2015

DISCLOSURE REPORT
OF KOMMUNALKREDIT AUSTRIA AG

Disclosure

pursuant to Part 8 CRR

(Reporting date 31/12/2015)

INFRA BANKING EXPERTS
ÖSTERREICHS BANK FÜR INFRASTRUKTUR

KOMMUNAL KREDIT

Pursuant to Art.431 and Art.433 of the Capital Requirements Regulation (CRR), institutions have to publicly disclose the information specified in Title II CRR at least once a year, subject to the provisions laid down in Art.432 CRR. Kommunalkredit Austria AG (hereinafter called Kommunalkredit), established as of 26 September 2015 through the demerger for new incorporation of the former Kommunalkredit Austria AG (Kommunalkredit Old), meets the disclosure requirements through publication of this Disclosure Report on its homepage at www.kommunalkredit.at. Owing to the demerger for new incorporation, comparative data for the previous year are not included in this report.

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Art. 435 CRR Risk management objectives and policies

Art. 435.1 (a) CRR

Risk management strategies and processes

Kommunalkredit Austria AG (Kommunalkredit) uses risk assessments and a risk map for the complete identification of the risk drivers of its business model. Within the framework of risk assessment, the main types of risk for the bank are identified through a structured analytical process. Based on the results of the assessment, a risk map is drawn up for the bank as a whole, which contains a definition of risks, broken down by risk type, and assesses the individual risks in terms of significance, risk transparency, management frequency and limitation. 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 gaps in risk management. The types of risk covered are those which are classified as highly relevant, but are characterised by low risk transparency and low management frequency and are therefore given top priority in respect of further development needs. This analysis is performed annually.

For the main types of risk (above all liquidity risk, credit default risk, market risk), the economic capital required to cover the risk is calculated according to recognised internal bank management procedures. In addition, a risk buffer is provided for in order to cover risks that are not adequately quantifiable (above all operational risk, reputational risk, legal risks and other risks) as well as potential model inaccuracies.

Within the framework of the risk strategy for the main types of risk, the Executive Board specifies the principles for the adequate management and limitation of risks and limits the economic capital allocated to each risk type, each business area and, in an integrated approach, for the bank as a whole, depending on the risk-bearing capacity (ICAAP – Internal Capital Adequacy Assessment Process and/or ILAAP – Internal Liquidity Adequacy Assessment Process) and the risk appetite of the bank. Monthly reviews are performed to check the degree of utilisation and observance of the risk budget as well as the risk appetite of the bank. Counterparty limits as well as the operational risk limits for the trading book and the open FX position are reviewed on a daily basis. Kommunalkredit does not engage in any trading activities.

The objective of asset and liability management is to optimise the use of capital resources in terms of risk and return within the framework 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, which can be downloaded via the Intranet in their up-to-date versions at any time by all staff members concerned.

Another process provided for in Pillar 2 is the ILAAP (Internal Liquidity Adequacy Assessment Process), which serves the purpose of establishing the adequacy of the bank's own liquidity risk management procedures. At Kommunalkredit, the ILAAP is an integral part of the ICAAP, which covers all bank-specific risks, including the liquidity risks in all its forms. Liquidity risk management focuses on the types of risk specified in the LISREP (Liquidity Supervisory Review Process) and the ILAAP.

Art. 435.1 (b) and (c) CRR

Structure and organisation of the risk management and monitoring function, and scope and nature of risk reporting and measurement systems

In accordance with the division of tasks within the bank, overall responsibility for the ICAAP process lies with the Executive Board. The risk-policy principles and the risk strategy are derived 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's organisational structure for risk management clearly defines and sets out the tasks, competences and responsibilities within the framework of the risk management process. Risk-taking organisational units (front office) are clearly separated from organisational units in charge of the monitoring and communication of risks (back office) at all levels below the Executive Board. The risk monitoring function, which is independent of the front office, is exercised by the Credit Risk Management and Risk Controlling units in close coordination and on the basis of clearly defined spheres of responsibility. Thus, the organisational structure fully meets the regulatory requirement of separation between front-office and back-office functions.

The Risk Controlling and Credit Risk Management units perform the tasks of a risk management department pursuant to § 39 (5) of the Austrian Banking Act (*Bankwesengesetz – BWG*); they are independent of Kommunalkredit's operational business and have direct access to the Executive Board of Kommunalkredit.

Risks are managed by the Risk Management Committee (RMC), the Asset Liability Committee (ALCO) and the Credit Committee (CC).

The RMC constitutes the central element of the comprehensive risk management process, providing monthly information to the Executive Board on the overall risk position of the bank. In organisational terms, responsibility for the RMC lies with the Risk Controlling unit. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of limit setting (except country and counterparty limits) and limit monitoring by type of risk.

The weekly ALCO supports the operational management of market and liquidity risks. In organisational terms, the Risk Controlling unit is in charge of this committee. Within the framework of its meetings the market situation is evaluated, limits are monitored and measures to manage interest rate and liquidity risks are discussed. Additionally, a detailed, daily liquidity monitoring process is in place.

The weekly Credit Committee meeting is the central element of the credit approval process and the continuous portfolio and single-name review process. In organisational terms, the Credit Risk Management unit is in charge of this committee. (Analysis and assessment of single-name risk, second assessment in credit approval and review processes, management of single-name risks and other risks, management of non-performing loans, qualitative portfolio analyses, ratings).

Pursuant to § 39d of the Austrian Banking Act, 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 risk appetite 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 of the capitalisation and the liquidity position of the bank.

The Executive Board is informed about the risk situation through regular risk reports submitted at the weekly CC and ALCO meetings; information on all types of risk is also provided within the framework of the monthly RMC meetings.

The Supervisory Board is informed about the risk situation of the Bank and all types of risk specified in § 39 of the Austrian Banking Act through quarterly risk reports submitted to the quarterly Supervisory Board meetings.

A formalised and structured approval and implementation procedure has been set up for the introduction of new business areas, new markets or new products, ensuring that these are adequately reflected in all settlement processes, risk management and reporting, accounting and financial reporting.

Art. 435.1 (d) CRR

Risk management guidelines and policies

Principles of risk management

- The limitation of risks at Kommunalkredit is commensurate with the bank's earning strength and its equity base.
- The expertise of Kommunalkredit staff and the systems in place must correspond to the complexity of the business model and have to 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 management. 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. A capital buffer is kept for risks that have been identified but are not / not yet sufficiently measurable.
- The value-at-risk calculations have to be validated through back-testing and/or model tests.
- The risk measurement results have to be subjected to regular stress testing and taken into account in 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 the risk position of Kommmunalkredit produced at least once a month and, if necessary, supplemented by ad-hoc risk reports.
- 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 processes, constitutes an essential organisational and risk-policy objective.

Art. 435.1 (e) and (f) CRR

Risk declaration by the Executive Board on the adequacy of the risk management arrangements of the institution and on its risk profile

Complete risk identification is ensured through the comprehensive annual risk assessment.

Pursuant to § 39 (5) of the Austrian Banking Act, a risk management function, independent of the bank's operational business, has been set up; it reports directly to the Executive Board.

The risk management system and the risk management process of the bank correspond to the relevance and materiality of risks and the complexity of the business model; they meet the general, prudential risk management requirements, including the Austrian Banking Act, the Austrian Regulation on Risk Management by Financial Institutions (KI-RMVO), CRR and CRD IV.

For the purpose of limiting risks in accordance with the risk-bearing capacity of the bank, a limit system has been implemented, which covers and continuously monitors all counterparty-related limits in terms of volume and portfolio-related limits for the main types of risk. At the highest level of aggregation, the risk appetite is defined and limited as a function of the bank's risk-bearing capacity.

Kommunalkredit's risk management procedures and processes were subject to the regular comprehensive review to be performed annually. The adequacy of all components of the risk management process was reviewed, including in particular

- complete coverage of all risks relevant to the business model,
- adequate strategies for the management of the main types of risk,
- adequacy of methods employed to measure and limit risks,
- adequacy of hedging targets within the framework of the three perspectives taken in analysing the risk-bearing capacity (regulatory perspective, going-concern perspective, liquidation perspective)
- adequacy of reporting frequency and content for identifiable risks,
- adequacy of risk organisation and management bodies.

The review process, comprising risk assessments and workshops, was coordinated and supported by the Risk Controlling unit. The Executive Board and all units of the bank were included in the process. The results were documented in the form of a final report, a comprehensive risk map and a risk profile approved by the Executive Board. A report on the performance and the results of the review was submitted to the Supervisory Board.

For the purpose of securing and monitoring capital adequacy, the main types of risk are covered through risk-bearing-capacity analyses, quantified and compared with the bank's aggregate risk cover on a monthly basis. Risk tolerance is determined by the hedging targets defined for the different perspectives of risk-bearing capacity and subjected to monthly reviews (establishment of risk status).

From the liquidation perspective, risk tolerance is defined in terms of risk budgets (risk budget limits) for each main risk type and a minimum capital buffer in % of aggregate risk cover. The utilisation of risk limits and the amount of the actual capital buffer, compared with the minimum capital buffer, are determined and reviewed every month in absolute terms and as a percentage of the aggregate risk cover at a confidence level of 99.95%.

From the going-concern perspective, risk tolerance is defined in terms of the hedging target of a minimum tier-1 ratio of 13%. The capital buffer required to reach the hedging target is determined and reviewed every month in absolute terms and as a percentage of the aggregate risk cover at a confidence level of 99.95%.

Values in EUR million as at 31-12-2015	Liquidation perspective	Going-concern perspective
Aggregate risk cover	576.6	100.2
Economic risk position	137.6	48.5
Capital buffer	**439.0**	**52.0**
Capital buffer in %	**76.1%**	**51.6%**

The robustness of the business model and the adequacy of own funds are verified regularly through stress tests.

The reporting requirements to the Supervisory Board and to the Risk Committee set up pursuant to Sect. 39d of the Austrian Banking Act were met through submission of comprehensive risk reports.

The Executive Board and the Supervisory Board stated that the risk-bearing capacity of the bank was adequate at any time of the business year 2015 and that they were not / are not aware of any risks jeopardizing the risk-bearing capacity of the bank.

