

Austria  
Update

KA Finanz AG

Ratings

Long-Term IDR	A+
Short-Term IDR	F1+
Support Rating	1
Support Rating Floor	A+

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

KA Finanz AG	30 Jun 10	31 Dec 09
Total assets (USDm)	27,619.0	30,839.1
Total assets (EURm)	22,087.6	21,407.3
Total equity (EURm)	-1,252.3	-685.0
Operating profit (EURm)	-474.3	-382.3
Published net income (EURm)	-465.8	435.0
Comprehensive income (EURm)	-609.7	435.0
Operating ROAA (%)	-4.40	-1.24
Operating ROAE (%)	n.m.	n.m.
Eligible capital/weighted risks (%)	-27.96	-17.97
Equity/total assets (%)	-5.67	-3.20
Tier 1 ratio (%)	7.20	7.20

Analysts

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Related Research

Applicable Criteria

- *Global Financial Institutions Criteria* (August 2010)
- *Short-Term Ratings Criteria for Corporate Finance* (November 2010)

Other Research

- *Kommunalkredit Austria AG* (January 2011)

Rating Rationale

- KA Finanz AG's (KF) ratings are based on its 99.78% ownership by the Republic of Austria and Fitch Ratings' assumption that there will be no change to the ultimate ownership and the willingness of Austria to support KF. Given that KF's sole purpose is to ensure an orderly run-off of its asset base, Fitch no longer assigns an Individual Rating.
- KF, established in late 2009, is the legal successor of Kommunalkredit Austria (KA Old), which was nationalised in late 2008. KF holds KA Old's non-core assets, essentially its credit default swap (CDS) book and non-core public-sector credit exposure outside Austria. KA Old's core business was transferred to newly established Kommunalkredit Austria AG (KA; 'A'/Stable; see *Related Research*).
- As an entity in wind-down mode, KF's profitability is largely determined by market trends affecting its asset base as well as its funding costs. Negative market trends particularly affected KF's sizeable CDS book (EUR368.5m unrealised loss) and the bank reported a significant operating loss. EUR51.2m warranty payments to the Republic of Austria (net of EUR42.4m restructuring payments received from the state) also burdened KF's IFRS result. KF is obliged to pay annual warranty payments of between EUR80m and EUR110m, which will in Fitch's view lead to annual pre-tax losses in 2010-2013.
- KF is mostly exposed to credit risk in its large CDS and public-sector loan/bond books and corresponding funding and liquidity risks. At end-H110, CDS exposure accounted for 43.0% of KF's credit exposure, other derivatives for 6.0%, funded bonds for 41.2%, loans for 8.8% and interbank assets for 1.1%. CDS exposure was 92.5% EU risk (93% sovereign risk) and the bulk of its funded exposure, rated 'A' on average, related to public-sector entities (41%), banks (35%) and corporates (18%) predominately (73.8% at end-H110) in the EU.
- KF intentionally runs a significant funding gap, funding long-term assets short-term and through government-guaranteed bond issuances (making up 42.7% of non-equity funding at end-Q310). Despite significantly negative IFRS equity, KF remained compliant with regulatory capital ratios (calculated under Austrian GAAP, which treats CDS and other fair-valued assets differently). The Austrian state has committed to maintaining a Tier 1 ratio of 7% as long as the bank's former owners remain invested in KF's participation capital.

Support

- Given KF's ownership, Fitch considers there to be an extremely high propensity of support from the public authorities.

Key Rating Drivers

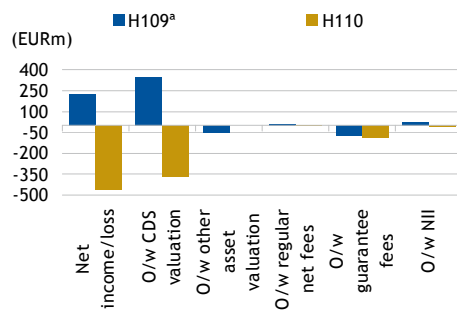
- The Stable Outlook on KF's Long-Term IDR mirrors the Outlook on the sovereign. An unexpected change in KF's ownership, i.e. after a European Commission ruling on the demerger (expected for H111), or a downgrade of Austria would lead to a re-assessment of KF's ratings.

