HETA ASSET RESOLUTION

Interim financial report 2016

Heta Asset Resolution

Key data based on the interim consolidated financial statements in accordance with IFRS

Heta Asset Resolution (Group)		EUR m
	2016	**2015**
Income statement	**1.1. -30.6. ** **	**1.1. -30.6.* **
Net interest income	-66.3	31.3
Net fee and commission income	-0.6	-10.0
Impairment on financial assets – at cost (risk provision)	121.3	143.0
Operating expenses	-65.0	-73.8
Operating result – prior to risk provisions on loans and advances	6,815.4	-1,234.7
Operating result – after risk provisions on loans and advances	6,936.7	-1,091.6
Result before tax (from continued operation)	6,936.6	-1,091.6
Result after tax	6,858.3	-1,112.1
Statement of financial position	**30.6.**	**31.12.**
Loans and advances to customers	6,527.9	7,550.3
Liabilities to credit institutions	2,002.4	3,400.0
Liabilities to customers	889.6	1,509.8
Liabilities Pfandbriefbank	770.8	1,241.9
Liabilities evidenced by certificates	4,494.0	7,600.1
Subordinated capital/Hybrid capital	0.0	2,005.3
Equity (including non-controlling interests)	1,134.1	-5,720.6
Total assets	10,334.5	11,153.5
Moody's rating	**30.6.**	**31.12.**
Long-term (liabilities not covered by statutory guarantee)	withdrawn	withdrawn
Long-term (liabilities covered by statutory guarantee)	Ca	Ca
Short-term	withdrawn	withdrawn
Bank Financial Strength Rating (BFSR)	withdrawn	withdrawn
Employees and locations	**30.6.**	**31.12.**
Employees at closing date (Full Time Equivalent – FTE)	1,217	1,329
Employees average (FTE)	1,280	1,612

The values in the interim consolidated financial statements as at 30 June 2016, 30 June 2015 and the consolidated financial statements as at 31 December 2015 are based on the gone concern assumption

*) Previous year values in the income statement for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued operations

**) The haircut also affects the current income statement; we refer to the information in the notes (in particular note (13) Interest and similar expenses)

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Note:
Due to the special situation at Heta Asset Resolution AG (Heta), the Executive Board believes that the separate financial statements of Heta Asset Resolution AG pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) provide a more relevant presentation of the correct description of the asset, financial and earnings position. Therefore Heta also releases semi-annual financial statements pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) (separate financial statements, but no management report) for 30 June 2016 on its homepage (www.heta-asset-resolution.com -> Investor Relations -> Financial reports & presentations) in addition to the mandatory interim financial report pursuant to section 87 (1) Stock Exchange Act (BörseG), which is prepared on a consolidated basis and in application of international financial reporting standards (IFRS). These separate financial statements are prepared for the purpose of providing creditors with relevant information. Due to the significant effects from the application of the Emergency Administrative Decision II from 10 April 2016 (which have been included in the statements), the financial statements were subjected to a (voluntary) audit and received an unqualified audit opinion, although with additional emphasis of matter with regard to the audit opinion.

Interim management report 2016

1. Business purpose of Heta Asset Resolution AG and legal framework conditions

Heta Asset Resolution AG (the former Hypo Alpe-Adria-Bank International AG), was founded in 1896 as a Landes- und Hypothekenbankanstalt, and acts as the parent company of the Heta group (formerly Hypo Alpe Adria). Since 30 December 2009, it has been 100% owned by the Republic of Austria.

In implementing the legal mandate to wind down the former Hypo Alpe-Adria-Bank International AG, the Austrian Financial Markets Authority (FMA), in its decision from 30 October 2014, announced the termination of the banking license. The company has since been continued as Heta Asset Resolution AG (in short: Heta) in the form of a partially-regulated wind-down unit in accordance with the Federal Act on the Creation of a Wind-down Entity (GSA) (Federal Law Gazette I 2014/51, GSA). The business purpose of Heta is the full wind down of its assets. According to section 3 (1) Federal Act on the Creation of a Wind-down Entity (GSA), the wind-down unit must “ensure the orderly, active and best possible exploitation (portfolio wind-down)”. The company must subsequently be liquidated. Within this context, it is also authorised, on the basis of the legal concession under the Federal Act on the Creation of a Wind-down Entity (GSA), to continue to enter into banking or leasing transactions that serve this purpose. According to section 3 (4) Federal Act on the Creation of a Wind-down Entity (GSA), Heta is subject to some of the provisions of the Austrian Banking Act (BWG) and accordingly has assumed certain reporting and notification duties vis-a-vis the Financial Markets Authority (FMA). Following the determination of a considerable asset coverage shortfall in February 2015, and the imposition of a payment moratorium on 1 March 2015 by the Financial Markets Authority (FMA) in its capacity as the resolution authority, the company has been subjected to an orderly wind-down process pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG).

The Financial Markets Authority (FMA), in its capacity as the resolution authority, has exercised the rights associated with the shares and property titles in Heta since 10 April 2016.

The consolidated financial statements for 31 December 2015 contain more information and notes than the interim consolidated financial statements for 30 June 2016. Therefore the interim consolidated financial statements must be read in conjunction with the most recently published consolidated financial statements for 31 December 2015.

As the Executive Board is of the view that the separate financial statements of Heta Asset Resolution AG pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) are more relevant with regard to providing a correct description of the asset, financial and earnings position particularly from the creditor's point of view, special reference is hereby made to the statements on the interim financial statements pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) in section 2.7 Semi-annual financial statements for Heta Asset Resolution AG as at 30 June 2016 pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG).

2. Overview of the first half of 2016

2.1. Changes on the Supervisory Board

Mag. Regina Friedrich, Mag. Alois Hochegger, DI Bernhard Perner as well as Mag. Christine Sumper-Billinger, who supported Heta’s progression from a regulated banking institution to a deregulated wind-down unit, left the Supervisory Board effective 29 June 2016.

In exercise of its ownership rights since the Mandate Decree II from 10 April 2016, the Financial Markets Authority (FMA) added several new members to the supervisory body at the extraordinary shareholders´meeting of Heta Asset Resolution AG on 29 June 2016. Dr. Stefan Schmittmann was appointed Deputy Chairman of the Supervisory Board, while Mag. Regina Ovesny-Straka was appointed a member of the Supervisory Board.

The Financial Markets Authority (FMA), which exercises all owners' rights in Heta since the Emergency Administrative Decision II from 10 April 2016, appointed Dr. Karl Engelhart as a new member of the Supervisory Board at the extraordinary shareholders’ meeting on 18 August 2016.

Dipl.-Kfm. Michael Mendel remains the Chairman of the Supervisory Board.

2.2. Financial Markets Authority’s (FMA) emergency administrative decisions pursuant to the Federal Act on the Recovery and Resolution of Banks (BASAG)

2.2.1. Emergency Administrative Decision I

In order to ensure that the objective of a “quickest possible wind-down of the portfolio” as set out in the Federal Act on the Creation of a Wind-down Entity (GSA), is reflected in the measurement approaches, Heta performed a group-wide review of the assets that are relevant to the portfolio wind-down, a so-called “Asset Quality Review (AQR)”, at the end of 2014. After the first interim results of the group-wide Asset Quality Review (AQR), which with regard to Heta’s annual financial statements for 31 December 2014 pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) indicated a capital shortfall ranging from EUR 4.0 billion to EUR 7.6 billion, which was above the state aid range approved by the Commission of the European Union (EU Commission), became known in February 2015, the Republic of Austria, in its capacity as Heta's owner, let it be known that it would no longer take any more measures on Heta's behalf pursuant to the Financial Market Stability Act (FinStaG).

As a consequence, on 1 March 2015 the Financial Markets Authority (FMA), issued an emergency administrative decision (Emergency Administrative Decision I) pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG), which subjected all of Heta's "eligible liabilities" to a moratorium until 31 May 2016 in preparation for the application of the "bail-in" of creditors.

On 10 April 2016, the Financial Markets Authority (FMA), issued an administrative decision about the challenges procedure ("Vorstellungsbescheid") that fully confirmed and replaced the Emergency Administrative Decision I. Remedies were required to be filed against this administrative decision of the Financial Markets Authority (FMA) with the Federal Administrative Court within a four week period starting on 10 April 2016. The administrative decisions were published on the Financial Markets Authority (FMA) website, and can be found at https://www.fma.gv.at/heta-asset-resolution-ag/. In addition, they can also be obtained from Heta's website at www.heta-asset-resolution.com (→ Investor Relations → Ad hoc releases 2015/2016).

2.2.2. Emergency Administrative Decision II

Also on 10 April 2016, the Financial Markets Authority (FMA), announced another emergency administrative decision containing wind-down measures relating to Heta ("Emergency Administrative Decision II"). With this emergency administrative decision, the following wind-down measures pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) were applied to Heta with immediate effect:

- The reduction of common equity tier 1 and reduction of the nominal value of the instruments of supplementary capital to zero
- "bail-in" of creditors, in particular
    - o the reduction of subordinated "eligible liabilities" as at 1 March 2015 including the respective interest accrued up to 28 February 2015 to zero
    - o the reduction of non-subordinated "eligible liabilities" as at 1 March 2015 including the respective interest accrued up to 28 February 2015 to 46.02%
    - o the reduction of the nominal values or outstanding residual amounts of "eligible liabilities" arising from court proceedings against Heta or of the other disputed „eligible liabilities", including those with regard to the facts which were already established as of 1 March 2015, even though the occurrence or amount is uncertain, to 46.02%, including the respective interest accrued up to 28 February 2015
- Change in interest rates: reduction in the interest rate on „eligible liabilities" of Heta as at 1 March 2015 to 0%.
- Change in maturity dates: Change in scheduled maturity dates for all „eligible liabilities" to the date of the decision to dissolve the company pursuant to section 84 (9) of the Federal Act on the Recovery and Resolution of Banks (BaSAG), but not later than 31 December 2023
- Cancellation of rights associated with the shares and titles of ownership, exercise of control and management; and rights associated with the shares and titles of ownership by the Financial Markets Authority (FMA)

The Emergency Administrative Decision II can be found at https://www.fma.gv.at/heta-asset-resolution-ag/and on Heta's website at www.heta-asset-resolution.com (→ Investor Relations → Ad Hoc releases 2016). An appeal against Emergency Administrative Decision II by the Financial Markets Authority (FMA) could have been submitted within three months after it was released (10 April 2016), although this would not have had any suspensory effect. Both Emergency Administrative Decisions are based on the Federal Act on the Recovery and Resolution of Banks (BaSAG), which was used to implement the European Bank Recovery and Resolution Directive (BRRD) in Austria. Accordingly the decisions must also be recognised in all EU member states.

2.2.3. Lawsuits in connection with Emergency Administrative Decisions I and II

Eleven lawsuits have been filed against Heta in Germany by investors for payment of bonds and applicable interest, which was not paid on the original payment day as a result of the moratorium. All of these lawsuits are pending at the Regional Court of Frankfurt am Main (Frankfurt Regional Court). The lawsuits comprise bonds with a nominal value of EUR 2.2 billion and CHF 33.0 million.

The plaintiffs dispute the recognition of the measures by the Financial Markets Authority (FMA) according to the Federal Act on the Recovery and Resolution of Banks (BaSAG), and request full payment - despite the "bail-in" of creditors and the deferral stipulated in the emergency administrative decisions. According to German law, judgements by courts of first instance may be declared provisionally enforceable against collateral (section 709 Code of Civil Procedure (ZPO)), which leads to the risk that plaintiffs will already apply for enforcement on the basis of a judgement by a court of first instance.

Since the beginning of the proceedings, Heta, referring to the need to clarify the basic question under European law - namely whether Heta falls under the scope of the European Bank Recovery and Resolution Directive (BRRD) - has requested that the court proceedings pending at the Frankfurt Regional Court be suspended until a decision is handed down by the European Court of Justice (ECJ). On 16 March 2016 the Financial Markets Authority (FMA) also submitted applications to the competent Frankfurt Regional Court pursuant to section 59 (1) Federal Act on the Recovery and Resolution of Banks (BaSAG), requesting the suspension of all pending court proceedings or alternatively the preliminary enforcement measures. As a result of Emergency Administrative Decision II, which has been issued in the meantime, and in reference to the submissions made to the European Court of Justice by the Vienna Commercial Court and the Federal Administrative Court, the Financial Markets Authority (FMA) on 18 May 2016 submitted additional applications to suspend all proceedings pending in Frankfurt until such time as a preliminary ruling is issued by the European Court of Justice (ECJ) (see item 2.2.3.3 Proceedings before the European Court of Justice (ECJ)).

On 21 June 2016, the Frankfurt Regional Court suspended its original decision to announce a ruling and also submitted the legal questions regarding the applicability of the European Bank Recovery and Resolution Directive (BRRD) to Heta and the recognition of the wind-down measures in other member states, which must be assessed from the viewpoint of European law, to the European Court of Justice (ECJ) as a preliminary question. Heta expects that other similarly positioned proceedings will also result in suspensions/submissions to the European Court of Justice (ECJ).

