Disclosure

pursuant to Part 8 CRR

(Reporting date 31-12-2015)

Pursuant to Art.431 and Art.433 of the Capital Requirements Regulation (CRR), institutions have to publicly disclose the information specified in Part II CRR at least once a year, subject to the provisions laid down in Art.432 CRR. KA Finanz AG (hereinafter called KF) meets the disclosure requirements through publication of this Disclosure Report on its website at www.kafinanz.at, most recently as at 30 September 2015.

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Art. 435 CRR Risk management objectives and policies

Art. 435.1 (a) to (d) CRR

Risk management strategies and processes; structure and organisation of the risk management and monitoring function, and scope and nature of risk reporting and measurement systems; risk management guidelines and policies

Overview

The primary business purpose of KA Finanz AG (KF) is to manage and phase out the non-strategic portfolio held by the former Kommunalkredit Austria (KA) prior to the demerger, while minimising, as much as possible, the input of resources by the Republic of Austria and making every effort to realise the potential for value recovery and to secure liquidity. Active portfolio monitoring aimed at the early identification of risks and active portfolio management, as well as active liquidity management, are therefore part of the core tasks of KF.

Organisation

The Executive Board and the Risk Officer of KF are responsible for risk management, in particular for defining the bank's risk strategy, and for the adequate measurement, management and limitation of risks.

The overall management and limitation of risks is performed within the framework of the monthly meetings of the Risk Management Committee (RMC). In addition to the RMC, other committees have been established that hold weekly or – if the need arises – even more frequent meetings. These include, in particular, the Credit Committee, which focuses on portfolio monitoring and the planning of measures relating to the risk portfolio, and the Asset Liability Committee (ALCO), with its responsibility for operational liquidity, interest-rate and capital management.

In operational and administrative terms, KF's system of risk management is supported by services provided by KA under the service level agreement (SLA), such as the drafting of limit and risk reports as well as portfolio analyses.

Specific risks of KF

The following risks are specifically monitored at KF:

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

The position of KF as regards these types of risk and the company's measurement, monitoring and management strategies 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, risk of rating changes, 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 as a run-off facility.
- The development of existing credit risks is continuously monitored.
- The portfolio reduction measures taken include redemption upon maturity, disposals when positions reach or approach their true economic value, and the early elimination of positions to avoid foreseeable credit risks or reduce concentration risks. The bank's capital position must always be taken into consideration; the corresponding steps in the decision-making process are documented.

Rating procedure

Ratings by external rating agencies (Moody's, Standard & Poor's, Fitch) are available for most of the exposures, which are continuously monitored and updated. All other customers are rated internally on the basis of their most recent balance sheet figures at least once a year. On an internal rating scale (master scale) external as well as internal ratings are allocated to certain probabilities of default. The master scale is reviewed regularly for its forecasting quality and, if necessary, adjusted on the basis of unexpected losses incurred. Thus, all credit exposures can be fully classified on the basis of their probability of default and the type of collateral provided.

Credit exposure

For the on-balance-sheet portfolio, especially for securities and loans, the credit risk exposure corresponds to the book value (including accrued interest). For credit default swaps (CDS), the credit exposure corresponds to the nominal value minus credit risk provisions, and for derivatives to the positive fair value plus maturity-specific and product-specific add-on factors; CDS and derivatives are part of the off-balance-sheet portfolio.

Financial and personal forms of collateral (sureties and guarantees) are considered in credit exposures. Financial collateral taken into consideration primarily includes netting and cash collateral arrangements made to reduce the counterparty risk. Financial collateral received reduces the existing exposure. CDS hedges with matching maturities and netting arrangements also reduce the existing CDS exposure. If other personal forms of collateral are available, the exposure can be counted towards the protection provider. Depending on the assessment of the risk, the exposure is transferred to the guarantor and included in the portfolio model and the limit system.

Unexpected loss – Portfolio credit risk model

A portfolio approach is essential for the quantification of credit risk. KF quantifies the economic credit risk (risk of default) as well as the risk of rating changes and the RWA risk on a quarterly basis. The calculation is based on rating and maturity dependent probabilities of default (PD) as well as average historical loss ratios (LGD).

Concentration risk

Risk concentrations are identified prior to the closing of transactions (exclusively hedging and funding transactions) and in the course of the monthly credit risk reports that are submitted to the RMC. The total portfolio is broken down according to different parameters (breakdown by country, region, top 100 borrowers, rating, sector). In addition, risk concentrations in individual sub-portfolios are identified and monitored through portfolio analyses. Portfolio analyses comprise correlating regional and/or sector-specific risks or risk concentrations and permit the early detection, limitation and management of risk portfolios under current and future conditions.

Depending on the risk assessment, reviews are performed at regular intervals. Event-triggered portfolio reviews can also be performed on an ad-hoc basis between the scheduled intervals.

Country risk

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

Liquidity risk

Liquidity risk management

KF defines liquidity risk in the narrow sense of the term as the risk of the bank's being unable to meet its present and future payment obligations fully or on schedule (risk of insolvency). Funding risk is defined as 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 control of the liquidity position,
- adequate limitation of the liquidity risk,
- a clearly defined process to secure liquidity in the event of liquidity bottlenecks.

Monitoring the liquidity risk comprises:

- daily monitoring and operational management of the liquidity position by Treasury,
- dynamic liquidity forecasts (for periods of less than one year) under certain scenario assumptions, including combined stress scenarios,
- statistical analysis of liquidity gaps (for periods of more than one year),
- planning of medium- and long-term funding,
- maintenance and further development of the liquidity model.

Short-term liquidity risk (< 1 year)

For the purposes of short-term liquidity control, the management uses short- and medium-term liquidity scenarios. These scenarios include not only contractual cash flows, but also expected cash flows from new issues, money-market and repo prolongations, the termination of deals, and the expected liquidity demand for cash collaterals, i.e. under CSA/ISDA arrangements. The resulting liquidity gaps are managed daily in the short-term liquidity scenario, with subsequent monthly management.

In order to quantify and limit the short-term liquidity risk, the analysis is also performed for a combined stress scenario, and the maximum "time-to-wall" is determined for this scenario.

In 2015, KF's liquidity situation was stable throughout the year due to continued, active portfolio run-down measures and to an increase in the volume of funding guaranteed by the Republic of Austria. 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 2015 for the next twelve months. KF's liquidity position corresponds to the funding strategy laid down in the restructuring plan for KF as a portfolio run-off facility, i.e. funding based mostly on the money market and benefiting from the cost and flexibility advantages afforded by its being owned by the Republic of Austria (now held in trust by FIMBAG), all the while aiming at maximising own contributions.

Liquidity position as at 31-12-2015

in EUR million as at 31-12-2015	Expected liquidity gap	Additionally available liquidity	Liquidity position after measures
Up to one month	-2,494	3,477	983
More than one month up to three months	-1,743	1,809	66
More than three months up to one year	-4,051	3,464	-588
Total (cumulative up to one year)	**-8,289**	**8,750**	**462**

Liquidity position as at 31-12-2014

in EUR million as at 31-12-2014	Expected liquidity gap	Additionally available liquidity	Liquidity position after measures
Up to one month	-1,254	1,832	578
More than one month up to three months	-1,104	1,000	-104
More than three months up to one year	-2,658	2,330	-328
Total (cumulative up to one year)	**-5,016**	**5,163**	**147**

Long-term liquidity risk (≥ 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 on- and off-balance transactions. The overhangs from inflows and pay-outs are monitored at a periodic and cumulative level and provide the basis for strategic liquidity management within the framework of the RMC.

Organisation and reporting
The structural liquidity risk is discussed at Executive Board level within the framework of the monthly RMC meetings. At the weekly ALCO meeting, 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. Moreover, an updated liquidity forecast, including an assessment of additionally required and available liquidity, is generated and reported to the Chief Treasury Officer and the risk management unit of KF.

Market risk

Market risks arise from potential changes of risk factors, which may lead to a drop in the market value of the 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 and interest rates. With the restructuring plan basically providing for portfolio run-down through redemptions, a major part of the portfolio is designated as non-current assets in view of the underlying portfolio structure, which means that changes in market parameters will in most cases not impact on profit or loss.

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

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

Interest rate risk
For the measurement, management and limitation of interest rate risks, KF distinguishes between the period-oriented, short-term repricing risk and the NPV-oriented, long-term risk of changing interest rates. The former is the risk of a decline in net interest income, while the latter is the risk of losses in net present value due to interest rate changes.

To ensure efficient monitoring and limitation of interest rate risks, KF uses analytical tools permitting the targeted management of the NPV risk of interest rate changes and the risk of net interest income of the period. In particular, interest gap structures (expiry of fixed interest periods) and net present value sensitivities are analysed by currency and maturity range, value-at-risk (VaR) models are calculated on the basis of historical volatilities and correlations, and different interest rate scenarios are simulated.

The following table shows the net-present-value risk of interest rate changes for KF in the event of a shift of the yield curve by 1 basis point (DV01) for the main currencies as at 31 December 2015 in TEUR. Rating- and term-dependent mean default rates were assumed in the determination of the present values.

Table: Interest rate sensitivities as at 31-12-2015, in EUR 1,000

in EUR 1,000	EUR	USD	GBP	CHF	Other	Total
DV01	+25	+15	+804	-17	+14	**+840**

Table: Interest rate sensitivities as at 31-12-2014, in EUR 1,000

in EUR 1,000	EUR	USD	GBP	CAD	Other	Total
DV01	+192	+41	+671	+13	+10	**+927**

Equally weighted historical volatilities and correlations (observation period 150 days) are used to calculate the interest VaR (holding period 20 trading days, confidence interval 99.9%). The VaR calculated considers KF's entire portfolio of transactions, but not its equity (paid-in capital and reserves). As at 31 December 2015, the interest VaR (confidence level 99.9%, holding period 20 trading days) stood at EUR 45.1 million (31-12-2014: EUR 40.7 million).

