

# **2022 ANNUAL FINANCIAL REPORT**

# TABLE OF CONTENTS

<b>Letter from the CEO</b>	<b>3</b>
<b>Management Report on the financial year 2022</b>	<b>4</b>
Economic framework	4
Significant events of the financial year	5
Other material disclosures	8
Assets, financial position and income	8
Non-financial performance indicators	12
Branch offices	12
Research and development	12
Significant events after the balance sheet date	12
Participations	12
Risk reporting	13
Internal control system	21
Compliance and anti-money-laundering	23
Outlook	24
<b>Separate Financial Statements of KA Finanz AG for the financial year 2022</b>	<b>25</b>
Balance Sheet of KA Finanz AG (Austrian Banking Act)	25
Income Statement of KA Finanz AG (Austrian Banking Act)	27
<b>Notes to the Annual Financial Statements of KA Finanz AG for the financial year 2022</b>	<b>28</b>
<b>Auditor's report</b>	<b>52</b>
<b>Report of the Supervisory Board to the Shareholders' Meeting</b>	<b>57</b>
<b>Letter of Representation</b>	<b>59</b>

## LETTER FROM THE CEO

Ladies and Gentlemen:

In 2022, KA Finanz AG (KF) successfully continued its accelerated wind-down. By the reporting date, all remaining exposures outside the DACH region were either sold or eliminated through scheduled and early redemptions, which builds the foundation for the completion of wind-down activities within the shortened wind-down horizon, i.e. finalisation by 31 December 2023.

Economic developments worldwide and in the euro area were driven by the the ongoing Russian war against Ukraine. Owing to skyrocketing energy prices and the resultant steep rise in inflation, central banks were forced to raise their interest rates significantly. Due to KF's strict hedging policies, rate hikes had only indirect impact on the KF portfolio. On a net basis, the changing interest landscape had a positive impact on overall valuation of the portfolio. Effects of the Covid-19 pandemic eased in the course of 2022 and did not inhibit KF's operations or any wind-down measures.

During 2022, KF's total assets were reduced by about EUR 0.3 billion from the previous year-end value to approx. EUR 3.3 billion as at 31/12/2022. With its portfolio of risk positions in the amount of EUR 2.8 billion per year end, KF outperformed the originally submitted wind-down plan by EUR 1.7 billion. The non-performing-loan (NPL) ratio remained at 0.0%. Since 2016, KF has not had any exposure to Russia or Ukraine. Remaining exposures to the Baltic States and in the CEE region (EUR 3.9 million) were sold and/or terminated in 2022. In total, approx. EUR 310 million in notional were wound down during 2022. Once again, the careful planning of asset sales and effective negotiating strategy and sales processes enabled KF to identify the best bidders and obtain prices significantly above the second-best prices quoted per auction.

While the valuation of the asset and derivative portfolios trended upwards and asset sales contributed positive results in 2022, provisions for legal risks were increased and a fund for general banking risks was established.

On behalf of the Executive Board, this is thanking shareholder representatives and the Supervisory Board for their support in the implementation of our wind-down targets. Our special thanks are due to our employees for the highly successful design, negotiation and implementation of all transactions and measures as well as for their dedicated and intensive work on our projects. We also thank the teams of BDO Austria GmbH, Ithuba Capital AG, Ivellio-Vellin k2 IT GmbH and the Austrian Treasury (*Österreichische Bundesfinanzierungsagentur – OeBFA*) for their valuable support. During 2023, our efforts will be focused on preparing the application to be released from the regime of the Bank Recovery and Resolution Act and KF's entry into liquidation. Measures to finalise the wind-down of the portfolio are currently being implemented.

**Gabriele Müller**

Spokesperson of the Executive Board

# MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2022

## ECONOMIC FRAMEWORK

In 2022, after a phase of recovery in 2021, the global economy was affected by historic challenges. Global economies were impacted by the consequences of the Russian invasion of Ukraine, a substantial slowdown of growth in China (from 8.1% in 2021 to a preliminary number of 3.3% for 2022) as well as a steep rise in inflation. A majority of central banks reacted to rising inflation with interest rate hikes, which in turn resulted in increasing costs of credit and the strengthening of the US dollar. In its current economic forecast, the IMF anticipated a reduction of global economic growth to 3.2% for the full year 2022, after 6.0% growth in 2021.

Economic developments in the euro area reflected the uncertain global and geopolitical environment. In the first half of 2022, economic activity in the euro area still was supported by positive momentum in the wake of post-COVID economic recovery. The brightening labour market outlook, high household savings and favourable financing conditions resulted in solid GDP growth during the first six months of the year. However, steeply rising energy prices, growing uncertainty and disruptions of supply chains led to a slowdown in economic activity during the second half of the year. For 2022, the European Commission therefore foresees 3.2% economic growth, compared to 5.3% GDP growth in the previous year.

While economic growth in Austria was surprisingly strong in the first half of 2022, the second half was marked by a notable slowdown in economic activity triggered by lower domestic demand and weakening export performance. In November 2022, based on the current rate of growth, the Austrian National Bank (*Oesterreichische Nationalbank - OeNB*) forecast roughly 4.9% GDP growth for 2022 as a whole, nearly equivalent to the previous year's growth.

According to most recent releases, the 2022 budget deficit improved significantly to -2.9% of GDP, which was largely attributable to high tax revenues. Based on preliminary figures available at the end of 2022, the national debt-to-GDP number was projected to amount to 77.1%. Driven by measures to address the current energy prices crisis, additional expenses and an increasing interest burden linked to the sharp increase in yields will have an impact on the further development of public debt.

---

## SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

### Purpose of the company

KA Finanz AG (KF) was established on 28 November 2009 through the demerger of the former Kommunalkredit<sup>1</sup> and is the legal successor of the latter. As provided for in the restructuring plan approved by the European Commission / Directorate General for Competition on 31 March 2011, KF is responsible for the structured wind-down of the non-strategic portfolio.

Effective as of 6 September 2017, date of the administrative notice issued by the Financial Market Authority (FMA), KF is operated as a wind-down unit pursuant to § 162 of the Austrian Bank Recovery and Resolution Act and continues to be supervised by FMA.

KF's business purpose is to pursue targeted de-risking, while utilising any potential for the reversal of impairments and securing an adequate level of liquidity. KF is not engaged in any new asset-related business. KF's funding structure is designed to meet the objectives of a wind-down unit. Funding is provided by ABBAG, a company wholly owned by the Republic of Austria and responsible for the management of wind-down facilities. KF no longer raises new funding in the money and capital markets.

### Portfolio wind-down measures and risk structure<sup>2</sup>

In the course of 2022, KF's total exposure was reduced by EUR 335.6 million, of which nominal values of EUR 127.5 million through active wind-down measures and EUR 208.1 million through scheduled and early redemptions.

Apart from securities sales in the amount of EUR 74.8 million, the remaining non-DACH exposure of the loan portfolio was completely wound down, including a loan to a Dutch housing construction company (EUR 25.0 million) and a Latvian exposure (EUR 8.3 million). The planned wind-down of the non-DACH portfolio was thus successfully completed in 2022.

92.2% of asset-side redemptions of securities and loans with a nominal value of EUR 207.8 million were accounted for by debtors based in Austria (67.9%), Switzerland (16.3%) and France (8.0%).

The following tables show the reduction of exposures and the development of exposure amounts since the end of 2008. The figures are broken down by sale and redemption and by product category.

---

<sup>1</sup> In these financial statements the following names are used for the entities involved:

- Kommunalkredit Austria AG, prior to the 2009 demerger (until 28/11/2009): former Kommunalkredit  
- Kommunalkredit Austria AG, from 2009 demerger until 2015 demerger for new incorporation (until 26/09/2015): Kommunalkredit Old  
- Kommunalkredit Austria AG, after the 2015 demerger for new incorporation (from 26/09/2015): Kommunalkredit  
- KA Finanz AG: KF

<sup>2</sup> The reporting currency is the euro. Assets and liabilities in foreign currencies are translated at the rates notified by the European Central Bank (ECB) on the balance sheet date pursuant to § 58 (1) of the Austrian Banking Act. Forward transactions not yet settled are translated at the forward rate on the balance sheet date.

Table: Wind-down of exposures since November 2008, in EUR million

Wind-down of exposures since November 2008 in EUR million*	Total 2008 - 2020	2021	01/01/2022 - 31/12/2022	Total 2008 - 2022
Securities sold	8,841.6	451.6	74.8	9,368.0
Loans sold	1,731.5	3.8	52.7	1,788.0
CDS sold	10,805.6	0.0	0.0	10,805.6
<b>Total sold</b>	<b>21,378.6</b>	<b>455.4</b>	<b>127.5</b>	<b>21,961.5</b>
Securities redeemed	3,875.9	79.3	10.9	3,966.0
Loans redeemed	4,012.0	205.6	196.9	4,414.5
CDS/guarantees – matured	1,394.3	0.3	0.3	1,394.9
<b>Total redeemed</b>	<b>9,283.2</b>	<b>285.2</b>	<b>208.1</b>	<b>9,776.5</b>
<b>Total sold/redeemed</b>	<b>30,661.9</b>	<b>740.6</b>	<b>335.6</b>	<b>31,738.1</b>

Nominal values since 2017, book values for earlier years

Altogether, since the beginning of the restructuring process in November 2008, KF has wound down risk positions in a total amount of approx. EUR 31.7 billion, the better part thereof, approx. EUR 22.0 billion, through the active wind-down of securities, loans and CDS positions.

Table: Development of exposure amounts since November 2008, in EUR million

Development of exposure amounts since November 2008 in EUR million	28/11/2008 / 31/12/2009	31/12/2021	31/12/2022
<b>Total exposure</b>	<b>30,000 / 27,299</b>	<b>3,385.2</b>	<b>2,768.6</b>
of which securities/loans	15,200 / 13,630	3,210.8	2,657.2
of which CDS and guarantees	12,200 / 10,737	3.9	3.6
of which other (money market/derivatives)	2,600 / 2,932	170.5	107.8
Total assets (Austrian GAAP)	- / 17,657	3,603.2	3,349.4
<b>Reduction of total exposure (wind-down, redemption, FX effects)</b>		<b>-628.8</b>	<b>-616.6</b>

As at 31 December 2022, KF's total exposure amounted to EUR 2.8 billion, down by EUR 0.6 billion from the previous year. Loans in the amount of EUR 2.1 billion or 77.5% of the total exposure (31/12/2021: EUR 2.5 billion or 74.3%) constituted the biggest product group in the KF portfolio. The securities portfolio amounted to EUR 0.5 billion or 18.5% of the total exposure (31/12/2021: 20.6%). The CDS and guarantee exposure totalled EUR 3.6 million (31/12/2021: EUR 3.9 million). Other exposures (money market, derivatives) amounted to EUR 0.1 billion (31/12/2021: EUR 0.2 billion).

The majority of KF's debtors are Austrian and foreign territorial authorities (sovereigns, municipalities, local authorities), public-sector entities (PSEs) and quasi-municipal enterprises. KF has a portfolio of high asset quality that is concentrated in the upper rating classes.

As of the end of 2022, the portfolio comprises hidden reserves in the amount of EUR 13.0 million.

For further details on the portfolio and risk structure, please refer to the Risk Report, starting on page 13.

## **Capital measures taken by the Republic of Austria since nationalisation**

Owing to the expiry of the last issue guarantees in August of the previous year, the total volume of capital support measures provided by the Republic of Austria in a net amount of EUR 2,027.2 million as of 31 December 2020 has remained unchanged.

For capital support measures provided on the basis of the recapitalisation agreement of 17 November 2009, the Republic of Austria on account of its recovery right is entitled to receive future annual profits of KF (senior to profit participation rights and equity instruments) and/or future liquidation proceeds (senior to equity instruments, but junior to all other liabilities) in the amount of EUR 1,748.6 million (cut-off date 31 December 2022).

## **Rating**

KF's rating by Standard & Poor's (S&P) remains unchanged at AA+/A-1+ (long-term/short-term). The rating outlook is stable.

---

## OTHER MATERIAL DISCLOSURES

### Service Agreement between KA Finanz AG and Ithuba Capital AG

Since 1 April 2019, KF obtains most of its operational services required under a service agreement (SA) from a consortium with Ithuba Capital AG as the general contractor.

---

## ASSETS, FINANCIAL POSITION AND INCOME

### Financial performance indicators of KA Finanz AG (KF) pursuant to the Austrian Company Code/Austrian Banking Act

Table: Selected financial indicators, in EUR million

Selected Balance Sheet / Income Statement figures in EUR million	2022	2021
Total assets	3,349.4	3,603.2
Public-sector debt instruments and bonds	215.8	253.3
Loans and advances to banks	170.9	542.6
Loans and advances to customers	2,716.4	2,654.8
Amounts owed to banks	117.7	92.3
Amounts owed to customers	2,980.4	3,268.2
Securitised liabilities	77.6	77.7
Contingent liabilities (off-balance-sheet)	12.5	12.8
Net interest income	18.6	16.1
General administrative expenses	-14.6	-15.4
Operating result	-34.7	-26.7
Net result from valuations and realised gains and losses	41.0	-144.8
Profit on ordinary activities	6.3	-171.6
Extraordinary result	-6.2	171.9
Result for the year after tax	0.0	0.0

### Balance sheet structure

In 2022, KF's total assets decreased by 7.0% to EUR 3.3 billion (31/12/2021: EUR 3.6 billion). The reduction is attributable to active portfolio wind-down measures and redemptions as well as the declining volume of collateral held.

The most important asset items on the balance sheet are EUR 2.7 billion in loans and advances to customers (31/12/2021: EUR 2.7 billion, EUR 0.2 billion in loans and advances to banks (31/12/2021: EUR 0.5 billion) and EUR 0.2 billion in bonds (31/12/2021: EUR 0.3 billion). Loans and advances to banks primarily comprise collateral for negative market values from derivative transactions.

Contingent liabilities, reported as an off-balance-sheet item, in the amount of EUR 12.5 million (31/12/2021: EUR 12.8 million) exclusively comprise other guarantees, as in the previous year.



## Funding structure

As at 31 December 2022, KF's funding volume was reduced by approximately 7.6% to EUR 3.2 billion, as compared to the previous year.

KF's funding primarily consists of funds provided by ABBAG, the government-owned company responsible i.a. for the management of holdings in wind-down entities respectively providing funding to such entities. Moreover, there is a small share of funding (so-called legacy funding) that was raised in the capital market before KF's so-called de-banking in 2017.

As at 31 December 2022, funding by ABBAG amounted to EUR 3.0 billion reported under "Amounts owed to customers".

