNFR) is responsible for operational risk management. The operational risk correspondents (ORC) technical departments, appointed in consultation with CNFR, act as points of contact, establishing the link to operational risk management and supporting the ORM process.

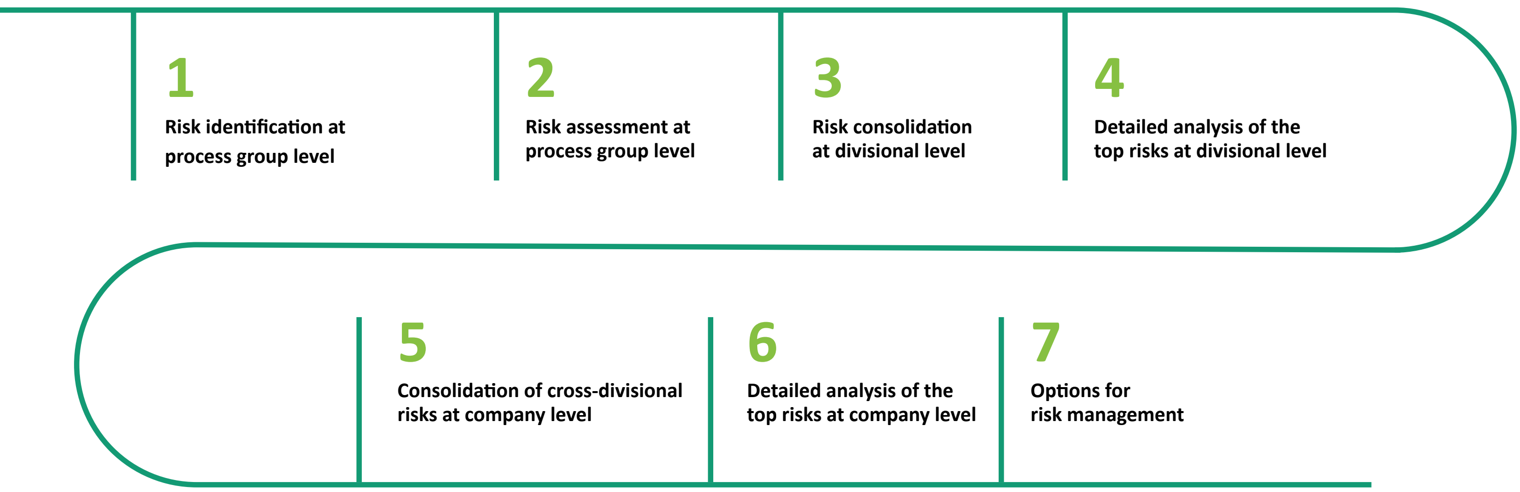
An operational default database as well as risk and control self-assessments are the key instruments available for the management of operational risks. The database represents a retrospective view, that is, realised gains/losses from operational events in the past are recorded there with the involvement of the line managers in charge. In contrast, risk and control self-assessments represent a prospective, future-oriented view. Risks are identified and their severity is assessed.

At Kommunalkredit, the 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.

High-risk topics are discussed, analysed and evaluated at divisional level with the responsible division heads and top risks are presented on an internal OpRisk risk map. To mitigate these risks, additional measures are to be defined and a tailored plan of action prepared. The OpRisk risk maps for the divisions are condensed, in an overall view of the relevant risks, into an OpRisk risk map for the bank as a whole.

Headed by the Credit Risk Officer (CRO), a consultation takes place with significant internal stakeholders every six months regarding operational risks within the Operational Coordination Committee (OCC). 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.



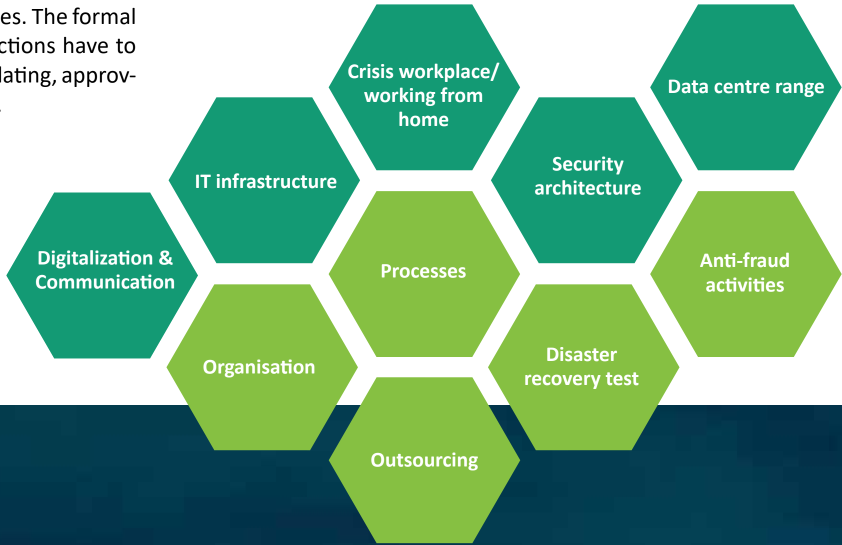
65.8. Business Continuity Management

The established business continuity management (BCM) system ensures the adequate, comprehensive and efficient management of business continuity. Continuity management includes the elaboration and the management of continuity and recovery plans as well as the allocation of resources to manage any business interruptions effectively, and keeping interruption times at a minimum. This includes, for example, physical measures, such as providing a crisis room or ensuring that an emergency power system is available. Manual work steps or alternative IT services are available for critical IT-supported processes, depending on the scenario.

The annual resource assessment was performed, and the resources required in the event of a crisis were established. The annual business impact analysis (BIA), performed within the framework of the resource assessment, 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. In the first half of 2023, a comprehensive emergency exercise regarding energy shortages/blackouts were planned and carried out throughout the bank. In the first half of 2023, KA IT, and thus also the bank's BCM, was successfully certified according to ISO 27001.

65.9. Policy management

All Kommunalkredit operating procedures (policies, work instructions, manuals, works agreements) are stored in a policy overview on the intranet and can be accessed by all employees. The formal minimum requirements that policies/work instructions have to meet are defined, as are the responsibilities for updating, approving and distributing policies and work instructions.



65.10. Sustainability risks

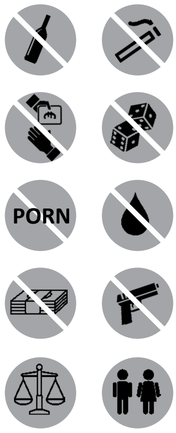
Sustainability risks form an integral part of the risk strategies and risk categories of Kommunalkredit. The inclusion of sustainability factors in the concepts, management and measurement methods of the credit, market, liquidity, syndication and operational risks is evaluated and expanded on an ongoing basis.