The interest rate risk is monitored and managed at least monthly within the framework of the RMC.

In addition to monthly reporting at the RMC, near-time operational management of the interest rate risk and the repricing risk is performed at the weekly ALCO meetings.

Currency risk

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

A system of operational management of open FX positions has been established, which considers not only disbursements and redemptions, but also interest, commission and premium accruals, as well as cash-outs from the derivatives business. 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 2015, the cumulative open FX position stood at TEUR 314.6 and the diversified FX VaR at TEUR 1.5 (31-12-2014: TEUR 3.0).

Operational risk

We refer to our comments under Art.446 CRR.

Art. 435.1 (e) and (f) CRR

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

KF's risk management systems and processes correspond to the relevance and materiality of the risks and the function of KF as a run-off facility; they meet the general, prudential risk management requirements and the standards of the banking business, including the Austrian Banking Act, the Austrian Regulation on Risk Management by Financial Institutions (KI-RMVO), CRR, CRD IV.

KF's business activities focus on the structured run-down of the existing portfolio; KF does not engage in any new asset-side business. The core tasks of KF therefore consist in active portfolio monitoring for the purpose of early identification of risks, active portfolio management, and active liquidity management.

Pursuant to § 39 (5) Austrian Banking Act, the Risk Office has been established as a risk management function independent of the institution’s operational business with direct access to the Executive Board.

In 2015, KF’s risk management procedures and processes were subjected to the annual comprehensive review (ICAAP review). The review focused on the adequacy of all components of the risk management process. The priority targets of the most recent review included

- the performance of the annual risk assessments and a review of the risk strategies of the institution as a whole and at single-risk level;
- the review and, if necessary, the adaptation of the perspectives of the risk-bearing-capacity analysis and the stress tests,
- the review and, if necessary, the adaptation of risk quantification methods and limits,
- the review and updating of guidelines and other documents.

The ICAAP review was coordinated by the Risk Officer of KF and supported by the KF management and the units of KA involved via the SLA. The Executive Board was involved in the process through regular information. The results were documented in a final report and approved by the Executive Board. The final report was also submitted to the Supervisory Board.

The risk assessments showed that, above all, credit and liquidity risk continue to be highly relevant to KF as a run-off facility; at the same time, concentration risks, mainly exposures to the European peripheral countries, have declined sharply as a result of accelerated portfolio run-down activities.

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

From the liquidation perspective, risk tolerance is defined in terms of risk limits for each main risk type and a minimum capital buffer in per cent of aggregate risk cover. The utilisation of risk limits and the amount of the actual capital buffer, compared with the minimum capital buffer, are determined and reviewed every month in absolute terms and as a percentage of the aggregate risk cover at a confidence level of 99.9%. As at 31 December 2015, the capital buffer, as seen from the liquidation perspective, amounted to EUR 149 million or 23% of own funds (31-12-2014: EUR 226 million or 39% of own funds).

From the going-concern perspective, risk tolerance is defined in terms of the hedging target of a minimum tier-1 ratio of 7% for the coming 12 months. The capital buffer required to reach the hedging target on the basis of a moderate stress scenario (risk-off scenario) is determined and reviewed every month. Based on a common equity tier-1 ratio of 15.3% as at 31 December 2015, the common equity tier-1 ratio would drop to 11.8% over the coming 12 months in the moderate stress case, which corresponds to a capital buffer of EUR 158.5 million.

For the purpose of risk limitation, operational limits have been implemented; above all, counterparty-related exposure limits, country limits, market risk limits and liquidity risk limits are subject to continuous monitoring.

In the course of 2015, the Supervisory Board and the Risk Committee, the latter set up pursuant to § 39d Austrian Banking Act, received regular, comprehensive reports on the risk position of the bank submitted by the Executive Board and the Risk Officer of KF.

Art. 435.2 (a) CRR

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

Name	Function in KA Finanz AG	Other directorships and supervisory functions	
		Number of directorships	Number of supervisory functions
Dr. Klaus Liebscher	Chairman of the Supervisory Board	2	2
KR Adolf Wala	Deputy Chairman of the Supervisory Board	1	2
Mag. Werner Muhm	Member of the Supervisory Board	1	4
Univ.-Prof. Dr. Stefan Pichler	Member of the Supervisory Board	1	1
Franz Hofer, MSc	Member of the Supervisory Board	-	1
Brigitte Markl	Member of the Supervisory Board	-	1
Dr. Helmut Urban	Chairman of the Executive Board	1	-
Mag. Bernhard Achberger	Member of the Executive Board	-	-

Art. 435.2 (b) CRR

Strategy for the selection of members of the management body

In the course of the adjustment of the Rules of Procedure of the Supervisory Board at the Supervisory Board meeting 04/2013 on 27 September 2013, a Nomination Committee pursuant to § 29 of the Austrian Banking Act was established, effective as of 1 January 2014. In compliance with the law and the Articles of Association, the Nomination Committee held its annual meeting for 2015 on 28 September 2015; two additional meetings of the Nomination Committee were held in the autumn of 2015 in connection with the appointment of the new Executive Board.

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

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

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

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

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

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

Art. 435.2 (c) CRR

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

The Nomination Committee has defined a target ratio of 35% for the underrepresented gender on the Supervisory Board as well as of 50% on the Executive Board, qualification and occupational aptitude being crucial in the selection. The target ratio for the Supervisory Board is to be implemented by 31 December 2018, for the Executive Board by 31 December 2020.

Art. 435.2 (d) CRR

Information regarding the establishment of a separate risk committee

Pursuant to § 39d of the Austrian Banking Act, a Risk Committee of the Supervisory Board has been operational since 1 January 2014, tasked to advise the management on the current and future risk appetite and risk strategy of the bank and to monitor implementation of this risk strategy relating to the management, monitoring and limitation of risks and the capitalisation and liquidity of the bank.

The Risk Committee met once in 2015.

Art. 435.2 (e) CRR

Information flow on risk to the management body

The Executive Board and the Risk Officer of KF are responsible for risk management, in particular for defining the bank's risk strategy, and for the adequate measurement, management and limitation of risks.

The overall management and limitation of risks is performed within the framework of the monthly meetings of the Risk Management Committee (RMC). In addition to the RMC, other committees have been established that hold weekly or – if the need arises – even more frequent meetings. These include, in particular, the Credit Committee, which focuses on portfolio monitoring and the planning of measures relating to the risk portfolio, and the Asset Liability Committee (ALCO) with its responsibility for operational liquidity, interest-rate and capital management.

The RMC constitutes the central element of the comprehensive risk management process, providing information to the Executive Board on the overall risk position of the bank. The RMC is responsible for the establishment of guidelines for the implementation of the risk strategy and is in charge of limit setting (except country and counterparty limits, which are set by the Credit Committee) and limit monitoring by type of risk.

The weekly Credit Committee meeting is the central element of the credit approval process and the continuous portfolio and single-name review process. The tasks of the Credit Committee include, in particular, the analysis and assessment of single-name risks, the management of single-name risks and/or other risks, work-out cases, qualitative portfolio analyses, the assignment of ratings as well as country and counterparty limits.

The weekly ALCO is responsible for the operational management and monitoring of the interest rate and liquidity risk.

In operational and administrative terms, KF's system of risk management is supported by services provided by KA under the service level agreement (SLA), such as the drafting of limit and risk reports as well as portfolio analyses.

Art. 436 CRR Scope of application

Art. 436 (a) CRR

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

Name of the institution: KA Finanz AG (KF)

Art. 436 (b) CRR

Information on the scope of consolidation and entities therein

As at 31-12-2015, KF exclusively holds a participation in Einlagensicherung der Banken und Bankiers in the amount of EUR 70.0 and therefore does not constitute a group of financial instruments pursuant to § 30 of the Austria Banking Act. The participation is shown under Art.447 (b) CRR.

Art. 436 (c) to (e) CRR

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

Currently, these provisions are not relevant to KF.

Art. 437 CRR Own funds

Art. 437.1 (a) and (d) CRR

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

31-12-2015

in TEUR	Eligible own fund
Capital instruments and the associated premium	389,000.0
of which subscribed capital	389,000.0
Cumulative other income (and other reserves)	30,458.1
- Net loss	-198,655.6
-Capital reserves	74,819.0
-Statutory reserve pursuant to § 57 (5) Austrian Banking Act	93,388.5
Fund for general banking risks	122,500.0
Common equity tier 1 (CET1)	**481,041.9**
Supplementary capital	109,133.4
General credit risk adjustments (provision pursuant to § 57 (1) Austrian Banking Act)	30,000.0
Supplementary own funds (tier 2)	**139,133.4**
Total equity (TC = T1 + T2)	**620,175.3**

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

Subscribed capital

The subscribed capital as at 31 December 2015, unchanged from the previous year, amounts to EUR 389,000,000.00 and is subdivided into 3,890,000 no-par-value shares. The shares are bearer shares; each no-par-value share represents a stake of EUR 100.00 in the share capital. All no-par-value shares are held by the Republic of Austria.

There are no shares that have been issued but not fully paid in; there are no authorised shares. Neither as at 31 December 2015 nor during the business year did KF hold any treasury shares.