KF's funding structure is as follows:

*Table: Funding structure at carrying book, in EUR million*

Funding structure in EUR million	31/12/2022	31/12/2021
Securitised liabilities	77.6	77.7
<i>of which government-guaranteed</i>	0.0	0.0
Amounts owed to banks	117.7	92.3
<i>of which money-market funding, incl. repo transactions</i>	115.6	90.2
Amounts owed to customers	2,980.4	3,267.0

## Earnings

Compared to the previous year, KF's operating result dropped by EUR 8.0 million to EUR -34.7 million (2021: EUR -26.7 million). In 2022, provisions were set up for various legal risks. The previous year's result was depressed by losses due to the reclassification of macro hedges.

For the 2022 business year, KF reported an after-tax result of EUR 0.0 million (2021: EUR 0.0 million), comprising the positive result from the wind-down and the valuation of securities, loans and derivative positions of EUR 41.0 million (2021: EUR -144.8 million).

As at 31 December 2022, KF's equity (excluding tier-2 capital and the fund for general banking risks) stands at EUR 0.0 million (2021: EUR 0.0 million). An amount of EUR 6.2 million from the result of the 2022 financial year was appropriated to a fund for general banking risks.

The essential factors contributing to the 2022 result were as follows:

### *Net interest income*

The 2022 net interest income was positive at EUR 18.6 million, i.e. EUR 2.5 million above the previous year's net interest income of EUR 16.1 million, despite the lower business volume resulting from wind-down measures.

### *Net fee and commission income*

In 2022, KF's net fee and commission income came to EUR -1.3 million (2021: EUR -1.4 million).

### *Other operating result (Other operating income and expenses)*

The other operating result comprises, in particular, changes in provisions for legal risks and the result of the valuation of derivatives not to be classified as micro hedges. In 2022, the other operating result came to EUR -37.4 million (2021: EUR -27.4 million).

In 2022, owing to changes in provisions for legal risks, other operating expenses amounted to a net total of EUR 34.0 million. In the previous year, the change in macro hedge positions, which

was primarily attributable to the reclassification of the underlying transactions to current assets with corresponding valuation adjustments, had an effect of EUR -26.9 million on the position "other operating result". The previous year's result from the wind-down of derivatives amounted to EUR -9.8 million.

In 2022, the valuation of so-called strategic derivatives resulted in expenses of EUR 2.5 million (2021: earnings of EUR 5.8 million). The remaining other expenses and income amounted to EUR -0.2 million (2021: EUR 3.6 million).

#### *General administrative expenses*

Despite the increase in project expenses in connection with the accelerated portfolio wind-down, general administrative expenses improved by EUR 0.8 million to EUR 14.6 million in 2022 (2021: EUR 15.4 million). General administrative expenses include EUR 3.6 million in personnel expenses (2021: EUR 3.4 million) and EUR 11.0 million in other administrative expenses (2021: EUR 12.0 million).

Other administrative expenses comprise, in particular, support and advisory services provided under the Service Agreement by Ithuba Capital AG as the general contractor in the amount of EUR 7.3 million (2021: EUR 6.9 million).

#### *Net result of valuations and realised gains and losses*

The net result of valuations and realised gains and losses of EUR 41.0 million (2021: EUR -144.8 million) is primarily attributable to the continued wind-down of the portfolio. As in the previous year, no credit risks materialized in 2022. The material items, including the corresponding hedging swaps, are as follows:

- EUR 4.6 million (2021: EUR 30.8 million) resulting from the wind-down of securities, loans and derivative positions.
- EUR -3.9 million (2021: EUR -2.3 million) resulting from the redemption or buy-back of securitised debt instruments.
- EUR -1.1 million (2021: EUR 0.0 million) from the buyback of equity instruments.
- EUR 41.1 million (2021: EUR -173.3 million) in non-realised valuation results from the fair value measurement of positions to be wound down in the short and medium term. The final effect on earnings will be known only after the underlying positions have been wound down.

#### *Extraordinary result*

In 2022, a fund for general banking risks to cover special risks arising from the banking business was set up for prudential reasons and appropriated with an amount of EUR 6.2 million. It was recognized in extraordinary expenses in accordance with the provisions of sect. 57 para. 4 of the Austrian Banking Act. In the previous year, extraordinary income of EUR 171.9 million resulted from the reduction of KF's repayment obligation under the ABBAG funding regime.

---

## **NON-FINANCIAL PERFORMANCE INDICATORS**

### **Employees**

As at 31 December 2022, a total of 17 employees (excl. the Executive Board), ten male and seven female staff, were working for KF.

---

### **BRANCH OFFICES**

KA Finanz AG has no branch offices.

---

### **RESEARCH AND DEVELOPMENT**

Given the sector in which the company operates, statements on research and development do not apply.

---

### **SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

No significant events occurred at KA Finanz AG after the balance sheet date.

---

### **PARTICIPATIONS**

KA Finanz AG does not hold any participations in other companies.

---

## **RISK REPORTING**

### **Organisation**

The Executive Board of KF is responsible for the company's risk strategy, while responsibility for risk management lies with KF's Chief Risk Officer. Risk Management is in charge of the independent monitoring and communication of risks and supports the Executive Board in all risk-policy matters, especially in the elaboration and implementation of the risk strategy and the design of a system for the adequate measurement, management and limitation of risks.

In operational and administrative terms, KF's system of risk management is supported by services provided by Ithuba Capital AG (Ithuba) under the service agreement (SLA), in particular the valuation of positions and the drafting of limit and risk reports.

### **Specific risks of KF**

The following risks are individually monitored at KF:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

KF's position in respect of these types of risk and its strategies for their measurement, monitoring and control are described in the following.

### **Credit risk**

Credit risk is the risk of financial losses arising from a counterparty not meeting its payment obligations. KF distinguishes the following types of credit risk: counterparty and/or default risk, rating risk, concentration risk and country risk.

KF's credit risk management is based on the following principles:

- Active credit risk monitoring is one of the core tasks of KF, especially against the background of its wind-down strategy.
- The development of existing credit risks is continuously monitored.
- The portfolio is being wound down through redemptions upon maturity, disposals in accordance with the wind-down plan, and disposals on an opportunistic basis when market prices recover or to avoid a foreseeable deterioration of risks in the case of expected rating downgrades.

### **Rating procedure**

Ratings by external rating agencies (Moody's, Standard & Poor's, Fitch) are available for the majority of exposures (EUR 2.5 billion); they are continuously monitored and updated. All customers without external ratings (EUR 0.2 billion; a total of 40 counterparties, 21 of them in Austria) are rated internally at least once a year on the basis of their most recent balance sheet figures.

### **Credit exposure**

For the on-balance-sheet portfolio, especially for securities and loans, the credit risk exposure corresponds to the book value (including interest accruals/deferrals). For guarantees, the exposure amount corresponds to the nominal value less credit risk provisions, and for derivatives to the positive fair value plus maturity-specific and product-specific add-on factors; guarantees and derivatives are part of the off-balance-sheet portfolio.

Financial and other forms of collateral (sureties and guarantees) are taken into account as collateral for credit exposures. Financial collateral taken into account primarily includes netting and cash collateral arrangements to reduce the counterparty risk. Financial collateral received reduces the existing exposure. If other forms of collateral or guarantee are available, the exposure can be counted towards the collateral giver (substitution of guarantor). Depending on the assessment of the risk, the exposure is transferred to the guarantee giver and included in the portfolio model and the limit system.

As at 31 December 2022, KF's exposure from risk positions totalled EUR 2.8 billion (31/12/2021: EUR 3.4 billion), distributed over 81 counterparties (31/12/2021: 117). An amount of EUR 0.5 billion (31/12/2021: EUR 0.7 billion) was accounted for by securities (bonds), EUR 2.1 billion by loans (31/12/2021: EUR 2.5 billion), EUR 3.6 million by guarantees (31/12/2021: EUR 3.9 million) and EUR 0.1 billion by derivatives and other instruments (31/12/2021: EUR 0.2 billion).

In 2022, KF's risk positions were reduced by a net amount of EUR 0.6 billion or 18.2%.

### Breakdown by rating

The breakdown of credit exposures by rating shows that in 2022 the portfolio continued to be concentrated in the top rating classes. As at 31 December 2022, 96.7% of the exposure was rated investment grade (BBB- or higher, 31/12/2021: 97.3%), and 89.4% was rated AAA/AA (31/12/2021: 86.4%). The weighted average rating of the total exposure remains unchanged at AA (according to Standard & Poor's/Fitch's scale; 31/12/2021: AA).

Table: Breakdown of exposure by rating as at 31/12/2022, in EUR 1,000

Rating classes	31/12/2022		31/12/2021	
	in EUR 1,000	Proportion	in EUR 1,000	Proportion
AAA/AA	2,476,503	89.4%	2,924,911	86.4%
A	197,153	7.1%	312,762	9.2%
BBB	3,708	0.1%	56,740	1.7%
<b>Total</b>	<b>2,677,364</b>	<b>96.7%</b>	<b>3,294,413</b>	<b>97.3%</b>
<b>Non Investmentgrade</b>	<b>91,283</b>	<b>3.3%</b>	<b>90,812</b>	<b>2.7%</b>

### Breakdown by sector

Broken down by sector, 88.9% of the exposure is accounted for by the public sector (31/12/2021: 88.6%), 3.7% by financial institutions (31/12/2021: 3.9%) and 7.4% by public-sector entities (PSE) and quasi-public enterprises (31/12/2021: 7.4%).

Table: Breakdown of exposure by sector as at 31/12/2022, in EUR 1,000

Sector	31/12/2022			31/12/2021		
	in EUR 1,000	Proportion	Number of Counterparties	in EUR 1,000	Proportion	Number of Counterparties
Public Sector	2,461,157	88.9%	47	3,000,587	88.6%	71
Financial institutions	101,618	3.7%	24	133,348	3.9%	29
Other	205,872	7.4%	10	251,290	7.4%	17
<b>Total</b>	<b>2,768,647</b>	<b>100.0%</b>	<b>81</b>	<b>3,385,226</b>	<b>100.0%</b>	<b>117</b>

## Concentration risk

As at 31 December 2022, the exposure pertaining to the top-20 customers or groups of customers accounted for EUR 2.7 billion or 96.9% of the total exposure (31/12/2021: EUR 3.2 billion or 93.1%). Country concentrations outside the DACH region (Germany, Austria, Switzerland) were successfully reduced through active wind-down measures.

## Country risk

Exposures of subsidiaries and branch offices are not recognised in the country of the parent, but in the respective country of establishment of the borrower. The country risk of KF is monitored by the RMC at least on a monthly basis and quarterly reports are submitted to the Supervisory Board. For each country, information on the country rating, exposure by product type and limit utilisation is monitored.

Geographically, the major part of the exposure as at 31 December 2022 was accounted for by the euro area (EU-19, incl. Austria, 94.9%; 31/12/2021: 91.8%), with Austria alone accounting for 69.5% (31/12/2021: 65.1%). The remaining exposure to non-EU countries in Europe comprises the exposure to Switzerland and derivatives in Great Britain.

Table: Breakdown of exposure by region as at 31/12/2022, in EUR 1,000

Region	31/12/2022		31/12/2021	
	in EUR 1,000	Proportion	in EUR 1,000	Proportion
Austria	1,924,050	69.5%	2,202,788	65.1%
EU-19 (Euro area excl. Austria)	702,638	25.4%	905,431	26.7%
Non-Euro EU	754	0.0%	4,493	0.1%
Non-EU-Europe	141,176	5.1%	197,443	5.8%
Others	29	0.0%	75,071	2.2%
<b>Total</b>	<b>2,768,647</b>	<b>100.0%</b>	<b>3,385,226</b>	<b>100.0%</b>

As at 31 December 2022, risks from exposure to the public sector (sovereigns, territorial authorities and government-guaranteed positions) amounted to EUR 2.5 billion or 88.7% of the total portfolio, broken down as follows:

Table: Exposures to the public sector (sovereigns, territorial authorities and government-guaranteed positions) as at 31/12/2022 in EUR 1,000

#	Counterparty in EUR 1,000	Exposure as at 31/12/2022	Proportion	of which sovereign	of which territorial authorities	of which government guaranteed
1	Austria	1,841,586	66.5%	52,145	1,689,476	99,965
2	Germany	509,266	18.4%		509,266	
3	Switzerland	80,103	2.9%		80,103	
4	Other*	25,278	1.1%			25,278
	<b>Total</b>	<b>2,456,234</b>	<b>88.7%</b>	<b>52,145</b>	<b>2,278,845</b>	<b>125,244</b>
	<b>Total Portfolio</b>	<b>2,768,647</b>	<b>100.0%</b>			

\* Dutch housing construction company, wound down after the balance sheet date

Of the biggest risks from exposure to the public sector in a total amount of EUR 2.5 billion, EUR 1.8 billion or 66.5% of the total exposure was accounted for by Austria and EUR 0.5 billion (18.4% of the total exposure) by Germany.

The exposure to Austrian local and regional authorities (EUR 1.7 billion) includes an exposure of EUR 1.6 billion to Austrian provinces (31/12/2021: EUR 1.7 billion). The major part of this exposure (EUR 0.9 billion) is accounted for by subsidised housing loans originated by the Austrian provinces. These low-volume subsidised housing loans to private borrowers are secured by mortgages and guaranteed by the provinces concerned.

## **Guarantee exposure**

As at 31 December 2022, the exposure from guarantees amounted to EUR 3.6 million (31/12/2021: EUR 3.9 million).

## **Loan loss provisions**

Provisions for risks of the lending business comprise impairments and provisions for all identifiable rating risks.

The portfolio is reviewed regularly for objective indications of impairments of customer exposures. Impairment tests are performed either in the course of the annual rating updates or on an event-triggered basis.

As at 31 December 2022, no specific loan loss provisions were set up (31/12/2021: EUR 0.0 million). Portfolio loan loss provisions amounted to EUR 2.0 million (31/12/2021: EUR 2.0 million).

The non-performing-loan ratio stands at 0.0% (31/12/2021: 0.0%).

At the end of the reporting period, KF had no financial assets that were past due more than 90 days but not impaired.

## **Counterparties with increased credit risk (watch list)**

A multi-stage risk control process is applied to identify and manage increased credit risks, with all counterparties being classified in four risk classes:

- Level 0: Standard risk class for all counterparties not belonging to any of the following risk classes
- Level 1: Counterparties with slightly increased credit risk and/or a negative trend and therefore subject to close monitoring
- Level 2: Distressed exposures (payment arrears, credit impairment), except for distressed loans for which default according to Basel III has been identified
- Level 3: Default according to Basel III (receivables past due > 90 days or unlikely to be repaid in full – “unlikeliness to pay”)

All counterparties on levels 1 to 3 are entered in the watch list of counterparties with increased credit risk, which is continuously updated and reported quarterly to the Credit Committee (CC) and the Supervisory Board of KF. Counterparties for which loan loss provisions are set up are classified as level 3. As described above, the risk exposures in the watch list classes are shown less existing loan loss provisions.