Art. 435.2 (a) CRR

Directorships held by members of the management body (as of 31-12-2015)

Name	Function at Kommunalkredit Austria AG	Directorships	
		Number of management functions	Number of supervisory functions
Ulrich Sieber	Chairman of the Supervisory Board[1]	3	1
Christopher Guth, MSc	Deputy Chairman of the Supervisory Board	2	1
Dipl.-Kfm. Friedrich Andreae, MSc	Member of the Supervisory Board	2	1
Mag. Katharina Gehra, MSc	Member of the Supervisory Board	3	1
Diplom-Betriebswirt (FH) Jürgen Meisch	Member of the Supervisory Board	1	5
Mag. Werner Muhm	Member of the Supervisory Board	2	6
Franz Hofer, MSc	Member of the Supervisory Board		2
Mag. Patrick Höller	Member of the Supervisory Board		1
Brigitte Markl	Member of the Supervisory Board		2
Mag. Alois Steinbichler, MSc[2]	Chairman of the Executive Board	1	2
Mag. Wolfgang Meister[3]	Member of the Executive Board[4]	2	2

[1] Resigned from the Supervisory Board as of the General Shareholders‘ Meeting of 7 April 2016; Patrick Bettscheider was appointed Chairman of the Supervisory Board as of the same day.

[2] Within the Kommunalkredit Group: Chairman of the Supervisory Board of Kommunalkredit Public Consulting and Member of the Syndicate Assembly of Kommunalnet

[3] Within the Kommunalkredit Group: Managing Director of KV GmbH; Deputy Chairman of the Supervisory Board of Kommunalkredit Public Consulting and Member of the Syndicate Assembly of Kommunalnet

[4] As of 1 February 2016, the number of Executive Board members was increased from two to three: as planned, Jörn Engelmann was appointed Chief Risk Officer (CRO) of Kommunalkredit.

Art. 435. 2 (b) CRR

Strategy for the selection of members of the management body

Pursuant to § 29 of the Austrian Banking Act, the Supervisory Board of Kommunalkredit Austria AG (Kommunalkredit) established a Nomination Committee for the newly incorporated Kommunalkredit, effective as of 28 September 2015. In compliance with the law and the Articles of Association, the Nomination Committee held its annual meeting for 2015 on the same day.

Exercising its tasks pursuant to § 29(1) and (3) of the Austrian Banking Act regarding succession planning and recruitment for vacant positions, the Nomination Committee established job profiles for the Executive Board and the Supervisory Board.

The **qualifications and competencies** required of persons selected as candidates for **Executive Board positions** are as follows:

International banking experience with a special focus on public finance; strategic and operational management experience in a market-oriented business units of comparable size and complexity with accountability for its results; profound understanding of banking processes; aptitude for the tasks assigned within the Executive Board; restructuring and portfolio management competencies; fulfilment of all regulatory fit & proper requirements: entrepreneurial personality; high level of social skills; strong implementation record; confident and self-assured manners; negotiating skills; communication skills. Ability to share responsibility for the overall strategy with the other members of the Executive Board. Relevant experience; ability to lead and motivate staff.

The **qualifications and competencies** required of persons selected as candidates for **Supervisory Board positions** are as follows:

Practice-related knowledge enabling the candidate to question Executive Board decisions; experience on supervisory boards (desirable); diversity in respect of the other Supervisory Board members; understanding of the business activities of the bank; awareness of responsibility; integrity; willingness to contribute; independence; personality; fulfilment of regulatory fit & proper requirements; practical experience with remuneration policy pursuant to § 39 (3) of the Austrian Banking Act (if required); requirements to be met by a financial expert pursuant to § 63(a) of the Austrian Banking Act (if necessary).

The qualifications and competencies required of potential candidates for Executive Board and Supervisory Board positions are based on the bank's internal "Fit & Proper Policy" adopted to ensure compliance with the legal requirements. The Fit & Proper Policy specifies the quality requirements to be met by Kommunalkredit's Executive Board and Supervisory Board members and defines criteria for the selection and aptitude assessment of members of the management and supervisory bodies and/or for the identification and assessment of holders of key functions and their aptitude. To ensure compliance with these requirements, a special Fit & Proper Office has been set up. In accordance with the Fit & Proper Circular of the Financial Markets Supervisory Authority (FMA), regular fit & proper training is provided for Executive Board and Supervisory Board members and for holders of key functions.

Art. 435. 2 (c) CRR

Diversity strategy with regard to the selection of members of the management body

The Nomination Committee set a target of 15% for the underrepresented gender on the Executive Board and the Supervisory Board for 2015, the decisive selection criteria being the qualifications of the candidates and their suitability for the position. The target is to be reached within five years, i.e. by 31 December 2020, at the latest.

Art. 435. 2 (d) CRR

Information regarding the establishment of a separate risk committee

Pursuant to § 39d of the Austrian Banking Act, a risk committee of the Supervisory Board was established, effective as of 28 September 2015, tasked to advise the management on the current and future risk appetite and risk strategy of the bank and to monitor implementation of this risk strategy relating to the management, monitoring and limitation of risks and the capitalisation and liquidity of the bank.

The Risk Committee met once in 2015.

Art. 435. 2 (e) CRR

Information flow on risk to the management body

Kommunalkredit has established an organisational structure for risk management, which clearly defines and sets out the tasks, competences and responsibilities within the framework of the risk management process. Risk-taking organisational units (front office) are clearly separated from organisational units in charge of the monitoring and communication of risks (back office) at all levels below the Executive Board. The risk monitoring function, which is independent of the front office, is exercised by the Credit Risk Management and Risk Controlling units in close coordination and on the basis of clearly defined spheres of responsibility. Thus, the organisational structure fully meets the regulatory requirement of separation between front-office and back-office functions.

Risks are managed by the Risk Management Committee (RMC), the Asset Liability Committee (ALCO) and the Credit Committee (CC).

The RMC constitutes the central element of the comprehensive risk management process, providing information to the Executive Board on the overall risk position of the bank. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of limit setting (except country and counterparty limits, which are set by the Credit Committee) and limit monitoring by type of risk. In organisational terms, the Risk Controlling unit is responsible for the development and implementation of quantitative risk management processes for all types of risk and supports the management decisions to be taken by the Executive Board through the provision of relevant information.

The weekly ALCO is responsible for the operational management and monitoring of the interest rate and liquidity risk. In organisational terms, the Risk Controlling unit is in charge of this committee.

The weekly CC meeting is the central element of the credit approval process and the continuous portfolio and single-name review process. In organisational terms, the Credit Risk Management unit is in charge of this committee. The tasks of the CC include, in particular, the analysis and assessment of single-name risks, a second assessment in credit approval and/or review processes, the management of single-name risks and/or other risks, the management of non-performing loans, qualitative portfolio analyses, the assignment of ratings as well as country and counterparty limits.

Art. 436 CRR Scope of application

Art. 436 (a) CRR

Name of the institution to which the requirements of this Regulation apply

Name of the institution: Kommunalkredit Austria AG (Kommunalkredit)

Art. 436 (b) CRR

Information on the scope of consolidation and entities therein

Regulatory scope of consolidation
Under the provisions of CRR, Kommunalkredit is not subject to a regulatory requirement of consolidation. The capital ratios are calculated in accordance with the provisions of CRR/CRD IV exclusively on a non-consolidated basis pursuant to the Austrian Company Code/Austrian Banking Act.

IFRS scope of consolidation
As of 31 December 2015, the scope of consolidation of the Kommunalkredit Group according to IFRS comprises, besides Kommunalkredit as the parent, the following entities:

Name and registered office	Participation direct	Participation indirect	Share in capital in %	Financial statement disclosures (IFRS): Last financial statements	Total assets in TEUR	Equity in TEUR	Profit/loss for the year In TEUR
1. Affiliated companies							
1.1. Fully consolidated affiliated companies							
Kommunalkredit Beteiligungs- und Immobilien GmbH, Wien	x		100%	31-12-2015	28,814.1	7,124.4	400.0
Kommunalkredit Public Consulting GmbH, Wien	x		90%	31-12-2015	7,878.0	1,628.4	368.2
1.2. Other participations of the AFS category							
Kommunalkredit Vermögens-verwaltungs GmbH, Wien [1)2)]	x		100%	31-12-2015	53.7	52.7	-2.1
TrendMind IT Dienstleistung GmbH, Wien [1)2)]		x	100%	31-12-2015	587.5	328.9	77.8
2. Associates							
2.1. Associates included at-equity							
Kommunalleasing GmbH, Wien		x	50%	31-12-2015 [3)]	97,354.9	4,644.8	432.1
2.2. Other participations of the AFS category							
Kommunalnet E-Government Solutions GmbH, Wien [1)2)]		x	45%	31-12-2015 [3)]	1,002.8	776.2	92.8

1)Values according to Austrian Company Code
2)Not within the scope of consolidation of the Kommunalkredit Group
3)Preliminary unaudited figures
4)Result of the consolidated company included from 26-09-2015 to 31-12-2015

Affiliated companies are included in the scope of full consolidation, while the associated company is accounted for under the equity method. The balance sheet date of the consolidated companies is the same as that of the parent. The scope of consolidation has remained unchanged compared with the previous year.

The structure of participations is described in detail under Article 447 CRR.

Art. 436 (c), (d) and (e) CRR

Information on material practical or legal impediments to the transfer of own funds or repayment of liabilities among the parent and its subsidiaries, the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation and, if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9

Currently, these provisions are not relevant to Kommunalkredit.

Art. 437 CRR Own funds

Art. 437.1 (a) and (d) CRR

Reconciliation of the items of regulatory own funds and the balance sheet, and disclosure of the nature and amounts of the components listed under (d) i-iii

30-09-2015 in TEUR	Own funds pursuant to CRR
Capital instruments and the related premium	159,491.3
- of which subscribed capital	159,491.3
Cumulative other result (and other reserves)	20,790.0
- of which eligible profit	10,281.3
- of which retained earnings	508.7
- of which statutory reserve pursuant to § 57(5) BWG	10,000.0
Fund for general banking risks pursuant to § 57(3) BWG	15,000.0
Deductible items	-383.6
- of which intangible assets	-383.6
Common equity tier 1	**194,897.7**
Additional tier 1 capital	65,000.0
Credit risk adjustments (provision § 57(1) BWG)	0.0
Tier 2 capital	**65,000.0**
Total eligible own funds (CET 1 + tier 2)	**259,897.7**

The main features of Kommunalkredit's capital instruments are described in Annex 1.

