INFRASTRUCTURE IS OUR FUTURE

Annual Report 2020
Kommunalkredit Group

KOMMUNAL KREDIT

Kommunalkredit at a glance

SELECTED PERFORMANCE INDICATORS in EUR m	IFRS				Austrian GAAP			
	2017[1]	2018	2019	2020	2017	2018	2019	2020
Net interest income	35.2	49.2	58.6	77.1	32.8	37.7	45.6	57.4
EBIT[2]	9.4	23.9	33.2	47.5	7.8	21.8	27.0	31.9
Profit on ordinary activities	7.1	32.6	27.3	48.0	18.3	29.7	28.7	32.4
Profit for the year after tax	18.1	14.3	29.6	36.4	18.9	30.4	30.3	33.6
Cost-income ratio	87.9%	70.2%	63.3%	56.1%	85.2%	67.0%	63.2%	61.0%
Return on equity before tax	3.1%	14.0%	10.3%	15.3%	8.4%	12.8%	10.8%	10.3%
CET 1Ratio	n. a.	n. a.	n. a.	n. a.	23.5%	19.9%	18.7%	20.3%

1 Prepared according to IAS 39.
2 Profit for the year before tax under IFRS, adjusted for net provisioning for impairment losses, measurement gains/losses and restructuring expense (2018). Operating performance as reported in accordance with the Austrian Commercial Code (UGB) plus the operating result from the sale of infrastructure/energy financing and change in the provision required under § 57 (1) of the Austrian Banking Act (BWG), also adjusted for restructuring expense (2018).

56.1%
Cost-income ratio
based on EBIT

20
nationalities
43% share of women
43 years average age
»Diversity«

0.0%
NPL ratio

29
transactions in 2020
»Focus on Europe«

BBB
DBRS rating raised
R-2 (high)

15.3%
RoE before tax

Awards 2020
Best ESG Infrastructure Finance Europe
Austria's second best direct bank
German Brand Award Winner

Green electricity covering
100%
of electricity consumption
at the Vienna site

EUR 344.0 m
Capital doubled
since privatisation in 2015
from EUR 170m

All figures – unless otherwise stated – reported under IFRS.
* According to the Austrian Commercial Code (UGB).

EUR 1.1 bn
+ 11% New business volume
from infrastructure and energy financing

EUR 603 m
Placement volume

EUR 354 m
Assets under Management
Close of the Fidelio KA Infrastructure
Debt Fund Europe 1 02/2020

EUR 47.5 m
EBIT + 43 %

A-
Premium portfolio with
average rating

20.3%
CET 1 ratio*

Contribution to
12
Sustainable Development Goals

Clear vision. Concise mission.

What is our goal?	How do we achieve our goal?	How do we improve in terms of our core business?	What do we do to achieve this?	How would this appeal to our shareholders?
We will become the partner of choice for infrastructure investments: ▪ Increasing financing by more than double ▪ Increasing placements with our "originate and collaborate" approach ▪ Contributing to Sustainable Development Goals	**We focus on our core business:** ▪ Customer focus ▪ Operational efficiency ▪ Strict placement criteria ▪ SDG-compliant infrastructure	**We act decisively:** ▪ Expanding our product base ▪ Developing our fee business ▪ Enhancing productivity ▪ Boosting profitability ▪ Maintaining risk-return-centric management of the bank	**We broaden our resources:** ▪ Boost our capital ▪ Invest in talent ▪ Embrace digitalisation ▪ Improve our rating ▪ Increase our underwriting capacity	**We generate solid values:** ▪ Increase EBIT to EUR 50m ▪ Reduce cost-income ratio to 50% ▪ Achieve a return on equity of 10% ▪ Achieve an attractive return on investment

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INFRA. BANKING. EXPERTS.

Letter by the Chief Executive Officer

SUSTAINABILITY.PIONEER.

Dear stakeholders,

Let me start with a word of thanks. After all, 2020 was a special year. We have seen the extent and speed with which economic and social changes can impact everyday life. We have seen how important and necessary it is to ensure the proper functioning of relevant infrastructure. The fragility and yet the resilience of social cohesion have been palpable. And we dealt with this situation together, accepted the challenge and seized opportunities. I would therefore like to extend a special thanks to our employees, who showed great commitment and dedication despite changed working conditions and personal setbacks, and thus made our excellent results possible.

COVID-19 has placed extreme demands on social infrastructure, such as hospitals and nursing homes. Working from home and distance learning have highlighted the importance of a secure energy supply and a high-performance communications infrastructure. This prompted us to provide increased financing in this area and thereby make a contribution to society. Transactions, permanent monitoring of potential COVID-related risks and sustainable business management went hand in hand. Amid this acute market environment, we were able to demonstrate our expertise in arranging, underwriting, and syndicating infrastructure and energy financing – and, in doing so, prove the resilience of our business model.

This was broadly welcomed by the market – the rating agency S&P assigned us an investment grade rating of "BBB-/A-3" with a stable outlook as of 24 February 2021, while the covered bond rating was upgraded to "A+" with a stable outlook as of 3 March 2021. Fitch Ratings also assigned an investment grade rating of BBB-/F3 with a stable outlook to Kommunalkredit in March 2021. As early as October 2020, DBRS Morningstar upgraded our rating by a notch to "BBB/R-2 (high)", likewise with a stable outlook. In addition to our continuously increased operational profitability, particular attention was paid to the strengthened franchise arising from partnerships with our customers and institutional investors as well as the demand for our infrastructure fund KA Fidelio based on the "originate and collaborate" approach.

Our net income for the year underscores the growing need for infrastructure, not only as an asset class, but also as an essential factor for modernising and realising general agendas such as digitalisation, national and international climate and energy targets as well as the Green Deal. New business in the field of infrastructure and energy financing came to EUR 1.1bn, 11% above the previous year's figure. The contribution of this core field of business to gross earnings increased from 61% to 71%. EBIT increased significantly by 43% to EUR 47.5m against the previous year. The cost-income ratio was reduced to 56.1% in a difficult environment and against the backdrop of a tense low-interest-rate environment, and the return on equity before tax came to 15.3%. CET 1 capital amounted to EUR 344.0m, and the CET 1 ratio increased to 20.3%. Our non-performing loan (NPL) ratio is at 0.0% – as it has been since privatisation back in 2015.

The final close of the infrastructure fund (Fidelio KA Infrastructure Debt Fund Europe 1) took place at the end of February 2020. At over EUR 350m, the original target volume of EUR 150m was significantly exceeded. The interest shown has encouraged us to launch an additional fund (Fidelio KA 2) with a focus on renewable energies, digitalisation and healthcare. We are aiming for a first close of EUR 150m during the first half of 2021. This allows us to offer our business partners access to infrastructure and energy financing via an asset management solution.

Kommunalkredit's strategic fields of activity are distinguished by their low default rates and high recovery rates. Our portfolio is proving crisis-resistant – despite the beleaguered wider economic environment. Strengthening our capital base allows us to mobilise more capital for sustainable use in infrastructure that meets SDG/ESG (Sustainable Development Goals/Environment, Social, Governance) criteria. This approach is also generating a positive market response. After 2019, we were again recognised as the "Best ESG Infrastructure Finance Europe 2020" by the international platform "Capital Finance International". Transactions in which we were closely involved were recognised by Proximo as "EMEA EV Charging Deal of the Year" and by IJGlobal as a "European Innovation" (charging stations for electric cars). Or the German offshore wind farm, which was selected as the winner of the "German Renewables Award 2020". KOMMUNALKREDIT INVEST, our online investment portal for private customers, won the "German Brand Award", while Austrian business magazine "Der Börsianer" also awarded us top spots (second place among direct banks, third place among specialist banks). In the rankings of the European infrastructure trade journals, we are consistently among the Top 25 in a highly competitive environment.

What is particularly encouraging is our inclusion in the Hydrogen Alliance, which was introduced by the European Commission in mid-2020. Kommunalkredit is the first Austrian financial service provider to be a member of the "European Clean Hydrogen Alliance", which aims for an ambitious deployment of hydrogen technologies in industry and mobility. With this move, we are highlighting the importance of ESG and SDG criteria in the context of our activities and supporting our customers in implementing sustainable infrastructure projects to achieve global energy and climate targets.

No topic will shape the coming decades as much as the energy transition. The switch to a sustainable energy supply is the declared global goal. It is a commitment to our future. Europe will have to move even closer together to accommodate future requirements in the Green Deal, which had already been introduced before the health crisis, be it in relation to decarbonisation, or in relation to clean hydrogen production as the energy source of the future. Climate protection also means making sustainable investments in local jobs and regional economic cycles. This will only work in conjunction with suitable stimulus packages for the economy.

Kommunalkredit is ready and willing to keep taking responsibility in this area. We are aware that our position allows us to play a pioneering role in the implementation of sustainable infrastructure projects. The flexibility, commitment and expertise of our employees are integral to our success. With our strong network of contacts to infrastructure developers, constructors and operators, to investors and public institutions, and as we engage constantly with stakeholders from political, business, academic and media circles, we are helping to set the course for the future.

In this context, I would like to mention two relatively recent projects in the Austrian domestic market. In the case of the TrIIIple and Austro Tower projects we financed the energy system intended to provide five high-rise buildings with heating and cooling. The heating and cooling plant uses water obtained from the Danube Canal in this flagship project. This is a new type of energy supply, and an example of sustainable and pioneering energy solutions. And together with OMV, we are jointly investing in the construction of the largest electrolysis plant in Austria to produce up to 1,500 tonnes of green hydrogen annually and to reduce approximately 15,000 tonnes of CO_2 emissions per year. In doing so, we also seek to promote innovative technologies in Austria and make a contribution to society.

Our subsidiary Kommunalkredit Public Consulting (KPC) also plays a key role in this regard. KPC is the main contact for the Austrian Ministries as regards subsidy management, particularly in relation to the issues of climate protection and the energy transition. In 2020, it once again appointed a member of the Austrian negotiation team in the climate negotiations at EU level.

2020 was a special year. The challenges that arose from it will remain with us in 2021 and beyond. Supported by the encouraging performance of the bank and the resulting improved ratings, we will further expand our presence on the capital markets. While the focus in 2020 was exclusively on senior preferred private placements, the focus in 2021 is on public issues. In addition to refinancing the first social covered bond ever issued in Austria, which is set to mature in July 2021, we aim to place a senior preferred bond to diversify and expand the investor base. Apart from that, the main focus is on optimising the capital structure and, with it, the opportunity for investors to participate in a successful and sustainable business model.

We will continue to support our customers and partners as a sparring partner in 2021. With the appointment of Sebastian Firlinger as Chief Risk Officer, we strengthened our senior management at the beginning of the year and gained the benefit of additional experience for the company.

With our financing expertise in infrastructure and energy, we will continue to enable sustainable projects in the future. We are ready to play a pioneering role in achieving national and international climate targets. We are confident that we can make our contribution.

Infrastructure is our future! Let us shape it together.

Best regards,

Bernd Fislage
Chief Executive Officer
Kommunalkredit Austria AG

Vienna, March 2021

Executive Committee

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

1st row:
Mariella Huber (Head of Corporate Services)
John Philip Weiland (Head of Banking)

2nd row:
Jochen Lucht (CFO, COO), Bernd Fislage (CEO), Sebastian Firlinger (CRO)

3rd row:
Harald Brunner (Executive Vice President IT, Banking Operations)
Claudia Wieser (Executive Vice President Corporate Development)
Kors Korsmeier (Executive Vice President Risk Controlling, Credit Risk Management)


MUNAL
DIT

Functions within the Company

Executive Board

KARL-BERND FISLAGE
Chief Executive Officer

JOCHEN LUCHT
Member of the Executive Board

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

Supervisory Board

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

CHRISTOPHER GUTH
Deputy Chairman of the Supervisory Board
Appointed by Gesona Beteiligungsverwaltung GmbH

FRIEDRICH ANDREAE
Managing Director Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH

JÜRGEN MEISCH
Managing Director Achalm Capital GmbH

MARTIN REY
Managing Director Maroban GmbH

ALOIS STEINBICHLER
Managing Director AST Beratungs- und Beteiligung GmbH

PATRICK HÖLLER
Nominated by the Works Council, until 9 October 2020

ALEXANDER SOMER
Nominated by the Works Council, since 4 March 2020

RENATE SCHNEIDER
Nominated by the Works Council

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

SANDRA KAISER
Deputy Government Representative, until 30 September 2020
Federal Ministry of Finance

ANNA STAUDIGL
Deputy Government Representative, since 1 October 2020
Federal Ministry of Finance

Report of the Supervisory Board

The Supervisory Board of Kommunalkredit Austria AG submits its report on the 2020 financial year to the Shareholders' Meeting.

Patrick Bettscheider, Managing Director of Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH, delegated by Gesona Beteiligungsverwaltung GmbH, holds the position of Chairman of the Supervisory Board. Further capital representatives are Christopher Guth, Deputy Chairman of the Supervisory Board, delegated by Gesona Beteiligungsverwaltung GmbH, and Friedrich Andreae, Managing Director of Gesona Beteiligungsverwaltungs GmbH and Satere Beteiligungsverwaltungs GmbH, as well as Alois Steinbichler. 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. Patrick Höller (who left the Supervisory Board on 9 October 2020) and Renate Schneider were delegated by the Works Council. Alexander Somer was delegated to the Supervisory Board as an employee representative on 25 February 2020. At the time of reporting, the Supervisory Board comprises four capital representatives, two independent members and two employee representatives.

As of 1 January 2021, Dr. Sebastian Firlinger has been appointed to the Kommunalkredit Executive Board as Chief Risk Officer. At the time of reporting, the Executive Board consists of CEO Karl-Bernd Fislage (Chief Executive Officer), Jochen Lucht (Chief Financial Officer and Chief Operating Officer) and Sebastian Firlinger (Chief Risk Officer).

Kommunalkredit continued on its growth path in the 2020 financial year despite the global health crisis. Regardless of the decline in new transactions on the European infrastructure market caused by the pandemic, a new business volume of EUR 1,145.3m was achieved (+11%). EBIT increased significantly by 43% to EUR 47.5m compared to 2019. The cost-income ratio was reduced to 56.1% against the backdrop of a tense low-interest-rate environment, and the return on equity before tax came to 15.3%. The CET 1 ratio improved to 20.3%. The non-performing loan (NPL) ratio is at 0.0% – as it has been since privatisation back in 2015. The continuous expansion of consulting and structuring activities led to an increase in risk-free net fee and commission income. In Structured Finance, Kommunalkredit applied its in-depth industry expertise to engage in project financing as well as intensify its activities in the fields of acquisition finance, hybrid/corporate finance and financial advisory. The particular focus on the bank's ability to place its transactions on the international financing market is reflected in an investment volume of over EUR 600m among insurance companies, asset managers and banks. The final close of the infrastructure fund Fidelio KA Infrastructure Debt Fund Europe 1 took place at the end of February 2020. With over EUR 350m, it significantly exceeded the original target volume of EUR 150m. This allows Kommunalkredit to offer its business partners access to infrastructure and energy financing via an asset management solution. This is a path that it will continue to follow in 2021.

The Supervisory Board performed its tasks, as defined in the Articles of Association and the Rules of Procedure, at four ordinary meetings, two extraordinary meetings and a constituent meeting; the committees (Audit Committee, Risk Committee, Remuneration Committee and Credit Committee) also held their meetings and performed their tasks in accordance with the Articles of Association. The allocation of responsibilities of the Executive Board has been redefined and adopted due to the extension of the Executive Board and the appointment of a third Executive Vice President.

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 Guidelines on the assessment of suitability of members of the management body and key function holders, version 2017/12, and the FMA fit & proper circular of August 2018), the members of the Boards of the bank underwent comprehensive fit-and-proper training covering regulatory changes and/or innovations in November 2020.

These annual financial statements and the management report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit did not result in any findings and the statutory provisions were adhered to. As the annual financial statements present a true and fair view of the assets and the financial position of the company as of 31 December 2020, the auditors issued an unqualified audit opinion. The Supervisory Board endorsed the results of the audit and approved the 2020 annual financial statements, which were therefore formally adopted, at its meeting held on 23 March 2021. Moreover, the consolidated financial statements as of 31 December 2020, including the management report, were examined and acknowledged by the Supervisory Board.

The Supervisory Board

Patrick Bettscheider
Chairman

Vienna, 23 March 2021

VISION. MISSION. ALWAYS FIRST.

ALWAYS COMMITTED.

Infrastructure specialist

Kommunalkredit is a specialist for infrastructure and energy financing. The significance of ensuring that key infrastructure such as hospitals and care homes is available and in good working order and the importance of dependable energy supply and powerful communications infrastructure is clearly evident in times of global challenges such as the COVID-19 lockdowns in 2020.

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

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

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

The positive feedback from our business partners, customers, competitors and industry media serves as confirmation that we are on the right track with our focus on infrastructure and energy financing and public finance. This is also reflected, by way of example, in the **sustainability awards** we received in the 2020 financial year, with the international platform "Capital Finance International" singling us out again after 2019 as the "Best ESG Infrastructure Finance Europe 2020". Our online investment portal for private customers, KOMMUNALKREDIT INVEST, won the "German Brand Award" in the "Excellent Brand – Banking & Financial Services" category. At home, the renowned business magazine "Der Börsianer" put us in second place in the "Direct Banks" category and third place as a special bank. Being the first Austrian financial service provider to be included in the "European Clean Hydrogen Alliance", introduced by the EU Commission in mid-2020, is especially encouraging.

1 Our vision

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

2 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 improve every day.

3 We provide benefit to the community

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

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

We provide tangible benefits to the population at large:

- Economic dynamism
- Urban development and renewal
- Strengthening rural areas
- Job creation
- Social cohesion
- Climate protection measures

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

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

ALWAYS SUCCESS-DRIVEN.

Our business model

Kommunalkredit's business model is associated with a good risk/reward profile due to its specific structure. The bank provides a point of contact 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 deliver sustainable benefits to the community by helping to tackle key challenges such as economic growth, regional development, job creation, social cohesion and climate protection. We combine in-depth industry expertise and structuring know-how to provide **tailor-made solutions** for our clients with speed and precision. We have strong relationships with international clients and investors as well as local authorities. We make use of our ability to create sustainable value by providing flexible financing solutions across all levels of the capital structure. We provide an extensive range of products, from financial advisory services to structuring, arranging and underwriting debt and subordinated capital, to asset management services through our Fidelio KA Infrastructure Debt Fund platform. We are supported in our endeavours by two international owners with a long-term focus.

Our segments

We are an enabler in 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. Our infrastructure and energy portfolio spans a broad range of different segments.

What sets us apart from our competitors

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

Energy & Environment

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

Communication & Digitalisation

Broadband
Fibre optic
Data centres

Transport

Roads, bridges, tunnels
Airports, ports, waterways
Rail/public transportation, rolling stock

Natural Resources

LNG terminals
Pipelines
Energy storage

Social Infrastructure

Nurseries, schools, universities
Hospitals, nursing homes
Court buildings
Administrative buildings

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.

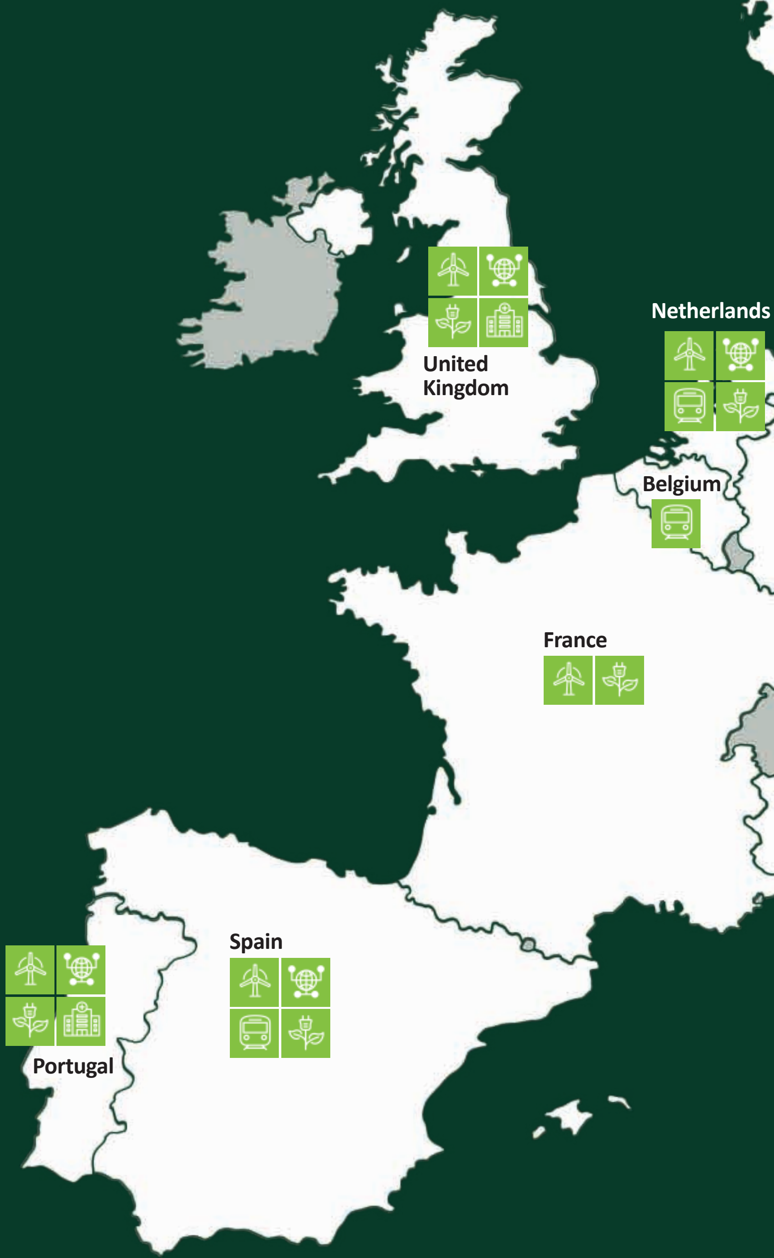
Energy & Environment

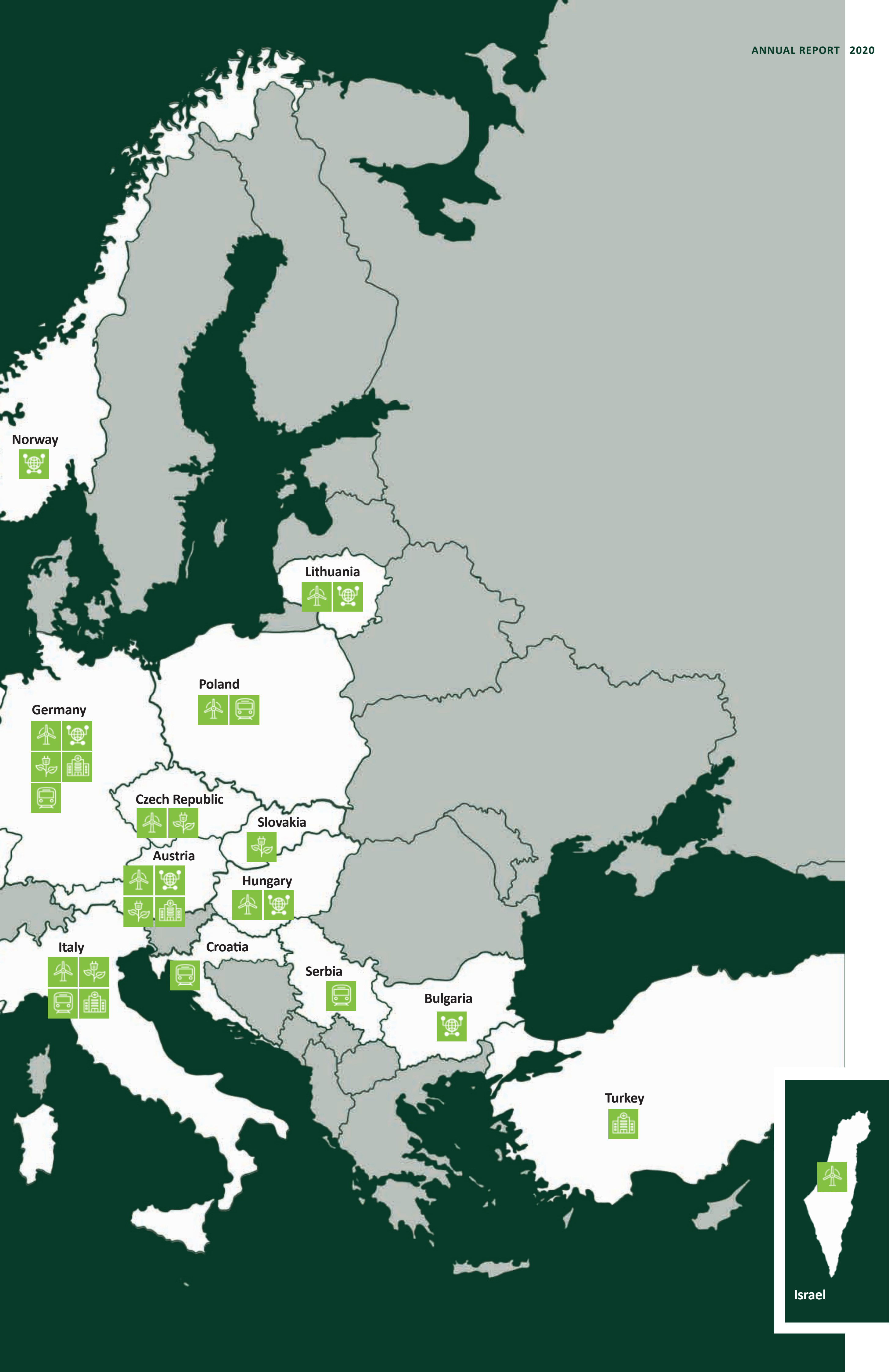
Communication & Digitalisation

Transport

Social Infrastructure

Natural Resources





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

ALWAYS AMBITIOUS.

Our objectives

Kommunalkredit launched a strategy programme with clear and ambitious objectives in 2018: investing in sustainable infrastructure and energy has allowed the bank to not only establish long-term customer relationships, but also to generate attractive returns in the process and strengthen its capital by reinvesting approximately EUR 90 million since 2018.

1 What is our goal?

We aim to establish Kommunalkredit as the partner of choice for infrastructure investments and, with this, as a leading player in the European infrastructure market. The generation of attractive returns and the sustainable deployment of capital are for us the two sides of the same coin.

2020 saw us execute transactions worth approx. EUR 1.1bn across Europe. We placed a volume of EUR 603m (> 50%) with investors. We pursue a business approach based on close cooperation with established partners and our customers (originate and collaborate)

2 How will we achieve this goal?

We focus on our core business. We live customer centricity. We focus on operational efficiency and the execution of transactions in accordance with ESG (Environment, Social and Governance) and SDG (Sustainable Development Goals) criteria and clearly defined placement criteria while meeting our partners' requirements in terms of returns.

2020 saw us broaden our client network and ensure a great deal of repeat business with key clients. The high implementation ratio in our acquisition and execution activities – even in challenging times globally – confirms that we are taking the right approach. We are making active contributions to ESG and SDG goals with projects we have financed.

3 How are we improving in our core business?

By broadening our product range, growing our fee business and improving productivity and profitability. We focus strongly on risk-adjusted returns and sustainable investments.

Our fund “Fidelio KA Infrastructure Debt Fund Europe 1” successfully closed in 2020 at EUR 354m, greatly exceeding the original target volume of EUR 150m. This enables us to give investors direct access to a transaction pipeline with attractive returns. We have also expanded our financial advisory business and increased our net fee and commission income by 27%.

4 What do we need to achieve this?

We aim to continuously strengthen our capital base. This will allow us to mobilise more capital for sustainable use in infrastructure that meets ESG criteria and to benefit from economies of scale. We invest not only in our employees, but also in process digitalisation. We are also committed to improving our rating.

A strong capital base has allowed us to realise sustainable infrastructure projects in 2020. Our team of international experts was expanded with absolute focus. Our online platforms received a technical and visual relaunch. The rating agency DBRS Morningstar lifted the long-term rating to BBB – contrary to the general market trend – in October 2020 (stable outlook).

5 Why is this attractive to our shareholders?

We aim to increase EBIT to EUR 50m, reduce the cost-income ratio to 50% and generate RoE of 10% by 2022. All these achievements will result in an attractive RoI.

In 2020, we boosted our EBIT by 43.1% to EUR 47.5m. The cost-income ratio was reduced to 56.1% and a return on equity before tax of 15.3% based on a CET 1 ratio of 20.3% was generated. (All values according to IFRS) We are well on the way to achieving our goals ahead of schedule.

ALWAYS ESSENTIAL.

Infrastructure is our future

Infrastructure is, by its very nature, vital to the efficient functioning of society. Its quality has a significant impact on economic growth at local, regional, national and global levels. The global health crisis has illustrated yet again just how essential an efficient infrastructure is for social and economic well-being.

Infrastructure is key

By giving communities improved access to a functioning water supply, dependable energy supplies, a powerful communications infrastructure, state-of-the-art hospitals and progressive care homes, the **standard of living of the public** will be improved sustainably. Effective infrastructure must meet the needs of today's generation and create opportunities for the generations to come. Investments in infrastructure are therefore forward-looking and are becoming a matter of great interest. Especially for the modernisation and implementation of agendas such as digitalisation and the Green Deal, they play an important role. Climate change increases the need for solutions for sustainable energy supplies. This challenge has absolute top priority across the globe and will have a direct impact on infrastructure in every single country. In addition, developed countries also need to maintain and modernise their existing utility, transport and social infrastructure to cope with the demographic shift towards an ageing population, to provide them with living conditions that meet their needs and to prevent any crises.

High demand

The effects caused by the COVID-19 pandemic have not impaired the need for investment – quite the contrary. The European Investment Bank (EIB) had raised EUR 514bn in additional funds through the European Fund for Strategic Investments (EFSI) by the summer of 2020 and had already met its target of injecting an additional EUR 500bn into the real economy by the end of 2020[1], ahead of schedule. The European Commission also proposed a recovery plan for Europe at the end of May to drive the recovery in the aftermath of the COVID-19 crisis. It provides for a seven-year European Union (EU) budget totalling EUR 1,850bn.[2] In December 2020, an agreement was reached on the Recovery and Resilience Facility as the last key element of the EU recovery agreement. This facility amounts to EUR 672.5bn[3] and is a clear signal of the intent to work together to overcome the crisis. There is a **particular need** for investment in energy – with a focus on the Green Deal – as well as digitalisation, social infrastructure and transport routes. The public sector will increasingly have to work hand-in-hand with private-sector companies in the necessary investment projects.

Increasing acceptance

The financing of infrastructure projects has changed significantly over the past few years. On the one hand, the financial latitude of the public sector is decreasing due to government debt and budget caps. There has been a shift from conventional budget finance to private funding. On the other side of the equation, institutional investors are increasingly seeking out alternative investment opportunities due to the pressure on returns from conventional investments as well as regulatory requirements. Infrastructure investments are proving increasingly popular and now represent an **attractive asset class of their own** with stable returns.

Low risk

Compared with corporate financing, infrastructure and energy financing is a stable investment, with **recovery rates** that are largely **independent** of economic trends, including a low default risk. In the period from 1983 to 2018, average default rates over the entire project term in the infrastructure (3.2%) and energy (4.1%) sectors were several times lower than in the manufacturing industry (21.3%).[4] Meanwhile, recovery rates on infrastructure investments average 72%[5]. Among Kommunalkredit's focus industries, recovery rates come in between 60% and 80% for infrastructure & telecoms and between 80% and 100% for energy.[6]

1 European Investment Bank (EIB) – The European fund for strategic investments, July 2020.
2 European Commission (EC) – The EU Budget Powering the Recovery Plan for Europe, 27/05/2020.
3 European Council (EC) – Recovery and Resilience Facility: Provisional agreement between the Council Presidency and Parliament, press release, 18/12/2020.
4 Moody's Investors Service – Default and Recovery Rates for Project Finance Bank Loans 1983-2018, 09/03/2020.
5 Moody's Investors Service: Infrastructure Default and Recovery Rates 1983-2019, 09/10/2020.
6 Moody's Investors Service: Default and Recovery Rates for Project Finance Bank Loans 1983-2018, 09/03/2020.

ALWAYS SUSTAINABLE.

Benefit to the community

As a specialist bank for infrastructure and energy financing, Kommunalkredit provides tangible benefit to the community. The bank helps its customers to create a better world by enabling the development of sustainable infrastructure that improves the quality of people's lives. Its focus here is on efficiency and effectiveness in accordance with ESG (Environment, Social and Governance) and SDG (Sustainable Development Goals) criteria.

Sustainability as a key component

Investments in infrastructure are a tool for addressing social needs and increasing the general well-being of society. Powerful infrastructure bolsters economic momentum, encourages urban development, gives regions a new lease of life, creates jobs, supports social cohesion and is an indispensable part of the **fight against climate change**.

We actively address key global and local modern infrastructure trends. We fully understand the private sector's responsibility when it comes to doing its bit for prosperity and core ethical values within society. Sustainable management – i.e. operating responsibly in economic, social and ecological terms – and core ethical values form the basis for our activities.

Our subsidiary Kommunalkredit Public Consulting (KPC) makes a key contribution to the sustainable implementation of environmental and climate protection projects on both a national and international scale. It develops and implements national and international environmental and energy support programmes. The "Climate Austria" initiative, for example, which allows CO_2 emissions to be offset voluntarily, was established by KPC back in 2008. KPC also provides the advisor to the Austrian representative in the **Green Climate Fund** (GCF). This climate fund provides funding for projects designed to help reduce greenhouse gas emissions and to allow developing countries to make the adjustments they need in response to climate change. In addition, KPC contributes towards the development and spread of modern environmental and technological standards through a wide variety of international consulting projects in the areas of water management, energy and climate finance.

The concept of sustainability is firmly embedded in Kommunalkredit's business model and processes. In 1997, we became the first financial services provider in Europe to establish an EMAS (Eco-Management and Audit Scheme) environmental management system and we have been enhancing it to create a comprehensive sustainability management system ever since. The fact that we became the first Austrian issuer of a Social Covered Bond in 2017 attests to just how important sustainability is to us.

Sustainability as a joint contribution

Kommunalkredit has sustainability ratings from renowned agencies. imug (consultancy firm for social and ecological innovation and investment research), for example, assigned a rating of "very positive" to Kommunalkredit's covered bonds; the performance of the bank was rated "positive". These sustainability ratings are reviewed and evaluated at regular intervals.

Kommunalkredit was the first Austrian financial service provider to be included into the "European Clean Hydrogen Alliance" that was created by the EU Commission in mid-2020. Clean hydrogen technologies as climate-neutral energy sources have huge potential to decarbonise industries with high emissions. They are the key to a carbon-neutral economy.

Hydrogen is considered highly climate-friendly, as it does not emit carbon dioxide when used and is used for various purposes – from the storage of renewable energy to the refuelling of heavy haulage and as energy and primary material in energy-intensive industries. The economic and financial system is therefore called to promote economic and sustainable projects in order to meet national climate and energy plans, the Green Deal and achieve climate neutrality. The establishment of an investment pipeline enables projects to be implemented using this technology.

After joining the alliance in November 2020, Kommunalkredit already took the first concrete step at the beginning of 2021 and is investing jointly with OMV in the construction of the largest electrolysis plant in Austria. The bank therefore plays a leading role in economic, innovative and sustainable projects and actively supports global sustainability goals.

The path taken has also been noticed by the market. We have regularly received industry awards from renowned infrastructure magazines since 2017. We most recently received **awards** from Capital Finance International (cfi), IJGlobal and Proximo. The focus on sustainability in Kommunalkredit's overall strategy was explicitly highlighted in the cfi jury's decision to award "Best Infrastructure Finance Europe 2020".

The annual Sustainability Report focuses on providing information on the impact the company has on the economy, the environment and society at large. The Sustainability Report is subject to an independent external review based on GRI Standards (Global Reporting Initiative) and EMAS, as well as ISO 14001, and is available at www.kommunalkredit.at.

Despite the additional challenges caused by the COVID-19 pandemic, climate change is and remains one of the biggest global challenges. This will require extensive investment, especially in the areas of infrastructure and energy. The financial sector, in particular, is called upon to play its part in climate protection. The aim is to redirect cash flows towards sustainable investments (**Green Finance**). With our Energy & Environment, Social Infrastructure, Communications & Digitalisation, Transport and Natural Resources investment segments, we at Kommunalkredit are leveraging the opportunities that arise from this. And in doing so, we enable sustainable infrastructure projects that help to improve quality of life.

This comprehensive approach to sustainability is one that we put into practice both within our Group and in our day-to-day collaboration with our stakeholders. It provides the framework for making the **ESG strategy** (Environment, Social and Governance) an integral element of our corporate culture. Kommunalkredit conducted a materiality analysis to evaluate whether the areas of "sustainable products", "price policy and conditions", "added value for society", "indirect impact" and "product portfolio" are balanced with regard to the three pillars of sustainability – economy, ecology and society. The topics of "business ethics" (legal and regulatory framework, compliance, data protection and client satisfaction), "employees" (initial and further training, motivation, health, etc.) and "operational ecology" were also studied in detail.

Sustainability as a global challenge

In September 2015, the resolution "Transforming our World: The 2030 Agenda for Sustainable Development" was adopted at the United Nations General Assembly. This agenda comprises a political declaration, 17 Sustainable Development Goals and 169 targets for the period from 2016 to 2030, a package of measures for implementing the goals and a system for measuring and monitoring the progress made. The Sustainable Development Goals (SDG) set out intentions that will 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.[7]

The analysis identified a series of SDG criteria currently being achieved by means of the activities of Kommunalkredit and KPC. For each infrastructure project, we identify how compliant it is with the SDG criteria and which effects it will have on the environment and society. Future projects are being assessed using the ESG catalogue. Our aim is to provide high-quality, dependable, sustainable and resilient infrastructure that accounts in particular for the challenges posed by climate change. Kommunalkredit not only wants to set a good example in this regard, but also aims to establish itself as a trendsetter for debt financing.

7 Contributions of the Federal Ministries to Austria's implementation of the 2030 Agenda for Sustainable Development, March 2016.

17 GOALS THAT WILL CHANGE THE WORLD.

How we contribute to this

1

What is our goal?

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

2

What are we doing to this end?

We concentrate on our investment segments:

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

3

How do we achieve this?

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

Creating a better everyday life

We connect people – in schools and universities, in hospitals and support/care 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.

Our services allow us to ...

... connect over
15.5 million
people with one another with telecommunications technology.

... contribute to the education of around
1,100
students.

... equip
five
high-rise buildings with an efficient heating and cooling energy system.

... support infrastructure development, financing over
480 km
of roads.

... develop the refuelling infrastructure for electromobility with around
10,400
charging stations.

... enable transport solutions for

27 million

passengers per year.

... create accommodation for more than

8,300

elderly and disabled people.

... contribute to eliminating

3.0 million

tonnes of waste.

... create support institutions for around

1,500

patients.

... enable around

3.4 million

households to use renewable energy each year.

... supply drinking water to

9.3 million

people.

Retrospective. Perspective.

We have undoubtedly had one of the most challenging years of our partnership. The Covid-19 pandemic shaped the past financial year and will continue to occupy us.

Bernd Fislage: At this point, I would like to express our sincere thanks to you, as Chairman of the Supervisory Board and to all capital representatives. You have not only supported our strategic realignment, but actively contributed to it.

Kommunalkredit weathered 2020 well. How was this accomplished in such a difficult market environment?

Patrick Bettscheider: Kommunalkredit's performance confirms that is was the right decision to position the bank as an infrastructure, energy and public finance expert in the European market. The current global health crisis in particular has shown how essential functioning infrastructure is for society, especially regarding climate protection and the implementation of the Green Deal. These targets can only be achieved through sustainable business management.

Bernd Fislage: The future needs infrastructure. At Kommunalkredit, we are contributing to a greener future. The environmental and climate challenges that must be overcome are enormous. As an institution, it is all the more important that we incorporate ESG (Environment, Social, Governance) and SDG (Sustainable Development Goals) criteria in our long-term strategy to pave the way for a sustainable future. Large investments are required if we are to achieve the climate plans proposed by politicians. The private sector, the government and each individual can contribute. As the Kommunalkredit Group, we see ourselves in an active role: financing ecological projects, managing of government support measures such as the withdrawal from fossil oil and gas heating systems in close collaboration with the relevant ministries, and consulting for national and international organisations and financial institutions.

Not only economic but also ecological criteria are becoming increasingly important with respect to infrastructure and energy projects. Where does Kommunalkredit stand in this regard?

Patrick Bettscheider: Kommunalkredit is well positioned to meet the challenges of the future. Since the privatisation in 2015, capital has been more than doubled, and we have developed a top team with comprehensive, international experience which passes on a great deal of expertise to talented junior professionals, thereby strengthening it. These are good prerequisites for continued achievement of excellent results in the future, the support of sustainable projects, and further advancement of our growth path.

Bernd Fislage: Looking back, the last few months have shown us more than ever that our business model, with the two pillars of Infrastructure & Energy and Public Finance at its heart, is more than robust, even during a global crisis. We reacted quickly to the changed market conditions and focused more specifically on the Digitalisation & Telecommunications, Renewable Energy and Social Infrastructure segments. But we have also seen that there is still a long way to go if we want to achieve our ambitious goals. Digitalisation, decarbonisation and the Green Deal require innovative ideas and projects so that we can live up to our socio-political responsibility.

We are more than a bank. We see ourselves as a platform connecting companies, politics and science and to develop and implement solutions for a sustainable future. Let us continue on this path together.

MANAGEMENT REPORT.

WORLD. CHANGE.

Economic environment

2020 – A year like no other. The world seemed fine at the beginning. But the global spread of the COVID-19 pandemic has changed the situation with severe consequences. It has caused personal losses and social restrictions, as well as economic decline caused by continued lockdowns. The significance of systemically important infrastructure has certainly become evident in this time.

The year of restrictions – the impact on the real economy

2020 began in Europe with a clear commitment – the financing of the **Green Deal**[8] was initiated with the "investment plan for a sustainable Europe". One trillion euros were to be used to step up public and private investments in the next ten years. The "industry strategy for Europe" adopted shortly thereafter would ensure that European companies could successfully overcome the transition to climate neutrality and a digital future – ideal conditions for infrastructure financing in renewable energy and digitalisation, as became apparent in the first three months.

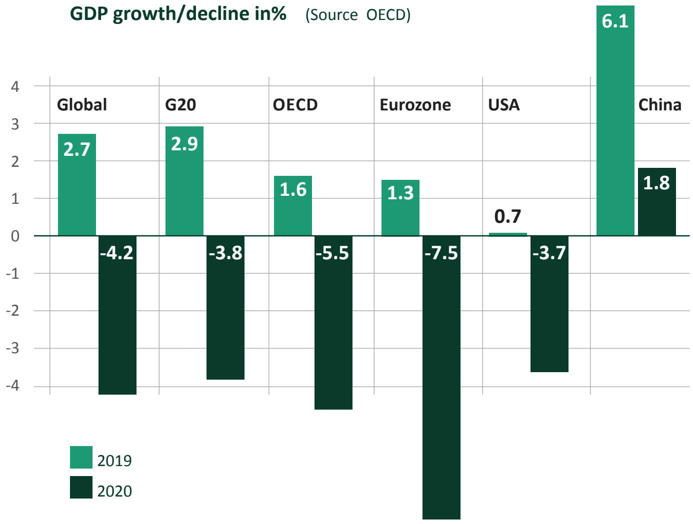
But then everything changed very quickly. It took just a few days for governments to quickly implement safety measures from the time the first cases of illness were reported in Europe in the first quarter. Citizens' freedom of movement, public life and the economic capacity that goes hand in hand with these conditions were reduced to a minimum. The global economy was in crisis mode. Widespread lockdowns accelerated the decline of local production and industries (especially leisure, tourism, restaurants, services, transport) were almost completely "frozen". Systemically important infrastructure such as healthcare and telecommunications were pushed to breaking point. This caused a rise in unemployment, a dramatic increase in national debt and a shortage of emergency medical care capacity. And despite the rapidly implemented strict measures, approximately 83 million people were infected with the virus in 2020, with more than 1.8 million people losing their lives.[9]

As the COVID-19 pandemic progressed, stock exchanges became volatile, rents were unpaid, mortgage loans entered a state of default, oil prices fell, commodity prices fluctuated and there was a continued negative interest rate environment. The response to this was a huge drawdown on liquidity. The gross domestic product (GDP) declined significantly – as a response to the first global shutdown – in the first half of 2020 alone.