Against this background, and as a result of the Memorandum of Understanding between the Republic of Austria and a large number of creditors which was concluded in the meantime, eight of the eleven pending Federal Act on the Recovery and Resolution of Banks (BaSAG) proceedings before the Frankfurt Regional Court have been suspended. With regard to the remaining proceedings, it is not expected that any decisions will be handed down until the fall of 2016. Similarly, most of the 34 lawsuits filed against Heta in Austria have also been suspended, or no dates have been set.

The Emergency Administrative Decisions I and II are also the subject of the 34 lawsuits pending against Heta at Austrian courts with regard to the subordinate bonds affected by the Hypo Alpe Adria Restructuring Act (HaaSanG). With the decision of the Constitutional Court of Austria (VfGH), which repealed the Hypo Alpe Adria Restructuring Act (HaaSanG) and the regulation issued under the act, the disputed issue in the proceedings has been restricted to the applicability of the payment moratorium to Heta (which has been in place since 1 March 2015), and the applicability of the wind-down measures ordered in the meantime pursuant to Emergency Administrative Decision II.

2.2.3.1. Proceedings in connection with the deficiency guarantee by the State of Carinthia

Three legal proceedings were initiated against Heta by the State of Carinthia and the Kärntner Landes- und Hypothekenbank - Holding (KLH) in connection with the legal proceedings initiated by investors against the State of Carinthia and the Kärntner Landesholding (KLH) on the basis of the deficiency guarantees ordered by state law in connection with the bonds affected by the moratorium. Heta has initially joined these proceedings on the side of the state and the Kärntner Landes- und Hypothekenbank - Holding (KLH) as an intervenor.

Two proceedings resulted in a judgement of the first instance against the plaintiff. The plaintiff has appealed these decisions. The plaintiff also lost both proceedings at the appeal stage before the Higher Regional Court (OLG), and is now attempting to bring about a decision by the Supreme Court (OGH) by way of a further appeal. Because of changes to the facts and the legal situation, Heta has decided to withdraw as an intervenor in these two proceedings. The third proceedings have been suspended since the spring 2016.

2.2.3.2. Austrian Equity Substituting Capital Act (EKEG) proceedings

In the judgement of Regional Court of Munich I as the court of first instance in the legal dispute regarding the Austrian Equity Substituting Capital Act (EKEG) between Heta and Bayerische Landesbank (BayernLB), the court noted that the measures taken by Austrian legislators and the supervisory authorities in connection with the wind-down of Heta would not be recognised in Germany, and it did not take into account the deferral ordered by Emergency Administrative Decision I of the Financial Markets Authority (FMA) pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) on the basis of mainly formal arguments. This point of view, which Heta believes to be incorrect, was disputed in the grounds of appeal.

On 18 May 2016, Heta received an order from the Higher Regional Court Munich (OLG) in which the court is considering, on the basis of the applicable Federal Act on the Recovery and Resolution of Banks (BaSAG) and Emergency Administrative Decision II issued in the meantime by the Financial Markets Authority (FMA) on 10 April 2016, to interrupt the proceedings and to withdraw recognition of the mutual need for legal protection due to the Memorandum of Understanding (MoU) concluded between the Republic of Austria and the Free State of Bavaria. Both Heta and Bayerische Landesbank (BayernLB) have objected to an interruption of the proceedings.

2.2.3.3. Proceedings before the European Court of Justice (ECJ)

Both the Vienna Commercial Court and the 12th civil division of the Frankfurt Regional Court submitted to the European Court of Justice (ECJ), in line with “preliminary ruling procedures”, various questions regarding the applicability of the European Bank Recovery and Resolution Directive (BRRD) and the applicability of the haircut to Heta, and regarding the recognition of these measures in other member states. In another proceeding in which the Financial Markets Authority (FMA) rather than Heta is a participant, the Austrian Administrative Court has also initiated a preliminary ruling procedure and has approached the European

Court of Justice (ECJ) with the question regarding the personal/time-related application scope of the European Bank Recovery and Resolution Directive (BRRD).

A certification procedure was commenced at the European Court of Justice (ECJ) on 13 May 2016 - based on legal proceedings against Heta, which are pending at the Vienna Commercial Court. The preliminary ruling procedures by the Vienna Commercial Court and the Austrian Administrative Court have in the meantime been combined into one single proceeding by the European Court of Justice (ECJ).

Preliminary ruling procedures are not used to perform a concrete review of measures or laws implemented by the member states. Rather, the relevant EU regulations provide the courts in the member states with the opportunity, or an obligation, to submit concrete individual questions about EU law that are relevant to the case to the European Court of Justice (ECJ), so it may decide on the relevant interpretation. Thus the European Court of Justice (ECJ) does not make decisions regarding the existence or non-existence of claims, but rather provides “instructions” regarding the interpretation of issues under EU law, which represent preliminary questions in a legal dispute. National courts that have submitted such questions must then take the questions that have been answered by the European Court of Justice (ECJ) into account when making their decisions.

Against this background, Heta has determined two possible outcome scenarios with regard to the preliminary ruling procedure:

- The European Court of Justice (ECJ) responds to the questions that have been submitted as envisioned by Heta; that is, that Heta falls under the personal/time-related scope of the European Bank Recovery and Resolution Directive (BRRD) and that the haircut is covered by the BRRD in terms of the factual aspects, and/or that the measures must in any case be recognised in accordance with other provisions under European law.
- Alternatively, the European Court of Justice (ECJ) could answer the questions that were submitted contrary to the outcome envisioned by Heta, i.e. it denies that the measures are covered by the European Bank Recovery and Resolution Directive (BRRD).

In the case of the first scenario, it can be expected, with a high degree of certainty, that the lawsuits filed by the creditors before the competent courts will be dismissed as unfounded. In that case, the wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) would continue without disruptions.

The second scenario could lead to judgements that are negative for Heta, and subsequent enforcement attempts by creditors against Heta. The company believes that this scenario has the potential to threaten the orderly wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG).

It is expected that the proceeding before the European Court of Justice (ECJ) will take on average 16 to 18 months.

2.2.3.4. Proceedings before the Constitutional Court of Austria (VfGH)

Two of the three submitted requests to the Constitutional Court of Austria (VfGH) related to the Federal Act on the Recovery and Resolution of Banks (BaSAG) regarding a review of the constitutionality of the law and the admissibility of including Heta under this law were dismissed by the Constitutional Court of Austria (VfGH) in the fall of 2015. As a result of the submissions that have been made to the European Court of Justice (ECJ), the Constitutional Court of Austria (VfGH) has suspended its decision regarding the third request until such time as the European Court of Justice (ECJ) hands down its decision.

2.2.3.5. Possible consequences of a judgement against Heta in connection with the Federal Act on the Recovery and Resolution of Banks (BaSAG)

A judgement ordering Heta to pay the liabilities demanded in these legal disputes and a possible compulsory enforcement in favour of various creditors would run counter to the wind-down measures ordered by the Financial Markets Authority (FMA) with Emergency Administrative Decision II. For this reason, Heta will not only fight any potential judgements handed down by a court of first instance in order to settle the recognition of the Federal Act on the Recovery and Resolution of Banks (BASAG), but will also initiate all available legal remedies to defend against enforcement measures. The satisfaction of individual creditors could oppose the principle of equal treatment of creditors under the Federal Act on the Recovery and Resolution of Banks (BaSAG), the (balanced) assumption of losses by the creditors and the ensuring that creditors are not put in a worse position as compared to liquidation measures taken in the course of an insolvency.

The wind-down measures applied in Emergency Administrative Decision II aim to prevent a situation in which Heta becomes insolvent during the wind-down timetable. Over-indebtedness as a reason for insolvency does not apply to Heta pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA). An application for insolvency can only be filed by the Financial Markets Authority (FMA).

2.3. Effects of the haircut on the consolidated financial statements

With the Emergency Administrative Decision II from 10 April 2016, the Financial Markets Authority (FMA) ordered the application of the wind-down instrument of the „bail-in“ of creditors and the „bail-in“ of owners of relevant capital instruments at the parent company Heta. Heta's “eligible liabilities" were reduced to 46.02% of the amount outstanding as at 1 March 2015 (including interest), whereas subordinated liabilities were reduced to zero. The Emergency Administrative Decision II also set the interest to zero retroactively from 1 March 2015. As a result, those liabilities that were recognised for the 1 March 2015 to 9 April 2016 period were also subject to the haircut, and were reduced accordingly.

The terms of the "eligible liabilities", which were amended by intervention of the public authorities, initially led to the complete derecognition (9 April 2016) and re-recognition of the new liabilities that had been reduced to 46.02% (10 April 2016). The new liabilities in the amount of 46.02% had to be recognised at the fair value on 10 April 2016. In addition, the reduced liabilities were also classified as liabilities measured at fair value through profit or loss (FV option), and are therefore measured at the fair value on 30 June 2016 and in subsequent periods.

The changes in Heta's separate financial statements are generally reflected in the consolidated financial statements.

2.3.1. Effects on the IFRS consolidated statement of financial position for 30 June 2016

The liabilities side in the IFRS consolidated statement of financial position for 30 June 2016 changed as a result of the implementation of Emergency Administrative Decision II. The derecognition of "eligible liabilities" as a result of the „bail-in" of creditors reduces the amount of liabilities and provisions by EUR 7.0 billion.

In addition, the issued capital, consisting of Heta's capital stock and participation capital, was reduced to zero. The „bail-in" of creditors and the bail-in of owners of relevant capital instruments had the following effects on the IFRS consolidated statement of financial position for 30 June 2016:

EUR bn

	30.6. 2016	31.12. 2015	total change	thereof change from BaSAG
"bail-in" of creditors				
Liabilities to credit institutions	2.0	3.4	-1.4	-1.1
Liabilities to customers	0.9	1.5	-0.6	-0.6
Liabilities Pfandbriefbank	0.8	1.2	-0.4	-0.5
Liabilities evidenced by certificates	4.5	7.6	-3.1	-3.0
Provisions	0.7	0.5	0.2	0.2
Other liabilities	0.1	0.2	-0.1	0.0
Subordinated capital	0.0	2.0	-2.0	-2.0
Total	**9.0**	**16.4**	**-7.4**	**-7.0**
Instrument of participation by holders of relevant capital instruments:				
Equity	**1.1**	**-5.7**	**6.9**	**7.0**
thereof issued capital	0.0	2.4	-2.4	-2.4
thereof participation capital	0.0	1.1	-1.1	-1.1
thereof retained earnings	1.1	-9.2	10.4	10.5

2.3.2. Effects on contingent liabilities as at 30 June 2016

According to the Emergency Administrative Decision II, the contingent liabilities that must be reported in the statement of financial position must also be reduced to 46.02% of the amount outstanding on 1 March 2015 (including interest), in addition to the reduction in „eligible liabilities". Contingent liabilities are reduced by a total of EUR 16.0 million, and amount to EUR 60.4 million as at 30 June 2016.

2.3.3. Effects on IFRS consolidated statement of comprehensive income for the first six months of 2016

The result from the „bail-in" of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) adds up to EUR +7.0 billion (1 January to 30 June 2015 EUR 0.0 billion), and is made up of the following components:

EUR bn

	1.1. - 30.6.2016
Result from the derecognition (100%) and renewed recognition (46.02%) of "eligible liabilities"	9.1
Fair value assessment of liabilities reduced to 46.02%, as at 10 April 2016	-2.1
D of basis adjustments in line with the derecognition of "eligible liabilities"	0.2
Consideration of future (reduced) guarantee fees in connection with derecognised liabilities	-0.2
Result of "bail-in" of creditors according to (BaSAG) (IFRS)	**7.0**

For additional details on this topic, please refer to the statements under note (17) Result from the „bail-in" of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) in the notes for the interim consolidated financial statements.

2.4. Repurchase offer from the State of Carinthia

On the basis of the statutory authorisation pursuant to section 2a of the Financial Market Stability Act (FinStaG), the Kärntner Ausgleichszahlungs-Fonds (K-AF) on 20 January 2016 submitted offers for those Heta debt instruments for which the State of Carinthia and also the Kärntner Landes- und Hypothekenbank - Holding (KLH) have assumed a guarantee. The offers required the approval of at least two-thirds of the affected creditors of non-subordinated and subordinated debt instruments. On 14 March 2016, the Kärntner Ausgleichszahlungs-Fonds (K-AF) announced that the creditors of the debt instruments had not accepted the offer.

The Republic of Austria and a significant number of creditors of Heta's state-guaranteed debt instruments signed a Memorandum of Understanding (MoU) on 18 May 2016, in which the parties confirm their common intention to achieve an amicable agreement regarding the restructuring of Heta's state-guaranteed liabilities. Heta itself was not a party to the MoU, and was not involved in the negotiations.

It is planned that the Kärntner Ausgleichszahlungs-Fonds (K-AF) will submit a new public offer on the basis of section 2a of the Financial Market Stability Act (FinStaG). Based on the currently available information, this offer is expected to be submitted in the fall 2016.

The repurchase offers of the Kärntner Ausgleichszahlungs-Fonds (K-AF) and their non-acceptance do not have a direct effect on Heta's financial statements for 30 June 2016, since they only pertain to the level between Heta's creditors and the Kärntner Ausgleichszahlungs-Fonds (K-AF) and thus are outside of Heta's sphere.

