

HETA ASSET RESOLUTION AG |

Publication of the annual and consolidated financial statements for 2015

Vienna/Klagenfurt am Wörthersee, 27 April 2016

- The annual financial statements pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) (separate financial statements), which are of particular relevance to creditors, show an annual deficit for 2015 of EUR -492 million (2014: EUR -7,900 million), which was mainly caused by the Supreme Court's rescission of the Hypo Alpe-Adria Restructuring Act (HaaSanG), as a result of which liabilities arose for the company in the amount of EUR -823 million. Particularly as a result of the payment moratorium in force, the balance sheet total remains almost unchanged at EUR 9.6 billion (2014: EUR 9.6 billion). The negative equity is EUR -7.5 billion (2014: EUR -7.0 billion).
- The consolidated financial statements according to IFRS show an annual result after taxes for 2015 of EUR -496 million (2014: EUR -7,418 million). The consolidated balance sheet total is reduced from EUR 12.0 billion in the previous year to EUR 11.2 billion. Nevertheless, and in accordance with the wind-down plan, loans and advances to customers and credit institutions before provisions were significantly reduced to EUR 10.2 billion (2014: EUR 12.7 billion) and the liquid funds were significantly increased to EUR 4.3 billion (2014: EUR 2.4 billion). The negative consolidated equity (excluding minority interests) is EUR -5.7 billion (2014: EUR -5.2 billion).
- On 10 April 2016 the Austrian Financial Market Authority (FMA), in its function as resolution authority, issued a further administrative decision, under which resolution measures as envisaged in the Federal Act on the Recovery and Resolution of Banks (BaSAG) are to be applied. This decision has no effect on the annual financial statements and consolidated financial statements for 2015, drawn up per 17 March 2016, since it is a non adjusting event in financial year 2016. The effects resulting from the administrative decision will be shown shortly on the company's website, and will be taken into account in the interim consolidated financial statements for Heta per 30 June 2016.
- For 2016, Heta assumes a positive annual result, both at the level of the individual institution and at Group level.

Heta is a wind-down company as envisaged in the Federal Act on the Creation of a Wind-Down Entity (GSA), the purpose of which is the management of its assets with the aim of the orderly and active realisation thereof under the best possible conditions. To achieve this aim, the company is pursuing a medium-term plan for 2016-2020 which envisages 80% of the assets being wound down by the end of 2018 and a complete wind-down by the end of 2020. Heta CEO Wirt.-Ing. Sebastian Prinz von Schoenaich-Carolath: "Our wind-down activities are making very successful progress – the proceeds are greater than as envisaged in the plan, and the costs are lower."

Since 1 March 2015 Heta has been subject to a payment moratorium in regard to eligible liabilities, issued by the Austrian Financial Market Authority (FMA) in its function as resolution authority, in accordance with BaSAG (Administrative Decision I). With the further

administrative decision issued on 10 April 2016 (Administrative Decision II), the FMA has applied the following resolution measures pursuant to BaSAG: the instrument of participation by holders of relevant capital instruments, the instrument of bail-in, a change of interest rates, a change of maturities, cancellation of rights associated with shares and property titles, assumption of control, and exercise of the management rights associated with the shares and property titles. Since the reduction of the equity and loan capital affected by these measures is a non adjusting event occurring in financial year 2016, these effects did not have to be taken into account in the annual and consolidated financial statements per 31 December 2015 as presented in the following. The effects resulting from the administrative decision will be shown shortly on the company's website, and will be taken into account in the interim consolidated financial statements for Heta per 30 June 2016, which will be published.

Consolidated financial statements according to IFRS

The **net interest result** of the Group rose in comparison with the comparable period in the previous year, from EUR 48 million to EUR 53 million, essentially as a result of the interest income from refinancing lines to former subsidiaries. Risk-adequate interest could be charged for these refinancing lines, since on the date they were first recorded the existence of an interest rate below the market rate was appropriately taken into account in the valuation.

The **commission result** for the financial year was negative at EUR -39 million (2014: EUR -19 million). The commission expenses also includes the liability commission for a loan guarantee provided by the Republic of Austria in the amount of EUR -42 million (2014: EUR -18 million).