It was not until the third quarter that the seasonally-adjusted GDP in the **eurozone**[10] increased by 12.6% after declines in the first and second quarters (by 3.7% and 11.8% respectively). Countries that recorded dramatic slumps in the first half of the year experienced a significant recovery in the third quarter. This was especially true of Spain, whose economy is heavily dependent on the service sector, and also of Italy, which was particularly affected by the pandemic, and of France, which imposed extremely strict lockdown measures in the spring. Expansive monetary policy and fiscal measure packages – especially one-time support packages for selected sectors and population groups, funding of short-time work, temporary tax cuts, deferrals of taxes or fees – had a stabilising effect. This resulted in a relatively moderate increase in unemployment to 8.3% in September. However, service companies in particular were still forced to handle sustained huge drops in demand. The OECD expects the decline in GDP for the eurozone to come to 7.5% for 2020.

Austria[11] came through the first lockdown relatively well. It was one of the first countries whose government responded to the risk and steered it calmly through the first phase. Economic activity increasingly began to gain momentum again in the summer and the employment situation was handled relatively well with approximately 400.000 employees in short-time work (over 1.3m in April). The heaviest losses were recorded in domestic tourism, hospitality and the service industries that require direct customer contact. Austria also took a severe beating by the second wave of infections in the autumn. Different lockdown levels ultimately culminated in another hard lockdown that has continued since mid-November 2020 into 2021. According to estimates, the GDP will decline by 8%. The significant rise in unemployment, low tax revenues and a generous aid package have resulted in a high budget deficit.

Germany[12] expects its economic performance to decline by 5.5% due to the decrease in private consumption, corporate investments and exports. Rapid action at the level of taxation and government spending have enabled events to remain relatively manageable. The increase in unemployment was cushioned by short-time working models. However, a long-term decline – depending on how long the restrictions last – will only be evident in mid-2021. The economic activity of France suffered even more greatly, with a reduction in GDP of 9.1% being forecast. **France**[13] was faced with explosive rises in infection numbers at times. Closures, curfews and the complete loss of tourism, hospitality and transport services also had a negative impact on economic activity. Major delays in the payment of social security contributions indicate significant liquidity bottlenecks within businesses. The unemployment rate climbed to 9% in the third quarter of 2020. **Italy**[14] went through public health states of emergency on multiple occasions. Even though the impact on businesses and private households has been mitigated by government measures, GDP – much like in France – is expected to fall by 9.1%. The associated reduction in employment, especially of low-skilled workers, women and young people, will not do consumption any favours for the time being either.



The economy also shrank in the **CEE region**[15]. This region is expected to return to pre-crisis levels in 2022, and individual countries such as Serbia (GDP 2020: -2.0%) and Turkey (GDP 2020: -3.5%) are expected to return to normality sooner. Croatia (GDP 2020: -9.4%), Hungary (GDP 2020: -6.5%) and Bulgaria (GDP 2020: -5.1%), on the other hand, are expected to need more time to recover. The economy can be boosted more quickly with the partial relocation of goods production from Asia to Eastern Europe.

The **United Kingdom**[16] recorded a slight decline in GDP of 11.2%. The great impact of the pandemic and the long period of uncertainty about how the post-Brexit negotiations would turn out slowed consumption and private investments. The European Union (EU) and the United Kingdom finally concluded a partnership agreement on 30 December 2020, providing a new basis for their relationship.

The economic collapse in the **USA**[17] was not as severe as in Europe, mainly due to significantly higher transfers that limited the decline in private consumption. GDP is expected to drop by 3.7% for 2020 before it rises again by a smaller percentage in subsequent years. The unemployment rate is gradually falling, but will remain high compared to the level before the pandemic. The new US administration elected at the end of 2020 makes another substantial fiscal stimulus package more probable.

GDP in the **People's Republic of China**[18] shrank for the first time in 40 years. Following a contraction of 10.8% in the first quarter of 2020, it rose again in the second and third quarters (by 11.7% and 2.7% respectively). The country in which the pandemic originated was extremely rigorous in fighting it and taking economic measures to limit the impact. With GDP growth of 1.8%, China is one of the few countries to even experience an increase in 2020. Debt-financed investments in infrastructure and real estate in particular stimulated this process. Exports have picked up significantly due to the huge demand for protective masks and home office products.

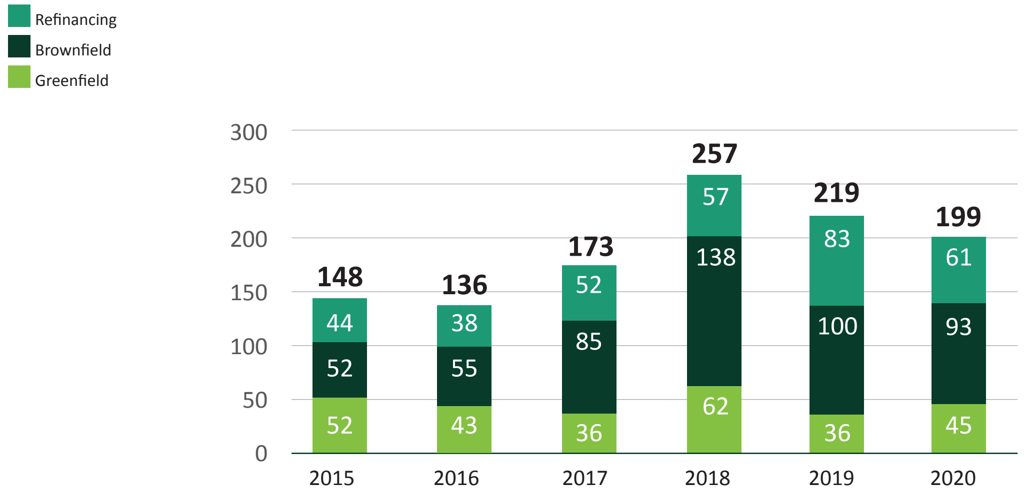
Parts of the world have been in lockdown again since mid-November. This has resulted in new record debts. The provision of vaccines initiated at the turn of the year makes the outlook a little more promising, but the relief will only gradually become noticeable. The Organisation for Economic Co-operation and Development (OECD) is expecting a decline of 4.2% in the global GDP in 2020[19].

The year of challenges – the achievements of the central banks

To sum up, the COVID-19 pandemic has posed huge challenges to the global economy. Monetary policy – same as during the financial crisis of 2008/2009 – has once again become a tool of temporary relief. Based on an overnight rate target range of between 1.50% and 1.75% at the start of the year, the US **Federal Reserve Bank** (Fed) effectively returned to a zero-rate level in two steps that occurred in quick succession. Because there was, strictly speaking, no limit on the purchase of US government securities, the Fed's total assets also rose from USD 4.000bn to over USD 7.000bn, providing the financial markets with liquidity and stability.

8 European Parliament (EP) – Green Deal: Key to a climate-neutral and sustainable EU, press release, 29/6/2020.
9 World Health Organisation (WHO) – Weekly epidemiological update, 5/1/2021.
10 Organisation for Economic Co-operation and Development (OECD) – Economic Outlook, Issue 2/2020, 1/12/2020.
11 Organisation for Economic Co-operation and Development (OECD) – Economic Outlook, Issue 2/2020, 1/12/2020.
12 Organisation for Economic Co-operation and Development (OECD) – Economic Outlook, Issue 2/2020, 1/12/2020.
13 Organisation for Economic Co-operation and Development (OECD) – Economic outlook, Issue 2/2020, 1/12/2020.
14 Organisation for Economic Co-operation and Development (OECD) – Economic outlook, Issue 2/2020, 1/12/2020.
15 Vienna Institute for International Economic Studies (wiiw) – Monthly Report, 11 November 2020.

The European infrastructure market in 2020:
Transaction volumes broken down into greenfield, brownfield and refinancing in EUR bn[20]



The **European Central Bank** (ECB) announced additional purchases of assets in March 2020 that have been increased to a total of EUR 1,350bn[21] as part of the PEPP (Pandemic Emergency Purchase Programme). 50% of the PEPP had been used up by the end of October. The scope of the PEPP was increased by a further EUR 500bn in December and the time period for net purchases was extended to at least the end of March 2022. Another important signal to the financial markets was the suspension or removal of key restrictions to the "previous" programme for acquiring public bonds (PSPP) as part of the PEPP; the self-imposed limit of 33% on the ECB's share of the outstanding bond volume and the division of purchases according to the ECB capital key therefore ceased to apply.

In order to strengthen the banks, the conditions for long-term refinancing operations (TLTRO III) were improved, a series of pandemic emergency longer-term refinancing operations (PELTROs) were launched, and additional short-term refinancing operations were offered for the transition period to ultimately ensure low-cost refinancing and provide sufficient liquidity for banks. They were also granted relief regarding the utilisation of existing capital and liquidity buffers in order to maintain the credit supply to the real economy. This also involved temporarily loosening the regulatory requirements regarding the capital ratios defined by Pillar 2 Guidance together with the capital conservation buffer and the countercyclical capital buffer and allowing institutions to fall below the liquidity coverage ratio (LCR) if need be.

The year of opportunities – the relevance of infrastructure

Expectations for 2020 were high. After the European market for infrastructure financing showed itself to be very robust in 2019 with a total volume of approximately EUR 220bn, the first few weeks of the 2020 financial year were also impacted by this positive trend, which offered the best general conditions thanks to the still favourable interest rate environment and the high level of liquidity from a loan and equity perspective.

This made Kommunalkredit's pipeline at the beginning of the year very promising with a large number of planned greenfield[23], brownfield/M&A[24] transactions as well as refinancings.

After several significant transactions were successfully concluded in the first quarter (telecommunications in Germany and Spain, combined cycle gas turbine plants in the Netherlands), it became clear by March at the latest that the financing market was also facing difficult-to-predict **challenges** when it came to concluding transactions. A number of transactions involving substantial volumes that were already at advanced stages at this time in markets that are considered stable, such as Germany (acquisition of the fibre-optic provider inexio and subsequently of Deutsche Glasfaser by the Swedish company EQT Infrastructure and the Canadian pension fund Omers), the Netherlands (refinancing of two power plants by Castleton Commodities International) or France (expansion of the next section of motorway on the Route Centre-Europe-Atlantique) were completed by employees working from home already.

Kommunalkredit was quick to see the crisis resulting from COVID-19 as an opportunity and transformed a difficult year into an extremely successful one for the bank – against the market trend.

From a macroeconomic perspective, COVID-19 rapidly accelerated existing megatrends such as decarbonisation, digitalisation and investments for an ageing population. The international and national objectives associated with the Green Deal have – aside from the coronavirus – brought the need for sustainable investments to the fore. Current issues such as working from home and distance learning highlighted existing problems with digital infrastructure (broadband, data centres).

Kommunalkredit deepened its expertise in **communications and digitalisation**, with a particular focus on the expansion of broadband and data centres. It was active in several European countries for leading infrastructure investors such as Antin, DWS, Infracapital in significant transactions such as Eurofiber (Netherlands), ReConnect (Germany), Gigaclear and G.Network (both United Kingdom). This sector has proven to be a driving force in the infrastructure market. It was characterised by a series of major transactions for telecom towers and FTTH networks such as Illiad FTTH in France, Altice FTTH in Portugal and Deutsche Glasfaser in Germany. This development is not expected to slow down any time soon.

2020 was also very positive for the **renewable energy** segment. Driven by the need to not only promote decarbonisation as a goal per se, but also as a driver of growth in the national economies impacted by COVID-19, governments have provided corresponding incentives. In Spain, for example, the regulatory "return" for a wide range of assets in the renewable energy sector (onshore wind, photovoltaics, solar thermal power) was put on a solid footing before the summer after a long period of uncertainty, causing investments in this sector to develop even more strongly. Kommunalkredit also used the beginning of this development to its advantage and assumed a leading role in several transactions at an early stage. The rising transaction volume is divided between a smaller number of transactions – an indication that the market is moving towards larger transactions. This development is also reflected in several especially large projects in the offshore wind market, such as Seagreen 1 in the United Kingdom or Global Tech One in Germany. The offshore wind farm in the German North Sea produces 400 MW of sustainable energy for around 450.000 households. As the mandated lead arranger, Kommunalkredit played a leading role in this project with MEAG (Munich Ergo Assetmanagement GmbH), which is deemed to be the key pillar in the energy transition and was recognised as the "Product Innovation of the Year" with the German Renewables Award 2020.

As expected, COVID-19 had the biggest negative impact on the **transport** sector in 2020, which experienced a substantial collapse after airports and toll roads in particular had been ensuring constant growth in previous years. High hopes had been placed in upcoming privatisations such as Athens Airport or ADP (Paris Airport Operator) at the beginning of 2020, which now remain on hold due to the complete absence of tourism. However, Kommunalkredit was still involved in the transport sector with a small number of transactions.

Social infrastructure showed a rather uneven picture in 2020. While greenfield investments declined due to the uncertainty caused by COVID-19, which in turn had a negative effect on the long lead times of planning and construction – for example of hospitals – a rising number of M&A transactions in the healthcare sector, which is closely related to infrastructure, did play a defining role on the market. EQT Infrastructure acquired the French care home operator Colisée and DWS Infrastructure took over a leading diagnostics company in Italy. Kommunalkredit played an important role in the financing here.

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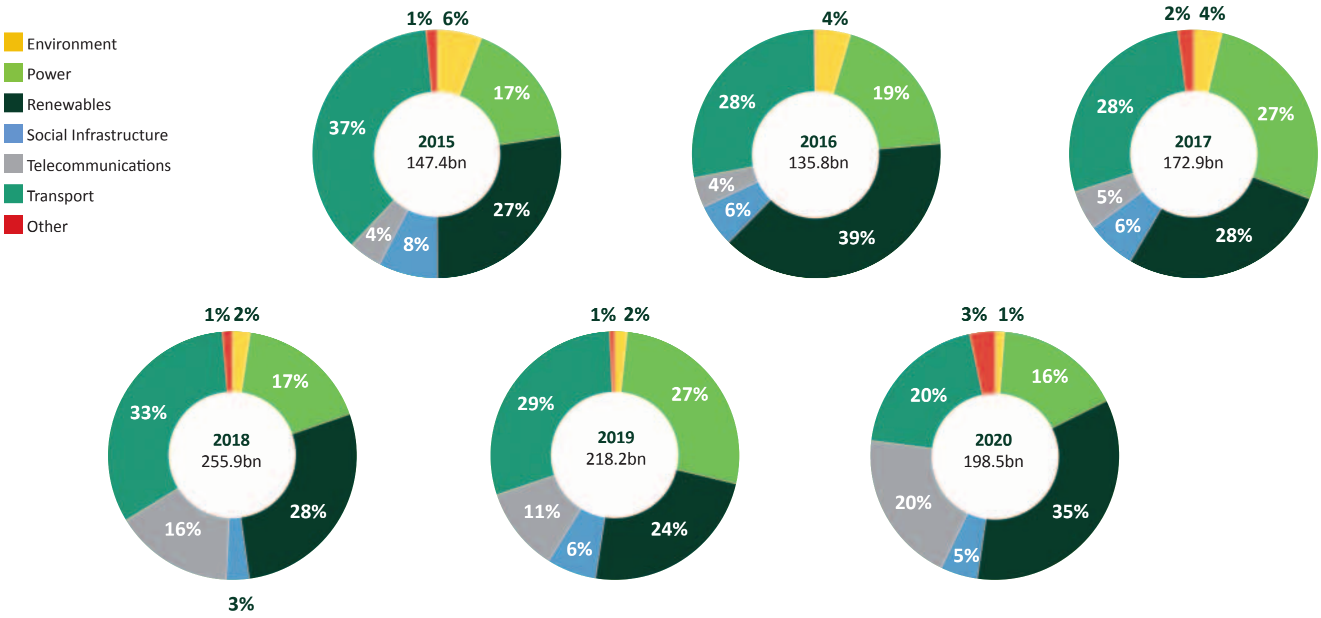
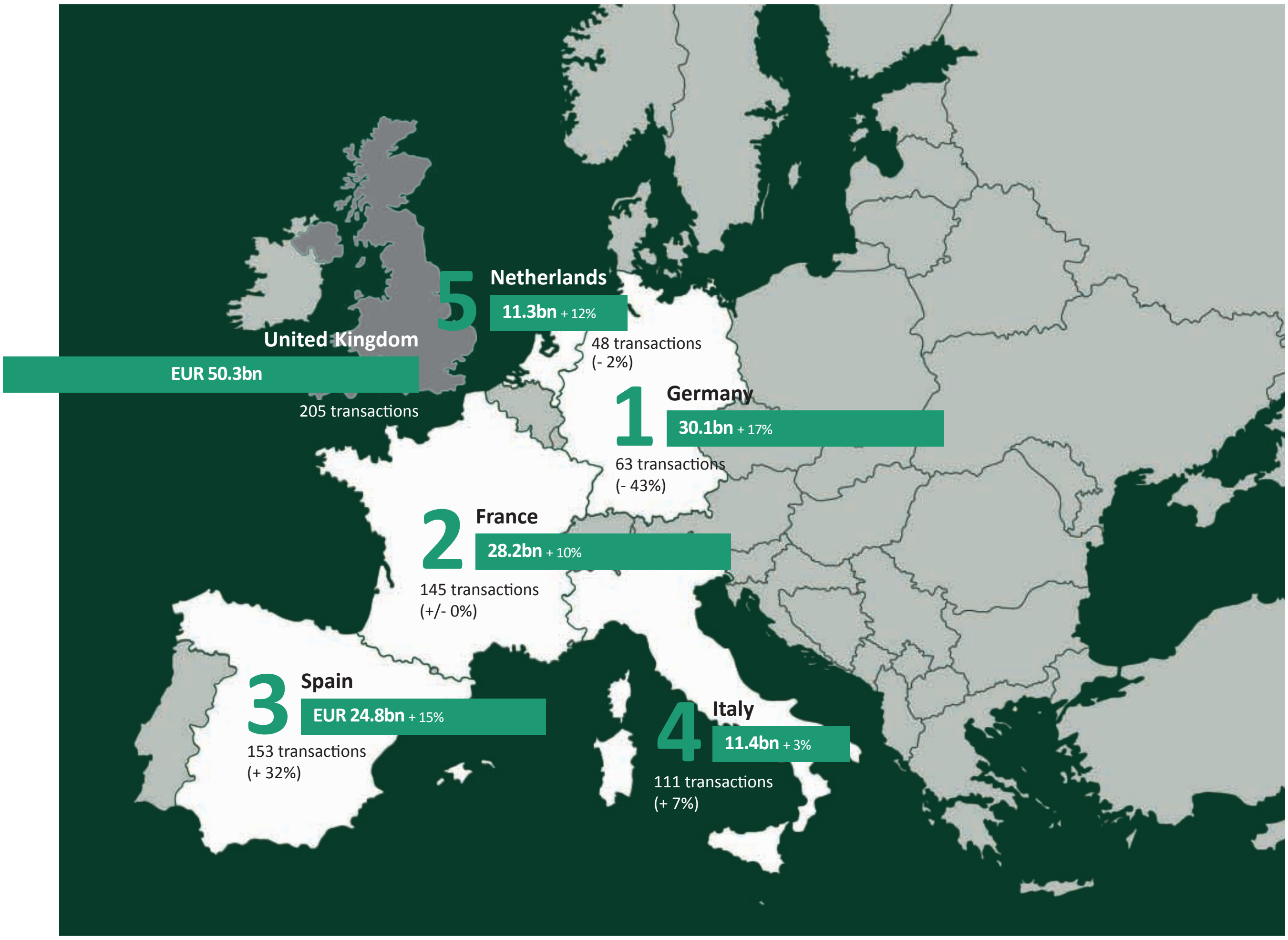
20 Inframation & SparkSpread database, 1/2021.
An adjustment to the measurement method may lead to changes in comparative values from the past.
21 EZB – Press Release, 4/6/2020.
22 European Central Bank (ECB) – Press Release, 10/12/2020.
23 Greenfield projects are new infrastructure assets built "on greenfield land". Depending on the sector/characteristics, they are characterised by construction phases of varying length and by a variety of financing requirements up until the time the projects enter operation.
24 Brownfield projects are pre-existing, often already-operational infrastructure assets whose financing is restructured mostly through M&A transactions (mergers & acquisitions).
25 FTTH = Fibre to the home.
26 Inframation & SparkSpread database, 1/2021.
An adjustment to the measurement method may lead to changes in comparative values from the past.

The European infrastructure market 2015 – 2020: Transaction volumes broken down into sectors

in EUR bn[26]



The five largest infrastructure markets in the eurozone in 2020
by volume (in EUR bn) and number of transactions[27]



Kommunalkredit has successfully positioned itself in a challenging environment in a market in which individual sectors are developing very differently. The bank is consistently among the top 25 in this highly competitive environment (e.g. IJGlobal Project Finance #8, Infra Finance #14; Inframation Loans Europe #24; PFI Project Finance Loans #24).

One year of COVID-19 has shown how important crisis-resistant infrastructure is for society, which is why more and more capital is being invested in this sector. This industry is also becoming increasingly attractive for institutional investors. As a specialist bank for infrastructure and energy financing, Kommunalkredit is aware of its opportunities, but also of its responsibility.

The progress made in developing and distributing vaccines mean that the future outlook looks brighter. The measures of governments and central banks have significantly boosted global economic activity in certain sectors. How the pandemic develops will show how quickly we can return to normality. Thus the immediate future continues to be dominated by a sense of uncertainty.

27 Inframation & SparkSpread database, 1/2021.
An adjustment to the measurement method may lead to changes in comparative values from the past.

Interview

Thierry Déau, CEO and Founder of Meridiam

Infrastructure as an asset class is relatively "young". Is that an advantage in terms of incorporating sustainability and ESG as a key component into investments?

Infrastructure may be a "young" asset class, but it is an old practice! Therefore, at the asset level, there is a real need to catch up with the best practice in terms of sustainability, especially when it comes to financial and non-financial reporting. The good news is that environmental laws are very demanding in many advanced countries and that infrastructure project developers and operators are thus used to abiding by strict standards. The opportunity that lies in the structuring of this new asset class is to propagate most advanced practices across the world. Indeed infrastructure "starts" to become an asset class mostly in European countries and is spreading to other developed and developing economies. Consequently, it can create a level playing field by putting everyone at the highest level of requirement since asset owners investing in the asset class are waiting for the best level of ESG and sustainability standards and will continue across geographies. The EU "green" taxonomy is an opportunity as it should soon be applied to investments in the whole financial world through European financial institutions requirements. It is time to natively implement it on the infra-asset class.

What lessons do you think the asset class can take from the current global health crisis?

It is all about resiliency! The infrastructure asset class demonstrated that it is very resilient when taking into account two major parameters. First, being an essential tool for the communities to develop themselves: essential roads, ports or even airports continued to be used and, in the worst cases, helped by the governments, when it brought real value to the people. It implies to analyse the projects through the lenses of the sustainable development goals and always take affordability as a prerequisite for investing. Second, resiliency also comes from well balanced financial plans, with proportionate leverage and mechanisms to go through crisis over the long term. Indeed, over the long term, a crisis always happens: the health crisis can appear as a "black swan" but global warming, for lots of companies, will also deeply impact revenues and opex, and is coming, surely. If those two points are well managed, infra assets have proven a strong ability to preserve value during the crisis.

What do you think the future holds for infrastructure in terms of ESG?

The new frontier for ESG and sustainability in general is the measure of impact: investors, and in particular the retail investors, want to really know how their investments are making a difference, not only financially but more and more on all the aspects of sustainability. Soon it will not be enough to offer safeguards, but asset managers will have to prove they are committed to delivering impact on a large scope in order to attract the funds they need. It is a challenge, as the need for contribution to global warming is now well known, but topics like local pollution, biodiversity preservation, social equality are not that well measured and accounted for.

At Meridiam we are very proud to have developed a special tool that is not only measuring our alignment with SDGs but also gives us the possibility to pilot additional impact during the whole project life. We expect this tool to be able to be used by other participants in the investment field and to develop a community of impact oriented users.

"The young infra asset class has proven its resiliency during the health crisis, providing often essential services to the communities around the world. It is now time to focus on impact measurement in order to increase the value brought to the people by those investments and answer investors demand."

About Meridiam: Meridiam was founded in 2005 by Thierry Déau, with the belief that the alignment of interests between the public and private sector can provide critical solutions to the collective needs of communities. Meridiam is an independent investment Benefit Corporation under French law and an asset manager. The firm specializes in the development, financing, and long-term management of sustainable public infrastructure in three core sectors: mobility, energy transition and environment, and social infrastructure. With offices in, Addis Ababa, Amman, Dakar, Istanbul, New York, Luxembourg, Paris, Toronto and Vienna, Meridiam currently manages US$8 billion and more than 80 projects and assets to date. Meridiam is certified ISO 9001: 2015, Advanced Sustainability Rating by VigeoEiris and applies a proprietary methodology in relation to ESG and impact based on United Nations' Sustainable Development Goals (SDGs). **www.meridiam.com**

INFRASTRUCTURE. FINANCING.

Business review

With its focus on infrastructure and energy financing, Kommunalkredit operates in a sector that has proven to be largely crisis-resistant and secure even before the outbreak of the COVID-19 pandemic. The bank has seen the most recent challenges as an opportunity and, despite the adverse circumstances, surpassed its objectives for 2020, contrary to the general market environment.

Focus on infrastructure

The global health crisis has shown us to spectacular effect how important it is to have the relevant infrastructure in place and functioning, such as hospitals and care homes, and how vital a secure energy supply and powerful communications infrastructure are. These are exactly the sectors the bank has been focusing on for several years. Infrastructure will become even more of a focal point in future, not just as an asset class, but also as an essential factor for modernising and realising agendas such as digitalisation and the Green Deal. This is precisely where Kommunalkredit has been active across Europe.

This path – combined with the years of experience in the public finance sector – has also proven to be correct in the challenging year of 2020. With its in-depth market expertise, a high level of diversification and quick reactions, Kommunalkredit has **continued** on its **growth path**. The contribution made by the core business to gross revenues rose to 70.6% (31/12/2019: 60.6%) under IFRS and to 75.6% (31/12/2019: 69.2%) under the Austrian Commercial Code (UGB). New business came to EUR 1,213.4m (including public finance) and has broken the billion barrier for the third time in a row (31/12/2019: EUR 1,036.3m).

The bank has a balanced diversity in its new business 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-and-return profile of a transaction, attention is also paid to the ability to place it among institutional investors.

New business in 2020 generated attractive risk-adjusted returns. Digital infrastructure, which is in especially high demand in times when people are working more from their private households (home office, distance learning) and – in relation to the Green Deal – the switch to renewable energy dominated activities. 49.3% of the financing volume was attributable to the Energy & Environment segment, while 40.0% was accounted for by Communication & Digitalisation. Transport (8.9%) and Natural Resources (1.8%) played a minor role in the financial year. Geographically, business was consistently diverse across the European Union and the EU's associated countries. Kommunalkredit was especially active in Germany, Spain, Italy and Poland.

In addition to project finance, Kommunalkredit specifically expanded its activities in the fields of hybrid/corporate finance and financial advisory. Public finance also has a long-standing tradition and forms a key pillar of the business model. The bank provided support in particular for municipalities and public sector entities in Germany, Austria and Switzerland in 2020, serving as an innovative incubator.

The bank conducts business in a manner that is geared towards collaborative endeavours with established partners (**originate and collaborate**). It focuses on its ability to place its transactions with its business partners on the international financing market. The volume placed with insurers, asset managers and banks in 2020 was EUR 603.6m (2019: EUR 462.4m). Thanks to its Fidelio KA Infrastructure Debt Fund Europe 1 fund established in 2018, Kommunalkredit is also capable of offering its business partners access to infrastructure and energy financing by means of an asset management solution. With a total of EUR 354m, the original target volume of EUR 150m was far surpassed at the final close at the end of February 2020. This sub-fund is almost fully invested and illustrates the great interest in sustainable infrastructure projects.

In terms of achieving climate goals, Kommunalkredit was involved in several notable transactions in the 2020 financial year; these include the financing of water supply companies in Italy, the expansion of photovoltaic systems and solar parks in the Netherlands, Italy, Spain, Portugal, the Czech Republic and Hungary, and the construction of a wind farm in Germany. There was also an increasing focus on critical infrastructure such as broadband projects in Germany, Spain and the United Kingdom as well as the financing of a British specialist provider of clinical and high-tech equipment and services in the healthcare sector.

REFERENCE PROJECTS

Viveracqua – Regional water supply (Italy)

The supply of drinking water, the treatment of wastewater and the protection of water resources are the main focal points of twelve independent Italian water suppliers that have joined together in the "Viveracqua" consortium. This association in the regions of Venezia and Friuli-Venezia Giulia coordinates joint procurement and financing to create economies of scale. The pooling of financial requirements for investments in water infrastructure in special purpose vehicles (SPVs) allows regional suppliers flexible access to international and long-term debt at attractive conditions while maintaining economic independence. Further financial resources were generated through what is now the third "hydrobond"; these funds are being invested in the modernisation and development of essential water infrastructure. Six members of the consortium took part in the current financing programme; they implemented the project jointly without being mutually liable. This approach can also serve as a model at the Austrian municipal level. Kommunalkredit participated in the EUR 248m financing package, which was co-financed by the EIB as the sole underwriter.

Solaer – Renewable energies (Israel/Spain)

Solaer Israel – whose parent company is based in Spain – is a specialist for photovoltaic projects. It has developed and implemented 120 projects with a total output of 400 MW in the past ten years. Solaer specialises in the innovative development, design, engineering, construction, operation and maintenance of renewable energy systems. The focus is on rooftop plants, especially for the municipal sector. Due to the close and cooperative partnership, Kommunalkredit has so far been involved in six Solaer projects since June 2019, most recently at the end of 2020 as part of a HoldCo facility, which greatly contributed to Solaer's successful IPO in January 2021.

Medipass – Advanced technology for the healthcare sector (United Kingdom & Italy)

EUR 110m was invested to finance the acquisition of the specialist British provider of clinical and high-tech equipment in the healthcare sector. It offers hospitals and clinics financing as well as operational & maintenance solutions for high-tech medical equipment, in particular for radiology, radiotherapy and nuclear medicine. Kommunalkredit held a leading position as the mandated lead arranger. Medipass mainly works with leading public and private hospital operators. With more than 5.500 employees at 83 major locations, it is the longest-established MES (Manufacturing Execution System) company in Europe.

Adamo – Fibre optic for rural areas (Spain)

Kommunalkredit acted as the mandated lead arranger and global coordinator in the EUR 250m refinancing to support the future expansion of a fibre-optic network in rural Spain. Adamo is a rapidly growing telecommunications company that achieved approximately one million "homes passed" by the end of 2019, helping to connect economically underdeveloped regions in Spain. The Spanish telecommunications sector offers great potential since broadband still requires further expansion, especially in rural regions.

Camden – Combined cycle gas turbine plant (Netherlands)

Acting as mandated lead arranger, Kommunalkredit played a key role in the EUR 194m refinancing of two combined cycle gas turbine plants with a total capacity of 861 MW in the port of Rotterdam. Both gas-fired plants are highly efficient and rank among the three largest combined cycle gas turbine plants currently in operation in the Netherlands. In the transition to a more sustainable energy mix, such systems will be instrumental as they provide the network stability that is urgently required.

TrIIIple – Ecological heating and cooling system (Austria)

As part of the SORAVIA projects TrIIIple and Austro Tower at the Danube Canal in Vienna, Kommunalkredit financed the energy plant intended to provide five high-rise buildings with heating and cooling. Water obtained from the Danube Canal and five groundwater wells is used for the heating and cooling system. The system uses the water as a heat source or a heat sink and is the only air-conditioning supply to the building. The electrical energy is used to operate industrial-grade heat exchangers and the system can be operated in dual-use mode. This ensures the apartments can be heated while the office and retail spaces are also being air-conditioned. This new type of energy supply is considered to be a flagship project for sustainable and pioneering energy solutions, making its contribution key to the achievement of climate goals.

Green Genius – Energy from biogas (Lithuania)

Green Genius wants to become one of the top 25 project developers in the European renewable energy market in the next five years. The company focuses on solar and biogas projects in Europe. Kommunalkredit acted as the mandated lead arranger for the EUR 22m refinancing of the Lithuanian biogas portfolio, with 50% of the Senior Term Loan subscribed by our own Fidelio KA Debt Fund. This transaction marked the first time that Kommunalkredit was active in the Lithuanian energy market.

Industry awards & level of recognition

The bank's success has not gone unnoticed by the market. Kommunalkredit won its first **industry awards** in 2017. This was followed by numerous awards from renowned leading infrastructure magazines (Business Vision, cfi Capital Finance International, IJGlobal, PFI Project Finance International from Thomson Reuters). In 2020, Proximo selected the "Allego – charging stations for electric cars" project as the "EMEA EV Charging Deal of the Year". Kommunalkredit supported and implemented the project as mandated lead arranger, global bookrunner, structuring coordinator and senior lender; IJGlobal granted the same project an award in the "European Innovation" category. The offshore wind farm project "Global Tech One" (in which Kommunalkredit acted as mandated lead arranger for the largest single ticket) was selected as the winner of the German Renewables Award 2020 in the "Product innovations of the year" category.

The bank itself was again singled out as the "Best ESG Infrastructure Finance Europe 2020" by the international platform "Capital Finance International" after its recognition in 2019. The online investment portal for private individuals, KOMMUNALKREDIT INVEST, won the "German Brand Award" in the "Excellent Brand – Banking & Financial Services" category. At home, Kommunalkredit came in second place in the "Direct Banks" category and third place as a specialist bank in the survey conducted by the renowned business magazine "Der Börsianer". What is particularly encouraging is our inclusion as the first Austrian financial service provider in the "European Clean Hydrogen Alliance", which was introduced by the European Commission in mid-2020.

One look at the **rankings of the infrastructure journals** shows that Kommunalkredit is seen as a valued stakeholder and contact of interest within Europe. The bank is consistently among the top 25 in this highly competitive environment (e.g. IJGlobal Project Finance #8, Infra Finance #14; Inframation Loans Europe #24; PFI Project Finance Loans #24).

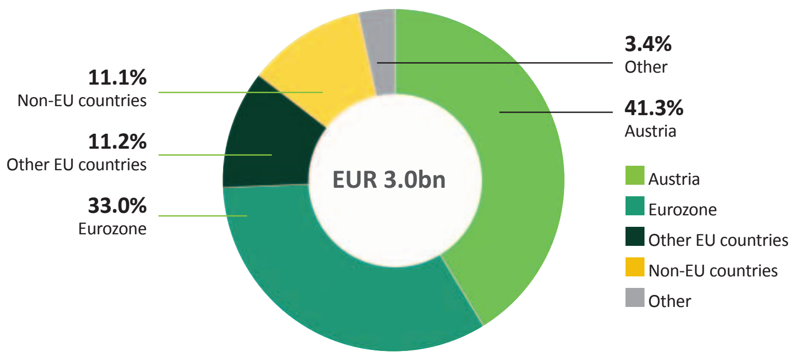
This development was also received positively by DBRS Morningstar. Against the general market trend, the agency raised the long-term rating for unsecured debt issues to "BBB" (from "BBB (low)" most recently) and the short-term rating to "R-2 (high)" (from "R-2 (mid)" most recently), both with a stable outlook. This change was justified with the franchise of Kommunalkredit with a view to its collaboration with customers, institutional investors, its own infrastructure fund and the associated syndications.

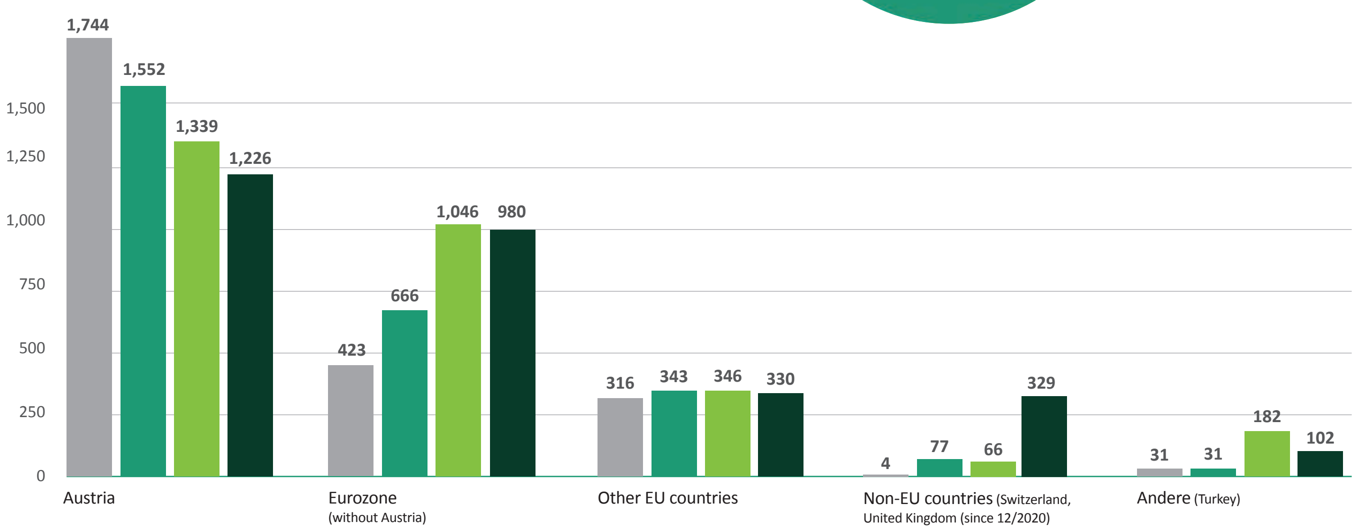
A solid basis

In times of crisis, two key issues become a major focus at any bank: the quality of the portfolio and sufficient liquidity. Kommunalkredit manages a balanced overall portfolio and all transactions are backed by sufficient liquidity. As of 31 December 2020, no requests had been submitted for deferral or restructuring in the field of infrastructure and energy – despite COVID-19. Geographically, 41% was attributable to Austria (2019: 45%), followed by the rest of the eurozone (33%) and other EU countries (11%) (2019: 35% and 13%, respectively).

Loan portfolio by region

in EUR m, as of 31/12/2020





High asset quality

Kommunalkredit's strategic sectors are distinguished by their low default rates and high recovery rates. The bank holds a **total portfolio** of high asset quality without a single loan loss in the 2020 reporting year. As of 31 December 2020, it had an average rating of "A-", with 69.7% of the exposure rated as investment grade.

The **loan portfolio** is well-balanced, comprising an increasing proportion of infrastructure and energy financing transactions and a significant volume of public finance loans. As of the end of the year, loans to municipalities accounted for 31% of the portfolio (almost exclusively Austrian municipalities), infrastructure and energy financing transactions accounted for 42%, while loans to public sector enterprises had a share of 10%. Since privatisation in 2015, the non-performing loan ratio (NPL) has been kept at 0.0%.

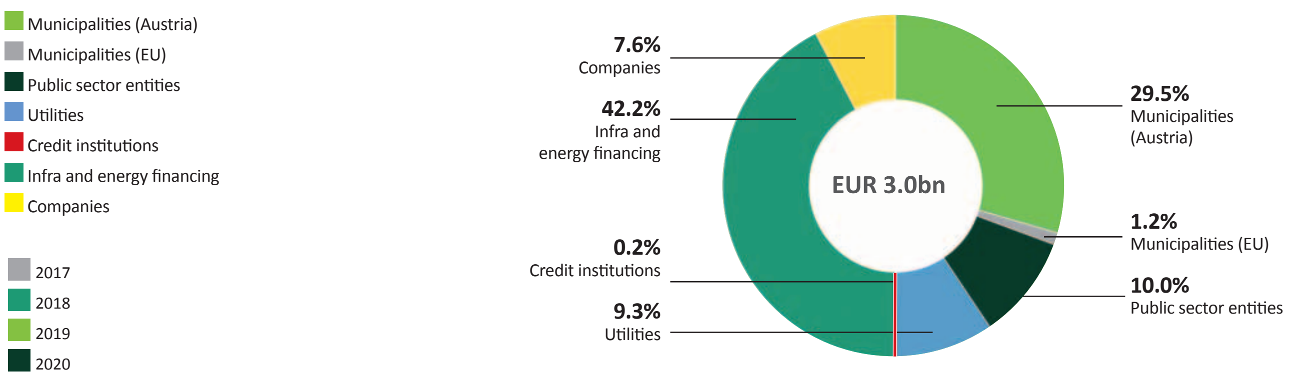
Stable and diversified refinancing structure

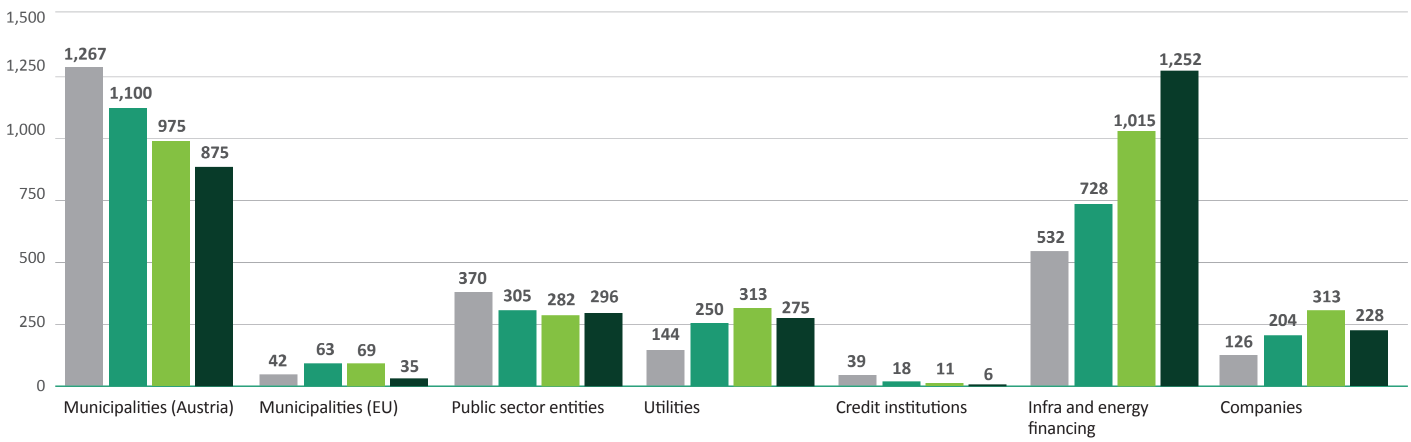
As of 31 December 2020, Kommunalkredit reported a comfortable liquidity position with a free liquidity reserve of EUR 268.1m (31/12/2019: EUR 308.5m). This included high-quality liquid securities (HQLA) with a nominal value of EUR 255.8m (31/12/2019: EUR 303.8m). The bank also held liquid securities with a nominal value of EUR 9.0m (31/12/2019: EUR 59.0m) and cash, cash equivalents and balances with central banks of EUR 808.6m (31/12/2019: EUR 462.6m). This liquidity buffer counteracts potential fluctuations in the different funding channels.

Kommunalkredit has placed great emphasis on a balanced funding profile for limiting liquidity risks since the privatisation which was completed in September 2015 and based on historical experience. The bank is solidly positioned and has a diversified refinancing strategy that was continuously expanded in 2020. Refinancing is carried out with balanced proportions of retail deposits (KOMMUNALKREDIT INVEST), wholesale deposits (KOMMUNALKREDIT DIREKT for municipalities and public sector entities and direct business with corporate/institutional customers) and of private placements of senior preferred bonds issued to institutional investors. All refinancing sources have – despite the difficult COVID-19 conditions – proven to be very stable in 2020.