Subscribed capital

The share capital as at 31 December 2015 amounts to TEUR 159,491.3. Gesona Beteiligungsverwaltung GmbH holds 30,938,843 no par value shares, i.e. 99.78%. The Association of Austrian Municipalities holds 68,216 no par value shares, i.e. 0.22%. Each no par value share represents an equal stake in the share capital, i.e. a share of EUR 5.14 in the share capital. There are no shares that have been issued but not fully paid in. There are no authorised shares.

In accordance with the decision taken by the Annual Shareholders' Meeting on 7 April 2016, Kommunalkredit distributed an amount of TEUR 8,000.0 of the net profit of TEUR 18,281.3 shown in the separate financial statements of Kommunalkredit in accordance with the Austrian Company Code/Austrian Banking Act. The balance of TEUR 10,281.3 was carried forward to new account. This corresponds to a dividend of EUR 0.26 per no par value share (5.1% of the nominal value of EUR 5.14 per no par value share).

Tier 2 capital pursuant to Part 2, Title I, Chapter 4 of Regulation (EU) No 575/2013

As at 31 December 2015, tier 2 capital comprises eight EUR-denominated subordinated bond issues in a total nominal amount of EUR 65,000.0. The tier capital meets the conditions of Part 2, Title I, Chapter 4 of Regulation (EU) No 575/2013.

ISIN	Interest rate at reporting date in %	Maturity	Currency	Nominal in EUR	Right to call	Conversion to capital
XS0271821513	5.4	30.10.2021	EUR	5,000,000.0	Issuer in case of tax event	no
650439	4.67	23.02.2022	EUR	10,000,000.0	none	no
650440	4.67	23.02.2022	EUR	10,000,000.0	none	no
650444	5.08	09.02.2037	EUR	10,000,000.0	Issuer	no
650446	5.081	09.02.2037	EUR	800,000.0	Issuer	no
650447	5.08	09.02.2037	EUR	10,200,000.0	Issuer	no
650441	5,.175	07.03.2047	EUR	10,000,000.0	Issuer	no
650442	5.0175	07.03.2047	EUR	9,000,000.0	Issuer	no

Reconciliation of all regulatory capital items on the balance sheet

31-12-2015 in TEUR	Book values pursuant to Austrian GAAP	Own funds pursuant to CRR
Common equity tier 1 (CET1): Instruments and reserves		
Capital instruments and the related premium	159,491	159,491
of which subscribed capital	159,491	159,491
Cumulative other result (and other reserves)	28,790	20,790
- of which eligible profit	18,281	10,281
- of which retained earnings	509	509
- of which statutory reserve pursuant to § 57(5) BWG	10,000	10,000
Fund for general banking risks pursuant to § 57(3) BWG	15,000	15,000
CET1 before regulatory adjustments		**195,281**
Intangible assets (negative amount)	-384	-384
Total regulatory adjustments of common equity tier 1 (CET1)		**-384**
Common equity tier 1 (CET1)		**194,898**
Additional tier 1 capital (AT1)		**0**
Core capital (T1 = CET1 + AT1)		**194,898**
Tier 2 capital (T2): Instruments and reserves		
Capital instruments and the related premium	67,525	65,000
- of which subordinated securitised liabilities	67,525	65,000
Tier 2 capital (T2)		**65,000**
Total capital (TC = T1 + T2)		**259,898**
Total risk-weighted assets		**761,841**

	(A) **Amount 31-12-2015 in TEUR**	(B) **Reference to artiicle of Regulation (EU) No 575/2013**	(C) **Amounts subject to treatment prior to Regulation (EU) No 575/2013, or specified amount of outstanding exposure pursuant to Regulation (EU) No 575/2013**
Common equity tier 1 (CET 1): Instruments and reserves			
Capital instruments an the related premium	159,491	26 (1), 27, 28, 29, EBA list pursuant to Art. 26 (3)	
of which subscribed capital	159,491		
Cumulative other result (and other reserves)	20,790	26 (1)	
- of which eligible profit	10,281		
-of which retained earnings	509		
- of which statutory reserve pursuant to § 57(5) BWG	10,000		
Fund for general banking risks pursuant to § 57(3) BWG	15,000	26 (1) (f)	
Common equity tier 1 (CET1) before regulatory adjustments	**195,281**		
Common equity tier 1 (CET1) regulatory adjustments			
Intangible assets (less corresponding tax liabilities) (negative amount)	-384	36 (1) (b), 37, 472 (4)	
Total regulatory adjustments of common equity tier 1 (CET1)	**-384**		
Common equity tier 1 (CET1)	**194,898**		
Additional tier 1 capital (AT1)	**0**		
Core capital (T1 = CET1 + AT1)	**194,898**		
Tier 2 capital (T2): Instruments and reserves			
Capital instruments and the related premium	65,000	62,63	
of which tier 2 capital	65,000		
Credit risk adjustments (provision pursuant to § 57(1) BWG)	0	62 (c) and (d)	
Tier 2 capital (T2) before regulatory adjustments	**65,000**		
Tier 2 capital (T2): regulatory adjustments			
Total regulatory adjustments of tier 2 capital (T2)	**0**		
Tier 2 capital (T2)	**65.000**		
Total capital (TC = T1 + T2)	**259,898**		
Total risk weighted assets	**761,841**		
Equity ratios and buffer			
Common equity tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	**25.6 %**	**92 (2) (a), 465**	
Tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	**25.6 %**	**92 (2) (b), 465**	
Total capital ratio (expressed as a percentage of the total risk exposure amount)	**34.1 %**	**92 (2) (c)**	
Equity ratios and buffer			
Direct, indirect and synthetic holdings by the institution in capital instruments of financial sector entities where the institution does not have a significant investment in those entities (below 10% and less eligible sell positions)		36 (1), 45, 46 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
Upper limits to the inclusion of value adjustments in tier 2 capital			
Credit risk adjustments relating to exposures under the standardised approach eligible as tier 2 capital (before application of upper limit)	0	62	
Equity instruments to which the transitional rules apply (applicable from 01-01-2013 to 01-01-2022)			
Current upper limit for T2 instruments to which the transitional rules apply	0	484 (5), 486 (4) and (5)	
Amount excluded from T2 due to upper limit (amount exceeding upper limit after redemptions and maturities)	0	484 (5), 486 (4) and (5)	

Art. 437 (b) and (c) CRR

Description of the main features of the instruments issued by the institution and their full terms and conditions

The main features of the common equity tier 1 and tier 2 instruments are described in Annex 1. The full terms and conditions of these instruments are published on the homepage of Kommunalkredit under “Investor Relations / Bondholder Information and Funding / Documentation”.

Art 437 (e) CRR

Description of all restrictions applied to the calculation of own funds and the instruments, prudential filters and deductions to which these restrictions apply

All own funds components meet the requirements of CRR and are not subject to any restrictions.

Art 437 (f) CRR

Basis for the calculation of capital ratios

The capital ratios of Kommunalkredit are calculated on the basis laid down in CRR I. The provisions of Art.437 (f) therefore do not apply.

Art. 438 CRR Capital Requirements

Art. 438 (a) and (b) CRR

Securing minimum capital adequacy and results of internal capital assessment

ICAAP approaches to the assessment of the capital position
ICAAP (internal capital adequacy assessment process) is a core element of Pillar 2 of the Basel Accord and comprises all procedures and measures applied by a bank to secure the appropriate identification, measurement and limitation of risks, a level of capitalisation in line with the risk profile of the business model, and the use and continuous further development of suitable risk management systems.

Kommunalkredit uses the method of risk-bearing-capacity analysis for the quantitative assessment of its capital adequacy. Depending on the target pursued, three different perspectives are applied:

- Regulatory perspective

Target: Securing compliance with regulatory capital adequacy requirements
Regulatory capital requirements are compared with regulatory aggregate risk cover (total own funds); a free capital buffer is defined.
Risk status: As at 31-12-2015, Kommunalkredit’s total capital ratio, after profit and dividend, was 34.1%; the tier-1 ratio was 25.6%. According to CRR I, the minimum requirements as of 1 January 2016 are 8.625% for the total capital ratio and 6.625% for the tier-1 ratio.

- Liquidation perspective

Target: The main focus is on the protection of creditors and on securing a level of capitalisation to ensure that, in the event of liquidation of the company, all lenders can be satisfied with a defined probability.
Economic capital requirements (internal risk measurement) are compared with the bank's own funds, adjusted for hidden burdens and reserves. A confidence level of 99.95% is applied in determining the economic risk.
Risk status: The economic risks correspond to 23.9% of the aggregate risk cover. Thus, the risk buffer as at 31 December 2015 is 76.1%.

- Going concern perspective

Target: If the risks materialise, the survival of the bank as a going concern without additional equity is to be secured with a certain degree of probability. The defined level of protection from risk under the going-concern perspective currently is a minimum tier 1 ratio of 13%.
All risks impacting on profit and loss must be covered by the budgeted annual result, realisable reserves, and the "free tier 1" capital. Free tier 1 is the tier 1 portion over and above the capital required to secure a tier 1 ratio of 13%. Aggregate risk cover is broken down into primary and secondary risk cover, always considering possible realisation and external effects; early warning levels have been introduced. A confidence level of 95% is applied in determining the economic risk.
Risk status: The economic risks correspond to 48.4% of the aggregate risk cover. Thus, the risk buffer as at 31 December 2015 is 51.6%.

To cover other, non-quantifiable risks as well as model inaccuracies, an adequate risk buffer is provided for.

