

EANS-Adhoc: KA Finanz AG

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Supervisory board authorises management board to negotiate a refinancing facility with governmental ABBAG - first step towards the potential handing back of banking licence and constitution of the company as a "run-off company" in accordance with the BaSAG (Austrian Banking Restructuring and Resolution Act)

Today, the supervisory board of KA Finanz AG (KF) authorised KF's management 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 constitutes itself 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. Constituting KF as a run-off company is subject to the proviso that a number of currently uncertain conditions will be complied with, in particular approval by the FMA (the Austrian Financial Market Supervision Agency) and, from today's perspective, is still uncertain, just as ABBAG's grant of refinancing to KF.

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 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. Initially, a complete wind-down by 2040 had been agreed on with the European Commission. 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 is currently obtaining a portion of approximately 59% of its refinancing from the market without any direct supporting governmental measures. If the negotiations with ABBAG are successful, refinancing in the future would be fully provided 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 constituted as a run-off company, 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.

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Stock Exchange(s) : Vienna, Luxembourg

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