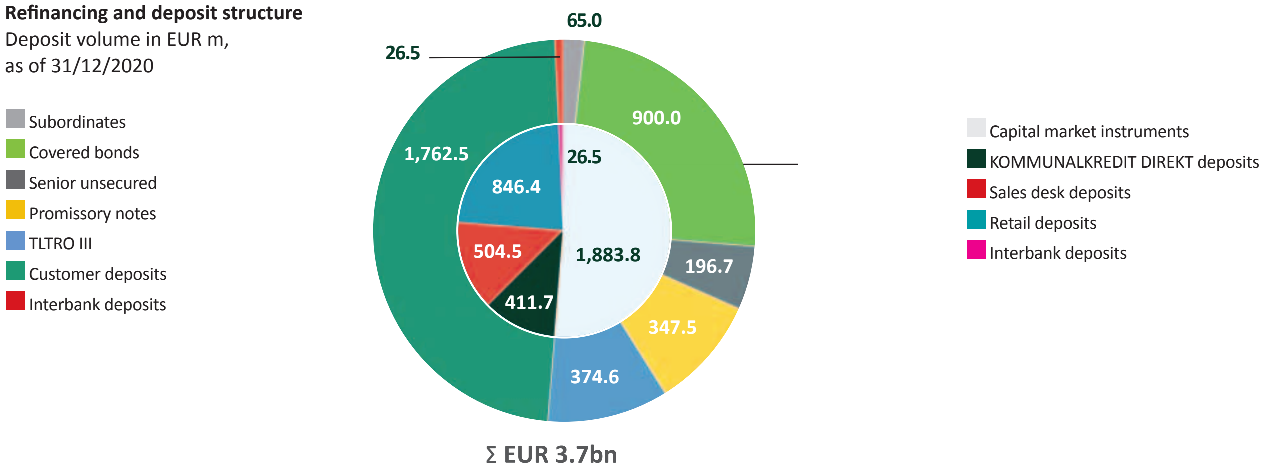
Amounts owed to customers increased to a total of EUR 2,115.9m (31/12/2019: EUR 1,876.3m). This positive development was in part driven by the increase in customer deposits by 27.3% to EUR 1,772.7m (31/12/2019: EUR 1,393.0m). Amounts owed to customers also included long-term private placements totalling EUR 273.2m (31/12/2019: EUR 281.1m), liabilities from collateral received in connection with derivatives of EUR 51.4m (31/12/2019: EUR 58.9m) and other long-term liabilities to customers of EUR 18.6m (31/12/2019: EUR 139.3m).

Loan portfolio by borrowers
in EUR m, as of 31/12/2020





Refinancing and deposit structure
Deposit volume in EUR m,
as of 31/12/2020



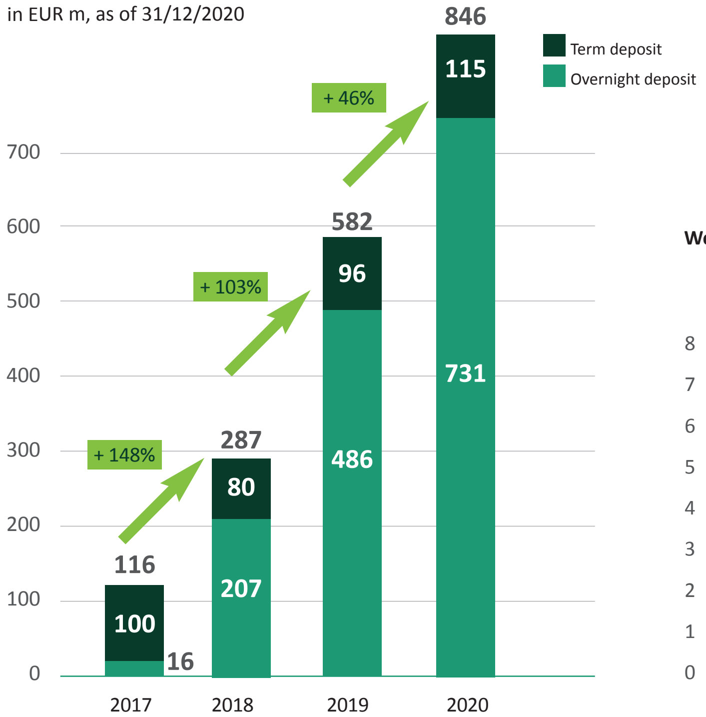
Customer deposits up by 27.3%

With its focus on predominantly European infrastructure and energy financing – many of which are beneficial for society in terms of their social and/or environmental impact – Kommunalkredit's deposits represent a sustainable investment. Municipalities and corporates with close ties to municipal authorities, private customers and institutional customers can choose between short- and long-term investments at fair market conditions. The customer structure is characterised by investors who feel catered to with the socially beneficial, green and sustainable focus of Kommunalkredit instead of investing in abstract financial products. This enables Kommunalkredit to target investments in future-oriented infrastructure projects in the Energy & Environment (solar installations, wind farms, hydro power plants), Social Infrastructure (hospitals, care homes), and Communication & Digitalisation (broadband expansion, data centres) sectors.

Retail deposits (KOMMUNALKREDIT INVEST): The bank conducts its business with private customers in Austria and Germany via its online retail platform KOMMUNALKREDIT INVEST. KOMMUNALKREDIT INVEST offers overnight and term deposits for terms of up to ten years. As of 31 December 2020, the bank had 14.489 private customers (31/12/2019: 9.790), which represents an increase of 48.0%.

The average deposit volume per customer remains at a high level at EUR 58.416 (31/12/2019: EUR 59.401). As of 31 December 2020, 86.4% of the total volume of term deposits are invested (31/12/2019: 83.5%). The average term reached a historic high of 26.3 months (31/12/2019: 22.9 months); more than half of the term deposits are invested in terms from three to ten years. The deposit volume at the end of the year came to EUR 846.4m (31/12/2019: EUR 581.5m), up by 45.6%.

Retail deposits (KOMMUNALKREDIT INVEST)
in EUR m, as of 31/12/2020



Weighted average term in years

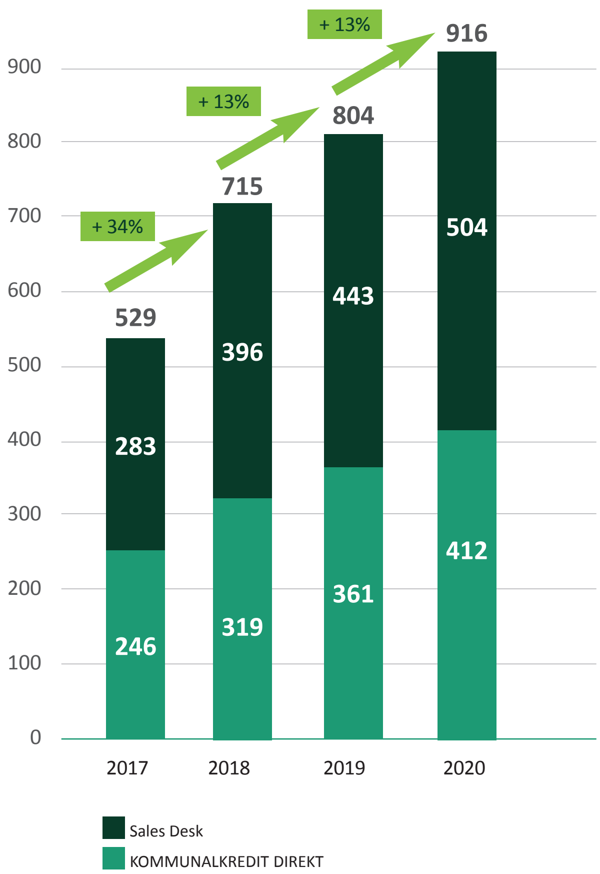
Wholesale deposits (KOMMUNALKREDIT DIREKT and direct business with corporate/institutional customers): With its online platform KOMMUNALKREDIT DIREKT, the bank offers an efficient investment and cash management tool for municipalities and public sector entities. The reporting period saw an extensive relaunch of this digital platform, giving customers using KOMMUNALKREDIT DIREKT a modern online platform. New customers register using a completely digital onboarding process. The clear, user-centric design allows customers to manage their investments (including automatic reinvestments) themselves in a transparent manner, as well as to monitor any financing arrangements.

The investment made to enhance the platform only serves as further evidence of Kommunalkredit's close connection with its traditional municipal customer base in Austria. This is also reflected in the notable number of KOMMUNALKREDIT DIREKT depositors who are regular borrowers as well. In spite of the difficult economic environment in relation to COVID-19, wholesale deposits increased by 13.1% in 2020 to a total of EUR 916.1m (31/12/2019: EUR 804.1m).

Private placements of capital market issues: A new debt issuance programme (DIP 4) was launched in 2020 amounting to EUR 800m. Issues under this programme are listed in Vienna and highlight Kommunalkredit's sense of solidarity with its domestic capital market. EUR 57.8m of privately placed senior preferred bonds were issued in 2020 and placed with institutional investors.

Wholesale deposits

in EUR m, as of 31/12/2020



The major trend towards sustainable investment products, both in the private customer business and for institutional customers and corporates, also continued in 2020. While the demand of institutional customers and corporates is driven by the investment guideline or corporate governance (ESG), small investors are showing an increased interest in supporting sustainable business and infrastructure with their savings deposit. This is evident from the number of customer enquiries about KOMMUNALKREDIT INVEST in relation to the transparent and sustainable use of proceeds by the bank. Customer interest in this field is expected to continue to rise further.

Social covered bond – social asset reporting as of 31 December 2020

As of 31 December 2020, Kommunalkredit's social asset portfolio encompassed 43 loans with a total volume of EUR 313.4m in the fields of education, healthcare and social housing. Kommunalkredit issues annual reports (as of 30 June) on the use of proceeds from the issuance of its social covered bond.

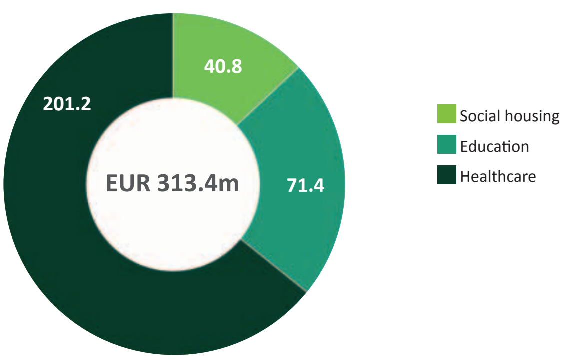
Strong liquidity ratios

The liquidity coverage ratio (LCR) measures the short-term resilience of a bank's liquidity risk profile over a 30-day scenario and is closely monitored as part of the bank's early warning system. With a ratio of 420.6% as of 31 December 2020 (31/12/2019: 765.5%), Kommunalkredit continued to **significantly exceed the regulatory minimum ratio** of 100%.

Banks are also required in accordance with the CRR (Capital Requirements Regulation) to maintain a stable long-time refinancing fund in terms of their assets and off-balance-sheet activities. Kommunalkredit's net stable funding ratio (NSFR), which must be adhered to with at least 100% as of June 2021, was also further strengthened in 2020. As of 31 December 2020, it was at 117.5% (31/12/2019: 111.9%).

Social asset portfolio

in EUR m, as of 31/12/2020



Rating

Kommunalkredit's unsecured debt issues have a long-term rating of "BBB" and a short-term rating of "R-2 (high)" from rating agency DBRS Morningstar after the rating for these debt issues was raised from "BBB (low)" and "R-2 (mid)" with a positive outlook on 2 October 2020. All ratings now have a stable outlook.
This **increase against the market trend** was due to the strong results and the resilience of Kommunalkredit's business model during one of the biggest economic and social crises in recent decades. The Kommunalkredit franchise drew particular attention due to the cooperation with customers, institutional investors and Kommunalkredit's infrastructure fund using the "originate and collaborate" approach, the associated syndications and the institutional network. The balanced diversification and the associated risk diversification across different regions and asset classes were listed as a key factor.

The continuous increase in operating profitability, stable liquidity as well as the risk-bearing capacity and capital strength were also emphasised.

The outlook for S&P Global Ratings (S&P) covered bond rating ("A") was lowered from "stable" to "negative" on 11 May 2020 due to COVID-19 crisis and the deterioration in the operating environment in Austria and Europe.
This was consistent with the development seen at a large number of other European banks. The rating was initially confirmed on 21 January 2021 and raised to an "A+" with a stable outlook on 4 March 2021. This upgrade followed the awarding of an investment grade rating of "BBB/A-3" from S&P on 24 February 2021. Fitch Ratings also assigned an investment grade rating of "BBB-/F3" with a stable outlook in March 2021.

"There is a lot of flexibility in this field as a PV system can be constructed to virtually any size."

Interview

Alon Segev, Managing Partner Solaer

The demand for renewable and sustainable energy is constantly rising. What part does solar energy play in that equation?
Over the last decade the demand for renewable and sustainable energy has risen enormously, due to various political and social initiatives regarding measures to combat climate change and provide for a greener and more sustainable future. The share of solar energy in power generation has more than doubled over the past ten years, according to a study of BP (Energy Economics: Renewables). This study also predicts that solar power will account for up to 25% of power generation by 2040. This reiterates the path we have chosen with providing clean energy to societies.

What are the main benefits of using solar PV?
Apart from the fact, that solar PV is furthering the measures against climate change as it is a renewable energy source, electricity produced by solar cells is clean and "silent", i.e. PV systems do not release and emit any harmful air or water pollution into the environment, deplete natural resources, or endanger animal or human health. Another benefit is that (small scale) solar plants can take advantage of unused space, such as rooftops of existing buildings. Yet another advantage is that solar energy is a locally available renewable resource. It does not need to be imported from other regions of the country or across the world. This reduces environmental impacts associated with transportation and also reduces our dependence on imported oil. And, unlike fuels that are mined and harvested, when we use solar energy to produce electricity we do not deplete or alter the resource. A PV system can be constructed to any size based on energy requirements. Furthermore the owner of a PV system can enlarge or move it if his or her energy consumption needs to change.

Is the cost of solar energy competitive compared to the traditional fossil fuels?
The world's best solar power schemes now offer the "cheapest electricity in history" with the technology being cheaper than coal and gas produced electricity in most major countries. That is according to the International Energy Agency's (IEA) World Energy Outlook 2020. The outlook, also outlines the "extraordinarily turbulent" impact of coronavirus and the "highly uncertain" future of global energy use over the next two decades. Reflecting this uncertainty, this year's version of the highly influential annual outlook offers four "pathways" to 2040, all of which see a major rise in renewables. The IEA's main scenario has 43% more solar output by 2040 than it expected in 2018, partly due to detailed new analysis showing that solar power is 20-50% cheaper than thought. Despite a more rapid rise for renewables and a "structural" decline for coal, the IEA says it is too soon to declare a peak in global oil use, unless there is stronger climate action. Similarly, it says demand for gas could rise 30% by 2040, unless the policy response to global warming steps up. This means that, while global CO_2 emissions have effectively peaked, they are "far from the immediate peak and decline" needed to stabilize the climate. The IEA says achieving net-zero emissions will require "unprecedented" efforts from every part of the global economy, not just the power sector. For the first time, the IEA includes detailed modeling of a 1.5°C pathway that reaches global net-zero CO_2 emissions by 2050. It says individual behaviour change, such as working from home "three days a week", would play an "essential" role in reaching this new "net-zero emissions by 2050 case" (NZE2050).

About Solaer:
Solaer Israel Ltd. is a private renewable energy company specialized in innovative development, design, engineering, construction, operations and maintenance of renewable energy systems. To date, the company developed and realized more than 120 projects with aggregate power of 400MW and total cost of US$ 500m. **www.solaer-il.com**

PERFORMANCE. INDICATORS.

Assets, financial position and income

Financial performance indicators

Selected performance indicators according to IFRS in EUR m or %	2020	2019
Total assets (31/12)	4,423.2	4,305.3
Total capital (31/12)	359.4	343.2
Net interest income	**77.1**	**58.6**
Net fee and commission income	28.5	24.9
General administrative expenses	-57.2	-54.6
Income from services provided to KA Finanz AG	0.0	1.7
EBIT[28]	**47.5**	**33.2**
Net provisioning for impairment losses, measurement gains and losses and realised gains and losses	0.2	-5.9
Consolidated profit for the year before tax	**48.0**	**27.3**
Income taxes	-11.6	2.3
Consolidated profit for the year	**36.4**	**29.6**
Cost/income ratio (based on EBIT)	56.1%	63.3%
Return on equity before tax[29]	15.3%	10.3%

28 EBIT = Consolidated profit for the year before tax, not including net provisioning for impairment losses, measurement gains/losses.
29 Return on equity before tax = consolidated profit for the year before tax annualised/Tier 1 capital as of 1 January.

Regulatory performance indicators of Kommunalkredit Austria AG in EUR m or %	31/12/2020	31/12/2019
Risk-weighted assets	1,692.2	1,675.7
Total capital[30]	392.8	366.5
Total capital ratio	23.2%	21.9%
CET 1 ratio	20.3%	18.7%

30 Total capital after inclusion of Kommunalkredit's annual profit of EUR 33.3m as reported in accordance with Austrian GAAP and a planned dividend of EUR 3.5m.

Rating	31/12/2020	31/12/2019
Long-term DBRS Morningstar	BBB stable	BBB (low) positive outlook
Short-term DBRS Morningstar	R-2 (high) stable	R-2 (mid) positive outlook
Covered bonds Standard & Poor's	A negative outlook	A stable

The main differences in EBIT between the separate financial statements under the Austrian Commercial Code (UGB) and the consolidated financial statements according to IFRS resulted from diverging implementation dates of fees related to the new lending business, the differentiated treatment of derivatives in the portfolio hedge and EBIT of the fully consolidated subsidiaries (including the income from the deconsolidation of Fidelio KA Infrastructure Debt Fund Europe 1).

Kommunalkredit's business model has proven robust, even in the face of the challenges of the COVID-19 pandemic. Contrary to the general market environment, the focus on infrastructure and energy financing and public finance has proven to be a solid foundation.

Selected performance indicators according to Austrian GAAP in EUR m or %	2020	2019
Total assets (31/12)	4,108.7	3,802.8
Total capital (31/12)	307.4	273.9
Net interest income	**57.4**	**45.6**
Net fee and commission income	20.4	15.5
General administrative expenses	-47.4	-44.8
Other operating income[31]	3.0	4.8
EBIT	**31.9**	**27.0**
Other loan impairment, valuation and sales result[32]	0.5	1.8
Profit on ordinary activities	**32.4**	**28.7**
Income taxes	1.2	1.6
Profit for the year after tax	**33.6**	**30.3**
Cost/income ratio (based on EBIT)	61.0%	63.2%
Return on equity before tax	10.3%	10.8%

31 Mainly income from services provided for Kommunalkredit Public Consulting GmbH.
32 Included in items 11 to 13 of the income statement.

Structure of statement of financial position

Kommunalkredit's total assets according to IFRS amounted to EUR 4.4bn as of 31 December 2020 (31/12/2019: EUR 4.3bn). The largest item in the statement of financial position is "loans and advances to customers" amounting to EUR 1.8bn (31/12/2019: EUR 1.8bn). A further EUR 1.0bn (31/12/2019: EUR 1.3bn) is attributable to financing transactions intended for opportunistic placement; these are reported under the item "Assets at fair value recognised directly in other comprehensive income". Furthermore, the bank held cash and cash equivalents of EUR 0.8bn as of 31 December 2020 (31/12/2019: EUR 0.5bn).

The bank's main refinancing components were once again securitised liabilities and amounts owed to customers:

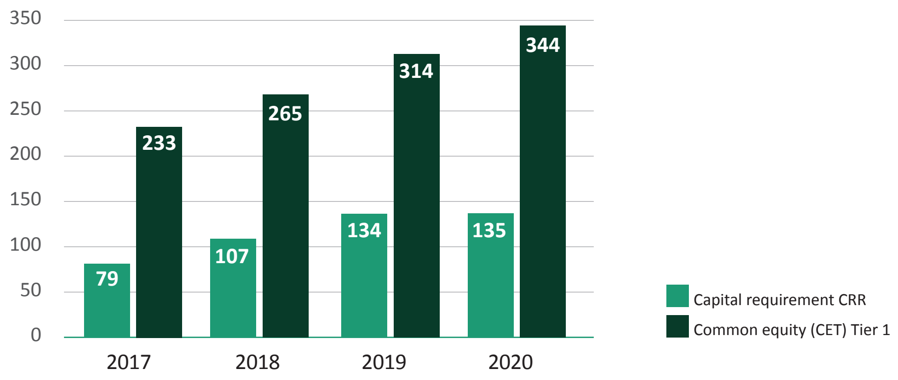
Structure of liabilities in EUR bn	31/12/2020	31/12/2019
Securitised liabilities	1.1	1.3
Amounts owed to customers	2.1	1.9
Amounts owed to banks, including ECB	0.5	0.5

Risk-weighted assets and total capital

As of 31 December 2020, Kommunalkredit reported total capital of EUR 392.8m (31/12/2019: EUR 366.5m) and common equity tier 1 capital (CET 1) of EUR 344.0m (31/12/2019: EUR 313.6m). Risk-weighted assets rose slightly in 2020 to EUR 1,692.2m (31/12/2019: EUR 1,675.7m).

As of 31 December 2020, Kommunalkredit therefore once again reported strong capital ratios: the total capital ratio came to 23.2% (31/12/2019: 21.9%) and the common equity tier 1 ratio to 20.3% (31/12/2019: 18.7%). The improvement in capital ratios reflects the positive effects from the profit retention, the efficient use of capital from the continuous placement of transactions with institutional investors, and the use of low-risk weightings for qualified infrastructure financing.

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



The values shown reflect the basis of the equity performance indicators in Kommunalkredit's income statement under Austrian GAAP, taking into account profit for the year in 2020 after a planned dividend of EUR 3.4m.

Kommunalkredit is part of a group of credit institutions whose ultimate parent is Satere Beteiligungsverwaltungs GmbH (Satere). Satere prepares its consolidated financial statements according to the relevant requirements of Austrian GAAP; the scope of consolidation is determined according to § 30 of the Austrian Banking Act. As of 31 December 2020, the consolidated total capital ratio came to 22.9% (31/12/2019: 21.6%) and the consolidated CET 1 ratio to 20.0% (31/12/2019: 18.4%).

Public sector covered bonds | Cover pool

As of 31 December 2020, Kommunalkredit had a well-diversified cover pool with a value of EUR 1,012.2m, while public sector covered bonds denominated in EUR and CHF in an amount of approximately EUR 900.0m were outstanding. The cover pool as of 31 December 2020 consisted of assets from Austria (98.6%) and Germany (1.4%). 90.3% of the cover pool had a rating of "AAA" or "AA" and 9.7% had a rating of "A". The level of surplus cover as of 31 December 2020 was 12.5%.

Income statement of the Kommunalkredit Group under IFRS

The Kommunalkredit Group has had a very successful financial year in 2020, with profit for the year after tax rising by 23.1% compared to the previous year to EUR 36.4m, and EBIT improving by EUR 14.3m or 43.1% to EUR 47.5m.

The increase is attributable to the continuous expansion of the core business of infrastructure and energy financing; 70.6% of gross income came from the infrastructure and energy financing business in 2020 (2019: 60.6%) and contributed significantly to the increases in interest and net fee and commission income. The cost base rose by 4.8% to EUR 57.2m, a moderate increase compared to the increase in revenue (2019: EUR 54.6m). Kommunalkredit's portfolio also proved to be very robust in 2020 despite the COVID-19 pandemic; the NPL ratio therefore remained at 0.0%.

The significant improvement in EBIT was also reflected in a considerable reduction in the cost-income ratio to 56.1% (2019: 63.3%); the return on equity before tax increased from 10.3% in the previous year to 15.3%.

The main income and expense items under IFRS for 2020 are as follows:

EBIT

EBIT (profit for the year before tax, not including net provisioning for impairment losses or measurement gains/losses) amounted to EUR 47.5m (2019: EUR 33.2m) and comprises the following essential components:

Net interest income
Net interest income rose by 31.6% to EUR 77.1m (2019: EUR 58.6m). The increase is mainly attributable to the continued expansion of the infrastructure and energy financing business, which has significantly higher interest rate margins compared to the public finance business.

Net fee and commission income
Net fee and commission income improved by 14.5% to EUR 28.5m (2019: EUR 24.9m). Its material components are fee and commission income from the bank's credit and services business and income from the subsidy management and consulting business of the subsidiary Kommunalkredit Public Consulting GmbH (KPC). By expanding the consulting and structuring activities, Kommunalkredit increased the risk-free fee and commission income from the credit and services business to EUR 14.7m (2019: EUR 11.3m). The income from the subsidy management and consulting business of the subsidiary KPC came to EUR 15.6m (2019: EUR 15.4m). Fee and commission income was offset by fee and commission expenses which remains unchanged at EUR 1.8m.

General administrative expenses
General administrative expenses of the Kommunalkredit Group increased by 4.8% to EUR 57.2m (2019: EUR 54.6m) and comprised personnel expenses of EUR 39.0m (2019: EUR 35.1m) and other administrative expenses of EUR 18.2m (2019: EUR 19.5m).

Other operating result
The other operating result came to EUR 0.2m in 2020 (2019: EUR 1.4m). This mainly consisted of income of EUR 1.9m from the deconsolidation (2019: EUR 0.0m), which was carried out after the financial close of the fund (Fidelio KA Infrastructure Debt Fund Europe 1) launched in 2018, as well as expenses for the deposit protection fund and the stability tax payable of EUR 1.7m by Austrian banks (2018: EUR 1.0m).

Net provisioning for impairment losses
Kommunalkredit's credit portfolio proved to be solid even under the impact of the COVID-19 pandemic – net provisioning for impairment losses was at EUR -0.2m (2019: EUR -2.5m) for the period from 1 January to 31 December 2020. This increase, arising from rating changes, new business and syndications (TEUR 699.4) was mainly offset by a new LGD methodology (TEUR 480.2). The non-performing loan ratio remained constant at 0.0% as of 31 December 2020. There were no loan defaults.

Net result of asset valuation and realised gains and losses

The net result of asset valuation and realised gains and losses was EUR 0.4m in 2020 (2019: EUR -3.4m). This item included a positive result from the repurchase of own issues amounting to EUR 3.0m (2019: EUR 4.4m), valuation effects of EUR -1.0m from financial instruments measured at fair value through P&L (2019: EUR -7.7m), expenses arising from contractual changes to cash flows of EUR -0.8m (2019: EUR -0.2m) as well as ineffectivities of hedges of EUR 0.7m (2019: EUR 0.4m).

Income taxes

Income taxes of EUR -11.6m (2019: EUR 2.3m) are mainly due to the utilisation of the asset item booked for deferred tax assets from capitalised loss carryforwards. The positive value from the previous year included a EUR 9.4m contribution from the capitalisation of tax loss carryforwards that have not yet been used.

Impact of COVID-19 on risk provisions

The COVID-19 pandemic prompted an evaluation of, and update to, the IFRS 9 probabilities of default (PDs), which serve as the basis for calculating ECL[33] (expected credit loss), in 2020. The model evaluation did not result in any need to change the methodology used, and the definition of the macroeconomic scenarios, including their weightings, also remained unchanged. Furthermore, the LGD values were adjusted following a regular evaluation based on external benchmarks, paying increased attention to the usual high level of collateral in the infrastructure and energy portfolio which leads to higher recovery values.

Since March 2020, Kommunalkredit has been continuously reviewing all infrastructure and energy transactions in terms of the possible impact of the COVID-19 crisis on borrowers, whether it be in the form of potential interruptions in the supply chain, delayed completion, low demand, a decline in market prices (e.g. electricity), or changes in user behaviour for projects with traffic or demand risks and the like.

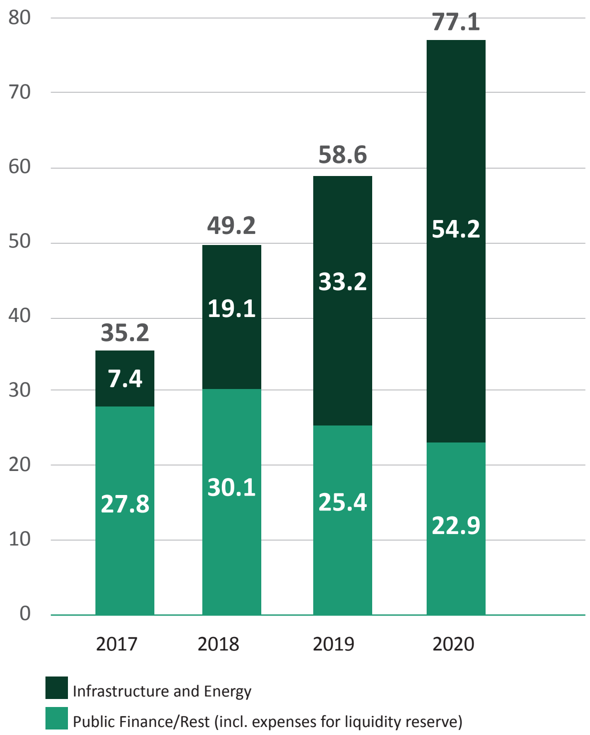
Based on availability models and structural risk mitigation factors, the bank portfolio has proven to be largely resistant to the impact of the COVID-19 pandemic. There were only isolated rating downgrades in the infrastructure portfolio, in particular in relation to financing involving market or traffic risks that had a negative impact on the risk provisions. A transfer was made in the second half of 2020 from level 1 (one-year ECL) to level 2 (lifetime ECL) for an exposure in the infrastructure portfolio. There were three exposures at level 2 with a total exposure value of EUR 51.9m as of 31 December 2020. All loans in the infrastructure portfolio were serviced in accordance with contract terms without the need for deferrals.

Isolated deferrals (credit volume of EUR 29.5m, deferred interest payments and repayments of EUR 1.5m) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages. There were no long-term financial difficulties/deteriorations in credit ratings in this portfolio as of 31 December 2020.

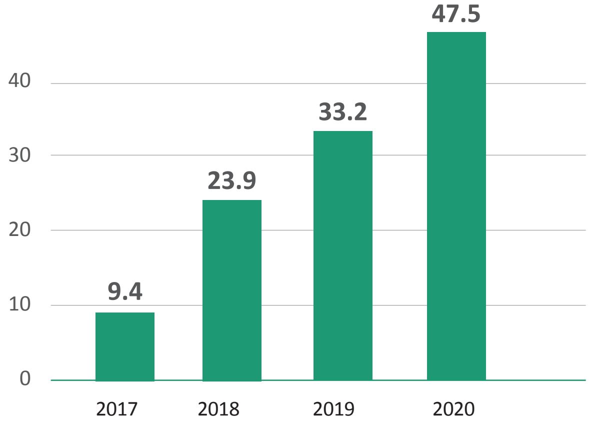
33 ECL = Expected Credit Loss.

IFRS indicators

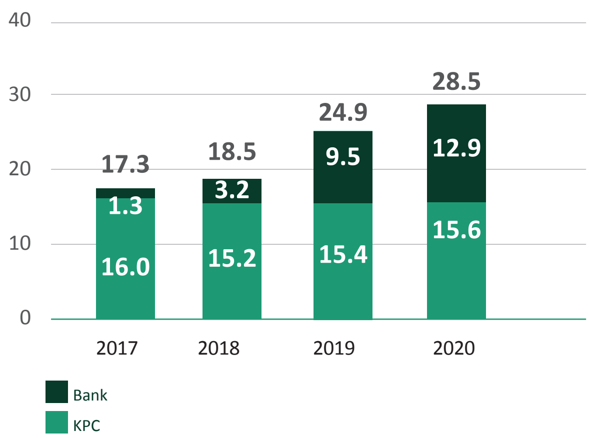
Net interest income in EUR m



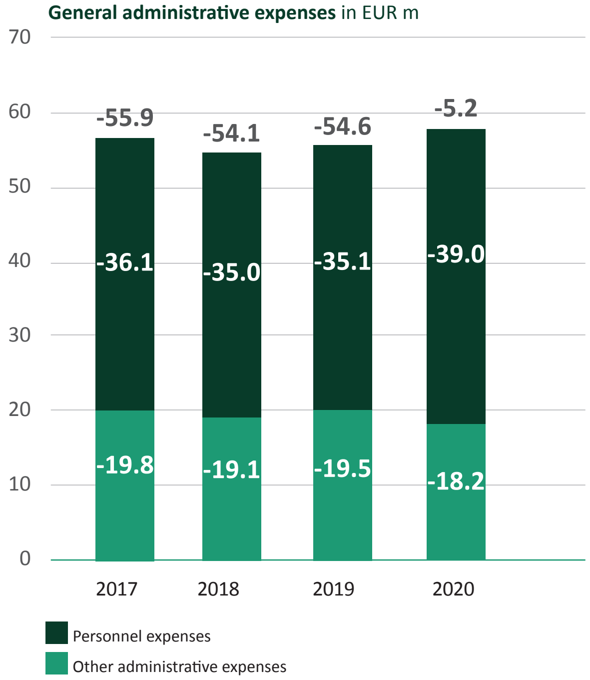
EBIT in EUR m



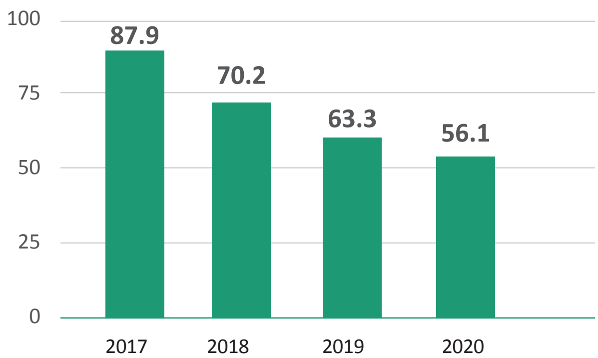
Net fee and commission income in EUR m



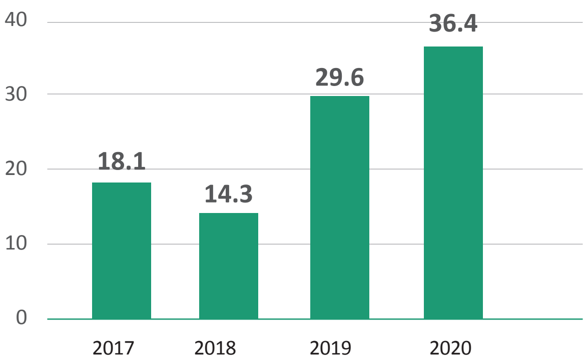
General administrative expenses in EUR m



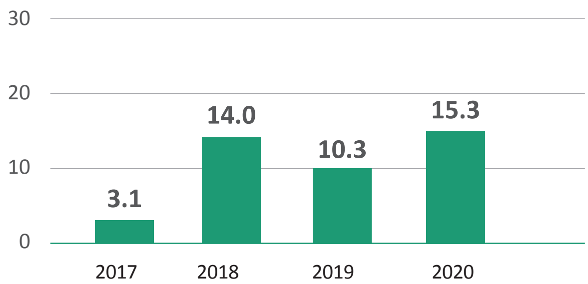
Cost-income ratio in % (based on EBIT)



Profit for the year in EUR m



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



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

Kommunalkredit Austria AG has reported an operating result of EUR 33.1m for 2020 in accordance with Austrian GAAP (2019: EUR 21.8m). The rise of 51.8% illustrates an impressive increase in operating earnings power in 2020. EBIT, which adds the operating sales from infrastructure/energy and the change in the provision pursuant to § 57 (1) of the Austrian Banking Act also illustrates this positive trend with EUR 31.9m (2019: EUR 27.0m). Based on EBIT, this results in an improved cost-income ratio of 61.0% (2019: 63.2%).

The other loan impairment, valuation and sales result came to EUR 0.5m (2019: EUR 1.8m), the main components of which were EUR 3.2m from the repurchase of own issues (2019: EUR 4.7m) and EUR -0.9m (2019: EUR -3.5m) from the change in statistically calculated provisions for expected credit losses.

The profit on ordinary activities came to EUR 32.4m and was 1.9% above the previous year's value of EUR 28.7m. The profit for the year after tax increased by EUR 3.3m to EUR 33.3m (2019: EUR 30.3m).

The total assets in accordance with Austrian GAAP came to EUR 4.1bn as of 31 December 2020 (31/12/2019: EUR 3.8bn). The main asset items in the statement of financial position were loans and advances to customers amounting to EUR 2.6bn (31/12/2019: EUR 2.6bn). Bonds and debt securities, which mainly include securities from the liquidity book, amounted to EUR 0.5bn as of 31 December 2020 (31/12/2009: EUR 0.5bn). Customer liabilities of EUR 2.1bn (31/12/2019: EUR 1.7bn) and securitised liabilities of EUR 1.0bn (31/12/2019: EUR 1.1bn) are the largest items under equity and liabilities. Kommunalkredit's equity amounted to EUR 307.4m as of 31 December 2020 (31/12/2019: EUR 273.9m). In addition, the bank has a fund for general bank risks according to § 57 (3) of the Austrian Banking Act in the unchanged amount of EUR 40.0m.

Selected income statement under local GAAP

in EUR m or %	1/1-31/12/2020	1/1-31/12/2019
Net interest income	57.4	45.6
Net fee and commission income	20.4	15.5
General administrative expenses	-47.4	-44.8
Other operating income[34]	3.0	4.8
Operating result	**33.1**	**21.8**
Operating result from sale of infrastructure/energy financing[35]	-0.3	4.8
Net allocation to provision (§ 57 (1) Austrian Banking Act)	-0.9	0.4
EBIT	**31.9**	**27.0**
Other loan impairment, valuation and sales result[35]	0.5	1.8
Profit on ordinary activities	**32.4**	**28.7**
Taxes on income	1.2	1.6
Profit for the year after tax	**33.6**	**30.3**
Cost-income ratio (based on EBIT)	61.0%	63.2%
Return on equity before tax	10.3%	10.8%

34 Mainly income from services provided for Kommunalkredit Public Consulting GmbH; 2019 also KA Finanz AG.
35 Included in items 11-13 of the income statement.

Interview

Erwin Soravia, CEO SORAVIA und Herbert Jansky, COO ADOMO

Infrastructure forms the backbone of developed markets. Its functionality is key to sustainable and balanced development. Successful infrastructure projects have long been more than just a means to an end: they are multifunctional and sustainable, and they serve as landmarks. How are these things compatible?
These three aspects go hand in hand with good planning across the entire life cycle. The possibility of multifunctional use – not only topographically but chronologically – is a characteristic of sustainability in an economically meaningful context. If the possibility of alternative usage is already developed during the course of planning and the life cycle is planned, reproduced and managed in an integrated manner, then it is sustainable. There are databases for building materials that facilitate both sustainable building and methods and processes for sustainable management. And there are solutions for media supply for infrastructure which complement both these elements. With regard to the landmark aspect, a common understanding needs to be found regarding the architectural context and district development (urban development). It is not a matter of constructing a single building, but of creating something outstanding in an overall context.

In Vienna, a high-rise complex that is recognisable from quite a distance is currently being built right next to the Danube Canal. The TrIIIple project combines living, working and residential space at a critical intersection in the Austrian capital. Water is obtained from the Danube Canal for use in the heating and cooling system. A first?
The combination of elements in a project this size and their organic integration into a district are "a first". People who will live and work here in the future can have a positive feeling about the TrIIIple complex, because from an ecological point of view, there's not much more that can be done. No pollutants are produced, and all energy comes from ecologically generated electricity. The energy system is designed to supply neighbouring projects such as the Austrotower and to be able to provide the entire district with a clean air-conditioning solution in the longer term. It's not the technology that's new but rather the combination and commitment to preserving Vienna as the most liveable city. This doesn't only benefit the users of the TrIIIple complex; the trend is clearly towards a more conscious life and sustainable use of multifunctional infrastructure. We believe this is a landmark for Vienna.

Your role within the SORAVIA Group is the general supervision of real estate. What challenges are you increasingly confronted with? Do we need to rethink infrastructure after the experience of the global health crisis?
We anticipate that both the office and residential real estate sectors will change. According to recent studies, the floor-space turnover of office real estate fell by 34% in the first half of 2020 compared to 2019. There will continue to be a decrease in demand for floor space as mobile working and working from home become the norm. Based on this, however, requirements will also change in the residential sector. There will be more open space, places for work stations, and separable areas to separate "work" from "living". Within the Group, we will pass on and take into account lessons learned from the changed needs of our customers. We will support our customers by combining their new approach to the use of space with our services – technical, infrastructure-related and commercial facility services – so they can focus on their core business. However, we need to rethink infrastructure not only because of the health crisis- the climate crisis and new technological developments are making this even more urgent. In this respect, the COVID-19 pandemic was (and is) more of a catalyst. Necessary changes regarding our responsibility towards future generations have been greatly accelerated. From our perspective, the infrastructure of the future will require more multimodal transport concepts, a greater network expansion for data transfer, and especially, well thought-out planning with a flexible use of space.

"Multifunctionality, sustainability and landmark status – these three elements must be kept in balance in infrastructure projects. Ultimately, infrastructure serves people, not the other way around."

About the company
SORAVIA is a growth-oriented and owner-managed family company. For over 140 years, the name has stood for continuity in the construction and real estate business. SORAVIA focuses on the sectors of urban development, privately financed housing, commercial projects, subsidised housing, hotel developments and the revitalisation of listed properties.
ADOMO is a subsidiary of SORAVIA and combines its service portfolio in the areas of asset, property and facility management. ADOMO supports real estate projects not only until they are completed but beyond the development phase. The aim is to expand the value chain of real estate projects and to extend the cycle from their realisation to sustainable operation of the real estate.

KNOW-HOW. PROVIDERS.

Branch office and equity investments

In addition to its headquarters in Vienna, Kommunalkredit also has a branch office in Frankfurt am Main (Germany). Together with Vienna, the banking centre at the heart of Europe is the hub from which the bank focuses on its role as a specialist in infrastructure and energy financing.

Focus on core business

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

Kommunalkredit Public Consulting GmbH

Kommunalkredit Public Consulting GmbH (KPC) is a specialist provider for the management of public support programmes and consulting services for national and international organisations. It is 90% owned by Kommunalkredit.

Subsidy management

In 2020, KPC awarded subsidies of EUR 445.9m, in particular on behalf of the Ministry for Climate Action (BMK), the Federal Ministry for Sustainability and Tourism (Bundesministerium für Nachhaltigkeit und Tourismus, BMNT) and the Climate and Energy Fund. These public subsidies resulted in an investment volume of EUR 2,515.1m. KPC has subsidised a broad variety of support initiatives in the water management, land reclamation, energy efficiency, renewable energies, thermal rehabilitation and oil phase-out measures, as well as resource efficiency and e-mobility sectors. Across all of these segments, a total of 40,608 projects were approved and 42,881 projects were billed in 2020.

KPC acts as the **point of contact** between the subsidisers who provide the financial resources and the applicants and oversees the entire process of a project. Its duties also include the development and implementation of support programmes. A particular success story from 2019 regarding the development of new support models was the first Europe-wide pilot project for an "output-based" funding strategy for the European Regional Development Fund (ERDF).

Consultancy services

As a consultancy, KPC provides services for national and international organisations and financial institutions. The range of services includes technical and economic consulting, the preparation of studies, capacity development and policy advice, specifically in Central Europe, South-East Europe and Eastern Europe. The **Sustainable Finance** segment has been part of the portfolio since 2019. Current clients include the World Bank, the European Commission, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Organisation for Economic Cooperation and Development (OECD), the German Kreditanstalt für Wiederaufbau (KfW), the German Gesellschaft für internationale Zusammenarbeit (GiZ), the German Ministry of the Environment, the Austrian Development Agency (ADA) and also Finance in Motion, one of the largest asset managers in the development finance sector.

KPC in 2020.