2.5. Wind-down plan pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA)

According to section 5 of the Federal Act on the Creation of a Wind-down Entity (GSA), the wind-down of the portfolio is to be conducted according to a wind-down plan drawn up by the Executive Board and approved by the Supervisory Board. Due to the order requiring the wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) with Emergency Administrative Decision I, which left the further course of action adopted by the Financial Markets Authority (FMA) with regard to the time period after 31 May 2016 open, Heta was forced to suspend the completion of the wind-down plan pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA) until such time as the future course of action was clarified. With regard to the completion of the wind-down plan, it therefore became legally necessary to wait whether and (if yes) in which form the Financial Markets Authority (FMA) would create the conditions for an orderly wind-down process by issuing a directive for wind-down measures.

For this reason, Heta has not published an official wind-down plan to date. In the meantime, Heta did however prepare a plan that met the legal requirements for the portfolio wind-down. These activities were given the name "Medium-term planning", and were made publicly available in line with the company presentations published in October and December 2015, and in April 2016.

On 10 April 2016, the Financial Markets Authority (FMA) issued Emergency Administrative Decision II, which imposed significant resolution measures with regard to Heta. The publication of Emergency Administrative Decision II provided the basis for finalising the wind-down plan.

Emergency Administrative Decision II issued by the Financial Markets Authority (FMA) has far-reaching implications for Heta's wind-down plan. The following planning-related simplified assumptions were made with regard to the repayment of the „eligible liabilities" pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG), and the portfolio of cash liquidity (wind-down plan according to the Federal Act on the Creation of a Wind-down Entity (GSA)):

- For planning purposes it is assumed that the „eligible liabilities" covered under Emergency Administrative Decision II are not serviced during the wind-down period of 2016 - 2020 and that they are reduced respectively to 0% or 46.02% due to the "bail-in" of creditors as specified in the emergency administrative decision. Interest expenses attributable to these liabilities starting from 1 March 2015 are set to zero.
- The planned return flows from the reduction in Heta's assets increase the cash liquidity position of Heta Asset Resolution AG accordingly, since they are not used to pay the „eligible liabilities". In coordination with

the Financial Markets Authority (FMA), Heta generally invests its entire cash liquidity at the Austrian National Bank (OeNB). The wind-down plan assumes that it will continue to do so during the entire course of the wind-down.

- The possible earlier distribution of the income from disposals as provided for in Emergency Administrative Decision II was not taken into account on a planning level in the current wind-down plan.
- The company still expects that assets (excluding cash liquidity) will be reduced by approximately 80% by the end of 2018, starting from the end of 2014. To achieve the targets, receivables and real estate are to be sold to investors mainly through individual transactions.
- The planning assumptions relating to the receivables from Hypo Alpe-Adria-Bank S.p.A., Udine (HBI) and Addiko Bank AG (former Hypo Group Alpe Adria AG) were examined separately, since these are still expected to remain in place after 2020 for term-related reasons. Similarly, some finance lease receivables have terms that exceed the planning period and are not wound down completely in the current wind-down plan.

Heta reached these planning-related assumptions independently for the wind-down plan according to the Federal Act on the Creation of a Wind-down Entity (GSA).

The Heta Supervisory Board approved the wind-down plan on 25 August 2016 and subsequently forwarded it to the Federal Minister of Finance and the Chancellor. Heta published the main contents of the wind-down plan on the same day.

Pursuant to section 5 (4) GSA, the wind-down plan must be adjusted and re-submitted to the Supervisory Board for approval if the circumstances that are of relevance to the wind-down plan change. Heta will review the wind-down plan on a regular basis and will initiate a corresponding update of the wind-down plan if such circumstances should arise.

2.6. Winding down investment companies and portfolio sales

2.6.1. Sales activities

Significant progress was made in terms of the wind-down of investments during the first six months of 2016. Activities in this area focused on the wind-down of investment companies and portfolios as well as assets, in particular residential and commercial real estate.

The projects that were established in 2015 with the aim of putting together non-performing loans (NPL) portfolios and offering them in the market, were continued. Several binding offers have been received for the “PATHFINDER” project, which consists of a non-performing loans (NPL) portfolio of secured loans to Croatian borrowers. It is expected that this transaction will be completed in the fourth quarter of 2016. The public tender for the “DRAVA” project (unsecured non-performing (NPL) portfolio) took place in May 2016, and the data room was opened in June 2016. In addition, it is expected that industry-specific portfolios from Germany and Bulgaria will also be sold in the near future.

2.6.2. Disposal of participations and assets

The wind-down of the investment portfolio continued significantly during the first six months of 2016.

The disposal process for the wholly-owned group company Centrice Real Estate GmbH (Centrice) and its 15 subsidiaries was successfully completed. The closing for this transaction took place on 28 June 2016, following the signing of the sale agreement on 31 May 2016. At the same time, the seller paid (in cash) 80% of the purchase price, which covers Centrice and all of its 15 subsidiaries and all associated financing lines.

The closing for the sale of the Macedonian group company Heta Asset Resolution Leasing DOOEL Skopje took place on 27 July 2016.

The sales procedures for a large Croatian tourism project resulted in a top bidder; intensive negotiations are currently ongoing.

Several binding offers were received for the public tender for the sales of Heta Asset Resolution Italia S.r.l. (HARIT) including its subsidiary Malpensa Gestioni Srl. The sale agreement with the top bidder was signed on 5 August 2016, while the closing is expected to take place sometime in the second half of 2016.

2.7. Semi-annual financial statements for Heta Asset Resolution AG as at 30 June 2016 pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG)

Due to the special situation at Heta Asset Resolution AG (Heta), the Executive Board considers the Heta's semi-annual financial statements pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) (single financial statements) to be the more relevant method for true and fair view of the net assets, financial- and liquidity situation for the creditors.

For this reason, financial semi-annual figures from Heta as single institute pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) as at 30 June 2016, are made available on a voluntary basis in addition to the preparation and publication of IFRS interim consolidated financial statements required under section 87 (2) Stock Exchange Act (BörseG). The semi-annual financial statements, which consist of the balance sheet, income statement and the notes (but not a management report) were audited and certified with an unqualified audit opinion (albeit with additional emphasis of matters to the audit opinion), and are published at www.heta-asset-resolution.com (-> Investor Relations -> Financial reports & presentations).

Substantial deviations occur as a result of the different accounting principles that are applied to the consolidated financial statements (IAS/IFRS) and the single financial statements (UGB/BWG). In addition to the measurement differences that apply in the various financial reporting concepts, expected future operating losses in particular cannot be anticipated in the consolidated financial statements. Such expected losses, which are not taken into account under IFRS, result from, among others, differences in the consideration of events after the balance sheet date, operating expenses yet to be incurred, and expected losses on disposals for performing loans and real estate.

The main deviations with regard to the loss-free measurement of the assets of the holding company pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) could not be recorded in the IFRS consolidated financial statements:

- Expected future operating losses by the subsidiaries included in the consolidated financial statements (EUR -0.6 billion), which were included in the measurement of the refinancing lines to subsidiaries under the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG);
- Future expected losses from the sale of performing loans (EUR -0.1 billion) for which an impairment was also recognised pursuant to section 57 (1) Austrian Banking Act (BWG);
- Future expected personnel and administrative costs for Heta's wind-down process (EUR -0.2 billion), for which a (wind-down cost) provision was recognised under the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG);
- Measurement difference for the measurement of provisions in connection with guarantees that have been assumed (EUR -0.1 billion).

The semi-annual financial statements of Heta Asset Resolution AG pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) (separate financial statements) for 30 June 2016 are as follows:

EUR m

Statement of financial position (condensed version)	30.6.2016	31.12.2015
ASSETS		
Cash in hand, balances with other banks	5,327.0	4,273.4
Loans and advances to credit institutions	1,430.5	2,054.5
Loans and advances to customers	1,945.7	2,504.0
Fixed income securities, shares and investment funds	212.0	375.3
Shares in affiliated companies	69.4	85.4
Tangible and intangible fixed assets	6.5	6.9
Other assets	163.3	256.3
Total assets	**9,154.4**	**9,555.8**
EQUITY AND LIABILITIES		
Equity	0.0	-7,478.8
Liabilities to credit institutions	1,444.4	3,519.5
Liabilities to customers	705.3	1,480.7
Liabilities to Pfandbriefbank	573.7	1,245.2
Liabilities evidenced by certificates	3,336.2	7,642.4
Subordinated capital	0.0	1,969.7
Provisions and other liabilities	3,094.7	1,177.1
(thereof provision for contingent liabilities related to resolution procedures)	2,123.7	0.0
Total equity and liabilities	**9,154.4**	**9,555.8**

EUR m

Profit and loss (condensed version)	30.6.2016
Net interest income	-80.0
Net fee and commission income	-14.6
Net income from trading activities	19.9
Other income	38.6
Operating income	**-36.1**
Operating expenses	-42.1
Operating result	**-78.3**
Result from derivatives, loans and advances, securities and participations	408.2
Result from ordinary activities	**329.9**
Extraordinary result (thereof result from application of the “bail-in” of creditors pursuant to BaSAG)	7,152.6
Taxes	-3.7
Net profit according UGB/BWG	**7,478.8**
Capital decrease according to BaSAG	3,494.2
Loss carried forward	-10,973.0
NET ACCUMULATED PROFIT	**0.0**

The application of Emergency Administrative Decision II resulted in a reduction to 0% (issued capital and subordinated liabilities) and 46.02% (other “eligible liabilities”). The amount resulting from the reduction is reported in the income statement for the first six months of 2016.

Since providers of equity capital can only be paid out of any surplus net assets after all of the creditors’ claims have been satisfied, these claims must be set to a value of EUR 0 (equity) as at 30 June 2016.

A provision for contingent liabilities related to resolution procedures was formed, in the amount of the difference at which the creditor claim is likely to be revived, by which the assets reported in the balance sheet will exceed the liabilities from the balance sheet for 30 June 2016. As at 30 June 2016, this provision amounts to EUR 2.1 billion.

3. Economic development of the Group

3.1. Development of results

By way of introduction, it is noted that the measurement that forms the basis for the interim financial statements is based on the gone concern assumption.

The main focus of operating activities continues to be the wind-down of the portfolio pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA), which is implemented as planned. The development of results during the first six months of 2016 was greatly affected by the implementation of the new Emergency Administrative Decision II on 10 April 2016. Overall, Heta's group result for the first six months of 2016 (after taxes and before minority interests) amounts to EUR 6,858.3 million (1 January to 30 June 2015: EUR -1,112.1 million), a large part of which is based on one-time effects from the application of the wind-down instrument of the "bail-in" of creditors.

The net interest income for the group declined over the same period of the previous year from EUR 31.3 million (adjusted value) to EUR -66.3 million. This represents a decrease of EUR -97.6 million, which is mainly due to the fact that interest expenses for "eligible liabilities" were only recognised until 9 April 2016, and the wind-down of interest derivatives from the first six months of 2016, which leads to a lower interest income (net) of EUR 62.0 million compared to the previous year. In addition, the haircut also led to the derecognition of the hedge adjustments, so that starting on 10 April 2016, no interest income has been collected from the amortisation of hedge adjustments. As a result, interest income has decreased by EUR 38.6 million over the same period of the previous year. Income from the derecognition of the hedge adjustments is no longer reported in the interest result but in the result from the "bail-in" of creditors according to the Federal Act on the Recovery and Resolution of Banks (BASAG). Because of the significant amount of non-performing loans (NPL), much of the interest income from loans and advances to customers results from "unwinding", the collection of interest on the basis of the present value of the net receivables. The interest result also contains expenses from the guarantee commission in the amount of EUR -14.5 million for the subordinated bond of EUR 1.0 billion that was issued in December 2012 with a guarantee from the Republic of Austria, even if it was not paid on account of the payment moratorium imposed by the Financial Markets Authority (FMA) that took effect on 1 March 2015. Since this concerns an "eligible liability", expenses were only recognised under interest expenses until the effective date of Emergency Administrative Decision II. The future obligations, which have been reduced to 46.02% pursuant to the decision, are shown in the result from the "bail-in" of creditors according to the Federal Act on the Recovery and Resolution of Banks (BASAG).

The net fee and commission income for the first six months of 2016 improved over the previous year's comparative period from EUR -10.0 million to EUR -0.6 million (EUR 9.4 million). The result for the first six months of 2015 contained charges of EUR -10.0 million due to expenses for guarantee commissions, which related to the credit guarantees provided by the Republic of Austria.

The gains/losses on financial instruments that are not measured at fair value in the income statement amounted to EUR 0.5 million (1 January to 30 June 2015: EUR 1.1 million).

