

## **PRESS RELEASE OF KA FINANZ AG**

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### **KA Finanz AG: Austrian Financial Market Authority approves organisation as a run-off company; banking licence expires**

- KF constitutes itself as a run-off company in accordance with section 162 of the Austrian Bank Recovery and Resolution Act
- Existing bonds, loans and private placements will continue to be honoured and redeemed at their full nominal value at their relevant due dates
- Efficient and cost-effective structure in a changed regulatory environment

(Vienna, 6 September 2017) – The Austrian Financial Market Authority (Finanzmarktaufsicht) approved today that KA Finanz AG (KF) will operate permanently as a run-off company (Abbaugesellschaft) pursuant to section 162 of the Austrian Bank Recovery and Resolution Act (Bundesgesetz über die Sanierung und Abwicklung von Banken, BaSAG). With effectiveness of this approval, the banking licence of KF expires.

Being continued as a run-off company enables 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 can be complied with by a run-off bank such as KF only with difficulty and at higher costs.

Upon its reconstitution as a run-off company, the run-off horizon for KF's portfolio is envisaged to be shortened as well. The original restructuring plan had provided for a complete wind-down by 2040. As a run-off company, KF would strive at achieving this objective as early as within ten years. KF will continue to aim at making use of the market opportunities and potential impairment reversals arising in the course of the run-off.

KF's current refinancing structure is still replaced by ABBAG – Abbaumanagementgesellschaft des Bundes, the sole owner of which is the Republic of Austria.

Existing bonds, loans and private placements of KF will continue to be honoured and redeemed at their full nominal value 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 Financial Market Authority. KF will continue to be supervised by the Austrian Financial Market Authority. Austria's first run-off company was immigon portfolioabbau ag (formerly ÖVAG).

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