40,608
project assessments

EUR 2,515m
investment volume

EUR 446m
subsidy volume

On behalf of the BMK, KPC also appointed a member of the Austrian negotiation team in the climate negotiations at EU level and in the context of the international association in 2020. The contribution of donor countries to international climate finance will be negotiated as part of this mandate and the position of the Member States at EU level concerning this will be coordinated. KPC also acts as an advisor to the Austrian representative in the **Green Climate Fund** (GCF), an international climate project funding instrument that provides support for projects to reduce greenhouse gas emissions and for enabling adjustments to climate change in developing countries.

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

In 2020, KPC received new attractive commissions as well as extensions for existing appointments to support Green Financing Facilities in the energy efficiency segment. Especially noteworthy is an appointment by the OECD, for example. The aim of the project is to increase the capacity of the treasuries of government authorities in Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus in environmental investments. OECD's technical support is intended to provide local experts with the knowledge and practical skills they need to establish an environmentally friendly public investment programme.

Since 2008, KPC has also offered a platform in the form of "**Climate Austria**" in partnership with numerous businesses for the voluntary offsetting of CO_2 emissions, for example in travel. The ISO certification for KPC's consulting segment was recently renewed in 2020.

Effects of environmental support 2020

over
1,900,000 m²
of contaminated land remediated

over
300 km
of water pipes laid

almost
460,000 t
CO_2 saved per year

over
8,000
residents protected from flooding

over
1,025,000 MWh
of energy generated from renewable energy sources each year

over
280 km
of canals created

almost
700,000 MWh
in energy savings per year

Interview

Alexandra Amerstorfer &
Christopher Giay, KPC Management Board

What defined the year 2020 for KPC?

2020 was mainly characterised by increased subsidy budgets for environmental support, renovation support, the oil phase-out campaign and the Climate and Energy Fund – an encouraging development for KPC and especially for climate protection. KPC has managed this positive challenge superbly and proven to be very effective, despite the very difficult conditions of the COVID-19 pandemic. The subsidy business has fared well – and it is important to note how these subsidies not only benefit the climate but also make an important contribution to kickstarting the economy again after the latest restrictions and the sharp economic downturn as a result of the pandemic. The existing subsidies (keyword: climate protection billion) will increase again considerably and new support instruments will be launched.

Are the coronavirus restrictions also reflected in the environmental support?

Fortunately, KPC did not suffer any major slumps in application numbers as a result of the coronavirus. Even if the figures dropped slightly in the first lockdown at the beginning of 2020, they increased again significantly in the second half of the year. The Federal Government's programmes for reviving the economy such as the investment bonus and the municipal investment programme are likely to have contributed to this. They can be combined with environment support and offer very attractive subsidy options. The situation was different for the consulting division and for Climate Austria; many services could not be provided on site in Southern and Eastern Europe due to the lockdowns and travel restrictions. New decisions on offers were either not taken or taken with a delay. Climate Austria, the platform for the voluntary carbon offsets of flights, was most affected by the air traffic almost coming to a complete standstill.

„Subsidies play an important role in kickstarting the economy after the current restrictions and the economic downturn caused by the pandemic.“

Was there one particularly successful experience in 2020?

The publication of the Court of Auditors report for the urban water management was a particular highlight. KPC, who served as the performance agent for this subsidy instrument, received an extremely positive evaluation, especially in relation to the organisational and information structure. The creation of guidelines, checklists and manuals, for example, were very well-received by the Court of Auditors. A major factor here is that the entire process, from application to archiving, is illustrated with clarity in these documents. The fact that the company has its own guidelines for the Internal Control System and operational risk management as well as a consistent two-person review principle were also rated highly. Last but not least, KPC also impressed by making online submissions possible since April 2018.

About Kommunalkredit Public Consulting: KPC is the main point of contact for environment support schemes in Austria. It implements national and international climate protection projects in the areas of renewable energy, energy efficiency, mobility management, urban and protective water management and remediation of contaminated sites. **www.publicconsulting.at**

Fidelio KA Debt Fund platform

With the establishment of the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA in 2018, Kommunalkredit created an infrastructure debt fund platform that gives institutional investors diversified access to the bank's infrastructure pipeline. The successful launch of the first infrastructure debt fund enhanced the product range to include the **Asset Management** segment. Investors profit from the bank's significant origination, structuring and portfolio management expertise in sustainable, European infrastructure and energy transactions and projects which benefit the public. The bank benefits from deep strategic partnerships with fund investors, ultimately translating into an increased number of transactions and higher volumes.

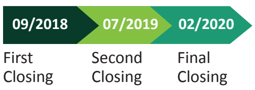
The sub-fund "Fidelio KA Infrastructure Debt Fund Europe 1", which had its final close at the end of February 2020 with a volume of EUR 354m, outstripping the original target volume of EUR 150m by a wide margin, is nearly fully invested; refinancing transactions will be reinvested in the coming months.

The global health crisis has not had an impact on the performance of the portfolio and the valuation of assets. On the contrary – despite the COVID-19 crisis and the challenges that it has entailed, four further renewable energy and digital infrastructure projects were invested in at attractive conditions in April and May alone. The integration of a further five projects into the portfolio in the second half of the year is proof of the **significant interest from investors**. Unlike the traditional asset management approach, Kommunalkredit is a reliable partner whose interests are aligned. This way, own investments are made in parallel with the fund.

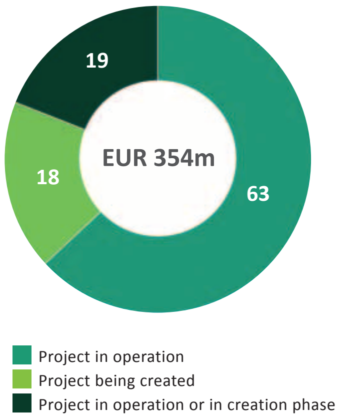
The high investor demand is taken as encouragement to evaluate further fund concepts. The marketing of a second European infrastructure fund with a focus on infrastructure and energy projects in Europe that are on average structured as investment grade began at the turn of the year.

Facts on Fidelio KA Infrastructure Debt Fund Europe 1.

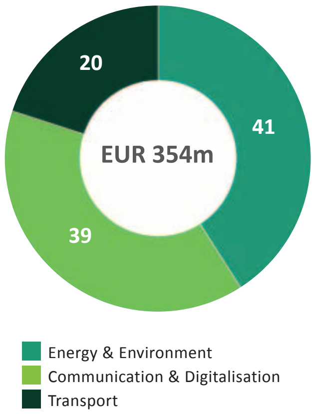
Closing prosess



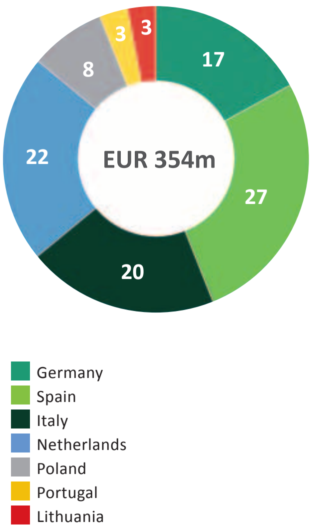
Portfolio status 12/2020
in %



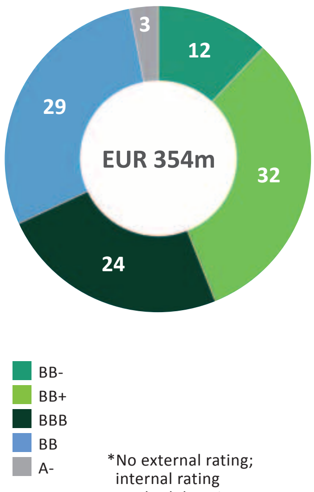
Sector diversification
in %



Geographical allocation
in %

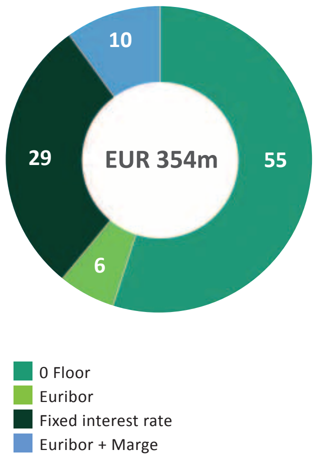


Credit profile*
in %



*No external rating; internal rating methodology in accordance with S&P.

Interest rate
in %



„Fidelio KA offers institutional investors continuous and long-term revenue from infrastructure and energy investments.“

Interview

Frank Schramm & Mariella Huber,
Managing Directors of Fidelio KA Infrastructure Opportunity Fund GP S. à r. l.

Kommunalkredit's first infrastructure fund was launched in 2018. Why did you expand in the direction of fund and asset management solutions?
It was a well-considered step to enhance our core expertise in infrastructure and energy financing and to deepen our strategic partnerships in terms of placements. We want to offer interested investors an attractive investment opportunity. As the funds flow into sustainable investment projects that benefit the public, we are contributing towards achieving national and international climate goals. The value development of the fund ensures a healthy return in an all-time low-interest rate environment. This enables investors to enjoy advantages that traditional investment products do not provide.

The first fund Fidelio KA Infrastructure Debt Fund Europe 1 was successfully concluded at the beginning of 2020 during the COVID-19 pandemic. Are you satisfied with its performance?
It is very encouraging that we have not only reached the original target volume of EUR 150m, but even surpassed it significantly with EUR 354m. The funds are mostly fully invested again. There are approximately 15 transactions with a focus on renewable energy, digitalisation and social infrastructure.

We place particular importance on ESG and SDG criteria when selecting transactions. They are the foundations for achieving a sustainable future which we must lay not only for us, but also for future generations. COVID-19 was still not a global issue at the time of the financial close, and has had only a marginal impact on the performance of the portfolio and the valuation of assets. The majority of projects integrated into the portfolio were carried out over the summer months. This illustrates the great interest shown by investors.

Will there be follow-up funds?
An "initial" fund indicates a continuation by its name. We were so encouraged by the high demand that we started working on follow-up fund concepts. The marketing of another senior debt infrastructure fund for Europe in the investment grade segment was started at the turn of the year.

About the Fidelio KA Debt Fund platform: The establishment of the Luxembourg Fidelio KA Infrastructure Opportunities Fund SICAV-RAIF SCA in 2018 has provided the Kommunalkredit institutional investors with direct access to the bank's infrastructure pipeline. **www.kommunalkredit.at**

Kommunalnet E-Government Solutions GmbH

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

With 15,905 registered users from 2,074 Austrian municipalities and municipality associations, Kommunalnet has an exceptionally large market share in the municipal sector (96%) and thus enjoys a unique position in the Austrian market.

Despite the COVID-19 crisis, numerous projects that will support the municipalities support even more with their day-to-day work have been initiated and implemented in 2020. Divisions were expanded and growth potential was leveraged. Major projects included the relaunch of the Kommunalnet website (www.kommunalnet.at), which was restructured, modernised and equipped with a large number of new features. The “GemNet Salzburg” project – a knowledge database to make work easier in the municipalities – was launched in cooperation with the Salzburg provincial government. It was also seen as an important step towards integrating federal states and is intended to serve as a benchmark.

Losing some of the planned advertising revenue due to COVID-19 was more than offset by the “Municipality Deal” product. Necessary products such as face masks, disinfectants, sneeze guards and similar materials were made available to the municipalities quickly and unbureaucratically.

The partnership entered into in 2018 with the fintech company Loanboox was continued in 2020. Since this online platform for municipal loans went live, more than 900 municipalities have been contacted and more than 190 municipalities and banks are represented on the platform. The portal published 79 financing requests in 2020.

Kommunalkredit TLI Immobilien GmbH & Co KG

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

Kommunalleasing GmbH

Kommunalleasing GmbH is a joint venture with BAWAK P.S.K. (50:50). The company finances a portfolio of EUR 59.8m in the municipal leasing sector. The company has not engaged in any new business since August 2008 due to changes in municipal tax law.

TrendMind IT Dienstleistung GmbH

TrendMind IT Dienstleistung GmbH (TrendMind), an IT specialist for financial products, SAP and subsidy processing software that was held to support the core business, was reorganised and sold in the first half of 2020. This step was taken in the interest of structural efficiency and involved reincorporating some of TrendMind’s services into Kommunalkredit, making it easier to focus on internal areas of responsibility. All employees were taken on by the bank. The solution has allowed the bank to bundle economic synergies and use the resources available in an even more focused manner.

Interview

Lucas Sobotka, Managing Director of Kommunalnet

Kommunalnet is the digital work and information portal for Austrian municipalities. An advantage in times of great limitations?

Digitalisation is certainly not a disadvantage. And in any case, it has been an essential part of everyday municipal work for many years now. There is such a comprehensive range of services that there seems no other reasonable way to handle things nowadays. Municipal civil servants have a 24/7 tool in Kommunalnet that, of course, has also proven to be useful in times of personal restrictions. Approximately 96% of all Austrian municipalities are customers of ours. This makes it easier to exchange information, especially when dealing with a challenge we are all facing like the COVID pandemic. It has enabled current developments, new measures and important information to be made widely available as quickly as possible and experiences to be exchanged.

Have the goals set for 2020 been achieved?

I am satisfied about how we have developed technically and economically. Numerous projects have been introduced and implemented. The planned website relaunch was a success and was adopted very quickly and received very positively by the users. In addition to changing the content management system (CMS) and an extensive redesign, we have reprogrammed the user management, introduced the Kommunalnet benefit club and the job forum, and launched our own Kommunalnet TV channel. The modern website now offers clarity with the most important content, services and tools just a click away. We have adapted our editorial style – with fewer expert talks and "Tatort Gemeinde" and more in-depth and diverse reporting. However, we are sticking to these formats and will continue in this direction as soon as it is once again possible. The cooperation with loanboox – an online platform for municipal loans – has continued successfully and, with the Wiener Zeitung, the Salzburg provincial government project GemNet, and the WhatsApp service for citizens, we have implemented new digital services for the municipalities.

„Despite all the benefits of digitalisation, personal contact will always play a key role."

Kommunalnet is creating an Austria-wide network on a municipal level. What will 2021 and 2022 be remembered for?

Our role as a news source for COVID-related events will no doubt intensify over the next few months. We already provide necessary products such as masks, disinfectants, sneeze guards and other materials quickly and easily through our "Municipal Deal". We will continue to look into improvements and additions so that we remain indispensable for our users. And we will continue to engage openly in future, working with our users to meet the needs of the citizens as comprehensively as possible.

About Kommunalnet: Kommunalnet is the biggest work and information portal in the Austrian municipal sector with approximately 2,100 municipalities and municipal associations (96% market share). **www.kommunalnet.at**

EMPLOYEES. SKILLS.

Employees

Kommunalkredit's most important asset is its employees. Satisfaction and success go hand in hand. The bank's good performance therefore largely depends on commitment and performance. We all pull together to achieve our goals.

Responsibility & trust

It depends on the right combination. Individual knowledge and personal skills are the breeding ground of our diversity. The diversity of our employees is a fundamental asset and indicative of a modern, dynamic business. As of 31 December 2020, 20 nationalities contributed to a strong corporate culture. Respect and appreciation, fairness and acknowledgement of each other's skills, privacy and individual needs – all these are key. Discrimination due to gender, origin, nationality, skin colour, sexual identity, age, disability, religion or world view and any form of bullying have no place at Kommunalkredit.

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

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

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

Internal governance encourages and ensures fair competition and protects our customers' interests. The **principle of sustainability** in our business strategy is also reflected in the bank's internal organisation. The procurement and care of materials, the supply of working resources, the handling of company property and proper disposal of waste must satisfy the high standards of environmental protection and sustainability.

Encourage & support

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

Recruiting and retaining talented and motivated employees and ensuring their continued development is something that we see as an essential aspect of our management duties. **Training, education** and personnel development are essential in ensuring that employees can identify with the company and are thus also key to the success of Kommunalkredit itself. We support professional and personal development.

Personnel development for us means helping employees in a targeted manner to do their jobs as best they can and to overcome the challenges that they encounter in their working environment. We also understand personnel development to be a **link** between the corporate strategy and the employees. Its purpose is to encourage commitment and drive development among the employees and managers. And it plays an important role in ensuring that together, we remain true to our vision and our mission and achieve our goals.

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

Safety & prevention

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

Especially in times where health is at greater risk, this topic is even more important. Kommunalkredit has switched its working approach in March 2020 with the first measures of the Austrian federal government against the growing COVID-19 pandemic. The majority of employees quickly relocated their workplace to their homes at the beginning of March in order to keep the risks of infection as low as possible. Needs for mobile devices, office utensils and ergonomic furniture were met immediately. In-person meetings and business trips were reduced to an absolute minimum. Making the core hours rule more flexible for the colleagues that are still working in the office spaces has helped them to avoid rush hour on public transport. Room occupancy, disinfectants, masks, safe distances and rules of conduct as well as the restricted use of lifts, kitchen areas, etc. have helped to minimise the potential risk of infection.

The **coronavirus management team** unified all of the COVID-19 information channels and has been in permanent contact with the Executive Board. Regular, open and personal communication with all employees by email or digital channels gave them an additional feeling of trust. It was also evident that this rule offered colleagues with school-age children a significant advantage with looking after their children.

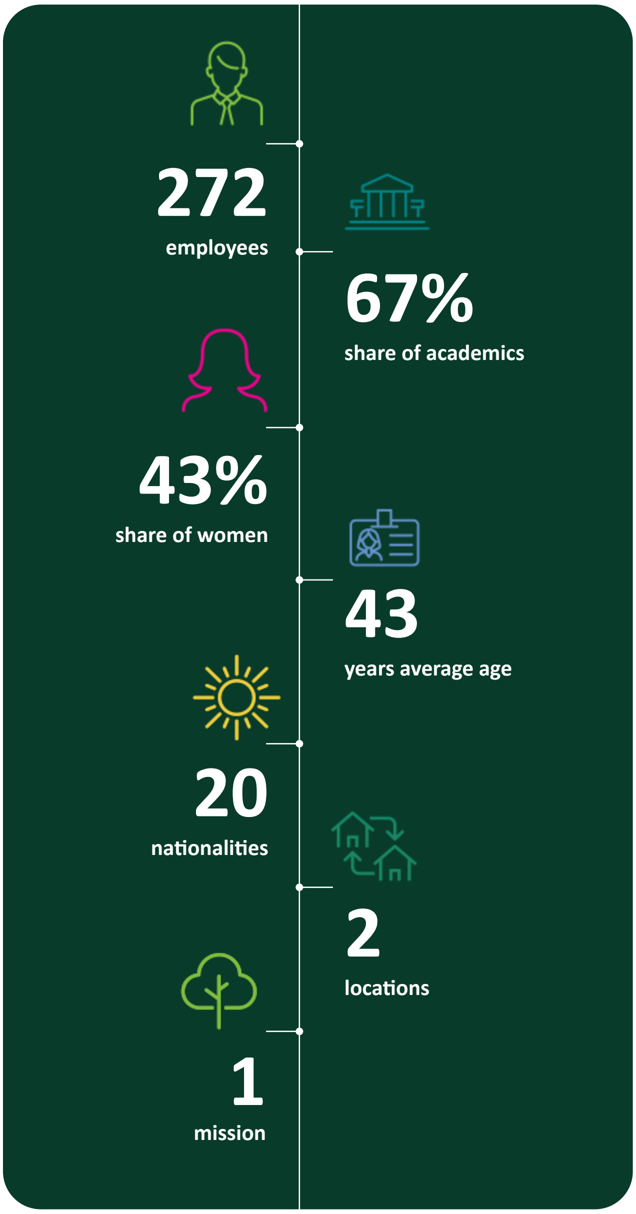
There are currently still clear safety precautions in place. Employees who travel into the office or go on a business trip are tested several times a week. Of course, these measures will remain in force of course as long as the situation requires it.

The period of physical absence has also made **IT security** even more important to a level that is standard for financial institutions. There have been an increasing number of cyber attacks and cases of fraud worldwide which have taken advantage of vulnerabilities caused by restricted communication and the use of private devices. Kommunalkredit was also the victim of fraud. The case was closed without any damage thanks to the company acting swiftly and working directly with the authorities.

Facts & figures

The company's employees are the engine that drives it. As of 31 December 2020, the number of employees of the Kommunalkredit Group was 272 full-time equivalents (31/12/2019: 251). 168 of these worked at Kommunalkredit Austria AG (31/12/2019: 161), while 104 worked for Kommunalkredit Public Consulting GmbH (31/12/2019: 90). Of the 168 banking employees, eleven work in the branch office in Frankfurt am Main.

The share of women in the Kommunalkredit Group was 43% (35% in management positions) as of 31 December 2020. The average age was 43. The share of academics of 67% increased ever so slightly and is at a high level. Nine women were on parental leave as of 31 December 2020; during the year, six employees took paternity leave and one employee took a "dad month" – as established in the collective bargaining agreements for births since 1 July 2011 – or "family leave" – as established for births since 1 March 2017.



DIALOGUE. CULTURE.

Communication

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

Information & cooperation

In the 2020 financial year, communication measures again focused on **clearly positioning** the bank as a specialist for infrastructure and energy financing as well as public finance; whether as an in-demand advisor and financier for the public sector or as a point of contact for businesses and investors involved in the creation, acquisition and/or operation of infrastructure or energy projects.

To engage with our stakeholders, we use a broad spectrum of communication channels. These include personal communication methods as well as digital media, conventional PR efforts and direct marketing. The COVID-19 restrictions were utilised to enhance the bank's social media presence. We report on completed transactions, sustainability-related achievements and exciting events through our **online channels**. We provide an insight into the genesis of the bank and the DNA of our employees. And we get national and international experts to take the microphone and talk about sustainable infrastructure for our series of videos or our own podcast "Stadt I Land I Fluss".

External communications focused on intensifying discussions with the media, both in the Austrian domestic market and with international specialist infrastructure-related media. Activities were performed mainly for the two online investment platforms KOMMUNALKREDIT DIREKT (for municipal authorities and businesses) and KOMMUNALKREDIT INVEST (for private customers).

Kommunalkredit is traditionally rooted in Austrian town, city and municipal authorities – as we are supporting the public sector with consulting and financing in relation to infrastructure projects (public finance), we also continued our partnerships with the most important municipal decision-makers in Austria in 2020. Despite the Congress of City & Town Authorities held by the Austrian Association of Cities & Towns and the Congress of Municipalities held by the Austrian Association of Municipalities ultimately being postponed to 2021 due to the COVID-19 pandemic, we have been in active contact with both municipal partners. Our event forum **KOMMUNALE SOMMERGESPRÄCHE** (Municipal summer talks), which has been held together with the Austrian Association of Municipalities for 16 years, brought together guests from political, business, academic and media circles to Bad Aussee for active discussions at the end of August despite coronavirus restrictions. An extensive COVID-19 prevention concept was developed in advance in conjunction with the Austrian Red Cross and discussed with the municipal authorities to increase the safety of all the people in attendance. Face masks, disinfectant points, visitor management systems, distancing rules as well as the permanent presence of rescue teams and the setting up of an isolation ward ensured maximum precautions were taken. Under the motto "Sustainable public service – crisis-proof into the future", this live event helped us keep up to speed with the times .

Our experts from the bank and also from our subsidiary Kommunalkredit Public Consulting (KPC) are highly sought-after speakers at numerous specialist events within Austria and abroad. KPC is also well-positioned in the Austrian market in the field of subsidy management and sponsors sustainable initiatives such as the Neptune Water Award (from the Federal Ministry for Agriculture, Regions and Tourism) or the Phönix Waste Management Award (from the Federal Ministry for Climate Protection, the Environment, Energy, Mobility, Innovation and Technology and the Austrian Water and Waste Management Association). KPC will also participate as a member of Austria's official negotiating delegation in the 2021 **UN Climate Change Conference** in Glasgow. The 2020 UN Conference was postponed due to the COVID-19 pandemic. With regard to our investor relations activities, we are permanently in close contact with investors, analysts and business partners.

Timeliness & transparency

We are aware of our responsibility as an employer. In **internal communications**, we place great value in an open flow of information and respectful conduct within the company. In times of increased challenges and social distancing, up-to-date and transparent information increasingly helps to counteract the feeling of uncertainty. That's why we predominantly used digital and online formats, newsletters and the Intranet in 2020 to keep in regular contact with our employees. Information from the Sustainability Team and the Works Council helped actively drive discussions.

KOMMUNALE SOMMERGESPRÄCHE 2020:

Snippets

„New living arrangements, collaborative working, co-mobility and care and welfare will be more important in the future for municipalities. This is where digitalisation and artificial intelligence are needed.“

Daniel Dettling, Futurologist

„If we are spending so much money to counteract the situation, then we must at least leave behind a more liveable, climate-neutral, secure and digital future for the next generations.”

Othmar Karas, Vice President of the European Parliament, with a quotation from Commission President Ursula von der Leyen

„We must not lose sight of other future issues such as environmental investments, transport investments, restructuring, further development of the built environment and infra-structure for new technologies.“

Christoph Badelt,
Head of the economic research institute WIFO

„The essential basic services worked well, electricity and infrastructure were available. (...) However, the crisis has also shown that we are vulnerable.“
Thomas Hofer, Political consultant

„Without electricity, society ceases to move. (...) A lot still needs to be done to achieve an energy supply that is fit for the future. (...) The transmission grid is too weak.“
Gerhard Christiner,
CTO of Austrian Power Grid

„We must invest to get out of the crisis – we need climate protection. (...) It has never been so cheap for municipalities to invest in climate-friendly, energy-saving measures with the subsidies of the municipality package combined with the support of the Federal Ministry for Climate Action.“
Leonore Gewessler, Federal Minister for Climate Action, Environment, Energy, Mobility, Innovation and Technology

„Our job is to lay the foundations for the future. We must focus here on sustainable public services – whether it be high-performance communication channels for home office and distance learning, the development of technologies or sustainable investments in energy generation.“
Bernd Fislage, CEO of Kommunalkredit Austria

„Life in the countryside can be enriched with an increase in digitalisation. The countryside needs a comprehensive fibre optic network and 5G connections as new utilities and infrastructure for the future.“
Alfred Riedl, President of the Austrian Association of Municipalities

„We want to support the municipalities as best we can so that together we can bring fast internet to remote areas.”
Elisabeth Köstinger, Federal Minister for Agriculture, Regions and Tourism

„The mayors in all of our country's municipalities are reliable crisis managers for their citizens and are always trying to find quick and unbureaucratic solutions. They are the tower of strength when things get uncomfortable."

Interview

Alfred Riedl,
President of the Austrian Association of Municipalities

2020 was a challenging year. The municipal representatives had to quickly settle into a role as crisis managers. Even if the health crisis has not yet been overcome, how satisfied are you with the work of the mayors and municipal civil servants?

The mayors and the municipal civil servants have been under great strain from the first hour of the pandemic as a primary point of contact and crisis manager on the ground, and they still are today. The Austrian municipalities play an important role in combating the pandemic – we provide information on current measures, organise local mass testing, coordinate the many volunteers, and also play a key role in communicating the Federal Government's vaccination strategy. In short: The mayors have proven to be the best crisis managers during the coronavirus crisis. I am proud and thankful that the Austrian municipalities are so diversified. There's a reason why trust in the mayors has also continued to increase during the crisis – I see this as confirmation of the good work in the municipalities as well.

The focus has been increasingly on the importance of crisis-proof infrastructure. Our everyday lives have changed drastically with remote working, distance learning and increased flexibility. Hospitals and care homes have sometimes been pushed to their limits. Where should infrastructural foundations be laid as quickly as possible to be even better prepared in the future?

The coronavirus crisis has shown us more than ever with increased remote working and distance learning that we rely on powerful and fast connection in every region of our country. And we have experienced first hand that there are major deficits here. Our combined efforts must therefore be focused on a quick rise in digitalisation and network expansion – with no ifs and buts. High-speed internet is a public service in the municipalities as much as electricity, water and sewage, and it must be made available to everyone from Lake Constance to Lake Neusiedl on equal terms. Digitalisation has long since reached our everyday lives and is no longer just for work and business. This means we have to close the existing gaps in digitalisation even quicker and more extensively.

The municipalities are considered to be an engine for the economy. It stands to reason that this engine has come to a halt. What is the situation with municipal liquidity? When can we invest again?

The health crisis has not spared the municipalities, and they have been severely affected by it financially – declining revenue shares and a lack of municipal tax income are posing major challenges for municipal budgets. What is clear is that the municipalities have been important economic drivers and employers in all regions for decades. With their annual investments in schools, roads and infrastructure amounting to approximately three billion euros, they provide the municipalities with around 40,000 jobs throughout Austria. This means that the municipalities, together with the approximately 80,000 municipal civil servants, are essential partners to help us emerge from the crisis. The municipal investment package amounting to a billion euros ("municipal billion") quickly helped the municipalities in the first phase to invest in projects and to keep the local and regional economy going. As the crisis progressed, it soon became clear that the municipalities were reliant on further support from the Federal Government. A second rescue package was adopted for the municipalities before Christmas, which gave them a further 1.5 billion euros for quick and unbureaucratic support. Per inhabitant, the municipalities therefore received a total of approximately 280 euros in coronavirus aid from the Federal Government. I am convinced that the municipal packages I and II will help us to come through the next phase of the crisis unscathed. We can use both aid packages to make further investments to boost the regional economy and provide liquidity and planning security.

About the Association of Municipalities: The Austrian Association of Municipalities has represented the local interests of 2,084 out of the 2,095 Austrian municipalities and cities at a federal level since 1947 and represents approximately 70 percent of the Austrian population. **www.gemeindebund.at**

SOLUTION. READY.

Research and development

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

Product development & digitalisation

The development of made-to-order products and the expansion of the digital portals are key to the intensification of our customer relationships. In the high-growth infrastructure finance market, Kommunalkredit acts as the bridge between project sponsors on the one hand (infrastructure constructors and/or operators) and institutional investors such as insurers or pension funds on the other. We link industry expertise with structuring know-how and the financing opportunities of a bank. Kommunalkredit caters to the entire infrastructure financing value chain – from consulting, arranging and structuring to financing and risk hedging, we develop a broad range of tailor-made, individual solutions for our customers and partners. This also encompasses investment opportunities for municipalities, businesses, institutional and private customers as well as recognition of support instruments. Our strategic innovations were awarded second place in the ranking of direct banks by Austrian trade magazine "Der Börsianer" in 2020.

From a technical perspective, 2020 was dominated by the digitalisation of our two online investment platforms. KOMMUNALKREDIT DIREKT (for Austrian municipalities and companies) was completely redesigned both technically and visually and offers a completely digitalised registration process for new customers. And KOMMUNALKREDIT INVEST (overnight and term deposits for private customers in Austria and Germany) won the German Brand Award in the "Excellent Brand – Banking & Financial Services" category, the marketing award with the widest reach in Germany for outstanding brand management.

EXPERTISE. ENHANCEMENT.

Other material disclosures | Significant events after the reporting date

The structures of the boards and divisions were adapted in the 2020 financial year to accommodate Kommunalkredit's rapid and forward-looking development. The broadening of the management structure resulted in an increase in responsibilities.

Broadening of senior management

Claudia Wieser was appointed Executive Vice President (Generalbevollmächtigte) with effect from 1 August 2020. She is responsible for the strategic development of the Kommunalkredit Group.

Strengthening the company's top management

As of 1 January 2021, Sebastian Firlinger has been appointed to the Executive Board as Chief Risk Officer (CRO). With his profound industry experience, he joins the senior management body now consisting of three people. As of 1 January 2021, the Executive Board therefore consists of Bernd Fislage (CEO), Jochen Lucht (CFO, COO) and Sebastian Firlinger (CRO).

RISK. MANAGEMENT.

Internal Control System

The Executive Board of Kommunalkredit is responsible for establishing and structuring an Internal Control System (ICS) and risk management system that meets the needs of the company regarding the accounting process. The Audit Committee monitors the effectiveness of the ICS and the accounting process as a whole.

Definition of purpose

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

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

The objective is to assist the management in such a way that enables it to guarantee the performance of effective and continuously improving internal controls for accounting processes. The ICS is designed to ensure compliance with policies, guidelines and regulations and to create favourable conditions for specific control measures in key accounting and financial reporting processes. Within the accounting process, the ICS's procedures are organised on the assumption that the Finance division's **processes** will be **standardised** – in the Accounting, Financial Reporting & Taxation, and Reporting & Managerial Accounting teams, and in relation to the payment monitoring process in the Banking Operations division (Loan Operations and Market Processing). Visualised procedural descriptions, policies, guidelines and work instructions are in place for processes. The two-person-review principle defined therein for major operations is mandatory. Data and IT systems are protected from unauthorised access. Relevant information is only provided to those employees who actually require the information for their work. Results are discussed between divisions where necessary.

The Kommunalkredit ICS comprises the five components of the COSO[36] framework: control environment, risk assessment, control measures, information and communication, and monitoring activities.

Control environment

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

The implementation of the ICS regarding the accounting process is defined in internal policies and regulations. These ensure that transactions and the sale of company assets are disclosed correctly, compliantly and in sufficient detail.

Processes and control measures were evaluated as part of a regular review programme during the reporting year. When changing existing processes such as the execution of payment orders, specific work instructions and risk control matrices were revised.

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

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

36 COSO: Committee of Sponsoring Organizations of the Treadway Commission.

Risk assessment

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

Control measures

All control measures are applied to current business processes to ensure that potential errors or deviations in financial reporting are prevented or, if appropriate, identified and eliminated. Control measures relating to accounting are described in policies, guidelines and work directives for recording, booking and accounting for transactions and in processes and risk & control matrices. Based on **risk assessments**, control steps and key controls are defined for the processes. Compliance with the key controls defined in the risk & control matrices is reviewed in its entirety by the division management, with spot checks performed by the ICS Officer and Internal Audit.

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

Control measures relating to accounting and IT security are a cornerstone of the ICS. Separation of sensitive activities by restrictively assigning IT rights and strict observance of the two-person-review principle are closely monitored. To increase the quality of controls, various divisions are involved in certain processes and agreement is required. For example, the inter-divisional new product launch process serves to ensure that the products are represented in a standardised and systematic way for accounting purposes. The processes and results of the market valuations performed by the Risk Controlling division, Team Valuation & Modelling for the given fixed valuation date are also discussed and agreed. Another example of inter-divisional agreement is the process for creating annual reports and interim reports. All divisions involved must confirm the content of these reports before they are accepted by the Executive Board. All materially affected divisions agree on the content of the annual and interim reports beforehand in editorial meetings.

Information and communication

Reporting to the Executive Board essentially includes financial data (statement of financial position, income statement, budget and capital planning statements, target/actual comparisons including comments on major developments), quarterly risk reports, 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

Three lines of defence have been established to ensure quality standards. The first line of defence (procedural execution of the control) encompasses the operational divisions. The second line of defence – especially ICS management – monitors the execution of and compliance with controls. The third line of defence represents the Internal Audit division with its auditing and monitoring function. The responsible parties address the identified risks and control vulnerabilities with prompt remedial and preventative measures. Internal Audit checks compliance with the requirements specified in the annual audit plan.

LAYING.FOUNDATIONS.

Outlook

Even at the beginning of 2021, it is difficult to foresee how long and how severely the impact of the COVID-19 pandemic, including its different mutations, will keep affecting our lives. What we do know is that the economy will have to be revitalised. Despite a large number of monetary and fiscal policy measures already being taken, the medium- and long-term consequences can still not be estimated from our current standpoint.

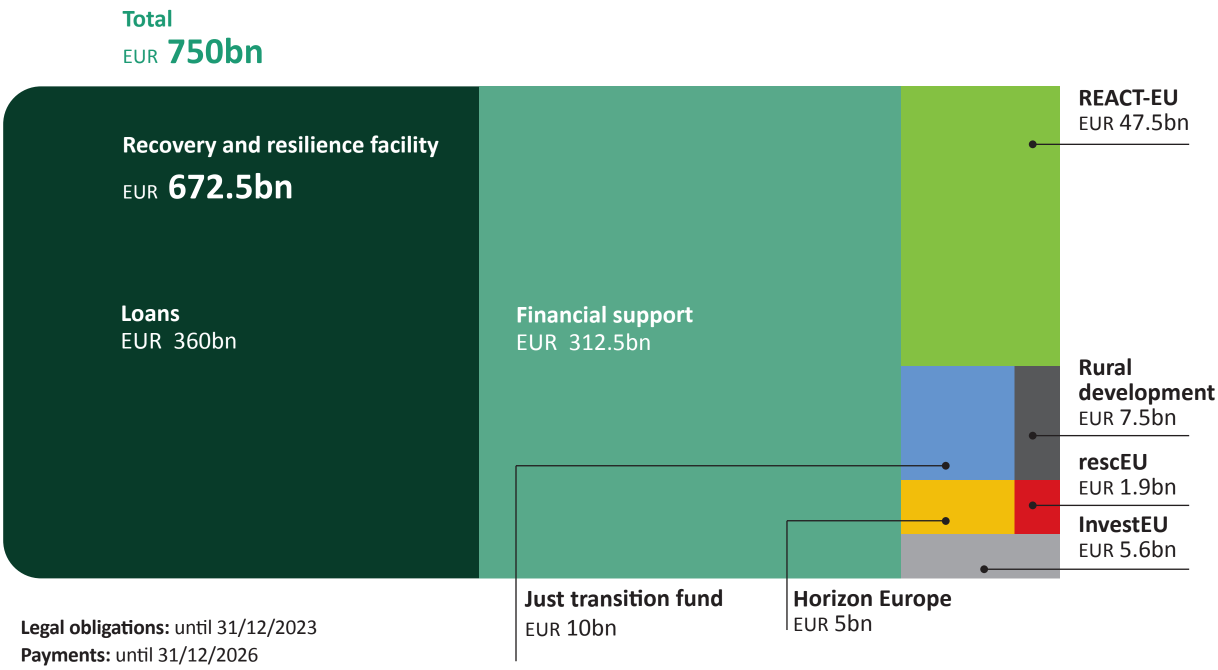
COVID-19

At the time of preparation of this report, the COVID-19 pandemic has dominated world events for over a year. Unprecedented restrictions have been imposed on freedom of movement, public life and, as a result, the economy. Economic activity has been completely suspended in certain industries (leisure, tourism, restaurants, services, etc.). Other systemically important areas – most notably healthcare and telecommunications – have been pushed to the limits of capacity. This has been associated with economic turbulence and drastic job losses. The gross domestic product (GDP) plummeted worldwide. Without the immediate introduction of effective support measures, economic performance would have declined even more.

The near future looks uncertain. The current infection rates are showing no signs of coming to an end and a rapid return to normality is doubtful. Stimuli through taxation and monetary policy from the countries must therefore be maintained in order to boost income, maintain trust and reduce uncertainty. It is also important in this context to stimulate overall economic demand directly through public investments.[37] The reconstruction plan of the European Union (EU) financed by joint bonds is an example of this kind of stimulus. This Recovery and Resilience Facility aims to help the member states to overcome the economic and social impact of the health crisis and also ensure that their economies complete the environmental and digital transformation and become more sustainable and resilient.[38]

37 OECD – Economic Outlook, September 2020.
38 European Council – A Development Plan for Europe, 18/12/2020.
39 European Council – A Development Plan for Europe, 18/12/2020.

Next Generation EU: COVID-19 development package[39]



Legal obligations: until 31/12/2023
Payments: until 31/12/2026

By introducing the Pandemic Emergency Purchase Programme (PEPP) in March 2020, the **European Central Bank** (ECB) has wasted no time in putting a key element in place to boost the economy. It encompasses bond purchases totalling EUR 1,850 bn (including the increase of EUR 500bn agreed in mid-December) to counteract risks which the outbreak of the pandemic poses to the monetary policy transmission mechanism and the outlook of the eurozone.[40] The interest rate for main refinancing business and the interest rates for the marginal lending facility and the deposit facility were left unchanged at the end of December 2020 at 0.00%, 0.25% and -0.50% respectively.

The ECB has serious decisions to make in 2021. For example, the review of its monetary policy strategy – originally scheduled for the end of 2020 – has been delayed due to the pandemic. In addition to the present objectives of price and financial stability, President Lagarde also added climate protection and allocation criteria of the monetary policy to the agenda.

The **US Federal Reserve** has not taken any further action in relation to base rates since March 2020 (range of 0.00% to 0.25%). It remains to be seen to what extent new measures will be taken as a result of the change of power. US President Joe Biden announced a new economic "rescue plan" a few days before taking office.

Both institutions are currently considering making the monetary policy even more expansive in the short term than before. Further interest cuts are currently unlikely, but an increase in the PEPP is to be expected.

Macroeconomic environment in 20 I 21

After a very strong recovery in the third quarter of 2020, the growth of the global economy increasingly slowed down again towards the end of the year due to the consequences of the second wave of infections. The further development of the pandemic represents a significant **downturn risk** for the forecast economic recovery in the first half of 2021. The continuation of the expansive monetary and fiscal policy is therefore fundamental to limiting the decline in growth and consolidating the economic recovery. The launch of the vaccination system is a key factor that is expected to have a positive impact on the global economy.

The ECB[41] is expecting **growth in the global gross domestic product** (GDP) of 5.8% (excluding the eurozone) for 2021 and 2022. This is then forecast to slow down to an average of 3.8% for the subsequent years. China – which also saw growth in 2020 – will prop up the global economy in the coming years. A long-term recovery of the US economy and therefore in conjunction with the job market will set in at the middle of the year at the earliest, depending on the strained trade relations with China, the decision on another fiscal package and – as is the case everywhere in the world – how the pandemic develops. Growth is expected to slow down significantly in the fourth quarter of 2020 for the eurozone.

The ECB anticipates an increase in GDP of 3.9% for 2021 – a much lower value than was forecast in the autumn. The recovery is expected to continue into 2022 with growth of 4.2%. Inflation declined significantly over the course of 2020 and was at -0.3% in December. This development was mainly driven by the energy prices and non-energy industry goods. Unemployment is expected to continue to rise until the middle of 2021 and only then gradually drop.

The growth behaviour of business loans in the eurozone was also striking. It was at a moderate 3% by February 2020 and increasingly lost momentum. The credit growth of the corporate sector rose up to 7.4% with the outbreak of the COVID-19 pandemic and amounted to 6.8% at the end of the year. This is not least likely to have been the consequence of numerous government support measures such as credit guarantees or bridge financing.

The **outlook** for the global economy remains highly **uncertain** in the short term. Further phases of strict containment will have different impacts across different economies. The Organisation for Economic Co-operation and Development (OECD[42]) expects overall economic production to be weaker than was expected before the pandemic in the long run. There is therefore the risk that COVID-19 will cause significant long-term costs.

Infrastructure 21 I 22

The demand for a sustainable and intact infrastructure is still at a high level and is becoming more and more relevant as a result of the COVID-19 pandemic and adherence to the climate goals. Public-sector and private-sector decision makers are becoming increasingly aware of the need to maintain, modernise and expand modern infrastructure assets in the areas of supply, digitalisation, transport and social infrastructure.

Looking at the near future, the primary focus will initially continue to be on the ongoing expansion of digital infrastructure and on investments in the renewable energy sector. Based on its specialist expertise, high customer acceptance and its performance record Kommunalkredit is well-positioned here.

40 ECB – Press Release, 10 December 2020.
41 Austrian National Bank – Current economic situation, 18/1/2021.
42 OECD – Economic outlook, Issue 2/2020, 1/12/2020.

The Social Infrastructure segment has gained increased attention as a result of the health crisis, but this will temporarily be reflected in M&A activities[43] rather than in long-term Greenfield transactions[44]. The interim forecast for the adversely affected transport sector is currently looking disappointing, at least until the vaccination programmes now being launched achieve the relevant threshold values on a global basis. Some transactions – for example in the road and rail sector – will be executed, while the airport sector will need more time to recover. All in all, this sector will face a challenging and mixed year.

Long-term greenfield investments outside the digital infrastructure and a few selected renewable energy sub-divisions will also remain attractive to a limited extent in 2021. A trend towards consolidation is foreseeable in the "small developers" segment in the renewable energy sector, and this trend is also expected to catch on in the broadband sector in the medium term. The expansive expenditure policy required as a result of COVID-19 will – as already mentioned – keep interest rates at a low level for a foreseeable period, which will continue to increase the relative attractiveness of the private infrastructure sector through the recoverable illiquidity premiums compared to listed bonds.

