

# HETA ASSET RESOLUTION

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**Updated version of the company  
presentation dated 20.10.2015**

**Klagenfurt am Wörthersee, 15.12.2015**

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## Introduction

With the aim of creating additional transparency and promoting the dialogue with investors and creditors, Heta Asset Resolution AG, in August 2015, set up a separate platform at [holding@heta-asset-resolution.com](mailto:holding@heta-asset-resolution.com) to deal with questions arising from these particular groups, and in October 2015 published a compilation of corresponding questions and answers.

The present information for creditors and investors represents an update on the company presentation published in October. The current compilation relates in particular to the interest of the creditors and investors in the most recently published planning, and also addresses questions that have been received in the last few weeks.

In connection with the information contained in this company presentation, the Management Board of HETA expressly refers creditors and investors to the corresponding disclaimer concerning this information. It is also pointed out that the company presentation may be updated or added to at any time; any such updates and additions can be downloaded from the HETA website under Investor Relations/Investor Information.

On this basis, in accordance with the invitation issued on 13 August 2015, creditors or their representatives can also continue to send in further specific questions of general interest to creditors and investors in writing to this e-mail address: [holding@heta-asset-resolution.com](mailto:holding@heta-asset-resolution.com). The decision as to which questions will be answered, and also as to the form and content of answers, will continue to rest with HETA.

Please note that the FMA as resolution authority is also publishing relevant information on topics relating to BaSAG and the application of BaSAG by the FMA as resolution authority, on its website ([www.fma.gv.at](http://www.fma.gv.at)). We would therefore ask you also to look at the FMA website at regular intervals.

## List of abbreviations

In this presentation, the following abbreviations are used for the following terms:

BWG	Bankwesengesetz (Austrian Banking Act)
HETA	HETA ASSET RESOLUTION AG (formerly Hypo Alpe-Adria-Bank International AG or HBIInt)
BaSAG	Bundesgesetz zur Sanierung und Abwicklung von Banken (Austrian Federal Act on the Recovery and Resolution of Banks)
GSA	Gesetz zur Schaffung einer Abbaueinheit (Austrian Federal Act for the Creation of a Wind-Down Unit)
BLB	Bayerische Landesbank
FMA	Finanzmarktaufsicht (Austrian Financial Market Authority)
MoU	Memorandum of Understanding between the Republic of Austria and the Free State of Bavaria of 7.7.2015
PL	Performing Loans
NPL	Non-Performing Loans
GREM	Group Real Estate Management (specialist division within HETA for valuation and management of real estate)
CHF	Swiss francs
m	million
B	billion
HGAA	Hypo Group Alpe Adria
HBI	Hypo Alpe-Adria-Bank SpA (Italy)
SEE	South-Eastern Europe
NBV	Net book value
UGB	Unternehmensgesetzbuch (Austrian Corporate Code)
HaaSanG	Bundesgesetz über Sanierungsmaßnahmen für die Hypo Alpe Adria Bank International AG (Austrian Federal Act on Restructuring Measures for Hypo Alpe Adria Bank International AG)
AQR	Asset Quality Review
SSM	Single Supervisory Mechanism
RSV	Realisable Sales Value
MVusa	Market Value under special assumptions
SPA	Share Purchase Agreement
AFS	Annual Financial Statements
EKEG	Eigenkapitalersatz-Gesetz (Austrian Act on Equity Substitution)
IFRS	International Financial Reporting Standards
JPY	Japanese Yen

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**1. Interim financial statements pursuant to UGB/BWG  
as of 01.03.2015**

**1.1 Overview – balance sheet as of 1 March 2015**

**1.2 Liabilities as of 1 March 2015**

# 1. Interim financial statements pursuant to UGB/BWG as of 01.03.2015

## Important notes (1/2)

The figures shown in this section are based on the separate financial statements for HETA as of 1 March 2015, pursuant to UGB/BWG, which – in the absence of any statutory requirement in this regard – have not been certified by an auditor or subjected to any auditor’s review. Since the balance sheet as of 1 March 2015 does not include any notes, it must be read in conjunction with the interim financial report in accordance with § 87 (2) of the Austrian Stock Exchange Act (BörseG), published as of the reference date 30 June 2015, and the most recently published annual financial report as of 31 December 2014.