Profile

Although a licensed bank, KF's operations are conducted via service-level agreements with KA. In Q310, KF merged with its former Cypriot subsidiary, Kommunalkredit International Bank Ltd. From Q410, KF will no longer be obliged to produce consolidated accounts and will solely be reporting under Austrian GAAP.

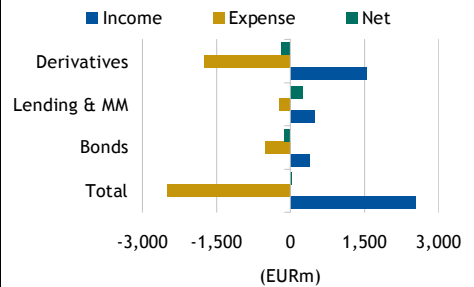
- Performance predominately affected by CDS valuation
- Negative capital markets sentiment in H110 suppressed CDS valuation and lead to significant unrealised losses

### KAF H110 Performance



<sup>a</sup> Pro forma  
Source: KAF

### Net Interest Income Composition (End-2009)

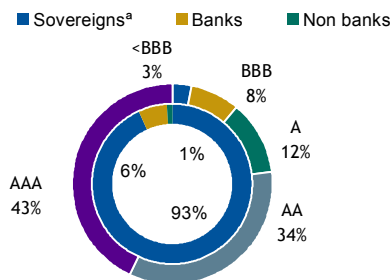


Source: KAF

- CDS book (EUR10.2bn at end-H110) generally of good quality, although significant concentration of exposure to peripheral EU sovereigns
- Some exposure to asset-backed bonds; long remaining maturity of both CDS and bond portfolios increases credit risk

### KAF - CDS Book Breakdown

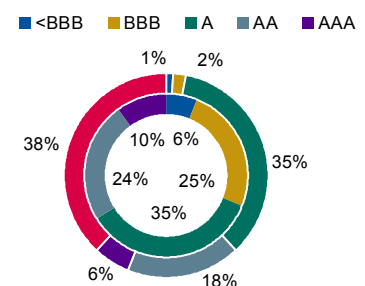
(As of end-Q110)



<sup>a</sup> Including local authorities  
Source: KAF

### KAF - Funded Assets Breakdown

(As of end-Q110)

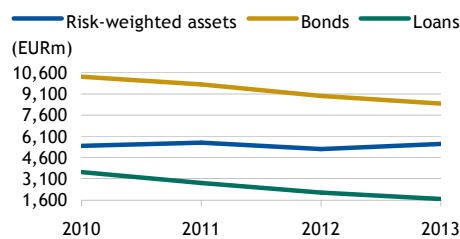


Source: KAF

- Stable risk-weighted assets for 2011-2013 despite asset run-off due to expected rating migration and Basel II factors
- Existing long-term funding will not be replaced, increasing share of more vulnerable short-term funding sources

### Asset Run-Off 2010 to 2013

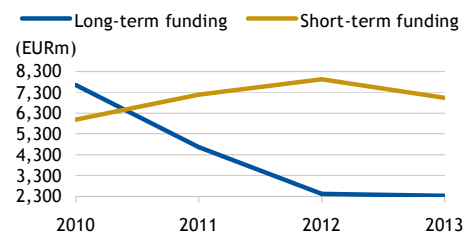
(As per mid-2010; excluding KAF's CDS portfolio)



Source: KAF

### Liabilities Profile 2010 to 2013

(As per mid-2010; excluding insignificant EIB funding)



Source: KAF

- Participation capital from former KA shareholders (Dexia Credit Local and V BAG) constitutes majority of paid-in capital
- Sizeable valuation swings affect IFRS equity but not regulatory capital under Austrian GAAP

### Capitalisation

(EURm)	End-H110	Change yoy (%)
Paid-in capital	22.3	0.0
Capital reserves	107.3	-68.2
Participation capital <sup>a</sup>	434.1	-24.2
Retained earnings	-579.8	+126.0
AFS reserve	-336.4	0.0
Result for period	-465.7	n.m.
Total equity	-818.1	-40.1
RWA credit risk	6,398.9	+8.1
RWA - total	6,601.5	-5.8
Tier 1 capital	474.8	+8.9
Tier 1 capital ratio (%)	7.19	+15.5