Kommunalkredit 21 I 22

The year 2020 has confirmed how quickly the demand for crisis-resistant infrastructure can grow and how important a functioning infrastructure is to the survival of society. This means the focus is on hospitals, care homes, energy providers and telecommunications providers. The need to maintain, modernise and expand supply, social infrastructure and communications networks will continue to be on the agenda of public-sector and private-sector decision makers.

The years ahead will be impacted by the after-effects of the coronavirus that has turned our lives upside down so suddenly. We have moved our professional and private lives to our homes to protect our health and that of others. We have dedicated more time to educating our children and looking after our older generation because we care about them. And we have realised how important being together is while we have been keeping our distance.

Infrastructure will become even more relevant in future, not just as an asset class, but also as an essential factor for modernising and realising agendas such as digitalisation and the Green Deal. After everything that has happened, we must not lose sight of the fact that climate change is and will be one of the biggest global challenges. This will require extensive investment, particularly in the areas of infrastructure and energy. Essential foundations were laid with the Paris UN Climate Agreement in 2015. The financial sector, in particular, is called upon to play its part in climate protection. The aim is to redirect cash flows towards sustainable investments. The EU action plan "Financing Sustainable Growth" specifically implements guidelines for a taxonomy, for reporting and green bonds; a green finance agenda will be developed in Austria ... this subject is more topical than ever before. We cannot just talk about concepts like sustainability, ESG, SDG – we also have to put them into practice.

This will include the creation of jobs and the future focus of our service-centred society. Kommunalkredit is well-positioned as a specialist for infrastructure and energy financing in this environment and is a renowned partner in the European infrastructure market. Given our in-depth market expertise, high level of diversification and quick response capabilities, we will be resolutely continuing along our established path even in this environment, as challenging as it may be for us all. Our focus here is on our network of project sponsors and investors. Together we can generate added value for society.

The consulting and financing of the public sector also remains an integral and important part of our business model. As a long-term partner of the municipalities and cities and with the Association of Austrian Municipalities as a minority owner, we can also provide important impetus here to increase the government's economic power – especially now after the slump in revenue shares – and offer a practical investment platform. We will also encourage an active exchange of opinions in 2021 by continuing our KOMMUNALE SOMMERGESPRÄCHE platform initiated together with the Association of Austrian Municipalities – if at all possible. As the "long arm" of the government's subsidy management, we as a group are also a direct point of contact for climate and environmental protection projects, and we are tasked with appointing the advisor to the Austrian representative in the Green Climate Fund.

We succeeded in expanding our product portfolio with a key element through our first fund "Fidelio KA Infrastructure Debt Fund Europe 1". The interest shown indicates that we were right – the target volume of EUR 150m was greatly surpassed, coming in at EUR 354m. The selection of transactions from the renewable energy, digitalisation and social infrastructure sectors, quick investments and the performance have made the fund very attractive for investors in sustainable infrastructure projects. We will continue to pursue this path.

43 Mergers & Acquisitions = Debt-financed company takeovers, merger of two companies, acquisition of company entities.
44 Greenfield projects are new infrastructure assets built "on greenfield land". Depending on the sector/characteristics, they are characterised by construction phases of varying length and by a variety of financing requirements up until the time of operation.

However, we are not only of interest for institutional investors. We have an interesting offer for private investors in Austria and Germany with KOMMUNALKREDIT INVEST. The money invested there is used for major sustainable infrastructure projects in Austria and Europe, meaning that it is "working" for the community during this time.

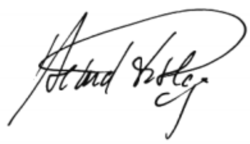
To put it succinctly: infrastructure is our life. Infrastructure will always be relevant. It is the backbone of the world's developed markets, while also allowing emerging markets to make the leap to prosperity. The demand is high – not only in times of crisis.

We therefore don't see Kommunalkredit as just a bank. We see ourselves as a think tank, sparring partner and arranger in the universe of sustainable infrastructure. And we consider it our responsibility to actively communicate issues of our society in order to resolutely invest in our future. More now than ever before.

Vienna, March 16th, 2021

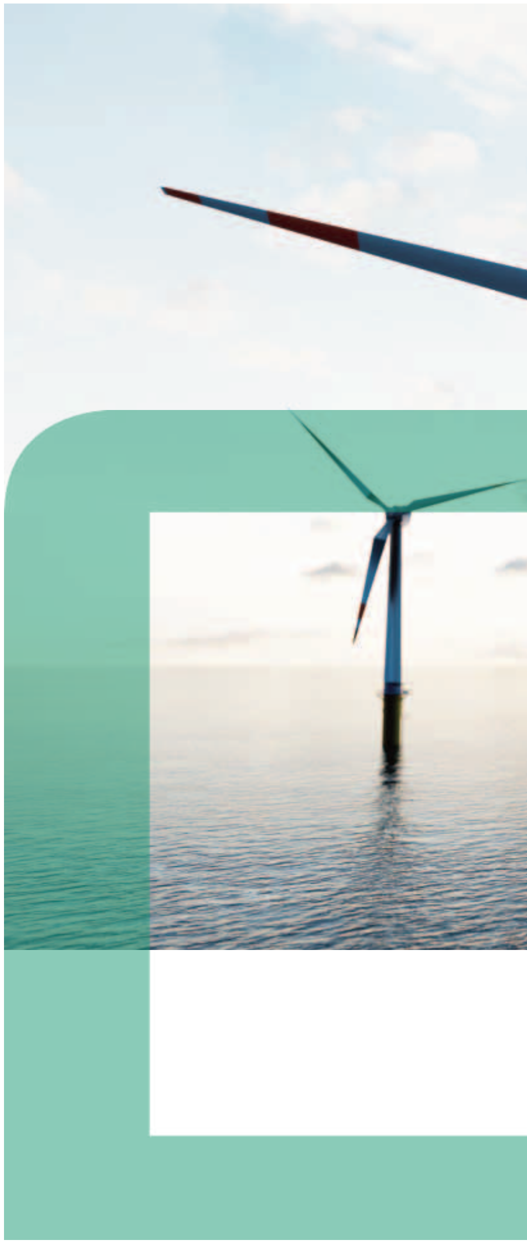
The Executive Board of
Kommunalkredit Austria AG

Sebastian Firlinger
Member of the Executive Board



Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board



CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2020 FINANCIAL YEAR

Consolidated statement of financial position

ASSETS in EUR 1,000	Note	31/12/2020	31/12/2019
Cash and cash equivalents	(24)	808,622.3	462,613.8
Assets at amortised cost		2,170,020.8	2,072,288.7
of which loans and advances to banks	(25)	*329,388.6*	*282,138.9*
of which loans and advances to customers	(26)	*1,840,632.3*	*1,790,149.7*
Assets recognised at fair value through other comprehensive income	(27)	973,903.7	1,280,575.1
Assets at fair value through profit or loss	(29)	295,196.1	254,657.3
Derivatives	(30)	135,924.0	184,954.6
Portfolio hedge		4,336.5	3,372.4
Property, plant and equipment	(32)	24,430.9	25,470.6
Intangible assets	(34)	489.5	246.6
Current tax assets	(36)	1,352.5	4,568.9
Deferred tax assets	(36)	4,005.2	9,141.8
Other assets	(37)	4,882.1	7,460.0
Assets		**4,423,163.6**	**4,305,349.7**

LIABILITIES AND EQUITY in EUR 1,000	Note	31/12/2020	31/12/2019
Liabilities at amortised cost		3,802,220.0	3,704,828.5
of which amounts owed to banks	*(38)*	*520,329.1*	*487,210.5*
of which amounts owed to customers	*(39)*	*2,115,908.8*	*1,876,254.5*
of which securitised liabilities	*(40)*	*1,097,679.7*	*1,272,827.2*
of which subordinated liabilities	*(41)*	*68,302.4*	*68,536.4*
Derivatives	(42)	222,959.7	219,537.3
Provisions	(43)	6,846.0	7,003.4
Current tax liabilities	(44)	489.8	1,107.1
Other liabilities	(45)	31,266.6	29,690.7
Equity	(46)	359,381.4	343,182.8
of which subscribed capital		*172,659.5*	*172,659.5*
of which fixed reserves		*31,298.5*	*29,620.4*
of which reserves for assets at fair value through other comprehensive income		*89,341.1*	*109,611.9*
of which other reserves (incl. consolidated net profit)		*65,900.1*	*31,126.8*
of which non-controlling interests		*182.2*	*164.2*
Liabilities and equity		**4,423,163.6**	**4,305,349.7**

Consolidated income statement

CONSOLIDATED INCOME STATEMENT in EUR 1,000	Note	1/1–31/12/2020	1/1–31/12/2019 adjusted*
Net interest income	(47)	77,123.1	58,593.0
Interest income		95,037.6	76,195.5
of which calculated using the effective interest method		*72,745.7*	*63,811.1*
Interest expenses		-17,914.5	-17,602.5
Net fee and commission income	(48)	28,525.0	24,899.8
Fee and commission income		30,347.4	26,718.2
Fee and commission expenses		-1,822.4	-1,818.4
Result from the disposal of assets at fair value through other comprehensive income	(49)	223.9	4,300.4
Net provisioning for impairment losses	(50)	-156.6	-2,469.2
General administrative expenses	(51)	-57,164.3	-54,638.5
Personnel expenses		-39,019.7	-35,128.1
Other administrative expenses		-18,144.6	-19,510.4
Contributions to the Bank Resolution Fund	(52)	-1,764.8	-1,614.8
Income from investments		355.9	216.1
Other operating result	(53)	211.0	1,423.8
Other operating income		2,165.8	2,695.9
Other operating expenses		-1,954.8	-1,272.1
Net result of asset valuation and realised gains and losses	(54)	350.5	-3,388.8
Result from the disposal of financial assets measured at amortised cost	(55)	304.7	0.0
Consolidated profit for the year before tax		**48,008.5**	**27,321.8**
Income taxes	(56)	-11,582.4	2,283.5
Consolidated profit for the year		**36,426.1**	**29,605.2**
of which attributable to owners		*36,365.1*	*29,528.1*
of which attributable to non-controlling interests		*61.0*	*77.1*

* Net interest income for 2019 was adjusted. The interest income and expenses from derivative transactions that are part of hedges, which were previously reported in gross terms, have been reported on a net basis in the underlying transaction since the beginning of the 2020 financial year.

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR 1,000	1/1–31/12/2020	1/1–31/12/2019
Consolidated profit for the year	**36,426.1**	**29,605.2**
Items to be recycled to the Income Statement	**-19,786.2**	**-496.0**
Changes in debt capital instruments at fair value through other comprehensive income	**-19.786.2**	**-496.0**
Valuation of debt capital instruments at fair value through other comprehensive income	-14,040.1	-2,722.3
Recycled to the Income Statement	-12,341.5	2,061.0
Deferred tax on debt capital instruments at fair value through other comprehensive income	6,595.4	165.4
Items not to be recycled to the Income Statement	**-408.8**	**-632.6**
Change in actuarial gains/losses	**75.7**	**-376.4**
Actuarial result from pension provisions	101.0	-501.9
Deferred tax on actuarial result from pension provisions	-25.2	125.5
Changes in equity instruments at fair value through other comprehensive income	**-484.6**	**-256.2**
Valuation of equity instruments at fair value through other comprehensive income	-646.1	-341.6
Deferred tax on changes in equity instruments at fair value through other comprehensive income	161.5	85.4
Total	**16,231.0**	**28,476.7**
of which attributable to owners	*16,179.1*	*28,421.4*
of which attributable to non-controlling interests	*51.9*	*55.3*

Consolidated statement of changes in equity

Equity according to IFRS developed as follows in 2020 and 2019:

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

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

STATEMENT OF CHANGES IN EQUITY 2019 in EUR 1,000	Subscribed capital	Fixed reserves[1]	Other retained earnings (incl. consolidated profit for the year)
as of 1/1/2019	**159,491.3**	**17,868.2**	**5,367.9**
Consolidated profit for the year	0.0	0.0	29,528.1
Changes in debt capital instruments at fair value through other comprehensive income	0.0	0.0	0.0
Measurement of debt capital instruments at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Recycling of debt capital instruments at fair value through other comprehensive income	*0.0*	*0.0*	*0.0*
Changes in credit risk provision	0.0	0.0	0.0
Changes in actuarial gains/losses	0.0	0.0	0.0
Change in equity instruments at fair value through other comprehensive income	0.0	0.0	0.0
Total	**0.0**	**0.0**	**29,528.1**
Capital increase	13,168.2	6,831.8	0.0
Profit distribution	0.0	0.0	0.0
Appropriation to fixed reserves	0.0	4.920.4	-4,920.4
as of 31/12/2019	**172,659.5**	**29,620.4**	**29,975.5**

1 The fixed reserves include statutory retained earnings of TEUR 7,277.1, liability reserves of the parent company in line with § 57 (5) of the Austrian Banking Act (BWG) of TEUR 15,511.5 and fixed capital reserves of the parent company of TEUR 6,831.8.

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

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

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

Reserve for debt capital instruments at fair value through other comprehensive income[2]	Reserve for equity instruments at fair value through other comprehensive income[3]	Actuarial gains/losses IAS 19	Equity excl. non-controlling interests	Non-controlling interests	Equity
109,255.2	**1,108.9**	**1,505.8**	**294,597.2**	**164.8**	**294,762,0**
0.0	0.0	0.0	29,528.1	77.1	29,605.2
-496.0	0.0	0.0	-496.0	0.0	-496.0
-3,152.5	*0.0*	*0.0*	*-3,152.5*	*0.0*	*-3,152.5*
1,545.7	*0.0*	*0.0*	*1,545.7*	*0.0*	*1,545.7*
1,110.8	0.0	0.0	1,110.8	0.0	1,110.8
0.0	0.0	-354.5	-354.5	-21.9	-376.4
0.0	-256.2	0.0	-256.2	0.0	-256.2
-496.0	**-256.2**	**-354.5**	**28,421.4**	**55.3**	**28,476.7**
0.0	0.0	0.0	20,000.0	0.0	20,000.0
0.0	0.0	0.0	0.0	-55.9	-55.9
0.0	0.0	0.0	0.0	0.0	0.0
108,759.2	**852.7**	**1,151.3**	**343,018.6**	**164.2**	**343,182.8**

2 As of 31/12/2019, the reserves for debt capital instruments at fair value through other comprehensive income included deferred taxes of TEUR 36,253.1.

3 As of 31/12/2019, the reserves for equity instruments at fair value through other comprehensive income included deferred taxes of TEUR 284.2.

Consolidated statement of cash flows

The consolidated statement of cash flows shows the status quo and the change of cash items of the Kommunalkredit Group. The cash and cash equivalents reported include, clearly differentiated, the cash on hand and balances with central banks.

CONSOLIDATED STATEMENT OF CASH FLOWS in EUR 1,000	1/1–31/12/2020	1/1–31/12/2019
Consolidated profit for the year after tax	**36,426.1**	**29,605.2**
Non-cash items included in the profit for the year and reconciliation to cash flow from operating activities		
Depreciation and amortisation/reversals of depreciation and amortisation on property, plant and equipment and intangible assets	1,416.3	1,486.7
Appropriation to/release of provisions and risk provisions	-0.7	555.5
Non-realised gains/losses from exchange rate fluctuations	156.1	-6.4
Gains/losses from the valuation of financial assets and gains from the buyback of own issues	-350.5	3,388.8
Income tax deferrals	8,970.3	-7,240.2
Result from the deconsolidation	-1,922.8	0.0
Non-cash deferrals/accruals and other adjustments	3,780.7	-760.7
Sub-total	**48,475.4**	**27,029.0**
Change in assets and liabilities from operating activities after correction for non-cash items		
Assets at amortised cost		
of which loans and advances to banks	*-55,090.0*	*-63,313.4*
of which loans and advances to customers	*-135,566.4*	*178,968.6*
Assets recognised at fair value through other comprehensive income	161,905.3	-101,284.2
Assets at fair value through profit or loss	-40,437.3	-254,119.8
Derivatives and portfolio hedge	48,516.9	43,380.4
Other assets from operating activities	2,577.8	-419.2
Liabilities at amortised cost		
of which amounts owed to banks	*30,391.1*	*-7,030.0*
of which amounts owed to customers	*454,997.0*	*415,905.1*
of which securitised liabilities	*-170,637.5*	*-120,765.7*
Other liabilities from operating activities	1,986.3	10,891.8
Cash flow from operating activities	**347,118.8**	**129,242.6**
Proceeds from the sale/redemption of property, plant and equipment and intangible assets	0.0	0.0
Payments for the acquisition of property, plant and equipment and intangible assets	-623.0	-357.8
Cash flow from investing activities	**-623.0**	**-357.8**
Cash inflow from capital increases	0.0	20,000.0
Cash outflow from capital reductions	0.0	0.0
Dividend payments attributable to the owners of the parent	0.0	0.0
Dividend payments attributable to non-controlling interests	-51.4	-55.9
Change in funds from other financing activities (subordinated capital)	-236.4	-535.9
Cash outflow from repayments on lease liabilities	-199.6	-88.1
Cash flow from financing activities	**-487.4**	**19,320.1**
Cash and cash equivalents at the end of the previous period	**462,613.8**	**314,408.9**
Cash flow from operating activities	347,118.8	129,242.6
Cash flow from investing activities	-623.0	-357.8
Cash flow from financing activities	-487.4	19,320.1
Cash and cash equivalents at the end of the period	**808,622.3**	**462,613.8**
of which cash flows contained in cash flow from operating activities:		
Interest received	*89,330.0*	*158,531.6*
Interest paid	*-15,987.6*	*-99,177.9*
Income taxes paid	*194.6*	*253.3*
Dividends received	*355.9*	*216.1*

DEVELOPMENT OF SUBORDINATED LIABILITIES CARRIED ON THE BALANCE SHEET in EUR 1,000	2020	2019
as of 1/1	68,536.4	69,074.4
Changes in cash items	-236.4	-535.9
Changes in cash items (primarily from hedge accounting)	2.4	-2.1
as of 31/12	**68,302.4**	**68,536.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE KOMMUNALKREDIT GROUP, VIENNA, FOR THE 2020 FINANCIAL YEAR

General Principles

1. General Information

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

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

2. Standards and interpretations applied

The consolidated financial statements of Kommunalkredit were produced based on all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committees (IFRICs and SICs) approved and published by the International Accounting Standards Board (IASB), adopted into European law by the European Union (EU) and applicable on a mandatory basis as of 31 December 2020.

Overview of new standards/interpretations or changes to be applied for the first time in the 2020 financial year:

The amended IFRS applicable on a mandatory basis to financial years beginning on or after 1 January 2020 are presented below:

STANDARD/INTERPRETATION	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IFRS 3	Definition of a business	1/1/2020
IAS 1, IAS 8	Definition of materiality	1/1/2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform (IBOR Reform) – Phase I	1/1/2020
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1/1/2020

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

Amendments to IFRS 3 (Business Combinations)
The acquisition method pursuant to IFRS 3 is only to be applied to business combinations, but not to the purchase of individual assets/liabilities or groups of assets/liabilities. The amendment now sets out new provisions governing how to determine whether an entity has acquired a business or merely individual assets.

The amendments are to be applied to business combinations concluded after 1 January 2020, meaning that they have no impact on business combinations that have already taken place.

Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies)
The amendments to IAS 1 and IAS 8 are designed to standardise the definition of “material” in the IFRSs. It also clarifies that materiality is to be assessed with regard to the financial statements as a whole. The meaning of the term “users” of financial statements was also explained in greater detail.

The amendments do not have any impact on the Group’s assets, financial position and income.

Amendments to IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures) and IFRS 9 (Financial Instruments)
The amendments are linked to the interest rate benchmark reform (e.g. LIBOR or EURIBOR), specifically to the current uncertainty regarding when and how the current interest reference rates will be replaced.

The amendments to IFRS 9 and IAS 39 mean that hedges that would otherwise have to be terminated due to this uncertainty are to be continued. This is achieved by requiring entities to assume, for the purpose of certain forward-looking assessments, that the interest rate benchmark on which a hedged cash flow or the cash flows of a hedging instrument are based will not change as a result of the reform. In connection with these amendments to IFRS 9 and IAS 39, IFRS 7 has been amended to include disclosure requirements relating, in particular, to how and to what extent the entity is impacted by the interest rate benchmark reform.

The amendments include an additional adjustment to IAS 39, based on which, during the period of reform-related uncertainty, hedges can be continued even if their effectiveness falls outside the 80–125% range (provided that all other requirements are met). Kommunalkredit launched an analysis project in past financial year to assess the impact of the interest rate benchmark reform. At present, the hedges used are exclusively fair value hedges, with the result that the changes to the variable indicators will not have any material impact on the effectiveness and the presentation of the hedges for accounting purposes.

Conceptual Framework
References to, or quotes from, the Conceptual Framework are frequently found in the IFRSs. As this very Conceptual Framework was updated last year, it was also considered necessary to update the references. The amendments do not have any material impact on the Group's assets, financial position and income.

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

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

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

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

The amendments in phase 2 largely relate to the following matters:

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

Kommunalkredit is currently carrying out an analysis project to assess the impact of the IBOR reform. From today's perspective, the amendments are not expected to have any material impact on the Group's assets, financial position and income.

Amendments to IFRS 16 (Leases)

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

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

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

STANDARD	Title of the standard/interpretation or amendment	First-time adoption
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform (IBOR Reform) – Phase 2	1/1/2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1/1/2022
Amendments to IAS 16	Revenue prior to the intended use of property, plant and equipment	1/1/2022
Amendments to IAS 37	Onerous contracts – costs of performance	1/1/2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	1/1/2022
IFRS 17 and amendments to IFRS 17	Insurance Contracts	1/1/2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1/1/2023

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

Amendments to IFRS 3 (Business Combinations)

The purpose of the amendments in IFRS 3 is to resolve a conflict between the new disclosures in the revised Conceptual Framework from March 2018 and IAS 37/IFRIC 21 regarding the recognition criteria for liabilities in the context of a business combination. For this purpose, it was decided to update the reference in IFRS 3 to the revised conceptual framework as well as an amendment of the IFRS to include the requirement that an acquirer must generally observe the provisions set out in IAS 37/IFRIC 21 when identifying obligations entered into that fall within the scope of IAS 37 or IFRIC 21.

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

Amendments to IAS 16 (Property, plant and equipment)

The amendments in IAS 16 clarify whether the income from the sale of equipment that was manufactured during the period in which an item of property, plant and equipment is put into its operational condition or brought to its location, is to be recognised in profit and loss or whether the income reduces the cost of the item of property, plant and equipment. It was determined that a reduction in the cost will no longer be possible.

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

Amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)

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

Annual Improvements IFRS – 2018-2020 cycle (amendments to various IFRSs)

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

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

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

IFRS 17 (insurance contracts)
The standard, published by the IASB on 18 May 2017, contains provisions governing the recognition of assets and liabilities resulting from insurance contracts for accounting purposes. These provisions not only apply to insurance companies, but rather apply across all sectors if the contracts concerned correspond to the definition of an insurance contract. The term "insurance risk" also includes product or residual value risks, for example.

IFRS 17 includes three central approaches for recognising insurance contracts:

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

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

Amendments to IAS 1 (Presentation of Financial Statements)
The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on the rights to defer the performance of an obligation by at least 12 months as of the balance sheet date. Expectations of the company regarding the exercise of these rights are not to be taken into account. Liabilities are classified as non-current if at the end of the reporting period the right exists to defer the discharge of the liability by at least 12 months. From today's perspective, the amendments are not expected to have any material impact on the Group's assets, financial position and income.

3. Scope of consolidation

The scope of consolidation of the Kommunalkredit Group, in accordance with the provisions set out in IFRS 10, encompasses the following companies in addition to the parent company Kommunalkredit as of 31 December 2020:

NAME AND REGISTERED OFFICE	Financial statement disclosures			
	Investment		Share in capital 31/12/2020 in%	Share in capital 31/12/2019 in%
	direct	indirect		
1. Affiliated companies				
Fully consolidated affiliated companies				
Kommunalkredit Public Consulting GmbH, Vienna	x		90.0%	90.0%
Kommunalkredit KBI Immobilien GmbH, Vienna	x		100.0%	100.0%
Kommunalkredit KBI Immobilien GmbH & Co KG, Vienna	x		100.0%	100.0%
Kommunalkredit TLI Immobilien GmbH & Co KG, Vienna		x	100.0%	100.0%
Fidelio KA Beteiligung GmbH (DE)	x		75.0%	85.0%
Fidelio KA Infrastructure Opportunities Fund GP S. à r. l. (LUX)		x	75.0%	85.0%
Fidelio KA Investment Advisory GmbH (DE)		x	75.0%	85.0%
2. Associates				
Associates included using the equity method				
Kommunalleasing GmbH, Vienna	x		50.0%	50.0%

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

No material risks or restrictions arise for the Kommunalkredit Group from its affiliated companies. The activities of Kommunalleasing GmbH, included at equity, comprise leasing transactions for Austrian local authorities; the company has not engaged in any new business since 2008. In 2016, the carrying amount of the participation in Kommunalleasing GmbH was reduced by TEUR 2,322.4 to TEUR 0.0 and recognised in profit or loss according to IAS 36 rules. No material risks arise for the Kommunalkredit Group from its associates.

Changes to the scope of consolidation in the 2020 reporting year
Together with Fidelio KA Infrastructure Opportunities Fund SICAF-RAIF SCA, Kommunalkredit set up a Debt Fund Platform in 2018. The platform is managed through the general partner Fidelio KA Infrastructure Opportunities Fund GP S. à r. l., in which Kommunalkredit has a majority stake. The first sub-fund of the platform – "Fidelio KA Infrastructure Debt Fund Europe 1" – was launched in 2018. In order to support the successful market launch of the fund, Kommunalkredit itself subscribed shares in the fund when it was launched. An analysis of the consolidation requirement as defined in IFRS 10 came to the conclusion in 2018 and 2019 that Kommunalkredit has the power to materially influence the management and returns of the fund and has a significant interest given its share. The entire assets of the sub-fund were therefore fully consolidated.

Kommunalkredit's share in the Net Asset Value of the fund fell to below 10% as a result of non-participation in capital increases of the fund in 2020. In connection with this, the question regarding the consolidation requirement of the fund was reassessed. The analysis of significant matters and circumstances associated with the consolidation of the fund confirmed that Kommunalkredit no longer has any significant economic interest in the fund and the prerequisites for a consolidation are no longer present. In addition, Kommunalkredit is not exposed to any other significant variable returns due to its role in managing the fund. Kommunalkredit therefore lost control over the previously fully consolidated investment fund as of 1 October 2020.

The previously fully consolidated assets of the fund were derecognised at the carrying amount on the date of the loss of control and the remaining shares were recognised as financial instrument in the category "Assets at fair value through profit or loss" at the net asset value. Gains in connection with deconsolidation amounted to TEUR 1,922.8 as of 31 December 2020.

RESULT FROM DECONSOLIDATION in EUR 1,000	1/1 – 31/12/2020
Derecognition of carrying amounts of fund assets	248,413.3
Recycling reserves for assets measured through other comprehensive income	-12,091.3
Derecognition of carrying amounts of fund liabilities	-214,620.4
Total derecognition of carrying amounts	**21,701.7**
Recognition of remaining shares at fair value	**23,624.5**
Result from deconsolidation	**1,922.8**

Gains from the measurement of shares retained in the former subsidiary at the time of loss of control amounted to TEUR 35.5 on the derecognition date. The gains accrued in the course of the deconsolidation are reported in other operating income (see Note 53).

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. Following reporting changes were made in 2020: Interest income and expenses from derivative transactions have been reported on a net (previously gross) basis in the underlying transaction since the beginning of the year. In the event that the hedged item involves interest income (expenses), the corresponding amounts will still be recognised as interest income (expenses) if they are negative (positive). Reporting net figures is the generally accepted approach and will increase comparability with the financial statements of other banks in particular. This change will therefore provide the users of the financial statements with information that is more reliable and relevant. A detailed reconciliation between the approach used to recognise interest income and interest expenses in previous earlier periods and the new presentation format can be found in Note 47.

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

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

Income and expenses are accrued/deferred pro rata temporis and are recognised in the profit or loss for 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 first booked when a corresponding legal claim to payment arises.

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

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

5. Consolidation Principles

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

The consolidation requirement for investment funds whose transactions are administered by Kommunalkredit and in which it also holds shares in the 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. In addition, an assessment is carried out of the extent to which Kommunalkredit is exposed to other variable returns due to its role in the fund. If control exists according to this analysis, an investment fund is included in the consolidated financial statements in the form of full consolidation.

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

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

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

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

All amounts reported in other comprehensive income in respect of this subsidiary are accounted for in the same manner as the sale of assets, i.e. there is no reclassification to the income statement or a direct assignment to retained earnings.

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.
The pro rata result (minus dividends paid) is recognised in the income statement under "Income from investments in associates". At every balance sheet date, an impairment test is performed on the basis of financial forecasts. Currently, Kommunalkredit has one associate, Kommunalleasing, that is accounted for according to the equity method (IAS 28).

6. Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the mean rate of exchange (euro reference rate) announced by the European Central Bank (ECB) as of the reporting date. Non-monetary items reported at historical cost in a foreign currency are translated at the rate applicable on the date of the business transaction; non-monetary items that were measured at their contemporary fair value in a foreign currency are translated at the rate applicable on the date the item was measured. Currency translation gains and losses are reported in the income statement under the item "Net result of asset valuation and realised gains and losses". Instruments measured at fair value and not recognised in profit and loss have their translation result from the fair value measurement (again, not recognised in profit or loss) reported in total comprehensive income.

7. Classification and measurement of financial assets

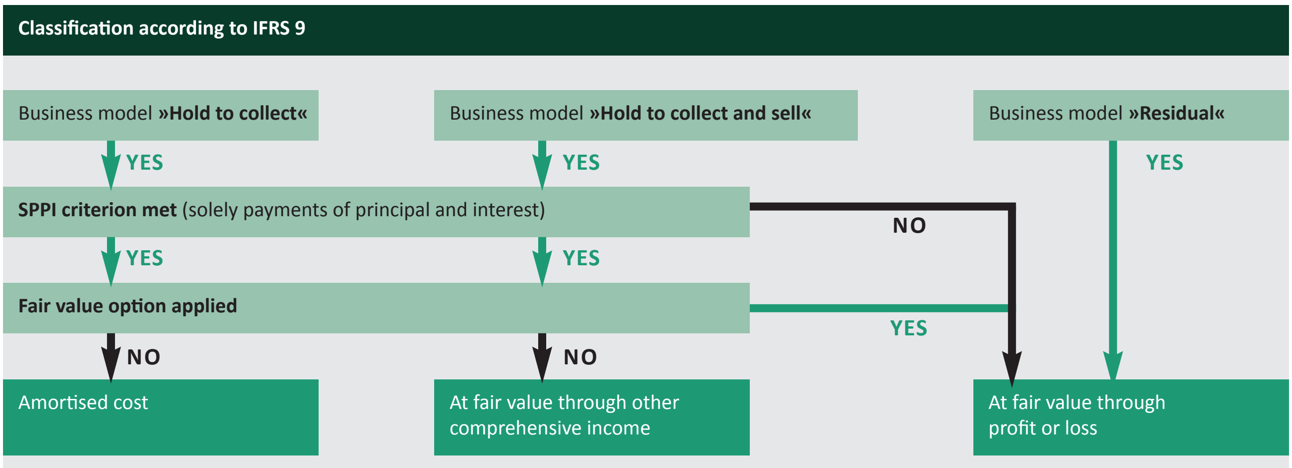
7.1. Classification principles

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

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

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

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



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

7.2. Financial assets at amortised cost

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

Financial assets under this measurement classification are reported in the statement of financial position (IFRS) under "loans and advances to banks", "loans and advances to customers" and "cash and cash equivalents". When these financial assets are recognised for the first time, they are reported at fair value (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, plus/less the cumulative distribution of differences arising between the original amount issued and the repayable amount upon maturity, using the effective interest method and taking into account the risk provisions (see Note 8). The result of the amortisation of the differences, applying a constant effective interest rate, is reported in the income statement under net interest income. The method of accounting for loans and receivables that represent hedged items in hedging relationships is described in more detail under Note 12.

Fees are part of the effective interest rate of assets in this category, 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 separately in the income statement under their own item.

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 contractual cash flows and sales ("hold and sell" business model), these assets are reported at fair value through other comprehensive income directly in equity.

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

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

Where financial assets are disposed of, the amount recognised as of 31 December the previous year is recognised in profit and loss in the reserve for assets reported at fair value through other comprehensive income.

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

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

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

7.5. Equity instruments

Equity instruments are generally measured at fair value through profit or loss. Equity instruments not held for trading are also subject to the option of reporting these at fair value through other comprehensive income; the exercise of this option is irrevocable. Kommunalkredit has utilised this option for all equity instruments held by it as these are strategic, long-term investments. All changes to the fair value of strategic equity instruments are reported under other 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 recycling via the income statement).

7.6. Modifications/changes to estimates of financial assets

Modifications are any contractual amendment relating to originally agreed cash flows and, in Kommunalkredit, are primarily due to market-induced factors. Modifications may either be substantial or non-substantial. A substantial modification to contractual cash flows results in a disposal of the original financial instrument in the statement of financial position on the one hand and a recognition of a modified financial instrument in the statement of financial position on the other. With non-substantial modifications, however, the carrying amount of the financial asset is simply adapted to the changes in the contractual cash flows. The change in present value brought about directly by the modification is reported through profit or loss under "net result of asset valuation and realised gains and losses". Consequently, the differential amount relative to the repayable amount with the effective interest applied until maturity of the financial instrument is distributed under net interest income. Both quantitative and qualitative factors feature in the assessment of whether a modification results in a substantial or non-substantial change. The quantitative assessment is performed in the form of a present value test by comparing the impact of a modification on the contractual cash flows. Modification effects are assessed both for financial assets and for financial liabilities (see Note 18).

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

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

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

8. Risk provisions

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

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

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

- The absolute level of the credit risk ("low credit risk" criterion), with financial assets in the investment grade segment generally being allocable to level 1. However, a general 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;
- 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.

Probabilities are factored into the calculation of the valuation allowances for level 1 and level 2, also taking into account all expected disbursements and repayments 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 risk provisions calculated for the future are discounted on the balance sheet date and aggregated; the discount rate is equal to the interest rate effective in the statement of financial position (IFRS). The inclusion of forward-looking information in input parameters is based on a macro-economic model that incorporates GDP growth, unemployment rates and changes to various indices. The derivation of macro-economic scenarios as a basis for the probability-weighted calculation of expected credit losses takes into account the specifics of Kommunalkredit's portfolio and undergoes regular validation.
Valuation allowance requirements (IFRS level 3) are evaluated within Kommunalkredit for individual transactions, with financial assets and their associated credit commitments being individually taken into account for each transaction.

To define default events, Kommunalkredit applies the definition of a default as laid by Art. 178 CRR. This includes both receivables that are more than 90 days in default (overdue receivables) and the criterion "unlikeliness to pay". A receivable is deemed to be 90 days in default if the overdue receivable exceeds the approved and communicated total amount by more than 1.0%, and is at least EUR 500.00. In level 3, cash flow estimates are applied on the basis of the specific transaction.

To identify, monitor and manage partners with elevated credit risks, there is a multi-stage risk control process in which all exposures/partners are classified into four risk levels:

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

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

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

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

IFRS 9 applies special rules in terms of how the risk provision is determined for assets already impaired upon their first-time recognition (POCI) in the statement of financial position (IFRS). 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 (IFRS). 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 (IFRS) item "Derivatives" encompasses derivatives used in 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 (IFRS) item "Derivatives", while negative fair values are also reported under "derivatives", but this time under equity and liabilities. Changes in the value of these derivatives based on the clean price are reported in the net result of asset valuation and realised gains and losses in the income statement, while interest income and expenses are expressed as net values in the net interest income. The interest income and expenses for hedging derivatives are shown in the same item as the hedged items.

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

10. 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 (IFRS) 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 (IFRS).

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.

11. Fair value calculation

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

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

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

The credit spreads required for the discounted cash flow method are determined for the Energy & Infrastructure Portfolio on a transaction-by-transaction basis; an individual credit spread is determined for each transaction.
Project financing is classified as (IFRS 13) level category 3 due to its illiquidity and the use of non-observable information. 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. Corporate financing is classified as (IFRS 13) level category 2 based on the price being calculated with spreads derived from market data (benchmark spreads).

Spread developments are discussed for each deal 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 EONIA or €STR) 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 indicators, yield curves with different basis spread premiums are used, depending on the indicator (e.g. 3-month Libor, 12-month Libor). These relate to the respective indicator and are used to derive forward rates for determining cash flows.

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

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

12. 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 the area of microhedge accounting, Kommunalkredit has applied the provisions of IFRS 9 since 1 January 2018. 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.

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

b. Portfolio hedge: The portfolio hedge, which was implemented at Kommunalkredit upon the introduction of IFRS 9, is used to hedge the fair value of a portfolio of financial assets. This form of hedging is used to hedge against fixed interest rate risks in relation to a portfolio. Interest rate swaps are used as hedging instruments.

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

To provide evidence of an effective portfolio hedge relationship between the hedged item and the hedge itself, Kommunalkredit applies prospective and retrospective effectiveness testing. Prospective effectiveness testing involves a quarterly review of the portfolio fair value hedge 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 fair value hedge recognises it as effective if the fair value changes from the hedging instrument and the offsetting effect of the hedged item in a reporting period – in relation to the hedged risk – provide compensation of between 80% and 125%.

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

13. Categories of financial instruments

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

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

The following classes of financial instruments were not used as of the reporting date of 31 December 2020:

- Assets at fair value through profit or loss – FV option
- Liabilities at fair value through profit or loss
- Liabilities at fair value through profit or loss – FV option

14. Investments in associates

Associates are measured using the equity method in accordance with IAS 28 (associates and joint ventures) (see also Note 5). At every reporting date, an impairment test is performed on the basis of financial forecasts.

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 (IFRS) at cost. Buildings, office furniture and equipment are measured at cost, less depreciation on a straight-line basis. The following time periods are applied as expected useful lives:

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

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

16. Leases

a. Kommunalkredit as a lessee:

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

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

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

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

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

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

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

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

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

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

Kommunalkredit makes use of the option to refrain from capitalising short-term leases with a term of less than twelve months and instead reports payments from these agreements under expenditure throughout the term of the lease. Also, a usage agreement for office furniture is not reported as a lease in the statement of financial position (IFRS), as the reporting of such leases would result in a disproportional amount of work relative to the relevance of the information that this would provide, and the new value of the furniture that this relates to would not exceed TEUR 15.

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 (IFRS).

17. Intangible assets

The only intangible assets are software licences acquired against payment. These are amortised on a straight-line basis over three to five years under general administrative expenses.

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

18. Financial liabilities

At the time of their initial recognition, financial liabilities are declared at fair value under equity & liabilities and also take into account transaction costs. Subsequent recognitions are at amortised cost using the effective interest method. Long-term, discounted bonds (e.g. zero-coupon bonds) and similar liabilities are accounted for using the effective interest method. No financial liabilities are maintained in the fair value portfolio. Please refer to Note 12 for details on how liabilities that constitute hedged items in hedging relationships are accounted for; refer to Note 21 for information on the derecognition of financial liabilities.

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

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

19. Provisions

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

The most important parameters underlying the calculation are:

- an actuarial discount rate of 0.50% to 0.75% (2019: 1.00% to 1.25%) for pension obligations, 0.25% (2019: 0.50%) for obligations from severance pay, and 0.00% (2019: 0.25%) for obligations from jubilee bonuses;
- an increased rate for the calculation of severance pay and pension development of 3.50% (2019: 3.50%);
- assumed pensionable ages of 60 for women and 65 for men, taking into account the transitional provisions of the 2003 Austrian Budget Framework Act (Budgetbegleitgesetz) and the provisions on age limits for women of the Act on Occupational Old-Age Provision (BVG Altersgrenzen);
- a personnel turnover discount for severance pay obligations calculated on the basis of statistically derived rates of early termination of employment with or without severance pay, depending on the length of service.

All pension obligations towards active employees have been transferred to a pension fund. The provisions reported therefore only contain entitlements from defined benefit pension obligations for eight employees not covered by the pension fund, resulting from direct commitments within the framework of the collective bargaining agreement (1961 pension 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 underperformance or "premature" payment of benefits.

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

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

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

20. Current and deferred tax assets and current tax liabilities

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

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

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

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

Effective as of 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 31/12/2020 include Gesona, Kommunalkredit and Kommunalkredit Public Consulting GmbH (KPC). On the basis of a group and tax contribution agreement, the stand-alone method was chosen for the calculation of the tax contributions. According to this method, the amount of the tax contributions of the group members depends on the amount of corporate income tax the group member would have had to pay if its tax result had not been counted toward the group parent. Tax loss carryforwards of a group member from periods prior to the formation of the group (pre-group losses) are credited up to the amount of the profit of the group member and diminish the tax contribution of the group member. If a group member's negative income is counted toward the group parent, this tax loss is kept on record for the group member (internal loss carryforward) and offset against the positive income of the group member in subsequent years up to 100%. Upon termination of the tax group or elimination of a group member, a final compensation has to be paid for tax losses not yet offset, multiplied by the corporate tax rate applicable at the time of termination of the agreement.

21. Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or when the Group has transferred such rights, including all material risks and rewards of ownership. If all risks and rewards are neither transferred nor retained, derecognition of the asset depends on whether control over the asset is transferred. In the event of material contract modifications, a derecognition of the original financial instrument is carried out followed by the recognition of the new instrument under the modified contractual terms.

If the Group largely retains all risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset as well as a collateralised financial instrument for the consideration received.

A financial liability is derecognised upon redemption, i.e. when its contractual obligations have been discharged or are cancelled or expire, or when a financial liability is replaced by a liability against the same lender under significantly different contractual terms.

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

22. Revenue from customer contracts

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

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

In the case of revenue from the management of support programmes and consultancy business of Kommunalkredit Public Consulting GmbH (KPC), the realisation of revenue is either dependent on the service provided or lump-sum price agreements are employed. If it is offset directly, the service provided is invoiced retrospectively based on agreed daily rates and realised for a specific period. In the case of lump-sum price agreements, revenue is realised after the service is provided for a specific period. In both cases, invoicing is carried out after the service provided is accepted by the customer with the usual payment terms.

There are currently no contracts with customers in the support programmes and consultancy business which contain significant financing components, significant variable consideration, redemption obligations or guarantees.

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

23. Significant assumptions and estimates

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

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

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

24. Cash and cash equivalents

CASH AND CASH EQUIVALENTS in EUR 1,000	31/12/2020	31/12/2019
Cash on hand	7.7	9.4
Balances with central banks	808,614.5	462,604.4
Total	**808,622.3**	**462,613.8**

25. Loans and advances to banks

LOANS AND ADVANCES TO BANKS in EUR 1,000	31/12/2020	31/12/2019
Repayable on demand	152,720.6	105,588.3
Securities	176,718.9	176,608.8
Provisions for expected credit losses	-50.9	-58.2
Total	**329,388.6**	**282,138.9**

Loans and advances to banks repayable on demand include cash and cash equivalents provided as cash collateral for negative market values of derivatives according to ISDA/CSA arrangements in the amount of TEUR 92,150.0 (31/12/2019: TEUR 83,240.0) and positive balances with credit institutions in the amount of TEUR 60,570.6 (31/12/2019: TEUR 22,348.3). Securities in the amount of TEUR 176,718.9 (31/12/2019: TEUR 176,608.8) are recognised at amortised cost. These are public listed bonds.