### Additional explanatory notes concerning the balance sheet as of 1 March 2015:

- The balance sheet as of 1 March 2015 (the date on which the BaSAG administrative ruling was issued) is based on the statutory provisions set out in § 54 et seq. BaSAG and forms the basis for the drafting of the wind-down plan as envisaged in BaSAG.
- Interest-related accruals were updated, based on the actual number of days elapsed, to the reference date 1 March 2015
- All adjusting events known up to November 2015 were taken into account
- The following events, which are already described in the interim financial statements as of 30 June 2015, were taken into account irrespective of whether the underlying event was an adjusting or a non-adjusting event:
  - Closing of the sale agreement for the reprivatisation of the banking network in South-Eastern Europe (HGAA), July 2015
  - Conclusion of a Term Sheet in connection with financing provided to Hypo Alpe-Adria-Bank S.p.A. (HBI), June 2015
  - Judgement of the Constitutional Court relating to the repeal of HaaSanG, July 2015
  - Judgement of the Munich I Regional Court relating to equity-substituting loans of Bayerische Landesbank, May 2015

# **1. Interim financial statements pursuant to UGB/BWG as of 01.03.2015 Important notes (2/2)**

The valuation of assets, liabilities and provisions is based mainly on forecasts, planning, estimates and statements relating to the future, which in turn are based on the expectations, plans, estimates and forecasts of HETA at the time regarding future circumstances, and are associated with forecasts, planning, estimates and future-oriented statements based on expectations at the time, known and unknown risks, uncertainties and assumptions that may affect HETA, the HETA Group, as well as wind-down divisions, income or developments of HETA and the HETA Group. The occurrence of such risks or uncertainties, or the non-materialisation of assumptions, may cause the actual results and values of the individual assets and liabilities, as well as the actual financial position, financial performance and cash flows of HETA or of the HETA Group to deviate significantly from the present-day forecasts, plans, estimates and statements relating to the future as these have been taken into account in the balance sheet as of 1 March 2015.

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# 1. Interim financial statements pursuant to UGB/BWG as of 01.03.2015

## 1.1 Overview – balance sheet as of 1 March 2015

HETA AG separate financial statements pursuant to UGB/BWG as of 01.03.2015					
Values in millions of EUR					
Assets	01.03.2015	31.12.2014	Liabilities	01.03.2015	31.12.2014
1. Cash and balances with central banks	2.512,8	2.358,8	1. Liabilities to credit institutions	3.789,5	2.929,2
2. Treasury bills and other bills for refinancing with central banks	224,0	233,1	2. Liabilities to customers	1.661,7	1.668,1
3. Loans and advances to credit institutions	2.509,3	2.520,4	3. Liabilities evidenced by certificates	8.738,2	8.616,4
4. Loans and advances to customers	3.122,0	3.246,4	4. Other liabilities	48,4	140,5
5. Bonds and other fixed income securities	380,7	391,4	5. Deferred items	23,0	24,7
6. Shares and other non-fixed income securities	20,5	20,9	6. Provisions	1.442,2	2.122,2
7. Shares in associated companies	0,0	0,0	6A. Fund for general banking risks	0,0	0,0
8. Shares in affiliated companies	542,7	505,3	7. Subordinated liabilities	1.928,0	1.095,6
9. Intangible fixed assets	3,7	3,6	8. Supplementary capital	0,0	0,0
10. Tangible fixed assets	4,1	4,1	9. Issued capital	3.494,2	3.494,2
11. Other assets	278,2	316,2	10. Appropriated paid in capital	0,0	0,0
12. Deferred items	20,4	9,3	11. Profit reserves	0,0	0,0
			12. Liability reserves	0,0	0,0
			13. Net accumulated losses	-11.506,8	-10.481,4
<b>TOTAL ASSETS</b>	<b>9.618,4</b>	<b>9.609,5</b>	<b>TOTAL LIABILITIES</b>	<b>9.618,4</b>	<b>9.609,5</b>

### Information on off-balance sheet items

Other off balance sheet financial obligations in millions of EUR (UGB)	01.03.2015	31.12.2014
<b>Contingent liabilities</b>	<b>213</b>	<b>215</b>
<b>Credit risks</b>	<b>429</b>	<b>436</b>

