

HETA ASSET RESOLUTION AG**Publication of the 2018 annual financial statements and consolidated financial statements**

Vienna/Klagenfurt am Wörthersee, 20 March 2019

- The 2018 **annual financial statements** (separate financial statements) show a profit from ordinary activity (POA) of EUR +297.0 million (2017: EUR +1,085.2 million). A large amount of extraordinary income was achieved in connection with settlements concluded (EUR +511.7 million), so that the annual result amounts to EUR +810 million. No net income for the period is shown, since this value was notionally set at zero as a result of the formation of a provision. Of the total assets of EUR 3.4 billion, per 31 December 2018 credit balances at OeNB accounted for EUR 2.3 billion and assets still to be wound down accounted for EUR 1.1 billion.
- The **consolidated financial statements** show a positive POA of EUR +171.2 million (2017: EUR +1,035.7 million) and EUR +511.7 million in extraordinary income from settlements.
- Per the middle of 2018 a further EUR 1.9 billion (63.112%) was paid out to creditors in the context of the **second interim distribution**.

The company

HETA ASSET RESOLUTION AG (HETA) is a wind-down unit in accordance with the Federal Act on the creation of a wind-down unit [Bundesgesetz zur Schaffung einer Abbaueinheit] (GSA), the purpose of which is the management of its assets and the commercial realisation thereof as quickly as possible. Since 1 March 2015 a moratorium on payments has applied in respect of the majority of its liabilities (Mandate Decree I). With Mandate Decree II, issued on 10 April 2016, the FMA applied numerous resolution measures in accordance with BaSAG (Bundesgesetz über die Sanierung und Abwicklung von Banken [Austrian Federal Act on the Recovery and Resolution of Banks]) and reduced the nominal value of the existing subordinated liabilities per 1 March 2015 to 0% and the non-subordinated liabilities to 46.02%. On 2 May 2017 the FMA published Administrative Decision II, which replaces Mandate Decree II and under which the nominal value of these liabilities was increased to 64.4%.

In July 2018 HETA made a second interim distribution of 18.676% related to the outstanding amount per 1 March 2015, paying out a total of EUR 1.9 billion in respect of undisputed non-subordinated liabilities and securing EUR 0.5 billion in respect of disputed non-subordinated liabilities on OeNB accounts. In total, therefore, 63.112% of the senior liabilities (which are subject to the bail-in) has already been paid off. In the course of the conclusion of a settlement with BayernLB a total of EUR 1.4 billion was paid out, which up to December 2018 was disputed and held in a guarantee account. Further previously disputed liabilities were also dealt with on the basis of additional settlements, which led to a positive effect on the income statement in 2018 and to the reduction of the guarantee accounts to around EUR 30 million.

On the basis of the very successful reduction in assets in financial year 2018, the cash reserve rose to EUR 2.3 billion in spite of the interim distributions.

Mag. Alexander Tscherteu, spokesman for the Executive Board of HETA, said: *“HETA can once again look back on a positive financial year in 2018. In addition to the company’s continued success in winding down its portfolio, with the second interim distribution and the settlements with BayernLB and the Republic of Austria we have achieved further milestones which have significantly reduced the complexity of HETA’s situation and have decisively expedited the wind-down. Since the introduction of the wind-down at the beginning of 2015 the Group’s assets have been reduced by around 90%. As a result, a cumulated annual result (adjusted for special effects) in the amount of EUR +3.3 billion has been achieved. The sales*

of companies in Bosnia and Montenegro have been successfully concluded. Further sales in 2019 will ensure that the assets of HETA will once again be significantly reduced in 2019.”