Moreover, stress tests are performed every six months to test the robustness of the business model and to ensure capital adequacy. For this purpose, two different economic scenarios (general recession scenario and Kommunalkredit's portfolio-specific stress) are defined and their impact on the bank's risk-bearing capacity is quantified. In addition to the stressed risk-bearing capacity, a stressed three-year budget is drawn up for each scenario in order to test the stability of the business model over time. In addition to the macroeconomic stress tests, reverse stress tests are performed. This is a regulatory requirement intended to show the extent to which parameters and risks can be stressed before regulatory or internal minimum requirements can no longer be met. The stress tests performed for the abridged business year 2015 (new incorporation within the framework of the demerger) confirmed the capital adequacy of the bank.

Art. 438 (c) CRR

In case of calculation of risk-weighted exposure amounts in accordance with Chapter 2 of Part 3, Title II (standardised approach), 8% of the risk-weighted exposure amounts for each exposure class

Capital requirements for credit risk based on standardised approach

31/12/2015

Basel III approach		Minimum own funds requirement in TEUR	Minimum own funds requirement in %
Standardised approach	Exposures to sovereigns or central banks	651.9	1.5
	Exposures to regional and local territorial authorities	2,562.6	5.9
	Exposures to public-sector bodies	4,177.7	9.6
	Exposures to institutions	3,830.5	8.8
	Exposures to enterprises	30,630.8	70.3
	Defaulted exposures	0.0	0.0
	High-risk exposures	473.0	1.1
	Other items	590.2	1.4
	Participations	657.2	1.5
Total own funds requirement		**43,573.9**	**100.0**

Art. 438 (d) CRR

In case of calculation of risk-weighted exposure amounts in accordance with Chapter 3 of Part 3, Title II (internal rating based approach), 8% of the risk-weighted exposure amounts for each exposure class

Kommunalkredit uses the standardised approach in accordance with Chapter 2 of Part 3, Title II CRR.

Art. 438 (e) CRR

Own funds requirements calculated in accordance with points (b) and (c) of Article 92(3)

Own funds requirement for market risk/trading book (31/12/2015)

Total own funds requirement for market risk (in TEUR)	**0.0**

Own funds requirement for currency risk (31/12/2015)

Total own funds requirement for currency risk (in TEUR)	**0.0**

Art. 438 (f) CRR

Own funds requirements calculated in accordance with Part 3, Title III, Chapters 2, 3 and 4

Own funds requirement for operational risk – standardised approach (31/12/2015)

Total own funds requirement for operational risk (in TEUR)	**7,755.6**

Art. 439 CRR Exposure to counterparty credit risk

Art. 439 (a) CRR

Calculation of internal capital and upper limits for counterparty credit exposures

Legally binding netting arrangements for derivatives and repo transactions have been agreed upon with all active counterparties (close-out netting). For derivatives, credit support agreements and/or collateral annexes to framework agreements (CSA) providing for daily collateral margining have been concluded with all bank counterparties.

Repo transactions are cleared in the form of genuine repos via platforms with daily margining. Securities transactions are cleared exclusively on the basis of “delivery against payment” via Euroclear or Clearstream.

The counterparty default risk from derivatives, included in credit risk, is defined as the residual risk from current replacement costs (positive market value), considering CSAs and netting arrangements, plus an “add-on” for potential market value changes during the “residual period of risk” between the counterparty default and the close-out/replacement of the derivative transaction.

If a counterparty default risk arises for Kommunalkredit from the difference between the liability/receivable and the market value of the collateral put up/received in repo transactions or securities lending transactions, this risk counts as exposure for the counterparty and is included in credit risk.

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 hand.

Art. 439 (b) CRR

Policies for securing collateral and establishing credit reserves

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 guarantor, depending on the assessment of the risk, and considered in the portfolio model and the limit system. Financial collateral, above all netting arrangements and cash collateral, is considered to reduce the counterparty risk. Thus, financial collateral received reduces the exposure. Kommunalkredit has drawn up a guideline (collateral catalogue) stating the prerequisites for drawing on such collateral qualifying as eligible funds. The rules governing the establishment of credit reserves are specified under Art.442 CRR (a) and (b).

Art. 439 (c) CRR

Rules with respect to wrong-way risk exposures

No information to be provided, as the counterparty risk is not calculated on the basis of an internal model.

Art. 439 (d) CRR

Information on the amount of collateral to be provided in the event of a downgrade on the institution's credit rating

Legally binding netting arrangements for derivatives and repo transactions (close-out netting) have been concluded with all counterparties. With all bank partners credit support agreements and/or collateral annexes to framework contracts providing for daily collateral margining have been concluded for derivatives. There is no obligation to put up additional collateral in the event of a downgrade of Kommunalkredit. Moreover, derivative framework contracts at Kommunalkredit are not dependent on the rating of the bank or the counterparty concerned.

Repo transactions are made in the form of genuine repos and cleared mainly via platforms with daily margining. If a counterparty risk remains from the haircut in repo transactions made as cash taker, this risk is allocated to the counterparty and considered in the exposure calculation.

Securities transactions are cleared exclusively on the basis of "delivery against payment" via Euroclear or Clearstream.

Given the clearing principles outlined above, the counterparty risk from derivatives, repo transactions and securities transactions is immaterial.

Art. 439 (e) to (h) CRR

Information on the gross positive value of contracts, netting benefits, netted current credit risk exposure, collateral held and net derivatives credit exposure, measures for exposure value as well as notional values of credit derivatives and credit derivative transactions

The following table shows the structure of derivative transactions as at 31 December 2015:

Product in TEUR	Nominal	Positive market values	Negative market values	Sum total of market values	Risk-weightes exposure amount	Own funds requirement
Interest-related transactions	**6,053,356.6**	**539,757.9**	**-371,172.1**	**168,585.8**	**52,912.2**	**5,525.2**
Interest rate swaps	*6,053,356.5*	*539,757.9*	*-371,172.1*	*168,585.8*	*52,912.2*	*5,525.2*
Currency-related transactions	**1,701,905.0**	**4,298.0**	**-56,005.3**	**-51,707.2**	**10,822.9**	**3,256.5**
FX forward transactions	*1,594,484.3*	*3,501.5*	*-27,379.1*	*-23,877.6*	*9,812.7*	*2,911.1*
Interest rate/currency swaps	107,420.7	*796.5*	*-28,626.2*	*-27,829.6*	*1,010.2*	*345.4*
Total	**7,755,261.6**	**544,055.9**	**-427,177.4**	**116,878.5**	**63,735.1**	**8,781.7**

Based on ISDA/CSA arrangements, credit balances with banks in a nominal value of TEUR 216,900.0 and credit balances with customers (non-bank financial institutions) in a nominal value of TEUR 15,650.0 were provided as collateral for negative market values of derivative transactions. Amounts owed to banks include collateral received in a nominal amount of TEUR 327,170.0, and amounts owed to customers include collateral received in a nominal amount of TEUR 4,100.0.

The netting effect (i.e. difference between risk exposure before and after netting) amounted to TEUR 189,003.4 as at 31 December 2015.

For the above transactions the mark-to-market method is used to determine the exposure value.

Art. 439 (i) CRR

Estimate of α

No information to be provided, as the counterparty risk is not calculated on the basis of an internal model.

Art. 440 CRR Capital buffers

As at 31 December 2015, there were no material risk positions in countries of the European Union applying an anti-cyclical capital buffer.

The anti-cyclical capital buffers are subject to regular review (http://www.esrb.europa.eu/ccb/applicable/html/index.en.html).

Art. 442 CRR Credit risk adjustments

Art. 442 (a) and (b) CRR

Approaches and methods relating to specific and general credit risk adjustments; definitions for accounting purposes of "past due" and "impaired"

To identify defaults, Kommunalkredit uses the definition of default of an obligor of Article 178 CRR, which covers the case of an obligor being "past due" more than 90 days (amounts owed past due) as well as the case of an obligor being "unlikely to pay". Kommunalkredit's definition of "distressed" applies to exposures classified as risk level 2 (workout – recovery) and risk level 3 (workout – resolution).

A multi-stage risk control process is used to identify, monitor and manage counterparties with increased credit risk; all exposures/counterparties are classified according to four risk classes.

Risk class 0: Regular transaction
Standard risk class for all exposures without irregularities and not belonging to any of the following risk classes

Risk class 1: Intensive management – performing
Counterparties with increased credit risk and/or other irregularities and therefore subject to close monitoring (intensive management). However, these exposures are not considered to be at risk of default and no specific loan loss provisions need to be booked.

Risk class 2: Workout – recovery
Exposures classified as workout cases.

Risk class 3: Workout – resolution
Exposures for which workout is not expected to produce the desired result and collection measures are taken instead.

Starting from risk class 1, provisioning requirements are reviewed monthly (impairment test). Specific loan loss provisions are to be set up if partial or full recovery of an amount owed, including interest, is considered unlikely. In any case, the possibility of specific loan loss provisioning is to be examined as soon as an exposure meets at least one of the following criteria:

- Interest waived due to the counterparty's rating
- Significant credit risk adjustment, e.g.:
  - Rating downgrade to B range or below
  - Default rating by an external rating agency
  - Reduction of current market price by more than 25%
  - Termination and call of receivable due to counterparty's rating
- Concessions granted for reasons of counterparty's rating (forbearance)
- Insolvency proceedings or similar proceedings have been instituted, or commencement of bankruptcy proceedings has been rejected for lack of assets, or the debtor as a legal person has been wound up by decision of a court or an administrative authority.
- Material negative information available
- Payment past due in excess of 90 days, with the receivable past due exceeding the approved and communicated line by more than 2.5%, but at least by EUR 250.00.

In addition, a portfolio loan loss provision is calculated. To determine the provisioning requirement, the financial assets are broken down by risk profile into comparable groups. On the basis of empirical values and the bank's monitoring processes, portfolio loan loss provisions are set up for these groups; the parameters considered are "loss identification period" (LIP), "probability of default" and "loss given default".

Table: Nominal values by risk class, including impaired assets

Risk class in TEUR	31-12-2015
1	194,922.5
2	0.0
3	0.0

The Credit Risk Management unit submits updated monthly reports on counterparties with increased credit risk within the framework of the Credit Committee meeting, which then decides on the measures to be taken. Moreover, an updated report on counterparties with increased credit risk is submitted to the Executive Board and the Supervisory Board every quarter.