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 assessed as low overall on the basis of the analyses carried out. Any risks are taken into account in the process of loan origination and are appropriately reflected in the planning assumptions for borrowers and the established ratings.

To assess whether investments in infrastructure and energy projects meet the sustainability requirements set by Kommunalkredit, an internally developed “ESG/Sustainability Check”, which is a three-stage process, has been applied for many years:

1 **Contribution to UN Sustainable Development Goals (SDG) | Review of SDG criteria:** Each new transaction must make a positive contribution towards at least one SDG.

2 **Total exclusion in the event of human rights violations and for certain industries and sectors** such as the gambling industry, 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 and energy and resource consumption at the transaction level; in terms of social criteria, there is an assessment of factors including the impact on diversity, equality, the labour market, the healthcare system and the provision of green energy, clean water and transport. In terms of governance, the assessment covers corruption, corporate governance and other environmental standards.

In 2023, a risk classification of Kommunalkredit’s infrastructure and energy portfolio was implemented using a five-tier ESG scale (“category 1 to 5”) at the level of financed industry sectors and sub-sectors. Infrastructure and energy portfolio transactions are classified and assessed in order to obtain an overview of environmental and social sustainability risks in the portfolio and to ensure that the industry-related sustainability risks in the portfolio are adequately assessed. As of 31 December 2023, 74% of the infrastructure and energy portfolio was assessed as low risk (category 1 and 2) in the area of environmental risks. Around 21% of the exposure indicates a medium risk (category 3) and only around 5% a higher risk (category 4). No exposure was assessed in risk category 5 (high risk). In the area of social sustainability risks, as of 31 December 2023, approximately 77% of the infrastructure and energy portfolio was rated as having a low risk (category 1 and 2). 23% has a medium risk (category 3) and less than 1% an increased risk (category 4). No exposure was assessed in risk category 5 (high risk).

Sector limits in the infrastructure and energy sectors are used to limit risk systematically in line with the bank’s strategic orientation. In addition to the sector limit, the share of exposures in category 4 and 5 in the infrastructure and energy portfolio is also limited. 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. Furthermore, threats to the bank’s in-house infrastructure posed by climate and environmental events are evaluated as part of information security risk management and OpRisk management. ESG-related risks and issues are marked individually in the OpRisk event database and were included in the risk & control self assessments of Kommunalkredit.


2

66. STRUCTURED UNITS

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 field 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 2023, the stake held by Kommunalkredit amounted to an insignificant 8.5 % (31/12/2022: 8.5 %). Furthermore, in 2023, income of T EUR 1,065.7 (1/1–31/12/2022: TEUR 787.5) 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 2023, the shares in the structured unit are shown in the consolidated statement of financial position as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2023	31/12/2022
Assets at fair value through profit or loss	24,287.4	29,028.0
NOMINAL in EUR 1,000	**31/12/2023**	**31/12/2022**
Nominal value of shares held by Kommunalkredit	23,216.0	28,170.0

The maximum amount in relation to potential losses from the shares in the structured unit amounts to TEUR 24,287.4 as of 31 December 2023 (31/12/2022: TEUR 29,028.0). This represents the current share held by Kommunalkredit in the Net Asset Value (NAV) of the investment fund. Kommunalkredit had no outstanding commitments to subscribe to additional shares in the 2023 financial year (31/12/2022: TEUR 1,800.0).

67. LEGAL RISKS

No
pending legal proceedings

On 2 July 2021, proceedings were initiated against Kommunalkredit Public Consulting GmbH (KPC) by the data protection authority following a report by an affected party. The proceedings were suspended until 5 December 2023 as the data protection authority was waiting for a preliminary ruling by the European Court of Justice on § 30 of the Data Protection Act. On 11 December 2023, the data protection authority announced that the proceedings initiated against Kommunalkredit would not be going any further.

68. OTHER OBLIGATIONS

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 had issued a covered bond with a nominal value of TEUR 107,000.0 and pledged it to KA Finanz AG. KA Finanz AG declared the release of the pledge on 26 September 2023. The bond was subsequently terminated on 4 October 2023 on the instructions of Kommunalkredit Austria AG.

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.

69. DATE OF RELEASE FOR PUBLICATION

These consolidated financial statements as well as the separate annual financial statements of Kommunalkredit were signed by the Executive Board on 14 February 2024. Both the Supervisory Board (22 February 2024) and the Annual Shareholders' Meeting (22 February 2024) can make amendments to the separate annual financial statements, which in turn can have an impact on these consolidated financial statements.

70. EMPLOYEE DISCLOSURES

From 1 January to 31 December 2023, Kommunalkredit Group had, on average, 371 employees (1/1–31/12/2022: 327) including the Executive Board; 225 of them (1/1–31/12/2022: 200) were working in banking operations and 146 (1/1–31/12/2022: 127) were working for KPC. Part-time employees are weighted according to the extent of employment.

403
Employees

As of 31 December 2023, Kommunalkredit Group had 403 employees (31/12/2022: 364) including the Executive Board; 234 of them (31/12/2022: 224) were working in banking operations and 169 (31/12/2022: 140) were working for KPC.

71. RELATED PARTY DISCLOSURES

Ownership structure / transactions with owners

NAME OF THE COMPANY	Relationship with Kommunalkredit	Registered office	
Satere Beteiligungsverwaltungs GmbH	Controlling parent	Vienna, Austria, Comp.Reg. no 428981f	99,80% in Kommunalkredit

Satere Beteiligungsverwaltung 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 concluded framework contracts for the fiduciary management 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 2023, positions amounting to TEUR 193,259.3 (31/12/2022: TEUR 248,474.1) 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 893.4 (1/1–31/12/2022: TEUR 958.6) was generated in 2023, with open balances in the amount of TEUR 214,3 (31/12/2022: TEUR 239.0) reported under "Other assets" as of 31 December 2023.

Tax group
With effect from 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. As of 31 December 2023, group members include Kommunalkredit, Kommunalkredit Public Consulting GmbH, KA Florestan GmbH and KA Florestan Hydrogen GmbH.