As at 31 December 2022, KF's total exposure amounted to EUR 2.8 billion (31/12/2021: EUR 3.4 billion). The exposure to counterparties with increased credit risk totalled EUR 106.9 million or 3.9% (31/12/2021: EUR 100.5 million or 3.0%), of which EUR 16.2 million or 0.6% (31/12/2021: EUR 13.0 million or 0.4%) were on the watch list at risk level 1. EUR 90.7 million or 3.3% (31/12/2021: EUR 87.5 million or 2.6%) were under intensive management (risk level 2); EUR 0.0 million or 0.0% (31/12/2021: EUR 0.0 million or 0.0%) had defaulted or were at immediate risk of default (risk level 3).

## **Unexpected loss – Portfolio credit risk model**

The methodology applied also includes a portfolio approach to the quantification of credit risk. KF quantifies the economic credit risk (risk of default) as well as the risk of rating changes on a quarterly basis. The calculation is based on rating- and maturity-dependent probabilities of default and average historical default-related loss ratios.

As at 31 December 2022, the unexpected loss from credit defaults within one year, calculated as described above, totalled EUR 55.4 million at a confidence level of 99.9% (31/12/2021: EUR 77.3 million).

## Liquidity risk

As a wind-down unit, KF is being funded by ABBAG (a company wholly owned by the Republic of Austria and responsible for the management of wind-down facilities) in accordance with the requirements of the wind-down plan. KF's liquidity risk therefore is extremely low.

### Liquidity risk management

KF defines liquidity risk as the risk of the company being unable to meet its present and future payment obligations fully or on schedule (risk of insolvency). The funding risk includes the risk of not being able to raise additional funding at all or only at increased cost. In terms of time, KF distinguishes between short-term (up to one year) and long-term (more than one year) liquidity risk.

KF's liquidity risk management is based on the following principles:

- near-time monitoring and management of the liquidity position,
- adequate limitation of the liquidity risk, and
- a clearly defined process to secure liquidity in the event of liquidity bottlenecks.

### Short-term liquidity risk (< 1 year)

The following table shows the expected liquidity gaps, the additional liquidity to be raised through measures planned, and the liquidity position after such measures, as of 31 December 2022 for the next twelve months.

Table: Liquidity position as at 31/12/2022, in EUR million

as at 31/12/2022	Expected liquidity gap	Additionally available liquidity	Liquidity position after measures
Up to one month	295	2,000	2,295
More than one month up to three months	70	0	70
More than three months up to one year*	56	-1,710	-1,654
<b>Total (cumulative up to one year)</b>	<b>421</b>	<b>290</b>	<b>711</b>

\* Assuming complete portfolio wind-down in 2023, the revolving ABBAG Super Senior Line is no longer available on account of the absence of collateral.

Table: Liquidity position as at 31/12/2021, in EUR million

as at 31/12/2021	Expected liquidity gap	Additionally available liquidity	Liquidity position after measures
Up to one month	179	1,968	2,147
More than one month up to three months	-29	-23	-52
More than three months up to one year	169	-115	54
<b>Total (cumulative up to one year)</b>	<b>319</b>	<b>1,830</b>	<b>2,149</b>



## **Long-term liquidity risk ( $\geq 1$ year)**

For the purposes of liquidity management and the structural analysis of its liquidity position, KF performs a detailed analysis of the expected cash flows over the entire term of all transactions. The resulting net position is monitored at periodic and cumulative level and provides the basis for strategic liquidity management within the framework of the Risk Management Committee (RMC).

## **Organisation and reporting**

Structural liquidity risks are dealt with at the monthly RMC meetings whenever need arises. At the weekly meetings of the Asset Liability Committee (ALCO), the operational liquidity risk is monitored on the basis of the dynamic liquidity forecast under different scenario assumptions and managed accordingly. Compliance with liquidity risk limits is also monitored within the framework of ALCO.

## **Market risk**

Market risks arise from potential changes of risk factors that may lead to a decline in the market value of financial positions dependent on these risk factors. For the valuation of the KF portfolio, the most important market risk factors by far are credit spreads, followed by interest rates.

The following market risks are specifically monitored and managed at KF:

- Credit spread risk
- Interest rate risk
- Currency risk
- Basis risk

### **Credit spread risk**

KF defines the credit spread risk as the risk of fair value losses due to credit spread changes. Widening credit spreads result in fair value losses of securities, loans and CDS. The credit spread sensitivity represents the actuarial fair value loss for a scenario of all credit spreads widening by one basis point.

As at 31 December 2022, the negative credit spread sensitivity was EUR 1.5 million (31/12/2021: EUR -2.3 million) for the loan portfolio and EUR 0.5 million (31/12/2021: EUR -0.8 million) for the securities portfolio. As in previous years, the reduction in volume and, in particular, the shortened residual maturity of the portfolio as well as the wind-down of position with longer maturities had a risk-reducing effect.

### **Interest rate risk**

As at 31 December 2022, KF's interest rate risks were very low, as its position was largely closed with regard to interest rate changes. For the measurement, management and limitation of interest rate risks, KF basically distinguishes between the period-oriented, short-term repricing risk and the present-value-oriented, long-term risk of changing interest rates. The former is the risk of a reduction in net interest income, while the latter is the risk of losses in present value due to interest rate changes.

With a view to KF's risk management targets, interest gap structures (expiry of fixed interest periods) and present-value sensitivities are analysed by currency and maturity band, and various interest rate scenarios are simulated.

The following table shows the present-value interest rate risk of KF for the main currencies as at 31 December 2022 in TEUR, assuming a parallel shift of the yield curve by 1 basis point (DV01). As a basis for the calculation of the present values, rating- and maturity-dependent default rates have been assumed.

Table: Interest rate sensitivities as at 31/12/2022, in EUR 1,000<sup>3</sup>

in EUR 1,000	EUR	USD	GBP	CHF	Other	Total
DV01	38	1	2	0	0	40

Table: Interest rate sensitivities as at 31/12/2021, in EUR 1,000

in EUR 1,000	EUR	USD	GBP	CHF	Other	Total
DV01	-167	-3	5	2	0	-163

The interest rate risk is continuously monitored and managed.

Operational decisions on interest-rate risk management are taken at the weekly meetings of the Asset Liability Committee (ALCO).

### Currency risk

KF's fundamental risk strategy is not to take any open foreign currency positions. To this end, all assets in foreign currencies are hedged by means of cross-currency swaps or refinanced in matching currencies.

For the operational management of open FX positions, not only outflows and redemptions, but also interest, commission and premium accruals, as well as cash-outs from the derivatives business, are taken into account. The currency risk is monitored and managed daily. Exponentially weighted historical volatilities and correlations of exchange rates over a past observation period of 400 days are used to calculate the FX VaR (holding period 1 trading day, confidence interval 99%). As at 31 December 2022, the cumulative open FX position across all foreign currencies stood at EUR 0.5 million; the diversified FX VaR was TEUR 3.2 (31/12/2021: TEUR 2.9).

The following tables show the net cross-currency swap position as at 31 December 2022.

Table: Net currency swap position as at 31/12/2022, in EUR million

in EUR million	USD	CHF	JPY	GBP	Total	Other
Net position	94	-64	0	0	-1	29

Table: Net currency swap position as at 31/12/2021, in EUR million

in EUR million	USD	CHF	JPY	GBP	Other	Total
Net position	36	-93	0	-30	-1	-88

### Basis risk

The basis risk for KF consists, in particular, in the risk of present value losses or net interest income losses due to changing basis swap spreads. Basis swap contracts are being entered into in order to balance the two variable legs of a short-term interest rate swap (basis swap) with different indices, e.g. 3-month LIBOR against 6-month LIBOR. Changes in basis swap spreads have an impact on the valuation of all financial instruments linked to interest rate indicators (e.g. floating-rate securities, interest rate swaps). To measure the basis risks, the present value

<sup>3</sup> Commercial rounding of the individual sensitivities results in rounding differences when rounded amounts are added up.

sensitivity, i.e. the impact of the corresponding basis swap spread widening by one basis point on the market valuation, is calculated.

As at 31 December 2022, the total net present value sensitivity to basis spread changes amounted to EUR -0.5 million (31/12/2021: EUR -0.7 million).

## **Operational risk & business continuity management**

KF 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. Legal risks are also part of operational risk. External events classified as pure credit risk, market risk, liquidity risk or other types of risk with no operational background are not covered by this definition. The purpose of operational risk management (ORM) is to generate added value for KF through the ORM process.

Responsibility for the ORM process lies with KF's Operational Risk Officer (= Head of Risk Management). The Executive Board is informed continuously, but at least monthly, about developments relating to operational risks within the framework of the Risk Management Committee (RMC) meetings and twice a year at the Executive Board meetings.

Business continuity management (BCM) ensures adequate, comprehensive and efficient operational continuity management. This includes the elaboration and management of continuity and recovery plans as well as the implementation of measures designed to minimise interruptions of critical business processes, including the provision of an external emergency computer centre and alternative workplaces in the event of KF's office premises being not available, as well as an emergency scenario in the event of a pandemic.

The resource assessment and the business impact analysis (BIA) for 2022 were performed. The business processes and IT services were assessed for their criticality and the time taken to full restoration of services in the event of a crisis. Based on a risk analysis, concrete measures were derived. Special attention was paid to risks arising from remote working arrangements (home office). As of the balance sheet date, the scope of the BCM activities covered the IT services and the local resources provided by Ithuba Capital AG (Ithuba) as the general contractor (with Ivellio-Vellin as a sub-contractor).

---

## **INTERNAL CONTROL SYSTEM (ICS)**

### **Introduction**

The objective of the internal control system (ICS) is to support the Management in the implementation of effective internal controls regarding compliance with the relevant legal provisions, the regularity of accounting practices, the reliability of operational reporting and the effectiveness and efficiency of operational processes. The ICS is intended, on the one hand, to ensure compliance with guidelines and regulations and, on the other hand, to create the necessary prerequisites for specific control measures to be applied in key accounting and financial reporting processes. Its primary goals include the correct and transparent disclosure of the assets, the financial position and the income of the company and the verification of compliance with regulatory requirements. KF's internal control system consists of five interrelated components: control environment, risk assessment, control measures, information / communication, and supervision.

### **Control environment**

The corporate culture as the overall framework for management and staff activities represents the fundamental aspect of the control environment. The company actively communicates its own set of fundamental values. The highest possible level of ethics and integrity within the company and in its relations with others is aimed at. Key organisational principles concern the avoidance of conflicts of interest through the separation of front-office and back-office operations, the transparent documentation of core processes and control steps, as well as the consistent implementation of the four-eye principle.

Based on a service agreement (SA), KF outsourced essential components of its processes to Ithuba Capital AG (Ithuba) as the general contractor. This applies, in particular, to accounting and reporting and the associated processes, including the related controls. However, the ultimate responsibility for all the activities outsourced under the SA, the results of such activities and the key controls to be performed by the ICS remains with the respective division heads or staff units of KF. An essential additional control function regarding the acceptance of services provided under the SA is performed within the framework of service provider management by the receiving units of KF, which monitor the individual services received within the framework of the Service Management Committee (SMC) for completeness, punctuality and adequacy/quality of the services provided as well as a potential need for adaptation.

KF's internal audit function independently verifies compliance with all internal and external rules on a regular basis and reports directly to the Executive Board and the Supervisory Board.

### **Risk assessment**

KF's risk management is aimed at discovering all essential identifiable and/or measurable risks and, if necessary, initiating defensive and preventive measures. This also includes the risks of material misstatements of transactions. The risk management system comprises all processes serving to identify, analyse and assess risks. Risks are assessed and monitored by the units in charge within the framework of the Internal Control System (ICS). Special attention is paid to risk categories regarded as material. The internal control measures taken by the units in charge are evaluated on a regular basis. The corresponding reports to the governing bodies are submitted at regular intervals or whenever need arises.

## Control measures

KF has a rule-based system in place which defines the structures, processes, functions and responsibilities as well as the related control activities within the company. It is based on guidelines, standard operating procedures and rules of procedure. This also applies to information processing, the documentation of information sent and received, as well as the elimination of process risks involved in transactions. In addition to the Executive Board and the Supervisory Board, the general control environment at KF also comprises the senior management level, i.e. Risk Management, Portfolio Management & Treasury, the Finance & Operating Office staff units, Legal & Governance, the anti-fraud process under the responsibility of the Compliance Officer / ALM officer, and Internal Audit.

All control measures are implemented with a view to ensuring that potential errors or non-compliances are prevented and/or discovered and corrected as early as possible.

IT security control measures are an essential component of the Internal Control System (ICS). The segregation of sensitive activities is supported by a restrictive policy of granting IT user access rights and strict compliance with the four-eye principle.

## Organisation and reporting to the governing bodies

KF's division heads and staff positions report to the Executive Board, which in turn reports regularly to the Supervisory Board. The Head of Internal Audit and the Compliance Officer also submit regular reports to the Executive Board and the Supervisory Board.

The Supervisory Board regularly receives comprehensive reports, comprising information on the financial statements (balance sheet and income statement, including comments on significant developments, budgeting) of the company as well as reports relating to the development of risks, sub-portfolios and the progress of portfolio wind-down. Regular information for the owner, the investors and market partners of the company as well as the public at large is provided through the Interim Financial Report and the Annual Financial Report. Moreover, the legal requirements regarding ad-hoc notifications are met.

## Supervision

The financial reports to be published are subjected to a final review by senior employees of the outsourced accounting function and the Operating Office & Finance staff unit. After their release, they are adopted by the Executive Board of KF prior to their submission to the Audit Committee of the Supervisory Board for official adoption of the corresponding resolution.

By monitoring compliance with all rules, a maximum level of security for all operational procedures and processes and conformity with all policies applicable within KF as well as the rules on process documentation are to be ensured. If risks and weaknesses in the control system are detected, remedial and defensive measures are immediately elaborated and their implementation is monitored through follow-up checks.

To ensure compliance with the rules and policies in place, regular audits are performed in accordance with the annual audit plan drawn up by Internal Audit.

---

## **COMPLIANCE AND ANTI-MONEY-LAUNDERING**

Compliance risks, such as sanctions imposed under banking and criminal law, financial losses or damage to the company's reputation, can arise when companies violate laws, sector-specific regulations, internal guidelines or obligatory best practices.