<sup>a</sup> Held by Dexia Credit Local and Österreichische Volksbanken AG; Source: KF

## Annex

### Credit Exposure

KF's overall credit profile is heavily influenced by its large CDS book (EUR10.2bn at end-H110). Despite the generally good quality of the CDS book, valuation movements in H209 (positive) and H110 (negative) had a significant impact on KF's financial result (see charts on page 2). Valuation-related margin posting requirements under ISDA/CSA agreements also affected KF's liquidity profile.

KF's CDS contracts tend to be long-dated, which makes valuations more difficult. Concentration risk is considerable, with the 10 largest counterparties at end-Q110 accounting for 59.8% of the end-H110 total (and the 20 largest for 83.2%). At end-November 2010, five contracts exceeded 100% of Tier 1 capital and 11 exceed 50% (all to European sovereigns). Exposure to peripheral euro zone countries (Greece, Ireland, Italy, Portugal, Spain) was considerable at around 29.4% of the total at end-Q110. CEE sovereign exposure was 11.9% and exposure to Iceland to 1.5%.

The composition of KF's bond portfolio is similar to that of its CDS book, albeit somewhat less concentrated (at end-Q110, two bonds exceeded 100% of Tier 1 capital and six 50%). Peripheral euro zone sovereign (and quasi-sovereign) bonds amounted to EUR1.5bn or 312% of Tier 1 capital. As of end-November 2010, KF's bond portfolio also contained around EUR1,476m asset-backed securities (EUR1,367m market value), largely RMBS (EUR135.7m), student loans (EUR559.1m), other ABS (EUR307.7m) and military housing loans (EUR293.7m). At end-Q310, around two-thirds of "other ABS" consisted of US ABS and one-third of European ABS. Exposure to CDOs and CMBS is relatively low. Since 2009, actual credit losses in KF's portfolio have been small and in H110, KF's dissolved EUR10.8m in loan loss reserve as it was able to dispose of EUR306.9m assets (mostly bank exposure) above their impaired value. At end-Q310, KF reported EUR222.2m impaired assets (as per Basel II definition; EUR501.9m at end-2009); loan loss reserves amounted to EUR278.4m (EUR414.6m at end-2009). KF's business plan anticipates that the bank's funding assets base shrinks to around EUR10bn by end-2013.

### Funding and Liquidity Profile

KF's main task is efficiently disposing of its existing asset base (without entering new business), so it does not intend to establish a diversified and balanced funding profile. Funding is therefore largely short-term, via two commercial paper programmes, ECB tenders or government-guaranteed bond issuances. At end-Q310, 42.7% of total non-equity funding related to government-guaranteed bonds, 8.1% to ECB funding, 2.9% to commercial paper and 52.6% to other funding sources (including money market).

As KF will not replace outstanding longer-term debt, the percentage of short-term funding is likely to increase and funding requirements will remain considerable – despite a gradual reduction of KF's balance sheet. Management expects funding needs of EUR7.75bn for 2011 and EUR8.33bn for 2012. Funding requirements for 2011 will be met by 39.3% commercial paper, 8.1% ECB tenders, none by government guaranteed issues and 52.6% .

### Capitalisation

Unlike it did with KA, the Austrian government did not recapitalise KF in a traditional way, i.e. via a capital injection. Rather, compliance with regulatory capital ratios was first ensured through government guarantees for certain impaired assets (EUR1.2bn) and since the demerger in November 2009 via a debtor warranty structure ("Besserungsschein") with KA (see *Related Research* for more detail).

Regulatory capital compliance is furthermore ensured by a warranty from the Austrian state to inject annually (until end-2013) up to EUR75m to guarantee a Tier 1 capital ratio of at least 7%. Fitch would expect KF to exceed this minimum ratio only marginally during the whole wind-down process.