The result from the "bail-in" of creditors according to the Federal Act on the Recovery and Resolution of Banks (BaSAG) relates to the implementation of the haircut ordered by the Financial Markets Authority (FMA), and amounts to EUR 6,976.8 million (1 January to 30 June 2015: EUR 0.0 million). With the Emergency Administrative Decision II from 10 April, the Financial Markets Authority (FMA) is applying the wind-down instrument of the "bail-in" of creditors. According to this instrument, all "eligible liabilities" must be reduced to 46.02% of the nominal value or the amount outstanding by 1 March 2015, including interest accrued until 28 February 2015; subordinated "eligible liabilities" are reduced to zero. In addition, the due dates for the "eligible liabilities" were changed to the date of the resolution on dissolution for Heta, or 31 December 2023, and the interest rate was retroactively set to zero as at 1 March 2015. These changes in the terms initially lead to the complete derecognition of the currently accounted for "eligible liabilities" and the re-recognition of the new liabilities that have been reduced to 46.02%. The derecognition on 9 April 2016 and the re-recognition of the new liabilities on 10 April 2016 results in a net income of EUR 9,122.8 million. The new liabilities of 46.02% had to be recognised at the fair value on 10 April 2016. This fair value approach that is applied to the liabilities results in a contrary effect on the result of EUR -2,146.0 million. This effect from the fair value measurement for the most part takes into account the obligation that the expected net assets must be distributed to creditors at the time of the resolution on dissolution, but at the latest on 31 December 2023.

The trading result was EUR 6.7 million (1 January to 30 June 2015, adjusted value: EUR -135.1 million). The trading result includes a result from currency-related transactions in the amount of EUR 10.8 million (1 January to 30 June 2015: EUR -182.5 million), which was affected by the appreciation in the Swiss Franc in 2015 during the comparative period.

The result from hedge accounting was almost balanced in the first half of 2015 at EUR -0.2 million. Given the lower effectiveness between the underlying transaction and the hedge on 30 June 2016 as compared to the valuation date of the previous year, and the fact that the contrary value changes do not fully cancel out, the result from hedge accounting amounts to EUR -2.5 million for the first six months of 2016.

The result from financial instruments - designated at fair value through profit or loss, which must be accounted for at the fair value through profit or loss (fair value option), amounted to EUR -88.5 million, compared to EUR 64.1 million in the previous year's comparative period. The "eligible liabilities" that were reduced on the basis of the Emergency Administrative Decision II and fully derecognised as at 9 April 2016 are recognised on 10 April 2016 at 46.02% at fair value and assigned to the category "liabilities measured at fair value through profit or loss". The fair value measurement of these liabilities as at 30 June 2016 leads to a result of EUR -80.6 million (P&L effect from 10 April to 30 June 2016).

The operating result from investment properties, which was EUR 12.6 in the previous year's period (adjusted value), was again positive in the first six months of 2016 at EUR 19.2 million. This result is due to the net balance of income and current depreciation and other expenses from investment properties.

In the comparative period of the previous year (EUR 586.5 million, adjusted value), other operating result (EUR 20.8 million) was affected by one-time effects, in particular income from the reversal of provisions in connection with the judgement in the BayernLB-EKEG proceedings in the amount of EUR 886.5 million. The other operating result of EUR -24.4 million for the first six months of 2016 includes the expenses from complete sale of the Centrice companies.

During the first six months of the 2016 financial year, risk provisions on loans and advances of EUR 121.3 million were released (1 January 2015 to 30 June 2015, adjusted value: EUR 143.0 million).

The positive result from the impairment of non financial assets was EUR 1.2 million for the first six months of 2016, compared to EUR -1.7 million (adjusted value) for the previous year's comparative period. These results are connected to the measurement of investment properties and repossessed assets.

On the cost side, expenses declined by EUR 8.8 million compared to the previous period. Personnel expenses fell by EUR 5.4 million from EUR -39.4 million (1 January to 30 June 2015, adjusted value) to EUR -34.0 million in 2016, mainly due to decreasing staff numbers. Moreover, personnel expenses for the comparative period also included the employees who were transferred to Addiko Bank AG during the first six months of 2015. Other administrative expenses (material expenses) amount to EUR -29.6 million, and therefore fell by EUR 2.9 million (1 January to 30 June 2015, adjusted value: EUR -32.5 million). This cost reduction is mostly due to the reduction in expenses for consultancy services.

Depreciation and amortisation on tangible and intangible assets amounted to EUR -1.4 million (1 January to 30 June 2015, adjusted value: EUR -2.0 million).

Overall, operating income of EUR 6,866.2 million (1 January to 30 June 2015, adjusted value: EUR -1,158.9 million) was accompanied by impairments of financial and non-financial assets of EUR 135.6 million (1 January to 30 June 2015, adjusted value: EUR 141.1 million) and operating expenses of EUR -65.0 million (1 January to 30 June 2015, adjusted value: EUR -73.8 million). This results in an operating result of EUR 6,936.7 million (1 January to 30 June 2015, adjusted value: EUR -1,091.6 million). Taking into account the result from companies accounted for at equity in the amount of EUR -0.1 million, the result before tax from continued operations amounts to EUR 6,936.6 million (1 January to 30 June 2015, adjusted value: EUR -1,091.6 million).

Following the consideration of income taxes of EUR -14.4 million (1 January to 30 June 2015, adjusted value: EUR -1.6 million), the after-tax result for the period from continued operations is EUR 6,922.3 million (1 January to 30 June 2015, adjusted value: EUR -1,093.3 million).

The result after trax from discontinued operations for the first six months of 2016 is EUR -63.9 million (1 January to 30 June 2015: EUR -18.8 million) and in addition to the current result for the subsidiary Heta Asset Resolution Italia S.r.l. (HARIT) in the amount of EUR -4.8 million also includes the loss from disposal that was calculated on the basis of the expected purchase price, taking into account expected utilisations from seller warranties and guarantees, which amounts to EUR -59.1 million. HARIT is reported as a separate business in the "Italy" segment. On the basis of current estimates, it is expected that the closing for this transaction will take place during the second half of 2016.

Overall, Heta recorded a group result after tax of EUR 6,858.3 million for the first six months of 2016, compared to EUR -1,112.1 million in the previous year's comparative period.

3.2. Development of the balance sheet (statement of financial position)

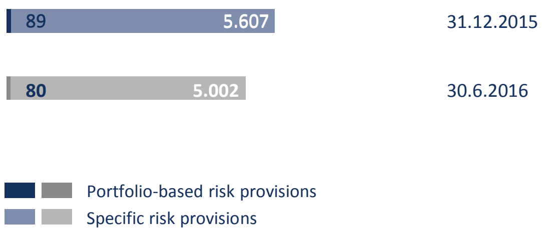
Heta's consolidated total assets continued to decline in the first six months of 2016, from EUR 11.2 billion to EUR 10.3 billion (EUR -0.9 billion).

Total assets/net loans and advances to customers
in EUR bn

During the first half of 2016, Heta's entire liquidity holdings increased from EUR 4.3 billion (31 December 2015) to EUR 5.3 billion (30 June 2016). The maturity dates of own issues, which, as secured liabilities (cover pool), were not subject to the payment moratorium under the Emergency Administrative Decision I, led to an outflow of liquidity in the amount of EUR -0.3 billion. On the other hand, fund inflows from loan repayments and individual disposals (EUR 0.6 billion), the disposal of the Centrice group (EUR 0.3 billion) and the disposal of securities and other items (EUR 0.2 billion) had the effect of significantly increasing liquidity holdings.

Net loans and advances to customers (gross receivables after taking into account the risk provisions on loans and advances) declined during the first six months of 2016 from EUR 2.4 billion to EUR 2.0 billion, which represents a change of EUR -0.4 billion or approximately 16.7%. (Gross) loans and advances to customers fell by 14.5% from EUR 7.6 billion to EUR 6.5 billion. In accordance with the decrease in (gross) receivables, the status of the risk provision on loan and advances also fell by 13.5% from EUR -5.2 billion on 31 December 2015 to EUR -4.5 billion on 30 June 2016.

Development of risk provisions on loans and advances
in EUR m



The credit portfolio continued to be wound down during the first six months of 2016 as a result of repayments as well as individual disposals of problematic loans.

The positive market values from derivative transactions, which are reported on the assets side under derivative financial instruments, amount to EUR 0.2 billion on 30 June 2016, and are therefore EUR 0.4 billion under the level of 31 December 2015 (2015: EUR 0.6 billion). This is mainly due to the wind-down of the derivative portfolio.

The financial assets in the category “designated at fair value through profit or loss” (FVO) were again EUR 0.2 billion as at 30 June 2016. The balance sheet value for available-for-sale financial instruments (AFS) fell during the first half of 2016, by EUR 0.2 billion to EUR 0.2 billion. This was mainly due to the disposal of debt instruments and fixed-income securities.

Investment properties amounted to EUR 0.2 billion as at 30 June 2016, EUR 0.2 billion lower than on 31 December 2015.

Assets classified as held for sale amounted to EUR 0.3 billion (31 December 2015: EUR 0.4 billion). This item consists mainly of real estate from a Croatian real estate project and the entire assets of HARIT.

The liabilities side of the consolidated statement of financial position as at 30 June 2016 is characterised by the haircut. With the Emergency Administrative Decision II from 10 April 2016 that was issued by the Financial Markets Authority (FMA), the wind-down measures pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) listed under section (2.2.2) Emergency Administrative Decision II were applied to Heta. The derecognition of “eligible liabilities” as a result of the “bail-in” of creditors reduces the amount of liabilities and provisions by EUR 7.0 billion. In addition, Heta's issued and participation capital was reduced to zero. This had the effect of changing the entire presentation of the group's liabilities, since this process involved an exchange of liabilities. While liabilities decline as a result of their derecognition through profit or loss, the positive result from the derecognition is applied against the negative cumulative result accrued in equity in previous years, which leads to the equalisation of the negative equity.

The IFRS equity capital for the group improved overall from EUR -5.7 billion on 31 December 2015 to EUR 1.1 billion on 30 June 2016. The equity capital shown on the reporting date in the IFRS interim consolidated financial statements does not establish a claim on the part of Heta's owner however. Rather, this amount is used to cover future losses from the settlement of performing loans and closing-down costs.

With regard to the effects from the “bail-in” of creditors and the “bail-in” of owners of relevant capital instruments on the individual items in the IFRS consolidated statement of financial position for 30 June 2016, please see the statements under section (2.3.1) Effects on the IFRS consolidated statement of financial position for 30 June 2016.

4. Significant transactions with related parties

Information on transactions with related parties can be found in the notes under note (53) Related parties disclosures.

5. Outlook for the second half of 2016

During the second half of 2016, Heta Asset Resolution AG’s efforts will be mainly focused on the effective and value-preserving disposal of its existing assets. The significant increase in cash reserves for the entire year of 2016, as intended under the medium-term plan, is making good progress, as evidenced by the result for the first six months of the year.

Additional large sales procedures are expected for the second half of the year following the successful sale of the real estate subsidiary Centrice Real Estate GmbH (Centrice) to Lone Star Real Estate Fund IV in June 2016. The relevant public tender processes have already been started.

The sales procedure for a portfolio of investments for renewable energies at Heta Asset Resolution Germany GmbH is already in its final phase. In addition, sales negotiations for various national subsidiaries are also about to be completed.

In the loan segment, the bundling and marketing of attractive loan portfolios continue, as the relevant tenders have also been initiated. Due to the considerable level of interest, the phase requiring the submission of binding offers has already been initiated in the case of the two “Pathfinder” credit portfolios, which consists of performing and non-performing loans in Croatia.

On the cost side, efforts continue to focus on the further reduction of expenditures. Employee numbers will be adjusted in the coming months in view of the significant progress in the wind-down process. Even now, naturally occurring vacancies are only filled on a selective basis.

All of these developments are expected to generate a positive contribution to results in the second half of 2016, both at the holding and group levels.

This positive result is particularly due to Emergency Administrative Decision II issued by the Financial Markets Authority (FMA) on 10 April 2016, with which the authority ordered a haircut of 53.98% for Heta’s “eligible liabilities” including accrued interest until 28 February 2015, and amended the due date for the affected liabilities to the date on which a resolution on dissolution is adopted pursuant to section 84 (9) Federal Act on the Recovery and Resolution of Banks (BaSAG), or 31 December 2023 at the latest. The “eligible liabilities” were also exempted from interest as of 1 March 2015.

Heta’s management has taken a positive view of the decisions handed down by the Frankfurt Regional Court from 21 June 2016, as well as the decision by the Vienna Commercial Court (from 13 May 2016) and the Federal Administrative Court to submit the question whether Heta, as a wind-down unit, falls under the regime of the Bank Recovery and Resolution Directive (BRRD) and the Federal Act on the Recovery and Resolution of Banks (BaSAG) to the European Court of Justice (ECJ). It is expected that the proceedings before the European Court of Justice (ECJ) will take on average 16 to 18 months.

In the event a plaintiff is victorious in one of the proceedings, there is the possibility that Heta's orderly wind-down according to Federal Act on the Recovery and Resolution of Banks (BASAG) may be put at risk due to the requirement of the equal treatment of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BASAG). It remains to be seen if and how the European Court of Justice (ECJ) will make a decision on the general questions regarding the interpretation of the Bank Recovery and Resolution Directive (BRRD) and hence the assessment of the applicability of the Federal Act on the Recovery and Resolution of Banks (BaSAG) to Heta.