Art. 442 (c) CRR

Total amount of exposures without taking into account the effects of credit risk mitigation and the average amount of the exposures broken down by exposure class

Exposure value in TEUR (before credit risk mitigation and after value adjustment) as at 31/12/2015

Exposure class TEUR	Average exposure value	Exposure value
Exposures to sovereigns or central banks	363,434.4	251,073.7
Exposures to regional or local territorial authorities	2,246,601.3	2.207.582.9
Exposures to public-sector bodies	249,378.3	250,464.4
Exposures to institutions	994,040.3	669,889.5
Exposures to enterprises	448,952.3	437,519.8
Defaulted exposures	0.0	0.0
High-risk items	5,000.0	5,000.0
Other items	114,622.0	114,654.0
Participations	7,089.9	7,089.9
Total	**4,429,118.6**	**3,943,274.1**

Art. 442 (d) CRR

Geographic distribution of the exposures broken down in significant areas by material exposure classes

Exposure value in TEUR (before credit risk mitigation and after value adjustment) as at 31/12/2015

Exposure class in TEUR	Austria	Western Europe	Central and Eastern Europe	Rest of the world	Total
Exposures to sovereigns or central banks	82,544.6	31,653.5	136,875.7	0.0	251,073.7
Exposures to regional or local territorial authorities	2,070,641.4	136,305.3	636.2	0.0	2,207,582.9
Exposures to public-sector bodies	238,986.5	4,381.0	7,096.8	0.0	250,464.4
Exposures to institutions	262,148.1	324,208.7	176.8	83,355.9	669,889.5
Exposures to enterprises	168,476.6	223,845.5	45,197.7	0.0	437,519.8
Defaulted exposures	0.0	0.0	0.0	0.0	0.0
High-risk items	0.0	0.0	0.0	5,000.0	5,000.0
Other items	114,390.9	0.0	263.1	0.0	114,654.0
Participations	7,089.9	0.0	0.0	0.0	7,089.9
Total	**2,944,278.0**	**720,393.9**	**190,246.3**	**88,355.9**	**3,943,274.1**

Art. 442 (e) CRR

Distribution of the exposures by industry or counterparty type

Exposure value in TEUR (before credit risk mitigation and after value adjustment) as at 31/12/2015

Exposure class in TEUR	Energy & environment	Financial institutions[5]	Infrastructure	Public finance	Social infrastructure	Transport	Total
Exposures to sovereigns or central banks	0	79,687.3	0.0	171,386.5	0.0	0.0	251,073.7
Exposures to regional or local territorial authorities	0	0.0	0.0	2.207.582.9	0.0	0.0	2,207,582.9
Exposures to public-sector bodies	82,126.8	0.0	26,202.7	61,757.9	73,280.2	7,096.8	250,464.4
Exposures to institutions	0	669,889.5	0.0	0.0	0.0	0.0	669,889.5
Exposures to enterprises	146,010.4	75,132.5	37,235.3	0.0	87,959.6	91,182.0	437,519.8
Defaulted items	0	0.0	0.0	0.0	0.0	0.0	0.0
High-risk items	0.0	5,000.0	0.0	0.0	0.0	0.0	5,000.0
Other items	0.0	114,654.0	0.0	0.0	0.0	0.0	114,654.0
Participations	0.0	800.1	346.5	0.0	5,943.4	0.0	7,089.9
Total	**228,137.2**	**945,163.4**	**63,784.4**	**2,440,727.2**	**167,183.1**	**98,278.8**	**3,943,274.1**

Kommunalkredit has no exposures to small and medium-sized enterprises (SMEs).

Art. 442 (f) CRR

Breakdown of all exposures by residual maturity

Exposure value in TEUR (before credit risk mitigation and after value adjustment) as at 31/12/2015

Exposure class in TEUR	Repayable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Exposures to sovereigns or central banks	79,687.2	0.0	694.9	126,537.3	44,154.3	251,073.7
Exposures to regional or local territorial authorities	0.0	100,546.0	1,996.7	160,986.1	1,944,054.1	2,207,582.9
Exposures to public-sector bodies	0.0	92.2	0.0	62,612.3	187,759.9	250,464.4
Exposures to institutions	24,975.5	224,068.1	9,360.7	54,116.6	357,368.5	669,889.5
Exposures to enterprises	50.0	45,773.3	51,842.2	139,622.0	200,232.3	437,519.8
Defaulted exposures	0.0	0.0	0.0	0.0	0.0	0.0
High-risk items	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Other items	5,358.0	0.0	0.0	0.0	109,296.1	114,654.0
Participations	0.0	0.0	0.0	0.0	7,089.9	7,089.9
Total	**110,070.8**	**370,479.6**	**63,894.5**	**543,874.3**	**2,854,955.0**	**3,943,274.1**

[5] Mainly from hedging transactions

Art. 442 (g) CRR

Broken down by significant industry or counterparty type, the amount of i) impaired exposures and past due exposures, ii) specific and general credit risk adjustments and iii) charges for specific and general credit risk adjustments

As at 31 December 2015, there were no non-performing loans or receivables past due; the NPL ratio was 0.0%. No specific loan loss provisions were set up as at 31 December 2015; portfolio loan loss provisions amounted to TEUR 213.0.

Art. 442 (h) CRR

Amount of impaired exposures and past due exposures broken down by significant geographic areas

As at 31 December 2015, there were no non-performing loans or receivables past due; the NPL ratio was 0.0%. No specific loan loss provisions were set up as at 31 December 2015; portfolio loan loss provisions amounted to TEUR 213.0.

Art. 442 (i) CRR

Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures

31/12/2015

Values in TEUR	2015	of which lending and securities transactions (specific loan loss provision)	of which portfolio LLP
as at beginning of reporting year	**138.0**	**0.0**	**138.0**
+ addition	75.0	0.0	75.0
- release	0.0	0.0	0.0
- reclassification to fund for general banking risks pursuant to § 57(3) BWG	0.0	0.0	0.0
- utilisation	0.0	0.0	0.0
as at end of reporting year	**213.0**	**0.0**	**213.0**

Art. 443 CRR Unencumbered assets

Assets as at 31 December 2015

Values in TEUR	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets	1,912,000.9	n.a.	1,520,818.0	n.a.
Equity instruments	0.0	0.0	0.0	0.0
Debt instruments	173,502.5	197,342.9	87,884.2	96,117.9
Other assets	0.0	n.a.	79,819.0	n.a.

Collateral received as at 31 December 2015

Values in TEUR	Fair value of encumbered collateral received and/or own debt instruments issued	Fair value of collateral received and/or own debt instruments issued qualifying for encumbrance
Collateral received	0.0	0.0
Equity instruments	0.0	0.0
Debt instruments	0.0	0.0
Other collateral received	0.0	0.0
Own debt instruments issued other than own *Pfandbriefe* or ABS	0.0	0.0

Encumbered assets/collateral received and related liabilities as at 31 December 2015

Values in TEUR	Coverage of liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt instruments issued other than encumbered *Pfandbriefe* and ABS
Book value	1,390,150.6	1,784,926.2

Amount of encumbrance

The most important sources of encumbrance were covered bonds with a public cover pool and tender transactions with the Austrian National Bank. Moreover, assets were used as collateral for repos and EIB funding.

As at 31 December 2015, the asset encumbrance ratio was 77.9%.

Art. 444 CRR Use of ECAIs (external credit assessment institutions)

Art. 444 (a) CRR

Names of the nominated ECAIs and export credit agencies (ECAs)

Kommunalkredit uses external ratings by Moody’s, Standard & Poor’s and Fitch.

Art. 444 (b) CRR

Exposure classes for which an ECAI or ECA is used

Rating agencies and rating agents are used for the following exposure classes:

31/12/2015

Exposure classes	Approach
Exposures to sovereigns or central banks	Standardised approach
Exposures to regional or local territorial authorities	Standardised approach
Exposures to enterprises	Standardised approach
Exposures to multilateral development banks (MDBs)	Standardised approach
Exposures to institutions	Standardised approach
Exposures to public-sector bodies	Standardised approach
Other items	Standardised approach

Art. 444 (c) CRR

Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book

If available, an issue rating by an ECAI for the exposure in question is used. An issuer rating is used if no other rating is available. In all other cases, the exposure is regarded as non-rated for the calculation of the risk-weighted exposure values. The risk weight is determined if one or several ratings are available from nominated ECAIs pursuant to Art.138 CRR.

Art. 444 (d) CRR

Association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part 3, Title II, Chapter 2

Kommunalkredit uses the standard association published by EBA for the association of the external ratings of the nominated ECAIs with the credit quality steps prescribed in Part 3, Title II, Chapter 2.

Art. 444 (e) CRR

Exposure values and exposure values after credit risk mitigation associated with each credit quality step prescribed in Part 3, Title II, Chapter 2

The exposure value after credit risk mitigation corresponds to the sum total of on-balance-sheet exposures, off-balance-sheet exposures and exposure amounts from derivatives, with the nominal value of off-balance-sheet exposures being multiplied by the credit conversion factor (CCF). The CCF is defined in Art.111 (1) CRR and corresponds to 100% for full-risk items (e.g. guarantees qualifying as a credit substitute), 50% for medium-risk items (e.g. unused credit facilities with an original maturity of more than one year) and 0% for low-risk items (e.g. unused credit facilities that can be withdrawn any time without restriction and period of notice or which are automatically withdrawn in the event of a rating downgrade).

It is important to note that, due to the use of credit risk mitigation techniques, an exposure can migrate from one exposure class to another. The risk weights are determined on the basis of the credit quality steps of the exposure class concerned pursuant to CRR Part 3, Title II, Chapter 2.