# HETA ASSET RESOLUTION

## HETA AG interim financial statement as of 01.03.2015: BALANCE SHEET pursuant to UGB/BWG - CLASSIFICATION OF LIABILITIES

### LIABILITIES (amounts in millions as of 01.03.2015)

		Towards BayerLB	BONDS (with provincial government guarantee)	CASH COLLATERALS 1) (excluding SEE-Netzwerk)	Förderbank economic development bank (asset-backed liability)	Liabilities towards former SEE network (of which 37.1m Cash Collateral)	Accrued interest	Other		
1. Liabilities to credit institutions	3.790	2.446	475	545	74	79	14	156		
			BONDS via Pfandbriefstelle (with provincial government guarantee)	Towards IC group company (securities investment company 1)	Towards other IC group companies	Accrued interest	BONDS (without provincial government guarantee)	Other		
2. Liabilities to customers	1.662	1.328	37	172	53	34	25	13		
			ISSUES (with provincial government guarantee)	MORTGAGE BONDS (asset-backed liabilities, covered pool 2)	ISSUES via Pfandbriefstelle (with provincial government guarantee)	Accrued interest				
3. Liabilities evidenced by certificates 7)	8.738	282	6.928	266	1.201	62				
			Liabilities arising from guarantee fee to Province of Carinthia	Liabilities arising from guarantee fee to Republic of Austria	Accrued interest and upfront payments received from derivatives transactions	Other				
4. Other liabilities	48	23	6	17	3					
			Deferral from release of liability swaps (own issues)	Deferral of premium (own issues)						
5. Deferred Items	23	22	1							
			CLOSING COSTS incl. legal and consultancy costs (business related) 4)	Anticipated loss provision from derivatives 5)	Risks arising from credit business (third parties)	Risks arising from credit business (IC group companies)	BayerLB: Provisions for compensation claims and costs of EKEG proceedings	PROVISION FOR STAFF I (Pension provision without provincial government guarantee 3m, severance 4m, restructuring 24m, other staff provisions 9m)	PROVISION FOR STAFF II Pension provision (with provincial government guarantee)	Other provisions
6. Provisions	1.442	451	488	249	36	6	80	40	3	88
			OTHER SUBORDINATED CAPITAL (with provincial government guarantee)	INTEREST ON SUBORDINATED CAPITAL third parties (unguaranteed)						
7. Subordinated liabilities	1.928	1.005	893	30						
8. Supplementary capital 6)	0									
		Participational capital 2009	Participational capital 2013	SHARE CAPITAL						
9. Issued capital	3.494	275	800	2.419						
10. Appropriated paid-in capital	0									
11. Liability reserve	0	-8.013								
12. Net accumulated losses	-11.507									
<b>Total liabilities</b>	<b>9.618</b>									

339	Asset-backed liabilities
2.808	Liabilities towards and provisions in connection with BayerLB
913	Liability items derived from derivatives business and generally liquidity-neutral
11.120	Total provincial government-guaranteed liabilities

Note: In its own holdings (balance sheet item "A5. Bonds and other fixed interest securities"), HETA AG holds non-subordinated liabilities evidenced by certificates of issue CH0028623145 (shown under "Liabilities evidenced by certificates/issues with provincial government guarantee") in a nominal amount of CHF 5,000,000. As of 1.3.2015, this corresponds to a euro equivalent of the CHF nominal amount of EUR 4.701 million.

### Remarks:

- General point relating to the provincial government guarantee: The amounts shown as liabilities "with provincial government guarantee" relate to the euro equivalents for the nominal amounts of the liabilities secured by the guarantee provided by the Province of Carinthia.
- General point regarding accrued interest following the imposition of the BaSAG payment moratorium by the resolution authority: Interest amounts falling due after 1.3.2015 are shown during the year in 2015 centrally under the item "Liabilities to credit institutions".
- Cash collaterals: These include cash collateral payments received from counterparties in derivatives business for positive (from HETA AG's perspective) market values
- Pfandbriefstelle with cover pool hedging: CHF 250 million and EUR 20 million with provincial government guarantee, remaining amount of EUR 10.5 million without provincial government guarantee
- Provision in connection with sale of SEE network: The amount of EUR 451 million is made up as follows: provision for goodwill sale EUR 248 million, liability fee EUR 148 million, profit participation FIMBAG EUR 44 million, legal and consultancy costs EUR 6 million, and provision for costs EUR 5 million
- Closing costs included therein: EUR 414.7 million, relating to costs of materials and staff expenses less costs passed on arising within HETA AG up to the end of 2020
- Provision for imminent losses on derivatives: Relates to the provision for negative market values from derivatives transactions; as a general rule, cash collateral deposits are required for negative (from HETA AG's perspective) market values from derivatives
- Supplementary capital: The supplementary capital issues are shown with a book value of EUR 0 on the basis of the loss allocations in preceding years
- Liabilities evidenced by certificates: It has been found that the classification of the item "Liabilities evidenced by certificates" shown in the company presentation as of 30 June 2015 on page 17 contained out-of errors. The data are subsequently corrected as follows:

		Towards BayerLB (Nom. CHF 300m)	ISSUES (with provincial government guarantee)	MORTGAGE BONDS (asset-backed liabilities, covered pool 2)	ISSUES via Pfandbriefstelle (with provincial government guarantee)	Accrued interest	
3. Liabilities evidenced by certificates (amounts as of 30.06.2015)	8.816	288	6.933	270	1.202	123	Values shown
	8.816	288	6.943	270	1.205	110	Corrected values

**2. Questions on the investor information of 20.10.2015**

## 2. Questions on the investor information of 20.10.2015

2. 1 If a loss-free valuation is assumed in the 2<sup>nd</sup> half of 2015, why is there a negative result of EUR 27 million, although planning is neutral in regard to profit or loss?

Details HETA AG - UGB			
Alle Werte in mEUR			
Income statement in millions	HY 2015	Budget 2015	Budget 2015 vs. HY 2015
<b>Interest and similar income</b>	<b>239,6</b>	<b>440,8</b>	<b>201,2</b>
<b>Interest and similar expenses</b>	<b>245,0</b>	<b>465,4</b>	<b>220,4</b>
<b>Net interest income</b>	<b>-5,4</b>	<b>-24,6</b>	<b>-19,2</b>
Income from securities and participations	0,7	0,0	-0,7
Commission income	0,9	1,4	0,5
Commission expenses	-36,9	-63,8	-26,9
Income/expenses from financial transactions	-28,8	-25,0	3,8
Other operating income	15,1	10,5	4,6
<b>Operating income</b>	<b>-54,3</b>	<b>-101,5</b>	<b>-47,2</b>
General administrative expenses	-40,9	-95,2	-54,3
<i>Staff costs</i>	-21,3	-46,1	-24,8
<i>Other administrative expenses</i>	-19,6	-49,1	-29,5
Depreciation of assets	-1,0	-2,5	-1,6
Other operating expenses	-0,9	-0,1	-1,0
<b>Operating expenses</b>	<b>-41,0</b>	<b>-97,8</b>	<b>-56,8</b>
<b>Operating result</b>	<b>-95,3</b>	<b>-199,4</b>	<b>-104,0</b>
<b>Valuation result UGB</b>	<b>-85,8</b>	<b>-85,2</b>	<b>0,6</b>
<b>POA</b>	<b>-181,1</b>	<b>-284,6</b>	<b>-103,5</b>
Extraordinary result	-901,4	-825,2	76,3
<i>of which HaaSanG</i>	-823,0	-823,0	0,0
<i>of which closing</i>	26,6	97,8	71,2
<i>of which other extraordinary result</i>	-105,1	-100,0	5,1
Taxes	-1,2	-1,0	0,2
<b>ANNUAL RESULT AFTER TAXES</b>	<b>-1.083,7</b>	<b>-1.110,7</b>	<b>-27,0</b>

In the planning assumption for the second half of 2015, a negative result of around EUR 27 million is expected, which is mainly attributable to the operational course of operating income and operating expenses. The valuation result is developing as planned in the 2015 budget. The planning assumptions for the 2015-2020 medium-term planning include the facts as known at the time of drafting.