Relationships with associates
The following relationships exist with PeakSun Holding GmbH, an associate included at equity:

- Loans receivable of TEUR 0.0 (31/12/2022: TEUR 1,877.1); these resulted in interest income of TEUR 0.0 (1/1–31/12/2022: TEUR 408.3)
- Other off-balance-sheet liabilities in the form of promissory commitments of TEUR 0.0 (31/12/2022: TEUR 8,409.5)

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	31/12/2023	31/12/2022
Active Executive Board members	4,892.4	3,762.7
Active Supervisory Board members	282.5	227.9
Total	**5,174.9**	**3,990.6**

The amounts reported under total remuneration of active Executive Board members consist of amounts falling due on a short-term basis as well as long-term benefits of TEUR 8,957.1 (2022: TEUR 7,692.8) as specified in the remuneration manual (deferrals of variable remuneration) pursuant to § 39b of the Austrian Banking Act.

No payments were made to a pension fund for active Executive Board members in either the 2023 financial year or the previous year.

As of 31 December 2023, as in the previous year, there were no outstanding loans/advances owed 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 25.1% in Fidelio KA Beteiligung GmbH; this company is within the range of influence of a member of the Executive Board 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	**31/12/2023**	**31/12/2022**
Executive Board members and senior employee	325.3	316.1
Other employees	661.3	139.4
Total	**986.6**	**455.5**
of which recognised in equity (change in provisions due to actuarial gains/losses)	*1,732.5*	*552.7*
of which recognised in general administrative expenses	*-745.9*	*-97.2*

72. 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”.

73. DISCLOSURES RELATING TO THE BOARDS OF THE BANK

Members of the Executive Board

Karl-Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

Claudia Wieser
Member of the Executive Board until 31 March 2023

Members of the Supervisory Board

Patrick Bettscheider
Chairman of the Supervisory Board;
appointed by Satere Beteiligungsverwaltungs GmbH; Managing Director Satere Beteiligungsverwaltungs GmbH

Friedrich Andreae
Deputy Chairman of the Supervisory Board; appointed by Satere Beteiligungsverwaltung GmbH;
Managing Director Satere Beteiligungsverwaltungs GmbH

Tina Kleingarn
Partner Westend Corporate Finance

Juergen Meisch
Managing Director of Achalm Capital GmbH

Martin Rey
Managing Director Maroban GmbH

Alois Steinbichler
Managing Director AST Beratungs- und Beteiligung GmbH

Peter Krammer
Nominated by the Works Council, until 7 December 2023

Brigitte Markl
Nominated by the Works Council, until 31 January 2023

Gerald Unterrainer
Nominated by the Works Council, since 9 November 2022

Oliver Fincke
Nominated by the Works Council, since 3 February 2023

Claudia Slauer
Nominated by the Works Council, since 28 December 2023

State Representative

Philip Schweizer
State Representative, Federal Ministry of Finance

Markus Kroiher
Deputy State Representative,
Federal Ministry of Finance

Government Commissioner

Appointed to serve as government commissioners of the cover pool for covered bonds in 2023:

Karin Fischer
Government Representative
Federal Ministry of Finance
until 30 April 2023

Anna Staudigl
Deputy Government Commissioner
Federal Ministry of Finance
until 30 April 2023

Vienna, 14 February 2024

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 2023, 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 2023, 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 2.0 bn 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 customers – if any – 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. These estimation uncertainties are particularly influenced by the negative economic environment as of the reporting date.

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 stage transfers including impairment triggers and to adequately reflect the valuation of loans and advances to customers. Moreover, we have tested key controls with regard to their design and implementation, among other things, by inspecting the IT systems, 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.
- In the case of defaults on individually significant loans, the assumptions made by the group were analyzed with regard to conclusiveness, consistency and the timing and amount of the assumed recoveries.
- 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.

Valuation of loans and advances to customers accounted at fair value
The Management Board explains the procedure for the calculation of the fair value including financial instruments 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 positions "Assets at fair value through profit or loss" and "Assets recognized at fair value through other comprehensive income" and an amount of EUR 1.6 billion.

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 is subject to discretion due to the strong dependence on valuation models and parameter estimates. These estimation uncertainties are particularly influenced by the negative economic environment as at the reporting date.

Our audit approachg
We have performed the following audit procedures regarding the fair value valuation with the involvement of our valuation specialists:

- We have assessed the classification process and whether it is suitable to ensure an appropriate classification according to the provisions of IFRS 9. In this regard we also tested key controls with regard to design and implementation by inspecting the control documentation and tested their effectiveness on a sample basis.
- We have further analyzed the processes related to the determination of fair values of loans 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 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.
- 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 determined and documented in a comprehensible manner. Furthermore, we checked for these test cases whether the calculation of the fair value was mathematically correct.

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 30 March 2022 and were appointed by the supervisory board on 7 June 2022 to audit the financial statements of Company for the financial year ending on 31 December 2023.

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, 14 February 2024

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 2023

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.