Basel III approach/Exposure class	Rating	Exposure value before credit risk mitigation in TEUR	Exposure value after credit risk mitigation in TEUR
Exposures to central banks or sovereigns	No rating	0.0	0.0
	1	80,382.2	103,900.5
	2	108,076.2	130,874.5
	3	16,298.7	16,298.7
	4	0.0	0.0
	5	0.0	0.0
	6	0.0	0.0
Exposures to regional or territorial authorities	No rating	616,270.1	755,182.0
	1	381,756.2	1,308,157.7
	2	49,455.3	50,091.6
	3	0.0	3,463.4
	4	0.0	256.2
	5	0.0	77,605.6
	6	0.0	0.0
Exposures to public-sector bodies	No rating	480,343.2	211,666.6
	1	519,383.3	38,797.3
	2	10.1	0.0
	3	3,416.2	0.0
	4	256.2	0.0
	5	0.0	0.0
	6	0.0	0.0
Exposures to institutions	No rating	17,344.5	16,870.5
	1	115,094.9	10,328.4
	2	238,814.3	56,533.1
	3	297,553.4	40,910.3
	4	1.3	0.0
	5	0.0	0.0
	6	0.0	0.0
Exposures to enterprises	No rating	533,714.3	303,363.7
	1	290,566.4	1,791.4
	2	16,501.4	33,328.1
	3	51,291.9	61,065.4
	4	0.0	0.0
	5	0.0	0.0
	6	0.0	0.0
Defaulted exposures	No ratings applied	0.0	0.0
High-risk items	No ratings applied	5,000.0	5,000.0
Other items	No ratings applied	114,654.0	114,654.0
Participations	No ratings applied	7,089.9	7,089.9
Sum total – standardised approach		**3,943,274.1**	**3,347,228.92**

Art. 445 CRR   Market risk

Kommunalkredit has no trading book; therefore, the minimum own funds requirement for risk types of the trading book was TEUR 0 as at 31 December 2015. The own funds requirement for the commodities risk and the foreign-exchange risk (including gold) as well was TEUR 0 at 31 December 2015.

The minimum own funds requirement for the specific interest rate risk of securitisation positions was TEUR 0 as at 31 December 2015.

Art. 446 CRR   Operational risk

The standardised approach is used to calculate the regulatory minimum own funds requirement for operational risk.

The modified standardised approach is used for a future-oriented consideration of operational risk in the bank's risk-bearing capacity. The calculation of the equity backing required for operational risk considers not only the regulatory own funds requirement, but also the gross income target for the quantification of the exposure. The calculation is based on the average of the budgeted gross income of the coming three years.

Kommunalkredit defines operational risk as the possibility of losses occurring due to the inadequacy or failure of internal processes, people and systems or as a result of external events. The legal risk is part of the operational risk. External events classified as pure credit risk, market risk, liquidity risk, funding 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 and support 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 and cleared for further processing by 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. In Kommunalkredit these assessments are performed as coached self-assessments, i.e. individual risks are assessed and evaluated by the units concerned. The entries in the operational default database serve as input and provide feedback for the revaluation of risks. The management is informed about operational risks at the monthly RMC meetings and once every quarter at the weekly Executive Board meetings.

Kommunalkredit uses the standardised approach to quantify its regulatory own funds requirements. The capital held on this basis is significantly in excess of actual losses suffered in the past. As at 31-12-2015, own funds required for operational risk amount to TEUR 7,755.6.

Art. 447 CRR Exposures in equities not included in the trading book

Art. 447 (a) CRR

Regarding exposures in equities, a differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used

Besides Kommunalkredit Public Consulting GmbH (KPC), a specialised provider of management services for support programmes and advisory services for international organisations and financial institutions, Kommunalkredit's portfolio of participations mainly comprises strategic participations supporting the public-sector-related infrastructure project business.

Kommunalkredit's participations and its investments in affiliated companies are measured at cost, unless persistent losses or a reduction in equity require a write-down to pro-rata equity or to the income value.

Art. 447 (b) CRR

Regarding exposures in equities, the balance sheet value, the fair value and, if relevant, a comparison to the market price

Composition of directly held participations and investments in affiliated companies as at 31 December 2015:

Name and registered office	Investment 31/12/2015 in %	Equity pursuant to Austrian Company Code 31/12/2015 in EUR 1,000	Disposals	Cumulative depreciation
I. Investment in affiliated companies				
Kommunalkredit Beteiligungs- und Immobilien GmbH, Wien	100	6,639.9	0.0	0.0
Kommunalkredit Public Consulting GmbH, Wien	90	1,349.9	0.0	0.0
Kommunalkredit Vermögensverwaltungs GmbH, Wien	100	52.7	0.0	0.0

Name and registered office	Book value 31/12/2015	Write-down 2015	Write-up 2015
I. Investments in affiliated companies			
Kommunalkredit Beteiligungs- und Immobilien GmbH, Wien	5,943.3	0	0
Kommunalkredit Public Consulting GmbH, Wien	346.5	0	0
Kommunalkredit Vermögensverwaltungs GmbH, Wien	50	0	0

Pursuant to § 238 (2) Austrian Company Code, the schedule of participations contains all participations in which Kommunalkredit holds a stake of at least 20%.

Art. 447 (c) CRR

Types, nature and amounts of exchange-traded exposures

No information provided, as this provision is not relevant to Kommunalkredit.

Art. 447 (d) and (e) CRR

Information on cumulative realised gains and losses from sales and liquidations and on unrealised gains or losses as well as latent revaluation gains or losses

There were no sales of liquidations of the exposures shown above in the business year 2015. No unrealised gains or losses, latent revaluation gains or losses, or other items of this type were included in common equity tier 1 capital.

Art. 448 CRR Exposure to interest rate risk on positions not included in the trading book

Art. 448 (a) and (b) CRR

Nature of the interest rate risk and the key assumptions, and information on variations in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks

For the measurement, management and limitation of interest rate risks on positions not included in the trading book, Kommunalkredit 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 permits the forecast and targeted management of the bank's interest rate risk on positions not included in the trading book, the P&L sensitivity of the fair value portfolio according to IFRS, and net interest income for the period. To calculate the interest rate VaR, the variance/co-variance approach with a holding period of 20 trading days and a confidence interval of 95% is used, based on equally weighted historical volatilities and correlations.

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. There are no private savings deposits that would require modelling of interest rate and capital commitments. Non-linear risks that are not hedged are quantified through a scenario analysis and added to the interest rate VaR. Kommunalkredit uses the fully integrated SAP/SEM-IT system for risk quantification.

For interest rate risk management by the RMC and the ALCO, 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) and communicated to the treasury unit as a basis for risk management.

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

An analysis and management tool is used for the daily management of short-term, less-than-twelve-months interest risk positions, which permits the efficient management of the repricing risk by currency.

Annual net interest income effect from Kommunalkredit's repricing risk as at 31 December 2015 in million EUR in the event of a parallel shift of short term interest by +100bp:

EUR	USD	CHF	JPY	Other	Total
+1.7	0.0	-3.0	+0.3	0.0	**-1.0**

NPV risk of interest rate changes in Kommunalkredit's banking book as at 31 December 2015 in the event of a +25bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Other	Total	Total VAR
-2.9	-0.4	-1.2	+1.4	-0.3	-3.4	-4.3

NPV risk of interest rate changes of Kommunalkredit's IFRS interest rate risk position carrying through profit or loss as at 31 December 2015 in million EUR in the event of a +25bp parallel shift in the yield curve:

EUR	USD	CHF	JPY	Other	Total	Total VAR
+3.6	0.0	-1.6	-0.1	0.0	+1.9	-1.6

Art. 449 CRR Exposure to securitisation positions

Kommunalkredit has not issued any securitisation positions and currently does not hold any securitisation positions.

No further information to be provided regarding Art. 449 CRR, as this provision is not relevant to Kommunalkredit.

Art. 450 CRR Remuneration policy

Art. 450 (a)

Information concerning the decision-making process used for determining the remuneration policy

Kommunalkredit's remuneration policy was elaborated by an interdisciplinary working group comprising representatives of Strategy and Legal Issues, Controlling, Credit Risk and Human Resources, and a representative of Deloitte Consulting GmbH as an external advisor, and subsequently adopted by the Executive Board and the Supervisory Board. The Remuneration Committee of the Supervisory Board regularly monitors implementation and reports to the Supervisory Board. As of 31 December 2015, the members of the Remuneration Committee were Ulrich Sieber (Chairman, remuneration expert) and Christopher Guth (Deputy Chairman) as capital representatives and Patrick Höller as staff representative. After the demerger for new incorporation of Kommunalkredit as of 26 September 2015, the Remuneration Committee met once in 2015.

Art. 450 (b) to (f)

Information on the link between pay and performance, the most important design characteristics of the remuneration system, the ratios between fixed and variable remuneration, and the performance criteria on which variable components of remuneration are based as well as their main parameters

The performance criteria used as a basis for the variable components of remuneration are the level of the risk-adjusted financial result and the degree of individual target achievement.

Through its linkage to the achievement of the budgeted annual result and to fulfilment of the regulatory minimum own funds requirements, the financial result of the institution influences the level of the individual performance premium. Through the introduction of lower and upper limits (ceiling) with regard to the financial result, a flexible policy governing the variable remuneration components is guaranteed.

The individual performance premium is calculated on the basis of three factors: function, individual performance and financial result.

Kommunalkredit takes a holistic view of performance, considering qualitative and quantitative targets agreed upon on the basis of specified criteria (risk adjustment, long-term nature and sustainability, consideration of main tasks and day-to-day business, consideration of organisational unit), the achievement of which is verified on the basis of a four-step performance assessment scale. The system allows considerable variations, depending on individual target achievement. On the one hand, the individual performance premium is subject to an upper limit, and on the other hand, it may not be paid out at all.

As a matter of principle, a 60/40 deferral ratio is applied for all identified staff, i.e. 60% of the variable component is paid out directly, whereas 40% is deferred over five years and paid out on a pro-rata basis.

Given Kommunalkredit's ownership situation, there are no instruments suited for use as remuneration. The variable remuneration components are therefore paid out in cash.

