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EANS-Adhoc: Kommunalkredit Austria AG / Kommunalkredit withdraws Moody's Ratings for unsecured funding instruments

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other/rating
20.06.2014

(Vienna, 20 June 2014) - Kommunalkredit Austria AG (KA) decided today to withdraw all ratings for unsecured funding instruments (bank deposit, bank financial strength rating, senior unsecured, subordinate, other short term) by Moody's Investors Service (Moody's) with immediate effect, except for its current covered bond rating of Aa2.

The decision is due to differences in opinion between the bank and Moody's regarding the - according to Moody's - reduced support propensity by the Republic of Austria (Moody's rating Aa1) for KA, which is holding a 99.78% share in KA.

Moody's argues that the draft legislation regarding Hypo Alpe Adria, which was approved by the Council of Ministers on 11 June 2014, implies a reduced support propensity by the Republic of Austria for the Austrian banking sector in general, which is now to be applied to KA in particular.

Prior to the withdrawal, the bank had the following Moody's ratings for unsecured instruments: bank deposit "Baa3", bank financial strength rating "E", senior unsecured "Baa3", subordinate "Ca", other short term "P-3". The bank deposit, senior unsecured and other short term ratings carried a negative outlook.

In the view of KA and the Republic of Austria the above mentioned draft legislation, which is still subject to the parliamentary legislative process of the Republic of Austria, does not indicate a change in the support propensity of the Republic of Austria. This was also communicated to the rating agency. Since its restructuring in 2009, KA has received neither capital nor liquidity support and at the current time no support requirement is foreseeable. Nevertheless, in accordance with the amending decision by the European Commission (EC) of 19 July 2013, the Republic of Austria has the possibility to provide respective support measures to KA.

In 2013, KA reported an annual IFRS result of EUR 20.4mn before taxes (EUR 5.1mn after taxes). For the first half 2014, KA expects a positive result. KA has a sound credit portfolio of which 93.1% is rated investment grade and which shows no overdue credit claims (non-performing-loan ratio of 0.0%). The capitalization under Basel III is solid with a total capital ratio of 22.9 % and a common equity tier 1 ratio of 16.1% as of 30 April 2014.

ISIN:

XS0285503248
XS0340901908
XS0271821513
CH0025662831
CH0024015452

XS0218834843
XS0214564972
XS0210167218
XS0100920353
XS0252707624
XS0270872640
XS0253410236
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XS1040273267
XS1045121784
XS1045221063
XS1046170699
XS1048251091
XS1055031139
XS1072804484
XS1073920255

Stock exchange:
Vienna, Luxembourg, Zurich

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