## 2. Questions on the investor information of 20.10.2015

### 2. 2. What is included in the “valuation result UGB” item?

The planned valuation result for Heta AG (UGB) in the 2015 financial year is around EUR -85 million. This mostly includes the sale of SEE to Advent, which envisages about EUR -75 million for the planned retail brush and about EUR -145 million for the SEE collateral agreement. In addition, because of the subsidy provided by Bundesholding to HBI, the HBI credit line in Heta AG has been revalued and as a result, a release of the specific valuation allowance of about EUR 120 million has been planned. Furthermore, the release of risk provisions for corporate customer business and unwinding has also been planned.

The subsequent years 2016-2020 include the general course of the planned release of the risk provisions as of the date on which the medium-term planning was drawn up.

## 2. Questions on the investor information of 20.10.2015

2.3 What is the interest income in the planning phase 2016 to 2020 based on? What proportion of this is non-cash interest income (“unwinding”) and what proportion is cash (for each year)?

Interest income	BP 2016	BP 2017	BP 2018	BP 2019	BP 2020
Cash-effective income	308,9	163,4	144,7	149,4	143,8
Non-cash effective income	55,7	48,8	48,8	30,1	20,4
<b>Total interest income</b>	<b>364,6</b>	<b>212,2</b>	<b>193,5</b>	<b>179,5</b>	<b>164,2</b>

The planned interest income basically includes the ongoing interest income from the refinancing of the Heta Asset Resolution subsidiaries (cash-effective), the interest income from the SEE credit line (cash-effective) and the planned interest income from Treasury business (cash-effective). In addition, the interest income from the still performing credit business, the Corporate and Public segment, was included in the planning. The expected swap income in relation to the existing capital market securitisations on the date of planning has also been taken into account (cash-effective). The discounting effect in regard to SEE was planned on a “non-cash effective” basis.

The discounting effect (allowing for the low interest rate) on the refinancing line of SEE was planned on a “non-cash effective” basis.

## 2. Questions on the investor information of 20.10.2015

2. 4 Interest on the liabilities covered by the moratorium are recognised in accordance with assumptions but not paid out. The total interest expenses for 2016 to 2020 come to around EUR 1.2 billion. What amount of this is unpaid interest expenses (for each year) and under what item have these unpaid interest amounts been entered on the liabilities side?

Interest expenses	BP 2016	BP 2017	BP 2018	BP 2019	BP 2020
Cash-effective expenses	-58,4	-90,7	-111,9	-93,7	-67,9
Non-cash effective expenses	-301,9	-130,7	-91,2	-94,1	-102,7
<b>Total interest expenses</b>	<b>-360,4</b>	<b>-221,4</b>	<b>-203,1</b>	<b>-187,8</b>	<b>-170,6</b>

The planned interest expenses basically include the ongoing interest expenses of ON-balance business, interest expenses arising from swap business and interest expenses arising from liabilities subject to BaSAG (non-cash effective). In the first draft for the medium-term planning, the BaSAG liabilities (around EUR 700 million) were mostly entered on the liabilities side under other liabilities, and only partly recognised under securitised liabilities or subordinated liabilities.

### **2. Questions on the investor information of 20.10.2015**

**2. 5 What cash receipts from the existing assets as of 31 December 2015 were assumed in the planning calculation? Is it only the current book values (discounted cash values from future cash receipts) that increase the cash funds, or are the actually realised nominal amounts taken into account? How is the unwinding (which seems to be assumed in the income statement) taken into account in the balance sheet planning?**

According to current planning assumptions, a cash balance sheet level of around EUR 6.3 billion is expected from the sale of the lending business, for the planning period 2015 to 2020. For the current budget year 2015, a cash balance sheet level of around EUR 2.9 billion is planned. Undiscounted cash values (RSV after cash-neutral consideration of unwinding in P&L) were assumed in the credit business (loans) and in assets on stock (MVusa). In the AQR methodology which is used for receivables, it is assumed that an external investor will profit from the nominal value, not Heta. Nominal amounts for financial investments with maturity terms up to 2020 were taken into account.

## **2. Questions on the investor information of 20.10.2015**

**2.6 What do the other liabilities for the years 2016 to 2020 consist of? To what extent do these lead to a cash outflow after 2020?**

The other liabilities increase in the period 2016 to 2020 as a result of the Bayern LB interest accruals and BaSAG capital market securitisations, and also because of the subordinated liabilities. A cash outflow after 2020 has not yet been taken into account in the present (provisional) medium-term planning according to GSA, and needs to be presented in the context of the resolution plan.