Art. 450 (1) (g) CRR

Aggregate quantitative information on remuneration, broken down by business area

The amounts of fixed remuneration for senior management and members of staff whose actions have a material impact on the risk profile of the institution for the business year 2015, broken down by business area, are shown in the following table:

in EUR	Front office	Back office	Total
Total amount of remuneration	1,124,349.8	2,735,939.8	3,860,289.6
Number of beneficiaries	10	24	34

Art. 450 (1) (h) i) to (h) vi) CRR and Art. 450 (2) CRR

Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

In accordance with the requirements of CRR, fixed and variable remuneration paid out for the business year 2015 is broken down as follows:

in EUR	Managing Director	Senior management	Other members of staff[6]	Total
Number of beneficiaries	3	16	18	37
Sum total of remuneration	947,322.4	2,162,205.2	1,698,084.4	4,807,612.0
of which fixed	831,072.4	1,706,025.9	1,502,594.4	4,039,692.7
of which variable	116,250.0	456,179.3	195,490.0	767,919.3
Of variable remuneration: - Cash, non-provisioned - Cash, provisioned	 69,750.0 46,500.0	 317,279.6 141,899.7	 195,490.0 0.0	 582,519.6 188,399.7
Outstanding deferred remuneration - Vested portions - Unvested portions incl. prior years	 19,200.0 104,100.0	 78,792.8 371,478.1	 0.0 0.0	 97,992.8 475,578.1
Deferred remuneration - Awarded in 2015 - Paid out in 2015 - Reduced in 2015 through performance adjustments	 46,500.0 19,200.0 0.0	 141,899.7 78,792.8 0.0	 0.0 0.0 0.0	 188,399.7 97,992.8 0.0
Severance pay				
- Paid out in 2015	-	329,611.0	-	329,611.0
- Number of beneficiaries	-	2	-	2
- Maximum amount awarded to an individual	-	166,381.0	-	-

No individual in Kommunalkredit Austria AG has been awarded remuneration in excess of EUR 1 million.

No new sign-on payments were made to the group of persons referred to above in 2015.

Art. 451 CRR Leverage

Institutions are required to define principles and procedures for the determination, management and monitoring of the risk of excessive leverage. The leverage ratio determined pursuant to Art.429 of Regulation (EU) No 575/2013 and incongruences between assets and liabilities are to serve as indicators of the risk of excessive leverage. The leverage ratio is the institution’s capital measure (tier 1) divided by its total exposure measure (total assets plus defined off-balance-sheet items).

Information regarding the leverage ratio calculated pursuant to Art.429 CCR and the management of the risk of excessive leverage is disclosed in the following:

[6] *Members of staff whose actions have a material impact on the risk profile of the institution*

Art. 451 (1) (a)

Leverage ratio and how the institution applies Article 499 (2)

As at 31 December 2015, the leverage ratio stands at 5.0%.

The choice allowed to institutions by Article 499 (2) is not applicable to Kommunalkredit, as the transitional provisions of CRR do not apply to the capital instruments of Kommunalkredit.

Art. 451 (1) (b)

Leverage as at 31-12-2015:	
Total exposure measure in TEUR	3,910,658.2
Common equity tier 1 in TEUR	194,897.7
Leverage ratio in %	5.0%

Art. 451 (1) (d)

Description of the processes used to manage the risk of excessive leverage

Besides considering the regulatory perspective in the calculation of risk-carrying capacity as at the reporting date, Kommunalkredit prepares a dynamic capital budget, including regulatory equity ratios, for the budgeting period on a monthly basis and/or according to requirements. Portfolio run-off, new business, and known or expected special effects are considered for a base case and a pessimistic case. In addition to the (common equity) tier-1 ratio, the total capital ratio and the large lending limit, the leverage ratio is also taken into consideration.

Art. 451 (1) (e)

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Kommunalkredit was established as of 26 September 2015 through the demerger for new incorporation of the former Kommunalkredit Austria AG (Kommunalkredit Old) and discloses details regarding its leverage ratio for the first time; the requirement of this sub-paragraph therefore is not applicable to the reporting period.

Art. 452 CRR Use of the IRB approach to credit risk

No information provided, as Kommunalkredit does not use the IRB approach.

Art. 453 CRR Use of credit risk mitigation techniques

Art. 453 (a) CRR

Policies and processes for the use of on- and off-balance sheet netting

Kommunalkredit uses netting in derivative and repo transactions; on-balance sheet netting is not used.

Legally binding framework agreements are concluded with all counterparties for derivatives and repo transactions (ISDA Master Agreement, German Framework Agreement for Financial Forward Transactions, Global Master Repurchase Agreement, German Framework Agreement for Repo Transactions, Austrian Framework Agreement for Repo Transactions), according to which netting of the receivables and liabilities of all single transactions under a framework agreement is performed in the event of default (close-out netting). Kommunalkredit ensures the enforceability and legal validity of contractual netting arrangements pursuant to Art.297 (1) CRR for derivatives and/or pursuant to Art.194 (1) CRR for repo transactions through legal opinions produced on behalf of Kommunalkredit and/or international organizations (in particular the International Swaps and Derivatives Association ISDA) and the International Capital Market Association (ICMA)) for the jurisdiction of the counterparty.

For derivatives, Kommunalkredit usually concludes credit support agreements and/or collateral annexes to framework contracts providing for periodic (usually daily) collateral margining. As at 31 December 2015, all derivatives were including in the banking book. Collateral margining is also agreed upon for repo transactions. Kommunalkredit ensures the realisability of the collateral in the event of the counterparty filing for bankruptcy and its further utilisation through legal opinions produced on behalf of Kommunalkredit, ISDA and/or ICMA for the jurisdiction of the counterparty.

Compliance with the requirements set out in Art.296.2 (b) and Art.297.2 CRR was confirmed in the annex to the audit report of the statutory auditor (audit and report on compliance with the legal provisions relevant to banks pursuant to § 63 (4) ff Austrian Banking Act annexed to the audit report).

Pursuant to Art.111.2 CRR, the calculation of the exposure value for derivatives is performed in accordance with the rules of Part 3, Title 2, Chapter 6 CRR (Art.271 ff CRR). The reduced potential future credit exposure, i.e. the exposure value after netting, is calculated pursuant to Art.298.1 (c) CRR for all contracts with netting arrangements. As at 31 December 2015, the netting effect (i.e. difference between exposure value before and after netting) amounted to TEUR 189,003.4.

Pursuant to Art.111.2 CRR, the calculation of the exposure value for repo transactions is performed in accordance with the rules of Part 3, Title 2, Chapter 4 CRR (Art.192 ff CRR). The reduced potential future credit exposure, i.e. the exposure value after netting, is calculated pursuant to Art.220 in conjunction with Art.223 ff CRR for all contracts with netting arrangements. As at 31 December 2015, there were no risk positions from repo transactions.

Art. 453 (b) CRR

Policies and processes for collateral valuation and management

For the purposes of credit risk mitigation, Kommunalkredit exclusively uses personal collateral, cash deposits with Kommunalkredit and netting framework arrangements. Cash deposits are measured at their nominal value, with currency or maturity mismatches taken into consideration with a corresponding appropriate discount. In the case of personal collateral,

collateral givers are subject to the same credit approval and rating process as the primary obligor, i.e. the credit standing and/or creditworthiness is assessed on a case-by-case basis and documented in the development of the exposure so that risk-limiting measures can be initiated, if necessary.

Art. 453 (c) CRR

Main types of collateral taken

Kommunalkredit exclusively takes financial collateral and personal forms of collateral (sureties and guarantees) for credit risk mitigation. Other forms of collateral (real estate, movables, receivables, etc.) are rarely taken and do not qualify as eligible collateral in accordance with prudential rules.

Art. 453 (d) CRR

Main types of guarantor and credit derivative counterparty

Most of the personal forms of collateral available to Kommunalkredit are guarantees of sovereigns and regional territorial authorities.

31/12/2015

Regulatory rating class	Sovereigns and central banks in EUR 1,000	Regional territorial authorities in EUR 1,000	Public-sector bodies in EUR 1,000	Institutions in EUR 1,000	Enterprises in EUR 1,000	Total in EUR 1,000
1	0.0	431,713.8	13,159.3	0.0	0.0	445,954.1
2	23,518.4	632,633.5	0.0	1,081.1	0.0	656,151.9
3	22,798.3	0.0	0.0	0.0	32,021.3	54,819.6
4	0.0	0.0	0.0	0.0	11,612.1	11,612.1
5	0.0	0.0	0.0	0.0	0.0	0.0
6	0.0	172,676.3	0.0	0.0	0.0	172,676.3
Total	**46,316.7**	**1,237,023.6**	**13,159.3**	**1,081.1**	**43,633.4**	**1,341,213.9**

Art. 453 (e) CRR

Information about market or credit risk concentration within the credit mitigation taken

Given Kommunalkredit’s portfolio, there is a certain credit risk concentration with the Republic of Austria and a number of Austrian provinces. There are no such risk concentrations in Kommunalkredit’s international and corporate business.

Art. 453 (f) and (g) CRR

For each exposure class, information on the total exposure value that is covered i) by eligible financial collateral and other eligible collateral and ii) by guarantees or credit derivatives

31/12/2015

Basel III approach/Exposure class in EUR 1,000		Financial collateral	Personal collateral	Total
Standardised approach	Exposures to central banks or sovereigns	0.0	46,316.7	46,316.7
	Exposures to regional or local territorial authorities	0.0	1,237,023.6	1,237,023.6
	Exposures to public-sector bodies	0.0	13,159.3	13,159.3
	Exposures to institutions	556,429.0	1,081.1	557,510.1
	Exposures to enterprises	14,650.0	43,633.4	58,283.4
	Defaulted exposures	0.0	0.0	0.0
	High-risk items	0.0	0.0	0.0
	Other items	0.0	0.0	0.0
	Participations	0.0	0.0	0.0
	Sum total – standardised approach	**571,079.0**	**1,341,213.9**	**1,912,292.9**

The own funds requirement for credit risk is calculated under the standardised approach.

Art. 454 CRR Use of the advanced measurement approaches to operational risk

No information provided, as Kommunalkredit does not use the advanced measurement approach for the calculation of the minimum own funds requirement for operational risk.