Supplementary capital

The supplementary capital meets the conditions of Part 2, Title I, Chapter 4 of Regulation (EU) No 575/2013. As at 31 December 2015, it comprises the following components:

ISIN	Interest rate at reporting date in %	Maturity	Currency	Nominal in EUR	Right to call	Conversion to capital
XS0140045302	6.08	13-12-2018	EUR	19,500,000.00	Issuer	no
XS0144772927	6.46	27-03-2022	EUR	5,000,000.00	Issuer	no
XS0185015541	5.43	13-02-2024	EUR	20,000,000.00	Issuer	no
XS0257275098	4.9	23-06-2031	EUR	10,000,000.00	According to issuer's choice on 23-06-2016	no

XS0279423775	4.44	20-12-2030	EUR	35,000,000.00	Issuer in case of tax event	no
XS0255270380	6.721	07-06-2021	EUR	5,000,000.00	no	no
XS0286975973	0.278	28-02-2017	EUR	40,000,000.00	Issuer in case of tax event	no
AT0000441209	5	27-02-2024	EUR	19,000,000.00	Issuer	no

Upon entry of the demerger and the merger in the Companies Register on 26 September 2015, the compensation of the rights of special rights holders pursuant to § 226 (3) Stock Corporation Act (supplementary capital items XS0270579856, nominal EUR 19.0 million, and XS0284217709, nominal EUR 7.6 million), provided for in the merger contract, became legally effective, as already announced to investors through the ad-hoc disclosure dated 26 June 2015. Thus, following the reduction of participation capital as of 31 December 2011, KF no longer holds any profit-dependent instruments.

Pursuant to Article 63 CRR (supplementary capital items with incentive to redeem), one issue (AT0000441209, nominal EUR 19.0 million) does not meet all the conditions of eligibility as supplementary capital. Grandfathering pursuant to Article 484 CRR has reduced the eligibility of this issue as tier-2 capital pursuant to Article 486 in conjunction with § 20 of the FMA Regulation on CRR by 20% as of 1 January 2014 and by another 10% annually between 2015 and 2021. On the balance sheet, this issue is recognised under securitised liabilities.

Further details of these capital instruments are shown in Annex 1.

Reconciliation of all regulatory capital items on the balance sheet

31-12-2015 in EUR 1,000	Book values pursuant to Austrian GAAP	Own funds pursuant to CRR
Common equity tier 1 (CET1): Instruments and reserves		
Capital instruments and the associated premium	389,000.0	389,000.0
- of which subscribed capital	389,000.0	389,000.0
Other comprehensive income (and other reserves)	-30,458.1	-30,458.1
-Net loss	-198,665.6	-198,665.6
-Capital reserves	74,819.0	74,819.0
-Statutory reserves pursuant to § 57(5) Austrian Banking Act	93,388.5	93,388.5
Fund for general banking risks pursuant to § 57(3) Austrian Banking Act	122,500.0	122,500.0
Common equity tier 1 (CET1)		**481,041.9**
Core capital (T1 = CET1 + AT1)		**481,041.9**
Supplementary capital (T2): Instruments and reserves		
Capital instruments and the associated premium	156,023.2	109,133.4
- of which subordinated securities liabilities	156,023.2	109,133.4
General credit risk adjustments (provision pursuant to § 57(1) Austrian Banking Act)	30,000.0	30,000.0
Supplementary capital (T2)		**139,133.4**
Total equity (TC = T1 + T2)		**620,175.3**
Total risk-weighted assets		**3,134,585.8**

	(A) Amount 31-12-2015 in EUR 1,000	(B) Reference to article in Regulation (EU) No 575/2013	(C) Amounts subject to treatment prior to Regulation (EU) No 575/2013 or specified amount of outstanding exposure pursuant to Regulation (EU) No 575/2013
Common equity tier 1 (CET1): Instruments and reserves			
Capital instruments and the associated premium	389,000.0	26 (1), 27, 28, 29, List of EBA pursuant to Art. 26.3	
- of which subscribed capital	389,000.0		
Other comprehensive income (and other reserves)	-30,458.1	26 (1)	
-Net loss		-198,665.6	
-Capital reserves	74,819.0		
-Statutory reserve pursuant to § 57(5) Austrian Banking Act	93,388.5		
Fund for general banking risks pursuant to § 57(3) Austrian Banking Act	122,500.0	26 (1) (f)	
Common equity tier 1 (CET1) before regulatory adjustments	481,041.9		
Regulatory adjustments of common equity tier 1	0		
Common equity tier 1 (CET1)	481,041.9		
Additional core capital (AT1)	0		
Core capital (T1 = CET1 + AT1)	481,041.9		
Supplementary capital (T2): Instruments and reserves			
Capital instruments and the associated premium	109,133.4	62, 63	19,000.0
- of which subordinated securitised liabilities	109,133.4		
General credit risk adjustment (provision pursuant to § 57(1) Austrian Banking Act	30,000,0	62 (c) and (d)	
Supplementary capital (T2) before regulatory adjustments	139,133.4		
Regulatory adjustments of supplementary capital	0		
Supplementary capital (T2)	139,133.4		
Total equity (TC = T1 + T2)	620,175.3		
Total risk-weighted assets	3,134,585.8		
Equity ratios and buffers			
CET 1 ratio (expressed in per cent of total exposure amount)	15.3%	92 (2) (a), 465	
Core capital ratio (expressed in per cent of total exposure amount)	15.3%	92 (2) (b), 465	
Total capital ratio (expressed in per cent of total exposure amount)	19.8%	92 (2) (c)	

	(A) Amount 31-12-2015 in EUR 1,000	(B) Reference to article in Regulation (EU) No 575/2013	(C) Amounts subject to treatment prior to Regulation (EU) No 575/2013 or specified amount of outstanding exposure pursuant to Regulation (EU) No 575/2013
Equity ratios and buffers			
Direct, indirect and synthetic items of the institution in capital instruments of companies of the financial sector in which the institution does not hold a material stake (less than 10% and minus eligible items sold)	0	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4),	
Applicable upper limits to the inclusion of impairments in supplementary capital			
Upper limit for credit risk adjustments permitted to be recognised as supplementary capital within the framework of the standardised approach	37,153.0	62	
Equity instruments for which the transitional rules apply (applicable only from 1 January 2013 to 1 January 2022)			
Current upper limit for T2 instruments for which the transitional rules apply	13,300	484 (5), 486 (4) and (5)	
Amount excluded from T2 due to upper limit (amount exceeding upper limit after redemptions and maturities)	5,700	484 (5), 486 (4) and (5)	

Art. 437 (b) and (c) CRR

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

The main features of the common equity tier-1, additional tier-1 and tier-2 instruments are described in Annex 1. The full terms and conditions of these instruments are published on the website of KF under Investor Relations/Funding/ Documentation.

Art 437 (e) CRR

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

One issue (AT0000441209, nominal EUR 19.0 million) does not meet all the requirements to qualify as eligible supplementary capital pursuant to Article 63 CRR (supplementary capital item with incentive to redeem). Grandfathering pursuant to Article 484 CRR has reduced the eligibility of this issue as tier-2 capital pursuant to Article 486 in conjunction with § 20 of the FMA Regulation on CRR by 20% as of 1 January 2014 and by another 10% annually between 2015 and 2021.

The main features of this instrument as well as the other capital instruments issued by KF are described in Annex 1.

Art 437 (f) CRR
Basis for the calculation of capital ratios

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

Art. 438 CRR Capital requirements

Art. 438 (a) and (b) CRR

Securing minimum capital adequacy and results of internal capital assessment

ICAAP approaches to the assessment of the capital position
ICAAP (internal capital adequacy assessment process) is a core element of Pillar 2 of the Basel Accord and comprises all procedures and measures employed to identify, measure and manage the risks taken and to ensure an adequate level of capitalisation.

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

- *Regulatory perspective*

The goal is to ensure compliance with the regulatory minimum capital adequacy requirements. To this end, the regulatory capital requirements are compared with regulatory own funds.

- *Liquidation perspective*

From this perspective, the economic risks of the bank are measured. Unlike the regulatory perspective, this perspective also considers liquidity and market risks. KF uses value-at-risk approaches to quantify the economic risk (confidence level 99.9%, holding period 1 year). The economic risk capital thus determined is compared with the aggregate risk cover, which in KF's case is equal to its regulatory own funds. As at 31 December 2015, the capital buffer from the liquidation perspective amounted to EUR 149 million or 23% of own funds (31-12-2014: EUR 226 million or 39% of own funds).

- *Going-concern perspective (operational capital monitoring)*

KF's operational capital monitoring from the going-concern perspective is aimed at maintaining a CET 1 capital ratio of at least 7%. Foreseeable losses are to be covered without the minimum core capital ratio falling below 7% within the next twelve months. A P&L oriented quantification of risk (credit, market and liquidity risk as well as operational risk) is used under different (stress) scenarios. Based on a common equity tier-1 ratio of 15.3% as at 31 December 2015, the common equity tier-1 ratio will drop to 11.8%, corresponding to a capital buffer of EUR 158.5 million.

Art. 438 (c) CRR

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

Capital requirements for credit risk based on the standardised approach (31-12-2015)

Exposure classes pursuant to CRR		Minimum own funds requirement in TEUR	Minimum own funds requirement in %
Standardised approach	Exposures to central banks or sovereigns	10,211.0	4.3
	Exposures to regional or local territorial authorities	28,704.6	12.1
	Exposures to public-sector bodies	19,499.9	8.2
	Exposures to multilateral development banks	0.0	0.0
	Exposures to international organisations	0.0	0.0
	Exposures to institutions	36,320.1	15.3
	Exposures to enterprises	83,772.5	35.2
	Defaulted exposures	15,168.6	6.4
	Participations	0.0	0.0
	Other itmes	6,951.6	2.9
	Securitised positions	37,151.3	15.6
Total own funds requirement		**237,779.5**	**100.00**

Art. 438 (d) CRR

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

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

Art. 438 (e) CRR

Own funds requirements calculated in accordance with points (b) and (c) of Article 92.3

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

Total own funds requirement for market risk (in EUR 1,000)	**0.00**

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

Total own funds requirement for currency risk (in EUR 1,000)	**0.00**

Art. 438 (f) CRR

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

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

Total own funds requirement for operational risk (in EUR 1,000)	**0.00**

Art. 439 CRR Exposure to counterparty risk

Art. 439 (a) CRR

Calculation of internal capital and upper limits for counterparty credit exposures

KF regards the counterparty credit risk exposure from derivative, repo and securities lending transactions as a component of credit risk and applies a uniform method to determine the credit-risk-related exposure, which is taken into account in limit setting.

