



KOMMUNALKREDIT PRESS RELEASE

Important restructuring goal reached for Kommunalkredit – Split-up of the bank into two companies decided

- “Kommunalkredit New” focused on expansion of strategic core business
- EUR 250 million capital increase from Republic of Austria and Austrian Association of Municipalities
- “KA Finanz AG” tasked to run down non-strategic activities
- Government guarantee already reduced by EUR 200 million to EUR 1 billion
- Net payments of EUR 120 million to Republic of Austria in 2009

(Vienna, 17. November 2009) – An important goal has been reached in the restructuring process of Kommunalkredit Austria AG. The split-up into two banks announced in June 2009 was decided by the extraordinary general meeting on 17 November and is to be implemented at the end of November, subject to entry of the decision in the Register of Companies and approval by the financial market supervisory authority. Implementation of the measures taken has been agreed upon in principle with the units in charge at the European Commission. The negotiations regarding the required final approval of the entire restructuring plan by the European Commission are being conducted in a constructive spirit.

Strategic core business managed by Kommunalkredit Austria AG

As of the effective date of 28 November, Kommunalkredit New will start operating under the official name of “**Kommunalkredit Austria AG**”. As planned, the bank will receive new share capital of EUR 220 million and an EUR 30 million shareholder contribution for this purpose. This capital will be subscribed by the existing shareholders to the extent corresponding to their current shares, i.e. the Republic of Austria (99.78%) and the Austrian Association of Municipalities (0.22%).

The additional funds thus available permit a conservative capitalisation of the bank and an expansion of its strategic core business, i.e. municipal and infrastructure-related project business focused on local authorities, municipalities, central governments and public institutions. Kommunalkredit is well positioned in this segment and considers it its duty to actively support its clients in their important tasks of developing, upgrading and maintaining public infrastructure. The bank’s **profile of services** covers a broad range, from project consultancy services, budget management and asset management consulting to a wide variety of financing services.

Alois Steinbichler, Chairman of the Executive Board of Kommunalkredit, notes, “We are happy to have reached this important restructuring goal with the support of numerous constructive partners. This gives us a secure basis for the expansion of our consultancy and financing services for the benefit of our customers. Given the difficult budgetary environment local authorities are confronted with, this security is of crucial importance. The positive client feedback

we have received is an incentive for us to focus even more strongly on the interests of our customers and partners”.

Having already generated a volume of new business of about EUR 500 million in 2009, Kommunalkredit Austria AG is a strong partner for Austrian local authorities, municipalities, central governments and public institutions. The bank’s strategic partnership with the Austrian Association of Municipalities is a significant additional factor in this context.

Kommunalkredit will have total assets of approx. EUR 16 billion; after the EUR 250 million capital increase, it will not require any further state support. Future plans provide for the possibility of re-privatising Kommunalkredit.

The new logo of Kommunalkredit:

www.kommunalkredit.at
kommunal@kommunalkredit.at



Value recovery potential at KA Finanz AG / State guarantee already reduced

The non-strategic part of the former Kommunalkredit, i.e. the CDS and securities portfolio as well as the activities of its Cyprus-based subsidiary, will be transferred to and run down by “KA Finanz AG”. The value recovery potential, depending on market conditions, will thus be realised. The Republic of Austria will continue to provide a guarantee, the amount of which has already been reduced from EUR 1.2 billion to 1.0 billion. KA Finanz AG will pay an annual net guarantee fee of between EUR 120 million and EUR 150 million.

The logo of KA Finanz AG:



www.kafinanz.at (online from 30 November)
info@kafinanz.at

The Executive Boards of both Kommunalkredit Austria AG and KA Finanz AG will consist of Alois Steinbichler and Andreas Fleischmann. The two companies will also have identical Supervisory Boards with Klaus Liebscher as Chairman and Adolf Wala as Deputy Chairman. Further Supervisory Board members are Helmut Mödlhammer (President of the Austrian Association of Municipalities), Werner Muhm (Director of the Vienna Chamber of Labour and the Federal Chamber of Labour), Herbert Paiarl (Executive Vice President of Cosma Europa/Magna), Georg Schöppl (Member of the Board of the Austrian Federal Forests).

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