



# Austrian Climate Change Workshop

March 2017

1. Investors' Perspective

2. Portfolio

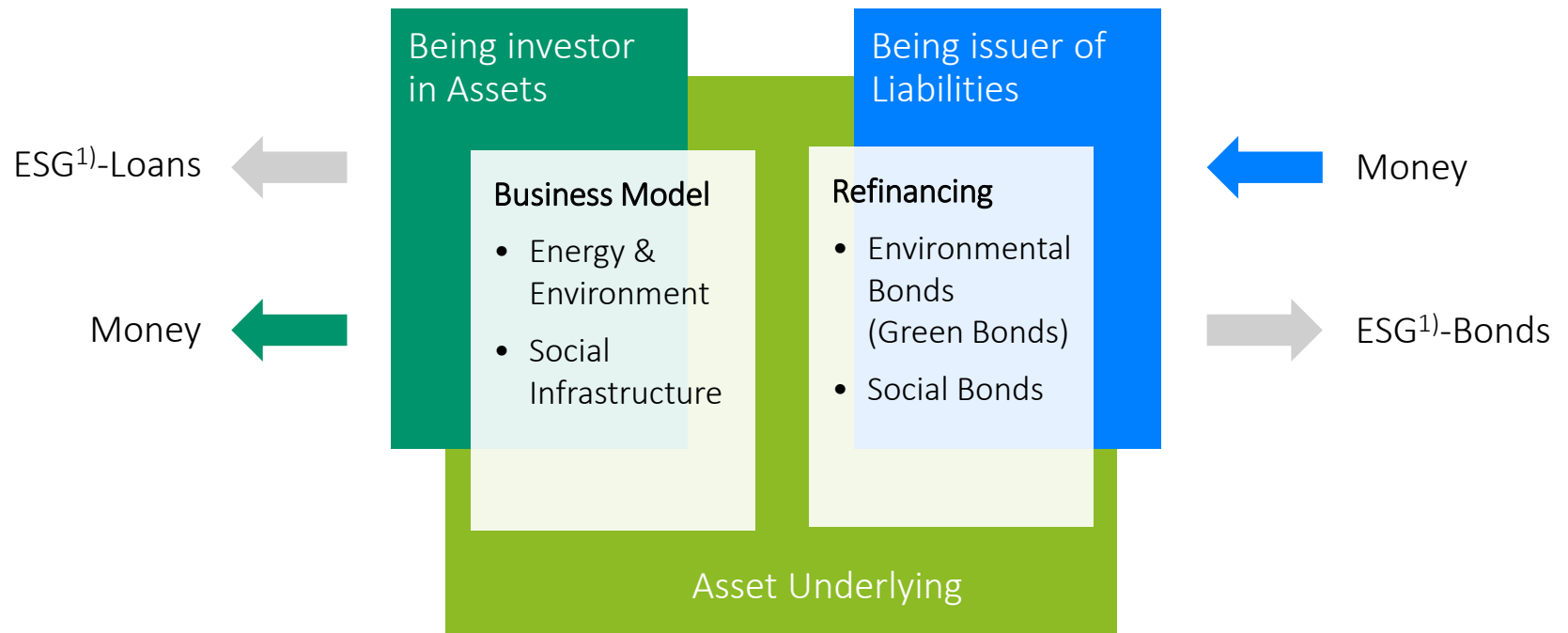
3. Funding & Rating

# Two Sides of the Bank

Being investor and being issuer



## Simplified Model of a Bank



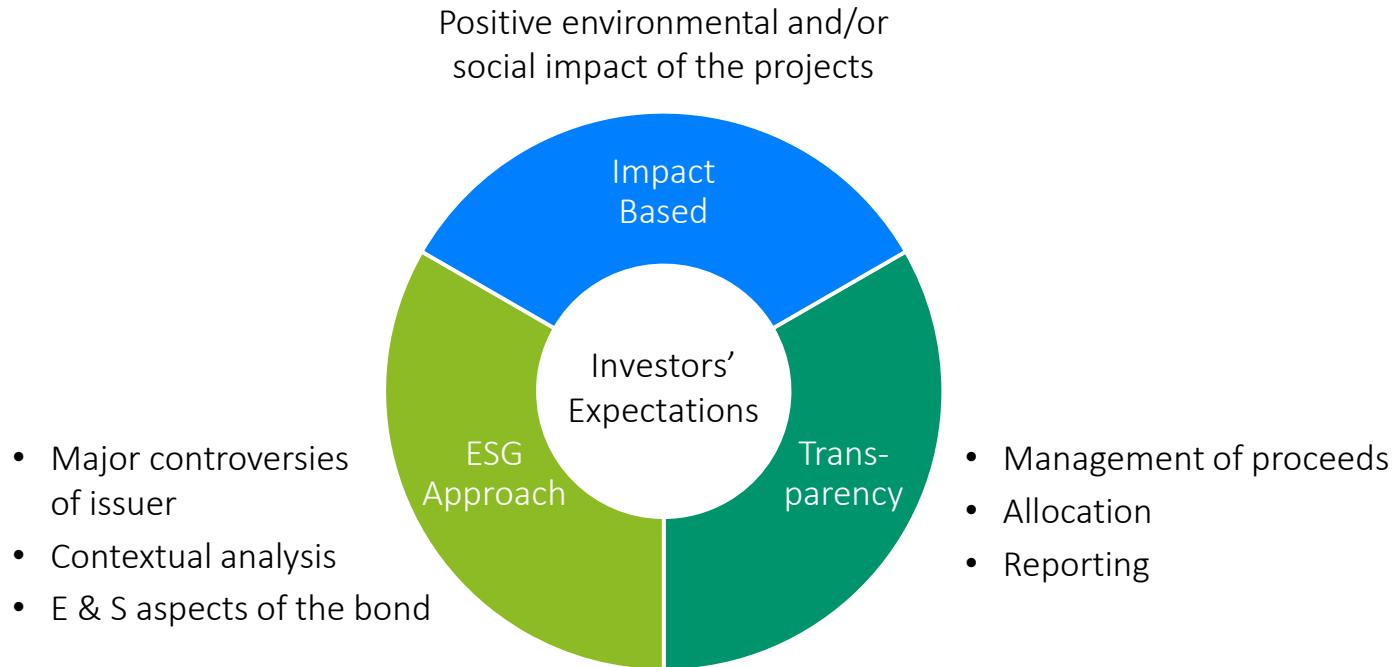
1) Environmental, Social and Governmental

# Investors' Expectations

## Holistic Approach



Kommunalkredit takes a holistic approach in evaluating sustainability in all its business activities and providing a clear view aligned with investor's expectations:



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# Market for Infra Investment

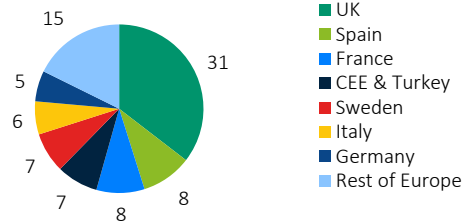
High demand for infrastructure investments



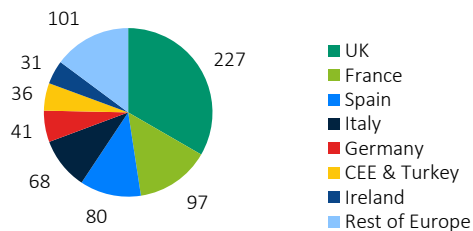
- Massive investment needs in Europe: EUR 150 to EUR 200 bn<sup>1)</sup> per annum until 2020
- High demand also in Austria: schools, hospitals, waterways etc.
- Limited debt capacity of public sector
- Stringent regulatory framework limits banks' capacity to carry long-term assets
- Stable long-term cash flows meeting investment criteria of institutionals (Solvency II)

