## PRESS RELEASE OF KA FINANZ AG

# KA Finanz AG: Supervisory Board authorises Management Board to negotiate a refinancing facility with government-owned ABBAG

- Continued operation as run-off company pursuant to section 162 Austrian Banking Restructuring and Resolution Act (BaSAG) planned
- Existing bonds, loans and private placements will be continued to be honoured and redeemed at their full nominal values upon maturity
- Efficient and cost-effective structure in a changed regulatory environment

(Vienna, 26 April 2017) – The Supervisory Board of KA Finanz AG (**KF**) authorised KF's Executive Board to negotiate with ABBAG – Abbaumanagementgesellschaft des Bundes (**ABBAG**), the sole owner of which is the Republic of Austria, on a refinancing facility that is to fully replace KF's current refinancing.

A condition of such refinancing by ABBAG would be that KF is set up as a run-off company in accordance with section 162 of the Austrian Banking Restructuring and Resolution Act (**BaSAG**). In this process, the banking licence of KF would expire. KF being set up as a run-off company would require approval by the FMA.

Being continued as a run-off company would enable KF to create an efficient and cost-effective structure in a changed regulatory environment. The regulatory framework and capital requirements for credit institutions within the EU, which are continuously being tightened, provide for constraints aiming at active commercial banks that a run-off bank such as KF can comply with only with difficulty and at higher cost.

Upon KF becoming a run-off company, the run-off horizon for KF's portfolio is envisaged to be shortened as well. Initially, complete wind-down by 2040 had been agreed on with the European Commission. As a run-off company, KF would strive to achieve this objective as early as within ten years. KF will continue to aim at making use of market opportunities and potential for the reversal of impairment losses arising in the course of the run-off.

KF is currently obtaining a portion of approximately 59% of its refinancing from the market without any direct support from the government. If the negotiations with ABBAG are successful, future refinancing would be provided in full by ABBAG, which in turn would obtain the funds required for that purpose from the Republic of Austria.

Also in case ABBAG undertakes to refinance KF and KF is set up as a run-off company, existing bonds, loans and private placements of KF will continue to be honoured and redeemed at their full nominal values at their relevant due dates. Unlike with a wind-down pursuant to section 48 BaSAG, which takes place when an institution fails or threatens to fail, KF's turning into a run-off company will not involve any creditor bail-in being imposed by the FMA. Austria's first run-off company was immigon portfolioabbau ag (formerly ÖVAG).

***For enquiries, please contact*:**

KA Finanz AG
Helmut Urban, CEO
Phone: +43 (0)1/310 06 06-600
mailto:info@kafinanz.at; www.kafinanz.at