As at 31 December 2015, the own funds requirement for the risk of credit valuation adjustment (CVA risk) pursuant to Art.384 CRR amounts to TEUR 12,978.2.

Art. 439 (b) CRR

Rules for securing collateral and establishing credit reserves

Financial and personal forms of collateral (sureties and guarantees) are considered in credit exposures. Financial collateral taken into consideration primarily includes netting and cash collateral arrangements made to reduce the counterparty risk. Financial collateral received reduces the existing exposure. If other personal forms of collateral are available, the exposure can be counted toward the protection provider. Depending on the assessment of the risk, the exposure is transferred to the guarantor and taken into account in the portfolio model and the limit system.

Art. 439 (c) CRR

Rules with respect to wrong-way risk exposures

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

Art. 439 (d) CRR

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

Given the fact that the amount of collateral to be provided by KF for derivative, repo and securities lending transaction primarily depends on the market values of the underlying transactions, with regular cash settlement performed at market values, a downgrade of KF's rating would have no material impact on the amount of collateral.

Art. 439 (e) to (h) CRR

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

To hedge currency and interest-rate risks, the following derivative transactions, not yet settled as at the balance sheet date, were made in the banking book (fair values including accrued interest):

31-12-2015

Product in TEUR	Nominal	Positive market values	Negative market values	Sum total of market values	Risk-weighted exposure value	Own funds requirements
Interest-related transactions	**17,989,655.9**	**900,949.9**	**-3,133,992.0**	**-2,233,042.1**	**63,878.0**	**18,808.2**
Interest-rate swaps	*17,989,655.9*	*900,949.9*	*-3,133,992.0*	*-2,233,042.1*	*63,878.0*	*18,808.2*
Currency-related transactions	**2,412,991.6**	**1,781,011.6**	**-2,234,504.5**	**-453,492.8**	**41,244.4**	**12,426.8**
Interest-rate swaps	*665,523.4*	*15,867.4*	*-487,064.8*	*-471,197.4*	*21,901.1*	*2,741.1*
Currency swaps	*1,747,468.2*	*1,765,144.2*	*-1,747,439.7*	*17,704.6*	*19,343.3*	*9,685.7*
Options	***0.0***	***223,435.4***	***-223,435.4***	***0.0***	***0.0***	***0.0***
Options bought	*1,000,000.0*	*223,435.4*	*0.0*	*223,435.4*	***0.0***	***0.0***
Options sold	*-1,000,000.0*	*0.0*	*-223,435.4*	*-223,435.4*	***0.0***	***0.0***
Total	**20,402,647.5**	**2,905,397.0**	**-5,591,931.9**	**-2,686,534.9**	**105,122.4**	**31.235.0**

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

The CDS portfolio is as follows:

CDS portfolio as at balance sheet date (31-12-2015):

Product in TEUR	Nominal	Market values	Risk-weighted exposure value	Own funds requirement
CDS-Sell	*609,572.4*	*-539.7*	0.0	0.0
CDS-Buy	*-5,930.0*	*-29.7*	0.0	0.0

All CDS were made under ISDA contracts. Moreover, credit support annex agreements (CSA agreements) have been concluded with the counterparties, according to which the contracts are measured on a daily basis and collateralised by means of collateral payments.

KF exclusively concludes CDS contracts without trigger, which are treated as contingent liabilities in accordance with Austrian GAAP. The probability of future drawings has been examined and analysed in all CDS not intended for run-off. On the basis of these analyses, no provisions were required.

Based on ISDA/CSA arrangements, credit balances with banks in a nominal value of TEUR 2,103,312.2 (31-12-2014: TEUR 1,927,070.7) were provided as collateral for negative market values of derivative transactions. Loans and advances to customers (non-bank financial institutions) include cash collateral provided for negative market values under ISDA/CSA arrangements in a nominal value of TEUR 815,020.0 (31-12-2014: TEUR 81,500.0). Amounts owed to banks include cash collateral received for positive market values in a nominal amount of TEUR 74,054.7 (31-12-2014: TEUR 218,856.4) Amounts owed to customers include cash collateral received for positive market values in a nominal amount of TEUR 4,200.0 (31-12-2014: TEUR 200.0).

The netting effect (i.e. difference between risk exposure before and after netting) amounted to TEUR 988,660 as at 31 December 2015.

Art. 439 (i) CRR

Estimate of α

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

Art. 440 CRR Capital buffers

As at 31 December 2015, there were no material risk positions in countries of the European Union applying an anticyclical capital buffer. All anticyclical capital buffers are being reviewed on a regular basis. (http://www.esrb.europa.eu/ccb/applicable/html/index.en.html).

Art. 442 CRR Credit risk adjustments

Art. 442 (a) and (b) CRR

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

To identify defaults, KF uses the definition of default of an obligor of Article 178 CRR. Impaired exposures include the case of an obligor being "past due" more than 90 days (amounts owed past due) as well as the case of an obligor being "unlikely to pay" (impaired exposure).

The portfolio is reviewed regularly for objective indications of impairments of customer exposures or exposures to groups of related customers. Impairment tests are performed either in the course of the annual rating updates or on an event-triggered basis. Loan loss provisions are determined by the risk management unit (back office); they are subject to approval by the Executive Board and reported to the Supervisory Board.

in TEUR	31-12-2015
Specific loan loss provisions	84,791.4
Portfolio loan loss provisions	1,017.7
Provisions pursuant to § 57 (1) Austrian Banking Act	30,000.0
Provisions pursuant to § 57 (3) Austrian Banking Act	122,500.0
Total	**238,309.1**

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:

Class 0: Standard risk class for all counterparties not belonging to any of the following risk classes

Class 1: Counterparties with slightly increased credit risk and/or a negative trend and therefore subject to close monitoring

Class 2: Distressed exposures (payment arrears, credit impairment), except for distressed loans for which default according to Basel III has been identified

Class 3: Default according to Basel III (amounts owed past due more than 90 days or amounts owed complete repayment of which is unlikely)

All counterparties of classes 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 and the Supervisory Board of KF. The watch list primarily serves the purpose of qualitative information on the exposure at risk. Measures to be taken are decided in consultation with the Executive Board within the framework of the Credit Committee. Counterparties for which credit risk provisions are set up are classified on the watch list as risk class 3. As described above, the credit risk exposure in the watch list classes is shown less existing credit risk provisions.

Art. 442 (c) CRR

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

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

Exposure value/Exposure class in TEUR	Average exposure value	Exposure value
Exposures to central banks or sovereigns	2,300,847.3	2,647,639.3
Exposures to regional or local territorial authorities	2,902,100.4	4,755,241.2
Exposures to public-sector bodies	451,407.1	612,361.9
Exposures to multilateral development banks	63,758.6	41,795.5
Exposures to international organisations	1,713.2	3,387.5
Exposures to institutions	3,589,644,7	4,959,187.2
Exposures to enterprises	1,368,313.4	1,451,953.2
Defaulted exposures	211,846.6	184,244.4
Securitisation positions	686,266.7	688,262.6
Other items	836,619.2	1,658,382.1
Participations	0.1	0.1
Total	**12,412,517.2**	**17,002,455.1**

KF consistently uses the standardised approach to credit risk. KF has no exposures to small and medium-sized enterprises (SMEs).

Art. 442 (d) CRR

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

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

Exposure value/Exposure class in TEUR	Austria	Western Europe	Central and Eastern Europe	Rest of the world	Not allocated	Total
Exposures to central banks or sovereigns	1,449,936.1	460,007.0	542,424.5	195,271.7	0.0	2,647,639.3
Exposures to regional or local territorial authorities	2,727,442.1	1,493,846.4	59,035.3	474,917.4	0.0	4,755,241.2
Exposures to public-sector bodies	233,606.3	212,075.7	0.0	166,679.8	0.0	612,361.9
Exposures to multilateral development banks	0.0	0.0	0.0	41,795.5	0.0	41,795.5
Exposures to international organisations	0.0	3,387.5	0.0	0.0	0.0	3,387.5
Exposures to institutions	244,473.4	4,038,294.1	8,846.2	667,573.6	0.0	4,959,187.2
Exposures to enterprises	94,865.6	785,346.1	55,672.7	516,069.0	0.0	1,451,953.5

Exposure value/Exposure class in TEUR	Austria	Western Europe	Central and Eastern Europe	Rest of the world	Not allocated	Total
Defaulted exposures	49,780.0	121,521.0	10,462.2	2,481.1	0.0	184,244.4
Securitised positions	0.0	44,002.5	0.0	644,260.1	0.0	688,262.6
Other items	1,639,259.1	14,027.2	98.6	4,997.2	0.0	1,658,382.1
Participations	0.1	0.0	0.0	0.0	0.0	0.1
Total	**6,439,362.8**	**7,172,507.4**	**676,539.4**	**2,714,045.6**	**0.0**	**17,002,455.1**

Art. 442 (e) CRR

Distribution of the exposures by industry or counterparty type

For KF, a breakdown of exposure values by industry would result in a breakdown by exposure class, as already shown under Art.442 (d) CRR. Therefore, a separate presentation under Art.442 (e) CRR is not required.