KA Finanz AG\*  
Income Statement

	30 Jun 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007		31 Dec 2006		
	6 Months - Interim USDm Unaudited	6 Months - Interim EURm Unaudited	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	
*31 Dec 2008 and prior years: former Kommunalkredit Austria AG												
1. Interest Income on Loans	n.a.	n.a.	-	492.0	2.37	768.3	2.07	640.8	1.96	1,565.6	5.88	
2. Other Interest Income	-11.3	-9.2	-0.10	2,055.4	9.92	2,428.0	6.54	2,203.1	6.75	500.6	1.88	
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	5.7	0.02	
<b>4. Gross Interest and Dividend Income</b>	<b>-11.3</b>	<b>-9.2</b>	<b>-0.10</b>	<b>2,547.4</b>	<b>12.29</b>	<b>3,196.3</b>	<b>8.61</b>	<b>2,843.9</b>	<b>8.72</b>	<b>2,071.9</b>	<b>7.78</b>	
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	237.2	1.14	488.2	1.32	224.0	0.69	1,398.9	5.25	
<b>6. Other Interest Expense</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>2,271.6</b>	<b>10.96</b>	<b>2,618.3</b>	<b>7.06</b>	<b>2,534.1</b>	<b>7.77</b>	<b>603.3</b>	<b>2.26</b>	
<b>7. Total Interest Expense</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>2,508.8</b>	<b>12.11</b>	<b>3,106.5</b>	<b>8.37</b>	<b>2,758.1</b>	<b>8.45</b>	<b>2,002.2</b>	<b>7.52</b>	
8. Net Interest Income	-11.3	-9.2	-0.10	38.6	0.19	89.8	0.24	85.8	0.26	69.7	0.26	
9. Net Gains (Losses) on Trading and Derivatives	-515.1	-419.8	-4.59	548.5	2.65	-1,087.2	-2.93	-1.5	0.00	3.3	0.01	
10. Net Gains (Losses) on Other Securities	40.4	32.9	0.36	-6.7	-0.03	-15.1	-0.04	1.6	0.00	7.8	0.03	
11. Net Gains (Losses) on Assets at FV through Income Statement	22.1	18.0	0.20	83.6	0.40	-201.4	-0.54	2.1	0.01	7.8	0.03	
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
13. Net Fees and Commissions	-115.0	-93.7	-1.03	-150.3	-0.73	20.6	0.06	15.8	0.05	14.2	0.05	
14. Other Operating Income	n.a.	n.a.	-	-6.3	-0.03	1.1	0.00	4.1	0.01	0.2	0.00	
<b>15. Total Non-Interest Operating Income</b>	<b>-567.7</b>	<b>-462.6</b>	<b>-5.06</b>	<b>468.8</b>	<b>2.26</b>	<b>-1,282.0</b>	<b>-3.45</b>	<b>22.1</b>	<b>0.07</b>	<b>33.3</b>	<b>0.13</b>	
16. Personnel Expenses	5.3	4.3	0.05	25.6	0.12	21.7	0.06	21.7	0.07	19.9	0.07	
17. Other Operating Expenses	11.0	9.0	0.10	24.6	0.12	18.0	0.05	18.3	0.06	17.0	0.06	