## **2. Questions on the investor information of 20.10.2015**

### **2.7 What is included in the other assets and the deferred income for 2020? To what extent do these lead to a cash inflow after 2020?**

The other assets include primarily fixed assets (tangible and intangible) of around EUR 10 million, other receivables (planned as expiring) of around EUR 40 million, and accruals. In the cash inflow, these have been accounted for at their respective book value.

The other liabilities contain primarily deferred interest, provisions of around EUR 110 million, and accruals of around EUR 20 million (continuation of accrued expenses in connection with accounts payable, etc.).

## 2. Questions on the investor information of 20.10.2015

### 2. 8 What will the amount of the residential building promotion loans and the refinancing line to HGAA and to HBI be in 2020?

The residential building promotion loans are currently shown in the provisional medium-term planning according to GSA at a volume of around EUR 267 million in 2020.

For HGAA, a volume of around EUR 1.2 billion and a specific valuation allowance of around EUR 0.723 billion (net balance EUR 477 million) is planned.

For HBI, HETA is currently planning a credit line of around EUR 1.1 billion and a balance of the specific valuation allowance to the tune of EUR 483 million by 2020.

**Is there any indication that, from the present perspective, these are non-recoverable or will not lead to a cash inflow in the full amount?**

#### ➤ HGAA

According to the present estimation, the refinancing line to HGAA will continue unchanged until 2020 at a net balance of EUR 817 million (IFRS). This does not include the repayment mechanisms set forth in the SPA, such as the additional purchaser brush and legal disputes. From the present perspective, however, it is not possible to estimate the figures, although it is to be assumed that the cash inflow will tend to be significantly lower.

#### ➤ HBI

Currently, the refinancing lines towards HBI stand at EUR 467 million (net balance as of 1.12.2015). Once the final new business plan for HBI has been received from HBI-BH, HETA will immediately assess any possible revaluation of the HBI refinancing lines.

## 2. Questions on the investor information of 20.10.2015

**2. 9 What provisions will still be in place in 2020 (EUR 110 million)? To what extent will these lead to a cash outflow after 2020?**

In the present (provisional) medium-term planning for 2015-2020, the following provisions will still apply in 2020:

- 1) Provision for litigation costs with Bayern LB, around EUR 70 million
  
- 2) Provision for SEE collateral agreement, around EUR 40 million (agreement runs until 2022)

According to the contractually agreed terms, the collateral agreement will be paid to the Federal Government up to 2022.

## **2. Questions on the investor information of 20.10.2015**

**2. 10 a) What will be the effect of the general settlement with the Free State of Bavaria on the booked provision for compensation and litigation costs (EUR 80 million)?**

For the answer to this question, we refer to the detailed statements on question 14.

**2. 10. b) How is the provision currently taken into account in the planning?**

The provision for litigation costs, in the amount of around EUR 70 million (according to the HY financial statements), has been left unchanged in the current (provisional) medium-term planning 2015-2020.

### **2. Questions on the investor information of 20.10.2015**

**2. 11 The indicative planning calculation shows a reduction in liabilities towards banks over the planning period. What items are being reduced here? The reduction in the item is € 96 million greater than can be explained from the total of the two items (BayernLB + bonds).**

The item liabilities towards banks, in the present (provisional) medium-term planning for 2015-2020, covers not only the Bayern LB lines and the bonds falling within the scope of BaSAG, but also payment transaction accounts and cash-collateral deposits of the swap partners.

The payment transaction accounts and the cash collateral accounts have been planned as expiring.

The final amount in 2020 (EUR 2,898 million) is made up of EUR 2,383 million for BLB (the slight difference between 01.03. and 30.6. is due to the CHF exchange rate), EUR 475 million in bonds, and EUR 40 million in payment transaction costs / cash collateral).

## **2. Questions on the investor information of 20.10.2015**

**2.12 How has the Pfandbrief mortgage bond, which is covered by a cover pool with a nominal amount of CHF 250 million and expires in 2016, been accounted for in the planning calculation? How are the other (still existing) mortgage bonds accounted for in the planning?**

In the current (provisional) medium-term planning for 2015-2020, the entire capital market liabilities, including mortgage bonds, have been left unchanged up to 2020.

