

Rating Action: CORRECTION: Moody's corrects the ratings of two senior issuances of Kommunalkredit Austria AG

Global Credit Research - 17 Jun 2010

ISINs XS0218874633 and XS0255439803 affected

Frankfurt, June 17, 2010 -- Moody's Investors Service today corrected the ratings of two senior debt securities issued by Kommunalkredit Austria AG ("Kommunalkredit") to Baa1 from Baa3. The outlook on these ratings is now stable.

The following debt issuances are affected:

XS0218874633, Series 337, JPY 300,000,000 Fixed Rate and Index Linked Notes due 18 May 2020

XS0255439803, Series 488, HUF 6,300,000,000 Callable Zero Coupon Notes due 8 June 2026

Due to an administrative error when Kommunalkredit was broken up into two entities in December 2009, Moody's erroneously linked the securities to KA Finanz AG, Austria (the wind-down entity for certain assets and liabilities of Kommunalkredit) in its systems and therefore downgraded them to Baa3 on 2 December 2009. The ratings have now been corrected to Baa1.

The corrected rating history for these debts is as follows:

13 Oct 2009 - rating downgraded to Baa1

03 Nov 2008 - rating placed on review for possible downgrade

02 Oct 2008 - rating downgraded to Aa3

20 Apr 2007 - rating upgraded to Aa2

01 June 2006 - Aa3 rating assigned for XS0255439803

10 May 2005 - Aa3 rating assigned for XS0218874633

The last rating action on Kommunalkredit was implemented on 2 December 2009, when Moody's assigned an E+ BFSR, Baa1 long-term senior debt and deposit ratings and Baa2 ratings for subordinated liabilities to the newly established Kommunalkredit after the break-up of the former Kommunalkredit Austria AG. All these ratings carry a stable outlook. Moody's also assigned Prime-2 short-term ratings to the bank.

MOODY'S METHODOLOGIES

The principal methodologies used in rating Kommunalkredit Austria AG were "Moody's Bank Financial Strength Ratings: Global Methodology", published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings", published in March 2007, and are available on www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Domiciled in Vienna, Austria, Kommunalkredit Austria AG reported total assets of EUR18 billion as of the end of December 2009 and after-tax profit of EUR2.9 million for 2009.

Frankfurt
Katharina Barten
VP - Senior Credit Officer
Financial Institutions Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Frankfurt
Carola Schuler
Managing Director
Financial Institutions Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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