<b>18. Total Non-Interest Expenses</b>	<b>16.3</b>	<b>13.3</b>	<b>0.15</b>	<b>50.2</b>	<b>0.24</b>	<b>39.7</b>	<b>0.11</b>	<b>40.0</b>	<b>0.12</b>	<b>36.9</b>	<b>0.14</b>	
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	5.7	0.02	
<b>20. Pre-Impairment Operating Profit</b>	<b>-595.3</b>	<b>-485.1</b>	<b>-5.31</b>	<b>457.2</b>	<b>2.21</b>	<b>-1,231.9</b>	<b>-3.32</b>	<b>67.9</b>	<b>0.21</b>	<b>71.8</b>	<b>0.27</b>	
21. Loan Impairment Charge	-13.3	-10.8	-0.12	196.1	0.95	41.4	0.11	-6.5	-0.02	1.3	0.00	
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	643.4	3.11	24.6	0.07	n.a.	-	n.a.	-	
<b>23. Operating Profit</b>	<b>-582.0</b>	<b>-474.3</b>	<b>-5.19</b>	<b>-382.3</b>	<b>-1.85</b>	<b>-1,297.9</b>	<b>-3.50</b>	<b>74.4</b>	<b>0.23</b>	<b>70.5</b>	<b>0.26</b>	
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.6	0.00	0.3	0.00	
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	829.9	4.01	n.a.	-	1.2	0.00	n.a.	-	
<b>29. Pre-tax Profit</b>	<b>-582.0</b>	<b>-474.3</b>	<b>-5.19</b>	<b>447.6</b>	<b>2.16</b>	<b>-1,297.9</b>	<b>-3.50</b>	<b>76.2</b>	<b>0.23</b>	<b>70.8</b>	<b>0.27</b>	
30. Tax expense	-10.4	-8.5	-0.09	12.6	0.06	-25.7	-0.07	7.6	0.02	8.9	0.03	
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	0.0	0.00	-176.5	-0.48	n.a.	-	n.a.	-	
<b>32. Net Income</b>	<b>-571.6</b>	<b>-465.8</b>	<b>-5.10</b>	<b>435.0</b>	<b>2.10</b>	<b>-1,448.7</b>	<b>-3.90</b>	<b>68.6</b>	<b>0.21</b>	<b>61.9</b>	<b>0.23</b>	
33. Change in Value of AFS Investments	-176.6	-143.9	-1.57	n.a.	-	-353.4	-0.95	-57.0	-0.17	0.9	0.00	
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	-4.7	-0.01	0.5	0.00	4.2	0.02	
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
<b>37. Fitch Comprehensive Income</b>	<b>-748.2</b>	<b>-609.7</b>	<b>-6.67</b>	<b>435.0</b>	<b>2.10</b>	<b>-1,806.8</b>	<b>-4.87</b>	<b>12.1</b>	<b>0.04</b>	<b>67.0</b>	<b>0.25</b>	
38. Memo: Profit Allocation to Non-controlling Interests	0.0	0.0	0.00	n.a.	-	n.a.	-	0.0	0.00	n.a.	-	
39. Memo: Net Income after Allocation to Non-controlling Interests	-571.6	-465.8	-5.10	435.0	2.10	-1,448.7	-3.90	68.6	0.21	61.9	0.23	
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	0.0	0.00	3.1	0.01	10.5	0.03	5.4	0.02	
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	

