

MID-YEAR RESULT OF KA FINANZ AG

KA Finanz AG: Restructuring process on schedule

- Result reflects volatile international financial markets
- Balanced result for the period according to Austrian Commercial Code
- Result for the period according to IFRS negative at EUR 465.7 million, with EUR 368.5 million accounted for by deteriorated valuation of the credit default swap portfolio
- Guarantee fees paid to Republic of Austria in the amount of EUR 93.6 million gross or EUR 51.2 million net, respectively
- Merger of Kommunalkredit International Bank Ltd, Cyprus (KIB), into KA Finanz AG expected for September, as planned

Vienna, 30 August 2010 – KA Finanz AG (KF) presented its interim report for the first half of 2010 today. KA Finanz AG was established in the course of the restructuring of the former Kommunalkredit Austria AG. As provided for by the restructuring plan, the company holds the non-strategic securities and CDS portfolio of the former Kommunalkredit Austria as well as the equity holding in Kommunalkredit International Bank Ltd., Cyprus (KIB).

The purpose of KF is to ensure a structured portfolio run-down. Apart from funding and risk management transactions, KF does not engage in any new business. As planned, KIB will be merged with KF in the course of the third quarter. The values disclosed reflect the first full six-month period after the demerger of the former Kommunalkredit. Comparisons with previous periods therefore are of limited relevance.

The company's operating result for first half of 2010 according to the Austrian Commercial Code is negative at EUR 86.7 million; this includes guarantee fees of EUR 93.6 million paid to the Republic of Austria. With a positive balance of EUR 89.4 million, essentially resulting from the release of provisions, the company closes the period with a balanced result according to the Austrian Commercial Code.

The IFRS after-tax result for the period is negative at EUR 465.7 million. This is due, above all, to the valuation of the credit default swap (CDS) portfolio, which deteriorated by EUR 368.5 million in the period under review. As of 31 December 2009, the valuation of the portfolio, which was negative overall, had improved by EUR 545.1 million, contributing essentially to the positive IFRS result of EUR 434.9 million for the business year 2009. According to the Austrian Commercial Code, the CDS portfolio is not recognised at market values; market volatilities therefore primarily affect the IFRS result, reflecting the higher risk premiums for sovereign risks.

As of 30 June 2010, KF's total assets amounted to EUR 22.1 billion. The bank's own funds total EUR 921.1 million, with its core capital standing at EUR 474.8 million. This corresponds to a total capital ratio of 14% and a tier-1 ratio of 7.2%. Risk-weighted assets amount to EUR 6,398.9 million. Equity according to IFRS was negative at EUR 818.1 million as of 30 June 2010.

During the first half of 2010, KF paid guarantee fees of EUR 93.6 million, while receiving restructuring contributions in the amount of EUR 42.4 million. On balance, KF paid net guarantee fees of EUR 51.2 million to the Republic of Austria. The guarantee fees are payable by KF regardless of the company's income situation.

Apart from the volatility of valuations, the risk structure was stable in the first half of the year. KF had no defaulting loans on its books. Existing risk provisions were partly released, as a nominal

volume of EUR 306.9 million, mostly impaired loans and advances to banks, from the securities portfolio was sold at prices above the impairment level.

The planned merger of KIB with KF is being implemented according to schedule. The merger is to be finalised in September 2010. In the course of the first half of 2010, KIB's headcount was reduced to four. Upon completion of the merger, the bank in Cyprus will be closed and its license returned. This will be the final step in the corporate restructuring process of the former Kommunalkredit Austria AG.

Enquiries to be addressed to:

KA Finanz AG
Cornelia Schragl-Kellermayer (Communication & Marketing)
Phone.: +43 (0)1/31 6 31-532 or +43 (0)676/88 3163 532
mailto:c.schragl@kafinanz.at; www.kafinanz.at