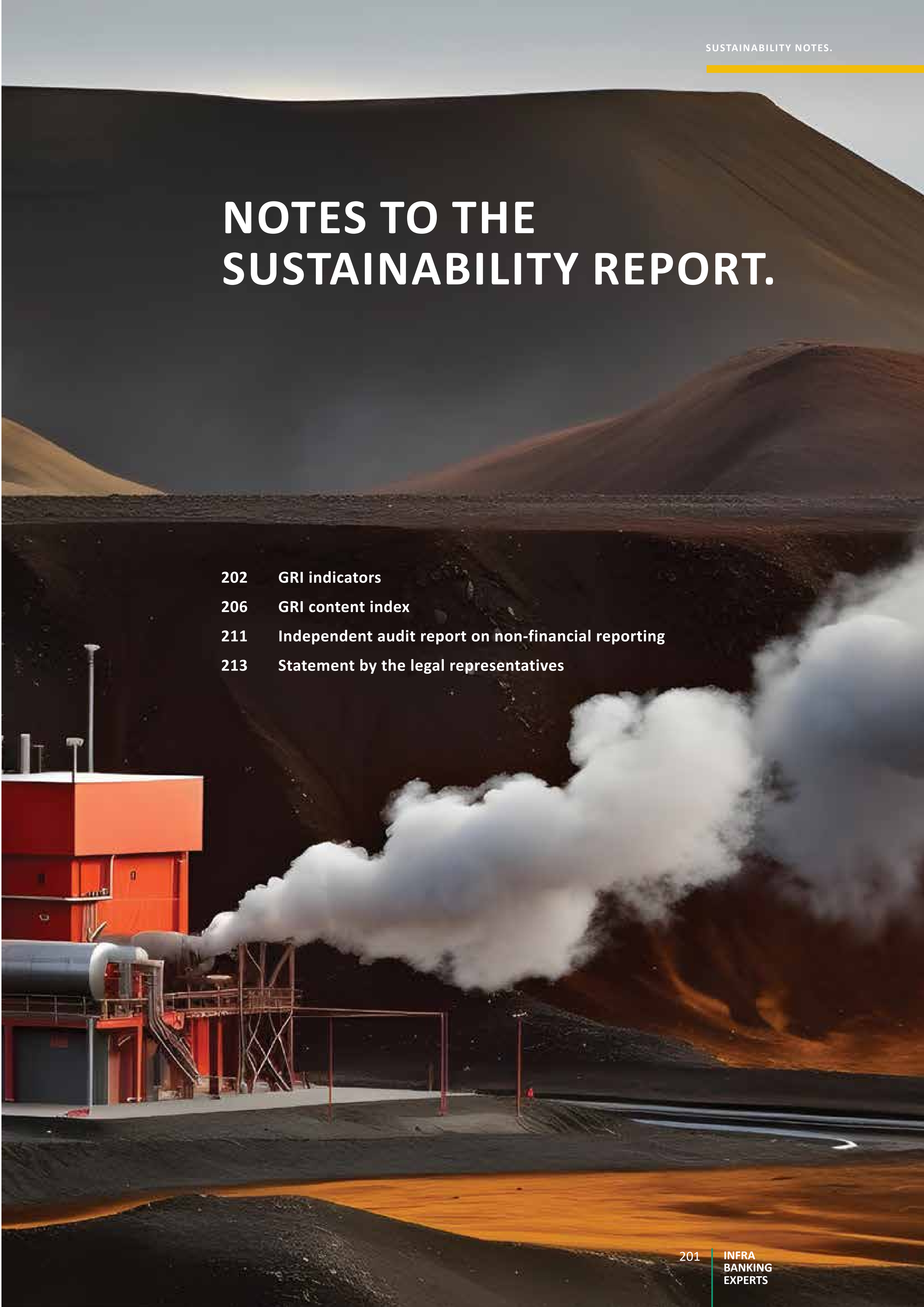
Vienna, 14 February 2024

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

NOTES TO THE SUSTAINABILITY REPORT.



GRI indicators

Environmental performance figures

Definition	Unit	2020	2021	2022	2023	Change 2022-2023
Employees (including Executive Board) [1]		298	327	375	405	8.0%
Total assets	in EUR m	4,423	4,428	4,628	5,871	
Office space used	m^2	7,722	7,722	7,722	7,722	0.0%
Office space used per employee	m^2/employee	25.9	23.6	20.6	19.1	-7.4%
Energy consumption						
Total energy consumption	**kWh**	**1,463,973**	**1,414,196**	**1,389,730**	**1,361,010**	**-2.1%**
Total energy consumption per employee	kWh/employee	4,913	4,325	3,706	3,361	-9.3%
Total consumption from renewable sources	kWh	977,438	877,495	865,250	894,267	3.4%
Total consumption from non-renewable sources	kWh	486,536	536,701	524,480	466,743	-11.0%
Electricity (100% green electricity)	kWh	677,479	583,459	592,617	637,887	7.6%
Electricity per employee	kWh/employee	2,273	1,784	1,580	1,575	-0.3%
Diesel consumption [2]	kWh	1,950	2,500	2,597	2,646	1.9%
Biomass consumption (pellets)	kWh	299,958	294,036	272,633	256,380	-6.0%
Gas consumption	kWh	484,586	534,201	521,883	464,097	-11.1%
Total heating energy consumption	**kWh**	**784,544**	**828,237**	**794,516**	**720,477**	**-9.3%**
Heating energy consumption (per m^2)	kWh/m^2	101.6	107.3	102.9	93.3	-9.3%
Heating energy consumption per employee	kWh/employee	2,633	2,533	2,119	1,779	-16.0%
Share of renewable energy sources in relation to total energy consumption (biomass and green electricity)	%	66.8	62.0	62.3	65.7	5.5%
Water and paper						
Water consumption in m^3 [3]	**m^3**	**2,883**	**2,773**	**2,586**	**2,878**	**11.3%**
Water consumption in litres per employee and day	l/employee/day	39	34	28	28	3.1%
Paper consumption (in kg)	**kg**	**2,500**	**2,500**	**1,123**	**2,000**	**78.1%**
Paper consumption (in kg) per employee	kg/employee	8	8	3	5	64.9%
Paper consumption (in kg) per employee and day	kg/employee/day	0.03	0.03	0.01	0.02	64.9%
Paper consumption (in sheets) per employee and day	sheets/employee/day	7	6	2	4	64.9%
Share of recycled paper	%	100.0	100.0	100.0	100.0	0.0%
Transport						
Total business travel	**km**	**185,847**	**156,217**	**835,329**	**1,210,152**	**44.9%**
Total energy consumption for transport	kWh	142,028	132,775	1,095,780	1,571,831	43.4%
Total business travel per employee	km/employee	624	478	2,228	2,988	34.1%
Kilometres travelled by rail	km	10,038	16,243	48,240	9,636	-80.0%
Share of kilometres travelled by rail in relation to total distance travelled	%	5.4	10.4	5.8	0.8	-86.2%
Kilometres travelled by rail per employee	km/employee	34	50	129	24	-81.5%