Exchange rate

USD1 = EUR0.81493

USD1 = EUR0.69416

USD1 = EUR0.71855

USD1 = EUR0.67930

USD1 = EUR0.75930

## KA Finanz AG Balance Sheet

	30 Jun 2010			31 Dec 2009			31 Dec 2008			31 Dec 2007			31 Dec 2006		
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets		
<b>Assets</b>															
<b>A. Loans</b>															
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
5. Other Loans	8,847.5	7,210.1	32.64	6,535.2	30.53	18,157.5	48.48	13,518.3	41.21	11,972.0	44.57				
6. Less: Reserves for Impaired Loans/ NPLs	178.5	145.5	0.66	230.3	1.08	53.4	0.14	1.7	0.01	7.6	0.03				
<b>7. Net Loans</b>	<b>8,669.0</b>	<b>7,064.6</b>	<b>31.98</b>	<b>6,304.9</b>	<b>29.45</b>	<b>18,104.1</b>	<b>48.33</b>	<b>13,516.6</b>	<b>41.21</b>	<b>11,964.4</b>	<b>44.54</b>				
<b>8. Gross Loans</b>	<b>8,847.5</b>	<b>7,210.1</b>	<b>32.64</b>	<b>6,535.2</b>	<b>30.53</b>	<b>18,157.5</b>	<b>48.48</b>	<b>13,518.3</b>	<b>41.21</b>	<b>11,972.0</b>	<b>44.57</b>				
9. Memo: Impaired Loans included above	n.a.	n.a.	-	n.a.	-	63.8	0.17	3.9	0.01	n.a.	-				
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
<b>B. Other Earning Assets</b>															
1. Loans and Advances to Banks	8,107.0	6,606.6	29.91	6,177.7	28.86	8,537.8	22.79	6,709.2	20.45	2,495.9	9.29				
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
3. Trading Securities and at FV through Income	n.a.	n.a.	-	0.0	0.00	16.4	0.04	18.2	0.06	87.4	0.33				
4. Derivatives	n.a.	n.a.	-	3,462.2	16.17	3,285.6	8.77	1,797.1	5.48	1,533.2	5.71				
5. Available for Sale Securities	2,553.2	2,080.7	9.42	2,164.9	10.11	2,711.3	7.24	9,086.5	27.70	9,250.4	34.44				
6. Held to Maturity Securities	820.1	668.3	3.03	650.8	3.04	1,262.8	3.37	1,421.8	4.33	1,232.5	4.59				
7. At-equity Investments in Associates	0.0	0.0	0.00	0.8	0.00	1.8	0.00	73.9	0.23	66.3	0.25				
8. Other Securities	2,469.8	2,012.7	9.11	1,959.2	9.15	3,188.6	8.51	n.a.	-	n.a.	-				
<b>9. Total Securities</b>	<b>5,843.1</b>	<b>4,761.7</b>	<b>21.56</b>	<b>8,237.9</b>	<b>38.48</b>	<b>10,466.5</b>	<b>27.94</b>	<b>12,397.5</b>	<b>37.80</b>	<b>12,169.8</b>	<b>45.31</b>				
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	6.1	0.02	n.a.	-				
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	0.3	0.00	8.2	0.03				
<b>15. Total Earning Assets</b>	<b>22,619.0</b>	<b>18,432.9</b>	<b>83.45</b>	<b>20,720.5</b>	<b>96.79</b>	<b>37,108.4</b>	<b>99.07</b>	<b>32,629.7</b>	<b>99.48</b>	<b>26,638.3</b>	<b>99.17</b>				
<b>C. Non-Earning Assets</b>															
1. Cash and Due From Banks	183.0	149.1	0.68	559.7	2.61	171.1	0.46	28.1	0.09	51.1	0.19				
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
4. Fixed Assets	5.2	4.2	0.02	5.8	0.03	39.8	0.11	38.3	0.12	41.7	0.16				
5. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.8	0.00	1.0	0.00				
6. Other Intangibles	0.0	0.0	0.00	0.0	0.00	0.3	0.00	0.3	0.00	0.3	0.00				
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
8. Deferred Tax Assets	n.a.	n.a.	-	59.5	0.28	115.4	0.31	2.8	0.01	0.7	0.00				
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
10. Other Assets	4,296.6	3,501.4	15.85	61.8	0.29	21.7	0.06	100.6	0.31	128.2	0.48				
<b>11. Total Assets</b>	<b>27,103.7</b>	<b>22,087.6</b>	<b>100.00</b>	<b>21,407.3</b>	<b>100.00</b>	<b>37,456.7</b>	<b>100.00</b>	<b>32,800.6</b>	<b>100.00</b>	<b>26,861.3</b>	<b>100.00</b>				
<b>Liabilities and Equity</b>															
<b>D. Interest-Bearing Liabilities</b>															