Art. 455 CRR Use of internal market risk models

No information provided, as Kommunalkredit does not use an internal model for the calculation of the minimum own funds requirement for market risks; an internal model is used exclusively for risk management purposes.

The Executive Board of
Kommunalkredit Austria AG

Alois Steinbichler	Jörn Engelmann	Wolfgang Meister
Chairman of the Executive Board	Member of the Executive Board	Member of the Executive Board

ANNEX

Kommunalkredit Austria: Main features of the capital instruments (Disclosure pursuant to Art. 437 para. 1(b) CRR)

1	Issuer	Kommunalkredit Austria	Kommunalkredit Austria	Kommunalkredit Austria	Kommunalkredit Austria
2	Unique identifier (such as ISIN) / internal designation	Amendable collective instrument 1 & 2	XS0271821513 / DIP 525	SSD 45	SSD 46
3	Governing law of the instrument	Austrian law	German law	German law, subordination pursuant to Austrian law	German law, subordination pursuant to Austrian law
	Regulatory treatment				
4	Trasitional CRR rules	Common equity tier 1	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Common equity tier 1	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/consolidated/solo and consolidated lavel	Eligible at solo and consolidated level	Eligible at solo and consolidated level	Eligible at solo and consolidated level	Eligible at solo and consolidated level
7	Type of instrument	Share capital	Subordinated liabilites	Subordinated liabilities	Subordinated liabilities
8	Amount recognised as eligible own funds (in EUR, as at last reporting date)	159.491.290	5.000.000	10.000.000	10.200.000
9	Nominal amount of the instrument (in EUR)	159.491.290	5.000.000	10.000.000	10.200.000
9a	Issue price (in %)	n/s	100	100	100
9b	Redemption price (in %)	n/s	100	100	100
10	Accounting classification	Liability - at amortised cost	Liability - at amortised cost	Liability - at amortised cost	Liability - at amortised cost
11	Original date of issuance	26.09.2015	30.10.2006	07.02.2007	07.02.2007
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity date	30.10.2021	09.02.2037	09.02.2037
14	Issuer call option	No	no	yes	yes
15	Optional call date, contingent call date and redemption amount	n/s	Issuer call possible under certain conditions in case of tax event	09.02.2017	09.02.2017
16	Subsequent call dates, if applicable	n/s	n/s	annually from 09.02.2017	annually from 09.02.2017
	Coupons / dividends				
17	Fixed or floating dividend/coupon payments	Floating	Floating	Fixed	Fixed
18	Nominal coupon and reference interest rate, if applicable	n/s	5,40 % * n / N n: number of calendar days if (30YCMS - 2YCMS) >= minus 0.05% N: total number of calendar days	5,08 % p.a.	5,08 % p.a.
19	Existence of dividend stopper	yes	n/s	n/s	n/s
20a	Fully discretionary, partially disrectionary or mandatory (in terms of timing)	Fully discretionary	n/s	n/s	n/s
20b	Fully discretionary, partially disrectionary or mandatory (in terms of amount)	Fully discretionary	n/s	n/s	n/s
21	Existence of step-up or other incentive to redeem	no	no	no	no
22	Non-cumulative or cumulative	Non-cumulative	n/s	n/s	n/s
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n. a.	n. a.	n. a.	n. a.
25	If convertible: partially or fully	n. a.	n. a.	n. a.	n. a.
26	If convertible: conversion rate	n. a.	n. a.	n. a.	n. a.
27	If convertible: mandatory or optional conversion	n. a.	n. a.	n. a.	n. a.
28	If convertible: instrument type convertible into	n. a.	n. a.	n. a.	n. a.
29	If convertible: issuer of instrument it converts into	n. a.	n. a.	n. a.	n. a.
30	Write down features	no	no	no	no
31	If write-down: trigger for write-down	n. a.	n. a.	n. a.	n. a.
32	If write-down: partial or full	n. a.	n. a.	n. a.	n. a.
33	If write-down: permanent or temporary	n. a.	n. a.	n. a.	n. a.
34	If temporary write-down: mechanism of write-up	n. a.	n. a.	n. a.	n. a.
35	Position in subordination hierarchy in liquidation (specify instrument type senior to instrument)	Subordinated instruments	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments
36	Non-compliant features of converted instruments	no	no	no	no
37	If yes, specify non-compliant features	n. a.	n. a.	n. a.	n. a.

ANNEX

Kommunalkredit Austria: Main features of the capital instruments (

1	Issuer	Kommunalkredit Austria	Kommunalkredit Austria	Kommunalkredit Austria	Kommunalkredit Austria
2	Unique identifier (such as ISIN) / internal designation	SSD 47	SSD 48	SSD 49	SSD 50
3	Governing law of the instrument	German law, subordination pursuant to Austrian law	German law, subordination pursuant to Austrian law	German law, subordination pursuant to Austrian law	German law, subordination pursuant to Austrian law
	Regulatory treatment				
4	Trasitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/consolidated/solo and consolidated lavel	Eligible at solo and consolidated level	Eligible at solo and consolidated level	Eligible at solo and consolidated level	Eligible at solo and consolidated level
7	Type of instrument	Subordinated liabilities	Subordinated liabilities	Subordinated liabilities	Subordinated liabilities
8	Amount recognised as eligible own funds (in EUR, as at last reporting date)	800.000	10.000.000	10.000.000	10.000.000
9	Nominal amount of the instrument (in EUR)	800.000	10.000.000	10.000.000	10.000.000
9a	Issue price (in %)	100	100	100	100
9b	Redemption price (in %)	100	100	100	100
10	Accounting classification	Liability - at amortised cost	Liability - at amortised cost	Liability - at amortised cost	Liabilit - at amortised cost
11	Original date of issuance	07.02.2007	23.02.2007	23.02.2007	07.03.2007
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	09.02.2037	23.02.2022	23.02.2022	07.03.2047
14	Issuer call option	yees	no	no	yes
15	Optional call date, contingent call date and redemption amount	09.02.2017	no	no	07.03.2017
16	Subsequent call dates, if applicable	annually from 09.02.2017	n/s	n/s	annually from 07.03.2017
	Coupons / dividends				
17	Fixed or floating dividend/coupon payments	Fixed	Fixed	Fixed	Fixed
18	Nominal coupon and reference interest rate, if applicable	5,08 % p.a.	4,67 % p.a.	4,67 % p.a.	5,0175 % p.a.
19	Existence of dividend stopper	n/s	n/s	n/s	n/s
20a	Fully discretionary, partially disrectionary or mandatory (in terms of timing)	n/s	n/s	n/s	n/s
20b	Fully discretionary, partially disrectionary or mandatory (in terms of amount)	n/s	n/s	n/s	n/s
21	Existence of step-up or other incentive to redeem	no	no	no	no
22	Non-cumulative or cumulative	n/s	n/s	n/s	n/s
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n. a.	n. a.	n. a.	n. a.
25	If convertible: partially or fully	n. a.	n. a.	n. a.	n. a.
26	If convertible: conversion rate	n. a.	n. a.	n. a.	n. a.
27	If convertible: mandatory or optional conversion	n. a.	n. a.	n. a.	n. a.
28	If convertible: instrument type convertible into	n. a.	n. a.	n. a.	n. a.
29	If convertible: issuer of instrument it converts into	n. a.	n. a.	n. a.	n. a.
30	Write down features	no	no	no	no
31	If write-down: trigger for write-down	n. a.	n. a.	n. a.	n. a.
32	If write-down: partial or full	n. a.	n. a.	n. a.	n. a.
33	If write-down: permanent or temporary	n. a.	n. a.	n. a.	n. a.
34	If temporary write-down: mechanism of write-up	n. a.	n. a.	n. a.	n. a.
35	Position in subordination hierarchy in liquidation (specify instrument type senior to instrument)	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments
36	Non-compliant features of converted instruments	no	no	no	no
37	If yes, specify non-compliant features	n. a.	n. a.	n. a.	n. a.

ANNEX

Kommunalkredit Austria: Main features of the capital instruments (

1	Issuer	Kommunalkredit Austria
2	Unique identifier (such as ISIN) / internal designation	SSD 51
3	Governing law of the instrument	German law, subordination pursuant to Austrian law
	Regulatory treatment	
4	Trasitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/consolidated/solo and consolidated lavel	Eligible at solo and consolidated level
7	Type of instrument	Subordinated liabilities
8	Amount recognised as eligible own funds (in EUR, as at last reporting date)	9.000.000
9	Nominal amount of the instrument (in EUR)	9.000.000
9a	Issue price (in %)	100
9b	Redemption price (in %)	100
10	Accounting classification	Liability - at amortised cost
11	Original date of issuance	07.03.2007
12	Perpetual or dated	Dated
13	Original maturity date	07.03.2047
14	Issuer call option	yes
15	Optional call date, contingent call date and redemption amount	07.03.2017
16	Subsequent call dates, if applicable	annually from 07.03.2017
	Coupons / dividends	
17	Fixed or floating dividend/coupon payments	Fixed
18	Nominal coupon and reference interest rate, if applicable	5,0175 % p.a.
19	Existence of dividend stopper	n/s
20a	Fully discretionary, partially disrectionary or mandatory (in terms of timing)	n/s
20b	Fully discretionary, partially disrectionary or mandatory (in terms of amount)	n/s
21	Existence of step-up or other incentive to redeem	no
22	Non-cumulative or cumulative	n/s
23	Convertible or non-convertible	Non-convertible
24	If convertible: conversion trigger	n. a.
25	If convertible: partially or fully	n. a.
26	If convertible: conversion rate	n. a.
27	If convertible: mandatory or optional conversion	n. a.
28	If convertible: instrument type convertible into	n. a.
29	If convertible: issuer of instrument it converts into	n. a.
30	Write down features	no
31	If write-down: trigger for write-down	n. a.
32	If write-down: partial or full	n. a.
33	If write-down: permanent or temporary	n. a.
34	If temporary write-down: mechanism of write-up	n. a.
35	Position in subordination hierarchy in liquidation (specify instrument type senior to instrument)	Non-subordinated instruments
36	Non-compliant features of converted instruments	no
37	If yes, specify non-compliant features	n. a.