Definition	Unit	2020	2021	2022	2023	Change 2022-2023
Kilometres travelled by car	km	25,210	26,247	52,120	16,041	-69.2%
Share of kilometres travelled by car in relation to total distance travelled	%	13.6	16.8	6.2	1.3	-78.8%
Kilometres travelled by car per employee	km/employee	85	80	139	40	-71.5%
Kilometres travelled by air	km	150,599	113,728	734,969	1,184,475	61.2%
Share of kilometres travelled by air in relation to total distance travelled	%	81.0	72.8	88.0	97.9	11.2%
Kilometres travelled by air per employee	km/employee	505	348	1,960	2,925	49.2%
CO_2 emissions [4]						
CO_2 emissions caused by business activities	**t**	**230**	**235**	**969**	**1,340**	**38.2%**
Scope 1 (direct emissions)	t	127	139	139	123	-11.3%
thereof fossil emissions	*t*	*122*	*134*	*134*	*118*	*-11.9%*
thereof biogenic emissions	*t*	*5.1*	*5.0*	*4.6*	*4.0*	*-13.7%*
Scope 2 (green electricity market-based) [5]	t	0.0	0.0	0.0	9.0	
Scope 2 (electricity location-based) [5]	t	156	134	136	144	5.6%
Scope 3 (business travel) [6]	t	103	96	831	1,208	45.4%
CO_2 emissions caused by business activities per employee	t/employee	0.8	0.7	2.6	3.3	28.0%
Waste [7]						
Total annual waste volume	**kg**	**27,682**	**30,029**	**29,892**	**31,147**	**4.2%**
Total annual waste volume per employee	kg/employee	92.9	91.8	79.7	76.9	-3.5%
Waste paper	kg	8,240	11,246	11,246	11,246	0.0%
Waste paper (share of total volume of waste)	%	29.8	37.5	37.6	36.1	-4.0%
Waste paper per employee	kg/employee	28	34	30	28	-7.4%
Domestic-type commercial waste	kg	16,773	14,448	14,448	14,448	-0.0%
Domestic-type commercial waste (share of total volume of waste)	%	60.6	48.1	48.3	46.4	-4.0%
Domestic-type commercial waste per employee	kg/employee	56	44	39	36	-7.4%
Hazardous waste	kg	8	43	0	185	330.2%
Hazardous waste (share of total volume of waste)	%	0.0	0.1	0.0	0.6	-
Hazardous waste (in kg) per employee	kg/employee	0.03	0.13	0.00	0.46	-

1 Employees (headcount) including Executive Board and excluding those on leave; the figures for 2020–2022 were adjusted due to the updated definition in 2023.
2 Totals based on emissions calculation using the factor 1L=9.8 kWh; the data for 2022 was corrected in 2023.
3 All water was withdrawn from the municipal water supply. No water was withdrawn from areas under water stress.
4 All data refers to carbon dioxide equivalents (CO_2e). Emission factors based on OIB Guideline 6 (2019): 1 kWh electricity mix in Austria: 227 g CO_2e, 1 kWh green electricity in Austria: 14 g CO_2e, 1 kWh natural gas: 247 g CO_2e, 1 kWh crude oil: 310 g CO_2e
5 In accordance with the GRI Standards, emissions from the purchase of electricity are to be shown based on both the market-based and location-based methods. The market-based method shows emissions from the electricity that an organisation chose in a targeted manner. Emission factors were calculated based on OIB Guideline 6 (2019).
6 The emissions calculation for business travel is based on data from the Environmental Agency Austria, July 2023, for total emissions per passenger kilometre. 1 passenger kilometre by rail: 19.2 g CO_2e; 1 passenger kilometre by air (domestic): 1,997.9 g CO_2e; 1 passenger kilometre by air (abroad): 607.3 g CO_2e; 1 passenger kilometre by car (petrol): 251.1 g CO_2e; 1 passenger kilometre by car (diesel): 238 g CO_2e.
7 Waste paper and domestic-type commercial waste are calculated using the number of corresponding containers with allocated filling levels and the collection interval notified by MA48. Due to the unchanged situation, the figures for 2021–2023 are identical. Due to a correction made in calculating the volume of waste paper, the figures for 2020–2022 were adjusted. The significant increase in the volume of hazardous waste is attributable to the disposal of screens in 2023.

Social performance figures

Definition	Unit	2020	2021	2022	2023
Number of employees					
Employees including Executive Board and those on leave – as of 31 December		307	337	389	416
thereof women		*144 (47%)*	*147 (44%)*	*167 (43%)*	*185 (44%)*
thereof employees aged under 30		*35 (11%)*	*54 (16%)*	*52 (13%)*	*63 (15%)*
thereof employees aged 30–50		*211 (69%)*	*215 (64%)*	*238 (61%)*	*249 (60%)*
thereof employees aged over 50		*61 (20%)*	*68 (20%)*	*99 (26%)*	*104 (25%)*
Executive Board		2	3	3	2
thereof women		*0*	*0*	*1*	*0*
Employees excluding Executive Board and those on leave – as of 31 December		296	324	372	403
Average workforce in full-time equivalents		261	293	327	373
Average workforce		293	334	353	394
Full-time equivalents (FTE) excluding Executive Board and those on leave – as of 31 December		270	290	348	381
Active employees as of 31 December in full-time equivalents (including Executive Board)		272	301	364	394
Agency workers – as of 31 December		2	1	0	0
Full-time/part-time split					
Part-time employees		82 (36%)	86 (26%)	76 (20%)	78 (19%)
thereof women		*65*	*65*	*52*	*54*
thereof part-time employees aged under 30		*8*	*10*	*11*	*8*
thereof part-time employees aged 30–50		*53*	*54*	*44*	*50*
thereof part-time employees aged over 50		*21*	*22*	*21*	*20*
Full-time employees		226	251	313	338
thereof women		*79*	*82*	*115*	*131*
thereof full-time employees aged under 30		*27*	*44*	*41*	*55*
thereof full-time employees aged 30–50		*158*	*161*	*194*	*199*
thereof full-time employees aged over 50		*41*	*46*	*78*	*84*
Average age structure					
Age (in years)		42	42	41	40
Length of service (in years)		9	8	5	5
Employees with a university degree					
In total in relation to the number of employees (including Executive Board and employees on leave)		204 (66%)	224 (66%)	256 (66%)	259 (62%)
thereof women with a university degree		*78 (38%)*	*84 (38%)*	*96 (38%)*	*111 (43%)*
Management positions[1]					
Employees in management positions		55	55	61	61
thereof employees aged under 30		*0*	*4*	*1*	*0*
thereof employees aged 30–50		*36*	*34*	*36*	*32*
thereof employees aged over 50		*19*	*17*	*24*	*29*
Full-time employees in management positions		51	50	57	56
thereof women		*17*	*13*	*15*	*16*
Part-time employees in management positions		4	5	4	5
thereof women		*3*	*5*	*4*	*5*
Total number of women in management positions[1, 2]		20 (36%)	18 (33%)	19 (31%)	21 (34%)
Staff turnover					
Total staff turnover		36 (14%)	49 (17%)	73 (19%)	89 (22%)
thereof women		*18 (6%)*	*19 (6%)*	*36 (9%)*	*42 (10%)*
thereof employees aged under 30		*4 (11%)*	*4 (7%)*	*13 (18%)*	*23 (26%)*
thereof employees aged 30–50		*23 (64%)*	*36 (74%)*	*46 (63%)*	*37 (42%)*
thereof employees aged over 50		*9 (25%)*	*10 (19%)*	*14 (19%)*	*29 (33%)*