The **result arising from the application of HaaSanG**, in the amount of EUR -1,709 million, shows the effect arising from the recent posting of the liabilities which had been removed in 2014, in consequence of the decision of the Constitutional Court of Austria of 3 July 2015 concerning the rescission of HaaSanG and its ordinance (HaaSanV). The related provision, which had been formed in the 2014 consolidated financial statements on the basis of the judgement in the first instance of Munich I Regional Court concerning the BayernLB Equity Substitution Act proceedings, ameliorates this effect in the amount of EUR 887 million, and is shown in **Other operating result**.

Per the relevant date the **trading result** shows a loss in the amount of EUR -148 million (2014: EUR 13 million). This is essentially attributable to a negative foreign currency result in consequence of the floating of the Swiss franc (CHF) at the beginning of 2015 and the resulting rise of the CHF against the Euro.

The result from financial assets shown in the balance sheet at fair value through profit or loss (fair-value option), at EUR 2 million, showed a much lower profit than in the previous year (EUR 225 million). This is essentially attributable to the almost unchanged valuation result for own issues (own liabilities).

The **operating result from property held as financial investment** rose in the financial year to EUR 39 million (2014: EUR 23 million). This result is derived from the balance of income

and ongoing depreciation, other expenses arising from investment properties, and the result of disposals.

The **Other operating result** is higher compared with the previous year, showing income of EUR 764 million (2014: EUR -1,012 million). The improved result was essentially attributable to income from the release of provisions for imminent claims of creditors, which had been formed in connection with the judgement in the first instance in the BayernLB Equity Substitute Act proceedings (EUR 887 million).

By comparison with the previous year, **credit risk provisions** in the amount of EUR 793 million were released (2014: EUR -4,169 million), mainly due to the posting of a loan guarantee as valuable collateral, positive valuation results, and realisation outcomes achieved.

The **impairments in relation to non financial assets** (in particular investment properties and repossessed assets) amounted to EUR -47 million in 2015 (previous year EUR -710 million).

On the **costs side**, the expenses were EUR 57 million lower than in the previous year, amounting to EUR -206 million. The **staff costs** were reduced by EUR 17 million, from EUR -100 million to EUR -83 million, essentially as a result of the reduction in staff numbers, with over 150 employees being transferred from Heta to the (sold) holding company for the south eastern Europe banking network (SEE network) in 2015 as part of the transfer of undertakings. The **administration costs**, at EUR -118 million, are much lower than in the previous year (EUR -156 million), although high legal and consultancy costs in particular (due to the pending legal proceedings) continue to constitute an administrative costs burden.

After the **result from undertakings valued at equity**, in the amount of EUR 2 million (2014: EUR -5 million), has been taken into account, the **annual result for 2015 before taxes from continuing operations** stands at EUR -499 million (2014: EUR -4,190 million). After earnings tax of EUR 2 million (2014: EUR -7 million) has been taken into account, the **annual result after taxes from continuing operations** stands at EUR -496 million (2014: EUR -4,197 million).

In the previous year, the **annual result from discontinued operations**, in the amount of EUR -3,221 million, resulted from the surrender of the former Italian subsidiary (HBI) (EUR -710 million) and the sale of the SEE network (EUR -2.511 million). In financial year 2015, however, no areas of business were discontinued, and accordingly no result was posted for this.

The **overall result for the Group after taxes** in 2015 was EUR -496 million (2014: EUR -7,418 million).

The negative consolidated equity (excluding minority interests) is EUR -5.7 billion (2014: EUR -5.2 billion).

Because of the company's special situation, the Executive Board regards the annual financial statements of Heta pursuant to UGB/BWG (separate financial statements) as being the more

relevant representation of as true a picture as possible of the assets, finances and liquidity situation, mainly because according to IFRS accounting rules it is not possible to post expected losses from sales of performing loans, or resolution costs that may arise in future.

Separate financial statements pursuant to UGB/BWG

The annual deficit of Heta pursuant to UGB/BWG amounts to EUR -492 million in 2015 (2014: EUR -7,900 million). The development of the result was shaped mainly by the rescission of HaaSanG / HaaSanV by the Constitutional Court of Austria (as referred to above), which led to the reinstatement of liabilities and therefore to a corresponding burden on the result in the amount of EUR -823 million.