Art. 442 (f) CRR

Breakdown of all exposures by residual maturity

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

Exposure value/Exposure class in TEUR	Repayable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Exposures to central banks or sovereigns	647,634.5	9.,330.2	267,248.9	621,106.8	1,111,218.8	2,656,539.3
Exposures to regional or local territorial authorities	0.0	33,120.2	44,311.5	402,298.0	4,275,511.6	4,755,241.2
Exposures to public-sector bodies	49,400.0	0.0	4,955.0	113,139.9	444,867.0	612,361.9
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	41,795.5	41,795.5
Exposures to international organisations	0.0	0,0	0.0	0.0	3,387.5	3,387.5
Exposures to institutions	2,822,004.9	36,110.1	6,394.7	81,013.4	2,013,664.2	4,959,187.2
Exposures to enterprises	8,220.1	20,718.8	26,211.3	236,037.6	1,151,865.7	1,443,053.5
Defaulted exposures	2,048.0	0.0	26,619.8	33,622.4	121,954.13	184,244.4
Securitised positions	0.0	0.0	0.0	1,728.7	686,533.9	688,262.6
Other items	0.0	0.0	0.0	1,561,109.1	97,273.0	1,658,382.1
Participations	0.1	0.0	0.0	0.0	0.0	0.1
Total	**3,529,307.5**	**99,279.3**	**375,741.2**	**3,050,055.8**	**9,948,071.2**	**17,002,455.1**

Art. 442 (g) CRR

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

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

Exposure value/Exposure class in TEUR	Exposures	Impaired [1]	Past due [2]	Value adjustments	LLPs set up	LLPs released
Exposures to central banks or sovereigns	2,656,539.3	0.0	0.0	0.0	0.0	0.0
Exposures to regional or local territorial authorities	4,755,241.2	0.0	0.0	0.0	0.0	0.0
Exposures to public-sector bodies	612,361.9	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	41,795.5	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	3,387.5	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	4,959,187.2	0.0	0.0	0.0	0.0	0.0
Exposures to enterprises	1,443,053.5	0.0	0.0	0.0	0.0	0.0
Defaulted exposures	184,244.4	171,037.6	13,206.8	84,791.4	12,089.0	2,142.7
Securitised positions	688,262.6	0.0	0.0	0.0	0.0	0.0
Other items	1,658,382.1	0.0	0.0	0.0	0.0	0.0
Participations	0.1	0.0	0.0	0.0	0.0	0.0
Total	**17,002,455.1**	**171,037.6**	**13,206.8**	**84,791.4**	**12,089.0**	**2,142.7**

[1] Exposures at risk of default in risk class 3 (classification „unlikely to pay")
[2] Exposures past due in risk class 3 (classification 90 days +)

Art. 442 (h) CRR

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

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

Values in TEUR	Exposures	Impaired	Past due	Value adjustments	LLPs set up	LLPs released
Austria	6,439,362.8	49,780.0	0.0	16,593.4	0.0	0.0
Western Europe	7,172,507.4	119,473.0	2,048.0	51,202.7	6,037.7	2,142.7
Central and Eastern Europe	676,539.4	1,784.5	8,677.7	1,784.5	1,784.5	0.0
Rest of the world	2,714,045.6	0.0	2,481.1	15,210.8	4,266.7	0.0
Not allocated	0.0	0.0	0.0	0.0	0.0	0.0
Total	**17,002,455.1**	**171,037.6**	**13,206.8**	**84,791.4**	**12,089.0**	**2,142.7**

Art. 442 (i) CRR

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

31-12-2015

Values in TEUR	2015	Of which lending and securities transactions (specific loan loss provisions)	Of which portfolio loan loss provisions	Of which provision § 57 (1) Austrian Banking Act
As at beginning of reporting year	**124,822.6**	**74,845.0**	**1,142.5**	**48,835.1**
+ addition	12,089.1	12,089.0	0.0	0.0
- release	21,102.7	2,142.7	124.9	18,835.1
- utilization	0.0	0.0	0.0	0.0
As at 31-12-2015	**115,809.1**	**84,791.5**	**1,017.6**	**30,000.0**

Art. 443 CRR Unencumbered assets

Assets as at 31-12-2015

Values in TEUR	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets	9,392,463.7	n.a.	3,436,578.6	n.a.
Equity instruments	0.0	0.0	0.0	0.0
Debt instruments	2,435,952.8	2,826,434.4	1,586,244.4	1,723,725.9
Other assets	0.0	n.a.	335,379.1	n.a.

Collateral received as at 31-12-2015

Values in EUR 1,000	Fair value of encumbered collateral received and/or own debt instruments issued	Fair value of collateral received and/or own debt instruments issued qualifying for encumbrance
Collateral received	0.0	0.0
Equity instruments	0.0	0.0
Debt instruments	0.0	0.0
Other collateral received	0.0	0.0
Own debt instruments issued other than own *Pfandbriefe* or ABS	0.0	0.0

Encumbered assets/collateral received and associated liabilities as at 31-12-2015

Values in TEUR	Coverage of liabilities, contingent liabilities or securities lent	Assets, collateral received and other debt instruments issued other than encumbered *Pfandbriefe* and ABS
Book value	7,858,285.8	9,392,463.7

Amount of encumbrance

The most important sources of encumbrance were repos and tender transactions with the Austrian National Bank OeNB).

As at 31 December 2015, the asset encumbrance ratio was 73.2 %.

Art. 444 CRR Use of ECAIs

Art. 444 (a) CRR

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

KF uses external ratings by Moody's, Standard & Poor's and Fitch.

Art. 444 (b) CRR

Exposure classes for which an ECAI or ECA is used

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

31-12-2015

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

Art. 444 (c) CRR

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

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

Art. 444 (d) CRR

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

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

Art. 444 (e) CRR

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

As at 31 December 2015, the KF portfolio under the standardised approach is broken down into the following exposure classes:

Basel III approach/Exposure class in TEUR	Rating classes	Exposure value before credit risk mitigation in TEUR	Exposure value after credit risk mitigation in TEUR
Exposures to central banks and sovereigns	No rating by an ECAI	647,634.5	895,611.0
	1	757,639.3	859,902.7
	2	187,353.1	196,683.3
	3	485,894.3	543,644.9
	4	89,393.4	99,439.1
	5	52,358.2	52,358.2
	6	0.0	0.0
Exposures to regional or local territorial authorities	No rating by an ECAI	894,066.8	1,772,645.0
	1	2,128,431.2	2,205,003.4
	2	135,218.3	135,218.3
	3	216,361.3	216,361.3
	4	83,234.6	83,234.6
	5	318,231.0	328,930.9
	6	0.0	0.0
Exposures to public-sector bodies	No rating by an ECAI	1,225,347.2	330,533.0
	1	282,669.2	131,005.82
	2	14,433.6	14,433.56
	3	28,335.8	28,335.82
	4	51,718.8	51,718.80
	5	10,700.0	0.0
	6	0.0	0.0
Exposures to multilateral development banks	pursuant to Art.117 CRR	41,795.5	41,795.5
Exposures to international organisations	pursuant to Art.118 CRR	3,387.5	3,387.5
Exposures to institutions	No rating by an ECAI	470,592.8	68,285.7
	1	150,664.8	28,982.9
	2	3,681,772.1	1,070,169.0
	3	695,609.6	211,036.7
	4	13,008.2	2,962.6
	5	0.0	0.0
	6	0.0	0.0
Exposures to enterprises	No rating by an ECAI	0.0	0.0
	1	665,912.8	420,906.3
	2	305,862.1	215,442.2
	3	428,432.5	408,972.2
	4	397,579.6	384,186.6
	5	2,029.3	2,029.3
	6	5,898.7	5,898.9
Defaulted exposures	pursuant to Art.127 CRR	184,244.4	184,244.4
Securitised positions	No rating by an ECAI	0.0	0.0

Basel III approach/Exposure class in TEUR	Rating classes	Exposure value before credit risk mitigation	Exposure value after credit risk mitigation
	1	406,257.7	406,257.7
	2	160,064.1	160,064.1
	3	74,092.4	74,092.4
	4	40,933.5	40,933.5
	5	6,914.9	6,914.9
	6	0.0	0.0
Other items	pursuant to Art.134 CRR	**1,658,382.1**	**1,658,382.1**
Participations	pursuant to Art.133 CRR	**0.1**	**0.1**
Total – Standardised approach		**17,002,455.1**	**13,340,004.0**

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

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

Art. 445 CRR Market risk

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

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

Art. 446 CRR Operational risk

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

For a future-oriented consideration of operational risk within the framework of the institution’s operational risk-bearing capacity, the risk is quantified – similar to an advanced measurement approach – as the sum total of a parameter derived from the default database (scaled according to VaR) and an expert estimate for scenarios not covered by historical data. The operational risk also covers the outsourcing risk under the SLA.

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

Responsibility for the ORM process lies with KF's Operational Risk Officer. Operational Risk Correspondents (ORCs) in the various units, appointed by the management after consultation with the Operational Risk Officer, act as points of contact and interfaces to operational risk management and support the ORM process. In addition, the Operational Risk Officer of KF receives regular reports on operational risk events in accordance with the provisions of the service level agreement.

An operational default database and risk & control self-assessments are the instruments available for the management of operational risks. The operational default database shows the profits/losses generated by operational events. These are recorded in the database and reported to the Executive Board on a quarterly basis after assessment by the line managers in charge. Operational risk & control self-assessments represent a prospective, future-oriented view. Risks are identified and assessed subjectively for their severity. At KF, these assessments are performed as coached self-assessments, i.e. individual risks are assessed and evaluated by the departments concerned. The results from the operational default database serve as input and provide feedback for the revaluation of risks.