Definition	Unit	2020	2021	2022	2023
Annual total compensation ratio					
Annual total compensation ratio[3]		n/a	n/a	9%	12.3%
Employees on leave					
Employees on leave – as of 31 December[4]		22	14	12	7
thereof women		*13*	*11*	*9*	*6*
Total number of employees on parental leave		n/a	n/a	16	17
thereof women		*n/a*	*n/a*	*9*	*13*
Employees that returned to work after parental leave ended[5]		90%	100%	100%	100%
Total number of employees who came back from parental leave		10	15	7	11
thereof women		*3*	*7*	*3*	*7*
Rates of retention of employees after parental leave[6]		100%	100%	100%	86%
Total number of employees that remained with the company after parental leave ended[6]		10	7	10	6
thereof women		*3*	*4*	*7*	*3*
Number of employees entitled to parental leave		21	19	17	17
thereof women		*11*	*11*	*10*	*10*
New hires					
New hires last year		64	90 (27%)	111 (29%)	117 (29%)
thereof women		*32*	*32 (36%)*	*46 (41%)*	*60 (51%)*
thereof employees aged under 30		*19*	*35 (39%)*	*24 (21%)*	*30 (26%)*
thereof employees aged 30–50		*40*	*46 (51%)*	*74 (67%)*	*33 (28%)*
thereof employees aged over 50		*5*	*9 (10%)*	*13 (12%)*	*54 (46%)*
Training and education					
Expenditure on training and education	EUR	255,852	296,090	316,992	810,459
Total number of training and education days	days	406	506	751	700
Training and education days per employee	days/employee	1.4	1.8	2.1	1.8
Training and education days per senior employee	days/employee	1.6	1.8	1.9	3.9
Total number of training and education days	hours	2,842	3,539	5,258	4,900
thereof completed by women[7]	*hours*	*1,080*	*1,351*	*1,993*	-
Training and education days per employee	hours/employee	10	11	15	12
Training and education days per senior employee	hours/employee	11	12	13	28
Sick days					
Total sick days	days	2,184	2,468	3,458	2,907
Sick days per employee	days/employee	7.5	7.4	9.8	7,4
Supervisory Board members KA and KPC					
Number of members		13	12	14	14
thereof women		*1 (7,7%)*	*1 (8,3%)*	*3 (21,4%)*	*1 (7,1%)*
thereof Supervisory Board members aged under 30		*0*	*0*	*1 (7,1%)*	*1 (7,1%)*
thereof Supervisory Board members aged 30–50		*3 (23.1%)*	*3 (25,0%)*	*5 (35,7%)*	*7 (50,0%)*
thereof Supervisory Board members aged over 50		*10 (76.9%)*	*9 (75,0%)*	*8 (57,1%)*	*6 (42,9%)*

1 Management positions refer to the management team, division heads, departmental heads and team leaders.
2 Percentage refers to full-time equivalents, excluding the Executive Board and employees on leave.
3 Compares the median total compensation paid to all employees (excluding the highest paid employee) with the total compensation paid to the highest paid employee. This is based on the extrapolated total annual salaries for full-time equivalents, including the bonus (KA only) for which provisions were set up in the statement of financial position. Executive Board members and employees who left in the course of the year were excluded. The highest-earning employee is a member of the management.
4 Includes all types of leave (such as educational or parental leave).
5 Proportion of employees set to return from parental leave in the reporting period who actually returned to work.
6 Employees that remained with the company for at least 12 months after their parental leave ended.
7 The breakdown by gender could not be determined in 2023.

GRI content index

Kommunalkredit Austria AG has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2023.
Statement of use: GRI 1 used; available GRI sector standard(s): N/A

GRI STANDARD	GRI DISCLOSURE	UNGC	REFERENCE	REASON FOR OMISSION | EXPLANATION
General Disclosures				
GRI 2: General Disclosures 2021	2-1 Organisational profile		Chapter Sustainability Strategy	
	2-2 Entities included in the organisation's sustainability reporting		Chapter Sustainability Strategy Chapter Material Topics, Boundaries and Scope of the Report	
	2-3 Reporting period, frequency and contact point		Chapter Sustainability Strategy, Impressum	
	2-4 Rectification or restatement of information		Chapter Sustainability topics in the spotlight - Operational ecology	
	2-5 External assurance		Chapter Sustainability Strategy	
	2-6 Activities, value chain and other business relationships	Principle 1, principle 2, principle 4, principle 5, principle 6, principle 7, principle 9	Chapter Infrastructure, Chapter Expertise, Chapter Building bridges, Chapter Material Topics, Boundaries and Scope of the Report, Chapter Success factor, Chapter Sustainability topics in the spotlight - Sustainable finance, Sustainable services	
	2-7 Employees	Principle 6	Chapter Employees Chapter GRI indicators	As of 31.12.2023 there was one employee on a fixed term contract.
	2-8 Workers who are not employees	Principle 6		As of 31.12.2023 there were no workers who are not employees.
	2-9 Governance structure and composition		Chapter Sustainability strategy - Sustainability governance https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf	
	2-10 Nomination and selection of the highest governance body		Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf	
	2-11 Chair of the highest governance body		Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf	In Austria, the two-tier system applies, i.e. separation between the Supervisory Board (non-executive) and the Management Board (executive). Incompatibility of simultaneous membership to the Management Board and the Supervisory Board, pursuant to Section 90 AktG (Austrian Stock Corporations Act).
	2-12 Role of the highest governance body in overseeing the management of impacts		Chapter Sustainability strategy - Sustainability governance	
	2-13 Delegation of responsibility for managing impacts		Chapter Sustainability strategy - Sustainability governance	
	2-14 Role of the highest governance body in sustainability reporting		Chapter Sustainability strategy - Sustainability governance	There is currently no legal requirement.