26. Loans and advances to customers

LOANS AND ADVANCES TO CUSTOMERS in EUR 1,000	31/12/2020	31/12/2019
Repayable on demand	111,112.8	106,003.5
Loans	1,205,599.7	1,139,516.3
Securities	525,366.9	546,337.6
Provisions for expected credit losses	-1,447.1	-1,707.7
Total	**1,840,632.3**	**1,790,149.7**

Loans and advances to customers only include assets to customers that are recognised at amortised cost.
Loans and advances to customers repayable on demand include cash and cash equivalents provided as collateral for negative market values of derivatives (transactions with non-bank financial institutions) according to ISDA/CSA arrangements in the amount of TEUR 111,112.8 (31/12/2019: TEUR 106,003.5).
Securities include TEUR 318,941.2 (31/12/2019: TEUR 351,060.4) in public listed bonds.

27. Assets at fair value through other comprehensive income

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME in EUR 1,000	31/12/2020	31/12/2019
Loans	912,893.4	1,225,105.2
Securities	60,135.3	53,833.1
Equity instruments	834.6	1,630.7
Other	40.4	6.1
Total	**973,903.7**	**1,280,575.1**

Assets measured at fair value through other comprehensive income include assets which are used to generate revenue through contractual cash flows and sales.

Securities include public bonds in the amount of TEUR 33,887.3 (31/12/2019: TEUR 27,678.3), of which TEUR 25.0 (31/12/2019: TEUR 24.8) are listed, and other listed bonds in the amount of TEUR 26,248.0 (31/12/2019: TEUR 26,154.8).

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

As of 31 December 2020, risk provisions (see also Note 8) for financial assets measured at fair value through other comprehensive income amounted to TEUR 2,645.7 (31/12/2019: TEUR 2,724.5).

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

EQUITY INSTRUMENTS in EUR 1,000	Carrying amounts 31/12/2020	Carrying amounts 31/12/2019
Investment in Kommunalnet E-Government Solutions GmbH	834.6	1,147.7
Investment in TrendMind IT Dienstleistung GmbH	0.0	483.0
Total	**834.6**	**1,630.7**

TrendMind IT Dienstleistung GmbH (TrendMind), an IT specialist for financial products, SAP and subsidy processing software that was also held to support the core business, was reorganised and sold in the first half of 2020. This step was taken in the interests of structural efficiency and involved reincorporating some of TrendMind's services into the bank, making it easier to focus on internal areas of responsibility. The fair value as of the time of disposal was TEUR 483.0. In the reporting year, income from long-term equity investments included TEUR 302.0.

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 355.9 (1/1–31/12/2019: 216.1).

28. Risk provisions

28.1. Development in risk provisions

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

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

1 Includes the net provisioning for impairment losses of the assets of sub-fund Fidelio KA Infrastructure Debt Fund Europe 1 fully consolidated in the period 1/1/2020-30/09/2020 in stage 1 (see Note 3).
Income from the deconsolidation of the sub-fund as of 1/10/2020 is shown in other comprehensive income.

As of 31 December 2020, the total provisions for expected credit losses according to IFRS 9 amounted to TEUR 4,272.3 (31/12/2019: TEUR 4,581.3), of which TEUR 1,626.6 (31/12/2019: TEUR 1,856.8) were set up for assets measured at amortised cost and reduced the carrying amount accordingly. Provisions of TEUR 2,645.7 (31/12/2019: TEUR 2,724.5) for expected credit losses were set up for assets measured at fair value through other comprehensive income. A provision of TEUR 306.8 (31/12/2019: TEUR 531.0) was set up for expected losses from credit commitments. Moreover, an amount of TEUR 63.5 (31/12/2019: TEUR 39.4) was booked for expected credit losses from other financial assets and trade receivables.

COVID-19 prompted an evaluation of, and update to, the IFRS 9 probabilities of default (PDs), which serve as the basis for calculating ECL (expected credit loss), in 2020. The model evaluation did not reveal any need to change the methodology used, and the definition of the macroeconomic scenarios, including their weightings, also remained unchanged. The LGD values were also adjusted following a regular evaluation based on external benchmarks paying increased attention to the usual high level of collateral in the infrastructure and energy portfolio which leads to higher recovery values. This resulted in a reduction to risk provisions of TEUR 480.2.

Since March 2020, Kommunalkredit has been continuously reviewing all infrastructure and energy transactions in terms of the possible impact of the COVID-19 crisis on borrowers, whether it be in the form of potential interruptions in the supply chain, delayed completion, low demand, a decline in market prices (e.g. electricity), or changes in user behaviour for projects with traffic or demand risks, etc.

Due to availability models and structural risk mitigation factors, the bank portfolio has proven to be relatively resistant to the impact of the COVID-19 pandemic. There were only isolated rating downgrades in the infrastructure portfolio, in particular in relation to financing involving market or traffic risks that had a negative impact on the risk provisions. A transfer was made in the second half of 2020 from level 1 (one-year ECL) to level 2 (lifetime ECL) for an exposure in the infrastructure portfolio. This meant there were three exposures at level 2 with a total exposure value of TEUR 51,994.0 as of 31 December 2020. All loans in the infrastructure portfolio were serviced in accordance with contract terms without the need for deferrals.

Isolated deferrals (credit volume of TEUR 29,452.0, deferred interest payments and repayments of TEUR 1,488.0) were granted in the Austrian municipality and municipal-related portfolios due to temporary liquidity shortages. There were no long-term financial difficulties/deteriorations in credit ratings as of 31 December 2020.

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

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

	Change in parameters	Change in %	Change in TEUR
ECL sensitivity in the event of a change in the gross domestic product growth rate	plus 1.0%	-9.3%	-400.0
	minus 1.0%	+17.7%	+755.0
ECL sensitivity in the event of a change in the unemployment forecast	plus 1.0%	+0.3%	+14.0
	minus 1.0%	-1.4%	-61.0
ECL sensitivity in the event of a change in the share indices	plus 20.0%	-12.6%	-538.0
	minus 20.0%	+7.7%	+327.0

The comparative figures for the period from 1 January 2019 to 31 December 2019 are as follows:

RISK PROVISIONS in EUR 1,000	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
Risk provisions as of 1/1/2019	**1,990.1**	**121.8**	**0.0**	**2,111.9**
Changes with impact on P&L	-18.8	276.2	0.0	257.4
Addition of new financial assets	2,095.3	0.0	0.0	2,095.3
Changes in risk parameters (PD/LGD/EAD)	1,145.0	0.0	0.0	1,145.0
Fair value effects	-585.8	-36.5	0.0	-622.3
Foreign currency effects and other changes	6.7	13.5	0.0	20.3
Disposals of financial assets/repayments	-426.4	0.0	0.0	-426.4
Total net change in P&L during the reporting period	**2,216.0**	**253.2**	**0.0**	**2,469.2**
Risk provisions as of 31/12/2019	4,206.3	375.0	0.0	4,581.3
of which assets at amortised cost	*1,481.8*	*375.0*	*0.0*	*1,856.8*
of which assets at fair value through other comprehensive income	*2,724.5*	*0.0*	*0.0*	*2,724.5*

28.2. Development of gross carrying amounts in connection with risk provisions

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

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

The carrying amount of TEUR 929.4 (31/12/2019: TEUR 1,647.5) in the “Not rated” category relates primarily to investments that are not part of the scope of consolidation and are included in the “Assets at fair value through other comprehensive income” item.

There were no modifications, either substantial or non-substantial, in stage 2 financial instruments during the reporting year. Kommunalkredit had no stage 3 financial instruments during the reporting year, as in the previous year. There were no downward stage transfers due to modifications during the reporting year.

The comparative figures as of 31 December 2019 are as follows:

CARRYING AMOUNTS 31/12/2019 in EUR 1,000	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	12m ECL	Lifetime ECL
AAA	82,470.2	0.0	0.0	0.0	82,470.2
AA+	25.2	0.0	0.0	0.0	25.2
AA	990,976.8	0.0	0.0	0.0	990,976.8
AA-	238,352.2	0.0	0.0	0.0	238,352.2
A+	238,735.3	0.0	0.0	0.0	238,735.3
A	234,259.0	0.0	0.0	0.0	234,259.0
A-	114,726.2	0.0	0.0	0.0	114,726.2
BBB+	177,921.6	0.0	0.0	0.0	177,921.6
BBB	347,453.7	0.0	0.0	0.0	347,453.7
BBB-	364,704.2	0.0	0.0	0.0	364,704.2
BB+	90,199.7	0.0	0.0	0.0	90,199.7
BB	222,810.9	0.0	0.0	0.0	222,810.9
BB-	145,822.6	6,001.7	0.0	0.0	151,824.3
B+	79,563.4	0.0	0.0	0.0	79,563.4
B	6,535.9	15,228.7	0.0	0.0	21,764.6
Not rated	0.0	0.0	0.0	1,647.5	1,647.5
Gross carrying amounts	**3,334,557.0**	**21,230.4**	**0.0**	**1,647.5**	**3,357,434.9**
Risk provisions	**4,196.1**	**375.0**	**0.0**	**0.0**	**4,571.1**
Carrying amounts after risk provisions	**3,330,360.9**	**20,855.4**	**0.0**	**1,647.5**	**3,352,863.8**
of which assets at amortised cost	*2,051,424.7*	*20,855.4*	*0.0*	*8.6*	*2,072,288.7*
of which assets at fair value through other comprehensive income	*1,278,936.3*	*0.0*	*0.0*	*1,638.8*	*1,280,575.1*

28.3. Forbearance

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

On account of the quality of its portfolio and/or its credit risk profile, forbearance practices are of minor importance for Kommunalkredit. During the preceding financial year, there were occasional temporary deferrals to the bridging of short-term liquidity bottlenecks in the public finance portfolio due to the COVID-19 pandemic; however, measures were not required due to financial difficulties. In Kommunalkredit's entire portfolio, there was still only a single counterparty rated "BB+" (31/12/2019: a counterparty with a "BB-" rating), with a carrying amount after risk provisions of TEUR 5,387.3 (31/12/2019: TEUR 5,725.5) classified as a forbearance exposure ("forbearance performing") as of 31 December 2020. This exposure is assigned to stage 2 for the ECL calculation, with provisions being set up based on the lifetime ECL.

29. Assets at fair value through profit or loss

ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in EUR 1,000	31/12/2020	31/12/2019
At fair value through profit or loss	295,196.1	254,657.3
Total	**295,196.1**	**254,657.3**

The assets measured at fair value through profit or loss are assets with a carrying amount of TEUR 195,297.5 (31/12/2019: TEUR 215,874.2) which are assigned to the sell business model due to their short-term intentions of syndication. Assets whose cash flows are not solely interest payments and repayments on the outstanding capital amount are included with a carrying amount of TEUR 99,898.6 (31/12/2019: TEUR 38,783.1).

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

30. Derivatives

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

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

DERIVATIVES in EUR 1,000	31/12/2020	31/12/2019
Interest-related transactions	134,690.2	173,701.5
of which in fair value hedges	*133,713.2*	*172,013.2*
of which in portfolio hedge	*0.0*	*0.0*
Currency-related transactions	1,233.7	11,253.1
of which in fair value hedges	*0.0*	*0.0*
Total	**135,924.0**	**184,954.6**

31. Investments in associates

The carrying amount of the investment in Kommunalleasing GmbH which has not generated any new business since 2008 amounts to TEUR 0.0 as was the case in the previous year. The value in use, calculated on the basis of the present value of the expected future cash flows, also confirms this value as of 31 December 2020. There were no non-recognised losses for this at-equity investment for Kommunalkredit in the reporting year or on a cumulative basis.

As of 31 December 2020, the assets and liabilities of this company amounted to TEUR 59,840.8 (31/12/2019: TEUR 66,658.0) and TEUR 53,940.2 (31/12/2019: TEUR 60,775.2), respectively; revenues amounted to TEUR 330.0 (1/1–31/12/2019: TEUR 471.8), and the profit for the year according to IFRS came to TEUR 17.7 (1/1–31/12/2019: TEUR 166.0)

32. Property, plant and equipment

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

PROPERTY, PLANT AND EQUIPMENT in EUR 1,000	31/12/2020	31/12/2019
Land and buildings	20,766.7	21,656.6
Office furniture and equipment	2,125.5	2,089.6
Right-of-use assets	1,538.7	1,724.4
Total	**24,430.9**	**25,470.6**

33. Leases

The right-of-use assets capitalised in 2020 resulted from lease agreements relating to the rental of buildings and leased vehicles. These are included under property, plant and equipment in the statement of financial position.

The right-of-use assets showed the following development in 2020:

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

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

RIGHT-OF-USE ASSETS 2019 in EUR 1,000	Buildings	Leased vehicles	Total
Carrying amount 1/1/2019	196.8	0.0	196.8
Additions 1/1–31/12/2019	1,566.8	46.8	1,613.6
Depreciation 1/1–31/12/2019	-74.3	-11.7	-86.0
Carrying amount 31/12/2019	**1,689.3**	**35.1**	**1,724.4**

Agreements regarding the stability of lease payment values have been agreed with some lessors. No adjustments were made to lease payments in the current and previous financial year due to the development of indices.

Kommunalkredit elects not to recognise short-term leases with terms of less than twelve months, instead recognising payments made under these agreements as expenses over the term of the lease. There are currently only expenses from a leasing relationship; the expense amounted to TEUR 39.3 in 2020 (1/1–31/12/2019: TEUR 38.9).

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, and the replacement value of the equipment in question does not exceed TEUR 15.0 in each case. This resulted in an expense of TEUR 76.2 in 2020 (1/1–31/12/2019: TEUR 92.4).

The cash outflows from lease agreements (both capitalised leases, and short term leases and leases of low-value assets) amounted to TEUR 317.6 in 2020 (1/1–31/12/2019: TEUR 218.1).

Kommunalkredit has not concluded any material agreements in which it serves as lessor.

34. Intangible assets

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

35. Schedule of non-current asset transactions

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

As of 31 December 2020, the schedule of non-current asset transactions is as follows:

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

SCHEDULE OF NON-CURRENT ASSET TRANSACTIONS 2019 in EUR 1,000	Acquisition costs				
	as of 1/1/2019	Additions	Disposals	Reclassifications	as of 31/12/2019
Property, plant and equipment	**45,693.1**	**1,827.0**	**0.0**	**0.0**	**47,520.1**
Land and buildings	37,791.5	3.6	0.0	0.0	37,795.1
Office furniture and equipment	7,704.8	209.8	0.0	0.0	7,914.6
Right-of-use assets	196.8[1]	1,613.6	0.0	0.0	1,810.4
Intangible assets	**4,530.1**	**144.4**	**0.0**	**0.0**	**4,674.4**
Total of property, plant and equipment and intangible assets	**50,223.2**	**1,971.4**	**0.0**	**0.0**	**52,194.5**

1 Effect from first adoption of IFRS 16: as of 1/1/2019, obligations from rental agreements in the amount of TEUR 196.8 were capitalised.

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

Cumulative depreciation and amortisation					
as of 1/1/2019	Additions	Disposals	as of 31/12/2020	Carrying amount 31/12/2019	Carrying amount 31/12/2018
20,664.4	**1,385.0**	**0.0**	**22,049.5**	**25,470.6**	**24,831.8**
15,221.4	917.0	0.0	16,138.5	21,656.6	22,570.1
5,443.0	382,0	0.0	5,825.0	2,089.6	2,261.8
0.0	86.0	0.0	86.0	1,724.4	0.0
4,326.2	**101.6**	**0.0**	**4,427.8**	**246.6**	**203.9**
24,990.6	**1,486.7**	**0.0**	**26,477.3**	**25,717.2**	**25,035.7**

36. Tax assets

TAX ASSETS in EUR 1,000	31/12/2020	31/12/2019
Current tax assets	1,352.5	4,568.9
Deferred tax assets	4,005.2	9,141.8
Total	**5,357.7**	**13,710.7**

There are no plans to realise deferred tax assets resulting from financial instruments and provisions (apart from measurement effects and maturities) within the coming twelve months. Current tax assets arise from current tax accounting and are of a short-term nature.

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 tax assets also include capitalised tax loss carryforwards. The origin and development of deferred tax assets is shown in the following table:

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

1 Deferred tax 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 recognised in P&L amounting to TEUR -11,868.3 is included in the deferred tax expense (TEUR -11,249.1).

The remaining TEUR 619.2 is attributed to the fund units fully consolidated by 30 September 2020 and is included in the result from the deconsolidation under other operating result.

The comparative figures as of 31 December 2019 are as follows:

DEFERRED TAXES in EUR 1,000	as of 31/12/2018	Change recognised in P&L	Change recognised in OCI	as of 31/12/2019
Deferred taxes from temporary differences in asset-side positions				
Tax loss carryforwards	14,276.1	1,001.0	0.0	15,277.1
Loans and advances to banks[1]	4,608.7	-6,327.3	0.0	-1,718.6
Loans and advances to customers[1]	-13,093.7	-10,975.6	0.0	-24,069.3
Assets at fair value through profit or loss	0.0	12,651.5	0.0	12,651.5
Assets at fair value through other comprehensive income	-38,250.3	-3,033.8	250.8	-41,033.3
Derivatives	-43,714.6	5,462,0	0.0	-38,252.6
Portfolio hedge	-202,0	-641.1	0.0	-843.1
Investments in associates	107.1	-26.8	0.0	80.4
Property, plant and equipment	-11.4	-586.4	0.0	-597.8
Amounts owed to banks	0.0	0.0	0.0	0.0
Amounts owed to customers	-682.4	3,147.4	0.0	2,465.0
Derivatives	41,521.6	4,887.9	0.0	46,409.5
Securitised liabilities[1]	39,614.1	-5,742.4	0.0	33,871.8
Subordinated liabilities	386.8	-134.0	0.0	252.8
Provisions	1,387.8	-588.1	125.5	925.2
Provisions for expected losses	53.1	318.0	0.0	371.2
Other liabilities	182.1	3,169.9	0.0	3,352.1
Total	**6,183.3**	**2,582.3**	**376.2**	**9,141.8**

1 Deferred tax 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 asset item booked for deferred tax assets in the amount of TEUR 4,005.2 (31/12/2019: TEUR 9,141.8) comprises TEUR 7,114.1 (31/12/2019: TEUR 15,277.1) in capitalised tax loss carryforwards and TEUR -3,108.9 (31/12/2019: TEUR -6,135.3) in temporary differences, as shown in the above table.

Of the tax loss carryforwards as of 31 December 2020 in the amount of TEUR 28,456.2 (31/12/2019: TEUR 61,108.6), the full amount (31/12/2019: the full amount) was taken into account due to its probable use in the near future based on tax budgeting. Given a tax rate of 25%, this resulted in an asset item of TEUR 7,114.1 (31/12/2019: TEUR 15,277.1). For the calculation of the expected future use of the tax loss carryforward, the effects of the tax group formed in 2016 pursuant to § 9 of the Corporate Income Tax Act with Satere Beteiligungsverwaltungs GmbH as the group parent (for details see Note 20) were taken into account.

Given a tax rate of 25%, the use of tax loss carryforwards in the reporting year amounted to TEUR 8,163.1 (previous year: TEUR 8,362.6)

The capitalised tax loss carryforward as of 31 December 2020 is to be realised within the coming twelve months in an amount of TEUR 7,072.4. The balance of TEUR 41.7 is expected to be used in the following three years.

37. Other assets

OTHER ASSETS in EUR 1,000	31/12/2020	31/12/2019
Other assets	2,604.5	5,095.3
Deferred income	2,277.6	2,364.6
Total	**4,882.1**	**7,460.0**

Other assets comprise the following material items: trade receivables in the amount of TEUR 929.3 (31/12/2019: TEUR 398.5) and receivables from the settlement of payments under support programmes in the amount of TEUR 845.5 (31/12/2019: TEUR 680.1).

The prepaid expenses mainly comprise fees and other general and administrative expenses recognised according to the accruals concept.

38. Amounts owed to banks

AMOUNTS OWED TO BANKS in EUR 1,000	31/12/2020	31/12/2019
Repayable on demand	51,643.8	79,833.3
Andere Verbindlichkeiten	468,685.3	407,327.2
Total	**520,329.1**	**487,210.5**

Amounts owed to banks 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 51,643.8 (31/12/2019: TEUR 79,882.9). Other amounts owed to banks include TEUR 374,610.0 (31/12/2019: TEUR 309,889.0) in medium-term funds from the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB) and TEUR 55,599.8 (31/12/2019: TEUR 57,299.3) in collateralised loans of the European Investment Bank.

39. Amounts owed to customers

AMOUNTS OWED TO CUSTOMERS in EUR 1,000	31/12/2020	31/12/2019
Deposits by corporates, municipalities and quasi-municipal enterprises	920,908.3	807,696.0
Deposits by retail customers – KOMMUNALKREDIT INVEST	851,782.1	585,276.0
Cash collateral received for positive market values of derivatives	51,417.3	58,852.8
Long-term private placements	273,241.5	281,126.7
Other long-term liabilities to customers	18,559.5	139,303.0
Total	**2,115,908.8**	**1,876,254.5**

Amounts owed to customers include TEUR 307,685.1 (31/12/2019: TEUR 174,186.1) repayable on demand.

40. Securitised liabilities

SECURITISED LIABILITIES in EUR 1,000	31/12/2020	31/12/2019
Bonds issued	837,038.5	934,428.8
Other securitised liabilities	260,641.2	338,398.4
Total	**1.097,679.7**	**1,272,827.2**

The securitised liabilities reported under “Bonds issued” and “Other securitised liabilities” comprise covered bonds issued by Kommunalkredit with a carrying amount of TEUR 889,583.2 (31/12/2019: TEUR 1,134,462.2) which are collateralised by a cover pool. Besides covered bonds, this statement of financial position item primarily includes senior unsecured bonds with long maturities.

In the reporting period, Kommunalkredit redeemed securitised liabilities in the nominal amount of TEUR 169,062.4 (31/12/2019: TEUR 93,612.1) at maturity according to schedule, and bought back/prematurely redeemed securitised liabilities with a value of TEUR 19,761.4 (31/12/2019: TEUR 26,221.7).

41. Subordinated liabilities

As of 31 December 2020, subordinated liabilities were broken down as follows:

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

The comparative figures as of 31 December 2019 are as follows:

TYPE OF LIABILITY	Interest rate 31/12/2019	Currency	Nominal value in EUR 1,000	Carrying amount in EUR 1,000
Subordinated bonded loan 2007-2022	4.67%	EUR	10,000.0	10,988.9
Subordinated bonded loan 2007-2022	4.67%	EUR	10,000.0	10,988.9
Subordinated bonded loan 2007-2047	5.02%	EUR	10,000.0	10,222.4
Subordinated bonded loan 2007-2047	5.02%	EUR	9,000.0	9,200.2
Subordinated bonded loan 2007-2037	5.08%	EUR	10,000.0	10,284.2
Subordinated bonded loan 2007-2037	5.08%	EUR	800.0	822.7
Subordinated bonded loan 2007-2037	5.08%	EUR	10,200.0	10,489.9
Subordinated bond 2006-2021	5.40%	EUR	5,000.0	5,539.2
Total			**65,000.0**	**68,536.4**

Kommunalkredit's subordinated liabilities add up to a nominal value of TEUR 65,000.0, unchanged from the previous year, and carrying amounts of TEUR 68,302.4 (31/12/2019: TEUR 68,536.4). The difference between the carrying amount and the nominal value is due to hedge accounting according to IFRS 9. Interest expenses for all subordinated liabilities in the reporting period amounted to TEUR 2,675.8 (1/1–31/12/2019: TEUR 2,672.7). 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.

42. Derivatives

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

DERIVATIVES in EUR 1,000	31/12/2020	31/12/2019
Interest-related transactions	208,525.5	209,994.7
of which in fair value hedges	*96,795.5*	*93,943.3*
of which in portfolio hedge	*74,693.8*	*77,697.3*
Currency-related transactions	10,458.1	9,542.6
of which in fair value hedges	*0.0*	*0.0*
Other transactions	3,976.1	0.0
Total	**222,959.7**	**219,537.3**

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

43. Provisions

As of 31 December 2020, long-term personnel provisions and provisions for expected losses from credit commitments were reported under provisions.

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

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

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

The comparative figures as of 31 December 2019 are as follows::

PROVISIONS in EUR 1,000	Changes			
	Initial value 1/1/2019	reported in income statement	reported in total comprehensive income/equity	End value 31/12/2019
Provisions for pensions	1,037.7	38.8	83.2	1,159.6
Provisions for severance pay	4,947.8	-247.9	418.7	5,118.7
Provisions for jubilee bonuses	232.8	-38.7	0.0	194.1
Provision for restructuring[1]	2,500.0	-2,500.0	0.0	0.0
Provisions for expected losses on credit commitments	198.7	332.3	0.0	531.0
Total	**8,917.0**	**-2,415.5**	**501.9**	**7,003.4**

1 The provision for restructuring was used up in full in 2019.

The actuarial provision requirement for personnel provisions changes in 2019 as follows:

CHANGE IN PERSONNEL PROVISIONS in EUR 1,000		Provision for			Total
		pension obligations	severance pay	jubilee bonuses	
as of 31/12/2019					
Present value of defined benefit obligation DBO		1,492.4	4,947.8	232.8	6,673.1
Plan assets		-454.7	0.0	0.0	-454.7
Actuarial provisioning requirement as of		**1,037.7**	**4,947.8**	**232.8**	**6,218.4**
Current service cost		36.0	271.1	7.2	
Interest cost		29.9	73.3	1.0	
Actuarial gains (-) / losses (+) from DBO		142.5	418.7	*0.2*	
of which due to changes in demographic assumptions		*0.0*	*71.4*	*0.0*	
of which due to empirical changes		*-96.5*	*-153.2*	*-2.3*	
of which due to changes in financial assumptions		*239.0*	*500.5*	*2.5*	
Payments		-17.9	-592.2	-47.2	
Other changes		0.0	0.0	0.0	
Change DBO 2019		**190.5**	**170.9**	**-38.8**	
Change in plan assets 2019		**-68.5**	**0.0**	**0.0**	
DBO as of 31/12/2019		1,682.8	5,118.7	194.1	6,995.6
Plan assets		-523.2	0.0	0.0	-523.2
Actuarial provisioning requirement as of 31/12/2019		**1,159.6**	**5,118.7**	**194.1**	**6,472.4**
Duration of defined benefit obligation in years		15.6	10.6		
Sensitivity of DBO to change in actuarial interest rate by	plus 0.5%	-7.4%	-5.1%		
	minus 0.5%	8.5%	5.5%		
Sensitivity of DBO to deviation of salary development by	plus 0.5%		5.3%		
	minus 0.5%		-4.9%		
Sensitivity of DBO to deviation of pension increase by	plus 0.5%	7.0%			
	minus 0.5%	-6.4%			

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

DEVELOPMENT OF THE FAIR VALUE OF PLAN ASSETS in EUR 1,000	2020	2019
as of 1/1	**523.2**	**454.7**
Interest income	5.4	9.2
Actuarial result due to empirical changes	-9.7	59.3
Fund payments	-0.4	0.0
Changes in the financial year	-4.8	68.5
as of 31/12	**518.5**	**523.2**

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

PLAN ASSETS BY ASSET CLASS in EUR 1,000	31/12/2020	31/12/2019
Securities – euro	25.3%	32.9%
Securities – euro emerging markets	2.9%	11.6%
Securities – euro corporate	20.6%	12.4%
Term deposits	1.3%	3.6%
Equity instruments – euro	10.4%	11.8%
Equity instruments – non-euro	10.4%	9.4%
Equity instruments – emerging markets	6.4%	3.5%
Alternative investments	14.5%	5.1%
Real estate	4.6%	4.2%
Cash and cash equivalents	3.7%	5.6%
Total	**100.0%**	**100.0%**

As of 31 December 2020, 16.9% (31/12/2019: 17.6%) of the plan assets had a market price listed on an active market. For 2021, 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 1/1/2021	**1,827.3**
Expected current service cost	14.8
Expected interest cost	9.5
Expected payments	-80.9
Expected actuarial result	-15.5
DBO as of 31/12/2021	**1,755.3**

EXPECTED DEVELOPMENT OF PLAN ASSETS in EUR 1,000	
Plan assets as of 1/1/2021	**518.5**
Expected interest income	2.7
Expected payments by pension fund	-3.0
Expected contribution by employer	0.3
Expected actuarial result	0.0
Expected plan assets as of 31/12/2021	**518.5**

44. Current tax liabilities

Current tax liabilities as of 31 December 2020 came to TEUR 489.8 (31/12/2019: TEUR 1,107.1). Of this, TEUR 6.9 (31/12/2019: TEUR 123.5) was attributable to current corporate income tax and TEUR 482.9 (31/12/2019: EUR 983.6) was attributable to the offsetting of VAT and other taxes and are therefore current in nature.

45. Other liabilities

OTHER LIABILITIES in EUR 1,000	31/12/2020	31/12/2019
Other liabilities	12,422.9	14,364.8
Personnel liabilities	13,448.5	10,187.5
Lease liabilities	1,551.5	1,726.1
Deferred income	3,843.7	3,412.3
Total	**31,266.6**	**29,690.7**

Other liabilities mainly include obligations for personnel expenses and accruals for audit, legal and consulting expenses. Deferred income mostly contains fee and guarantee commission income on an accrual basis.

46. Total capital

A. Development and composition

The share capital of Kommunalkredit as of 31 December 2020 amounted to EUR 172,659,452.81 as was the case in the previous year.

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

By way of a resolution passed by the Annual General Meeting held on 27 June 2019, the Executive Board was authorised to increase the share capital of the company through the issue of up to 16,783,555 new no-par-value registered shares by a maximum amount of EUR 86,329,723.84 (authorised capital), subject to approval by the Supervisory Board, within a period of five years following registration of the amendment to the Articles of Association.The development and composition of equity as reportable according to IFRS is declared under Item IV (statement of changes in equity).

B. Servicing of equity / proposal for appropriation of profit

The profit for the year 2020 of Kommunalkredit Austria AG according to Austrian GAAP is TEUR 33,561.5. Taking into account the appropriation to reserves in the amount of TEUR 23,778.1 and the profit carried forward from the previous year of TEUR 10,587.7, the net profit comes to TEUR 20,371.1. The Executive Board will propose to the Annual General Meeting to be held on 23 March 2021 that an amount of TEUR 3,384.4 be distributed from the net profit and that the remaining TEUR 16,986,7 be carried forward to new account.

C. Equity management and regulatory capital indicators

Just as in the previous year, we adhered to the statutory equity 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 takes the form of not only ongoing monitoring activities but also monthly reports to the Executive Board. Equity management is also elucidated under Note 68.

C.1. Regulatory group of credit institutions

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

The total capital and total capital requirements of the group of credit institutions pursuant to Austrian GAAP, calculated according to the CRR, show the following structure and development:

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	2020	2019
Total risk exposure amount pursuant to Art. 92 CRR	**1,687,514.4**	**1,671,045.2**
of which credit risk	*1,541,045.4*	*1,539,779.1*
of which operational risk	*132,852.2*	*116,693.8*
of which CVA charge	*12,444.2*	*14,445.6*
of which default fund of a qualifying counterparty	*1,172.6*	*126.7*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	2020	2019[1]
Common equity tier 1 after deductible items (CET 1)	337,901.9	307,336.4
Tier 2 capital after deductible items	48,728.9	52,889.9
Eligible total capital (tier 1 and tier 2)	**386,630.8**	**360,226.3**
Total capital ratio	22.9%	21.6%
CET 1 ratio	20.0%	18.4%

1 2019 values take into consideration the full retention of the 2019 profit for the year.

The total capital disclosed reflect the annual net income values of the consolidated group companies in accordance with Austrian GAAP amounting to TEUR 33,703.3 (2019: TEUR 29,282.9) less the planned dividend of TEUR 3,384.4 (the annual net income was retained in its entirety in 2019 to effect a capital increase).

C.2. Regulatory total capital of Kommunalkredit Austria AG

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

BASIS FOR CALCULATION PURSUANT TO ART. 92 CRR in EUR 1,000	2020	2019
Total risk exposure amount pursuant to Art. 92 CRR	**1,692,204.9**	**1,675,668.2**
of which credit risk	*1,547,049.3*	*1,545,515.6*
of which operational risk	*131,538.8*	*115,580.3*
of which CVA charge	*12,444.2*	*14,445.6*
of which default fund of a qualifying counterparty	*1,172.6*	*126.7*

TOTAL CAPITAL – ACTUAL in EUR 1,000 or %	2020	2019[1]
Common equity tier 1 after deductible items (CET 1)	344,044.6	313,620.9
Tier 2 capital after deductible items	48,728.9	52,889.9
Eligible total capital (tier 1 and tier 2)	**392,773.6**	**366,510.8**
Total capital ratio	23.2%	21.9%
CET 1 ratio	20.3%	18.7%

1 2019 values take into consideration the full retention of the 2019 profit for the year.

The total capital disclosed reflect the annual net income values of Kommunalkredit in 2020 in accordance with Austrian GAAP amounting to TEUR 33,561.5 (2019: TEUR 30,303.1) less the planned dividend of TEUR 3,384.4 (the annual net income was retained in its entirety in 2019 to effect a capital increase).

Notes on the income statement of the Kommunalkredit Group

47. Net interest income

NET INTEREST INCOME in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019 (adjusted)	Adjustment	1/1-31/12/2019
Interest income	**95,037.6**	**76,195.5**	**-90,605.3**	**166,800.8**
Interest income from loans and advances to banks	5,837.8	3,590.1		3,590.1
Interest income from loans and advances to customers	60,145.5	54,839.0		54,839.0
Interest income from assets at fair value through other comprehensive income	41,093.8	39,895.9		39,895.9
Interest income from assets at fair value through profit or loss	13,266.6	3,045.6	3,045.6	0.0
Interest income from derivatives	-34,331.4	-34,513.9	-90,605.3	56,091.4
Interest income not from derivatives	356.3	0.0		0.0
Interest income from maturing derivatives in the portfolio hedge	8,508.8	9,258.7		9,258.7
Interest income from other assets and changes in estimates	160.1	80.1		80.1
Income similar to interest income	0.0	0.0	-3,045.6	3,045.6
Interest expenses	**-17,914.5**	**-17,602.5**	**90,605.3**	**-108,207.8**
Interest expenses for amounts owed to banks	-5,926.9	-3,006.0		-3,006.0
Interest expenses for amounts owed to customers	-11,883.9	-13,154.5		-13,154.5
Interest expenses for derivatives	33,108.8	41,616.7	90,605.3	-48,988.6
Interest expenses not for derivates	-2,984.2	-2,948.6	-2,948.6	0.0
Interest expenses for securitised liabilities	-27,359.2	-37,433.5		-37,433.5
Interest expenses for subordinated capital	-2,675.8	-2,672.7		-2,672.7
Interest expenses for other liabilities and changes in estimates	-193.3	-3.8		-3.8
Expenses similar to interest expenses	0.0	0.0	2,948.6	-2,948.6
Net interest income	**77,123.1**	**58,593.0**	**0.0**	**58,593.0**

The interest income and expenses from derivative transactions that are part of hedges, which were previously reported in gross terms, have been reported on a net basis in the underlying transaction since the beginning of the 2020 financial year (see also Note 4). The previous year's figures have also been adjusted in the table above to reflect this change. Following this change, interest income from derivatives in hedge relationships fell by TEUR 90,605.3 due to the presentation in net terms. Income from derivatives in hedge relationships of TEUR 90,605.3 was recognised in profit or loss under interest expenses. The negative amounts from derivatives in hedge relationships reported under interest income are therefore offset by the interest income from the respective hedged items on the assets side. Conversely, the positive amounts from derivatives in hedge relationships reported under interest expenses are offset by the interest expenses from the particular hedged item on the liabilities side. Furthermore, reporting changes were made to the items "Income similar to interest income" and "Expenses similar to interest expenses" from the previous year. The items included interest income and expenses from stand-alone derivatives as well as assets and liabilities reported at fair value through profit or loss. To ensure a clearer presentation, these amounts are now shown separately on their own row in the table above.

Net interest income rose year on year by 32% to TEUR 77,123.1 (1/1–31/12/2019: TEUR 58,593.0). This increase is due to the strong growth in new business.

Interest income from assets recognised at fair value through profit or loss amounted to TEUR 13,266.6 (1/1–31/12/2019: TEUR 3,045.6) in the reporting year. The increase is primarily due to the higher share of loans in the portfolio with cash flows which are not solely repayments and interest payments on the outstanding capital amount and therefore make a higher contribution to interest income in this category than loans with short-term intentions of syndication.

Due to the negative interest rates applied to credit with Oesterreichische Nationalbank (OeNB) and to other deposits with banks, the net interest income was reduced by TEUR 2,511.9 (1/1–31/12/2019: TEUR 1,562.1) in 2020 and is reported under interest expense for amounts owed to banks in the table above.

TEUR 1,316.9 (1/1–31/12/2019: TEUR 1,273.2) in interest income was collected in 2020 as part of the specific long-term refinancing transactions of the ECB (TLTRO III). TEUR 328.3 of this amount is attributable to deferred interest income which was recognised in profit or loss due to the probable achievement of new lending targets. Interest income was collected from negative interest of TEUR 3,835.8 (1/1–31/12/2019: TEUR 418.9) for other loans. Income from negative interest for loans are reported under interest income for loans and advances to banks.

48. Net fee and commission income

NET FEE AND COMMISSION INCOME in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Fee and commission income	**30,347.4**	**26,718.2**
Management of support programmes and consultancy business	15,608.6	15,400.5
Lending business	13,526.9	10,090.2
Other service business	1,211.8	1,227.6
Fee and commission expenses	**-1,822.4**	**-1,818.4**
Lending business	-974.9	-843.6
Securities business	-445.3	-555.4
Money and FX trading	-333.3	-263.5
Other service business	-68.9	-155.9
Net fee and commission income	**28,525.0**	**24,899.8**

The net fee and commission income of TEUR 28,525.0 (1/1–31/12/2019: TEUR 24,899.8) was largely shaped by the revenue from Kommunalkredit Public Consulting GmbH (KPC) in relation to the management of support programmes and consultancy business amounting to TEUR 15,608.6 (1/1–31/12/2019: TEUR 15,400.5). Fee and commission income from the lending business rose by 34.1% in 2020 to TEUR 13,526.9 (1/1–31/12/2019: TEUR 10,090.2) 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 -974.9 (1/1–31/12/2019: TEUR -843.6), from the securities business in the amount of TEUR -445.3 (1/1–31/12/2019: TEUR -555.4) as well as money and FX trading in the amount of TEUR -333.3 (1/1–31/12/2019: TEUR -263.5). All fee and commission income and expenses are recognised according to the accruals concept.

49. Result from the derecognition of assets at fair value through other comprehensive income

Where financial 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. The result from the disposal of these assets was TEUR 223.9 (1/1–31/12/2019: TEUR 4,300.4) in the reporting year.

50. Net provisioning for impairment losses

NET PROVISIONING FOR IMPAIRMENT LOSSES in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Change in expected losses for level 1	52.6	-2,216.0
Change in expected losses for level 2	-209.2	-253.2
Change in expected losses for level 3	0.0	0.0
Total	**-156.6**	**-2,469.2**

Net provisioning for impairment losses came to TEUR -156.6 in the 2020 reporting period (1/1–31/12/2019: TEUR -2,469.2) and only includes changes in expected credit losses in accordance with IFRS 9. Kommunalkredit’s loan portfolio was also robust under the effects of the COVID-19 pandemic: in the 2020 reporting period, as in the year before that, there was no need to impair individual assets and there were no credit losses. The non-performing loan ratio remains at 0.0%.

COVID-19 prompted an evaluation of, and update to, the IFRS 9 probabilities of default (PDs), which served as the basis for calculating ECL (expected credit loss), in the first and second half of 2020. The model evaluation did not reveal any need to change the methodology used, and the definition of the macroeconomic scenarios, including their weightings, also remained unchanged. One of the key drivers of the IFRS 9 PDs is the development in macroeconomic input parameters. The weaker macroeconomic environment in 2020 caused by COVID-19 (in particular the GDP decline and the increase in the unemployment rate) resulted in a rise in IFRS 9 PDs in the first half of 2020 and therefore in an increase in risk provisions. Taking into account the forecast economic recovery in 2021, a reduction was made to the IFRS 9 PDs in the second half of 2020. Despite the adjustment, the IFRS 9 PDs are still far above the long-term through-the-cycle PDs and are therefore deemed to be sufficiently conservative.

Please refer to Notes 8 and 28 on the development of the risk provisions.

51. General administrative expenses

GENERAL ADMINISTRATIVE EXPENSES in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Personnel expenses	**-39,019.7**	**-35,128.1**
Salaries	-30,859.6	-27,748.4
Statutory social security contributions	-7,019.0	-5,615.4
Voluntary social security contributions	-677.7	-683.1
Expenses for pensions and employee benefits	-463.4	-1,081.3
Other administrative expenses	**-16,727.1**	**-18,023.7**
Depreciation, amortisation and impairment	**-1,417.5**	**-1,486.7**
on intangible assets	-111.1	-101.6
on property, plant and equipment	-1,306.4	-1,385.0
Total	**-57,164.3**	**-54,638.5**

General administrative expenses increased in the reporting period by 4.6% or TEUR 2,525.7 to TEUR 57,164.3 (1/1–31/12/2018: TEUR 54,638.5). The increase in personnel expenses through qualitative capacity increases was partly offset by efficient cost management.

Expenses for pensions and employee benefits include TEUR 387.3 (1/1–31/12/2019: TEUR 419.1) for defined contribution plans (pension fund contributions under collective bargaining agreements) and TEUR 327.2 (1/1–31/12/2019: TEUR 289.6) for contributions to company pension plans.
Other administrative expenses include the following items:

OTHER ADMINISTRATIVE EXPENSES in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Third-party services	-5,298.4	-6,511.1
Data processing	-2,566.8	-2,741.1
Consulting and auditing fees	-3,141.4	-2,239.9
Public relations and advertising	-1,674.3	-1,809.0
External news services	-878.8	-962,0
Headhunting and personnel development	-888.5	-934.7
Rating	-265.8	-350.7
Other non-personnel administrative expenses	-2,012.9	-2,475.3
Total of other administrative expenses	**-16,727.1**	**-18,023.7**

Expenses for auditing services by the financial auditor allocable to the reporting period came to TEUR 171.6 (1/1–31/12/2019: TEUR 365.7). TEUR 45.6 of this (1/1–31/12/2019: TEUR 169.2) was attributable to the audit of the separate financial statements, TEUR 102.0 (1/1–31/12/2019: TEUR 56.7) was attributable to the audit of the consolidated financial statements, and TEUR 24.0 (1/1–31/12/2018: TEUR 139.9) was attributable to other auditing services. Other advisory services provided by the auditor came to TEUR 307.8 (1/1–31/12/2018: TEUR 102.8).

52. Bank Resolution Fund

The expense for the contribution to the European Bank Resolution Fund came to TEUR 1,764.8 (1/1–31/12/2019: TEUR 1,614.8).

53. Other operating result

OTHER OPERATING RESULT in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Other operating income	**2,165.8**	**2,695.9**
Result from the deconsolidation	1,922.8	0.0
Other operating income	242.9	1,011.4
Income from services provided to KA Finanz AG	0.0	1,684.5
Sonstiger betrieblicher Aufwand	**-1,954.8**	**-1,272.1**
Deposit guarantee regime	-1,076.3	-406.5
Bank stability tax	-652,0	-606.7
Other	-226.5	-258.9
Total	**211.0**	**1,423.8**

Other operating income includes TEUR 1,922.8 of profit from the deconsolidation of Fidelio KA Infrastructure Debt Fund Europe 1 (see Note 3). Kommunalkredit served as a service provider for the performance of operating banking transactions of KA Finanz AG until March 2019. Services amounting to TEUR 1,684.5 were billed to KA Finanz AG on the basis of these agreements in the previous year.

Other operating expenses mainly include the contribution of Kommunalkredit within the framework of the deposit guarantee regime amounting to TEUR -1,076.3 (1/1–31/12/2019: TEUR -406.5) as well as the stability tax payable by Austrian banks of TEUR -652.0 (1/1–31/12/2019: TEUR -606.7).