Infrastructure Project Finance Deals in Europa in 2016<sup>2)</sup>

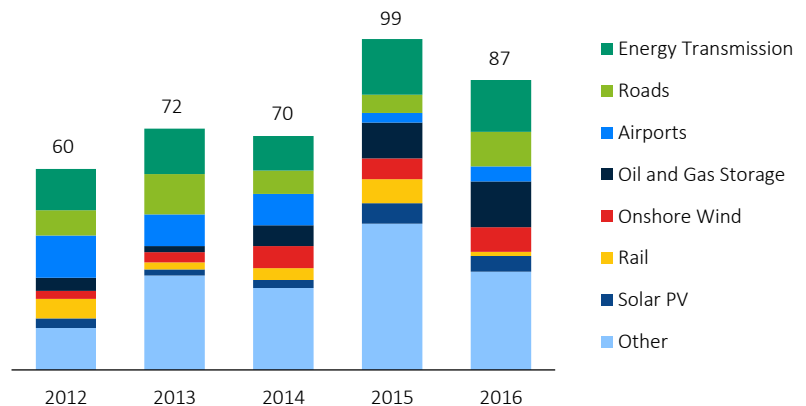
**Volume 2016**  
Total: EUR 87 bn



**# Deals 2016**  
Total: 681



Infrastructure Project Finance Deals in Europa 2012 - 2016<sup>2)</sup>



1) Source: EIB, 2017

2) InfraDeals, Kommunalkredit, closed deals, figures in EUR bn.

# Focus on Near Public Sector Projects

Kommunalkredit focuses on four segments



## Energy & Environment



- Energy supply and distribution
- Renewable energy
- Water supply and treatment
- Waste management and disposal

## Social Infrastructure



- Kindergartens, schools and universities
- Hospitals and nursing homes
- Police and court buildings
- Administrative buildings
- Other public facilities

## Transport



- Public Transport
- Rail/light rail, rolling stock
- Ports, waterways
- Roads, bridges, tunnels

## Infrastructure Advisory



- Strategic financing advisory
- Transaction advisory for infrastructure projects; financial modeling



## Key clients



- Private infrastructure developers and operators
- Utilities
- Cities and municipalities
- Local and regional authorities
- Associations
- Public sector entities

# Sustainability Expertise

First EU financial institution certified by EMAS in 1997



Kommunalkredit and its subsidiary, Kommunalkredit Public Consulting (KPC), as international experts in sustainability offer a wide range of services in the following areas:

- Sustainable (ESG) infrastructure finance
- Sustainability consultancy
- Program management (climate and energy funds of the Republic of Austria)



On behalf of the Organization for Economic Co-operation and Development (OECD), KPC worked on improving water management in Moldova.



KPC has supported the European Bank for Reconstruction and Development (EBRD) in many projects, the latest being a credit line program for energy efficiency in Poland, Russia and Ukraine.



KPC helps implement projects with the goal of funding energy efficiency projects in the manufacturing industry and the building sector as well as supporting investments in renewable energy.



# Portfolio Quality

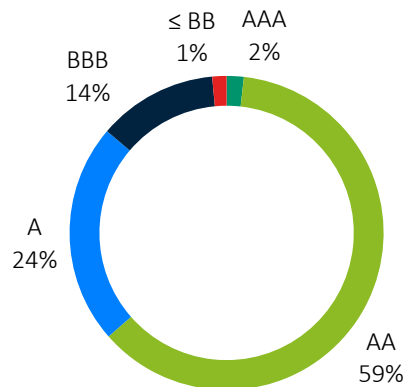
Excellent credit quality of loans and securities



- Average rating of A+
- 60.8 % of exposure is rated AAA/AA; 98.6 % in investment grade range
- NPL ratio of 0.0 %