Separate financial statements pursuant to UGB/BWG

The separate financial statements for HETA for 2018 show a POA of EUR +297.0 million (2017: EUR +1,085.2 million). The net interest income fell to +8.1 million (2017: EUR +15.4 million), mainly due to the continuing decrease in interest-bearing loans. Because of the negative interest rate on the liquidity portfolio (-0.40% p.a.) this produced a negative income contribution of EUR -17.6 million. The staff costs in 2018 were EUR -24.6 million, significantly less than the previous year (EUR -37.2 million) as a result of the reduction in the number of employees. Material costs were also considerably reduced, from EUR -30.7 million to EUR -26.7 million. In total, therefore, administration expenditure was reduced by around -24%. The balance arising from the valuation of the current and non-current assets, in the amount of EUR +78.8 million (2016: EUR +912.2 million) resulted mainly from revenues from the release of credit risk provisions in relation to internal and external lending as well as revenues from write-ups and sales of investments. The settlements concluded in 2018 with BayernLB and the Republic of Austria led to extraordinary income in the total amount of EUR +511.7 million.

The total assets excluding cash reserves fell by EUR 352.2 million in 2018, to EUR 1,144.6 million (2017: EUR 1,496.8 million). The cash reserves were reduced from EUR 4,984.4 million to EUR 2,272.8 million, mainly due to the second interim distribution to creditors.

The remaining items in the total assets consist of receivables from subsidiaries of the Group and third-party customers in the amount of EUR 453.9 million (2017: EUR 689.4 million) and receivables from banks in the amount of EUR 193.0 million (2017: EUR 350.6 million). As a result of the positive course of business for the subsidiaries in 2018, write-ups were possible, so that the book value of shares in affiliated companies rose from EUR 382.8 million to EUR 463.6 million. The remaining assets amount to EUR 34.1 million (2017: EUR 74.0 million).

On the liabilities side, the liabilities which are subject to the bail-in are recognised at the value as set by the FMA (or, where applicable, less any payments made). The provision for uncertain liabilities in connection with settlement procedures is made in the amount by which the assets exceed the liabilities/provisions as shown in the balance sheet per the reference date 31 December 2018. Per 31 December 2018 this provision stands at EUR 2,618.8 million, and has increased by EUR +809.7 million on the basis of the positive result. Since Mandate Decree II was issued, the equity has been recognised as EUR 0.

Consolidated financial statements pursuant to UGB/BWG

Overall, a clearly positive POA emerges for the Group in financial year 2018 in the amount of EUR +171.2 million (2016: EUR +1,035.7 million).

In spite of the burden imposed by the negative interest rate on the liquidity portfolio, the net interest income was positive, amounting to EUR +6.7 million (2017: EUR +8.9 million). Because of the reduction in the number of employees throughout the Group, and also as a result of sales, staff costs were reduced to EUR -41.1 million (2017: EUR -59.3 million), and administrative expenses (material costs) stood at EUR -41.1 million (2017: EUR -47.5 million). In total there was a positive operating result of EUR +91.0 million (2018: EUR +208.3 million). In spite of a lump sum provision for refinancing lines provided to a former subsidiary and disposal losses on the sale of Group companies having to be taken into account, the balance arising from the valuation of the current and non-current assets is positive, amounting to EUR +80.2 million (2017: EUR +827.4 million).

The fund for general settlement risks which was formed in previous years was released in extraordinary income in 2018 in the amount of EUR +130.3 million. In addition, the settlements concluded with BayernLB and the Republic of Austria led to (extraordinary) income of EUR +511.7 million. After income taxes and other taxes in the amount of EUR -3.7 million (2017: EUR -6.4 million) are taken into account, the net income for the period stood at EUR 0 million (2017: EUR 0 million), this value having been notionally entirely set at zero as a result of the formation of a provision for uncertain liabilities in connection with settlement procedures in the amount of EUR -809.7 million.

The equity is also recognised at EUR 0 in the consolidated financial statements. The consolidated total assets excluding the cash reserves were reduced by EUR 480.2 million in 2018 to EUR 979.5 million.

The number of employees in the entire HETA Group at the end of 2018 was 430 (FTE – full-time equivalents), i.e. 187 less than the number of employees in the previous year (617).

Publications

Both the consolidated financial statements and the separate financial statements, and also a short presentation on the annual financial statements and the consolidated financial statements for 2018, are published on the company's website (www.heta-asset-resolution.com → Investor relations → Financial reports & presentations). For more detailed information, reference is made to these documents.

Queries:

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