Within the framework of the monthly RMC meetings and quarterly Executive Board meetings, the management is informed about operational risks.

KF's Business Continuity Management (BCM) ensures adequate, comprehensive and efficient operational continuity management. This includes the drafting and management of continuity and start-up plans as well as the implementation of measures designed to minimise interruptions of critical business processes. Alternative workplaces are made available in the event of KF's office premises being out of order. In the spring of 2015, the BCM team conducted a survey to verify the extent to which staff members were aware of BCM. The annual resource assessment to identify the resources required in the event of a crisis was performed in the summer of 2015. The annual business impact analysis (BIA), which is intended to analyse business processes and IT services for their criticality and to verify the time to full restoration of services, was also performed within the framework of the resource assessment. The annual emergency exercise was performed at the beginning of December.

KF has outsourced essential parts of its organisation to KA under the service level agreement (SLA). Any risks arising on that basis are covered through the assumption of liability by KA (for losses in excess of EUR 10,000 in the event of gross negligence) in accordance with the SLA. The own funds requirement for operational risk was TEUR 0 as at 31 December 2015.

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

Art. 447 (a) CRR

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

As at 31 December 2015, the portfolio of participations exclusively comprises KF's stake in Einlagensicherung der Banken und Bankiers GmbH in the amount of EUR 70.

Participations are measured at cost, unless persistent losses or a reduction in equity require a write-down to pro-rata equity or to the income value.

Art. 447 (b) CRR

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

Composition of participations as at 31-12-2015

Name and registered office	Investment 31-12-2015 in %	Equity 31-12-2015 in TEUR	Disposals	Cumulative depreciation
Participations				
Einlagensicherung der Banken und Bankiers GmbH, Wien	0.1	[1]	0.0	0.0
SALEM Beteiligungsverwaltung zwölfte GmbH, Wien	0.0	[1]	100.0	0.0

Name and registered office	Book value 31-12-2015	Book value 31-12-2014	Write-down 2015	Write-up 2015
Participations				
Einlagensicherung der Banken und Bankiers GmbH, Wien	0.0	0.0	0.0	0.0
SALEM Beteiligungsverwaltung zwölfte GmbH, Wien	0.0	23.0	0.0	0.0

[1] Not shown due to immateriality

Art. 447 (c) CRR

Types, nature and amounts of exchange-traded exposures

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

Art. 447 (d) and (e) CRR

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

SALEM zwölfte Beteiligungsverwaltung GmbH was liquidated upon entry of the deletion in the Companies Register as at 31 January 2015. No unrealised gains or losses, latent revaluation gains or losses, or other items of this type were included in common equity tier-1 capital.

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

Art. 448 (a) and (b) CRR

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

For the measurement, management and limitation of interest rate risks, KF distinguishes between the period-oriented, short-term repricing risk and the NPV-oriented, long-term risk of changing interest rates. The former is the risk of declining net interest income, while the latter is the risk of net present value losses due to interest rate changes.

To ensure efficient monitoring and limitation of interest rate risks, KF uses analytical tools permitting the targeted management of the NPV risk of interest rate changes and the net interest income risk of the period. In particular, interest gap structures (expiry of fixed interest periods) and net present value sensitivities are analysed by currency and maturity range, value-at-risk (VaR) models are calculated on the basis of historical volatilities and correlations, and different interest rate scenarios are simulated.

The interest rate risk is monitored and managed at least monthly within the framework of the Risk Management Committee (RMC).

In addition to monthly reporting at the RMC, near-time operational management of the interest rate risk and the repricing risk is performed at the weekly meetings of the Asset Liability Committee (ALCO).

KF's portfolio primarily comprises positions with clearly defined interest rate and capital commitments. KF has no private customer deposits or loans that would require modelling of replication assumptions.

Net-present-value sensitivities are calculated within the framework of the interest rate risk analysis. In particular, parallel shifts of the yield curves (+1bp, +25bp, +50bp) are analysed by currency, both with and without current credit spreads.

Equally weighted historical volatilities and correlations (observation period 150 days) are used to calculate the interest VaR (holding period 20 trading days, confidence interval 99.9%). The VaR calculated considers KF's entire portfolio of transactions, but not its equity (paid-in capital and reserves). As at 31 December 2015, the interest VaR (confidence level 99.9%, holding period 20 trading days) stood at EUR 45.1 million.

Art. 449 CRR Risk from securitisation positions

Art. 449 (a), (d), (g) and (j) CRR

The institution's objective in relation to securitisation activity and its roles in the securitisation process

KF itself has not performed any securitisations and, for the time being, exclusively acts as an investor in structured securitisations aimed at generating interest income. Disclosures regarding the size and structure of the portfolio are made under Art.449 (n) (ii) CRR. Apart from that, KF has no other function in securitisation transactions.

Art. 449 (b) CRR

Nature of other risks, including liquidity risk, inherent in securitised assets

KF's securitisation portfolio mainly comprises securitisations of US government-guaranteed student loans, US military housing transactions and European ABS. The material credit risk factors are due to the nature of the securitised assets, such as servicer quality in student loan securitisations or home price developments and the strategic orientation of the US Army in military housing transactions. Besides credit risk, the most important types of risk for the securitisation portfolio are market risks, especially interest rate risk and credit spread risk.

Art. 449 (c) CRR

Type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with re-securitisation activity

KF does not hold any re-securitisation positions.

Art. 449 (e) CRR

Extent of the institution's involvement in each of the roles referred to in point (d)

As stated under Art.449 (a), (d), (g), and (j) CRR, KF only acts as an investor in securitisations. The extent of KF's securitisation involvement as an investor is described under Art.449 (n) (ii) CRR.

Art. 449 (f) CRR

Processes in place to monitor the credit and market risk of securitisation positions and to assess how the behaviour of the underlying assets impacts securitisation exposures

Cash-flow models based on the modelling of the underlying transactions and the transaction structure are used to quantify market and credit risks. Stress tests are performed on a quarterly basis, which assess, inter alia, the real economic value per transaction for different scenarios.

Art. 449 (h) CRR

Approaches to calculating risk-weighted exposure amounts in securitisation activities, broken down by types of securitisation exposure

31-12-2015

Exposure class	Approach
Residential mortgage-backed securities	Standardised approach
Commercial mortgage-backed securities	Standardised approach
Military housing	Standardised approach
Student loans	Standardised approach
Other ABS	Standardised approach

Art. 449 (i) CRR

Types of SSPE that the institution, as sponsor, uses to securitise third-party exposures, as well as a list of the entities that the institution manages or advises and that invest in either the securitisation positions that the institution has securitised or in SSPEs that the institution sponsors

No information to be provided, as KF does not act as a sponsor or originator of securitisations.

Art. 449 (j) CRR

Summary of the institution's accounting policies for securitisation activities, including:

i) information as to whether the transactions are treated as sales or financings

No information to be provided, as KF has not performed any securitisations.

ii) the recognition of gains on sales

No information to be provided, as KF has not performed any securitisations.

iii) the methods, key assumptions, inputs and changes from the previous period for valuing securitisation positions

The market value is measured on the basis of quotes, if available, or on the basis of comparable transactions or model valuations. The major part of the securitisation portfolio is classified as non-current assets and therefore recognised at amortised cost according to the mitigated lower-of-cost-or-market principle.

iv) the treatment of synthetic securitisations if not covered by other accounting policies

No information to be provided, as KF does not hold any synthetic securitisations.

v) the method of valuation of assets awaiting securitisation

No information to be provided, as KF does not hold any assets awaiting securitisation.

vi) policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets

No information to be provided, as KF has not performed any securitisations.

Art. 449 (k) CRR

Names of the ECAIs used for securitisations and types of exposure for which each agency is used

The weighted exposure amounts for securitisation positions are calculated according to the standardised approach; ratings of the three rating agencies specified under Art.444 (a) CRR are used.

Art. 449 (l) CRR

Description of the Internal Assessment Approach as set out in Part 3, Title II, Chapter 5, Section 3

No information to be provided, as KF does not use the Internal Assessment Approach for the calculation of weighted exposure amounts.

Art. 449 (m) CRR

Explanation of significant changes to any of the quantitative disclosures in points (n) to (q) since the last reporting period

No significant changes to the quantitative disclosures in points (n) to (q) have occurred since the last reporting date of 31 December 2014.

Art. 449 (n) CRR

i) Total amount of outstanding exposures securitised by the institution

No information to be provided, as KF has not performed any securitisations.

ii) Aggregate amount of on-balance sheet securitisation positions retained or purchased and off-balance sheet securitisation exposures

The structure of KF's securitisation portfolio, broken down by types of securitisation and relevant risk weights, is shown in the table below. All securitisations are held in the investment book.

Exposure values in TEUR (31-12-2015)

Type of securitisation	20 %	50 %	100 %	350 %	1,250 %	Total
Residential Mortgage-Backed Securities	4,801.9	7,986.2	0.0	0.0	0.0	12,788.1
Commercial Mortgage-Backed Securities	0.0	1,376.3	12,302.2	15,807.2	0.0	29,485.7
Military Housing	0.0	152,077.9	60,413.9	25,126.3	6,914.9	244,533.0
Student Loans	399,727.1	0.0	0.0	0.0	0.0	399,727.1
Other ABS	1,728.7	0.0	0.0	0.0	0.0	1,728.7
Total	**406,257.7**	**161,440.4**	**72,716.1**	**40,933.5**	**6,914.9**	**688,262.6**

iii) Aggregate amount of assets awaiting securitisation

As a run-off facility, KF does not engage in any new asset-side business; there are no new securitisations.

iv) Details on securitised facilities subject to early amortisation treatment

No information to be provided, as KF has no securitisation facilities.

v) Amount of securitisation positions that are deducted from own funds or risk-weighted at 1,250%

As at 31 December 2015, the total amount of exposures weighted at 1,250% was TEUR 6,914.9; there are no positions to be deducted from own funds.

vi) Summary of the securitisation activity of the current period

KF has not engaged in any securitisation activity in the reporting period.