GRI STANDARD	GRI DISCLOSURE	UNGC	REFERENCE	REASON FOR OMISSION | EXPLANATION
	2-15 Conflicts of interest		Chapter Sustainability topics in the spot-light - Business Ethics Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf Notes to the Consolidated Financial Statements - Note 71.	
	2-16 Communication of critical concerns		Chapter Sustainability topics in the spot-light - Business ethics	There were a total of 29 notifications to the OeNB in 2023 (complaint handling pursuant to Article 5 para. 1 no. 4 VERA-V), all of which concerned the category "Online Retail". No other reports/notifications.
	2-17 Collective knowledge of the highest governance body		Chapter Sustainability strategy Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf Chapter Sustainability Governance	
	2-18 Evaluation of the performance of the highest governance body		Chapter Sustainability Strategy Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf Report of the Supervisory Board	
	2-19 Remuneration policies		Disclosure reports: https://www.kommunalkredit.at/en/investor-relations/reports	
	2-20 Process to determine remuneration		Corporate Governance Handbook: https://www.kommunalkredit.at/fileadmin/user_upload/Processed/Wer-wir-sind/Governance/Corporate-Governance-Report-EN.pdf	
	2-21 Annual total compensation ratio		Chapter Employees Chapter GRI indicators	
	2-22 Statement on sustainable development strategy		Chapter Letter by the Chief Executive Officer	
	2-23 Policy commitments		Chapter Sustainability Governance Chapter Sustainability framework, Chapter Sustainability topics in the spotlight - Business ethics	
	2-24 Embedding policy commitments		Chapter Sustainability topics in the spot-light - Business ethics	
	2-25 Processes to remediate negative impacts		Chapter Sustainability topics in the spot-light - Business ethics Chapter Report on key features of the internal control system and risk management system in relation to the accounting process (management report)	
	2-26 Mechanisms for seeking advice and raising concerns		Chapter Sustainability topics in the spot-light - Business ethics	
	2-27 Compliance with laws and regulations			There were no penalties or fines in the reporting period.

GRI STANDARD	GRI DISCLOSURE	UNGC	REFERENCE	REASON FOR OMISSION | EXPLANATION
	2-28 Membership of associations	Principle 1, principle 8, principle 9	Bankenschlichtung Österreich, BPPP Bundesverband Public Private Partnership, Bundesverband deutscher Banken e.V., BWG Österreichische Bankwissenschaftliche Gesellschaft, Deutsche Handelskammer (DHK), Dienstleister Energieeffizienz und Contracting Austria, DSAG Deutsche SAP, Einlagensicherung AUSTRIA Ges.m.b.H., Energieforum Österreich, Eurex Clearing AG, Eurex Repo GmbH, European Clean Hydrogen Alliance, IIA Austria Institut für Interne Revision Austria, Industriellenvereinigung, International Capital Markets Association, IPFA International Project Finance Association, ISDA International Swaps and Derivatives Association, ISDA International Swaps and Derivatives Association, Österreichische Energieagentur, ÖVA Österreichischer Verein für Altlastenmanagement, ÖWAV Österreichischer Wasser- und Abfallwirtschaftsverband, Partnership for Carbon Accounting Financials (PCAF), Pfandbrief- & Covered Bond-Forum Austria, The Loan Market Association / Banking, The Loan Market Association / Recht, TMA Austria – The Treasury Markets Association, UN Environmental Programme for Financial Institutions (Principles for Responsible Banking), UN Global Compact, Verband Österreichischer Banken und Bankiers, Wiener Börse, WKO Wirtschaftskammer Österreich	
	2-29 Approach to stakeholder engagement		Chapter Sustainability strategy Chapter Communication	
	2-30 Collective bargaining agreements		Chapter Employees	All employees are covered by collective bargaining agreements.
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics		Chapter Sustainability strategy	
	3-2 List of material topics		Chapter Sustainability strategy	
Sustainable Finance				
GRI 3: Material Topics 2021	3-3 Management of material topics		Chapter Sustainability topics in the spotlight - Sustainable finance Chapter Business Ethics - Corporate Governance, Data Protection Chapter Sustainability Strategy - 2025 Sustainabilty Committments Chapter Employees	
Financing				
GRI G4: FS7 2014	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		Chapter Sustainability topics in the spotlight - Sustainable finance Chapter Sustainability topics in the spotlight - Sustainable services	
GRI G4: FS8 2014	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spotlight - Sustainable finance Chapter Sustainability topics in the spotlight - Sustainable services	

GRI STANDARD	GRI DISCLOSURE	UNGC	REFERENCE	REASON FOR OMISSION | EXPLANATION
Refinancing				
Kommunalkredit indicator	Refinancing share according to the "Sustainable funding framework"relative to the total refinancing volume			The "Sustainable Funding Framework" was implemented in the reporting year. No securities in line with the Sustainable Funding Framework were issued in the reporting year.
Sustainable services				
GRI 3: Material Topics 2021	3-3 Management of material topics		Chapter Sustainability topics in the spotlight - Sustainable services	
Consultancy services				
Kommunalkredit indicator	Total subsidies processed		Chapter Sustainability topics in the spotlight - Sustainable services	
Business Ethics				
GRI 3: Material Topics 2021	3-3 Management of material topics		Chapter Sustainability topics in the spotlight - Business ethics	
Fighting against corruption				
GRI 205: AntiCorruption 2016	205-1 Operations assessed for risks related to corruption	Principle 10		Operations: 2 Assessed: 2 (100%)
	205-2 Communication and training about anticorruption policies and procedures	Principle 10	Chapter Sustainability topics in the spotlight - Business ethics	
	205-3 Confirmed incidents of corruption and actions taken	Principle 10	Chapter Sustainability topics in the spotlight - Business ethics	
Protecting customer data				
GRI 418: Customer privacy, 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data			During the reporting period, one enquiry by the Austrian Data Protection Authority was successfully answered. There were no substantiated complaints during the reporting period.
Human rights				
Kommunalkredit indicator	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Principle 1, principle 2, principle 3, principle 4, principle 5	Chapter Sustainability topics in the spotlight - Sustainable finance	The Sustainability Check involves a review of all investment agreements and contracts from a human rights perspective.
Employees				
GRI 3: Material Topics 2021	3-3 Management of material topics		Chapter Employees	
Employment				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Principle 6	Chapter Employees Chapter GRI indicators	
	401-2 Benefits provided to full-time employees that are not provided to temporary or parttime employees	Principle 6	Chapter Employees	All basic benefits are provided to all employees.
	401-3 Parental leave	Principle 6	Chapter Employees Chapter GRI indicators	