54. Net result of asset valuation and realised gains and losses

The net result of asset valuation and realised gains and losses for 2020 came to TEUR 350,5 (1/1–31/12/2019: TEUR -3,388.8) with a detailed breakdown as follows:

NET RESULT OF ASSET VALUATION AND REALISED GAINS AND LOSSES in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
a) Result from financial instruments measured at fair value through P&L	**-952.1**	**-7,716.4**
a1) of which loans and securities	*240.7*	*-2,634.5*
a2) of which interest and currency hedging derivatives	*-1,192.8*	*-5,081.9*
b) Result from the placement of assets	**-429.8**	**-315.6**
c) Result from the early redemption of own issues	**3,023.1**	**4,368.2**
d) Remeasurement result from fair value hedge	**-1,135.6**	**1,136.5**
d1) of which interest rate derivatives	*-39,375.0*	*-40,992.5*
d2) of which underlying instruments	*38,239.4*	*42,129.0*
e) Remeasurement result from portfolio hedge	**480.1**	**-712.5**
e1) of which interest rate derivatives	*5,838.1*	*-5,565.6*
e2) of which underlying instruments (layer)	*-5,358.1*	*4,853.2*
f) Result from modifications	**-773.3**	**-155.4**
f1) of which income from modifications	*4.5*	*81.0*
f2) of which expenses from modifications	*-777.8*	*-236.4*
g) Foreign currency valuation/Other	**138.2**	**6.4**
Total	**350.5**	**-3,388.8**

The result from financial instruments measured at fair value through profit or loss includes loans 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.

The result from the placement of assets includes the results from the sale of financial instruments recognised at fair value through profit or loss in the amount of TEUR -429.8 (1/1–31/12/2019: TEUR -315.6).

A positive result of TEUR 3,023.1 (1/1-31/12/2019: TEUR 4,368.2) was generated in 2020 from the repurchase/early redemption of own issues (securitised liabilities) and the closure of associated hedging derivatives.

The remeasurement result from the fair value hedge or the portfolio hedge indicates the ineffectivities of the hedging relationships reported in the statement of financial position by Kommunalkredit. Details on how fair value hedges and the portfolio hedge are reported in the statement of financial position (IFRS) and how effectiveness is measured are provided under Note 12.

The result from modifications shows income and expenses arising from contractual changes to cash flows. In 2020 and in the previous year, these were solely market-induced, non-substantial modifications that resulted in an effect of TEUR -773.3 (1/1–31/12/2019: TEUR -155.4).

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 is by definition allocable to assets held for trading. However, at Kommunalkredit these are not trading positions, but economic hedges.
The result of assets held for trading according to the IFRS definitions came to TEUR -1,348.9 (1/1–31/12/2019: TEUR -5,075.5) and includes the following components:

- a2) Interest rate and currency hedging derivatives of TEUR -1,192.8 (1/1–31/12/2019: TEUR -5,081.9)
- g) Foreign currency valuation of TEUR -156.1 (1/1–31/12/2019: TEUR 6.4)

55. Result from the disposal of financial assets measured at amortised cost

Kommunalkredit did not sell a significant amount of assets measured at amortised cost in the reporting year. This related to the sale of publicly listed bonds (nominal amount of TEUR 22,000.0) and a loan (nominal amount of TEUR 2,500.0) which were dedicated to the "hold" business model and reported in loans and advances to customers.

The result from the disposal of these assets was TEUR 304.7 in 2020. TEUR 239.9 of this amount was attributable to the sale of bonds and TEUR 64.8 to the sale of the loan. None of the assets measured at amortised cost were sold in the previous year.

56. Income taxes

INCOME TAXES in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Current tax expense	-333.3	-298.9
Deferred tax income/expense	-11,249.1	2,582.3
Total	**-11,582.4**	**2,283.5**

Current tax expense is calculated on the basis of the tax results from the financial year at the local tax rate applicable for the group company in question (all group companies are subject to the Austrian corporate income tax rate of 25%).

Deferred tax expense came to TEUR -11,249.1 in 2020 (1/1–31/12/2019: Deferred tax income TEUR 2,582.3). The expense is the result of the change in temporary differences in tax-related carrying amounts and IFRS carrying amounts and the change in the capitalisation of tax loss carryforwards.

In the financial year under review, capitalised loss carryforwards in the amount of TEUR 8,163.1 were used on the basis of the tax annual profit (1/1 – 31/12/2019: use of capitalised tax loss carryforwards of TEUR 8,362.6 and capitalisation of tax loss carryforwards based on tax budgeting of TEUR 9,363.6). As of 31 December 2020, capitalised deferred tax on tax loss carryforwards came to TEUR 7,114.1 (31/12/2019: 15,277.1);

Due to the formation of a tax group in accordance with § 9 of the Austrian Corporate Income Tax Act with Satere Beteiligungsverwaltungs GmbH as the group parent (see Note 19 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.

Deferred tax income does not include amounts due to changes in tax rates or to new taxes. The following reconciliation table shows the relationship between the expected and reported income taxes:

TAX RECONCILIATION TABLE in EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Profit for the year before tax	**48,008.5**	**27,321.8**
Expected tax expense in the financial year at the Austrian income tax rate (25%)	-12,002.1	-6,830.4
Decrease of tax expense due to tax-exempt income from associates	89.0	54.0
Increase of tax expense due to non-deductible items	-641.0	-1,045.5
Capitalisation of deferred tax on tax loss carryforwards	0.0	9,363.6
Deconsolidation – Tax effect reported in the deconsolidation result	619.2	0.0
Other	352.5	741.8
Income taxes	**-11,582.4**	**2,283.5**

Other disclosures

57. Significant events after the reporting date

As of 1 January 2021, Dr. Sebastian Firlinger has been appointed to the Kommunalkredit Executive Board as Chief Risk Officer (CRO). With his profound industry experience, he joins the senior management body now consisting of three people. As of 1 January 2021, the Executive Board therefore consists of Bernd Fislage (CEO), Jochen Lucht (CFO, COO) and Sebastian Firlinger (CRO).

58. Presentation of revenues by region

The business activities of Kommunalkredit are conducted primarily in the areas of municipal and infrastructure-related project financing. The bank's activities are concentrated in a single business segment, the results of which are reported regularly to the Executive Board and the Supervisory Board in the form of the consolidated financial statements prepared according to IFRS. The disclosures relating to the business segment are presented in the statement of financial position (IFRS) and the income statement of the Group. Reconciliation is therefore not required.

Information about geographical distribution for the reporting year, broken down into net interest income and net fee and commission income, is provided in the list below (additional information on the geographical distribution of the credit volume is provided in Note 68.5.4.:

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) 2020 in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	38,690.8	51,923.9	4,423.0	95,037.6
Interest and similar expenses	-10,385.2	-7,270.3	-258.9	-17,914.5
Net interest income	**28,305.5**	**44,653.5**	**4,164.0**	**77,123.1**
Fee and commission income	12,651.6	17,586.7	109.2	30,347.4
Fee and commission expenses	-258.3	-1,249.8	-314.3	-1,822.4
Net fee and commission income	**12,393.3**	**16,336.8**	**-205.1**	**28,525.0**

The comparative figures for the period from 1 January 2019 to 31 December 2019 are as follows:

PRESENTATION OF REVENUES BY REGION (REGISTERED OFFICE OF COUNTERPARTY) 2019 in EUR 1,000	Austria	Europe	Rest of the world	Total
Interest and similar income	39,332.1	34,059.4	2,804.0	76,195.5
Interest and similar expenses	-12,146.9	-5,340.6	-114.9	-17,602.5
Net interest income	**27,185.1**	**28,718.8**	**2,689.1**	**58,593.0**
Fee and commission income	11,931.0	13,634.8	1,152.5	26,718.2
Fee and commission expenses	-185.7	-1,516.8	-116.0	-1,818.4
Net fee and commission income	**11,745.3**	**12,118.1**	**1,036.5**	**24,899.8**

59. Structure of residual maturities

Residual maturity is defined as the period of time between the balance sheet date and the contractual maturity of the receivable or liability; in the case of partial amounts, residual maturity is shown for each partial amount. Interest accruals are assigned to the residual maturity "up to 3 months".

Cash and cash equivalents (cash collateral) is reported as "repayable on demand". Refer to Note 68.6. for further details on liquidity risk management.

A break-down of the carrying amounts of key asset and liability items by residual maturity as of 31 December 2020 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	808,622.3	0.0	0.0	0.0	0.0	**808,622.3**
Loans and advances to banks	152,720.6	699.9	0.0	91,812.7	84,155.4	**329,388.6**
Loans and advances to customers	111,112.8	39,409.0	182,760.2	758,253.9	749,096.3	**1,840,632.3**
Assets recognised at fair value through other comprehensive income	0.0	31,247.8	51,614.0	480,621.8	410,420.1	**973,903.7**
Assets at fair value through profit or loss	0.0	789.9	11,810.4	117,721.3	164,874.5	**295,196.1**
Other assets	2,656.4	1,781.0	0.0	26.0	418.7	**4.882.1**
Total[1]	**1,075,112.1**	**73,927.6**	**246,184.6**	**1,448,191.9**	**1,408,241.6**	**4,251,657.8**

LIABILITIES BY RESIDUAL MATURITY in EUR 1,000	Repayable on demand	Up to 3 months	3 months up to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	51,643.8	523.3	85,119.8	379,129.2	3,913.0	**520,329.1**
Amounts owed to customers	307,685.1	224,116.7	674,753.7	558,995.6	350,357.7	**2,115,908.8**
Securitised liabilities	0.0	24,078.6	332,334.1	292,049.5	449,217.6	**1,097,679.7**
Subordinated liabilities	0.0	2,527.6	5,278.4	20,630.5	39,865.8	**68,302.4**
Other liabilities	9,805.4	0.0	10,570.4	7,506.6	3,384.2	**31,266.6**
Total[1]	**373,134.3**	**251,246.3**	**1,108,056.3**	**1,247,680.9**	**857,368.8**	**3,837,486.6**

The residual maturity break-down as of 31 December 2019 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	462,613.8	0.0	0.0	0.0	0.0	**462,613.8**
Loans and advances to banks	105,588.3	710.2	0.0	47,747.8	128,092.6	**282,138.9**
Loans and advances to customers	106,003.5	42,609.6	115,723.0	776,399.1	749,414.5	**1,790,149.7**
Assets recognised at fair value through other comprehensive income	0.0	116,136.6	61,789.6	492,098.2	610,550.7	**1,280,575.1**
Assets at fair value through profit or loss	0.0	1,191.8	2,302.1	90,847.9	160,315.4	**254,657.3**
Other assets	6,955.5	0.0	0.0	20.0	484.5	**7,460.0**
Total[1]	**681,164.8**	**160,648.2**	**179,814.7**	**1,407,113.1**	**1,648,857.8**	**4,077,598.5**

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	79,883.3	22,042.9	315,916.2	65,889.8	3,478.3	**487,210.5**
Amounts owed to customers	174,186.1	243,125.0	538,662.8	457,816.9	462,463.6	**1,876,254.5**
Securitised liabilities	0.0	57,318.4	129,620.9	581,727.4	504,160.5	**1,272,827.2**
Subordinated liabilities	0.0	2,882.8	415.3	26,166.7	39,071.5	**68,536.4**
Other liabilities	9,597.8	166.4	8,045.0	8,253.6	3,627.9	**29,690.7**
Total[1]	**236,667.2**	**325,535.6**	**992,660.2**	**1,139,854.3**	**1,012,801.8**	**3,734,519.2**

1 The table shows the main asset and liability items; accordingly, this total is not equal to the total assets..

60. Subordinated Assets

As of 31 December 2020, Kommunalkredit held subordinated assets of TEUR 124,479.5 (31/12/2019: TEUR 82,648.3), TEUR 58,024.5 of which (31/12/2019: TEUR 50,024.8) is reported under “Assets recognised at fair value through other comprehensive income”, TEUR 56,970.5 (31/12/2019: TEUR 32,623.5) of which is recognised in “Assets recognised at fair value in profit or loss” and TEUR 9,484.5 (31/12/2019: TEUR 0.0) of which in “Assets at amortised cost”.

61. Assets assigned as collateral

61.1. Collateralised derivatives

Regarding collateralised derivatives, a distinction is made between bilateral and cleared derivative contracts.

Pursuant to EU Regulation 2016/2251, which entered into force on 1 March 2017, bilateral derivative contracts are subject to a collateralisation requirement. Kommunalkredit complies with all requirements arising in this context. Based on ISDA/CSA arrangements and/ or Austrian and German framework contracts/collateral annexes, exclusively cash and cash equivalents (cash collateral) were deposited as collateral by Kommunalkredit with counterparties and/or received by Kommunalkredit from counterparties as of 31 December 2020. 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. Initial and variation margins are exchanged for cleared derivative contracts. Offsetting of all payment claims from the market values of derivatives and the repayment of collateral is not possible, except in the event of counterparty default. There is no unconditional right of offset.

61.2. Collateralised funding

- Kommunalkredit has assigned securities as collateral for global loans and other funding received from the European Investment Bank in Luxembourg. The collateral taker has the right to realise the collateral only in the event of the debtor’s default.
- For covered bonds issued by Kommunalkredit, loans and securities were assigned to a cover pool which can only be drawn on with the approval of a government commissioner.
- For funding obtained through participation in the ECB tender, assets were provided as collateral as of 31 December 2020 which the collateral taker has the right to realise only in the event of the debtor’s default.

61.3. Collateral for KA Finanz AG’s liability arising from the demerger

As collateral for the liability arising from the demerger for KA Finanz AG, which is liable jointly and severally with Kommunalkredit for the obligations which arose prior to the entry of the demerger in the Companies Register on 26 September 2015 and were transferred to Kommunalkredit, Kommunalkredit issued a covered bond with a nominal value of TEUR 107,000.0 and pledged it to KA Finanz AG. As the covered bond was not placed on the market, it is not recognised as a liability in the statement of financial position.

The following table shows the carrying amounts of derivatives and funding received and the corresponding financial collateral, broken down by balance sheet item. As none of the transactions meet the prerequisites for offsetting according to IAS 32, they are shown in gross amounts in the statement of financial position (IFRS).

CARRYING AMOUNTS 31/12/2020 in EUR 1,000	Fair value of collateralised derivative	Funding received (-)	Collateral received (-) and provided (+)[2]	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**-84,517.2**		**94,124.8**	**9,607.6**
Derivatives (positive current value)	132,044.2			132,044.2
Derivatives (negative current value)	-216,561.5			-216,561.5
Loans and advances to banks			92,110.6	92,110.6
Loans and advances to customers			111,112.8	111,112.8
Amounts owed to banks			-51,643.8	-51,643.8
Amounts owed to customers			-57,454.8	-57,454.8
European Investment Bank		**-55,599.8**	**70,242.4**	**14,642.6**
Amounts owed to banks		-55,599.8		-55,599.8
Loans and advances to banks			32,963.0	32,963.0
Loans and advances to customers			37,279.3	37,279.3
Covered bond issues		**-996,653.6**	**1,117,606.3**	**120,952.7**
Securitised liabilities		-889,583.2		-889,583.2
Collateral for KA Finanz AG's liability arising from the demerger[1]		-107,070.3		-107,070.3
Loans and advances to customers			628,589.1	628,589.1
Assets at fair value through other comprehensive income			452,469.3	452,469.3
Derivatives (positive current value)			37,503.4	37,503.4
Derivatives (negative current value)			-955.4	-955.4
ECB tender		**-373,293.1**	**491,441.6**	**118,148.5**
Amounts owed to banks		-373,293.1		-373,293.1
Loans and advances to banks			6,629.4	6,629.4
Loans and advances to customers			471,493.5	471,493.5
Assets at fair value through other comprehensive income			13,318.7	13,318.7
Other		**-13,299.1**	**13,166.1**	**-132.9**
Amounts owed to banks		-13,299.1		-13,299.1
Loans and advances to customers			13,166.1	13,166.1
Assets at fair value through other comprehensive income			0.0	0.0
Total	**-84,517.2**	**-1,438,845.6**	**1,786,581.2**	**263,218.4**

1 Not recognised in the statement of financial position.
2 In the form of financial instruments.

The comparative figures as of 31 December 2019 are as follows:

CARRYING AMOUNTS 31/12/2019 in EUR 1,000	Fair value of collateralised derivative	Funding received (-)	Collateral received (-) and provided (+)[2]	Total
Market values of derivatives according to ISDA/CSA arrangements and/or in central clearing	**-32,267.4**		**50,507.9**	**18,240.5**
Derivatives (positive current value)	179,286.2			
Derivatives (negative current value)	-211,553.6			
Loans and advances to banks			83,240.0	
Loans and advances to customers			106,003.5	
Amounts owed to banks			-79,882.9	
Amounts owed to customers			-58,852.8	
European Investment Bank		**-57,299.3**	**72,037.4**	**14,738.1**
Amounts owed to banks		-57,299.3		
Loans and advances to banks			32,536.6	
Loans and advances to customers			39,500.9	
Covered bond issues		**-1,134,462.2**	**1,241,314.6**	**106,852.3**
Securitised liabilities		-1,027,392.4		
Collateral for KA Finanz AG's liability arising from the demerger[1]		-107,069.9		
Loans and advances to customers			707,340.8	
Assets at fair value through other comprehensive income			473,601.2	
Derivatives (positive current value)			62,299.0	
Derivatives (negative current value)			-1,926.5	
ECB tender		**-309,889.0**	**362,552.6**	**52,663.6**
Amounts owed to banks		-309,889.0		
Loans and advances to banks			6,607.2	
Loans and advances to customers			350,907.4	
Assets at fair value through other comprehensive income			5,037.9	
Other		**-15,176.0**	**15,696.4**	**520.4**
Amounts owed to banks		-15,176.0		
Securitised liabilities		0.0		
Loans and advances to customers			15,014.0	
Assets at fair value through other comprehensive income			682.4	
Total	**-32,267.4**	**-1,516,826.5**	**1,742,108.8**	**193,014.9**

1 Not recognised in the statement of financial position.
2 In the form of financial instruments.

62. Contingent liabilities

Contingent liabilities comprise guarantees from the lending business in a nominal amount of TEUR 2,783.5 (31/12/2019: TEUR 3,806.5). The residual maturities are as follows:

A future outflow of funds from contingent liabilities is considered unlikely.

RESIDUAL MATURITY in EUR 1,000	31/12/2020	31/12/2019
Up to 1 year	1,023.0	0.0
1 to 5 years	0.0	2,046.0
More than 5 years	1,760.5	1,760.5
Total	**2,783.5**	**3,806.5**

63. Other off-balance-sheet liabilities

As of 31 December 2020, there were promissory commitments and unused lines of TEUR 469,197.7 (31/12/2019: TEUR 397,737.1). The residual maturities are as follows:
Moreover, Kommunalkredit assumes the fiduciary administration of loans under a framework agreement for a party related to Trinity. As of 31 December 2020, positions of TEUR 324,551.2 (31/12/2019: TEUR 314,066.4) are held in trust on the basis of this trust agreement; as Kommunalkredit has no rights or obligations relative to the underlying lending business, the criteria for balance sheet recognition do not apply.

RESIDUAL MATURITY in EUR 1,000	31/12/2020	31/12/2019
Up to 1 year	173,837.5	228,653.4
1 to 5 years	286,659.1	150,204.1
More than 5 years	8,701.1	18,879.6
Total	**469,197.7**	**397,737.1**

64. Derivative financial instruments

Kommunalkredit uses derivatives primarily to hedge interest rate and/or currency risks. The structure of open derivative financial transactions is as follows:

DERIVATIVE FINANCIAL INSTRUMENTS 2020 in EUR 1,000	Nominal amount as of 31/12/2020			Total nominal 2020	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1–5 years	Residual maturity more than 5 years			
Interest-related transactions	**436,.507.0**	**627,492.8**	**1,566,034.6**	**2,630,034.3**	**134,690.2**	**-208,525.5**
OTC products:						
Interest rate swaps – trading[1]	0.0	0.0	90,041.9	90,041.9	977.0	-37,036.2
Interest rate swaps – fair value hedge	20,000.0	100,000.0	304,918.9	424,918.9	0.0	-74,693.8
Interest rate swaps – portfolio hedge	416,507.0	527,492.8	1,171,073.8	2,115,073.6	133,713.2	-96,795.5
Currency-related transactions	**773,382.7**	**0.0**	**0.0**	**773,382.7**	**1,233.7**	**-10,458.1**
OTC products: FX forward transactions	773,382.7	0.0	0.0	773,382.7	1,233.7	-10,458.1
Other transactions	**0.0**	**0.0**	**3,976.1**	**3,976.1**	**0.0**	**-3,976.1**
OTC products: Options	0.0	0.0	3,976.1	3,976.1	0.0	-3,976.1
Total	**1,209,889.6**	**627,492.8**	**1,570,010.6**	**3,407,393.1**	**135,924.0**	**-222,959.7**

DERIVATIVE FINANCIAL INSTRUMENTS 2019 in EUR 1,000	Nominal amount as of 31/12/2019			Total nominal 2020	Positive fair value	Negative fair value
	Residual maturity up to 1 year	Residual maturity 1–5 years	Residual maturity more than 5 years			
Interest-related transactions	**173,294.4**	**928,354.6**	**1,722,453.3**	**2,824,102.4**	**173,701.5**	**-209,994.7**
OTC products:						
Interest rate swaps – trading[1]	0.0	0.0	128,612.4	128,612.4	1,688.3	-38,354.2
Interest rate swaps – fair value hedge	148,294.4	848,354.6	1,224,308.9	2,220,958.0	172,013.2	-93,943.3
Interest rate swaps – portfolio hedge	25,000.0	80,000.0	369,532,0	474,532,0	0.0	-77,697.3
Currency-related transactions	**803,932.3**	**0.0**	**0.0**	**803,932.3**	**11,253.1**	**-9,542.6**
OTC products:						
FX forward transactions	803,932.3	0.0	0.0	803,932.3	11,253.1	-9,542.6
Cross-currency swaps – trading	0.0	0.0	0.0	0.0	0.0	0.0
Cross-currency swaps – fair value hedge	0.0	0.0	0.0	0.0	0.0	0.0
Total	**977,226.8**	**928,354.6**	**1,722,453.3**	**3,628,034.7**	**184,954.6**	**-219,537.3**

1 This refers to interest rate and/or currency swaps concluded to hedge interest rate and foreign currency risks not accounted for as hedges under IFRS 9. The bank does not have a proprietary trading portfolio.

Taking all positions into account, the negative fair value amounts to TEUR 87,035.8 (31/12/2019: negative fair value of TEUR 34,582.7), which is collateralised mainly through cash and cash equivalents according to ISDA/CDA arrangements. Moreover, there are options embedded in loans and/or own issues which are fully hedged through offsetting derivatives. Given the fact that the options are closely associated with their host contracts, they are recognised and measured together with the underlying transactions and not shown in the above table. The negative current values of these options embedded in loans and own issues amount to TEUR 12,925.7 (31/12/2019: TEUR 27,316.7)

An option which is part of a loan was recognised as a separate instrument in the reporting year. Within this structure, Kommunalkredit is the writer of the option. In the table above, this item is shown under "Other transactions". As of 31 December 2020, the fair value of this option is TEUR -3,976.1.

Derivatives with positive fair values of TEUR 19,698.1 (31/12/2019: TEUR 33,360.8) will fall due within one year, TEUR 8,679.6 (31/12/2019: TEUR 20,559.6) in one to five years, and TEUR 107,546.3 (31/12/2019: TEUR 131,034.2) in more than five years. Derivatives with negative fair values of TEUR 26,583.1 (31/12/2019: TEUR 28,788.8) will fall due within one year, TEUR 30,843.8 (31/12/2019: TEUR 27,430.6) in one to five years, and TEUR 165,532.9 (31/12/2019: TEUR 163,317.9) in more than five years.

65. Financial instruments in hedge accounting

Financial instruments, the interest rate risk of which is hedged through derivative financial instruments, are recognised as fair value hedges. The carrying amounts of these underlying transactions are as follows:

CARRYING AMOUNTS in EUR 1,000	31/12/2020	31/12/2019
Assets		
Loans and advances to banks – fair value hedges	176,668.0	174,043.6
Loans and advances to customers – fair value hedges	723,190.4	696,831.1
Loans and advances to customers – portfolio hedge	166,270.6	196,430.5
Assets at fair value through OCI – fair value hedges	64,385.3	66,487.1
Assets at fair value through OCI – portfolio hedge	490,355.3	535,663.5
Liabilities		
Amounts owed to customers – fair value hedges	266,289.8	259,564.8
Securitised liabilities – fair value hedges	1,039,091.5	1,194,180.1
Subordinated liabilities – fair value hedges	46,875.4	46,558.5

The following table shows the cumulative hedge-related adjustments to the underlying transactions:

HEDGE-RELATED ADJUSTMENTS in EUR 1,000	31/12/2020	31/12/2019
Assets		
Loans and advances to banks – fair value hedges	9,520.0	6,921.6
Loans and advances to customers – fair value hedges	65,007.6	61,933.7
Loans and advances to customers – portfolio hedge	4,336.5	3,372.4
Assets at fair value through OCI – fair value hedges	5,011.9	1,670.5
Assets at fair value through OCI – portfolio hedge	19,487.3	13,613.3
Liabilities		
Amounts owed to customers – fair value hedges	18,629.5	9,863.5
Securitised liabilities – fair value hedges	95,938.8	135,507.7
Subordinated liabilities – fair value hedges	774.8	1,011.2

The following table shows the maturity profile of the hedging instruments broken down by receiver and payer swaps:

HEDGING INSTRUMENTS 31/12/2020 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	*340,000.0*	*268,014.3*	*617,991.2*
Payer nominal	*76,507.0*	*259,478.5*	*553,082.6*
Interest rate swaps – portfolio hedge			
Receiver nominal	*0.0*	*0.0*	*0.0*
Payer nominal	*20,000.0*	*100,000.0*	*304,918.9*

HEDGING INSTRUMENTS 31/12/2019 in EUR 1,000	Residual maturity up to 1 year	Residual maturity 1 year to 5 years	Residual maturity more than 5 years
Interest rate swaps – fair value hedge			
Receiver nominal	*129,422.8*	*577,367.1*	*647,546.6*
Payer nominal	*18,871.6*	*270,987.5*	*576,762.3*
Interest rate swaps – portfolio hedge			
Receiver nominal	*0.0*	*0.0*	*0.0*
Payer nominal	*25,000.0*	*80,000.0*	*369,532,0*

The following table shows the ineffectiveness of the hedging relationships recognised through profit or loss in the 2020 financial year and in the previous year for the designated fair value hedges:

INEFFECTIVITIES in EUR 1,000	Ineffectiveness recognised in profit or loss in 2020	Ineffectiveness recognised in profit or loss in 2019	Recognition of ineffectiveness in P&L
Fair value hedge	-1,135.6	1,136.5	Net result of asset valuation and realised gains and losses
Portfolio hedge	480.1	-712.5	Net result of asset valuation and realised gains and losses

The change in fair value to measure ineffectiveness in the reporting period is as follows:

CHANGE IN FAIR VALUE in EUR 1,000	1/1 - 31/12/2020	1/1 - 31/12/2019
Underlying transactions – fair value hedge	40,016.5	32,402.9
Underlying transactions – portfolio hedge	-2,523.4	3,978.7
Interest rate swaps – fair value hedge	-41,152.2	-31,266.4
Interest rate swaps – portfolio hedge	3,003.5	-4,691.2

66. Supplementary Disclosures Pursuant to § 59a and § 64 of the Austrian Banking Act

In line with its business strategy, Kommunalkredit does not engage in trading activities. Therefore, as in the previous year, Kommunalkredit had no trading portfolio as of 31 December 2020.
Assets denominated in foreign currencies in the amount of TEUR 352,227.4 (31/12/2019: TEUR 241,258.0) were shown in the statement of financial position (IFRS). As of 31 December 2020, liabilities denominated in foreign currencies amounted to TEUR 524,879.2 (31/12/2019: TEUR 649,847.7). Open currency positions are closed through corresponding swap contracts. Kommunalkredit's open foreign currency position is continuously monitored and strictly limited; therefore, there are no material currency risks.

The return on assets at Group level, calculated as the consolidated profit for the year after tax divided by total assets according to IFRS as of the balance sheet date, stands at 0.82% (2019: 0.69%).

67. Fair value of financial assets and liabilities

67.1. Determination of the fair value measurement (fair value hierarchy)

In general, the methods used to measure fair value can be classified in three categories:

Level 1: There are quoted prices in an active market for identical financial instruments. The bid quotes for assets in this hierarchy level are obtained from Bloomberg or Reuters.

Level 2: The input factors for the valuation can be observed in the market. This category includes the following price determination methods:

- Price determination based on comparable securities
- Price determination through spreads derived from market data (benchmark spreads)

Level 3: The input factors cannot be observed in the market. This includes, in particular, prices based mainly on the estimates of experts and/or that contain non-observable data. The Level 3 financial instruments recognised at fair value refer exclusively to infrastructure financing. For information on the definition of the parameters relevant for valuation purposes, in particular credit risk premiums, see Note 11.

67.2. Financial instruments recognised at fair value

The following table shows the breakdown of financial instruments recognised at fair value by category of financial instruments according to the fair value hierarchy:

No migrations of financial instruments measured at fair value between the levels of the fair value hierarchy were recorded in the period under review.

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2020		
	Level 1	Level 2	Level 3
Assets			
Assets recognised at fair value through other comprehensive income	26,248.0	671,954.0	275,701.6
Assets at fair value through profit or loss	0.0	70,807.1	224,389.0
Derivatives	0.0	135,924.0	0.0
Liabilities			
Derivatives	0.0	218,983.6	3,976.1

CARRYING AMOUNTS FOR FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2019		
	Level 1	Level 2	Level 3
Assets			
Assets recognised at fair value through other comprehensive income	26,154.8	791,149.7	463,270.6
Assets at fair value through profit or loss	50,024.0	0.0	204,633.3
Derivatives	0.0	184,954.6	0.0
Liabilities			
Derivatives	0.0	219,537.3	0.0

As of 31 December 2020, Kommunalkredit had Level 3 financial assets measured at fair value in the amount of TEUR 500,090.6 (31/12/2019: TEUR 667,903.9) as well as Level 3 derivatives with a negative fair value in the amount of TEUR 3,976.1 in its portfolio. The Level 3 classification concerns infrastructure and energy financing as well as an option which is recognised separately despite being closely linked to a loan 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. In the period under review, there were changes to the position of financial instruments measured at fair value along the valuation hierarchy. Concerning loans, the changes include the reclassification of seven Level 2 and Level 3 facilities in the amount of TEUR 88,726.1 as well as reclassifications of eight facilities from Level 3 to Level 2 in the amount of TEUR 84,369.0.

The changes in level classification are mainly due to the modified observability of credit spreads as input parameters in the period under review. Reclassifications from Level 3 occur when spreads from similar loans or portfolios on the market are available for transactions. Should this information not or no longer be available for certain transactions, the transaction is classified as Level 3.

The following table shows a reconciliation table of financial instruments recognised at fair value included in Level 3 of the valuation hierarchy:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	1/1 - 31/12/2020
as of 01/01/2020	667,903.9
Additions/disbursements	103,977.8
Additions from level 2	88,726.1
Sold/redeemed	-280,307.5
Disbursements in level 2	-84,369.0
Total gains and losses	
recognised in other comprehensive income	-760.9
recognised in profit or loss (net interest income)	3,087.8
recognised in profit or loss (net result of asset valuation and realised gains and losses)	1,832.5
as of 31/12/2020	**500,090.6**

Die Vergleichswerte zum Vorjahr stellen sich wie folgt dar:

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE in EUR 1,000	1/1 - 31/12/2019
as of 01/01/2019	372,493.3
Additions/disbursements	446,085.3
Additions from level 2	0.0
Sold/redeemed	-171,710.0
Disbursements in level 2	0.0
Total gains and losses	
recognised in other comprehensive income	10,561.1
recognised in profit or loss (net interest income)	12,141.1
recognised in profit or loss (net result of asset valuation and realised gains and losses)	-1,666.8
as of 31/12/2019	**667,903.9**

In the case of revenue from level 3 instruments, which are reported in the income statement under net interest income, this relates to the amortisation of fees in the lending business of instruments which are measured at fair value through other comprehensive income.

An option which is part of a loan was recognised as a separate instrument in the reporting year. Within this structure, Kommunalkredit is the writer of the option. The negative fair value of TEUR 3,976.1 is measured on the basis of input factors not observable on the market and was therefore classified as Level 3.

67.3. Financial instruments not recognised at fair value

The breakdown of categories of fair values of financial instruments not recognised at fair value is as follows:

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2020		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	176,710.4	153,441.2	0.0
Loans and advances to customers	225,749.1	1,180,692.1	498,792.8
Liabilities at amortised cost			
Amounts owed to banks	0.0	507,739.3	12,453.0
Amounts owed to customers	0.0	2,097,329.7	0.0
Securitised liabilities	0.0	1,088,857.1	0.0
Subordinated liabilities	0.0	65,052.4	0.0

FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE in EUR 1,000	31/12/2019		
	Level 1	Level 2	Level 3
Assets at amortised cost			
Loans and advances to banks	225,106.49	102,460.81	0.0
Loans and advances to customers	173,841.34	1,256,819.89	396,554.24
Liabilities at amortised cost			
Amounts owed to banks	0.0	487,259.2	0.0
Amounts owed to customers	0.0	1,852,840.6	0.0
Securitised liabilities	0.0	1,259,477.3	0.0
Subordinated liabilities	0.0	62.731.1	0.0

No migrations of financial instruments not measured at fair value between the levels of the fair value hierarchy were recorded in the period under review or in the previous year.

67.4. Fair value of financial assets and liabilities

The following table shows a comparison between the carrying amounts and the fair value of those items in the statement of financial position which include financial assets and liabilities:

CATEGORIES: 31/12/2020 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Carrying amount	Fair value
Cash and cash equivalents	808,622.3	0.0	0.0	808,622.3	808,622.3
Loans and advances to banks	329,388.6	0.0	0.0	329,388.6	330,151.6
Loans and advances to customers	1,840,632.3	0.0	0.0	1,840,632.3	1,905,234.0
Assets recognised at fair value through other comprehensive income	0.0	973,903.7	0.0	973,903.7	973,903.7
Assets at fair value through profit or loss	0.0	0.0	295,196.1	295,196.1	295,196.1
Derivatives	0.0	0.0	135,924.0	135,924.0	135,924.0
Total	**2,978,643.1**	**973,903.7**	**431,120.1**	**4,383,666.8**	**4,449,031.6**
Amounts owed to banks	520,329.1	0.0	0.0	520,329.1	520,192.3
Amounts owed to customers	2,115,908.8	0.0	0.0	2,115,908.8	2,097,329.7
Derivatives	0.0	0.0	222,959.7	222,959.7	222,959.7
Securitised liabilities	1,097,679.7	0.0	0.0	1,097,679.7	1,088,857.1
Subordinated liabilities	68,302.4	0.0	0.0	68,302.4	65,052.4
Total	**3,802,220.0**	**0.0**	**218,983.6**	**4,025,179.8**	**3,994,391.2**

The values for the previous year are as follows:

CATEGORIES: 31/12/2019 in EUR 1,000	Amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Carrying amount	Fair value
Cash and cash equivalents	462,613.8	0.0	0.0	462,613.8	462,613.8
Loans and advances to banks	282,138.9	0.0	0.0	282,138.9	282,085.0
Loans and advances to customers	1,790,149.7	0.0	0.0	1,790,149.7	1,872,697.8
Assets recognised at fair value	0.0	1,280,575.1	0.0	1,280,575.1	1,280,575.1
Assets at fair value through profit or loss	0.0	0.0	254,657.3	254,657.3	254,657.3
Derivatives	0.0	0.0	184,954.6	184,954.6	184,954.6
Total	**2,534,902.4**	**1,280,575.1**	**439,611.9**	**4,255,089.4**	**4,337,583.6**
Amounts owed to banks	487,210.5	0.0	0.0	487,210.5	487,259.2
Amounts owed to customers	1,876,254.5	0.0	0.0	1,876,254.5	1,852,840.6
Derivatives	0.0	0.0	219,537.3	219,537.3	219,537.3
Securitised liabilities	1,272,827.2	0.0	0.0	1,272,827.2	1,259,477.3
Subordinated liabilities	68,536.4	0.0	0.0	68,536.4	62,731.1
Total	**3,704,828.6**	**0.0**	**219,537.3**	**3,924,365.90**	**3,881,845.5**

The fair values of securities and loans are determined in accordance with the methodology and hierarchy described in Note 11. To determine the fair values of other financial instruments not measured at fair value, term-related, creditworthiness-related and instrument-specific measurement parameters are applied in conjunction with market- standard measurement methods. The maximum credit risk for each category of financial instruments matches the carrying amounts shown in the table. The maximum credit risk for financial guarantees and irrevocable credit commitment corresponds to the nominal values of TEUR 2,783.5 (31/12/2019: TEUR 3,806.5) and TEUR 469,197.7 (31/12/2019: TEUR 397,737.1) respectively.

68. Risk management

68.1. Risk management strategies and procedures

Kommunalkredit uses risk assessments and a risk map to fully identify the risk drivers of the business model. Risk assessment involves identifying the main types of risk for the bank through a structured analytical process. Based on the results of the assessment, a risk map is drawn up for the bank as a whole. This contains a definition of risks, broken down by risk type, and assesses the individual risks in terms of quantity and quality. The risk map serves to establish a uniform understanding of the risk concept and a uniform view of risk priorities, and to review the system for completeness and identify potential control gaps. The types of risk covered are those which are classified as material, but are characterised by low risk transparency and a low control frequency and are therefore given top priority in respect of further development needs. This analysis is performed annually.

The economic capital required for the main types of risk (in particular: liquidity risk, credit risk, market risk and syndication 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, reputation risk, legal risks and other risks) and to cover potential model inaccuracies.

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. For each main type of risk and each field of business, the economic risk is limited 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. Monthly reviews are performed to check the level of utilisation of the risk budget, as well as the risk appetite, for the entire bank and to verify that it is not overrun. Counterparty limits as well as the operational risk limits for the open foreign exchange position are reviewed on a daily basis. Kommunalkredit's business operations do not include any trading activities.

Kommunalkredit formally has a trading book, but its use is strictly limited. The transactions are exclusively risk-free through-trading activities in connection with the provision of customer services. Trading activities aimed at generating a profit from short-term price differences and taking risk positions on the trading book are not part of Kommunalkredit's business and risk strategy and are forbidden under the bank's internal guidelines, the enforcement of which is supported by organisational measures.

68.2. Organisational structure of risk management and risk monitoring

The overall responsibility for ICAAP lies with the Executive Board in line with the schedule of responsibilities; it derives the risk policy principles and the risk strategy from Kommunalkredit's business policy strategy. The Executive Board also decides on the risk management procedures to be applied and regularly informs the Supervisory Board and/or its committees (in particular the Risk Committee, the Audit Committee and the Credit Committee) on Kommunalkredit's risk position.

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 a chief representative, the Risk Controlling and Credit Risk Management departments, and the Operational Risk Officer, in particular. The chief representative and the Operational Risk Officer have direct access to Kommunalkredit's Executive Board. This means that the organisational structure also meets the regulatory requirement of separation between front-office and back-office functions.

Pursuant to § 39d of the Austrian Banking Act (BWG), a Risk Committee has been set up within the Supervisory Board. The committee's mandate includes, in particular, advising the management on the current and future willingness to take risks and risk strategy of the bank, monitoring the implementation of this risk strategy in connection with the management, monitoring and limitation of risks, and monitoring the capital position and the liquidity position of the bank. Besides the reports submitted by the Risk Committee, the Supervisory Board regularly receives information on the bank's risk position in the form of comprehensive quarterly risk reports and a monthly report showing the development of the most important capital, earnings and risk indicators.

Risks are managed and monitored by the Risk Management Committee, the Asset Liability Committee and the Credit Committee.

The Risk Management Committee (RMC) constitutes the central element of the comprehensive risk management process, providing information to the Executive Board on the bank's overall risk position on a monthly basis. In organisational terms, Risk Controlling is in charge of this committee. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of setting limits (except country and counterparty limits) and limit monitoring by type of risk.

The Asset Liability Committee (ALCO) supports the operational management of market and liquidity risks. In organisational terms, the Markets division is in charge of this committee. At its meetings, the committee evaluates the market situation and discusses the management of interest rate and liquidity risks. In addition to the ALCO, a detailed daily liquidity monitoring process is in place.

The weekly Credit Committee (CC) meeting is the central element of the credit approval process and the continuous portfolio and single-name review process. In organisational terms, Credit Risk Management is responsible for this committee (analysis and assessment of single-name risks, casting of a second vote on credit approval and/or review, management of single-name risks and/or other risks, work-out cases, qualitative portfolio analyses and rating).

Risk Controlling is responsible for the quantification of risks and the aggregate risk cover as well as for the performance of stress tests.

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.

The strategies, methods, reporting rules and organisational responsibilities for the management of risks are documented in writing in the ICAAP manual, in risk management manuals for each type of risk and in organisational guidelines, the latest versions of which can be downloaded via the Intranet at any time by all staff members concerned.

The following types of risk were identified up to the balance sheet date and are monitored on an ongoing basis at Kommunalkredit:

Credit risk
- Default and counterparty risk
- Replacement risk in the event of counterparty default
- Rating migration risk
- Investment risk
- Country and/or transfer risk
- Settlement risk
- Securitisation risk
- Cluster risk
- Concentration risk

Liquidity risk
- Structural liquidity risk
- Funding risk
- Market liquidity risk

Market risk
- Interest rate risk – banking book
- Interest rate risk – trading book
- Foreign currency risk
- Commodity risk
- Credit spread risk
- Basis spread risk
- Option risk
- OIS risk

Operational risk
- Risks from human failure, processes, systems and external risks
- Legal risk
- Risk from service level agreement (SLA) with KA Finanz AG
- Information and communication technology (ICT) risk

Funding risk
- BCVA Risk[1]
- Replacement risk through rating trigger

Other risks
- Strategic risk
- Risk from demerger liability
- Equity risk
- Reputational risk
- Business risk
- Excessive debt risk
- Risk of money laundering and terrorism financing
- Systemic risk from a financial institution
- Macroeconomic risk
- Placement and syndication risk

1 Comprises CVA risk and DVA risk and is allocated in its entirety to the funding risk.

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.

68.3. Risk policy guidelines for risk management

The guidelines followed at Kommunalkredit are based on the following risk management principles:

- The limitation of risks at Kommunalkredit is commensurate with the bank's earning strength and its equity base.
- Kommunalkredit supports a risk culture characterised by the deliberate management of risks in day-to-day business, observance of the agreed risk appetite at all times and the promotion of open dialogue on risk-related issues at all levels.
- Kommunalkredit only takes risks in fields of business and markets for which it owns or has access to the necessary expertise. Before assuming business activities in new fields of business or selling new products, the risks involved and the suitability of the existing methods, instruments and processes for the management of such risks are analysed. A product approval process has been implemented at Kommunalkredit for this purpose.
- As a matter of principle, any transaction through which Kommunalkredit deliberately takes risks should, viewed from the perspective of the entire business relation with the customer, generate a contribution margin that is commensurate with the risk. In its risk management, Kommunalkredit primarily focuses on covering unexpected losses, whereas expected losses are covered by the margins earned in the individual transactions.
- The expertise of Kommunalkredit's staff and the systems in place must correspond to the complexity of the business model and will be developed together with the core fields of business.
- In terms of organisational structure, a clear separation between risk-taking on the one hand and risk calculation and/or risk management on the other hand is essential. Conflicts of interest for staff members are avoided through a clear separation of the different fields of activity.
- Risk management is an integral component of the business process and is based on recognised methods of risk measurement, monitoring and control. For credit and market risks, this principle is applied on an economic basis (value-at-risk approach).
- All measurable risks are subject to a limit structure; regular monitoring of the observance of limits on the basis of transparent and uniform principles is obligatory. An escalation process applies in the event of limit breaches, in particular. A capital buffer is kept available for risks that have been identified but are not (yet) sufficiently measurable.
- The risk measurement results have to be subjected to regular stress testing and taken into account when determining the risk-bearing capacity of the credit institution. The results of stress testing have to be related to a limit and/or a hedging target.
- Kommunalkredit's system of risk management provides for comprehensive, regular and standardised risk reporting, with reports on Kommunalkredit's risk position being produced at least once a month and, if necessary, supplemented by ad-hoc risk reports.