The risks associated with the macro-economic conditions may rise during the second half of the year: While the Commission of the European Union (EU Commission), in its May 2016 spring forecast, still projected economic growth of 1.8% for the European Union (EU), the decision by the United Kingdom to leave the EU raises the spectre of a significant decline in economic performance. The 23 June 2016 vote created a lot of uncertainty regarding the general environment, especially in the financial industry: Political debates regarding the timing of the exit application, and future relations with the European Union are creating a persistent phase of instability. Because of the importance of London as a financial centre, these developments could lead to delays in asset disposals in the Heta Group at least during the second half of 2016, as business activities by potential business partners become more complicated.

Heta’s Executive Board believes that the agreement in principle reached by the Federal Ministry of Finance, the Kärntner Ausgleichszahlungs-Fonds (K-AF) and numerous creditors regarding an out-of-court settlement for the dispute over Heta’s liabilities makes a significant contribution towards increased legal certainty. The agreement in principle was signed by 72 creditors who represent a nominal amount of approximately EUR 4.9 billion or 48.7% of the debt instruments held by senior creditors. A two-thirds majority of the total nominal amount is required for the offer to be accepted. On 27 June 2016, the State of Carinthia amended the law for the Kärntner Ausgleichszahlungs-Fonds (K-AF) to enable another offer submission for Heta bonds guaranteed by the State of Carinthia pursuant to section 5 of the Kärntner Landesholding Act (K-LHG) (old). According to the schedule announced by the Carinthian government, the offer is to be submitted starting in September 2016 for a period of eight weeks; a settlement is planned for October 2016.

The Hypo investigation committee under way in the Austrian National Council is also expected to be completed in October 2016. The hearings of numerous witnesses, which were reported in the media, greatly influenced public perception regarding the investigation of the past activities of Heta’s predecessor Hypo Group Alpe Adria. The final report is expected to be discussed during the plenary session on 12 October 2016.

Finally, it will be up to a supervisory body, which will include some new members, to supervise the best possible wind-down process for Heta in the future. The supervisory body consists of the incumbent Chairman of the Supervisory Board Dipl.-Kfm. Michael Mendel, as well as the new members Dr. Stefan Schmittmann, Mag. Regina Ovesny-Straka and Dr. Karl Engelhart. The company would like to thank its former members Mag. Alois Hochegger, Mag. Regina Friedrich, DI Bernhard Perner and Mag. Christine Sumper-Billinger, who left the supervisory committee effective 29 June 2016, for supporting Heta with its reorganisation into a wind-down unit.

Interim consolidated financial statements

as at 30 June 2016
Heta Asset Resolution

I. Group statement of comprehensive income

Income statement

EUR m

	Note	1.1. - 30.6.2016**	1.1. - 30.6.2015*
Interest and similar income	(12)	153.4	283.1
Interest and similar expenses	(13)	-219.6	-251.8
Net interest income		**-66.3**	**31.3**
Fee and commission income	(14)	0.5	1.2
Fee and commission expenses	(15)	-1.1	-11.2
Net fee and commission income		**-0.6**	**-10.0**
Gains/losses on financial instruments that are not measured at fair value	(16)	0.5	1.1
Result from the resolution/application of HaaSanG		0.0	-1,709.0
Result from the "bail-in" of creditors pursuant to BaSAG	(17)	6,976.8	0.0
Result from trading	(18)	6.7	-135.1
Result from hedge accounting		-2.5	-0.2
Result from financial investment – designated at fair value through profit or loss	(19)	-88.5	64.1
Operating result from investment properties	(20)	19.2	12.6
Other operating result	(21)	20.8	586.5
Operating income		**6,866.2**	**-1,158.9**
Impairment of financial assets	(22)	134.3	142.8
thereof financial assets – at costs (risk provision)		121.3	143.0
thereof financial assets– available for sale		13.0	-0.2
Impairment of non financial assets		1.2	-1.7
Operating income after impairment		**7,001.8**	**-1,017.8**
Personnel expenses		-34.0	-39.4
Other administrative expenses	(23)	-29.6	-32.5
Depreciation and amortisation on tangible and intangible assets		-1.4	-2.0
Operating expenses		**-65.0**	**-73.8**
Operating result		**6,936.7**	**-1,091.6**
Result from companies accounted for at equity		-0.1	0.0
Result before tax from continued operation		**6,936.6**	**-1,091.6**
Taxes on income		-14.4	-1.6
Result after tax from continued operation		**6,922.3**	**-1,093.3**
Result after tax from discontinued operations		**-63.9**	-18.8
Result after tax		**6,858.3**	**-1,112.1**
thereof attributable to non-controlling interests		0.0	-6.6
thereof from continued operations		0.0	-6.6
thereof from discontinued operations		0.0	0.0
thereof attributable to equity holders of parent (result after tax and non-controlling interest)		6,858.3	-1,105.5
thereof from continued operations		6,922.3	-1,086.7
thereof from discontinued operations	(10)	-63.9	-18.8

The values in the interim consolidated financial statements as at 30 June 2016 and 30 June 2015 are based on the gone concern assumption

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

** The haircut also affects the current income statement; we refer to the information in the notes (in particular note (13) Interest and similar expenses))

Other comprehensive income

EUR m

	1.1. - 30.6.2016**	1.1. - 30.6.2015*
Result after tax	**6,858.3**	**-1,112.1**
Remeasurement of the net defined benefit liability	0.0	0.1
Deferred tax relating to items that will not be reclassified to profit or loss	0.0	0.0
Iitems, that will not be reclassified to profit or loss	**0.0**	**0.1**
Available-for-sale-reserve	-5.0	2.1
Gains/losses on available-for sale evaluation	8.6	2.5
Effects of deferred taxes	*0.0*	*0.0*
Gains/losses on available-for sale disposal (reclassification)	*-0.5*	*-0.7*
Effects of deferred taxes	0.0	0.0
Gains/losses on available-for sale impairment (reclassification)	-13.0	0.2
Foreign exchange differences (change in foreign currency reserve)	1.4	-5.8
Items, that will be reclassified to profit or loss	**-3.6**	**-3.7**
Total other comprehensive income	**-3.6**	**-3.6**
Total comprehensive income	**6,854.7**	**-1,115.7**
thereof attributable to non-controlling interests	0.0	-7.2
thereof from continued operations	0.0	-7.2
thereof from discontinued operations	0.0	0.0
thereof attributable to equity holders of parent	6,854.7	-1,108.5
thereof from continued operations	6,918.6	-1,089.7
thereof from discontinued operations	-63.9	-18.8

The values in the interim consolidated financial statements as at 30 June 2016 and 30 June 2015 are based on the gone concern assumption

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

** The haircut also affects the current income statement; we refer to the information in the notes (in particular note (13) Interest and similar expenses))

II. Group statement of financial position

EUR m

	Note	30.6.2016	31.12.2015
ASSETS			
Cash and balances at central banks		5,329.5	4,278.0
Loans and advances to credit institutions	(24)	2,100.9	2,691.1
Risk provisions on loans and advances to credit institutions	(26)	-551.9	-490.7
Loans and advances to customers	(25)	6,527.9	7,550.3
Risk provisions on loans and advances to customers	(26)	-4,508.6	-5,165.4
Derivative financial instruments	(27)	196.5	596.2
Financial assets – designated at fair value through profit or loss	(28)	182.6	205.2
Financial assets – available-for-sale	(29)	234.1	395.9
Investments in companies accounted for at equity		1.9	3.8
Investment properties	(30)	237.5	405.4
Tangible assets		20.0	27.1
Tax assets		1.0	40.5
thereof current tax assets		1.0	40.4
thereof deferred tax assets		-0.1	0.1
Assets classified as held for sale	(31)	311.6	431.7
Other assets		255.8	190.9
Risk provisions on loans and advances on other assets	(26)	-4.3	-6.4
Total assets		**10,334.5**	**11,153.5**
EQUITY AND LIABILITIES			
Liabilities to credit institutions	(32)	2,002.4	3,400.0
Liabilities to customers	(33)	889.6	1,509.8
Liabilities Pfandbriefbank	(34)	770.8	1,241.9
Liabilities evidenced by certificates	(35)	4,494.0	7,600.1
Derivative financial instruments	(36)	208.6	480.2
Provisions	(37)	662.7	462.7
Tax liabilities		14.4	3.8
thereof current tax liabilities		13.5	1.9
thereof deferred tax liabilities		0.9	1.9
Liabilities included in disposal groups classified as held for sale	(38)	35.5	13.3
Other liabilities	(39)	122.6	156.9
Subordinated capital	(40)	0.0	2,005.1
Hybrid capital		0.0	0.2
Equity		1,134.1	-5,720.6
thereof attributable to equity holders of parent		1,134.1	-5,720.6
thereof attributable to non-controlling interests		0.0	0.0
Total equity and liabilities		**10,334.5**	**11,153.5**

The values in the interim consolidated financial statements as at 30 June 2016 and the consolidated financial statements as at 31 December 2015 are based on the gone concern assumption

III. Group statement of changes in equity

EUR m

	Issued capital	Partici-pation capital	Available-for-sale-reserve	Foreign currency translation	Cumulative results	Owners of the parent	Non-controlling interests	Total
Negative equity as at 1.1.2016	**2,419.1**	**1,075.1**	**-6.3**	**5.5**	**-9,214.0**	**-5,720.6**	**0.0**	**-5,720.6**
Total comprehensive income	0.0	0.0	-5.0	1.4	6,858.3	6,854.7	0.0	6,854.7
Result after tax	0.0	0.0	0.0	0.0	6,858.3	6,858.3	0.0	6,858.3
Other comprehensive income	0.0	0.0	-5.0	1.4	0.0	-3.6	0.0	-3.6
Capital decrease pursuant to BaSAG	-2,419.1	-1,075.1	0.0	0.0	3,494.2	0.0	0.0	0.0
Equity as at 30.6.2016	**0.0**	**0.0**	**-11.3**	**6.8**	**1,138.5**	**1,134.1**	**0.0**	**1,134.1**

The equity shown on the reporting date in the IFRS interim consolidated financial statements does not establish a claim on the part of Heta's owner.

Rather, this amount is used to cover future losses, particularly from the disposal of performing loans and closing-down costs.

EUR m

	Issued capital	Partici-pation capital	Available-for-sale-reserve	Foreign currency translation	Cumulative results	Owners of the parent	Non-controlling interests	Total
Negative equity as at 1.1.2015	**2,419.1**	**1,075.1**	**-18.8**	**9.9**	**-8,706.4**	**-5,221.1**	**521.0**	**-4,700.1**
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	-0.9
Total comprehensive income	0.0	0.0	2.6	-5.8	-1,105.4	-1,108.5	-7.2	-1,115.7
Result after tax	0.0	0.0	0.0	0.0	-1,105.5	-1,105.5	-6.6	-1,112.1
Other comprehensive income	0.0	0.0	2.6	-5.8	0.1	-3.1	-0.6	-3.6
Negative equity as at 30.6.2015	**2,419.1**	**1,075.1**	**-16.1**	**4.1**	**-9,811.8**	**-6,329.6**	**512.9**	**-5,816.7**

IV. Group statement of cash flows

EUR m

	2016	2015
Result after tax from continued operation	**6,922.3**	**-1,093.3**
Result after tax from discontinued operations	**-63.9**	**-18.8**
Result after tax	**6,858.3**	**-1,112.1**
Non-cash items included in profit and reconciliation to cash flows from operating activities:		
Gains/losses from the sale of subsidiaries	27.8	0.0
Result from the resolution/application of HaaSanG	0.0	1,709.0
Result of "bail-in" of creditors pursuant to (BaSAG)	-6,976.8	0.0
Depreciation and amortisation of tangible fixed assets and financial investments	10.8	23.2
Financial assets	2.4	0.0
Intangible, tangible assets and investment properties	8.4	23.1
Change in risk provisions	-130.6	-179.5
Change in provisions	260.8	-720.6
Gains (losses) from disposals of tangible fixed assets, financial assets and investment properties	-6.8	-2.0
Financial assets	-0.5	-1.1
Intangible, tangible assets and investment properties	-6.3	-0.9
Subtotal	**43.5**	**-282.0**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to credit institutions and customers	1,043.1	-316.3
Financial assets	197.9	448.7
Other assets	337.5	236.4
Liabilities to credit institutions and customers	-292.0	-263.9
Liabilities Pfandbriefbank	44.0	0.0
Liabilities evidenced by certificates	-210.8	100.3
Provisions	-271.1	-13.2
Other liabilities from operating activities	104.5	-139.2
Cash flows from operating activities	**996.5**	**-229.2**
Proceeds from the sale of:	61.8	37.5
Financial assets and participations	0.5	1.1
Tangible assets, investment properties and intangible assets	61.4	36.3
Payments for purchases of:	-18.8	-41.6
Financial assets and participations	-0.3	0.0
Tangible assets, investment properties and intangible assets	-18.6	-41.6
Payments/proceeds from the purchase of subsidiaries	0.5	0.0
Payments in connection with the recapitalization of affiliated, non-consolidated companies (>50%)	-0.1	0.0
Other changes	0.0	0.4
Cash flows from investing activities	**43.5**	**-3.8**
Capital contributions/disbursements	0.0	0.0
Subordinated capital and other financing activities	10.4	-8.3
Dividends paid	0.0	-0.9
thereof dividends paid to owners of the parent	0.0	0.0
thereof dividends paid to non controlling interest	0.0	-0.9
Cash flows from financing activities	**10.4**	**-9.2**

	2016	2015
Cash flows for taxes, dividends and interests	**-126.7**	**4.4**
Payments for taxes on income	-0.3	0.0
Payments for interests	-339.7	-225.4
Dividends received	0.0	0.0
Interests received	213.3	229.8

	2016	2015
Cash and cash equivalents at end of previous period (1.1.)	**4,278.0**	**2,365.3**
Cash flows from operating activities	996.5	-229.2
Cash flows from investing activities	43.5	-3.8
Cash flows from financing activities	10.4	-9.2
Effect of exchange rate changes	1.2	-6.3
Cash and cash equivalents at end of period (30.6.)	**5,329.6**	**2,116.8**

Cash and cash equivalents at the end of the period include the cash and balances at central banks, and correspond to the balance sheet item cash reserves. Liquidity increased from EUR 4,278.0 million to EUR 5,329.5 million during the first six months of 2016.