1. Customer Deposits - Current	n.a.	n.a.	-	2.5	0.01	10.2	0.03	14.1	0.04	13.1	0.05				
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
3. Customer Deposits - Term	51.3	41.8	0.19	44.3	0.21	991.5	2.65	645.6	1.97	546.9	2.04				
<b>4. Total Customer Deposits</b>	<b>51.3</b>	<b>41.8</b>	<b>0.19</b>	<b>46.8</b>	<b>0.22</b>	<b>1,001.7</b>	<b>2.67</b>	<b>659.7</b>	<b>2.01</b>	<b>560.0</b>	<b>2.08</b>				
5. Deposits from Banks	10,863.0	8,852.6	40.08	9,596.6	44.83	14,509.9	38.74	8,636.4	26.33	2,775.4	10.33				
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
<b>7. Other Deposits and Short-term Borrowings</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>				
8. Total Deposits, Money Market and Short-term Funding	10,914.3	8,894.4	40.27	9,643.4	45.05	15,511.6	41.41	9,296.1	28.34	3,335.4	12.42				
9. Senior Debt Maturing after 1 Year	9,544.0	7,777.7	35.21	6,850.2	32.00	16,686.6	44.55	19,675.9	59.99	19,975.9	74.37				
10. Subordinated Borrowing	431.8	351.9	1.59	346.8	1.62	437.3	1.17	427.8	1.30	366.0	1.36				
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
<b>12. Total Long Term Funding</b>	<b>9,975.8</b>	<b>8,129.6</b>	<b>36.81</b>	<b>7,197.0</b>	<b>33.62</b>	<b>17,123.9</b>	<b>45.72</b>	<b>20,103.7</b>	<b>61.29</b>	<b>20,341.9</b>	<b>75.73</b>				
13. Derivatives	n.a.	n.a.	-	4,783.4	22.34	5,855.0	15.63	2,605.2	7.94	2,438.7	9.08				
14. Trading Liabilities	n.a.	n.a.	-	0.0	0.00	14.9	0.04	n.a.	-	n.a.	-				
<b>15. Total Funding</b>	<b>20,890.1</b>	<b>17,024.0</b>	<b>77.07</b>	<b>21,623.8</b>	<b>101.01</b>	<b>38,505.4</b>	<b>102.80</b>	<b>32,005.0</b>	<b>97.57</b>	<b>26,116.0</b>	<b>97.23</b>				
<b>E. Non-Interest Bearing Liabilities</b>															
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
3. Reserves for Pensions and Other	1.8	1.5	0.01	1.7	0.01	18.5	0.05	17.2	0.05	12.0	0.04				
4. Current Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	6.0	0.02				
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
9. Other Liabilities	7,215.7	5,880.3	26.62	32.7	0.15	32.4	0.09	99.2	0.30	103.8	0.39				
<b>10. Total Liabilities</b>	<b>28,107.7</b>	<b>22,905.8</b>	<b>103.70</b>	<b>21,658.2</b>	<b>101.17</b>	<b>38,556.3</b>	<b>102.94</b>	<b>32,121.4</b>	<b>97.93</b>	<b>26,237.8</b>	<b>97.68</b>				
<b>F. Hybrid Capital</b>															
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	61.8	0.16	81.7	0.25	71.2	0.27				
2. Pref. Shares and Hybrid Capital accounted for as Equity	532.7	434.1	1.97	434.1	2.03	200.0	0.53	207.7	0.63	155.4	0.58				
<b>G. Equity</b>															
1. Common Equity	-1,123.9	-915.9	-4.15	-492.5	-2.30	-947.9	-2.53	445.2	1.36	395.7	1.47				
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
3. Securities Revaluation Reserves	-412.8	-336.4	-1.52	-192.5	-0.90	-413.5	-1.10	-60.0	-0.18	-3.0	-0.01				
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	0.0	0.00	4.6	0.01	4.2	0.02				
<b>6. Total Equity</b>	<b>-1,536.7</b>	<b>-1,252.3</b>	<b>-5.67</b>	<b>-685.0</b>	<b>-3.20</b>	<b>-1,361.4</b>	<b>-3.63</b>	<b>389.8</b>	<b>1.19</b>	<b>396.9</b>	<b>1.48</b>				
<b>7. Total Liabilities and Equity</b>	<b>27,103.7</b>	<b>22,087.6</b>	<b>100.00</b>	<b>21,407.3</b>	<b>100.00</b>	<b>37,456.7</b>	<b>100.00</b>	<b>32,800.6</b>	<b>100.00</b>	<b>26,861.3</b>	<b>100.00</b>				
8. Memo: Fitch Core Capital	-1,536.7	-1,252.3	-5.67	-744.5	-3.48	-1,361.7	-3.64	n.a.	-	n.a.	-				
9. Memo: Fitch Eligible Capital	-2,195.3	-1,789.0	-8.10	-1,063.6	-4.97	-1,945.3	-5.19	n.a.	-	n.a.	-				