To contain compliance risk, KF has set up an internal compliance organization (2<sup>nd</sup> line of defence) in accordance with the legal provision in effect, headed by a Compliance Officer, which reports to the Executive Board of KF, acts independently and is not bound by instructions. The primary task of the compliance organisation is to ensure compliance with the legal provisions, detect potential violations of legal requirements or internal rules as soon as possible and thus prevent potential occurrences that might jeopardise the reputation of the company. The Compliance Policy, which must be observed by the Supervisory Board, the Executive Board and all employees, covers the prevention of money laundering and the financing of terrorism, the prevention of fraud and corruption, the avoidance of conflicts of interest, insider trading and market abuse, and complaints management.

The guidelines implemented provide orientation for KF's employees in the performance of their activities. The internal Compliance Policy ensures that all legal provisions regarding the prevention of insider trading and market manipulation as well as the code of conduct are fully complied with. In her additional function as anti-money-laundering officer, the Compliance Officer is also responsible for ensuring compliance with the special duty of diligence required by the Financial Market Anti-Money Laundering Act. Moreover, KF has an anonymous whistle-blower system, which is centrally managed by the Compliance Officer and enables employees to report confidential information on potential misconduct within the company. The implementation of a regulatory compliance function by means of a central inventory guarantees additional transparency of the legal framework so as to ensure compliance with all legal and regulatory requirements. The Compliance Officer reports regularly to the Executive Board of KF and once a year to the Supervisory Board.

### **Public Corporate Governance Code of the Republic of Austria**

At the end of October 2012, the Austrian Federal Government adopted the Public Corporate Governance Code (B-PCGK), which was amended in the summer of 2017. The Code, which applies to enterprises in which the Republic of Austria holds a majority share, either directly or indirectly, is relevant for KF. KF endorses the principles of the Code and implemented it by resolution of the Annual Shareholders' Meeting of 28 May 2013; the provisions amended in 2017 have also been implemented. A corporate governance report based on the requirements of the Code has to be prepared by the Executive Board and the Supervisory Board once a year and published on the company's website. The report is available on the KF website under "Financial Reports".

Pursuant to Rule K-15.5 of the Corporate Governance Code, compliance with the provisions of the Code is to be evaluated by an external institution on a regular basis, at least every five years. The result of the evaluation is to be disclosed in the public corporate governance report. The most recent evaluation was performed by Deloitte Audit Wirtschaftsprüfungs GmbH for the 2019 business year; the next evaluation is due in 2024.

---

## OUTLOOK

In view of the ongoing Russian war against Ukraine, as well as the prevailing energy crisis and the exceptionally high rate of inflation, the outlook for global economic growth remains muted. According to its forecast published on 22 November 2022, the OECD expects the world economy to grow at a rate of 2.2% in 2023. This forecast is based on the expectation of further interest rate hikes, declining consumer confidence and uncertainty regarding the energy supply situation. Supply-induced pressure on prices remains high despite the fact that central banks all over the world have significantly increased their key lending rates.

In its forecast published on 13 February 2023, the European Commission revised its expectation of a technical recession, anticipating 0.9% GDP growth in the euro area for 2023 instead. The cyclical downturn originally projected for the first quarter of 2023 is no longer expected to occur.

For Austria, the December 2022 forecast of the Austrian National Bank (OeNB) foresaw 0.6% GDP growth for 2023, a budget deficit of 2% and a reduction in national debt to 74.4%.

KF has no direct or indirect exposure to Ukraine and Russia, and its remaining low exposure to the CEE region was completely wound down in 2022.

In 2023, KF will pursue its projects and take relevant measures in order to ensure a timely entry into the process of liquidation.

Vienna, 9 March 2023

The Executive Board of  
KA Finanz AG

**Gabriele Müller**  
Spokesperson of the Executive Board

**Helmut Urban**  
Member of the Executive Board

# SEPARATE FINANCIAL STATEMENTS OF KA FINANZ AG, VIENNA, FOR THE 2022 BUSINESS YEAR

## BALANCE SHEET OF KA FINANZ AG (pursuant to the Austrian Banking Act)

Assets in EUR	Note	31/12/2022	31/12/2021
<b>1. Cash and balances with central banks</b>		<b>191,820,890.76</b>	<b>134,803,738.39</b>
<b>2. Loans and advances to banks</b>	4.1.	<b>170,868,886.97</b>	<b>542,605,270.51</b>
a) repayable on demand		170,689,855.71	535,607,467.19
b) other loans and advances		179,031.26	6,997,803.32
<b>3. Loans and advances to customers</b>	4.2.	<b>2,716,354,324.54</b>	<b>2,654,812,278.86</b>
<b>4. Bonds and other fixed-income securities</b>	4.3.	<b>215,848,565.45</b>	<b>253,284,394.91</b>
a) of public issuers		178,973,943.15	211,737,807.28
b) of other issuers		36,874,622.30	41,546,587.63
<b>5. Property, plant and equipment</b>	4.4.,	<b>30,979.61</b>	<b>75,817.73</b>
<b>6. Other assets</b>	4.5.	<b>52,759,534.65</b>	<b>11,634,371.60</b>
<b>7. Accruals/deferrals</b>	4.6.	<b>1,667,093.75</b>	<b>6,007,337.68</b>
<b>Total assets</b>		<b>3,349,350,275.73</b>	<b>3,603,223,209.68</b>
<b>Off-balance-sheet items</b>			
<b>1. Foreign assets</b>		<b>1,275,737,115.04</b>	<b>1,349,223,551.34</b>



<b>Liabilities in EUR</b>				
	<b>Note</b>		<b>31/12/2022</b>	<b>31/12/2021</b>
<b>1. Amounts owed to banks</b>	4.7.		<b>117,684,326.77</b>	<b>92,277,226.17</b>
a) repayable on demand		115,638,759.65		90,231,659.05
b) with agreed maturity or period of call		2,045,567.12		2,045,567.12
<b>2. Amounts owed to customers</b>	4.8.		<b>2,980,435,582.80</b>	<b>3,267,021,707.20</b>
a) other amounts owed				
of which:				
aa) repayable on demand		0.00		4,500,000.00
bb) with agreed maturity or period of call		2,980,435,582.80		3,262,521,707.20
<b>3. Securitised liabilities</b>	4.9.		<b>77,613,598.67</b>	<b>77,739,031.67</b>
a) bonds issued		77,613,598.67		77,739,031.67
<b>4. Other liabilities</b>	4.10.		<b>60,231,526.79</b>	<b>71,217,311.57</b>
<b>5. Accruals/deferrals</b>	4.11.		<b>4,990,951.51</b>	<b>5,748,084.09</b>
<b>6. Provisions</b>	4.12.		<b>67,183,102.12</b>	<b>46,183,190.06</b>
a) Provisions for severance pay		75,290.85		151,986.88
b) Pension provisions		2,659,462.15		2,850,012.82
c) Provisions for taxes		0.00		4,486,595.27
d) other provisions		64,448,349.12		38,694,595.09
<b>6a. Fund for general banking risks</b>	4.13.		<b>6,164,354.19</b>	<b>0.00</b>
<b>7. Tier-2 capital</b>	4.14.		<b>35,046,832.88</b>	<b>43,036,658.92</b>
<b>8. Subscribed capital</b>	4.15.		<b>389,000,000.00</b>	<b>389,000,000.00</b>
<b>9. Capital reserves</b>	4.16.		<b>74,819,429.23</b>	<b>74,819,429.23</b>
a) additional paid-in capital		65,845,802.70		65,845,802.70
b) unappropriated reserves		8,973,626.53		8,973,626.53
<b>10. Statutory reserve pursuant to § 57 (5) of the Austrian Banking Act</b>	4.17.		<b>93,388,106.42</b>	<b>93,388,106.42</b>
<b>11. Net loss</b>			<b>-557,207,535.65</b>	<b>-557,207,535.65</b>
<b>Total liabilities</b>			<b>3,349,350,275.73</b>	<b>3,603,223,209.68</b>

<b>Off-balance-sheet items</b>				
<b>1. Contingent liabilities</b>	5.1.		<b>12,472,961.14</b>	<b>12,790,265.86</b>
of which:				
a) Liabilities from sureties and guarantees from the assignment of collateral		12,472,961.14		12,790,265.86
<b>2. Foreign liabilities</b>			<b>270,074,764.34</b>	<b>263,273,740.00</b>

## INCOME STATEMENT OF KA FINANZ AG (pursuant to the Austrian Banking Act)

in EUR	Note	2022	2021
1. Interest and similar income		67.463.955.40	105.196.694.02
of which:			
from fixed-income securities	929,736.11		4,875,934.66
2. Interest and similar expenses		-48,819,280.74	-89,056,838.96
<b>I. Net interest income</b>	7.1.1.	<b>18,644,674.66</b>	<b>16,139,855.06</b>
3. Fee and commission income	7.1.2.	44,333.36	42,065.10
4. Fee and commission expenses	7.1.2.	-1,298,693.96	-1,393,558.50
5. Income/expenses from financial transactions	7.1.3.	-15,213.22	1,341,063.84
6. Other operating income	7.1.4.	30,762,628.97	77,900,927.19
<b>II. Operating income</b>		<b>48,137,729.81</b>	<b>94,030,352.69</b>
7. General administrative expense	7.1.5..	-14,595,940.32	-15,434,656.45
a) Personnel expenses		-3,613,818.97	-3,422,474.23
of which:			
aa) Salaries		-2,906,118.13	-2,783,241.21
bb) Expenses for statutory social-security charges and salary-dependent charges		-451,089.36	-487,095.29
cc) Other social expenses		-11,855.14	-32,625.16
dd) Expenses for pensions		-469,646.33	-494,685.10
ee) Adjustment of pension provisions		190,550.67	405,654.65
ff) Expenses for severance pay and contributions to pension funds		34,339.32	-30,482.12
b) Other administrative expenses (non-personnel)		-10,982,121.35	-12,012,182.22
8. Valuation adjustments of assets reported under asset item 7		-32,105.96	-32,835.91
9. Other operating expenses		-68,176,046.78	-105,306,841.85
<b>III. Operating expenses</b>		<b>-82,804,093.06</b>	<b>-120,774,334.21</b>
<b>IV. Operating result</b>		<b>-34,666,363.25</b>	<b>-26,743,981.52</b>
10. Income/expenses from valuation adjustments of receivables and appropriations to provisions for contingent liabilities and credit risks	7.1.6.	40,992,168.13	-144,807,822.91
11. Income/expenses from valuation adjustments of securities treated as investment securities and participations in affiliated companies	7.1.6.	0.00	0.00
<b>V. Profit on ordinary activities</b>		<b>6,325,804.88</b>	<b>-171,551,804.43</b>
12. Extraordinary income		0.00	171,886,477.11
of which: Withdrawals from the fund for general banking risks		0.00	0.00
13. Extraordinary expenses		-6,164,354.19	0.00
of which: Appropriations to the fund for general banking risks		-6,164,354.19	0.00
<b>14. Extraordinary result</b>	7.1.7.	<b>-6,164,354.19</b>	<b>171,886,477.11</b>
15. Taxes on income	7.1.8.	-161,450.69	-334,672.68
16. Other taxes not to be reported under item 15		0.00	0.00
<b>VI. Result for the year</b>	7.1.9.	<b>0.00</b>	<b>0.00</b>
17. Loss carryforward		-557,207,535.65	-557,207,535.65
<b>VII. Net loss</b>		<b>-557,207,535.65</b>	<b>-557,207,535.65</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF KA FINANZ AG, VIENNA, FOR THE 2022 BUSINESS YEAR

## 1. General information

KA Finanz AG (hereinafter called KF), with its registered office in 1020 Vienna, Taborstrasse 1-3, is a wind-down unit mandated to wind down the non-strategic business of the former Kommunalkredit Austria AG (hereinafter called the former Kommunalkredit)<sup>4</sup>. It is registered with the Commercial Court of Vienna under Companies Register number 128283b.

KF was established on 28 November 2009 through the demerger of the former Kommunalkredit and is the legal successor of the latter. As provided for in the restructuring plan approved by the European Commission (EC) on 31 March 2011, KF is responsible for the structured wind-down of the non-strategic portfolio.

On 6 September 2017, the Financial Market Authority (FMA) approved the operation of KF as a wind-down unit pursuant to § 162 of the Austrian Bank Recovery and Resolution Act (*Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG*). KF's banking license expired as of that date. As a wind-down unit, KF continues to be supervised by FMA.

KF's business purpose is to pursue targeted de-risking, to use any potential for the reversal of impairments to the greatest possible extent, and to secure an adequate level of liquidity. The bank does not engage in any new asset-side business. KF's funding structure has been adjusted to the objectives of a wind-down unit. Funding for KF is provided by ABBAG, a company wholly owned by the Republic of Austria and responsible for the management of wind-down facilities. KF no longer raises new funding in the money and capital markets.

The Republic of Austria holds 100% of the shares in KF.

## 2. Accounting rules applied

Pursuant to § 84 (2) of the Bank Recovery and Resolution Act, the accounting provisions of the Austrian Banking Act (*Bankwesengesetz – BWG*) in conjunction with the provisions of the Austrian Company Code (*Unternehmensgesetzbuch – UGB*) apply to KF.

---

<sup>1</sup> In these financial statements the following names are used for the entities involved:

- Kommunalkredit Austria AG prior to the 2009 demerger (until 28/11/2009): former Kommunalkredit
- Kommunalkredit Austria AG since the 2009 demerger until the 2015 demerger for new incorporation (until 26/09/2015): Kommunalkredit Old
- Kommunalkredit Austria AG, after the 2015 demerger for new incorporation (from 26/09/2015): Kommunalkredit

### **3. Accounting and measurement rules**

#### **3.1. General remarks**

These financial statements were prepared in compliance with generally accepted accounting principles and the general standard requiring the presentation of a true and fair view of the assets, the financial position and the income of the company.

The principle of completeness was complied with in the preparation of these financial statements. The assets and liabilities were measured on an item-by-item basis on the assumption of a going concern. The principle of prudence, considering the specificities of the banking business, was observed insofar as only profits realised by the reporting date were recognised and all identifiable risks and impending losses were taken into account.

Income and expenses are accrued/deferred pro-rata temporis and recognised in profit or loss in the period to which they are economically attributable. Interest is recognised as it accrues in net interest income, considering all contractual arrangements made in connection with the financial assets or liabilities. Fees and commissions for services provided over a certain period of time are recognised over the period of service provision. Fees related to the completion of service provision are booked as income at the time of completion.

