

Communication regarding the cover pool for covered bond investors of KA FINANZ

Ladies and Gentlemen,

we are pleased to inform you that, following all the necessary regulatory approvals, the entry of the newly incorporated Kommunalkredit Austria AG (KA New) in the Commercial Register, effective as of 26/09/2015, 00:00, was decided by the Commercial Court of Vienna.

This information, together with information regarding the simultaneous merger of KA Residual, the part of KA remaining after the demerger, with KA Finanz AG (KF), was communicated on 25/09/2015 through ad-hoc disclosures by Kommunalkredit Austria AG (KA Old) and KF, which we enclose with this letter for your personal information.

In accordance with the ad-hoc disclosure published on 13/03/2015 regarding the demerger of parts of the assets and liabilities of KA Old, we confirm that the demerger has now taken effect. The covered bonds issued by KA Old and transferred to KF continue to be collateralized by a corresponding cover pool pursuant to the Austrian Act on Covered Bank Bonds and the Articles of Association of KA New. The cover pool has been verified pursuant to the provisions of the Act on Covered Bank Bonds.

The details regarding the structure of the cover pool of KF, compared with the cover pool of KA Old, are shown in the following table:

Cover Pool Data	Kommunalkredit (Old) 31/08/2015		KA Finanz (New) 26/09/2015	
Over-Collateralisation				
Cover Pool in EUR mn	5,039		3,328	
Covered Bonds in EUR mn	3,874		2,548	
Nom. Over-Collateralisation	1,165		780	
Over-Collateralisation in %	30.1%		30.6%	
Covered Pool / Regions	%	EUR mn	%	EUR mn
Austria	76.9%	3,875	76.2%	2,537
Switzerland	7.8%	394	8.8%	294
Germany	7.0%	351	8.2%	272
Italy	1.6%	83	2.5%	83
Croatia	2.9%	144	1.3%	45
Slovenia	1.4%	70	2.1%	70
Poland	1.0%	52	0.8%	28
Portugal	1.0%	50		
Spain	0.4%	20		
	100.0%	5,039	100.0%	3,328
Cover Pool / Ratings	%	EUR mn	%	EUR mn
AAA	6.6%	334	8.1%	271
AA	65.5%	3,299	73.9%	2,460
A	9.0%	453	7.3%	243
<A	18.9%	953	10.7%	354
	100.0%	5,039	100.0%	3,328

Indicative values for the respective valuation dates

For further details on the cover pool, please refer to www.kafinanz.at.

As shown above, KA Finanz AG has a cover pool in the amount of EUR 3.33 billion, compared with a total volume of covered bonds of EUR 2.55 billion. This results in nominal over-collateralization of 30.6%. Most of the assets are loans with a regional focus on Austria (76.2%), Switzerland (8.8%) and Germany (8.2%). Almost 90% of the assets are rated A or higher; more than 85% of the assets are euro-denominated.

In connection with the current Moody's covered bond rating, the over-collateralization agreement of 27/01/2011 contains a commitment of KA Old to maintain a level of over-collateralization of 28%, which goes beyond the requirements pursuant to Section 1 (8) of the Austrian Act on Covered Bank Bonds. A decision whether or not to uphold this commitment, given the fact that termination on account of the demerger/merger would be possible, will be taken within a few days.

The following covered bonds are collateralized by the cover pool of KF:

ISIN	Währung	Nominale
XS1189108340	EUR	850.000.000
XS1033673440	EUR	500.000.000
XS0973424152	EUR	500.000.000
XS0592235187	EUR	500.000.000
XS0236776877	EUR	75.000.000
XS1202230204	EUR	50.000.000
XS1046170699	EUR	30.000.000
XS1045121784	EUR	30.000.000
XS1045221063	EUR	13.000.000