## 2. Questions on the investor information of 20.10.2015

**2. 13 How is the default guarantee provided by the Republic of Austria taken into account in the planning calculation, and what effect would any changed estimation of the intrinsic value of the guarantee have on the company's cash position? To what extent is the guarantee currently utilised?**

The default guarantee was regarded as basically retaining its intrinsic value over the planning period. However, no inflows of liquidity are planned on the basis of the Republic's liability, i.e. the cash inflow from the guarantee has been entered as zero in the medium term planning 2015-2020. If the guarantee were to be fully utilised, the cash inflow would therefore increase by EUR 197 million.

At present the guarantee still stands in the amount of EUR 197 million, with EUR 62 million drawn. EUR 36.5 million was accounted for in the 2014 annual financial statements (9 cases arising from 2014). Drawing has been requested for a further EUR 25.2 million in 2015.

Since there has not yet been any inflow of liquidity from the guarantee, full utilisation of the guarantee would increase the cash position by EUR 197 million.

### 2. Questions on the investor information of 20.10.2015

**2. 14 Since the publication of the information on 20 October, have any new facts emerged which influence the assumptions regarding realisation of the assets (dates, amount) and the other topics (general settlement, sale of HGAA, HBI) on which the development of the cash position is based?**

**a) General settlement: → Has the Memorandum of Understanding been implemented?**

The MoU was implemented on 11 November 2015. In deviation from the originally intended termination of the EKEG proceedings between HETA and BayernLB by a settlement, it was decided to continue the proceedings until a final and absolute decision is obtained. However, all other elements of the MoU were implemented.

Nevertheless, BLB stated in advance that it would be willing to make certain concessions regarding its claims in the EKEG proceedings. These are as follows: even if BayernLB is awarded a higher claim in the EKEG proceedings by final decision, BayernLB will only participate in the resolution of HETA in the amount of EUR 2.4 billion plus interest at the statutory rate. This statement is subject to the proviso that BayernLB's claim participates with equal rights and with the same rank as that of the other senior creditors in any resolution of HETA pursuant to BaSAG, or in any insolvency proceedings in regard to the assets of HETA, or in any other form of resolution. In addition, BayernLB has stated that it is willing to waive the institution of compulsory enforcement measures and to limit itself to participating in the resolution of HETA as far as its claim against HETA is concerned. Regarding the claims of HETA against BayernLB arising from the counterclaims, no restrictions have been envisaged. If HETA successfully obtains a final and absolute decision regarding these claims, the claim amounts in question can also be collected from BLB. With the exception of the claims arising from the EKEG proceedings and certain derivatives transactions between BayernLB and HETA, all reciprocal claims between BayernLB and HETA have been settled in the context of the implementation of the MoU. In addition, the so-called "action for error" brought by the Republic of Austria against BayernLB as the first defendant and HETA as the second defendant has been terminated. The MoU does not govern possible claims of HETA against the Republic of Austria; these claims are not affected by the agreements that have been reached.

## **2. Questions on the investor information of 20.10.2015**

**2. 14 Since the publication of the information on 20 October, have any new facts emerged which influence the assumptions regarding realisation of the assets (dates, amount) and the other topics (general settlement, sale of HGAA, HBI) on which the development of the cash position is based?**

**a) General settlement : → What are the next steps in the EKEG proceedings?**

The deadline for the submission of the appeal justification has been extended to 1 February 2016. HETA is currently preparing its appeal justification.

## 2. Questions on the investor information of 20.10.2015

2. 14 Since the publication of the information on 20 October, have any new facts emerged which influence the assumptions regarding realisation of the assets (dates, amount) and the other topics (general settlement, sale of HGAA, HBI) on which the development of the cash position is based?

a) General settlement: → What effects will the implementation of the MoU have on the balance sheet?

As a result of the unilateral statement by BayernLB, the claim situation is as shown under the “MoU” column. This is compared with the balance sheet position as of 1 March 2015.