Art. 449 (o) CRR

i) Aggregate amount of securitisation positions retained or purchased, including the associated capital requirements, broken down into risk-weight bands

All securitisations are held in the investment book.

Values in TEUR (31-12-2015)

Type of securitisation	20 %	50 %	100 %	350 %	1,250 %	Total
Securitisation exposures	**406,257.7**	**161,440.4**	**72,716.1**	**40,933.5**	**6,914.9**	**688,262.6**
– Risk-weighted exposure values	81,251.5	80,720.2	72,716.1	143,267.1	86,436.4	**464,391.4**
Total own funds requirement for securitisations	**6,500.1**	**6,457.6**	**5,817.3**	**11,461.4**	**6,914.9**	**37,151.3**

ii) Aggregate amount of re-securitisation exposures retained or purchased

No information to be provided, as KF has no re-securitisation exposures.

Art. 449 (p) CRR

Amount of impaired/past due assets securitised and the losses recognised by the institution during the current period, broken down by exposure type

There were no impaired/past due assets from securitised risk positions in the current period.

Art. 449 (q) CRR

For the trading book, the total outstanding exposures securitised by the institution and subject to a capital requirement for market risk

No information to be provided, as KF has not issued any securitisations.

Art. 449 (r) CRR

Disclosure as to whether the institution has provided support within the terms of Art. 248 (1)

No information to be provided, as KF has not issued any securitisations.

Art. 450 CRR Remuneration policy

Art. 450 (a)

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

KF's remuneration policy was elaborated by an interdisciplinary working group comprising representatives of KF (Operating Officer) and KA via the SLA (Strategy and Legal Issues, Controlling, Credit Risk and Human Resources) as well as a representative of Deloitte Consulting GmbH as an external advisor, and subsequently laid down by the Executive Board. The remuneration policy is adopted and monitored by the Supervisory Board. The Remuneration Committee set up by KF regularly monitors implementation of the remuneration policy and reports to the Supervisory Board. The members of the Remuneration Committee are Klaus Liebscher (Chairman, remuneration expert), Adolf Wala (Deputy Chairman), Werner Muhm and Stefan Pichler as capital representatives, and Franz Hofer, Marc Schimpel (until 12-

10-2015) and Brigitte Markl (from 16-10-2015) as labour representatives. The Remuneration Committee met once in 2015.

Art. 450 (b) to (f)

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

The performance criteria on which the variable components of remuneration are based are the level of the risk-adjusted financial result and the degree of individual target achievement. Through its linkage to the achievement of the budgeted annual result and to fulfilment of the regulatory minimum own funds requirements, the financial result of the institution influences the amount of the individual performance premium. Risk adjustment of the financial result is ensured through a linkage to the nominal run-off targets of KF. Through the introduction of lower and upper limits (ceiling) depending on the financial result, a flexible policy governing the variable remuneration components is guaranteed.

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

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

As a matter of principle, a 60/40 deferral ratio is applied for all identified staff, i.e. 60% of the variable component is paid out directly, whereas 40% is deferred over 5 years and paid out on a pro-rata basis.

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

Art. 450.1 (g) CRR

Aggregate quantitative information on remuneration, broken down by business area

Given the purpose of the company, KF has only one business area. A breakdown of remuneration by business area is therefore not required.

Art. 450.1 (h) (i) to (h) (vi) CRR and Art. 450.2 CRR

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

KF does not employ staff of its own. Instead, certain employees of KA are delegated to KF and work exclusively for KF. The amounts of senior management remuneration shown below concern these delegated employees. However, in KF’s annual financial statements these amounts are recognised not as personnel expenses, but as other administrative expenses.

Prior to the privatisation of KA on 28 September 2015, the two Executive Board members of KA Old also served as Executive Board members of KF. After the privatisation of KA, the regime of identical Executive Board membership was terminated step by step as of 28 September 2015 and 15 October 2015. Since 29 September 2015, the Chairman of the Executive Board, Helmut Urban, has exercised his function exclusively for KF. On 16 October 2015, Bernhard Achberger was provisionally appointed to the position of the second Executive Board; after the public announcement of the vacancy pursuant to the Public Appointments Act, the appointment was officially confirmed. Under the regime of identical Executive Board membership, the remuneration of the Executive Board members was re-invoiced by KA to KF on a pro-rata basis and recognised under other administrative expenses of KF. The total remuneration paid out in 2015 to the Executive Board members (after the privatisation of KA) and to delegated members of staff at senior management level is shown in the following table. Apart from these individuals, KF has no other delegated members of staff whose action have a material impact on the risk profile of the institution. There is no individual in KF receiving remuneration in excess of EUR 1 million.

in EUR	Managing Director	Senior Management	Total
Number of beneficiaries	3	6	9
Sum total of remuneration	204,883.7	789,676.2	994,559.9
of which fixed	*124,883.7*	*655,476.2*	*780,359.9*
of which variabel [1]	*80,000.0*	*134,200.0*	*214,200.0*
Of variable remuneration - *cash, non-provisioned* - *cash, provisioned*	 *48,000.0* *32,000.0*	 *89,432.0* *44,768.0*	 *137,432.0* *76,768.0*
Deferred remuneration - vested portions - unvested portions incl. Prior years	 *12,800.0* *70,400.0*	 *35,194.4* *152,519.2*	 *47,994.4* *222,919.2*
Deferred remuneration - awarded in 2015 - paid out in 2015 - reduced in 2015 through performance adjustments	 *32,000.0* *12,800.0* -	 *44,768.0* *35,194.4* -	 *76,768.0* *47,994.4* -

Art. 451 CRR Leverage

Credit institutions have to have principles and procedures in place to determine, manage and monitor the risk of excessive leverage. The leverage ratio determined in accordance with Art. 429 of Regulation (EU) No 575/2013 and incongruences between assets and liabilities are to be referred to as indicators of excessive leverage. The leverage ratio is calculated as the institution's capital measure (tier 1) divided by the institution's total exposure measure (total assets plus defined portions of off-balance-sheet positions).

Information regarding the leverage ratio calculated in accordance with Art. 429 CRR and the procedures in place to monitor the risk of excessive leverage are disclosed in the following:

Art. 451.1 (a)

Leverage ratio and how the institution applies Art. 499.2

As at the reporting date of 31 December 2015, the leverage ratio was 3.3%.

The choice allowed to institutions by Art. 499.2 is not applicable to KF, as the transitional provisions of CRR do not apply to capital instruments of common equity tier 1.

Art. 451.1 (b)

Leverage as at 31-12-2015:	
Total exposure measure in TEUR	14,501,700.1
Common equity tier 1 in TEUR	481,041.9
Leverage ratio in %	3.3%

Art. 451.1 (b)

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

Besides considering the regulatory control loop in its risk carrying capacity calculation as at the reporting date, KF prepares monthly capital budgets, if necessary on a dynamic basis, including the regulatory capital ratios for the budgeting period concerned. Portfolio runoff and known or expected special effects are taken into consideration; a distinction is made between a base case and a pessimistic case. Besides the CET 1 ratio, the total capital ratio and the large exposure limit, the leverage ratio is also taken into consideration.

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

No information to be provided, as KF does not use the IRB approach.

Art. 453 CRR Use of credit risk mitigation techniques

Art. 453 (a) CRR

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

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

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

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

Compliance with the requirements set out in Art.296.2 (b) and Art.297.2 CRR as at 31 December 2015 was confirmed in the annex to the audit report of the statutory auditor (audit and report on compliance with the legal provisions relevant to banks pursuant to § 63 (4) ff Austrian Banking Act annexed to the audit report) .

Pursuant to Art.111.2 CRR, the calculation of the exposure value for derivatives is performed in accordance with the rules of Part 3, Title 2, Chapter 6 CRR (Art.271 ff CRR). The reduced potential future credit exposure, i.e. the exposure value after netting, is calculated pursuant to Art.298.1 (c) CRR for all contracts with netting arrangements. As at 31 December 2015, the netting effect (i.e. difference between exposure value before and after netting) amounted to TEUR 988,660.2.

Pursuant to Art.111.2 CRR, the calculation of the exposure value for repo transactions is performed in accordance with the rules of Part 3, Title 2, Chapter 4 CRR (Art.192 ff CRR). The exposure value after netting is calculated pursuant to Art.220 in conjunction with Art.223 ff CRR for all contracts with netting arrangements. As at 31 December 2015, the netting effect (i.e. difference between exposure value before and after netting) amounted to EUR 1,398.2 million.

Art. 453 (b) CRR

Policies and processes for collateral valuation and management

For the purposes of credit risk mitigation, KF exclusively uses personal collateral, cash deposits with the institution and netting framework arrangements. Cash deposits are measured at their nominal value, with currency or maturity mismatches taken into consideration with a corresponding discount. In the case of personal collateral, collateral providers are subject to the same credit approval and rating process as primary obligors; the credit standing and/or creditworthiness is assessed on a case-by-case basis.

Art. 453 (c) CRR

Main types of collateral taken

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

Art. 453 (d) CRR

Main types of guarantor and credit derivative counterparty

The personal forms of collateral available to KF are guarantees of sovereigns and other guarantors.