The increase in liquidity is almost entirely due to operating activities. Operating cash flow is calculated from the result for the period after taxes, and is adjusted for events that do not affect payments, in particular the result from the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) in the amount of EUR 6,976.8 million. The result from the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) relates to the implementation of the haircut ordered by the Financial Markets Authority (FMA) and the “eligible liabilities” that were reduced to 46.02% in this context; subordinated liabilities were reduced to zero. The reduction did not lead to any outflows of liquidity.

Overall, the first six months of 2016 generated a positive cash flow from operating activities in the amount of EUR 996.5 million (1 January - 30 June 2015: EUR -229.2 million). Particularly inflows of payment instruments as a result of repayments by borrowers, as well as dispositions of assets and subsidiaries had the effect of increasing liquidity by EUR 1,043.1 million. The decline in liabilities evidenced by certificates by EUR -210.8 million is due to payments on account of the maturity of own issues, which, as secured liabilities, were not subject to the payment moratorium under the Emergency Administrative Decision I (cover pool).

In addition, the positive cash flows from investment (EUR 43.5 million) and financing activities (EUR 10.4 million) also had the effect of increasing liquidity as at 30 June 2016.

V. Notes to the interim financial report

Accounting policies and basis of consolidation

(1) Important events during the first six months of 2016

1.1. Changes on the Supervisory Board

Mag. Regina Friedrich, Mag. Alois Hochegger, DI Bernhard Perner as well as Mag. Christine Sumper-Billinger, who supported Heta's progression from a regulated banking institution to a deregulated wind-down unit, left the Supervisory Board effective 29 June 2016.

In exercise of its ownership rights since the Emergency Administrative Decision II from 10 April 2016, the Financial Markets Authority (FMA) added several new members to the supervisory body at the extraordinary shareholders´meeting of Heta Asset Resolution AG on 29 June 2016. Dr. Stefan Schmittmann was appointed Deputy Chairman of the Supervisory Board, while Mag. Regina Ovesny-Straka was appointed a member of the Supervisory Board.

The Financial Markets Authority (FMA), which exercises all owner's rights in Heta since the Emergency Administrative Decision II from 10 April 2016, appointed Dr. Karl Engelhart as a new member of the Supervisory Board at the extraordinary shareholders' meeting on 18 August 2016.

Dipl.-Kfm. Michael Mendel remains the Chairman of the Supervisory Board.

1.2. Financial Markets Authority's (FMA) emergency administrative decision pursuant to the Federal Act on the Recovery and Resolution of Banks (BASAG)

1.2.1. EMERGENCY ADMINISTRATIVE DECISION I

In order to ensure that the objective of a "quickest possible wind-down of the portfolio" as set out in the Federal Act on the Creation of a Wind-down Entity (GSA), is reflected in the measurement approaches, Heta performed a group-wide review of the assets that are relevant to the portfolio wind-down, a so-called "Asset Quality Review (AQR)", at the end of 2014. After the first interim results of the group-wide Asset Quality Review (AQR), which with regard to Heta's annual financial statements for 31 December 2014 pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) indicated a capital shortfall ranging from EUR 4.0 billion to EUR 7.6 billion, which was above the state aid range approved by the Commission of the European Union (EU) Commission, became known in February 2015, the Republic of Austria, in its capacity as Heta's owner, let it be known that it would no longer take any more measures on Heta's behalf pursuant to the Financial Market Stability Act (FinStaG).

As a consequence, on 1 March 2015 the Financial Markets Authority (FMA), issued a emergency administrative decision (Emergency Administrative Decision I) pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG), which subjected all of Heta's "eligible liabilities" to a moratorium until 31 May 2016 in preparation for the application of the "bail-in" of creditors.

On 10 April 2016, the Financial Markets Authority (FMA), issued an administrative decision about the challenges procedure ("Vorstellungsbescheid") that fully confirmed and replaced the emergency administrative decision. Remedies were required to be filed against this administrative decision of the Financial Markets Authority (FMA) with the Federal Administrative Court within a four week period starting on 10 April 2016. The administrative decisions were published on the Financial Markets Authority (FMA) website, and can be found at https://www.fma.gv.at/heta-asset-resolution-ag/. In addition, they can also be obtained from Heta's website at www.heta-asset-resolution.com (→ Investor Relations → Ad hoc releases 2015/2016).

1.2.2. EMERGENCY ADMINISTRATIVE DECISION II

Also on 10 April 2016, the Financial Markets Authority (FMA), announced another emergency administrative decision containing wind-down measures relating to Heta ("Emergency Administrative Decision II"). With this emergency administrative decision, the following wind-down measures pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) were applied to Heta with immediate effect:

- The reduction of common equity tier 1 and reduction of the nominal value of the instruments of supplementary capital to zero
- "bail-in" of creditors, in particular
  - the reduction of subordinated „eligible liabilities" as at 1 March 2015 including the respective interest accrued up to 28 February 2015 to zero

- o the reduction of non-subordinated „eligible liabilities" as at 1 March 2015 including the respective interest accrued up to 28 February 2015 to 46.02%
- o the reduction of the nominal values or outstanding residual amounts of „eligible liabilities" arising from court proceedings against Heta or of the other disputed „eligible liabilities", including those in regard to the facts were already established as of 1 March 2015, even though the occurrence or amount is uncertain, to 46.02%, including the respective interest accrued up to 28 February 2015.
- Change in interest rates: reduction in the interest rates on „eligible liabilities" of Heta as at 1 March 2015 to 0%.
- Change in maturity dates: Change in scheduled maturity dates for all „eligible liabilities" to the date of the decision to dissolve the company pursuant to section 84 (9) of the Federal Act on the Recovery and Resolution of Banks (BaSAG), but not later than 31 December 2023
- Cancellation of rights associated with the shares and titles of ownership, excercise of control and management; and rights associated with the shares and titles of ownership by the Financial Markets Authority (FMA).

The Emergency Administrative Decision II can be found at https://www.fma.gv.at/heta-asset-resolution-ag/and on Heta's website at www.heta-asset-resolution.com (→ Investor Relations → Ad hoc releases 2016). An appeal against Emergency Administrative Decision II by the Financial Markets Authority (FMA) could have been submitted within three months after it was released (10 April 2016), although this would not have had any suspensory effect. Both emergency administrative decisions are based on the Federal Act on the Recovery and Resolution of Banks (BaSAG), which was used to implement the European Bank Recovery and Resolution Directive (BRRD) in Austria. Accordingly the decision must also be recognised in all EU member states.

1.2.3. LAWSUITS IN CONNECTION WITH EMERGENCY ADMINISTRATIVE DECISIONS I AND II

Eleven lawsuits have been filed against Heta in Germany by investors for payment of bonds and applicable interest, which was not paid on the original payment day as a result of the moratorium. All of these lawsuits are pending at the Regional Court of Frankfurt am Main (Frankfurt Regional Court). The lawsuits comprise bonds with a nominal value of EUR 2.2 billion and CHF 33.0 million.

The plaintiffs dispute the recognition of the measures by the Financial Markets Authority (FMA) according to the Federal Act on the Recovery and Resolution of Banks (BaSAG), and request full payment - despite the "bail-in" of creditors and the deferral stipulated in the emergency administrative decisions. According to German law, judgements by courts of first instance may be declared provisionally enforceable against collateral (section 709 Code of Civil Procedure (ZPO)), which leads to the risk that plaintiffs will already apply for enforcement on the basis of a judgement by a court of first instance.

Since the beginning of the proceedings, Heta, referring to the need to clarify the basic question under European law - namely whether Heta falls under the scope of the European Bank Recovery and Resolution Directive (BRRD) - has requested that the court proceedings pending at the Frankfurt Regional Court be suspended until a decision is handed down by the European Court of Justice (ECJ). On 16 March 2016 the Financial Markets Authority (FMA) also submitted applications to the competent Frankfurt Regional Court pursuant to section 59 (1) Federal Act on the Recovery and Resolution of Banks (BaSAG), requesting the suspension of all pending court proceedings or alternatively the preliminary enforcement measures. As a result of Emergency Administrative Decision II, which has been issued in the meantime, and in reference to the submissions made to the European Court of Justice by the Vienna Commercial Court and the Federal Administrative Court, the Financial Markets Authority (FMA) on 18 May 2016 submitted additional applications to suspend all proceedings pending in Frankfurt until such time as a preliminary ruling is issued by the European Court of Justice (ECJ) (see item (2.2.3.3) Proceedings before the European Court of Justice (ECJ)).

On 21 June 2016, the Frankfurt Regional Court suspended its original decision to announce a ruling and also submitted the legal questions regarding the applicability of the European Bank Recovery and Resolution Directive (BRRD) to Heta and the recognition of the wind-down measures in other member states, which must be assessed from the viewpoint of European law, to the European Court of Justice (ECJ) as a preliminary question. Heta expects that other similarly positioned proceedings will also result in suspensions/submissions to the European Court of Justice (ECJ).

Against this background, and as a result of the Memorandum of Understanding between the Republic of Austria and a large number of creditors which was concluded in the meantime, eight of the eleven pending Federal Act on the Recovery and Resolution of Banks (BaSAG) proceedings before the Frankfurt Regional Court have been suspended. With regard to the remaining proceedings, it is not expected that any decisions will be handed down until the fall of 2016. Similarly, most of the 34 lawsuits filed against Heta in Austria have also been suspended, or no dates have been set.

The Emergency Administrative Decisions I and II are also the subject of the 34 lawsuits pending against Heta at Austrian courts with regard to the subordinate bonds affected by the Hypo Alpe Adria Restructuring Act (HaaSanG). With the decision of the Constitutional Court of Austria (VfGH), which repealed the Hypo Alpe Adria Restructuring Act (HaaSanG) and the regulation issued under the act, the disputed issue in the proceedings has been restricted to the applicability of the payment moratorium to Heta (which has been in place since 1 March 2015), and the applicability of the wind-down measures ordered in the meantime pursuant to Emergency Administrative Decision II.

1.2.3.1. Proceedings in connection with the deficiency guarantee by the State of Carinthia

Three legal proceedings were initiated against Heta by the State of Carinthia and the Kärntner Landes- und Hypothekenbank - Holding (KLH) in connection with the legal proceedings initiated by investors against the State of Carinthia and the Kärntner Landesholding (KLH) on the basis of the deficiency guarantees ordered by state law in connection with the bonds affected by the moratorium. Heta has initially joined these proceedings on the side of the state and the Kärntner Landes- und Hypothekenbank - Holding (KLH) as an intervenor.

Two proceedings resulted in a judgement of the first instance against the plaintiff. The plaintiff has appealed these decisions. The plaintiff also lost both proceedings at the appeal stage before the Higher Regional Court (OLG), and is now attempting to bring about a decision by the Supreme Court (OGH) by way of a further appeal. Because of changes to the facts and the legal situation, Heta has decided to withdraw as an intervenor in these two proceedings. The third proceedings have been suspended since the spring 2016.

1.2.3.2. Austrian Equity Substituting Capital Act (EKEG) proceedings

In the judgement of Regional Court of Munich I as the court of first instance in the legal dispute regarding the Austrian Equity Substituting Capital Act (EKEG) between Heta and Bayerische Landesbank (BayernLB), the court noted that the measures taken by Austrian legislators and the supervisory authorities in connection with the wind-down of Heta would not be recognised in Germany, and it did not take into account the deferral ordered by Emergency Administrative Decision I of the Financial Markets Authority (FMA) pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) on the basis of mainly formal arguments. This point of view, which Heta believes to be incorrect, was disputed in the grounds of appeal.

On 18 May 2016, Heta received an order from the Higher Regional Court Munich (OLG) in which the court is considering, on the basis of the applicable Federal Act on the Recovery and Resolution of Banks (BaSAG) and Emergency Administrative Decision II issued in the meantime by the Financial Markets Authority (FMA) on 10 April 2016, to interrupt the proceedings and to withdraw recognition of the mutual need for legal protection due to the Memorandum of Understanding (MoU) concluded between the Republic of Austria and the Free State of Bavaria. Both Heta and Bayerische Landesbank (BayernLB) have objected to an interruption of the proceedings.