The figures are presented partly in EUR million and partly in EUR billion. Therefore, rounding differences may occur in the sum totals of rounded amounts and percentages.

#### **3.2. Changes in accounting and measurement methods**

No changes in accounting and measurement methods were applied in the preparation of the annual financial statements as of 31 December 2022.

#### **3.3. Accounting treatment of compensation payments owing to the conversion of interest on cash collateral from EONIA to €STR**

Compensation payments owing to the conversion of interest on cash collateral from EONIA to €STR immediately carry through profit or loss at KF.

#### **3.4. Currency translation**

The reporting currency is the euro. Assets and liabilities in foreign currencies are translated at the rates notified by the European Central Bank (ECB) on the balance sheet date pursuant to § 58 (1) of the Austrian Banking Act. Forward transactions not yet settled are translated at the forward rate on the balance sheet date.

#### **3.5. Receivables**

Receivables to be redeemed on schedule by 31 December 2023, except for receivables belonging to the wind-down portfolio, are measured at amortised cost. All other receivables are recognised at their current market value, taking the upper limit of acquisition costs into account.

For hedge accounting, see Note 3.12. Differences between the issue price and the amount repayable (discount/premium) are distributed over the term of the instrument as an interest component and recognised on a linear basis in net interest income, with redemptions taken into

account. Discounts on subsidised housing loans are distributed as an interest component in accordance with the effective interest method.

Specific loan loss provisions are set up for identifiable credit risks. Specific loan loss provisions are quantified on the basis of the expected losses, taking the recovery rates (cash flow models including collateral) into account. If appropriate, the values determined on the basis of the notional recovery rates are matched against existing secondary market prices.

Portfolio loan loss provisions are set up in the amount of the expected loss of one year.

### 3.6. Securities

All securities classified as non-current assets as at 31 December 2021 were sold in the course of the 2022 business year. The remaining securities in the portfolio are classified as current assets.

Securities classified as non-current assets are measured at fair value, provided the latter is below cost.

Fair value measurement:

In general, the methods used to measure the fair value of securities can be classified in three categories. The first step in determining the fair value is to calculate a mid-market price. To obtain a bid price, a discount is applied.

If prices are quoted in an active market (minimum bid size: EUR 1 million) – usually quotes from Bloomberg – these are used for fair value measurement.

If prices for securities are not quoted in an active market, but prices are available for financial instruments of the same issuer, spreads and prices are derived from the prices of those financial instruments.

For all other securities, prices are determined on the basis of benchmark spreads derived from the market.

For micro hedge accounting, see Note 3.12.

All securities are regularly analysed and measured; securities that have been downgraded by more than two notches and/or the price of which has fallen by more than 20% are subject to special monitoring. Based on these analyses, no additional extraordinary write-offs pursuant to § 204 (1.2) of the Austrian Company Code are required, as the impairments are expected to be of short duration.

At book values, the securities portfolio developed as follows:

Securities portfolio at book values (*) in EUR	31/12/2022	31/12/2021	Change
Securities classified as non-current assets	0.00	6,292,662.44	-6,292,662.44
Securities classified as current assets	501,333,600.59	677,208,198.93	-175,874,598.34
<b>Total</b>	<b>501,333,600.59</b>	<b>683,500,861.37</b>	<b>-182,167,260.78</b>

(\*) associated interest rate swaps not taken into account

The reduction in book values of the securities portfolio, as compared to the previous year, is attributable to active wind-down, scheduled redemption, foreign-exchange effects, and portfolio valuation.

As at 31 December 2022, no differential amounts pursuant to § 56 (2) and § 56 (3) of the Austrian Banking Act were booked. In the previous year, differential amounts were as follows:

Differential amounts pursuant to § 56 (2) and § 56 (3) Austrian Banking Act in EUR	31/12/2022	31/12/2021
Differential amount pursuant to § 56 (2) of the Austrian Banking Act (difference between the higher acquisition cost of the securities and the amount repayable)	0.00	112,192.72
Differential amount pursuant to § 56 (3) of the Austrian Banking Act (difference between the lower acquisition cost of the securities and the amount repayable)	0.00	0.00

For securities classified as non-current assets, the following hidden reserves (corresponding interest rate swaps not taken into account) were recognised in the previous year:

Determination of hidden reserves in EUR	31/12/2022	31/12/2021
Book value	0.00	6,292,662.44
Fair value	0.00	6,679,195.96
Hidden reserves	<b>0.00</b>	<b>386,533.52</b>

As at 31 December 2022 and 2021, there were no hidden burdens concerning securities classified as non-current assets.

In the previous year, hidden reserves mainly resulted from fixed-income securities, the high fair value of which was due to the low level of interest. Hidden reserves were booked against the negative fair values of interest rate derivatives concluded for hedging purposes.

### 3.7. Property, plant and equipment

Property, plant and equipment include office furniture and equipment. Office furniture and equipment are measured at acquisition cost less straight-line depreciation and depreciated over periods of between three and five years.

### 3.8. Liabilities

Liabilities are recognised at the amount repayable. Differences between the issue price and the amount repayable (discount/premium) are recognised as accruals/deferrals and distributed as an interest component over the term of the instrument on a linear basis.

### 3.9. Securitised liabilities

Securitised liabilities are booked as liabilities at the amount repayable. Costs incurred through the issue that are directly related to the raising of money are directly recognised in fee and commission expenses. The remaining difference between the proceeds of the issue and the amount repayable (discount/premium) is booked under accrued income or accrued expenses and recognised in net interest income as an interest component on a linear basis, distributed over the term of the instrument.

KF's own covered bonds collateralised by a cover pool, which are not placed externally but assigned as collateral for ABBAG funding facilities, are reported on a net basis (§ 51 (5) of the Austrian Banking Act).

### 3.10. Provisions

#### 3.10.1. Personnel provisions

Provisions for pensions cover entitlements of former employees in accordance with the collective bargaining agreement (1961 pension reform, as amended on 1 January 1997), as well as entitlements from defined-benefit obligations resulting from direct commitments made within the framework of the 1961 pension reform prior to the transfer to the pension fund or from individual contracts. All of these commitments date from the time before the nationalisation of the former Kommunalkredit.

Provisions for pensions, severance pay and jubilee bonuses are calculated annually by an independent actuary according to the projected-unit-credit method pursuant to § 211 (1) of the Austrian Company Code. The "AVÖ 2018-P calculation bases for pension insurance", in their version for salaried employees, are used as a biometric calculation basis. The actuarial discount rate was determined on the basis of the yields of prime fixed-income corporate bonds, with due consideration given to the terms of the obligations to be met.

The most important parameters are:

- an actuarial discount rate of 3.08% (2021: 0.31%) for pension obligations and 3.14% (2021: 0.80%) for severance pay obligations. Since 31/12/2022, the company has had no jubilee bonus commitments (2021: 0.25%);
- a declining incremental rate of active salaries and pension payments of 8.0%, 6.5%, 3.7%, 2.5% (2021: 2.0% throughout);
- a career trend of 1.5% (2021: 1.5%);
- assumed pensionable ages of 60 for women and 65 for men, taking into account the transitional provisions of the 2003 Budget Framework Act and the provisions on age limits for women of the Act on Occupational Old-Age Provision;
- a fluctuation discount for severance pay obligations based on statistically derived, length-of-service-dependent rates for early termination of employment with and/or without severance pay.

The full actuarial pension obligation amounts to EUR 3,205,500.08 (31/12/2021: EUR 3,492,258.16), of which pension entitlements of EUR 546,037.93 (31/12/2021: EUR 642,245.34) have been transferred to a pension fund. Thus, provisions amount to EUR 2,659,462.15 (31/12/2021: EUR 2,850,012.82). Provisions of EUR 75,290.85 (31/12/2021: EUR 151,986.88) have been set up for entitlements to severance pay. There are no more provisions for jubilee bonuses (31/12/2021: EUR 57,237.05). All actuarial gains and losses carry through profit or loss. Appropriations to provisions for severance pay in 2022 include actuarial gains of EUR 88,331.46 (31/12/2021: gains of EUR 26,316.81), of which an amount of EUR 12,565.18 (31/12/2021: EUR 6,362.11) results from changes in the biometric calculation bases ("mortality tables").

#### 3.10.2. Deferred taxes

For differences between the amounts recognised under company law and tax law, which are to be reduced in subsequent years, a provision for deferred tax liabilities in the amount of the total

resulting tax burden or for deferred tax assets in the amount of the total resulting tax relief is recognised on the balance sheet.

As at 31 December 2022, deferred tax assets of approx. EUR 0.6 million (31/12/2021: EUR 1.2 million), calculated on the basis of the difference between the amounts recognised under company law and tax law, cannot be recognised in the absence of assumed future tax relief.

Temporary differences between the amounts recognised under tax law and company law primarily resulted from personnel provisions and the different discount rates under tax law and company law for the discounting of long-term provisions.

### 3.10.3. Other provisions

Other provisions were set up in the amount of their expected use in accordance with the principle of prudence, based on all identifiable risks and on liabilities not yet quantifiable. Provisions set up for periods of more than one year are discounted pursuant to the provisions of the 2014 Accounting Reform Act.

## 3.11. Credit default swaps

KF is a contracting party to two CDS contracts, which are accounted for as micro hedges for issues floated by KF. On the accounting treatment of micro hedges, see Note 3.12.

## 3.12. Derivatives

Swap transactions on the banking book are made by KF primarily to hedge interest-rate and/or currency risks, the hedges being accounted for either on a single-transaction basis (recognition as micro hedges) or on aggregate bank basis (recognition as macro hedges). For derivatives that are neither micro hedges nor macro hedges, the principle of single-item measurement applies, with a provision for impending losses set up in the event of a negative fair value on the day of closing and recognised under other provisions. FX swaps concluded for the management of foreign exchange risks are measured at market value.

Interest rate swaps and cross-currency swaps are used to hedge the risk of interest rate changes arising, in particular, from fixed-income securities and loans, fixed-income liabilities to customers and securitised liabilities. Remaining currency risks are managed through cross-currency swaps.

The market value of derivatives is determined by means of various measurement methods based on mathematical models. As far as possible, the input parameters for these models are derived from observable market data. If this is not possible, the market value has to be determined on the basis of estimates. For derivatives that are not collateralised within the framework of collateral annexes, a credit valuation adjustment (CVA) is determined and recognised in other provisions.

The fair values of the derivatives, including the provisions set up and the negative market values, are shown in Note 6.3. No provisions are set up if the derivatives are hedged in the same micro hedge as an underlying transaction.

- Micro hedges

In principle, micro hedges are accounted for according to the so-called net hedge presentation method, with provisions for impending losses from ineffective hedges being taken into account, i.e. the hedged value changes are not recognised on the balance sheet. Asset-side micro hedges, which are to be wound down within the coming twelve months in accordance with the wind-down plan, are recognised at the market value of the micro hedge. Market value changes are recognised in the net valuation result (lines 10 to 13 of the Income Statement).



Micro hedges primarily serve the purpose of hedging the risk of interest rate changes through interest rate swaps; to a certain extent, they are also used to hedge interest and currency risks through cross-currency swaps. Micro hedges remain active until the underlying transaction matures or reaches the end of the fixed-interest phase.

For micro hedges, the effectiveness of hedge accounting is determined by the match of the essential features of the underlying transaction and the hedging transaction (critical term matches). If all parameters of the underlying transaction and the hedging transaction, which determine the extent of the hedged change in value, are identical but mutually offsetting, this is an indicator of a completely effective hedging relationship (simplified determination of effectiveness). However, any doubt about the creditworthiness of the protection seller and the value of the underlying transaction – apart from the hedged risk – must be ruled out.

- Macro hedges

Interest rate derivatives serving to manage the interest rate risk of the banking book and/or a clearly defined sub-portfolio (macro hedge) are accounted for according to the “Circular Letter of the FMA on accounting issues relating to interest rate derivatives and valuation adjustments of derivatives pursuant to § 57 of the Austrian Banking Act (version of December 2012)”. As an exception to the principle of individual measurement, mutually offsetting interest-rate-induced earning effects or value increases from the hedged underlying transactions are taken into account in the assessment of provisioning requirements. If negative market values of swaps are not fully offset by the compensatory interest-rate-induced earning effects of the underlying transactions, a provision for impending losses is set up for the remaining negative value.

Risk management and limitation decisions concerning the risk of interest rate changes are based on the present-value sensitivities of all interest-bearing positions to interest rate changes. Based on analyses of interest sensitivities, the risk of interest rate changes is managed and limited at aggregate bank level and the designation of a steering instrument is decided.

The use of the valuation method for macro hedges depends on compliance with formal and material conditions, such as:

- need for hedging in view of fixed-interest gaps;
- existence of a hedging strategy and proof of compliance with this strategy; and
- qualitative suitability of the derivative as a hedging instrument.

If fixed-interest gaps are closed through derivatives at macro level, prospective interest sensitivity analyses are performed to determine the hedging effect and the effectiveness of the derivative and, thus, its suitability for allocation to the macro position. On account of the present-value approach, the hedging period extends over the entire term of the underlying transaction.

The effectiveness of macro hedges is measured on the basis of interest sensitivities to a parallel shift of the yield curve in the respective currency.

The interest claims associated with the swap contracts are accrued at matching maturities and recognised as net amounts in the income statement. Payments made to compensate for contractual terms that are not in conformity with market practice are deferred at matching maturities.

In the event of early closure of macro swaps, losses are immediately recognised as expenses in accordance with the FMA Circular. In contrast, gains are distributed over the original term of the derivative by setting up a provision for impending losses. Setting up a provision for impending losses is not required if it can be shown and documented that closure was decided because the derivative was no longer effective as a hedge and/or because the corresponding mutually offsetting, interest-induced expense effects have already been realised.

KF has no derivative transactions on the trading book.

## 4. Notes on the Balance Sheet

### 4.1. Loans and advances to banks

Loans and advances to banks include the following:

Loans and advances to banks in EUR	31/12/2022	31/12/2021
Collateral for negative market values from derivative and CDS transitions (*)	165,865,000.00	533,751,000.00
Non-listed securities	0.00	3,929,236.58
Credit balances with banks	4,826,185.05	1,859,977.49
Loans	179,055.43	3,070,798.14
Portfolio loan loss provisions	-1,353.51	-5,741.70
<b>Total</b>	<b>170,868,886.97</b>	<b>542,605,270.51</b>
<i>of which:</i>		
<i>Loans and advances to companies in which an equity investment is held</i>	<i>0.00</i>	<i>0.00</i>
<i>Bills receivable</i>	<i>0.00</i>	<i>0.00</i>
<i>Subordinated receivables</i>	<i>0.00</i>	<i>0.00</i>

(\*) Values including open positions and interest accrual

As of the balance-sheet date, loans and advances to banks did not include any securities. In the previous year, this balance-sheet item included securities with a book value of EUR 3,816,098.12 classified as current assets.

