KA FINANZ AG PRESS RELEASE

KA Finanz AG: Participation in Greek Debt Restructuring Package

(Vienna, 9 March 2012) – Today the Republic of Greece announced the results of the debt restructuring votes under the Private Sector Involvement (PSI) programme agreed with the Institute of International Finance (IIF) and published on 24 February 2012. KA Finanz AG (KF) has participated in the PSI programme with Greek government bonds of a nominal value of EUR 305 million.

The PSI programme basically provides for the exchange of existing bonds against new bonds of the Republic of Greece with a haircut of 53.5% on the nominal value of the existing bonds. Of the remaining 46.5%, 31.5% is covered by newly issued Greek government bonds with an average maturity of 20 years and a coupon of 2% to 4,3% p.a.; 15% is accounted for by newly issued bonds of the EFSF (European Financial Stability Facility) with maturities of up to two years. In addition, a debtor warrant carrying additional interest of up to 1% p.a., depending on the GDP growth of the Republic of Greece, will be issued. The market valuation of the offer ranges between 20% and 25%, not considering any ancillary costs, such as swap unwinding fees, etc.

Prior to the introduction of the Collective Action Clauses (CACs) on 23 February 2012, KF had intended not to participate in the PSI. Subsequently, the situation had to be reconsidered. Once a certain approval threshold is reached, the CACs allow the compulsory swap of the instruments held by the non-approving minority. Under the PSI parameters, the Republic of Greece and the representatives of the EU bailout package had the possibility of abstaining from activating the CACs, if 75% approval was reached. Under these new conditions, it was therefore in the economic interest of KF to support this approach. Through its participation, KF made the best possible use of this opportunity.

Today the Republic of Greece announced its intention to activate the CACs. This has been taken note of by the Euro Group. At the time of publication (9 March 2012, 16:00 hrs.) the question of whether this will subsequently be implemented and result in a "credit event" triggering payments under CDS (credit default swaps) is still open. For KF, activation of the CDS with an assumed loss ratio of about 80% would mean an additional provisioning charge of EUR 423.6 million on the existing portfolio of EUR 522.6 million of credit default swaps (CDS) and CDS-type contracts.

For KF, participation in the PSI programme results in an immediate charge of EUR 228.8 million for the business year 2011, of which EUR 163.2 million are realised losses from the 53.5% debt waiver. The remaining EUR 65.6 million are provisions for lower interest on the new bonds, which can again be added to net interest income over the life of the bonds, provided the positions remain in the portfolio.

Besides the Greek government bonds in the amount of EUR 305 million, KF holds – as already disclosed in the 2011 Interim Report – EUR 160 million of bonds of Greek state-owned corporations covered by guarantees of the Republic of Greece.

In the event of CDS activation through the CACs, the total amount of KF's risk provisions for the Greek exposure will be in the range of EUR 1 billion. Upon conclusion of the current accounting process and after implementation of the necessary capital measures, the final result for the year will be published after its approval and adoption in April 2012. The owner has already agreed to take the necessary capital measures.

After the nationalisation and demerger of the former Kommunalkredit, KF holds the non-strategic assets and acts as a portfolio rundown bank, independently of the new Kommunalkredit. Since the nationalisation of the bank in 2008, KF's portfolio has been reduced from EUR 29 billion to its current level of EUR 19.3 billion, including EUR 9.6 billion CDS. Besides the Greece-related capital measures yet to be finalised, KF to date has received government support in the amount of EUR 1.1 billion through the capital-replacing debtor warrant structure. In addition, as already disclosed in the 2011 Interim Report, funding guarantees have been assumed by the government in the amount of EUR 6 billion, which enable KF to generate low-cost funding. Funding guarantees expire without any charge on the Republic of Austria, most recently for an amount of EUR 1 billion on 6 March 2012. The funding guarantees also include a guarantee for a EUR 2.5 billion Commercial Paper programme, from which savings of about EUR 50 million per year are generated. KF has never drawn any state participation capital. To date, KF has paid guarantee fees in the amount of EUR 324 million (net) to the Republic of Austria for the above-mentioned guarantees.

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