- Core bank functions and important controlling functions are only outsourced under the condition that an adequate level of in-depth knowledge and experience in these areas is maintained within the bank.
- An integrated IT infrastructure as a prerequisite for the systematic reduction of risks from interfaces and data inconsistencies and as a basis for efficient reporting and data processing constitutes an essential organisational and risk policy objective.

68.4. Securing minimum capital adequacy

ICAAP and ILAAP are core elements of Pillar 2 of the Basel Accord and comprise all procedures and measures applied by a bank to ensure the appropriate identification, measurement and limitation of risks, capital and liquidity resources that are commensurate with the risk profile of the business model, and the use and continuous further development of suitable risk management systems.

The economic capital required for the main types of risk (in particular: liquidity risk, credit risk, market risk and syndication 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, reputation risk, legal risks and other risks) and to cover potential model inaccuracies. The economic perspective serves to secure the adequate long-term capitalisation and economic substance of the bank.

Kommunalkredit uses the method of risk-bearing capacity analysis for the quantitative assessment of its capital adequacy; this involves comparing the economic risks with the risk coverage potential. Depending on the hedging target pursued, two economic control loops are applied:

Liquidation perspective (economic control loop based on the principle of creditor protection)

- Hedging objective: the main focus is on the protection of creditors and on securing a level of capitalisation to ensure that, in the event that the company is liquidated, all lenders can have their claims satisfied with a defined level of probability.
- Economic capital requirements (internal risk measurement) are compared with the economic capital/aggregate risk cover. Both economic capital requirements and the aggregate risk cover are determined on the basis of its present value ("full fair value" approach) and are therefore not subject to measurement rules in the statement of financial position. A confidence level of 99.95% is used in determining the economic risk.

- Risk status:

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
As of 31 December 2020 **44.2 %**	As of 31 December 2020 **55.8 %**
As of 31 December 2019 **42.1 %**	As of 31 December 2019 **57.9 %**

Going concern perspective (economic control loop based on the going-concern principle)

- Hedging objective: if the risks materialise, the survival of the bank as a going concern without additional equity is to be ensured with a defined degree of probability.
- All risks impacting on profit and loss must be covered by the budgeted profit for the year, realisable reserves and the "free capital". Free capital is the capital which exceeds the internally defined hedging objective, expressed through a minimum T1 rate and a minimum total capital rate. The hedging objectives are preceded by corresponding early warning levels. A confidence level of 95% is used in determining the economic risk.

- Risk status T1-Ratio:

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
As of 31 December 2020 **39.9 %**	As of 31 December 2020 **60.1 %**
As of 31 December 2019 **59.0 %**	As of 31 December 2019 **41.0 %**

- Risk status TC-Ratio:

Economic risks in % of the aggregate risk cover	**Risk buffer** in % of the aggregate risk cover
As of 31 December 2020 **51.3 %**	As of 31 December 2020 **48.7 %**

Alongside these economic control loops, compliance with regulatory/statutory minimum requirements and hedging objectives within the context of medium-term planning and current capital budgeting is guaranteed.

Additionally, stress tests are performed on a regular basis to test the robustness of the business model and to ensure capital adequacy. This involves defining two different economic scenarios (general recession scenario and portfolio-specific stress) and quantifying their impact on the bank's risk-bearing capacity. In addition to the stressed risk-bearing capacity, a stressed multi-year plan is drawn up for each scenario in order to test the stability of the business model over time. Besides the macroeconomic stress tests, reverse stress tests are performed. These are intended to show the extent to which parameters and risks can be stressed until regulatory or internal minimum requirements can no longer be met.

68.5. Credit risk management

Credit risk is the risk of financial losses arising from a counterparty not meeting its contractual payment obligations.

Personal forms of collateral (sureties and guarantees) play an important role in securing credit exposures. 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. Financial collateral includes netting arrangements and cash collateral that reduce the counterparty risk. Financial collateral received reduces the existing exposure.

Based on the current CRR standardised approach for all classes of receivables, Kommunalkredit primarily uses external ratings. If no external ratings are available, ratings are derived from internal scoring and/or rating models for internal risk control. Every active customer is assigned an external or internal rating, which is updated at least once a year. This allows assets and off-balance sheet transactions to be classified fully according to probability of default and collateralisation. On the basis of an internal rating scale (master scale), the probabilities of default are grouped in categories to which external ratings can be assigned. To ensure a uniform system of determining the probabilities of default, all internal and external rating procedures and/or ratings have to be calibrated against the master scale. The effectiveness and discriminatory power of the rating procedures and their ability to forecast defaults are checked regularly and adjusted if necessary.

68.5.1. Unexpected loss

To quantify the unexpected loss, monthly credit VaR calculations are performed to manage and limit the risk and to determine the economic capital required as part of risk-bearing capacity analyses. Kommunalkredit uses a default model based on the CreditRisk+ approach to quantify the risk of unexpected default for credit risks. To calculate the credit VaR, rating-dependent one-year probabilities of default (PD) as well as regional and sector-specific loss ratios (LGD) are used. 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 2020 amounted to 9.8% (31/12/2019: 10.8%) relative to the economic aggregate risk cover.

From the **going-concern perspective**, the potential unexpected loss from credit defaults for a holding period of one year as of 31 December 2020 amounted to 15.4% (31/12/2019: 23.8%) relative to the economic aggregate risk cover (T1) and 19.9% as of 31 December 2020 relative to the economic aggregate risk cover (total capital). (Note: there are no previous year's values, as this hedging objective has only been in place since 2020.)

The model used is based on statistical methods and assumptions. It should be pointed out, however, that statistically well-founded conclusions drawn from the past do not always apply to future developments. To take account of this fact, the model calculations are supplemented by additional ad hoc analyses and stress tests, and adequate risk buffers are maintained.

68.5.2. Breakdown by rating

The total exposure by rating shows that the exposure is concentrated in the top rating categories: as of 31 December 2020, 36.8% (31/12/2019: 35.6%) of the exposure was rated "AAA"/"AA"; 69.7% (31/12/2019: 76.6%) was rated investment grade. Overall, the Kommunalkredit portfolio has a high asset quality; the exposure-weighted average rating of the total exposure is "A-" (according to Standard & Poor's rating scale). For the internal exposure calculation, carrying amounts are used for securities and the principal including all disbursement obligations is used for loans.

BREAKDOWN OF CREDIT EXPOSURE* BY RATING 31/12/2020

in EUR m or %	Exposure	Proportion	of which securities	of which guarantees	of which loans
AAA	60.5	1.7%	43.5	0.0	17.1
AA	1,261.1	35.1%	252.1	0.0	975.3
A	513.0	14.3%	152.6	0.0	260.2
BBB	669.0	18.6%	29.5	2.8	625.1
BB	930.7	25.9%	0.0	0.0	930.7
B	159.3	4.4%	0.0	0.0	159.3
CCC	0.0	0.0%	0.0	0.0	0.0
D	0.0	0.0%	0.0	0.0	0.0
nicht geratet	0.0	0.0%	0.0	0.0	0.0
Total	**3,593.6**	**100.0%**	**477.6**	**2.8**	**2,967.7**

* Breakdown of exposure according to S&P rating scale. For the internal exposure calculation, the book value is used for securities and the residual capital for loans, including all disbursement obligations.

BREAKDOWN OF CREDIT EXPOSURE* BY RATING 31/12/20219					
in EUR m or %	Exposure	Proportion	of which securities	of which guarantees	of which loans
AAA	69.6	1.9%	55.9	0.0	13.6
AA	1,228.5	33.7%	200.2	0.0	987.1
A	502.4	13.8%	104.8	0.0	360.6
BBB	992.6	27.2%	172.2	3.8	766.4
BB	711.7	19.5%	0.0	0.0	711.6
B	139.0	3.8%	0.0	0.0	139.0
CCC	0.0	0.0%	0.0	0.0	0.0
D	0.0	0.0%	0.0	0.0	0.0
nicht geratet	0.0	0.0%	0.0	0.0	0.0
Total	**3,643.5**	**100.0%**	**533.2**	**3.8**	**2,978.3**

* Breakdown of exposure according to S&P rating scale. For the internal exposure calculation, the book value is used for securities and the residual capital for loans, including all disbursement obligations.

68.5.3. Concentration risk

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. The total portfolio is broken down according to different parameters (breakdown by country, region, top 20 "group of related customers", rating, sector); limits are set by top risk drivers, sectors and geographic regions. In addition, risk concentrations in individual sub-portfolios are identified by Credit Risk Management, which performs sub-portfolio analyses. Portfolio analyses comprise correlating regional and/or sectorial risks or risk concentrations and primarily facilitate the early detection, limitation and management of risk portfolios under current and future conditions. Depending on the risk assessment, reviews are performed at different intervals, but at least once a year.

The exposure to the top 20 "group of related customers" comprises an exposure of EUR 0.4bn (31/12/2019: EUR 0.5bn) to the Austrian provinces, accounting for 37.4% (31/12/2019: 42.1%) of the total exposure. It includes broadly diversified mortgage loans in a total amount of EUR 142.6m (31/12/2019: EUR 151.9m) that are guaranteed by the Austrian provinces concerned.

68.5.4. Economic country risk

Credit exposures are reported for the purpose of internal risk management on the basis of the economic country risk. Kommunalkredit's country risk is reported monthly to the RMC and at least once a year to the Credit Committee of the Supervisory Board. For each country, information on the country rating, limit utilisation and exposure by product type is monitored.

Geographically, most of the exposure is accounted for by EU Member States (EU, incl. Austria, 83.8%; 31/12/2019: 90.6%).

BREAKDOWN OF CREDIT EXPOSURE BY REGION 31/12/2020					
in EUR m or %	Exposure	Proportion	of which securities	of which guarantees	of which loans
Austria	1,427.7	39.7%	149.2	1.4	1,226.3
EU-28 (European Union excl. Austria)	1,585.5	44.1%	227.4	1.4	1,310.1
of which EU-19 (euro area excl. Austria)	*1,211.9*	*33.7%*	*185.3*	*1.4*	*980.3*
Non-EU Europe	391.3	10.9%	14.0	0.0	329.3
Other	189.1	5.3%	87.0	0.0	102,0
Total	**3,593.6**	**100.0%**	**477.6**	**2.8**	**2,967.7**

BREAKDOWN OF CREDIT EXPOSURE BY REGION 31/12/2019					
in EUR m or %	Exposure	Proportion	of which securities	of which guarantees	of which loans
Austria	1,500.5	41.2%	150.9	1.3	1,338.6
EU-28 (European Union excl. Austria)	1,801.8	49.5%	291.2	2.5	1,391.7
of which EU-19 (euro area excl. Austria)	*1,334.7*	*36.6%*	*239.1*	*2.5*	*1,046.0*
Non-EU Europe	76.8	2.1%	9.0	0.0	65.7
Other	264.4	7.3%	82,0	0.0	182.2
Total	**3,643.5**	**100.0%**	**533.2**	**3.8**	**2,978.3**

Exposure to sovereign states and local authorities
as of 31 December 2020

Direct exposures to sovereign states and local authorities as well as exposures guaranteed by sovereign states in the countries belonging to the euro area (EU-19) are broken down as follows:

Except for Austria, Germany and France, these exposures refer, in particular, to securities held for the purpose of liquidity management.

DIRECT EXPOSURES 31/12/2020 in EUR m	Exposure	of which sovereign states	of which local authorities	of which government-guaranteed
Austria	971.8	0.0	950.4	21.4
Germany	29.0	0.0	12,0	17.1
Ireland	25.3	25.3	0.0	0.0
Slovakia	16.5	16.5	0.0	0.0
Slovenia	25.7	25.7	0.0	0.0
France	12.7	0.0	0.0	12.7
Lithuania	21.4	21.4	0.0	0.0
Portugal	9.9	0.0	0.0	9.9
Latvia	21.6	21.6	0.0	0.0
Estonia	5.0	5.0	0.0	0.0

The comparative figures for 2019 are as follows:

DIRECT EXPOSURES 31/12/2019 in EUR m	Exposure	of which sovereign states	of which local authorities	of which government-guaranteed
Austria	1,073.8	0.0	1.052.1	21.7
Germany	18.5	0.0	4.9	13.6
Ireland	25.4	25.4	0.0	0.0
Slovakia	16.5	16.5	0.0	0.0
Slovenia	25.7	25.7	0.0	0.0
France	0.0	0.0	0.0	0.0
Lithuania	21.5	21.5	0.0	0.0
Portugal	23.1	15.8	7.3	0.0
Latvia	14.6	14.6	0.0	0.0

Exposure to Austrian provinces
as of 31 December 2020

Of Kommunalkredit's total exposure to Austria in a volume of EUR 1,427.7m (31/12/2019: EUR 1,500.5m), the following exposures are to Austrian provinces and/or provincial entities guaranteed by provincial governments:

TOTAL EXPOSURE AUSTRIA 31/12/2020			
in EUR m or %	Direct Exposure	Exposure guaranteed by provincial government	Total exposure
Province of Upper Austria	0.0	33.1	33.1
Province of Lower Austria	0.6	81.9	82.5
Province of Carinthia	10.1	59.8	69.9
Province of Styria	0.0	8.2	8.2
Province of Burgenland	0.0	93.6	93.6
Municipality of Vienna	6.7	0.0	6.7
Total	**17.4**	**276.6**	**294.0**

The comparative figures for 2019 are as follows:

TOTAL EXPOSURE AUSTRIA 31/12/2019			
in EUR m or %	Direct Exposure	Exposure guaranteed by provincial government	Total exposure
Province of Upper Austria	0.0	74.0	74.0
Province of Lower Austria	0.8	82,0	82.8
Province of Carinthia	11.4	74.6	86.0
Province of Styria	0.0	11.1	11.1
Province of Burgenland	0.0	95.5	95.5
Municipality of Vienna	9.9	0.0	9.9
Total	**22.1**	**337.2**	**359.3**

In addition to the exposures listed in the table above, Kommunalkredit holds housing loans of Austrian provinces secured by mortgages in a total volume of EUR 142.6m (31/12/2019: EUR 151.9m) which are guaranteed by the provinces concerned (Upper Austria: EUR 67.2m [31/12/2019: EUR 68.4m]; Burgenland: EUR 75.4m [31/12/2019: EUR 83.5m]).

Portfolio quality
Given the good quality of ratings (weighted average rating of the total portfolio "A-") and the degree of diversification, the portfolio quality is sound. This is also reflected in the non-performing-loan ratio of 0.0% as of 31 December 2020 (31/12/2019: 0.0%). Kommunalkredit had no financial assets (receivables) on its books that were more than 90 days past due, nor any substantial payment arrears of between 0 and 90 days.

68.5.5. Loan loss provisions

The portfolio is reviewed regularly for objective indications of impairments of customer exposures or exposures to "groups of related customers". Assessments of impairment are performed in the course of the annual rating/review process or on an ad hoc basis. Impairments to be recognised for defaulting loans are determined by Risk Management, subject to approval by the Credit Committee.

Counterparties with increased credit risk
A multi-stage risk control process is applied to identify, monitor and manage counterparties with increased credit risks; all exposures/counterparties are classified in four risk classes:

- Risk class 0: Regular business
- Risk class 1: Intensive management/performing
- Risk class 2: Workout/restructuring
- Risk class 3: Workout/resolution

As of the reporting date of 31 December 2020, the exposure in risk class 1 (intensive management/performing) amounted to EUR 58.7m (31/12/2019: EUR 6.1m). None of Kommunalkredit's exposures are classified as belonging to risk classes 2 or 3.

Credit Risk Management 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.

68.5.6. Investment risk

Given the nature of the participations held, the investment risk is of minor importance. As of 31 December 2020, the carrying amount of investments in associates (at equity) was EUR 0.0m (31/12/2019: EUR 0.0m). The carrying amount of investments, which are reported under assets at fair value through other comprehensive income, amounted to EUR 0.8m (31/12/2019: EUR 1.6m).

68.5.7. Counterparty default risk from derivatives, repurchasetransactions and securities business

Legally binding netting arrangements for derivatives and repurchase transactions (close-out netting) have been concluded with all active counterparties of Kommunalkredit. For derivatives, credit support agreements and/or collateral annexes to framework contracts providing for daily collateral margining in accordance with the bilateral collateralisation requirement set out in the European Market Infrastructure Regulation (EMIR) have been concluded with all active financial counterparties. The only exception are derivative agreements in the cover pool for which framework agreements and netting arrangements have been made at standard market conditions (unilateral collateralisation by the counterparty, rating trigger).

The exposure to the counterparty default risk of derivatives, which is taken into account in credit risk, is defined as the residual risk from the current replacement cost (positive current value), considering CSAs and netting arrangements, plus an “add-on” for potential current value changes during the “residual period of risk” between the default of the counterparty and the closing out/replacement of the derivative transaction.

Repurchase transactions are cleared in the form of genuine repurchases, mainly via platforms with daily margining. If a counterparty default risk arises in repurchase or securities lending transactions for Kommunalkredit from the difference between the liability/ receivable and the current value of the corresponding collateral put up/received, this risk counts as exposure to the counterparty and is taken into account in credit risk.
Securities business is cleared mainly on the basis of “delivery against payment” via Euroclear and/or Clearstream.

Counterparty default risk positions are limited through volume-based counterparty and credit concentration limits on the one hand, and credit-VaR-based portfolio limits 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 exposure method by means of Monte Carlo simulations. The risk of BCVA fluctuations (BCVA risk) is determined by means of a VaR-based approach.

68.6. Liquidity risk management

Kommunalkredit distinguishes between the structural liquidity risk, the funding risk and the market liquidity risk. The structural liquidity risk (liquidity risk in the narrow sense of the term) generally arises if follow-up financing for asset portfolios cannot be secured according to the maturity schedules. The funding risk is determined by how diversified the funding sources are and the risk of potentially restricted access to certain main funding markets under stressed market conditions. The market liquidity risk consists in a possible increase of liquidity costs due to bank-specific or idiosyncratic factors (liability-side market liquidity risk) on the one hand, and the necessary acceptance of discounts or time delays in the realisation of a position due to its relative size and/or the absence of a liquid market (asset-side market liquidity risk), on the other hand.

As far as the aspect of time is concerned, Kommunalkredit distinguishes between short-term (up to one year) and long-term (more than one year) liquidity management.

Central elements of liquidity risk management include the following:

- Analysis of the liquidity position
- Reporting to the Executive Board and the Supervisory Board
- Determination of the medium- and long-term funding requirements, including a liquidity plan
- Scenario-based dynamic projection of liquidity as well as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) simulation
- Management and further development of the liquidity model
- Regular review and setting of internal transfer prices
- Securing of operational liquidity by defining time-to-wall hedging targets for the base, bad and stress cases in order to ensure the bank’s survival for the defined minimum period even without access to money and capital markets.
- Internal limitation of maturity transformation by setting limits on structural liquidity gaps
- Regulatory limitation of maturity transformation through the liquidity coverage ratio and the net stable funding ratio
- A liquidity emergency plan with clearly defined responsibilities, reporting requirements and measures is in place in case a liquidity crisis occurs.

Operational liquidity risk (< 1 year)

For the purposes of short-term liquidity steering, the management uses short- and medium-term liquidity scenarios. These scenarios include not only contractually determined cash flows, but also expected cash flows from new issues, the termination of existing business, cash outflows from new transactions, cash inflows from syndication agreements, retail deposits repayable on demand, repurchase prolongations and liquidity demand for cash collateral received (under credit support agreements/ISDA arrangements). The resulting liquidity gaps are managed daily in the short-term liquidity scenario, followed by monthly management thereafter. The following table shows the expected liquidity gaps after the measures planned, the free liquidity reserve, and the net liquidity position resulting from the liquidity gap and the liquidity reserve:

LIQUIDITY GAPS 31/12/2020 in EUR m	Expected liquidity gap	Available liquidity	Liquidity position
Up to one month	676.2	240.6	916.8
More than one month up to three months	50.8	4.8	55.6
More than three months up to one year	318.6	19.6	338.2
Total	**1,045.6**	**265.0**	**1,310.7**

The comparative figures for 2019 are as follows:

LIQUIDITY GAPS 31/12/2019 in EUR m	Expected liquidity gap	Available liquidity	Liquidity position
Up to one month	442.8	254.4	697.2
More than one month up to three months	63.4	4.8	68.2
More than three months up to one year	126.8	276.7	403.4
Total	**633.0**	**535.8**	**1,168.8**

Structural liquidity risk (>= 1 year)

For the purposes of liquidity management and the structural analysis of its liquidity risk position, Kommunalkredit analyses the expected capital flows over the entire term of all on-balance and off-balance transactions. Overhangs from capital inflows and capital outflows are monitored by maturity range and at cumulative level and provide the basis for strategic liquidity management.

Organisation and reporting

A projection of the operational liquidity risk, including an assessment of the additional available liquidity, is drawn up every other day and reported weekly to the Executive Board. In addition, ALCO meetings on operational and strategic liquidity management are held monthly. The liquidity risk is monitored at the monthly RMC meetings.

Emergency plan

The bank'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.

ILAAP

Introduced alongside ICAAP as part of Pillar 2 of the Basel Accord, the Internal Liquidity Adequacy Assessment Process (ILAAP) serves the purpose of safeguarding the adequacy of the bank's own liquidity risk management procedures.

The individual components of ILAAP cover:

- Liquidity risk strategy and tolerance
- Organisation/policies/processes
- Risk measurement and reporting
- Stress testing
- Liquidity ICS framework
- Emergency plan
- Funding plan

All ILAAP components form an integral part of the more comprehensive ICAAP, which covers all bank-specific risks, including the liquidity risks in all its forms.

Analysis of financial liabilities

The following table shows the maturities of contractual, non-discounted cash flows of financial liabilities as of 31 December 2020. 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:

CASH FLOWS as of 31/12/2020 in EUR m	Liabilities at amortised cost	Derivatives designated as hedging instruments	Trading[1]
Up to one month	324.3	2.8	40.4
More than one month up to three months	204.4	2.6	242.6
More than three months up to one year	1,157.6	15.9	387.0
More than one year up to five years	1,552.6	58.1	54.0
More than five years	1,235.1	74.9	39.5
Total	**4.,473.9**	**154.2**	**763.4**

The nominal amount of interest-rate and cross-currency swaps as of 31 December 2020 came to EUR 2.6bn (31/12/2019: EUR 2.8bn). The comparative figures for 2019 are as follows:

CASH FLOWS as of 31/12/2019 in EUR m	Liabilities at amortised cost	Derivatives designated as hedging instruments	Trading[1]
Up to one month	329.5	4.0	44.2
More than one month up to three months	172,0	2.9	160.6
More than three months up to one year	1,048.8	16.5	189.4
More than one year up to five years	1,437.0	59.4	54.2
More than five years	1,237.2	90.2	48.2
Total	**4,224.5**	**173.1**	**496.7**

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.

68.7. Market risk management

68.7.1. Interest rate risk

When it comes to the measurement, management and limitation of interest rate risks from positions not held in the trading book, Kommunalkredit generally distinguishes between the period-oriented repricing risk and the NPV-oriented risk of changing interest rates.

For the purpose of efficiently managing the interest rate risk and net interest income, Kommunalkredit uses an analysis and simulation tool (interest rate gap structure by currency, interest rate VaR, sensitivity analyses, simulation trades) which enables the forecast and targeted management of the bank's interest rate risk from positions not held in the trading book, the P&L sensitivity of the fair value portfolios according to IFRS, and net interest income for the period. To calculate the interest rate VaR, an internal model based on historical interest rate movements is applied.

Kommunalkredit's portfolio mainly comprises positions with clearly defined interest rate and capital commitment. As a rule, non-linear risks are completely hedged. Open positions are strictly limited and monitored. Retail deposits include positions without clearly defined interest rate and capital commitment (deposits repayable on demand). In principle, the interest rate commitment of deposits repayable on demand is modelled as a function of the pricing strategy. Non-linear risks that are not hedged are quantified using a scenario analysis. Kommunalkredit uses the fully integrated SAP/SEM-IT system and the Numerix software for risk quantification.

For interest rate risk measurement by the RMC, the gap structures, broken down by currency, 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 daily for the main currencies of Kommunalkredit (EUR, USD, CHF, JPY).

1 The derivatives are not formally embedded in a micro hedge as defined in IFRS but serve for risk management at portfolio level. Kommunalkredit does not engage in any trading activities.

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.

2020

- Annual net interest income effect from Kommunalkredit's repricing risk as of 31 December 2020 in EUR million in the event of a parallel rise of short-term interest by +100bp:

EUR	USD	CHF	JPY	Sonstiges	Gesamt
-1.5	0.0	-0.1	-0.1	0.0	**-1.7**

- Risk of interest rate changes in Kommunalkredit's banking book in EUR million as of 31 December 2020 in the event of a +30bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Sonstiges	Gesamt	VAR
+4.5	0.0	0.0	+0.2	-0.1	**+4.6**	**-5.5**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on P&L in EUR million as of 31 December 2020 in the event of a +30bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Sonstiges	Gesamt
+2.3	0.0	-0.3	-0.1	0.0	**+1.8**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on OCI in EUR million as of 31 December 2020 in the event of a +30bp parallel shift in the yield curve::

EUR	USD	CHF	JPY	Sonstiges	Gesamt
-4.5	0.0	0.0	0.0	-0.2	**-4.7**

The comparative figures for **2019** are as follows:

- Annual net interest income effect from Kommunalkredit's repricing risk as of 31 December 2019 in EUR million in the event of a parallel rise of short-term interest by +100bp:

EUR	USD	CHF	JPY	Sonstiges	Gesamt
+1.8	0.0	-1.0	0.0	0.0	**+0.8**

- Risk of interest rate changes in Kommunalkredit's banking book in EUR million as of 31 December 2019 in the event of a +30bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Sonstiges	Gesamt	VAR
-0.2	0.0	-0.8	-0.1	-0.1	**-1.2**	**-11.4**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on P&L in EUR million as of 31 December 2019 in the event of a +30bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Sonstiges	Gesamt
+2.9	0.0	-0.7	-0.1	+0.1	**+2.2**

- NPV risk of interest rate changes of the IFRS interest rate risk position of Kommunalkredit impacting on OCI in EUR million as of 31 December 2019 in the event of a +30bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Sonstiges	Gesamt
-5.0	0.0	0.0	0.0	-0.1	**-5.1**

68.7.2. 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 2020 was TEUR 16.5 (as of 31/12/2019: TEUR 0.3).

68.7.3. Spread widening risk

The spread widening risk is the risk of losses in value due to market-related changes in credit spreads.

+20bp credit spread risk of the **IFRS P&L position**	+20bp credit spread risk of the **IFRS OCI position**
as of 31/12/2020 **EUR -2.3m**	as of 31/12/2020 **EUR -10.6m**
as of 31/12/2019 **EUR -2.0m**	as of 31/12/2019 **EUR -11.2m**

68.7.4. 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 2020, the basis spread risk in the event of basis spreads widening by one basis point was EUR +0.1m (as of 31/12/2019: EUR +0.1m).

68.7.5. 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 -1.7m as of 31 December 2020 (as of 31/12/2019: EUR -1.7m 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 2020, there were no P&L-relevant option price risks.

68.8. 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. Operational risk management (ORM) is intended to generate added value for the bank through the ORM process.

An operational risk officer and a deputy have been appointed. Operational risk correspondents (ORC), appointed by the management in consultation with the Operational Risk Officer, act as points of contact for the individual units, establishing the link to operational risk management and supporting the ORM process.

An operational default database as well as risk and control self-assessments are the instruments available for the management of operational risk. The operational default database represents a retrospective view, i.e. realised gains/losses from operational events in the past are recorded in the database with the involvement of the line managers in charge. Operational risk and control self-assessments represent a prospective, future-oriented view. Risks are identified and their severity is subjectively assessed. At Kommunalkredit, these assessments are performed as coached self-assessments, i.e. individual risks are assessed and evaluated by the units concerned. The entries made in the operational default database serve as input and provide feedback for the reassessment of risks. The Executive Board and the senior management are informed about operational risks at the monthly RMC meetings.

Kommunalkredit uses the standardised approach to quantify its own funds requirements. The total capital held on this basis significantly exceed the actual losses suffered in the past.

68.9. Business Continuity Management

Business continuity management (BCM) ensures the adequate, comprehensive and efficient management of business continuity. It includes the elaboration and management of continuity and recovery plans as well as the implementation of measures designed to minimise interruptions of critical business processes. This includes providing remote workplaces in the event of Kommunalkredit's office premises not being available.

In the context of COVID-19 crisis management, appropriate organisational and technical measures (e.g. remote work) were implemented at an early stage. The crisis team established continuously monitors the development of the pandemic and takes appropriate measures to ensure the going concern of business processes and the protection of employees.

The annual Business Impact Analysis (BIA) was carried out and served to assess business processes and information and communication technology (ICT) services for their criticality, and to verify the time to full restoration of services. The emergency plans were revised at the same time. The annual emergency exercise to test the reliability of critical infrastructure components was successfully carried out.

69. Structured units

The Kommunalkredit Group has holdings in Fidelio KA Infrastructure Debt Fund Europe 1, a non-consolidated structured entity in the form of a closed investment fund. The fund offers institutional investors diversified access to the bank's infrastructure pipeline in the area of European infrastructure and energy financing. Kommunalkredit exerts significant 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 2020, the share held by Kommunalkredit amounted to an insignificant 8.5%. Notes on the assessment of control over the investment fund can be found in Note 3.

The shares in the structured unit are recognised as financial instrument in the category "Assets at fair value through profit or loss". As of 31 December 2020, the shares in the structured unit are shown in the consolidated statement of financial position as follows:

CARRYING AMOUNTS AS OF 31/12/2020 in EUR 1,000	31/12/2020	31/12/2019
Assets		
Assets at fair value through profit or loss	24,995.4	n/a*

*Fully consolidated as of 31/12/2019

The maximum amount in relation to potential losses on the shares in the structured unit amounts to TEUR 24,995.4 as of 31/12/2020. This represents the current share held by Kommunalkredit in the NAV of the investment fund.

70. Legal risks

Immediately prior to the spin-off of Kommunalkredit to form a new company on 26 September 2015 and the merger of the remaining part of the former Kommunalkredit Austria AG (former KA) with KA Finanz AG (as the absorbing company), compensation was paid to the holders of participation capital at Kommunalkredit. A former holder of participation capital claims that this constitutes the unlawful termination of participation capital and is seeking from Kommunalkredit and KA Finanz as jointly and severally liable parties, in a legal dispute pending in the first instance, the granting of commercially equivalent rights since 26 September 2015, or a ruling establishing the continuation of the participation capital. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

A claim was brought against KA in December 2020 for payment of a recovery receivable that could result from a possible future loss of the plaintiff in the lawsuit. The plaintiff itself is the defendant (since 2010) in proceedings that have not yet been concluded. These involved the reversal of a transaction by the buyer which is linked to participation capital that was issued by the former Kommunalkredit (previous KA) in 2006/2007. However, the order to pay the amount claimed is (merely) requested as a substitute, as the aim is primarily to suspend the decision pending a final decision in the proceedings with the buyer. The outcome of these proceedings is not expected to have any major negative impact on KA's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital. A borrower is suing Kommunalkredit for repayment of excessively paid margin linked to negative interest. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income. Furthermore, KA Finanz AG, which is wholly owned by the Republic of Austria, has entered into an irrevocable obligation to compensate for any entitlements and losses that could result from the assertion of claims by former holders of participation capital.

A borrower is asserting a claim against Kommunalkredit for the repayment of excessive margins paid in connection with negative interest rates. The outcome of these proceedings is not expected to have any major negative impact on Kommunalkredit's financial position or income.

71. Other obligations

Liability arising from the demerger
Pursuant to § 15 (1) of the Austrian Demerger Act (SpaltG), Kommunalkredit is liable jointly and severally with KA Finanz AG, vis-à-vis successful claimants, for liabilities originated prior to the entry of the demerger in the Companies Register on 26 September 2015 and transferred from the former Kommunalkredit to KA Finanz AG. The liability arising from the demerger is limited to the net assets allocated to Kommunalkredit at the effective date of the demerger. Obligations having arisen after the effective date of the demerger are not subject to liability arising from the demerger. In order to assert claims against Kommunalkredit based on this liability, separate claims would have to be asserted against Kommunalkredit.

Other obligations
Pursuant to § 2 (3) of the Austrian Deposit Guarantee and Depositor Indemnification Act, Kommunalkredit is obliged to undertake proportional safeguarding of deposits within the framework of the deposit guarantee regime of AUSTRIA Ges.m.b.H., Vienna.

72. Date of release for publication

These Consolidated Financial Statements as well as the Separate Financial Statements of Kommunalkredit were signed by the Executive Board on 16 March 2021. Both the Supervisory Board (23 March 2021) and the Annual Shareholders' Meeting (23 March 2021) can make amendments to the Separate Financial Statements, which in turn can have an impact on these Consolidated Financial Statements.

73. Employee disclosures

From 1 January to 31 December 2020, the Kommunalkredit Group had, on average, 261 employees (1/1–31/12/2019: 251 employees) including the Executive Board; 167 of them (1/1–31/12/2019: 162) were working in banking operations and 94 (1/1–31/12/2019: 89) were working for KPC. Part-time employees are weighted according to the extent of employment.

As of 31 December 2020, the Kommunalkredit Group had 272 employees (31/12/2019: 251 employees) including the Executive Board, 168 (31/12/2019: 161) of them working in banking operations and 104 (31/12/2019: 90) working for KPC.

74. Related party disclosures

Ownership structure/Transactions with owners

NAME OF THE COMPANY	Relationship with Kommunalkredit	Registered office	Shares held
Gesona Beteiligungsverwaltung GmbH	Direct parent	Vienna, Austria Comp.Reg.no 428969m	99.80% in Kommunalkredit
Satere Beteiligungsverwaltungs GmbH	Controlling parent	Vienna, Austria Comp.Reg.no 428981f	100% in Gesona

Satere Beteiligungsverwaltungs GmbH (Satere) is owned by Interritus Limited and Trinity Investments Designated Activity Company, 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 assumes the fiduciary administration of loans for a related party of Trinity under a framework agreement. As of 31 December 2020, positions of TEUR 324,551.2 (31/12/2019: TEUR 314,066.4) are held in trust on the basis of a trust agreement; as Kommunalkredit has no rights or obligations relative to the underlying lending business, the criteria for balance sheet recognition do not apply. Through the fiduciary management of these transactions, fee and commission income in the amount of TEUR 1,140.0 (1/1–31/12/2019: TEUR 952.3) was generated in 2020, with open balances in the amount of TEUR 970.1 (31/12/2019: TEUR 924.6) reported under "Other assets" as of 31 December 2020.

Tax group
Effective as of 2016, a tax group pursuant to § 9 of the Austrian Corporate Income Tax Act was formed, with Satere as the group parent. The group members as of 31/12/2020 include Gesona, Kommunalkredit and Kommunalkredit Public Consulting GmbH (KPC).

Relationships with associates
The following relations exist with Kommunalleasing, an associate included at equity:

- Loans receivable of TEUR 26,536.3 (31/12/2019: TEUR 30,269.1); these resulted in interest income of TEUR 15.4 (1/1–31/12/2019: TEUR 7.8)
- Contingent liabilities in the form of guarantees in the unchanged amount of TEUR 1,350.0
- Other off-balance-sheet liabilities in the form of promissory commitments of TEUR 1,265.8 (31/12/2019: TEUR 1,267.2)

Transactions with key management personnel
Key management personnel are people with direct or indirect authority and responsibility for the planning, management and supervision of activities at Kommunalkredit. Kommunalkredit considers the members of the Executive Board and the Supervisory Boards to be key management personnel.

The following table shows the total remuneration earned by members of the Executive Board and the Supervisory Board:

TOTAL REMUNERATION in EUR 1.000	1/1 - 31/12/2020	1/1 - 31/12/2019
Active Executive Board members	1,926.5	1,434.2
Active Supervisory Board members	276.4	119.2
Total	**2,202.9**	**1,553.3**

The amounts reported under total remuneration of active Executive Board members include amounts falling due on a short-term basis and other long-term benefits of TEUR 2,616.5 (2019: TEUR 1,575.0) as specified in the remuneration manual (deferrals of variable remuneration) pursuant to § 39b of the Austrian Banking Act. In the 2020 financial year, no contributions to a pension fund were made for active Executive Board members (1/1–31/12/2019: TEUR 2.6).

As of 31 December 2020, just like in the previous year, there were no outstanding loans/advances to members of the Executive Board or to members of the Supervisory Board, and there were no liabilities with Kommunalkredit for them either. There is a company that holds a capital interest of 25% (share as of 31/12/2019: 15%) in Fidelio KA Beteiligung GmbH; this company is within the range of influence of an Executive Board member of Kommunalkredit and a close relative. Fidelio KA Beteiligung GmbH was established for the purpose of acquiring and holding participating interests, among others in the fields of business of alternative investment funds, asset management and advisory; it holds participating interests in Fidelio KA Investment Advisory GmbH and Fidelio KA Infrastructure Opportunities Fund GB S. à r. l (currently not operational).

Expenses for severance pay and pensions

Expenses for severance pay and pensions include pension and severance payments, changes in provisions for severance pay and pensions, statutory contributions to a staff pension plan and payments into a pension fund:

EXPENSES FOR SEVERANCE PAY AND PENSIONS in EUR 1,000	1/1 - 31/12/2020	1/1 - 31/12/2019
Executive Board members and senior employees	342,0	711.5
Other employees	1,034.5	1,318.7
Total	**1,376.5**	**2,030.2**
of which recognised in equity (change in provisions due to actuarial gains/losses)	*101.0*	*501.9*
of which recognised in general administrative expenses	*1,275.5*	*1,528.3*

75. Disclosure pursuant to Part 8 CRR

In accordance with the requirements of Part 8 CRR, material qualitative and quantitative information relating to the bank is published in a separate Disclosure Report, which can be accessed on the Kommunalkredit website (www.kommunalkredit.at) under “Investor Relations/Financial Information & Reports”.

76. Disclosures relating to the Boards of the bank

Members of the Executive Board

Karl-Bernd Fislage
Chief Executive Officer

Jochen Lucht
Member of the Executive Board

Sebastian Firlinger
Member of the Executive Board
Since 1 January 2021

Members of the Supervisory Board

Patrick Bettscheider
Chairman; appointed by Gesona Beteiligungsverwaltung GmbH
Managing Director Gesona Beteiligungsverwaltung GmbH and Satere Beteiligungsverwaltungs GmbH

Christopher Guth
Deputy Chairman; appointed by Gesona Beteiligungsverwaltung GmbH

Friedrich Andreae
Managing Director Gesona Beteiligungs-verwaltung GmbH and Satere Beteiligungsverwaltungs GmbH

Alois Steinbichler
Managing Director
AST Beratungs- und Beteiligung GmbH

Jürgen Meisch
Managing Director Achalm Capital GmbH

Martin Rey
Managing Director Maroban GmbH

Patrick Höller
Nominated by the Works Council
Until 9 October 2020

Alexander Somer
Nominated by the Works Council
Since 4 March 2020

Renate Schneider
Nominated by the Works Council

Vienna, 16 March 2021

The Executive Board of
Kommunalkredit Austria AG

Sebastian Firlinger
Member of the Executive Board

Bernd Fislage
Chief Executive Officer

Jochen Lucht
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 2020, 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 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Austrian commercial and banking law as well as the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB and Section 59a BWG.

Basis for our Opinion
We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers
The Management Board explains the procedure for recognizing loan loss provisions in the notes to the consolidated financial statements section 8 "Risk provisions".

Risk to the Consolidated Financial Statements
The loans and advances to customers valued at amortized cost amount to EUR 1,8 billion and are mainly comprised of the segments "Project Finance", "Utilities", "Corporate" and "Public Finance".
The bank evaluates in the context of credit risk management whether default events exist, and specific loan loss provisions (Stage 3) need to be recognized. This includes an assessment whether customers are able to fully meet their contractual liabilities.
The calculation of the loan loss provisions for defaulted individually significant customers is based on an analysis of the estimated future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer and the valuation of collateral.
For all non-defaulted loans and advances to customers a loan loss provision for expected credit losses ("ECL") in accordance with IFRS 9 is recognized. The loan loss provision is generally based on the 12-month-ECL (Stage 1). In case of a significant increase in the credit risk (Stage 2), the ECL is calculated on a lifetime basis.
The calculation of ECLs is dependent on assumptions and estimates, which include rating-based probabilities of default and loss given default that are derived from current and forward-looking information.
The risk to the financial statements arises from the fact that the stage transfers and the determination of the loan loss provisions are based on assumptions and estimates. This may lead to a margin of discretion and estimation uncertainties regarding to the amount of the loan loss provisions.

Our Audit Approach
We have performed the following audit procedures with the involvement of our valuation and IT specialists in respect to the valuation of loans and advances to customers:

— We have analyzed the existing documentation of the processes of monitoring and risk provisioning for loans and advances to customers and assessed whether these processes are suitable to identify impairment triggers and to adequately reflect the valuation of loans and advances to customers. Moreover, we have ascertained the process flows, identified the relevant key controls, assessed their design and implementation and tested their effectiveness in samples.
— We have examined whether there were any indicators of default on a sample basis of different loan portfolios. The selection of the sample was performed risk-oriented with special regard to ratings, regionality and customer segment.
— For all other loans, for which the loan loss provision was calculated based on ECL (Stage 1 and 2), we analyzed the Bank's documentation of methodology for consistency with the requirements of IFRS 9. Furthermore, based on the bank´s model validations, we have checked the models and the parameters used to determine whether they are suitable for calculating the loan loss provisions in an appropriate amount. In addition, we analyzed the selection and assessment of forward-looking information and scenarios and their consideration in the used parameters. For these audit procedures we have involved our financial risk management specialists.

Fair value valuation of loans to customers
The Management Board explains the procedure for the calculation of the fair value in the notes to the consolidated financial statements section 11 “Fair value calculation”.

Risk to the financial statements
The loans and advances to customers valuated at fair value are shown at the balance sheet positions “Assets at fair value through profit or loss” and “Assets recognized at fair value through other comprehensive income” and amount to EUR 1.3 billion.
The risk to the financial statements arises from the fact that the valuation of the fair values of the loans based on not observable market input parameters are strongly dependent of valuation models and input parameters The risk for the financial statements is that the valuation of the fair values of the loans and advances using valuation parameters that are not observable on the market (level 3 category) is subject to discretion due to the strong dependence on valuation models and parameter estimates.

Our audit approach
We have performed the following audit procedures regarding the fair value valuation with the involvement of our valuation specialists:

— We have ascertained process workflows and substantial controls and evaluated the design and implementation of identified key controls. For these key controls we tested their operating effectiveness in samples.
— We have analyzed the processes on the classification of financial assets and assessed whether they are suitable to ensure an accurate classification according to of IFRS 9 regulations.
— On the basis of test cases of loans from different portfolios, we examined whether the calculation parameters and assumptions used in the fair value valuation were appropriately taken into account and documented in a comprehensible manner. We also checked for these test cases whether the fair value calculation was mathematically correct.
— We have compared the calculated fair values of the calculation system the fair values shown in the core banking system. Additionally, we have compared those fair values with the carrying amounts stated in the financial statements.

Other Information
Management is responsible for other information. Other information is all information provided in the annual 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 27 June 2019 and were appointed by the supervisory board on 7 August 2019 to audit the financial statements of Company for the financial year ending 31 December 2020.

In addition, during the Annual General Meeting on 31 March 2020, we have been elected as auditors for the financial year ending 31 December 2021 and appointed by the supervisory board on 23 April 2020.
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, 16. March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Bernhard Mechtler
(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 2020

We hereby **confirm** to the best of our knowledge that the **consolidated financial statements**, 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, 16 March 2020

The Executive Board of
Kommunalkredit Austria AG

Bernd Fislage
Chief Executive Officer

Sebastian Firlinger
Member of the Executive Board

Jochen Lucht
Member of the Executive Board

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