As in the previous year, loans and advances to banks do not comprise any subordinated receivables.

Broken down by maturity (residual maturity), loans and advances to banks include the following:

Loans and advances to banks in EUR	31/12/2022	31/12/2021
Repayable on demand	170,689,855.71	535,607,467.19
Other loans and advances		
a) Up to 3 months	3,699.25	150,241.93
b) More than 3 months up to 1 year	48,911.70	342,311.60
c) More than 1 year up to 5 years	127,773.82	5,645,266.62
d) More than 5 years	0.00	865,724.88
	<b>180,384.77</b>	<b>7,003,545.02</b>
Portfolio loan loss provision	-1,353.51	-5,741.70
<b>Total</b>	<b>170,868,886.97</b>	<b>542,605,270.51</b>

## 4.2. Loans and advances to customers

Loans and advances to customers include the following:

Loans and advances to customers in EUR	31/12/2022	31/12/2021
Loans	2,086,475,135.45	2,261,316,922.12
Non-listed securities	206,110,948.61	222,212,550.29
Collateral for negative market values from derivative and CDS transactions (*)	423,994,779.72	171,574,442.61
Portfolio loan loss provision	-226,539.24	-291,636.16
Specific loan loss provisions	0.00	0.00
<b>Total</b>	<b>2,716,354,324.54</b>	<b>2,654,812,278.86</b>

(\*) Values including open positions and interest accrual

As at 31 December 2022, loans with a book value of EUR 2,006,094,781.58 (31/12/2021: EUR 2,127,273,685.97) were classified as current assets. The remaining loans with a book value of EUR 60,015,527.00 (31/12/2021: EUR 114,553,883.87) will mature on schedule before 31 December 2023 and are measured as non-current assets.

In the previous year, securities with a book value of EUR 6,292,662.44 were classified as non-current assets. These securities were eliminated in the course of the 2022 business year. Securities with a book value of EUR 200,570,027.41 (31/12/2021: EUR 211,593,848.02) are classified as current assets.

As in the previous year, this position does not contain any subordinated receivables.

Broken down by maturity (residual maturity), loans and advances to customers are as follows:

Loans and advances to customers in EUR	31/12/2022	31/12/2021
Repayable on demand	423,994,779.73	171,580,821.65
Other receivables		
a) Up to 3 months	130,923,342.40	82,485,975.90
b) More than 3 months up to 1 year	109,049,497.78	122,189,791.28
c) More than 1 year up to 5 years	614,259,372.17	675,067,303.30
d) More than 5 years	1,438,353,871.70	1,603,780,022.89
	<b>2,292,586,084.05</b>	<b>2,483,523,093.37</b>
Portfolio loan loss provision	-226,539.24	-291,636.16
<b>Total</b>	<b>2,716,354,324.54</b>	<b>2,654,812,278.86</b>

## 4.3. Bonds and other fixed-income securities

Bonds and other fixed-income securities comprise the following exchange-listed securities:

Bonds in EUR	31/12/2022	31/12/2021
Securities of public issuers	180,683,207.73	213,440,549.46
Portfolio loan loss provision	-1,709,264.58	-1,702,742.18
	<b>178,973,943.15</b>	<b>211,737,807.28</b>
Securities of other issuers	36,878,896.13	41,551,428.97
Portfolio loan loss provision	-4,273.83	-4,841.34
	<b>36,874,622.30</b>	<b>41,546,587.63</b>
<b>Total</b>	<b>215,848,565.45</b>	<b>253,284,394.91</b>

As in the previous year, no securities were classified as non-current assets on the balance sheet date. Securities with a book value of EUR 211,598,783.87 (31/12/2021: EUR 247,196,204.93) were classified as current assets.

No bonds and other fixed-income securities will become due in 2023, nor did any bonds of other issuers become due in 2022.

#### 4.4. Property, plant and equipment

The development of property, plant and equipment is shown in the Schedule of Non-current Asset Transactions (Annex 1).

#### 4.5. Other assets

Other assets comprise the following items:

Other assets in EUR	31/12/2022	31/12/2021
Interest accruals from derivatives in the banking book	18,074,286.38	10,522,754.64
Foreign currency valuation of derivatives in the banking book	1,459.47	12,688.13
Accruals between spot rate and forward rate in FX swaps	1,178,786.31	84,746.83
Other	33,522,081.87	1,050,761.88
Portfolio loan loss provision	-17,079.38	-36,579.88
<b>Total</b>	<b>52,759,534.65</b>	<b>11,634,371.60</b>
<i>of which recognised as cash items after the balance sheet date</i>	<i>46,827,620.85</i>	<i>10,535,442.77</i>

Other assets comprise a receivable from the sale of a customer loan in the amount of EUR 28,751,875.00. The receivable was settled at the beginning of January 2023.

The foreign currency valuation of derivatives in the banking book results from exchange rate fluctuations between the transaction dates of cross-currency swaps and the balance sheet date. This valuation is booked against foreign currency valuations of assets and liabilities as well as negative foreign currency valuations of derivatives recognised under other liabilities. Wind-down losses expected over the entire wind-down horizon should be independent of exchange rates, as far as possible.

#### 4.6. Accrued income

Accrued income comprises the following items:

Accrued income in EUR	31/12/2022	31/12/2021
Accrued fees from derivative transactions	1,102,277.23	2,831,813.37
Capitalised offering discounts of liabilities	0.00	2,727,101.98
Other	564,816.52	448,422.33
<b>Total</b>	<b>1,667,093.75</b>	<b>6,007,337.68</b>

#### 4.7. Amounts owed to banks

Amounts owed to banks comprise the following items:

Amounts owed to banks in EUR	31/12/2022	31/12/2021
Money trading	93,818,759.65	88,351,659.05
Cash collateral received for positive market values of derivatives according to ISDA/CSA arrangements	21,820,000.00	1,880,000.00
Other	2,045,567.12	2,045,567.12
<b>Total</b>	<b>117,684,326.77</b>	<b>92,277,226.17</b>

Broken down by maturity (residual maturity), amounts owed to banks are as follows:

Amounts owed to banks in EUR	31/12/2022	31/12/2021
Repayable on demand	115,638,759.65	90,231,659.05
Other amounts owed		
a) Up to 3 months	22,783.56	22,783.56
b) More than 3 months up to 1 year	2,022,783.56	22,783.56
c) More than 1 year up to 5 years	0.00	2,000,000.00
d) More than 5 years	0.00	0.00
	2,045,567.12	2,045,567.12
<b>Total</b>	<b>117,684,326.77</b>	<b>92,277,226.17</b>

As in the previous year, this position does not contain any subordinated liabilities.

#### 4.8. Amounts owed to customers

Amounts owed to customers comprise the following items:

Amounts owed to customers in EUR	31/12/2022	31/12/2021
ABBAG funding	2,971,526,885.10	3,250,606,172.95
Cash collateral received for positive market values of derivatives according to ISDA/CSA arrangements	0.00	4,500,000.00
Other amounts owed to customers	8,908,697.70	11,915,534.25
<b>Total</b>	<b>2,980,435,582.80</b>	<b>3,267,021,707.20</b>

Broken down by maturity (residual maturity) amounts owed to customer are as follows:

Amounts owed to customers in EUR	31/12/2022	31/12/2021
Repayable on demand	0.00	4,500,000.00
Other liabilities		
a) Up to 3 months	10,989,271.72	523,006.85
b) More than 3 months up to 1 year	17,379,944.65	523,006.85
c) More than 1 year up to 5 years	2,952,066,366.43	60,315,250.35
d) More than 5 years	0.00	3,201,160,443.15
	2,980,435,582.80	3,262,521,707.20
<b>Total</b>	<b>2,980,435,582.80</b>	<b>3,267,021,707.20</b>

Amounts owed to customers comprise EUR 2,954,575,693.50 (31/12/2021: EUR 2,955,212,279.86) in subordinated liabilities.

#### 4.9. Securitised liabilities

Securitised liabilities comprise the following:

Securitised liabilities in EUR	31/12/2022	31/12/2021
Bonds issued	77,613,598.67	77,739,031.67
Other securitised liabilities	0.00	0.00
<b>Total</b>	<b>77,613,598.67</b>	<b>77,739,031.67</b>

Bonds issued in a nominal value of EUR 0.00 will mature in 2023 (nominal value of bonds matured in 2022 EUR 00.00).

Securitised liabilities comprise EUR 2,400,000.00 (31/12/2021: EUR 2,500,000.00) in subordinated liabilities.

#### 4.10. Other liabilities

Other liabilities comprise the following:

Other liabilities in EUR	31/12/2022	31/12/2021
Accrued interest on derivatives	43,617,138.62	56,139,581.53
Foreign currency valuations of derivatives in the banking book	16,315,045.68	14,577,338.56
Accruals between spot rate and forward rate in FX swaps	10,413.79	121,799.50
Other	288,928.70	378,591.98
<b>Total</b>	<b>60,231,526.79</b>	<b>71,217,311.57</b>
<i>of which recognised as cash items after the balance sheet date</i>	<i>59,932,184.30</i>	<i>70,716,920.09</i>

The foreign currency valuation of derivatives in the banking book results from exchange rate fluctuations between the transaction dates of cross-currency swaps and the balance sheet date. This valuation is booked against foreign currency valuations of assets and liabilities as well as negative foreign currency valuations of derivatives recognised under other assets. KF's open foreign currency position is being continuously monitored and managed in accordance with the wind-down plan. Wind-down losses expected over the entire wind-down horizon should be independent of exchange rates, as far as possible.

This method of managing the foreign currency position, taking expected wind-down losses into account, economically results in a closed position and isolates the wind-down result against foreign exchange fluctuations.

#### 4.11. Accrued expenses

Accrued expenses comprise the following:

Accrued expenses in EUR	31/12/2022	31/12/2021
<i>of which recognised as cash items after the balance sheet date</i>	<i>3,667,615.76</i>	<i>4,042,366.22</i>
<i>of which recognised as cash items after the balance sheet date</i>	<i>1,323,335.75</i>	<i>1,705,717.87</i>
<i>of which recognised as cash items after the balance sheet date</i>	<i>4,990,951.51</i>	<i>5,748,084.09</i>

## 4.12. Provisions

Schedule of provisions in EUR				
	as at 31/12/2021	Addition	Use/ release	as at 31/12/2022
<b>1. Provisions for severance pay</b>	<b>151,986.88</b>	<b>0.00</b>	<b>76,696.03</b>	<b>75,290.85</b>
<b>2. Provisions for pensions</b>	<b>2,850,012.82</b>	<b>0.00</b>	<b>190,550.67</b>	<b>2,659,462.15</b>
<b>3. Tax provisions</b>	<b>4,486,595.27</b>	<b>0.00</b>	<b>4,486,595.27</b>	<b>0.00</b>
<b>4. Other provisions</b>	<b>38,694,595.11</b>	<b>54,893,890.38</b>	<b>29,140,136.37</b>	<b>64,448,349.12</b>
Provisions for legal risks	30,023,956.95	51,784,886.77	26,580,762.42	55,228,081.31
Provisions for interest rate derivatives	2,919,552.90	1,254,423.99	0.00	4,173,976.89
Provisions for impending losses from macro positions	16,079.11	0.00	14,607.80	1,471.31
Personnel provisions	286,861.92	19,661.16	57,608.75	248,914.33
Provisions for impending losses from CVA	271,233.00	0.00	254,869.00	16,364.00
Other provisions	5,176,911.23	1,834,918.46	2,232,288.41	4,779,541.28
<b>Total</b>	<b>46,183,190.08</b>	<b>54,893,890.38</b>	<b>33,893,978.35</b>	<b>67,183,102.12</b>

For details on personnel provisions, see Note 3.10.1. Personnel provisions.

As at 31 December 2022, tax provisions came to EUR 0.00 (31/12/2021: EUR 4,486,595.27). As at 31 December 2022, a receivable from income tax advance payments is shown in the amount of EUR 4,669,594.00 (31/12/2021: provision in the amount of EUR 4,486,595.27).

For details on the calculation of provisions for deferred taxes, see Note 3.10.2. Deferred taxes.

As at 31 December 2022, other provisions came to a total of EUR 64,448,349.12 (31/12/2021: EUR 38,694,595.11), including, in particular, provisions for legal risks in the amount of EUR 55,228,081.31 (31/12/2021: EUR 30,023,956.95) and provisions in connection with interest rate derivatives in the amount of EUR 4,173,976.89 (31/12/2021: 2,919,552.90).

The calculation of provisions for legal risks, which were set up for ongoing and impending law suits and for warranty risks arising from wind-down measures, are based on assumptions and expert estimates regarding the probability of occurrence of such risks, the amount in dispute, the potential length of proceedings and the chances of success. Depending on these specific factors, these assumptions may change over time.

## 4.13. Fund for general banking risks

For prudential reasons, an amount of EUR 6,164,354.19 from the after-tax result was appropriated to a fund for general banking risks to cover special risks of the banking business. The appropriation of the fund was recognised in the income statement under extraordinary expenses. The fund is available to offset losses with immediate effect and without any restrictions.

## 4.14. Tier-2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As at 31 December 2021, tier-2 capital comprised the following:

ISIN	Interest rate at balance sheet date in %	Maturity	Currency	Nominal in EUR	Right to call	Conversion to capital
<b>Subordinated liabilities pursuant to § 23 (8) of the Austrian Banking Act, old version</b>						
XS0279423775	4.44	20/12/2030	EUR	35,000,000.00	Issuer in case of tax event	no

Total	35,000,000.00
-------	---------------

As at 31 December 2021, tier-2 capital comprised the following:

ISIN	Interest rate at balance sheet date in %	Maturity	Currency	Nominal in EUR	Right to call	Conversion to capital
<b>Subordinated liabilities pursuant to § 23 (8) of the Austrian Banking Act, old version</b>						
XS0185015541	5.43	13/02/2024	EUR	4,200,000.00		no
XS0257275098	4.90	23/06/2031	EUR	3,500,000.00		no
XS0279423775	4.44	20/12/2030	EUR	35,000,000.00	Issuer in case of tax event	no
<b>Total</b>				<b>42,700,000.00</b>		

KF's tier-2 capital meets the conditions of Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013. Claims of creditors for repayment of these liabilities are subordinate to those of other creditors and must not be repaid in the event of bankruptcy or liquidation before all non-subordinated creditors have been satisfied.