Comparison: Effects of the MoU vs. balance sheet HETA 1st March 2015			
amounts in € mil.	balance sheet 01.03.2015	MoU	Δ
<b>Liabilities against BayernLB:</b>			
liability (nominal value)	2.524	2.400	124
interests	188	-	188
other liabilities	16	-	16
	<b>2.728</b>	<b>2.400</b>	<b>328</b>
<b>Provisions recorded in connection with BayernLB</b>			
for potential damage claims	70	-	70
	<b>2.798</b>	<b>2.400</b>	<b>398</b>

The question of whether and when the liabilities/provisions formed are to be reduced will be conclusively judged in the context of the drafting of the annual financial statements and the consolidated annual financial statements as of 31 December 2015.

## **2. Questions on the investor information of 20.10.2015**

**2. 14 Since the publication of the information on 20 October, have any new facts emerged which influence the assumptions regarding realisation of the assets (dates, amount) and the other topics (general settlement, sale of HGAA, HBI) on which the development of the cash position is based?**

**b) Sale of HGAA:**

There have been no changes regarding the sale of HGAA to Al Lake (Advent). As was already known in October, the purchase price has been paid in due time.

## **2. Questions on the investor information of 20.10.2015**

**2. 14 Since the publication of the information on 20 October, have any new facts emerged to influence the assumptions regarding realisation of the assets (dates, amount) and the other topics (general settlement, sale of HGAA, HBI) on which the development of the cash position is based?**

### **c) Sale of HBI:**

It is expected that HBI-BH will present a wind-down plan for HBI by 17.12.2015, with details on portfolio and network sale. HBI-BH and HBI are working on the wind-down plan with the support of external experts.

Once the final new business plan for HBI has been received from HBI-BH, HETA will immediately assess any possible revaluation of the HBI refinancing lines.

## 2. Questions on the investor information of 20.10.2015

2. 15 In what amounts are cash earnings and expenses from derivatives included in the planned income statement for the years 2016 to 2020? Will there be outstanding derivatives in 2020, and if so in what amount?

Income from swaps	BP 2016	BP 2017	BP 2018	BP 2019	BP 2020
Swap income	257,5	115,7	91,3	90,7	91,2
Swap expenses	-57,9	-90,2	-111,4	-93,2	-67,4
<b>Net interest income from swaps</b>	<b>199,6</b>	<b>25,5</b>	<b>-20,1</b>	<b>-2,5</b>	<b>23,8</b>

The income from swaps is planned in the current (provisional) medium-term planning for 2015-20 as shown in the table. At the present time, it is expected that there will no longer be any positions after 2020.

On the basis of the relevant agreements (framework agreements for futures contracts and collateral agreements), HETA AG and the respective market partner have undertaken to provide security for negative market values arising from derivatives transactions.

For HETA AG, this consists exclusively of cash collateral amounts that are received or provided. These collateral amounts are replaced on a daily or weekly basis, due consideration being given to any Independent Amounts/Thresholds/Minimum Transfer Amounts.

Any termination of derivatives will be carried out on a liquidity-neutral basis, since the termination price should in principle correspond to the value of the collateral. Deviations between collateral levels and the termination prices are for the most part determined by the date of termination, on the basis of any different valuation models or Bid/Offer Spreads.

According to UGB/BWG, positive swap market values cannot be shown in the balance sheet. However, positive market values will generally lead to the counterpart in the derivative transaction having to make a security deposit in the form of cash collateral, which is shown by HETA in the balance sheet. The resulting effects on the balance sheet are an increase in the liquidity position (assets) and an increase in the liabilities towards credit institutions (liabilities). In IFRS, in addition to the cash collateral amounts being shown on the balance sheet (see above), positive market values from derivatives are shown in the "market values from derivatives" balance sheet item.

## 2. Questions on the investor information of 20.10.2015

**2. 16 Liabilities in the amount of approx. 850 million CHF have original maturities in 2015, which have been deferred to 30.5.2016 on the basis of the moratorium. In addition there are also JPY liabilities. Are foreign currency liabilities hedged against currency fluctuations in the context of an issue swap, and if so in what amount?**

As stated, this relates to a CHF volume due in 2015 in the amount of approx. EUR 820 million which is covered by BaSAG.

The JPY volume can be stated at around EUR 15 million.

Of this, a proportional volume of around EUR 63 million has been issued in the form of issues via the Pfandbriefstelle.

Derivatives are generally not affected by BaSAG, so that to that extent any “issue hedges” (i.e. 1:1 interest swaps; currency swaps) expire with the maturity date and therefore no longer exist.