RESULT FOR THE YEAR 2011 OF KA FINANZ AG

General Meeting of KA Finanz AG:
Capital cut with simultaneous capital increase

- Capital cut to zero with simultaneous capital increase by EUR 389.0 million
- Shareholder contribution of EUR 609.6 million
- Impairment charge for Greece of EUR 1,034.3 million
- Net loss of EUR 534.4 million
- Risk positions reduced by EUR 3.0 billion in 2011;
  by a total of EUR 10,2 billion since restructuring began

(Vienna, 25 April 2012) – In accordance with its published agenda, today's General Meeting of KA Finanz AG (KF) formally adopted the result for the year 2011 of KF. The decisions taken become legally effective upon entry in the Companies' Register.

The business year closes with a net loss of EUR 534.4 million, after an extraordinary income of EUR 609.5 million from a shareholder contribution and a surety granted by the Republic of Austria and recognised as income in the amount of EUR 235.0 million. The result for the year includes impairment charges of EUR 1,034.3 million for the Greek exposure reported at the end of the year.

For further capitalisation of the bank, the general meeting decided in favour of a simplified capital reduction (capital cut) with simultaneous capital increase pursuant to §§ 182 ff in conjunction with § 181 of the Companies Act, retroactive as of 31 December 2011. The share capital and the participation capital of EUR 22.3 million and EUR 434.1 million, respectively, were set to zero and EUR 337.0 million of appropriated and non-appropriated reserves were released. Subsequently, the share capital was increased by the Republic of Austria by EUR 389.0 million. Through these measures, the loss carried forward from the 2011 result in the amount of EUR 534.4 million and from previous years in the amount of EUR 345.8 million was reduced to EUR 85.8 million. Thus, KF's own funds as of 31 December 2011 stand at EUR 836.5 million, with a core capital of EUR 474.3 million. The total capital ratio is 12.9%, with a core capital ratio of 7.3%.

Including the measures adopted today, KF has received, to date, a total net amount of EUR 1,989.6 million from the Republic of Austria through capitalisation measures taken under the Financial Markets Support Act; in return, guarantee fees in a net amount of EUR 353.4 million have been paid.

Greek debt restructuring

As already reported, as of 31 December 2011 KF had a total exposure to the Republic of Greece (before risk provisions) of EUR 1,001.5 million from the portfolio of the former Kommunalkredit (as of 30-06-2011 EUR 983.2 million, increase due to EUR/USD exchange rate fluctuations), including EUR 522.8 million in CDS (Credit Default Swap) and CDS-type structures.

The restructuring measures for liabilities of the Republic of Greece prepared at European level in the course of 2011 resulted in a bailout package (Private Sector Initiative – PSI II) adopted on 26 October 2011 and implemented in February 2012, with the retroactive introduction of Collective Action Clauses (CACs) leading to the compulsory participation of the non-approving minority of instrument holders in the restructuring programme. Thus, the previously upheld principle of voluntary debt restructuring was given up and payment obligations were triggered under CDS and CDS-type contracts. The event represented the first default of a euro country. After the bond swap within the framework of the restructuring process, the impairment charges booked and the surety granted by the Republic of Austria, KF now carries a net exposure to Greece in the amount of EUR 80.7 million on its books.

Portfolio run-down / Risk reduction

Since the demerger of the former Kommunalkredit, KF has been responsible for the structured run-down of the non-strategic portfolio. Despite the prevailing market tension, KF was able to reduce its risk portfolio by a total of EUR 3.01 billion (before Greek debt restructuring) in 2011, i. e. EUR 2.16 billion through the active elimination of securities and loans and another EUR 0,85 billion through scheduled redemptions. Between November 2008, when the restructuring process began, and 31 December 2011, risk positions in a total of EUR 10.2 billion were phased out, with a risk portfolio of EUR 19.0 billion remaining with KF as of 31 December 2011. The portfolio was further reduced to EUR 17.7 billion during the first quarter of 2012.

As at 31 December 2011, KF's total portfolio comprised securities of EUR 8.0 billion, loans of EUR 1.1 billion and CDS/guarantees of EUR 9.3 billion. Broken down by geographic regions, 54.0% was accounted for by the euro area (EU-17 incl. Austria) and 22.6% by the remaining EU states. Thus, European risks account for 76.6% of the total. The exposure to other states corresponds to 23.4% of the total portfolio, with 13.5% accounted for by the United States and Canada.

Of the securities and loans held, 82.0% had an investment-grade rating (BBB or higher) and 25.9% were rated AAA/AA. 58.3% of the securities and loan portfolio was accounted for by the European Union, with 35.0% from the EU-17. Of the remaining 41.7%, more than half (22.0%) was accounted for by the USA and Canada.

Of KF's CDS exposure of EUR 9.3 billion, 90.5% was rated investment grade (BBB or higher) and 44.4% AAA/AA. By geographic region, 92% of the exposure was to EU member states, with 73.7% accounted for by the EU-17 euro area.

Liquidity

To secure an adequate level of liquidity and to minimise funding costs, the Republic of Austria supports KF by assuming guarantees for funding measures. As at 31 December 2011, government guarantees in the amount of EUR 7.0 billion were in place for this purpose. Following the scheduled redemption of a EUR 1.0 billion bond, the amount was reduced to EUR 6.0 billion by 31 March 2012. Another EUR 1.25 billion will be redeemed in December 2012, which will bring the outstanding guarantee volume down to EUR 4.8 billion by 31 December 2012. To date, funding guarantees in the amount of EUR 5.8 billion have expired without being drawn on. In 2011, a new EUR 2.5 billion guarantee for commercial paper issues was granted under the Financial Markets Support Act, which results in savings of funding costs of up to EUR 50 million per year.

Guarantee fees

Guarantee fees paid by KF since its takeover by the Republic of Austria amounted to a gross total of EUR 563.4 million as at 31 December 2011. After deduction of the restructuring contributions made by the Republic of Austria in the amount of EUR 210.0 million, net guarantee fees paid amounted to EUR 353.4 million.

Outlook

The year under review was characterised by severe market turmoil and the restructuring measures for Greece. The measures adopted are being implemented after long delays and have ultimately resulted in the first default of a euro country.

The stabilisation of the European financial markets will depend largely on the success of the European stability programmes (EFSF, ESM) and the sustainability of the intended budget consolidation measures (Fiscal Compact). The additional measures taken by the European Central Bank (ECB) are important factors of stability.

The KF portfolio, with European risks accounting for 76.6% of the total, largely depends on the stability of the European financial markets. Having reduced its portfolio by EUR 11.2 billion or 39% since the beginning of the restructuring process, KF has outperformed the targets of the restructuring plan.

The Executive Board and the staff of KF will remain committed to fulfilling their demanding tasks in a volatile market environment with great energy and dedication.

The Annual Report of KF will be published after the required entry in the Companies' Register.

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