Exchange rate USD1 = EURO.81493 USD1 = EURO.69416 USD1 = EURO.71855 USD1 = EURO.67930 USD1 = EURO.75930

## KA Finanz AG Summary Analytics

	30 Jun 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
	6 Months - Interim	Year End	Year End	Year End	Year End
<b>A. Interest Ratios</b>					
1. Interest Income on Loans/ Average Gross Loans	n.a.	3.51	5.06	5.08	14.73
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	29.94	53.13	39.44	188.51
3. Interest Income/ Average Earning Assets	-0.09	8.70	9.42	9.89	9.06
4. Interest Expense/ Average Interest-bearing Liabilities	n.a.	8.36	9.24	9.87	8.98
5. Net Interest Income/ Average Earning Assets	-0.09	0.13	0.26	0.30	0.30
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.02	-0.54	0.14	0.32	0.30
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	-0.09	0.13	0.26	0.30	0.30
<b>B. Other Operating Profitability Ratios</b>					
1. Non-Interest Income/ Gross Revenues	98.05	92.39	107.53	20.48	32.33
2. Non-Interest Expense/ Gross Revenues	-2.82	9.89	-3.33	37.07	35.83
3. Non-Interest Expense/ Average Assets	0.12	0.16	0.11	0.14	0.16
4. Pre-impairment Op. Profit/ Average Equity	100.98	-44.12	748.42	16.74	21.18
5. Pre-impairment Op. Profit/ Average Total Assets	-4.50	1.48	-3.53	0.23	0.31
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	2.23	183.62	-5.36	-9.57	1.81
7. Operating Profit/ Average Equity	98.74	36.89	788.52	18.34	20.80
8. Operating Profit/ Average Total Assets	-4.40	-1.24	-3.72	0.25	0.30
9. Taxes/ Pre-tax Profit	1.79	2.82	1.98	9.97	12.57
10. Pre-Impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	0.84	1.07
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	0.92	1.05
<b>C. Other Profitability Ratios</b>					
1. Net Income/ Average Total Equity	n.a.	n.a.	n.a.	16.91	18.26
2. Net Income/ Average Total Assets	-4.32	1.41	-4.15	0.23	0.26
3. Fitch Comprehensive Income/ Average Total Equity	126.92	-41.98	1,097.69	2.98	19.76
4. Fitch Comprehensive Income/ Average Total Assets	-5.65	1.41	-5.17	0.04	0.29
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	0.85	0.92
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	0.15	1.00
<b>D. Capitalization</b>					
1. Fitch Core Capital/Weighted Risks	n.a.	n.a.	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Weighted Risks	-27.96	-17.97	-21.18	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	-5.67	-3.49	-3.64	1.19	1.47
4. Tier 1 Regulatory Capital Ratio	7.20	7.20	5.00	9.40	9.50
5. Total Regulatory Capital Ratio	14.00	14.30	8.50	13.20	13.20
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	-5.67	-3.20	-3.63	1.19	1.48
8. Cash Dividends Paid & Declared/ Net Income	0.00	0.00	-0.21	15.31	8.72
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	0.00	0.00	-0.17	86.78	8.06
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	75.01	-63.50	106.64	14.91	14.24
<b>E. Loan Quality</b>					
1. Growth of Total Assets	3.18	n.m.	14.20	22.11	31.88
2. Growth of Gross Loans	10.33	n.m.	34.32	12.92	24.03
3. Impaired Loans(NPLs)/ Gross Loans	n.a.	n.a.	0.35	0.03	n.a.
4. Reserves for Impaired Loans/ Gross Loans	2.02	3.52	0.29	0.01	0.06
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	83.70	43.59	n.a.
6. Impaired Loans less Reserves for Imp Loans/ Equity	n.a.	n.a.	-0.76	0.56	n.a.
7. Loan Impairment Charges/ Average Gross Loans	-0.32	1.40	0.27	-0.05	0.01
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	0.35	0.03	n.a.
<b>F. Funding</b>					
1. Loans/ Customer Deposits	17,249.04	13,964.10	1,812.67	2,049.16	2,137.86
2. Interbank Assets/ Interbank Liabilities	74.63	64.37	58.84	77.69	89.93
3. Customer Deposits/ Total Funding excl Derivatives	0.25	0.28	3.07	2.24	2.37



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