1.2.3.3. Proceedings before the European Court of Justice (ECJ)

Both the Vienna Commercial Court and the 12th civil division of the Frankfurt Regional Court submitted to the European Court of Justice (ECJ), in line with “preliminary ruling procedures”, various questions regarding the applicability of the European Bank Recovery and Resolution Directive (BRRD) and the applicability of the haircut to Heta, and regarding the recognition of these measures in other member states. In another proceeding in which the Financial Markets Authority (FMA) rather than Heta is a participant, the Austrian Administrative Court has also initiated a preliminary ruling procedure and has approached the European Court of Justice (ECJ) with the question regarding the personal/time-related application scope of the European Bank Recovery and Resolution Directive (BRRD).

A certification procedure was commenced at the European Court of Justice (ECJ) on 13 May 2016 - based on legal proceedings against Heta, which are pending at the Vienna Commercial Court. The preliminary ruling procedures by the Vienna Commercial Court and the Austrian Administrative Court have in the meantime been combined into one single proceeding by the European Court of Justice (ECJ).

Preliminary ruling procedures are not used to perform a concrete review of measures or laws implemented by the member states. Rather, the relevant EU regulations provide the courts in the member states with the opportunity, or an obligation, to submit concrete individual questions about EU law that are relevant to the case to the European Court of Justice (ECJ), so it may decide on the relevant interpretation. Thus the European Court of Justice (ECJ) does not make decisions regarding the existence or non-existence of claims, but rather provides “instructions” regarding the interpretation of issues under EU law, which represent preliminary questions in a legal dispute. National courts that have submitted such questions must then take the questions that have been answered by the European Court of Justice (ECJ) into account when making their decisions.

Against this background, Heta has determined two possible outcome scenarios with regard to the preliminary ruling procedure:

- The European Court of Justice (ECJ) responds to the questions that have been submitted as envisioned by Heta; that is, that Heta falls under the personal/time-related scope of the European Bank Recovery and Resolution Directive (BRRD)

and that the haircut is covered by the BRRD in terms of the factual aspects, and/or that the measures must in any case be recognised in accordance with other provisions under European law.
- Alternatively, the European Court of Justice (ECJ) could answer the questions that were submitted contrary to the outcome envisioned by Heta, i.e. it denies that the measures are covered by the European Bank Recovery and Resolution Directive (BRRD).

In the case of the first scenario, it can be expected, with a high degree of certainty, that the lawsuits filed by the creditors before the competent courts will be dismissed as unfounded. In that case, the wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) would continue without disruptions.

The second scenario could lead to judgements that are negative for Heta, and subsequent enforcement attempts by creditors against Heta. The company believes that this scenario has the potential to threaten the orderly wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG). It is expected that the proceedings before the European Court of Justice (ECJ) will take on average 16 to 18 months.

1.2.3.4. Proceedings before the Constitutional Court of Austria (VfGH)

Two of the three submitted requests to the Constitutional Court of Austria (VfGH) related to the Federal Act on the Recovery and Resolution of Banks (BaSAG) regarding a review of the constitutionality of the law and the admissibility of including Heta under this law were dismissed by the Constitutional Court of Austria (VfGH) in the fall of 2015. As a result of the submissions that have been made to the European Court of Justice (ECJ), the Constitutional Court of Austria (VfGH) has suspended its decision regarding the third request until such time as the European Court of Justice (ECJ) hands down its decision.

1.2.3.5. Possible consequences of a judgement against Heta in connection with the Federal Act on the Recovery and Resolution of Banks (BaSAG)

A judgement ordering Heta to pay the liabilities demanded in these legal disputes and a possible compulsory enforcement in favour of various creditors would run counter to the wind-down measures ordered by the Financial Markets Authority (FMA) with Emergency Administrative Decision II. For this reason, Heta will not only fight any potential judgements handed down by a court of first instance in order to settle the recognition of the Federal Act on the Recovery and Resolution of Banks (BASAG), but will also initiate all available legal remedies to defend against enforcement measures.

The satisfaction of individual creditors could oppose the principle of equal treatment of creditors under the Federal Act on the Recovery and Resolution of Banks (BaSAG), the (balanced) assumption of losses by the creditors and the ensuring that creditors are not put in a worse position as compared to liquidation measures taken in the course of an insolvency.

The wind-down measures applied in Emergency Administrative Decision II aim to prevent a situation in which Heta becomes insolvent during the wind-down timetable. Over-indebtedness as a reason for insolvency does not apply to Heta pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA). An application for insolvency can only be filed by the Financial Markets Authority (FMA).

(2) Effects of the haircut on the consolidated financial statements

With the Emergency Administrative Decision II from 10 April 2016, the Financial Markets Authority (FMA) ordered the application of the wind-down instrument of the „bail-in“ of creditors and the „bail-in“ of owners of relevant capital instruments at the parent company Heta. Heta's „eligible liabilities“ were reduced to 46.02% of the amount outstanding as at 1 March 2015 (including interest), and subordinated liabilities were reduced to zero. The Emergency Administrative Decision II also set the interest to zero retroactively from 1 March 2015. As a result, those liabilities that were recognised for the 1 March 2015 to 9 April 2016 period were also subjected to the haircut, and were reduced accordingly. The terms of the “eligible liabilities”, which were amended by intervention of the public authorities, initially led to the complete derecognition (9 April 2016) and re-recognition of the new liabilities that had been reduced to 46.02% (10 April 2016). The new liabilities in the amount of 46.02% had to be recognised at the fair value on 10 April 2016. In addition, the reduced liabilities were also classified as liabilities measured at fair value through profit or loss (FV option), and are therefore measured at the fair value on 30 June 2016 and in subsequent periods.

The changes in Heta's separate financial statements are generally reflected in the consolidated financial statements.

2.1. Effects on the IFRS consolidated statement of financial position as at 30 June 2016

The liabilities side in the IFRS consolidated statement of financial position for 30 June 2016 changed accordingly. The derecognition of “eligible liabilities” as a result of the „bail-in“ of creditors reduces the amount of liabilities and provisions by EUR 7.0 billion.

In addition, the issued capital, consisting of Heta's capital stock and participation capital, was reduced to zero.

The "bail-in" of creditors and the "bail-in" of owners of relevant capital instruments had the following effects on the IFRS consolidated statement of financial position for 30 June 2016:

EUR bn

	30.6.2016	31.12.2015	Total change	thereof change from BaSAG
"bail-in" of creditors				
Liabilities to credit institutions	2.0	3.4	-1.4	-1.1
Liabilities to customers	0.9	1.5	-0.6	-0.6
Liabilities Pfandbriefbank	0.8	1.2	-0.4	-0.5
Liabilities evidenced by certificates	4.5	7.6	-3.1	-3.0
Provisions	0.7	0.5	0.2	0.2
Other liabilities	0.1	0.2	-0.1	0.0
Subordinated capital	0.0	2.0	-2.0	-2.0
Total	**9.0**	**16.4**	**-7.4**	**-7.0**
Instrument of participation by holders of relevant capital instruments:				
Equity	**1.1**	**-5.7**	**6.9**	**7.0**
thereof issued capital	0.0	2.4	-2.4	-2.4
thereof participation capital	0.0	1.1	-1.1	-1.1
thereof retained earnings	1.1	-9.2	10.4	10.5

2.2. Effects on contingent liabilities as at 30 June 2016

Pursuant to the Emergency Administrative Decision II, the contingent liabilities that must be reported in the statement of financial position must also be reduced to 46.02% of the amount outstanding on 1 March 2015 (including interest), in addition to the reduction in „eligible liabilities“. Contingent liabilities are reduced by a total of EUR 16.0 million, and amount to EUR 60.4 million as at 30 June 2016.

2.3. Effects on IFRS consolidated statement of comprehensive income for the first six months of 2016

The result from the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) adds up to EUR +7.0 billion (1 January to 30 June 2015 EUR 0.0 billion), and is made up of the following components:

EUR bn

	1.1. - 30.6.2016
Result from the derecognition (100%) and renewed recognition (46.02%) of “eligible liabilities”	9.1
Fair value assessment of liabilities reduced to 46.02%, as at 10 April 2016	-2.1
Retirement of basis adjustments in line with the derecognition of “eligible liabilities”	0.2
Consideration of future (reduced) guarantee fees in connection with derecognised liabilities	-0.2
Result of "Bail-In" of creditors pursuant to Federal Act on the Recovery and Resolution of Banks (BaSAG) (IFRS)	**7.0**

For additional details on this topic, please refer to the statements under note (17) Result from the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG).

(3) Repurchase offer from the State of Carinthia

On the basis of the statutory authorisation pursuant to section 2a of the Financial Market Stability Act (FinStaG), the Kärntner Ausgleichszahlungs-Fonds (K-AF) on 20 January 2016 submitted offers for those Heta debt instruments for which the State of Carinthia and also the Kärntner Landes- und Hypothekenbank - Holding (KLH) have assumed a guarantee. The offers required the approval of at least two-thirds of the affected creditors of non-subordinated and subordinated debt instruments. On 14 March 2016, the Kärntner Ausgleichszahlungs-Fonds (K-AF) announced that the creditors of the debt instruments had not accepted the offer.

The Republic of Austria and a significant number of creditors of Heta's state-guaranteed debt instruments signed a Memorandum of Understanding (MoU) on 18 May 2016, in which the parties confirm their common intention to achieve an amicable agreement regarding the restructuring of Heta’s state-guaranteed liabilities. Heta itself was not a party to the MoU, and was not involved in the negotiations.

It is planned that the Kärntner Ausgleichszahlungs-Fonds (K-AF) will submit a new public offer on the basis of section 2a of the Financial Market Stability Act (FinStaG). Based on the currently available information, this offer is expected to be submitted in the fall 2016.

The repurchase offers of the Kärntner Ausgleichszahlungs-Fonds (K-AF) and their non-acceptance do not have a direct effect on Heta's financial statements for 30 June 2016, since they only pertain to the level between Heta's creditors and the Kärntner Ausgleichszahlungs-Fonds (K-AF) and thus are outside of Heta’s sphere.

(4) Wind-down plan pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA)

According to section 5 of the Federal Act on the Creation of a Wind-down Entity GSA, the wind-down of the portfolio is to be conducted according to a wind-down plan drawn up by the Executive Board and approved by the Supervisory Board. Due to the order requiring the wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) with Emergency Administrative Decision I, which left the further course of action adopted by the Financial Markets Authority (FMA) with regard to the time period after 31 May 2016 open, Heta was forced to suspend the completion of the wind-down plan pursuant to the Federal Act on the Creation of a Wind-down Entity (GSA) until such time as the future course of action was clarified. With regard to the completion of the wind-down plan, it therefore became legally necessary to wait whether and (if yes) in which form the Financial Markets Authority (FMA) would create the conditions for an orderly wind-down process by issuing a directive for wind-down measures.

For this reason, Heta has not published an official wind-down plan to date. In the meantime, Heta did however prepare a plan that met the legal requirements for the portfolio wind-down. These activities were given the name “Medium-term planning”, and were made publicly available in line with the company presentations published in October and December 2015, and in April 2016.

On 10 April 2016, the Financial Markets Authority (FMA) issued Emergency Administrative Decision II, which imposed significant resolution measures with regard to Heta. The publication of Emergency Administrative Decision II provided the basis for finalising the wind-down plan.

Emergency Administrative Decision II issued by the Financial Markets Authority (FMA) has far-reaching implications for Heta’s wind-down plan. The following planning-related simplified assumptions were made with regard to the repayment of the „eligible liabilities“ pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG), and the portfolio of cash liquidity (wind-down plan according to the Federal Act on the Creation of a Wind-down Entity (GSA)):

- For planning purposes it is assumed that the „eligible liabilities“ covered under Emergency Administrative Decision II are not serviced during the wind-down period of 2016 - 2020 and that they are reduced respectively to 0% or 46.02% due to the “bail-In” of creditors as specified in the emergency administrative decision. Interest expenses attributable to these liabilities starting from 1 March 2015 are set to zero.
- The planned return flows from the reduction in Heta’s assets increase the cash liquidity position of Heta Asset Resolution AG accordingly, since they are not used to pay the „eligible liabilities“. In coordination with the Financial Markets Authority (FMA), Heta generally invests its entire cash liquidity at the Austrian National Bank (OeNB). The wind-down plan assumes that it will continue to do so during the entire course of the wind-down.
- The possible earlier distribution of the income from disposals as provided for in Emergency Administrative Decision II was not taken into account on a planning level in the current wind-down plan.
- The company still expects that assets (excluding cash liquidity) will be reduced by approximately 80% by the end of 2018, starting from the end of 2014. To achieve the targets, receivables and real estate are to be sold to investors mainly through individual transactions.
- The planning assumptions relating to the receivables from Hypo Alpe-Adria-Bank S.p.A., Udine (HBI) and Addiko Bank AG (former Hypo Group Alpe Adria AG) were examined separately, since these are still expected to remain in place after 2020 for term-related reasons. Similarly, some finance lease receivables have terms that exceed the planning period and are not wound down completely in the current wind-down plan.

Heta reached these planning-related assumptions independently for the wind-down plan according to the Federal Act on the Creation of a Wind-down Entity (GSA).