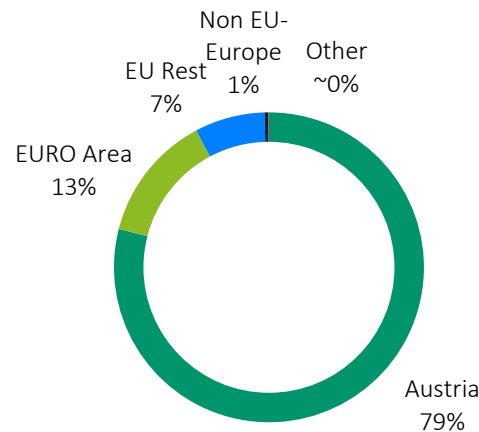
## Portfolio by S&P Rating<sup>1)</sup>

As of 31/12/2016, in EUR m



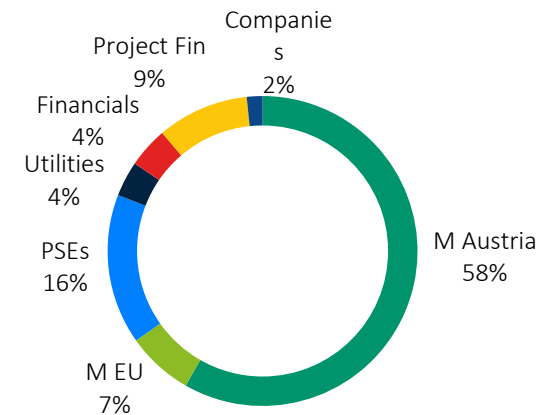
## Portfolio by Region<sup>1)</sup>

As of 31/12/2016, in EUR m



## Portfolio by Borrower<sup>1)</sup>

As of 31/12/2016, in EUR m



1) Distribution of exposure due to S&P mapping

Source: Annual Report 2016

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# ESG Bonds Market

The Environmental and Social Bonds market – a well established market



First 'green bond' issued by the European Investment Bank (EIB)

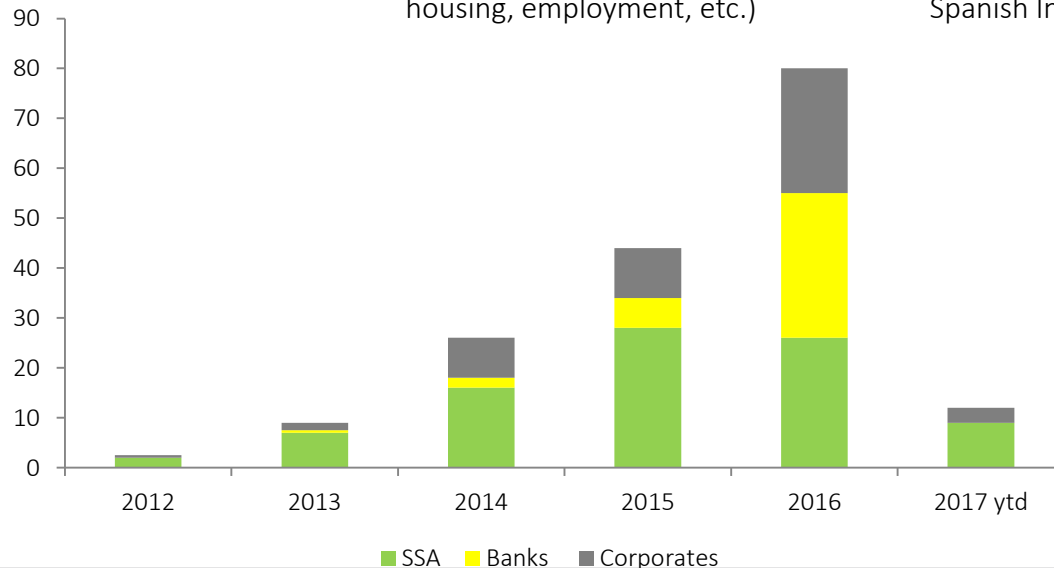
Green Bond Principles ('GBP') are created by financial institutions

Social Bond Guidance (SBG) is included in the update of the GBP



First issuances targeting social purposes (education, social housing, employment, etc.)

First 'social bond' aligned with the GBP issued by The Spanish Instituto de Credito



Global issuance volume by industry (EUR-equiv. bn) January 2017

# Sustainability Ratings

Awarded with the selective oekom “Prime Status” for “green bonds”



Kommunalkredit is capable of issuing green/social refinancing products.



## Prime Status (C) - The prerequisite for green bonds issuances

The rating agency oekom has currently rated Kommunalkredit with "Prime," for being a leading company in the banking business. The oekom prime status qualifies for an issuance to be labelled „green“.



## Better than the peer group: 57 points (out of 100)

Sustainalytics rates Kommunalkredit as above average in all measured categories.



