

Keyword: Split-up/Capital increase

### **Kommunalkredit Austria AG / Split-up**

Kommunalkredit Austria AG expects an agreement on its future capitalisation to be concluded with the Republic of Austria in the immediate future. Thus, the surety granted by the Republic of Austria on 24 April 2009 for certain assets of Kommunalkredit Austria AG in the amount of EUR 1,207.9 million will be replaced by a three-year state guarantee for liabilities in the amount of EUR 1 billion against a debtor warrant on future annual surpluses. Kommunalkredit Austria AG for its part is obliged to pay, until further notice, a consideration of 10% per year, i.e. EUR 100 million annually, to the Republic of Austria for the three-year liability guarantee.

Moreover, a capital injection of approx. EUR 250 million is expected to be granted by the Republic of Austria to Kommunalkredit Depotbank AG, a subsidiary of Kommunalkredit Austria AG, in preparation of the planned spin-off of Kommunalkredit Austria AG's core banking business to Kommunalkredit Depotbank AG. The minority shareholder of Kommunalkredit Austria AG, the Austrian Association of Municipalities, will make a contribution corresponding to its share of 0.22%. Possible measures accompanying the capital increase are to be finally agreed upon with the European Commission.

Against this background, Kommunalkredit Austria AG furthermore expects that the split-up planned in the course of its restructuring will be approved at the extraordinary general meeting scheduled for 17 November 2009 and the extraordinary general meeting of its subsidiary, Kommunalkredit Depotbank AG, to be held on the same day, by the shareholders of both companies and that, subject to entry in the Register of Companies and the approval given by the supervisory authority, the split-up will be implemented.

Implementation of the measures taken has been agreed upon in principle with the competent units of 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.

As of the effective date of the split-up, Kommunalkredit Austria's core banking business, comprising all strategic assets in the municipal and infrastructure-related segments as well as the corresponding new business, will be spun off to Kommunalkredit Depotbank AG. The future official name of Kommunalkredit Depotbank AG will be Kommunalkredit Austria AG. The other, non-strategic assets and liabilities, including the securities portfolio and Kommunalkredit Austria AG's holding in Kommunalkredit International Bank Ltd (Cyprus), remain with Kommunalkredit Austria AG, the future official name of which will be KA Finanz AG. After the split-up, the total assets of KA Finanz AG according to the new Austrian Company Code will amount to approx. EUR 17.5 billion, while the total assets of Kommunalkredit Depotbank AG (in future: Kommunalkredit Austria AG), including the capital injection, will total about EUR 16.2 billion.

In the course of the split-up, the holders of supplementary capital and participation capital of Kommunalkredit Austria AG will be granted equivalent rights pursuant to Sect. 15, sub-sect. 5, of the Austrian De-Merger Act in that existing issues remain with KA Finanz AG with their nominal value reduced to 75.83% of the original value, and Kommunalkredit Depotbank AG (in future: Kommunalkredit Austria AG) grants the holders corresponding instruments with identical terms and conditions for a nominal value of 24.17% of the original amount. This division corresponds to the ratio of the risk-weighted assets of the two companies after the split-up, as determined for the purposes of capital adequacy. From today's point of view, it must be assumed that in the foreseeable future no coupon payments will be made on the supplementary capital and the participation capital remaining with KA Finanz AG. However, the Executive Board expects that, in principle, coupon payments on such instruments at Kommunalkredit Depotbank AG (in future: Kommunalkredit Austria AG) should be possible, assuming that the bank's business develops as forecast. Moreover, the loss participation of participation capital, based on the accounting rules of the new Austrian Company Code, as already disclosed in the ad-hoc notification of 26 August 2009, is to be noted.

Further information: german version  
<http://www.kommunalkredit.at/DE/Kommunalkredit/Presse/Presstexte>

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