The breakdown of personal forms of collateral by types of guarantor and rating is as follows:

in TEUR (31-12-2015)

Regulatory rating grade	Sovereigns and central banks	Regional territorial authorities	Public-sector bodies	Institutions	Enterprises	Total
1	0.0	238,331.0	123,484.8	12.8	0.0	361,828.6
2	182,136.2	743,020.3	0.0	0.0	0.0	925,156.5
3	22,723.2	0.0	0.0	5,930.0	75,300.0	103,953.2
4	63,000.0	115.1	0.0	5,391.7	0.0	68,506.7
5	158,110.9	10,700.0	0.0	0.0	0.0	168,810.9
6	1,396.0	0.0	0.0	0.0	0.0	1,396.0
Total	**427,366.4**	**992,166.3**	**123,484.8**	**11,334.5**	**75,300.0**	**1,629,652.0**

Art. 453 (e) CRR

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

Within the credit risk mitigation taken, there are no material risk concentrations relating to countries, sectors or single names.

Art. 453 (f) and (g) CRR

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

in TEUR (31-12-2015)

Basell II approach/Exposure class	Financial collateral	Personal collateral	Total
Exposures to central banks and sovereigns	49,400.0	427,366.4	476,766.4
Exposures to regional territorial authorities and legally recognised religious communities	0.0	992,166.3	992,166.3
Exposures to public-sector bodies, administrative authorities and enterprises	0.0	123,484.8	123,484.8
Exposures to multilateral development banks	0.0	0.0	0.0
Exposures to institutions	4,217,327.9	11,334.5	4,228,662.4
Exposures to enterprises	8,200.0	75,300.0	83,500.0
Exposures past due	0.0	0.0	0.0
Securitisation positions	0.0	0.0	0.0
Other items	0.0	0.0	0.0
Participations	0.0	0.0	0.0
Total – Standardised approach	**4,274,927.9**	**1,629,652.0**	**5,904,579.9**

The own funds requirement for credit risk is calculated in accordance with the standardised approach.

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

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

Art. 455 CRR Use of internal market risk models

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

Publication concerning the deposit business of KF

The deposit business of KF is limited to those institutional investors which, between the State Aid Decision of 31 March 2011 and the time of the merger of the non-sold portfolio of Kommunalkredit Austria AG into KF as of 26 September 2015, already had business relationships with either one of the financial institutions. KF does not accept client deposits in excess of the upper limits shown in the following table:

Client deposits	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040
In EUR million	1,200	800	600	400	200

The Executive Board of
KA Finanz AG

Helmut Urban
Chairman of the Executive Board

Bernhard Achberger
Member of the Executive Board

Annex 1 - KA Finanz AG: Hauptmerkmale der Kapitalinstrumente (Offenlegung gem. Art. 437 Abs 1 lit b) CRR)

1	Issuer	KA Finanz AG	KA Finanz AG	KA Finanz AG	KA Finanz AG	KA Finanz AG	KA Finanz AG
2	Unique identifier (such as ISIN) / internal designation	AT0000A0V883	XS0140045302 / DIP 34	XS0144772927 / DIP 39	XS0185015541 / DIP 179	AT0000441209 / DIP 183	XS0255270380 / DIP 486
3	Governing law of the instrument	Austrian law	German law	German law	German law	German law	German law
	Regulatory treatment						
4	Transitional CRR rules	Common equity tier 1	Supplementary capital	Supplementary capital	Supplementary capital	Supplementary capital	Supplementary capital
5	Post-transitional CRR rules	Common equity tier 1	Supplementary capital	Supplementary capital	Supplementary capital	Non-eligible	Supplementary capital
6	Eligible at solo/consolidated/solo and consolidated level	n.a.	n. a.	n.a.	n.a.	n.a.	n.a.
7	Type of instrument	Share capital	Subordinated liability	Subordinated liability	Subordinated liability	Subordinated liability	Subordinated liability
8	Amount recognised as eligble own funds (in EUR, as at last reporting date)	389.000.000	11.518.356	5.000.000	20.000.000	13.300.000	5.000.000
9	Nominal amount of the instrument (in EUR)	389.000.000	19.500.000	5.000.000	20.000.000	19.000.000	5.000.000
9a	Issue price	n.a.	100	99,80	99,84	100	100
9b	Redemption price	Liability at amortised cost	100	100	100	100	100
10	Accounting classification	Liability at cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
11	Original date of issuance	04.03.1959	13.12.2001	27.03.2002	13.02.2004	27.02.2004	07.06.2006
12	Perpetual or dated	Perpetual	With maturity date	With maturity date	With maturity date	With maturity date	With maturity date
13	Original maturity date	No maturity date	13.12.2018	27.03.2022	13.02.2024	27.02.2024	07.06.2021
14	Issuer call option with prior regulatory approval	No	Yes	Yes	ja	Yes	No
15	Optional call date, contingent call date and redemption amount	n.a.	13.12.2009 and 13.12.2011; Issuer call possible under certain conditions in case of tax events	27.03.2012; Issuer call possible under certain conditions in case of tax events	13.02.2014; Issuer call possible under certain conditions in case of tax events	27.02.2014; Issuer call possibnle under certain conditions in case of tax events	Issuer call possible under certain conditions in case of tax events
16	Subsequent call dates, if applicable	n.a.	n.a.	annually from 27.03.2012	n.a.	n.a.	n.a.
	Coupons / dividends						
17	Fixed or floating dividend/coupon payments	Floating	Fixed	Fixed	Fixed	Fixed	Floating
18	Nominal coupon and reference interest rate, if applicable	n.a.	6,08 % p.a.	6,46 % p.a.	5,43 % p.a.	6 % p.a.	4,25 % * n / N + Max (10YCMS advance - 4,25 %; 0) + Max (4,25 % - 10YCMS advance; 0); n: number of trading days if (10YCMS - 2YCMS) > 0,20 % N: total number of trading days
19	Existence of dividend stopper	Yes	n.a.	n.a.	n.a.	n.a.	n.a.
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	n.a.	n.a.	n.a.	n.a.	n.a.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	n.a.	n.a.	n.a.	n.a.	n.a.
21	Existence of step-up or other incentive to redeem	No	No	No	No	Yes	No
22	Non-cumulative or cumulative	Non-cumulative	n.a.	n.a.	n.a.	n.a.	n.a.
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
25	If convertible: partially or fully	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
26	If convertible: conversion rate	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
27	If convertible: mandatory or optional conversion	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
28	If convertible: instrument type convertible into	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
29	If convertible: issuer of instrument it converts into	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
30	Write-down features	No	No	No	No	No	No
31	If write-down: trigger for write-down	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
32	If write-down: partial or full	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
33	If write-down: permanent or temporary	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
34	If temporary write-down: mechanism of write-up	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
35	Position in subordination herarchy in liquidation (specify instrument type senior to instrume	Subordinated instruments	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.

Annex 1 - KA Finanz AG: Hauptmerkmale der Kapitalinstrumente (Offenlegung gem. Art. 437 Abs 1 lit b) CRR)

1	Issuer	KA Finanz AG	KA Finanz AG	KA Finanz AG
2	Unique identifier (such as ISIN) / internal designation	XS257275098 / DIP 492	XS0279423775 / DIP 542	XS0286975973 / DIP 561
3	Governing law of the instrument	German law	German law	German law
	Regulatory treatment			
4	Transitional CRR rules	Supplementary capital	Supplementary capital	Supplementary capital
5	Post-transitional CRR rules	Supplementary capital	Supplementary capital	Supplementary capital
6	Eligible at solo/consolidated/solo and consolidated level	n.a.	n.a.	n.a.
7	Type of instrument	Subordinated liability	Subordinated liability	Subordinated liability
8	Amount recognised as eligble own funds (in EUR, as at last reporting date)	10.000.000	35.000.000	9.315.068
9	Nominal amount of the instrument (in EUR)	10.000.000	35.000.000	40.000.000
9a	Issue price	100	100	100
9b	Redemption price	100	100	100
10	Accounting classification	Liabiity at amortised cost	Liability at amortised cost	Liability at amortised cost
11	Original date of issuance	23.06.2006	20.12.2006	01.03.2007
12	Perpetual or dated	With maturity date	With maturity date	With maturity date
13	Original maturity date	23.06.2031	20.12.2030	28.02.2017
14	Issuer call option with prior regulatory approval	Yes	No	No
15	Optional call date, contingent call date and redemption amount	23.06.2016; Issuer call possible under certain conditions in case of tax events	Issuer call possible under certain conditions in case of tax events	Issuer call possible under certain conditions in case of tax events
16	Subsequent call dates, if applicable	n.a.	n.a.	n.a.
	Coupons / dividends			
17	Fixed or floating dividend/coupon payments	Fixed	Fixed	Floating
18	Nominal coupon and reference interest rate, if applicable	4,90 % p.a.	4,44%	3MEuribor + 20 basis points
19	Existence of dividend stopper	n.a.	n.a.	n.a.
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n.a.	n.a.	n.a.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n.a.	n.a.	n.a.
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	n.a.	n.a.	n.a.
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n. a.	n. a.	n. a.
25	If convertible: partially or fully	n. a.	n. a.	n. a.
26	If convertible: conversion rate	n. a.	n. a.	n. a.
27	If convertible: mandatory or optional conversion	n. a.	n. a.	n. a.
28	If convertible: instrument type convertible into	n. a.	n. a.	n. a.
29	If convertible: issuer of instrument it converts into	n. a.	n. a.	n. a.
30	Write-down features	No	No	No
31	If write-down: trigger for write-down	n. a.	n. a.	n. a.
32	If write-down: partial or full	n. a.	n. a.	n. a.
33	If write-down: permanent or temporary	n. a.	n. a.	n. a.
34	If temporary write-down: mechanism of write-up	n. a.	n. a.	n. a.
35	Position in subordination herarchy in liquidation (specify instrument type senior to instrume	Non-subordinated instruments	Non-subordinated instruments	Non-subordinated instruments
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	n. a.	n. a.	n. a.