## Very positive (A) for public sector covered bonds

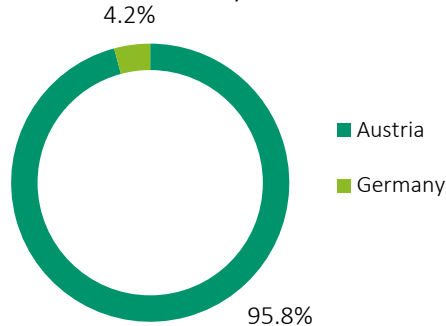
All Public Sector Covered (PSC) Bonds of Kommunalkredit are assessed with a “Very Positive” rating due to the very good ESG alignment of the cover pool. All PSC bonds of Kommunalkredit are given 79.51%, the highest rank of all 12 rated Austrian issuers of PSC bonds.

# Covered Bond-Programme

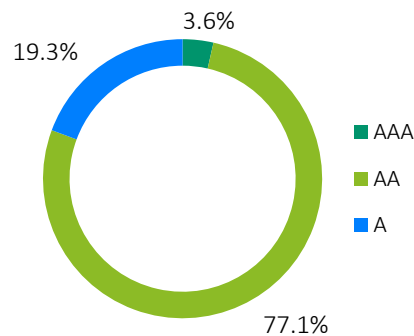
EUR 1.33 bn Cover Pool as of 31/01/2017; 100 % Austria and Germany



Cover Pool assets by state



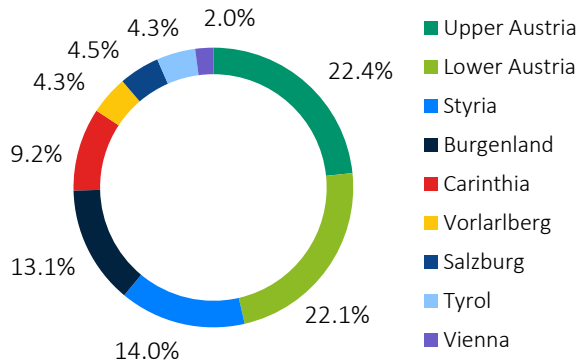
Cover Pool assets by rating



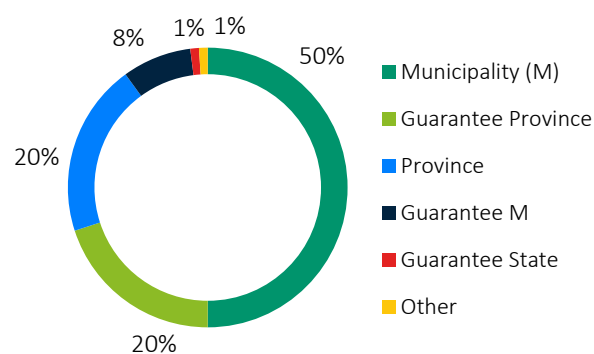
## Cover Pool: EUR 1.33 bn

- 80.7 % with AAA/AA rating
- NPL ratio: 0.0 %
- 83.0 % loans; 17.0 % bonds
- Active management
- Regular supervision by government commissioner
- Standardized high quality Cover Pool reporting

Cover Pool assets by region



Cover Pool assets by borrower



## Covered Bonds: EUR 1.15 bn

- Covered bonds issued acc. to law on fundierte Bankschuldverschreibungen (FBSchVG framework)
- 82.0 % fixed rates
- 78.2 % public issue
- 10.0 % voluntary overcollateralisation
- 16.0 % current overcollateralisation

Source: [www.kommunalkredit.at](http://www.kommunalkredit.at) Investor Relations Section – Information on Funding / Covered Bonds

# ESG Bond Process

Clear process and impact based



Based on the framework evaluation, a second opinion provider gives an opinion on the bond, offering prospective investors insight into the social aspects of the bond and the **alignment with the four pillars of The Green Bond Principles and Guidance for Issuers of Social Bonds**.

## Alignment with industry practices

- Framework's alignment with industry practices such as ICMA's Green Bond Principles and Social Bond Guidance.

## Eligibility Criteria

- Eligibility criteria alignment with ESG Bond Guidance
- Eligibility criteria alignment with stated bond objectives

## Management of Proceeds

- Eligible projects
- Oversight of proceeds allocation
- Processes that ensure appropriate management of proceeds

## Transparency and Disclosure

- Internal and external reporting processes and frequency to meet investor expectations
- Measurement and tracking of the positive social impact of projects

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