#### 4.15. Subscribed capital

Unchanged from the previous year, KF's subscribed capital amounts to EUR 389,000,000.00 divided into 3,890,000 no-par-value shares. The shares are bearer shares; each unit represents a share in the subscribed capital of EUR 100.00. The Republic of Austria holds 100% of the shares in KF. There are no shares that have been issued and not fully paid in, and there are no authorised shares. As at 31 December 2022 and during the business year, KF had no treasury shares in its portfolio.

#### 4.16. Capital reserve

##### a) Additional paid-in capital

As at 31 December 2022, additional paid-in capital amounted to EUR 65,845,802.70, unchanged from the previous year.

##### b) Unappropriated reserves

As at 31 December 2022, unappropriated reserves amounted to EUR 8,973,626.53, unchanged from the previous year.

#### 4.17. Statutory reserve pursuant to § 57 (5) of the Austrian Banking Act

As at 31 December 2022, the statutory reserve amounted to EUR 93,388,106.42, unchanged from the previous year.

## 5. Off-balance-sheet items

### 5.1. Contingent liabilities

Contingent liabilities amounted to EUR 12,472,961.14 (31/12/2021: EUR 12,790,265.86), including a CDS-sell position without triggers in a nominal amount of EUR 8,900,000.00, unchanged from the previous year, and guarantees in the amount of EUR 3,572,961.14 (31/12/2021: EUR 3,890,265.86).



The CDS-sell position concerns a hedging position for an own issue in the amount of EUR 8,900,000.00 (31/12/2021: EUR 8,900,000.00) and has a market value of EUR -7,621.69 (31/12/2021: EUR -2,520.14).

The guarantee position was concluded under an ISDA contract. Moreover, credit support annex agreements (CSA agreements) have been made with the counterparties, according to which the contracts are measured daily and secured by collateral payments.

## **6. Supplementary disclosures**

### **6.1. Own funds and own funds requirements**

After the expiry of KF's banking license, the own funds requirements of CRR no longer apply.

### **6.2. Total amount of assets and liabilities denominated in foreign currencies**

As at 31 December 2022, assets denominated in foreign currencies in the amount of EUR 98,088,993.79 (31/12/2021: EUR 213,056,841.25) were shown on the balance sheet. Liabilities denominated in foreign currencies amounted to EUR 108,236,753.61 (31/12/2021: EUR 106,286,850.31). Open foreign currency positions are closed through corresponding swap contracts. KF's residual open foreign currency position is being continuously monitored and managed in accordance with the wind-down plan. Wind-down losses expected over the entire wind-down horizon should be independent of exchange rates, as far as possible.

### 6.3. Derivative transactions not yet settled on the balance sheet date

To hedge currency and interest rate risks, the following derivative transactions, not yet settled on the balance sheet date, were carried on the banking book (fair values including interest accruals):

31/12/2022 In EUR	Nominal	Positive fair value	Negative fair value
Interest swaps	6,535,360,279.55	45,290,704.87	-523,911,529.32
of which in macro hedge	2,826,679,079.49	5,360,477.14	-122,483,256.10
of which in micro hedge	3,708,681,200.06	39,930,227.73	-401,428,273.22
Cross-currency / interest rate swaps	30,466,131.82	0.00	-14,225,088.86
of which in macro hedge	0.00	0.00	0.00
of which in micro hedge	30,466,131.82	0.00	-14,225,088.86
Currency swaps	-32,984,127.86	11.44	-3,165,133.89
<b>Total</b>	<b>6,532,842,283.51</b>	<b>45,290,716.31</b>	<b>-541,301,752.07</b>

31/12/2021 In EUR	Nominal	Positive fair value	Negative fair value
Interest swaps	7,956,670,772.00	297,977,859.84	-876,603,491.73
of which in macro hedge	3,836,923,342.22	88,840,164.96	-352,075,017.05
of which in micro hedge	4,119,747,429.78	209,137,694.88	-524,528,474.68
Cross-currency / interest rate swaps	29,038,815.22	0.00	-15,610,375.61
of which in macro hedge	0.00	0.00	0.00
of which in micro hedge	29,038,815.22	0.00	-15,610,375.61
Currency swaps	84,122,784.06	10,689.33	-4,062,007.55
<b>Total</b>	<b>8,069,832,371.28</b>	<b>297,988,549.17</b>	<b>-896,275,874.89</b>

The lower volume of open derivative transactions, as compared to the previous year, is primarily due to the wind-down of the portfolio and redemptions, as well as risk management measures.

Interest accruals, foreign currency valuations and accrued fees from derivative transactions in the amount of EUR 20,356,809.39 (31/12/2021: EUR 13,452,002.97) are booked on the asset side of the balance sheet under "Other assets" and "Accruals/deferrals", against EUR 63,610,213.85 (31/12/2021: EUR 74,881,085.81) booked on the liabilities side under "Other liabilities" and "Accruals/deferrals". Moreover, provisions in the amount of EUR 4,175,448.20 (31/12/2021: EUR 2,935,632.02) are recognised for derivatives, of which EUR 1,471.31 (31/12/2021: EUR 16,079.11) are provisions for impending losses for macro swaps:

31/12/2022 in EUR	Fair value of macro swaps	Interest NPV of underlying transactions	Provision
USD	-1,471.31	0.00	-1,471.31

As at 31 December 2021, provisions for impending losses for macro swaps were as follows:

31/12/2021 in EUR	Fair value of macro swaps	Interest NPV of underlying transactions	Provision
USD	-16,079.11	0.00	-16,079.11

### 6.4. Expenses for subordinated liabilities

In the 2022 reporting year, expenses for all subordinated liabilities (reported under "Amounts owed to customers", "Securitized liabilities" and "Tier-2 capital") amounted to a total of EUR 17,586,499.07 (2021: EUR 19,948,215.50).

## **6.5. Other obligations**

### **6.5.1. Debtor warrant**

Within the framework of the capitalisation agreement concluded with the Republic of Austria and the former Kommunalkredit on 17 November 2009, Kommunalkredit Old waived its claims against KF for repayment of money-market deposits in the amount of EUR 1.0 billion against issue of a debtor warrant. This debtor warrant was transferred by Kommunalkredit Old to the Republic of Austria on 30 December 2011 and guarantees the Republic of Austria payments from future annual surpluses of KF and/or future proceeds from the liquidation of KF (senior to capital instruments but junior to all other liabilities of KF) in the amount of the original claim waived, i.e. EUR 1,000,000,000.00, plus accrued interest (total as at 31/12/2021: EUR 1,748,566,390.04).

### **6.5.2. Demerger 2009**

Based on the joint and several liability stipulated by the Demerger Act, KF is liable for obligations that arose prior to the entry of the demerger in the Companies Register and were spun off to Kommunalkredit Old, up to the amount of the net assets allocated to KF within the framework of the demerger. KF's liability remains valid in its external relations to the extent to which such liabilities were allocated to Kommunalkredit within the framework of the 2015 demerger. Should claims be raised by third parties against KF on the basis of this liability arising from the demerger, KF would have the right to take recourse against Kommunalkredit on the basis of a provision of the 2015 demerger plan holding KF harmless against such claims.

### **6.5.3. Demerger 2015**

Pursuant to the Demerger Act, KF is liable jointly and severally to Kommunalkredit Old and/or its creditors for liabilities that arose prior to the effective date of the 2015 demerger and were transferred to KF by way of the 2015 merger. This liability does not concern obligations that arose after the effective date of the demerger. The liability arising from the demerger is limited to the net assets of KF as at the time of the demerger. According to a pledge agreement concluded between Kommunalkredit Old and KF, Kommunalkredit Old pledged an own covered bond with a nominal value of EUR 107,000,000.00 to KF as collateral for KF's claims against Kommunalkredit arising from the demerger. The pledge agreement and the corresponding covered bond were transferred to Kommunalkredit within the framework of the 2015 demerger in accordance with the demerger plan.

### **6.5.4. Other obligations**

In 2022, other obligations in the amount of EUR 220,080.49 (31/12/2021: EUR 216,708.19) arose from rental contracts. The corresponding obligations for the following five years are expected to total EUR 1,100,402.45 (31/12/2021: EUR 1,083,540.95).

## **6.6. Assets assigned as collateral**

Credit balances with banks in a nominal amount of EUR 165,865,000.00 (31/12/2021: EUR 533,751,000.00) were assigned as collateral for negative market values under ISDA/CSA arrangements. Loans and advances to customers (non-bank financial institutions) include cash collateral provided for negative market values under ISDA/CSA arrangements in a nominal amount of EUR 423,994,779.73 (31/12/2021: EUR 171,574,442.61). Amounts owed to banks include cash collateral received for positive market values in a nominal amount of EUR 21,820,000.00 (31/12/2021: EUR 1,880,000.00). Amounts owed to customers include cash collateral received for positive market values in a nominal amount of EUR 0.00 (31/12/2021: EUR 4,500,000.00).

As at 31 December 2022, as in the previous year, no securities and loans with a blocked collateral and/or book value were deposited as collateral within the framework of repo and securities lending transactions.

For covered bonds issued by KF as at 31 December 2022 in a nominal amount of EUR 75,000,000.00 (31/12/2021: EUR 75,000,000.00), loans in a nominal amount of EUR 100,000,000.00 (31/12/2021: EUR 100,000,000.00) were allocated to a cover pool, which can only be drawn on with the approval of a government commissioner.

As at 31 December 2022, KF pledged assets in a nominal amount of EUR 2,229,888,412.42 (31/12/2021: EUR 2,328,079,648.88) to ABBAG as collateral for ABBAG funding facilities; the assets pledged primarily comprise securities and loans.

## **6.7. Tax loss carryforward**

As at the balance sheet date, the tax loss carryforward amounted to EUR 2,914,964,457.62 (31/12/2021: EUR 2,917,276,713.11).

## **7. Notes to the Income Statement**

### **7.1. Presentation of material P&L items**

#### **7.1.1. Net interest income**

The 2022 net interest income amounted to EUR 18,644,674.66 (2021: EUR 16,139,855.06).

Interest income was depressed by negative interest charged by banks in the amount of EUR 470,044.78 (2021: EUR 1,410,262.00).

#### **7.1.2. Net fee and commission income**

The 2022 net fee and commission income amounted to EUR -1,254,360.60 (2021: EUR -1,351,493.40).

#### **7.1.3. Income/expenses from financial transactions**

Income/expenses from financial transactions in the amount of EUR -15,213.22 (2021: EUR 1,341,063.84) resulted from KF's open foreign currency positions and were largely due to fluctuations of the USD exchange rate. KF's open foreign currency position is being continuously monitored and managed in accordance with the wind-down plan. Wind-down losses expected over the entire wind-down horizon should be independent of exchange rates, as far as possible. Following the wind-down of the major part of KF's USD portfolio, the corresponding positions, as well as the corresponding impact on earnings, were significantly reduced.

#### **7.1.4. Other operating income / Other operating expenses**

In 2022, other operating income included income from the wind-down of macro hedges and strategic derivatives in the amount of EUR 13,376,879.18 (2021: EUR 48,103,249.20). Other operating expenses included expenses resulting from the wind-down of offsetting macro hedges in the amount of EUR 14,421,936.57 (2021: EUR 57,988,728.95).

Other results shown under "Other operating income" and "Other operating expenses" primarily include expenses from the valuation of derivatives not classified as micro hedges in the amount

of EUR 2,483,183.79 (2021: income of EUR 5,806,460.26) and expenses from the current valuation of macro hedges in the amount of EUR 121,621.72 (2021: EUR 3,804,579.09).

In 2022, owing to the change in provisions for legal risks, other operating expenses came to a net amount of EUR 34,036,827.76.

#### 7.1.5. General administrative expenses

General administrative expenses in EUR	2022	2021
General administrative expenses	14,595,940.32	15,434,656.45
Personnel expenses	3,613,818.97	3,422,474.23
Other administrative expenses	10,982,121.35	12,012,182.22

Personnel expenses comprise expenses for the Executive Board members and the employees of KF as well as for pension obligations to former Executive Board members and former senior employees of the former Kommunalkredit.

Personnel expenses include expenses for contributions to company pension plans in the amount of EUR 42,356.71 (2021: EUR 43,675.32). Other administrative expenses declined by EUR 1,030,060.87 to EUR 10,982,121.35 (2021: EUR 12,012,182.22) and include the following:

Other administrative expenses in EUR	2022	2021
Third-party services	8,619,139.54	8,228,299.00
Legal, consulting and auditing costs	1,607,625.56	1,630,439.67
Communication	636,455.39	560,546.53
Data processing	99,284.40	51,222.16
Occupancy costs	199,005.39	200,683.84
Other administrative expenses	520,581.78	1,798,764.00
Input tax corrections for prior years	-699,970.71	-457,772.98
<b>Total of other administrative expenses</b>	<b>10,982,121.35</b>	<b>12,012,182.22</b>

Third-party services primarily include expenses for other consultancy services and the outsourcing of services to Ithuba for the operation of KF's business in the amount of EUR 7,302,596.61 (2021: EUR 6,770,718.80).

As in the previous year, legal, consulting and auditing costs primarily comprise current expenses.

Expenses for the external auditor for the reporting year are broken down as follows:

Expenses for the external auditor in EUR excl. VAT	2022	2021
Audit of the annual financial statements	70,000.00	70,000.00
Other audit services	40,225.00	69,771.00
Non-audit services	40,734.10	36,575.00
<b>Total</b>	<b>150,959.10</b>	<b>176,346.00</b>

#### 7.1.6. Net result from valuations and realised gains and losses

The net result from valuations and realised gains and losses (lines 10 to 13 of the income statement) comprises the following:

Valuation result in EUR	2022	2021
Result from realised wind-down measures (securities, loan and derivative positions)	678,682.32	28,389,977.36
Result from the valuation of portfolios not yet wound down (non-realised valuation result)	41,310,391.51	-173,554,878.75
Net credit risk provisions	0.00	0.00
Buyback of equity instruments	-1,138,698.43	0.00
Other	141,792.73	357,078.48
<b>Total of valuations and realised gains and losses</b>	<b>40,992,168.13</b>	<b>-144,807,822.91</b>

Gains realised from wind-down activities in 2022 amounted to EUR 678,682.32 (2021: EUR 28,389,977.36).

In 2022, the result from the valuation of portfolios not yet would down (valuation result not yet realised) came to EUR 41,310,391.51 (2021: EUR -173,554,878.75). The result is primarily influenced by the current valuation of financial instruments. In the previous year, non-realised valuation losses of EUR 181,374,695.18 were recognised in connection with the reclassification of financial instruments to current assets; the actual result will be known after the wind-down of the underlying positions.