As a result of the continuous decrease in interest-bearing loans, and in the context of an increased (because of the rescission of HaaSanG / HaaSanV) portfolio of liabilities, this leads to a significant impairment of the net interest result, which was negative at EUR -152 million (2014: EUR -53 million). The commission result in 2015 was EUR -91 million (2015: EUR -68 million), which was essentially attributable to accruals in regard to guarantee charges. The staff costs were EUR -41 million (2014: EUR -56 million), the administration costs EUR -85 million (2014: EUR -88 million), and the other operating costs EUR 0 million (2014: EUR -30 million). In all, a negative operating result of EUR -287 million arises (2014: EUR -235 million). The balance from the valuation of the current and non current assets was EUR 462 million (2014: EUR -7,930 million), reflecting the posting of a loan guarantee qualified as valuable, the realisation proceeds achieved in financial year 2015, and on balance positive valuation results from loans. Overall, the profit from ordinary activity (POA) is positive (EUR 175 million; 2014: EUR -8.165 million). The Extraordinary Result stands at EUR -656 million (2014: EUR 280 million), the main burden on this being the negative effects from the reinstatement of the liabilities which had been removed in accordance with HaaSanG / HaaSanV in 2014. Positive effects resulted from the partial release of the provision for resolution costs in the annual financial statements, which reflects lower staff costs for the following years, based in particular on large-scale staff reductions. After income tax and other taxes in the amount of EUR -11 million (2014: EUR -14 million) have been taken into account, an annual deficit of EUR -492 million arises for 2015 (2014: EUR -7,900 million).

The payment moratorium imposed by the Financial Market Authority on 1 March 2015, on the basis of which a significant portion of Heta's liabilities cannot be serviced, thus leads on a de facto basis to a "fixing" of the liabilities side (and therefore also of the balance sheet total) at EUR 9.6 billion (2014: EUR 9.6 billion). Of the assets shown per 31 December 2015 at EUR 9.6 billion, EUR 4.3 billion (2014: EUR 2.4 billion) represent liquid cash deposited with central banks. The remaining assets of Heta are made up of loans and advances to customers and subsidiaries in the amount of EUR 2.5 billion (2014: EUR 3.3 billion), loans and advances to credit institutions in the amount of EUR 2.1 billion (2014: EUR 2.5 billion), fixed income securities, shares and investment certificates in the amount of EUR 0.4 billion (2014: EUR 0.6 billion), shares in associated companies in the amount of EUR 0.1 billion (2014: EUR 0.5 billion) and other assets in the amount of EUR 0.2 billion (2014: EUR 0.3 billion). The assets of EUR 9.6 billion (2014: EUR 9.6 billion) are set against liabilities of EUR 17.0 billion (2014:

EUR 16.5 billion), resulting in negative equity of EUR 7.5 billion per 31 December 2015 (2014: EUR -7.0 billion).

Heta is faced with a large number of legal disputes, particularly in connection with the application of BaSAG. These are of great importance for the future development of Heta, and involve considerable risks. For further details on this subject, we refer to the statements made in the Notes to the annual financial statements and the consolidated financial statements for 2015.

Audit certificates

The annual financial statements and consolidated financial statements for the financial year 2015 have received an unqualified audit opinion from the auditors. As in previous years, the audit opinions for the annual financial statements and the consolidated financial statements for 2015 also include addenda to the audit certificate in which the auditor makes reference to significant explanatory comments provided by the Executive Board in the Notes.

Annual financial report 2015

The annual financial statements and the consolidated financial statements for 2015 are published in conjunction with the annual financial report pursuant to § 82 (4) BörseG, which will be provided in German and English on the company's website (www.heta-asset-resolution.com → Investors → Publications → Publications 2016) on 27 April 2016. In regard to further information reference is made to these documents.

For press inquiries:

Heta Asset Resolution AG

Dr. Alfred Autischer

Tel.: + 43 (0) 664 / 8844 64 20

Corporate Communications Management & Marketing

Tel. +43 (0) 50209 3465

Email: communication@heta-asset-resolution.com