GRI STANDARD	GRI DISCLOSURE	UNGC	REFERENCE	REASON FOR OMISSION | EXPLANATION
Training and education				
GRI 404: Training and education 2016	404-1 Average hours of training and education per year		Chapter Employees Chapter GRI indicators	
	404-2 Programmes for upgrading employee skills and transition assistance programmes		Chapter Employees	
	404-3 Percentage of employees receiving regular performance and career development reviews		Chapter Employees	
Diversity				
GRI 405: Diversity and equal opportuni-ties 2016	405-1 Diversity of governance bodies and employees	Principle 6	Chapter Employees Chapter GRI indicators	
	405-2 Ratio of basic salary and remuneration of women to men	Principle 6	Chapter Employees	The collective agreement does not differentiate based on gender.
GRI 406: Non-discrim-ination 2016	406-1 Incidents of discrimination and corrective actions taken	Principle 6		There were no cases of dis-crimination in the reporting period.
Operational ecology				
GRI 3: Material Topics 2021	3-3 Management of material topics		Chapter Sustainability topics in the spot-light - Operational ecology	
Emissions				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spot-light - Operational ecology Chapter GRI indicators	
	305-2 Energy indirect (Scope 2) GHG emissions	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spot-light - Operational ecology Chapter GRI indicators	
	305-3 Other indirect (Scope 3) GHG emissions	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spot-light - Operational ecology Chapter GRI indicators	The calculation of financed emissions is part of the implementation of the sustainability strategy and is scheduled to be completed by 2024.
	305-4 GHG emissions intensity	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spot-light - Operational ecology Chapter GRI indicators	
	305-5 Reduction of GHG emissions	Principle 7, principle 8, principle 9	Chapter Sustainability topics in the spot-light - Operational ecology Chapter GRI indicators	
	305-6 Emissions of ozonedepleting substances (ODS)	Principle 7, principle 8, principle 9		No ozonedepleting sub-stances were emitted in the reporting period.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Principle 7, principle 8, principle 9		No significant air emissions were emitted in the report-ing period.
Socioeconomic compliance				
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Principle 1, principle 2, principle 3, principle 4, principle 5	Chapter Sustainability topics in the spot-light - Operational ecology	All major new suppliers are screened on the basis of cri-teria relating to their impact on society.
	414-2 Negative social impacts in the supply chain and actions taken	Principle 1, principle 2, principle 3, principle 4, principle 5	Chapter Sustainability topics in the spot-light - Operational ecology	

INDEPENDENT ASSURANCE REPORT ON THE COMBINED CONSOLIDATED NON-FINANCIAL REPORTING

We have performed an independent limited assurance engagement on the combined consolidated non-financial reporting ("NFI reporting") for the financial year 2023, which has been published in the integrated and consolidated business report of the group in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the group consolidated management report in chapter "Employees" of

Kommunalkredit Austria AG,
Vienna,
(referred to as "KA AG" or "the Company").

Conclusion
Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFI reporting of the Company, which has been published in the integrated and consolidated business report of the group in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the group consolidated management report in chapter "Employees", is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option " in accordance with" in all material respects.

Management's Responsibility
The Company's management is responsible for the proper preparation of the NFI reporting in accordance with the reporting criteria. The Company applies the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" as reporting criteria.

The Company's management is responsible for the selection and application of appropriate methods for non-financial reporting (especially the selection of significant matters) as well as the use of appropriate assumptions and estimates for individual non-financial disclosures, given the circumstances. Furthermore, their responsibilities include the design, implementation and maintenance of systems, processes and internal controls that are relevant for the preparation of the sustainability report in a way that is free of material misstatements – whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Company's consolidated NFI reporting, which has been published in the integrated and consolidated business report of the group in chapters "Sustainability", "GRI indicators", "GRI content index" as well as in the group consolidated management report in chapter "Employees", is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "in accordance with" in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance. Despite diligent engagement planning and execution, it cannot be ruled out that material misstatements, illegal acts or irregularities within the non-financial report will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- Inquiries of personnel at the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting threshholds of the Company;
- A risk assessment, including a media analysis, on relevant information on the Company's sustainability performance in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, social and employees matters, respect for human rights, anti-corruption as well as bribery and also includes the consolidation of data;
- Inquiries of personnel at the group level, who are responsible for providing, consolidating and implementing internal control procedures relating to the disclosure of concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents, in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Analytical evaluation of the data and trend of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;
- Evaluation of the consistency of the requirements of the GRI Standards, Option "in accordance with" to disclosures and indicators of the NFI reporting, which apply to the Company;
- Evaluation of the overall presentation of the disclosures by critically reading the NFI report.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to audit future-related disclosures, prior year figures, statements from external sources of information, expert opinions or references to more extensive external reporting formats of the Company.

Restriction on use

Because our report will be prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims. We agree to the publication of our assurance certificate together with the NFI report. However, publication may only be performed in its entirety and as a version that has been certified by us.

General Conditions of Contract

Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Vienna, 14th February 2024

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

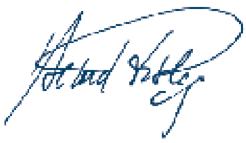
STATEMENT BY THE LEGAL REPRESENTATIVES

KOMMUNALKREDIT GROUP

The Integrated Annual Report covers the sustainability activities of the Kommunalkredit Group for the 2023 financial year.

Vienna, 14 February 2024

The Executive Board of
Kommunalkredit Austria AG



Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

Imprint

Owner and publisher:

Self-published by
Kommunalkredit Austria AG
Tuerkenstrasse 9, 1090 Vienna
Tel.: +43 1 31631

Corporate Communications
communication@kommunalkredit.at
Phone: +43 1 31631 593 or 153

Investor Relations
investorrelations@kommunalkredit.at
Phone: +43 1 31631 434

www.kommunalkredit.at

Photos:

Adobe Stock (Cover, 6+7, 10, 16+17, 24+25, 26, 30, 33, 34+35, 37, 38+39, 46+47, 53, 54+55, 56+57, 64, 67, 79, 82, 87, 88, 99, 102, 110+111, 114, 118, 161, 176, 181, 188, 190, 201), Adobe Stock © vukrytas (Maps), Adobe Stock (Icons © vukrytas, rawku5, peacefully7, Panuwat, davvodda, Mariia Lov, Happy Art, antto, TheNounProject, Teneo, UN, EU, PCAF), Adobe Stock (Flags + Coats © jehafo, Porcupen), ASFINAG (38), fotowagner (8, 92), Getty Images (58+59), INSEAD (90), iStock (86), Kommunalkredit (89, 90, 91, 92, 93, 94), Erich Marschik (95, 96, 97), OMV (87), Philipp Schuster Photography (92), SGMI St. Gallen (90), Standford (90), Wiener Linien © Johannes Zinner (39)

Design:

Dechant Grafische Arbeiten,
Ahornergasse 7, 1070 Vienna
Coordina ion/consul ing
www.fabelhaft.biz
fa-bel-haft. Advertising & PR
Kochgasse 3-5, 1080 Vienna
Print:
Print Alliance HAV Produktions GmbH,
2540 Bad Vöslau

February 2024