As in the previous year, no credit defaults were booked in 2022.

#### 7.1.7. Extraordinary result

In the 2022 business year, a fund for general banking risks was set up in the amount of EUR 6,164,354.19. Owing to the neutral result generated in 2022, the repayment obligation to ABBAG remained unchanged. In the previous year, the reduction of KF's repayment obligation under the ABBAG funding regime resulted in extraordinary income of EUR 171,886,477.11.

#### 7.1.8. Taxes on income

In 2022, the income tax expense amounted to EUR 161,450.69 (2021: EUR 334,672.68). The current tax expense for 2022 in the amount of EUR 192,687.96 (2021: EUR 895,990.03) concerns KF's ordinary business operations. In the previous year, a profit-increasing change in deferred taxes by EUR 525,331.60 was booked. An expense of EUR 31,237.27 (2021: EUR 14.25) resulted from taxes for prior periods.

#### 7.1.9. Result for the year

After the establishment of a fund for general banking risks, KF's result for the year came to EUR 0.00. Owing to the reduction of KF's repayment obligation under the ABBAG funding regime, KF again closed the year with a balanced result.

## 8. Appropriation of the net result

The net loss shown on the balance sheet as at 31 December 2022 in the amount of EUR 557,207,535.65 (31.12.2021: EUR 557,207,535.65) is carried forward to new account.

## 9. Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

## 10. Disclosures regarding governing bodies and employees

### 10.1. Average number of employees during the business year

In 2022, KF on average had 17 (2021: 19) employees, including the members of the Executive Board.

### 10.2. Remuneration of and loans and advances to members of the Executive Board and the Supervisory Board; guarantees assumed for Board members

The total remuneration of the Executive Board and the Supervisory Board comprised the following amounts:

Total Executive Board and Supervisory Board remuneration in EUR	2022	2021
Active Executive Board members	727,054.68	729,341.36
Active Supervisory Board members	75,000.00	75,000.00
<b>Total</b>	<b>802,054.68</b>	<b>804,341.36</b>

As at 31 December 2022 and unchanged from the previous year, no loans to members of the Executive Board or members of the Supervisory Board were outstanding. No guarantees were issued by KF for Board members.

### 10.3. Expenses for severance pay and pensions

Expenses for severance pay and pensions comprise pension payments to former Executive Board members and former senior executives (period of service 1966 to 2004), changes in pension and severance pay provisions, statutory contributions to an employee pension plan and payments to a pension fund.

Expenses for severance pay and pensions in EUR	2022	2021
Executive Board members and senior executives	295,415.54	414,066.89
Other employees	-30,016.92	-3,098.33
<b>Total</b>	<b>265,398.62</b>	<b>410,968.56</b>

#### **10.4. Members of the Executive Board**

**Gabriele Müller**

Spokesperson of the Executive Board  
since 1 June 2021 (since 16 July 2018 Member of the Executive Board)

**Helmut Urban**

Member of the Executive Board  
since 1 September 2013 (from 2 December 2015 to 31 May 2021 Chief Executive Officer)

#### **10.5. Members of the Supervisory Board**

**Stephan Koren**

Chairman of the Supervisory Board; Chairman of the Board of Wüstenrot  
Wohnungswirtschaft reg.Gen.mbH  
since 18 May 2016

**Bruno Ettenauer**

Deputy Chairman  
since 18 May 2016

**Marion Khüny**

Member of the Supervisory Board of Erste Group Bank AG  
from 29 September 2017 to 5 May 2022

**Werner Muhm**

Former Director of the Vienna Chamber of Labour and the Federal Chamber of Labour  
since 8 January 2009

**Bernhard Perner**

Managing Director of ABBAG – Abbaumanagementgesellschaft des Bundes  
since 14 March 2018

**Gregor Schinko**

Chairman of the Supervisory Board of Neuroth AG  
from 25 September 2019 to 23 March 2022

**Christoph Pesau**

Federal Ministry of Finance  
since 5 May 2022

#### **10.6. State Commissioner**

**Ben-Benedict Hruby**

State Commissioner, Federal Ministry of Finance  
since 1 August 2019

**Elisabeth Rattinger**

Deputy State Commissioner; Federal Ministry of Finance  
since 1 November 2021

#### **10.7. Government Commissioner for the cover pool for covered bonds**

**Andrea Delfauro-Bischof**



Government Commissioner, Federal Ministry of Finance  
since 1 August 2013

**Christian Wenth**

Deputy Government Commissioner, Federal Ministry of Finance  
since 1 September 2022

**Johannes Pasquali**

Deputy Government Commissioner, Federal Ministry of Finance  
from 1 January 2021 to 31 August 2022

At the time of reporting, covered bank bonds issued by KF were outstanding.

Vienna, 9 March 2023

The Executive Board of  
KA Finanz AG

**Gabriele Müller**

Spokesperson of the Executive Board

**Helmut Urban**

Member of the Executive Board

## Schedule of Non-current Asset Transactions pursuant to § 226 (1) of the Austrian Company Code as at 31 December 2022 (Annex 1)

Non-current assets	Acquisition cost						Book values				
	as at 01/01/2022	Currency translation	Additions	Disposals	Re- classification	as at 31/12/2022	Cumulative depreciation, amortisation and write-ups 2022 (*)	Book value 31/12/2022	Book value 01/01/2022	Write- downs 2022	Write-ups 2022
4. Loans and advances to customers	7,195,74..77	181,839.27	0.00	7,377,580.04	0.00	0.00	0.00	0.00	6,292,662.43	12,468.55	0.00
6. Property, plant and equipment											
Office furniture and equipment	347,268.59	0.00	1,205.46	16,952.38	0.00	331,521.67	300,542.06	30,979.61	75,817.73	30,900.50	0.00
	<b>7,543,009,36</b>	<b>181,839.27</b>	<b>1,205.46</b>	<b>7,394,532.42</b>	<b>0.00</b>	<b>331,521.67</b>	<b>300,542.06</b>	<b>30,979.61</b>	<b>6,368,480.16</b>	<b>43,369.05</b>	<b>0.00</b>

(\*)The total shown for investment securities in this column includes the differential amount pursuant to § 56 (3) of the Austrian Banking Act

## Development of depreciation and amortisation

Development of depreciation, amortisation and write-ups in 2022							
Non-current assets	Cumulative depreciation, amortisation and write-ups 2021	Currency translation	Write-downs for the year	Write-ups for the year	Disposals	Reclassification	Cumulative depreciation, amortisation and write-ups 2022
4. Loans and advances to customers	903,078.34	6,317.81	12,468.55	0.00	921,864.70	0.00	0.00
6. Property, plant and equipment							
Office furniture and equipment	271,450.86	0.00	32,105.96	0.00	3,014.76	0.00	300,542.06
	<b>1,174,529.20</b>	<b>6,317.81</b>	<b>44,574.51</b>	<b>0.00</b>	<b>924,879.46</b>	<b>0.00</b>	<b>300,542.06</b>

# AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of KA Finanz AG, Vienna, (the Company), which comprise the statement of financial position as at December 31, 2022, the income statement for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at December 31, 2022, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Bank Recovery and Resolution Act (Bundesgesetz über die Sanierung und Abwicklung von Banken).

### Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No 537/2014 and with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained up to the date of our report is sufficient and appropriate to provide a basis for our opinion as of that date.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Valuation of provisions for legal risks

(see Notes, 4.12. "Provisions" and Management Report, Risk Reporting „Operational risk & business continuity management“)

## Description and Issue

The Company is exposed to uncertainties and legal risks arising from ongoing and imminent legal proceedings, which pertain from Kommunalkredit Austria AG (universal succession). The provision for legal risks as of December 31, 2022 amounts to EUR 55.2m.

In determining the provision for legal risks, management has to make assumptions and estimates. These relate in particular to the amounts of possible claims, the duration of proceedings and negotiations, the prospects of success and the resulting expenses.

As legal risks can have a material impact on the annual financial statements and their valuation is uncertain and relies to a high degree on management judgements and estimates, which are discretionary in nature, we have identified the valuation of provisions for legal risks as a key audit matter.

## Our Response

We assessed the processes related to the identification and evaluation of legal risks and the recognition of provisions.

We requested external confirmation from lawyers for open legal cases and, based on these, we critically assessed the Management Board's judgements.

We discussed the underlying assumptions and estimations for material provisions with management and have critically assessed them.

We critically assessed the Notes to the Financial Statements to determine whether they present the risks of the Company with sufficient clarity and if they contain information about all material legal risks that were identified.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual financial report, but does not include the financial statements, the management report and our auditor's report thereon. The annual financial report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance thereon. With respect to the information in the management report we refer to the section "Report on the Audit of the Management Report".

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## **Responsibility of Management and the Audit Committee for the Financial Statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Bank Recovery and Resolution Act (Bundesgesetz über die Sanierung und Abwicklung von Banken) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Management Report**

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code and the Austrian Bank Recovery and Resolution Act (Bundesgesetz über die Sanierung und Abwicklung von Banken).

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

### **Opinion**

In our opinion, the accompanying management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the financial statements.

### **Statement**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

### **Other Matters which we are required to address according to Article 10 of Regulation (EU) No 537/2014**

We were appointed as auditors by the annual general meeting on May 5, 2021 and commissioned by the supervisory board on May 5, 2021 to audit the financial statements for the financial year ending on December 31, 2022.

We have been auditing the Company uninterrupted since the financial year ending December 31, 2019.

We confirm that the audit opinion in the section "Report on the Audit of the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

We declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 and that we remained independent of the Company in conducting the audit.

## **Engagement Partner**

The engagement partner responsible for the audit is Dr. Peter Bitzyk.  
Vienna

March 10, 2023

## **Deloitte Audit Wirtschaftsprüfungs GmbH**

(signed by:)  
Dr. Peter Bitzyk  
Certified Public Accountant

This report is a translation of the auditors' report according to section 274 of the Austrian Commercial Code (UGB). The translation is presented for the convenience of the reader only. The German wording of the auditors' report is solely valid and is the only legally binding version. Section 281(2) UGB applies.



## REPORT OF THE SUPERVISORY BOARD TO THE ANNUAL GENERAL MEETING

Since the demerger of the former Kommunalkredit Austria AG, effective 28 November 2009, KA Finanz AG (KF) has been responsible for winding down the non-strategic securities and credit default portfolio held at the time of nationalisation in 2008. KF is a company wholly owned by the Republic of Austria.

On 6 September 2017, the Financial Market Authority (FMA) approved the operation of KF as a wind-down unit pursuant to § 162 of the Austrian Bank Recovery and Resolution Act. KF's banking license expired as of that date. As a wind-down unit, KF will continue to be supervised by FMA.

In accordance with the wind-down plan, KF's business purpose is to pursue targeted de-risking, realise any potential for the reversal of impairments, and secure an adequate liquidity position. KF does not engage in any new asset-side business. KF's funding structure has been adjusted to the objectives of a wind-down unit. Funding for KF is provided by ABBAG, a company wholly owned by the Republic of Austria and responsible for the management of wind-down facilities. KF no longer raises new funding in the money and capital markets. Upon maturity, KF's capital market issues are replaced by funding made available by ABBAG. In the course of 2022, the portfolio was further reduced by a total of EUR 335.6 million through active wind-down measures in accordance with the approved wind-down plan as well as scheduled and early redemptions.

The Supervisory Board of KF consists of five capital representatives. Georg Schinko and Marion Khüny resigned from the Supervisory Board as of 23 March 2022 and 5 May 2022 respectively. On 5 May 2022, Christoph Pesau was elected to the Supervisory Board by the Annual General Meeting. The other members of the Supervisory Board remained unchanged: Stephan Koren as Chairman of the Supervisory Board (Chairman of the Board of Wüstenrot Wohnungswirtschaft reg.Gen.mbH), Bruno Ettenauer as Deputy Chairman (function?), Werner Muhm (former Director of the Vienna Chamber of Labour and the Federal Chamber of Labour) and Bernhard Perner.

In accordance with the By-Laws of the company and the Rules of Procedure, the Supervisory Board performed its tasks within the framework of four ordinary Supervisory Board meetings. The statutory Audit Committee, the Portfolio Committee and the Personnel Committee held their meetings and performed their tasks in accordance with the By-Laws.

In the course of the meetings of the Supervisory Board and its committees, as well as through personal information on the development of business, the Supervisory Board was continually and comprehensively updated by the Executive Board on the position and the performance of the company and the company's business policy plans. Exercising its duties as laid down by law, in the By-Laws of the company and in the Rules of Procedure, the Supervisory Board advised and supervised the Executive Board in the management of the company.

For the tenth time, the Executive Board and the Supervisory Board prepared a Public Corporate Governance Report describing the corporate governance structure of KA Finanz AG, which was last subjected to an external evaluation in 2019. In the autumn of 2022, the members of the governing bodies of KF underwent the required fit-and-proper training relating to changes and innovations in the regulatory sphere in accordance with the fit-and-proper guidelines (based on EBA Guidelines 2017/12, 2021/16 and the corresponding FMA circular of August 2018).

These Financial Statements and the Management Report were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna. The audit did not result in any findings. Given that all legal requirements were met and that the annual financial statements convey a true and fair view of the assets and the financial position of the company as at 31 December 2022, the auditors issued an unqualified audit opinion. At its meeting on 21 March 2023, the Supervisory Board endorsed the result of the audit and approved the 2022 Financial Statements, which were thus officially adopted.

The Supervisory Board

**Stephan Koren**  
Chairman

Vienna, 21 March 2023

# LETTER OF REPRESENTATION

## **KA Finanz AG** **2022 Annual Financial Statements**

We herewith **confirm** to the best of our knowledge that the **Annual Financial Statements** of the company, prepared in accordance with the relevant accounting standards, present a true and fair view of the assets, the financial position and the income of the company, that the **Management Report** presents the development of business, the results and the position of the company in such a way that it conveys a true and fair view of the assets, the financial position and the income of the company, and that the Management Report describes the essential risks and uncertainties to which the company is exposed.

Vienna, 9 March 2023

The Executive Board of  
KA Finanz AG

**Gabriele Müller**  
Spokesperson of the Executive Board

**Helmut Urban**  
Member of the Executive Board

## **LEGAL NOTICE**

### **Owner and publisher:**

Self-published by  
KA Finanz AG  
Taborstrasse 1-3, 1020 Vienna  
Tel.: +43(0)1/310 06 06, Fax ext.: 660

Corporate Communications  
info@kafinanz.at  
Tel.: +43(0)1/310 06 06

Investor Relations  
investorrelations@kafinanz.at  
Tel.: +43(0)1/310 06 06

[www.kafinanz.at](http://www.kafinanz.at)