The Heta Supervisory Board approved the wind-down plan on 25 August 2016 and subsequently forwarded it to the Federal Minister of Finance and the Chancellor. Heta published the main contents of the wind-down plan on the same day.

Pursuant to section 5 (4) GSA, the wind-down plan must be adjusted and re-submitted to the Supervisory Board for approval if the circumstances that are of relevance to the wind-down plan change. Heta will review the wind-down plan on a regular basis and will initiate a corresponding update of the wind-down plan if such circumstances should arise.

(5) Winding down investment companies and portfolio sales

5.1. Sales activities

Significant progress was made in terms of the wind-down of investments during the first six months of 2016. Activities in this area focused on the wind-down of investment companies and portfolios as well as assets, in particular residential and commercial real estate.

The projects that were established in 2015 with the aim of putting together non-performing loans (NPL) portfolios and offering them in the market, were continued. Several binding offers have been received for the “PATHFINDER” project, which consists of a non-performing loans (NPL) portfolio of secured loans to Croatian borrowers. It is expected that this transaction will be completed in the fourth quarter of 2016. The public tender for the “DRAVA” project (unsecured non-performing (NPL) portfolio) took place in May 2016, and the data room was opened in June 2016. In addition, it is expected that industry-specific portfolios from Germany and Bulgaria will also be sold in the near future.

5.2. Disposal of participations and assets

The wind-down of the investment portfolio continued significantly during the first six months of 2016.

The disposal process for the wholly-owned group company Centrice Real Estate GmbH (Centrice) and its 15 subsidiaries was successfully completed. The closing for this transaction took place on 28 June 2016, following the signing of the sale agreement on 31 May 2016. At the same time, the seller paid (in cash) 80% of the purchase price, which covers Centrice and all of its 15 subsidiaries and all associated financing lines.

The closing for the sale of the Macedonian group company Heta Asset Resolution Leasing DOOEL Skopje took place on 27 July 2016.

The sales procedures for a large Croatian tourism project resulted in a top bidder; intensive negotiations are currently ongoing.

Several binding offers were received for the public tender for the sales of Heta Asset Resolution Italia S.r.l. (HARIT) including its subsidiary Malpensa Gestioni Srl. The sale agreement with the top bidder was signed on 5 August 2016, while the closing is expected to take place sometime in the second half of 2016.

(6) Measurement basis: Gone concern assumption

A group-wide measurement process for the assets that are relevant to the portfolio wind-down was initiated once the Federal Act on the Creation of a Wind-down Entity (GSA) went into full force at the end of October 2014 following Heta’s transfer into a partially-regulated but not insolvency-proof wind-down unit. This measurement reflected the short- to medium-term intention in saturated markets within a wind-down period of five years, based on the assumption that 80.0% of assets would be wound down by 2018.

After the initial interim results of the Asset Quality Review (AQR) were announced, which indicated an asset shortfall between EUR -4.0 billion and EUR -7.6 billion, which was thus above the still available state aid range for capital measures approved by the Eurepean Commission (EU Commission) for EUR 2.9 billion, along with the expected implications for the company's capital and liquidity situation, Heta's owner, the Republic of Austria, announced on 1 March 2015 that no further measures would be taken for Heta under the Federal Act on Financial Market Stability (FinStaG). Subsequently the Financial Markets Authority (FMA) on 1 March 2015 issued a decision ordering wind-down measures pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) (see note (1.2.1) Emergency Administrative Decision I), according to which all of Heta’s “eligible liabilities” were subjected to a moratorium.

Based on the amended business purpose, the implications of the Federal Act on the Creation of a Wind-down Entity (GSA), which calls for mandatory self-liquidation after the statutory wind-down objectives have been achieved, the complete disposal of units conducting new business, the over-indebtedness of the company and the emergency administrative decision under the Federal Act on the Recovery and Resolution of Banks (BaSAG) issued by the Financial Markets Authority (FMA), the Executive Board no longer had a basis for continuing to prepare the financial statements on the basis of the going concern assumption.

With the Emergency Administrative Decision II from 10 April 2016 (see note (1.2.2) Emergency Administrative Decision II), the authority announced wind-down measures that had the effect of completely removing the negative equity (EUR -7.5

billion) reported in the separate financial statements of the parent company for 31 December 2015. According to this emergency administrative decision, the due date for the reduced liabilities was set to the date of the resolution on dissolution, but no later than 31 December 2023.

The interim consolidated financial statements for 30 June 2016, which were prepared in consideration of the Emergency Administrative Decision II, continue to be based on the gone concern assumption, as there were no developments that would oppose this concept and that would lead to the application of the going concern assumption. In addition, it is noted that the orderly wind-down of Heta pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) will also depend on whether circumstances that put the wind-down process pursuant to the BaSAG objectives and principles at risk will occur in the future.

(7) Applicable accounting standards

These interim consolidated financial statements of Heta for 30 June 2016 were prepared in accordance with section 87 of the Stock Exchange Act (BörseG) pursuant to the provisions of the International Financial Reporting Standards (IFRS) as they must be applied in the Eurpean Union (EU), and in special consideration of the requirements under IAS 34 (interim reporting). The consolidated financial statements for 31 December 2015 contain more information and notes than the interim consolidated financial statements for 30 June 2016. Therefore the interim consolidated financial statements must be read in conjunction with the most recently published consolidated financial statements for 31 December 2015.

The interim consolidated financial statements for 30 June 2016 were prepared in accordance with generally accepted accounting principles and in observance of the general standard of presenting a true and fair view of the company's asset, financial and earnings position. They were not subjected to an audit or review by the auditor. Both the gone concern-assumption as well as the requirements under the Federal Act on the Creation of a Wind-down Entity (GSA) and the Federal Act on the Recovery and Resolution of Banks (BaSAG), insofar as these correspond to the international accounting principles (IAS/IFRS), are taken into account during the measurement of assets and liabilities.

These interim consolidated financial statements used the same accounting and measurement principles and calculation methods as those used in the last published consolidated financial statements for 31 December 2015, insofar as they are not subject to the amendments noted below.

The following amended IFRS, which became mandatory as of 1 January 2016, were taken into account for the first time for the interim consolidated financial statements for 30 June 2016:

Standard	Description	Amendments
IFRS 11	Joint Arrangements	Accounting for acquisitions of interests in joint operations
IAS 19	Employee Benefits	Accounting for employee contributions
Collective Standard	IFRS December 2013 (Improvements 2010-2012)	Annual Improvements IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 7, IAS 16/IAS 38, IAS 24
IAS 16, IAS 38	Property, Plant and Equipment and Intangible Assets	Methods of depreciations and amortisation
IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture	Agriculture
IAS 27	Separate Financial Statements	Equity method as an accounting option
IAS 1	Presentation of Financial Statements	Statement initiative
Collective Standard	IFRS September 2014 (improvements 2012-2014)	Annual improvements IFRS 5, IFRS 7, IAS 19, IAS 34

There were no major changes to the accounting principles, which result from the application of new or amended standards.

The consolidated financial statements were prepared in Euro (EUR). Amounts are generally shown in million Euro (EUR m), which may result in rounding differences.

(8) Use of estimates

For the measurement of the important financial information noted in the consolidated financial statements, which are key to understanding the asset, financial and earnings position, measures were taken to ensure that the resulting information was reliably estimated pursuant to IAS 34. For additional information on discretionary decisions regarding financial reporting and measurement methods, we refer to note (9) "Use of estimates and assumptions/main estimate uncertainties in the consolidated financial statements of 31 December 2015.

(9) Scope of consolidation

The consolidated financial statements - including those of Heta Asset Resolution AG - include 14 (31 December 2015: 15) domestic and 36 (31 December 2015: 57) foreign companies:

	2016		2015	
	Fully consolidated	Equity method	Fully consolidated	Equity method
Start of period (1.1.)	**68**	**4**	**74**	**4**
Newly included in period under review	0	0	0	0
Merged in period under review	0	0	0	0
Excluded in period under review	-22	0	-6	0
Reclassified	0	0	0	0
End of period (30.6./31.12.)	**46**	**4**	**68**	**4**
thereof Austrian companies	12	2	13	2
thereof foreign companies	34	2	55	2

In the first six months of 2016, the following 22 (2015: 6) fully-consolidated subsidiaries, and no (2015: 0) company accounted for at equity, left the scope of consolidation:

Company	Registered office	Ownership interest in %	Method of consolidation	Reason
Alpe-Adria-Projekt GmbH	Munich	100.0	Fully consolidated	Immateriality
Snow-Fun-Park Wittenburg GmbH & Co. Besitz KG	Wittenburg	100.0	Fully consolidated	Immateriality
Alpe Adria Snow Fun Park Grundstücks GmbH	Munich	100.0	Fully consolidated	Immateriality
HYPO ALPE-ADRIA-Verwaltung 2011 GmbH	Munich	100.0	Fully consolidated	Immateriality
EPSILON GRAĐENJE d.o.o.	Zagreb	100.0	Fully consolidated	Immateriality
HETA 2014 Tanácsadó Kft	Budapest	100.0	Fully consolidated	Immateriality
Centrice Real Estate GmbH	Vienna	100.0	Fully consolidated	Sale
Centrice Ljubljana d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
BLOK 67 ASSOCIATES DOO BEOGRAD	Beograd - Novi Beograd	100.0	Fully consolidated	Sale
Centrice Castellum d.o.o.	Zagreb	100.0	Fully consolidated	Sale
BRODARICA POSLOVNI CENTAR d.o.o.	Zagreb	100.0	Fully consolidated	Sale
HYPERIUM DOOEL Skopje	Skopje	100.0	Fully consolidated	Sale
Centrice Galerija d.o.o.	Zagreb	100.0	Fully consolidated	Sale
Centrice Zagreb d.o.o.	Zagreb	100.0	Fully consolidated	Sale
LOMA CENTER d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
SKORPIKOVA POSLOVNI CENTAR d.o.o.	Zagreb	100.0	Fully consolidated	Sale
Victor Retail I d.o.o.	Sarajevo	100.0	Fully consolidated	Sale
Centrice Real Estate Ljubljana d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
HTC ENA d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
MM THETA d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
MM ZETA d.o.o.	Ljubljana	100.0	Fully consolidated	Sale
Centrice d.o.o.	Ljubljana	100.0	Fully consolidated	Sale

Companies that Heta now considers largely insignificant or immaterial due to reduced operating activities or a planned liquidation are removed from the scope of consolidation.

The wind-down of Heta's investment portfolio continued during the first six months of 2016. The disposal of Centrice Real Estate GmbH (Centrice) and its 15 subsidiaries was successfully completed. Taking into account expected utilisations from seller warranties and guarantees, the deconsolidation of the disposal group that was already classified as held for sale at the end of 2015 resulted in a negative result of EUR -24.4 million, which is reported in other operating income. Furthermore, realised currency effects of EUR 0.7 million were also reclassified into the income statement in that context. The result generated by the disposal group until the time of its exit amounts to EUR 6.5 million; this amount is reported in the relevant income or expense items.

(10) Discontinued operations

The result from discontinued operations includes the result from the Italian subsidiary Heta Asset Resolution Italia S.r.l. (HARIT), which is shown as separate business in the “Italy” segment. On 5 August 2016, an agreement was signed for the sale of 100% of shares in HARIT and all of the financing provided by Heta to HARIT.

On the basis of current estimates, it is expected that the closing for this transaction will take place during the second half of 2016. Following the disposal of the Italian subsidiary, Heta no longer carries out any operating activities in Italy.

Because it meets the criteria for application pursuant to IFRS 5.32, HARIT is shown in Heta's interim consolidated financial statements as a discontinued operation.

In the statement of comprehensive income, the continuous result for HARIT's financial year is shown separately as the result for the period from discontinued operations. With regard to the comparative figures from the previous year's period, the presentation of the income statement was adjusted in accordance with IFRS 5.

The income statement for the Italian subsidiary is as follows:

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Interest and similar income	2.4	4.0
Interest and similar expenses	0.0	0.0
Net interest income	**2.4**	**4.0**
Result from trading	0.0	-0.1
Operating result from investment properties	-0.3	-0.8
Other operating result	-2.4	-1.8
Operating income	**-0.4**	**1.2**
Impairment of financial assets	1.2	-8.0
thereof financial assets – at costs (risk provision)	1.2	-8.0
Impairment of non financial assets	0.2	-7.0
Operating income after impairment	**1.0**	**-13.7**
Personnel expenses	-3.2	-3.3
Other administrative expenses	-1.9	-2.6
Depreciation and amortisation on tangible and intangible assets	-0.5	-0.2
Operating expenses	**-5.6**	**-6.0**
Operating result	**-4.6**	**-19.7**
Result before tax	**-4.6**	**-19.7**
Taxes on income	-0.2	0.9
Result after tax	**-4.8**	**-18.8**

The after tax result from discontinued operations item shown in the consolidated statement of comprehensive income includes the continuous result pursuant to IFRS of EUR -4.8 million as well as the loss from the disposal of HARIT expected on the basis of the purchase price, taking into account expected utilisations from seller warranties and guarantees (EUR -59.1 million). This loss was taken into account in the interim consolidated financial statements with the addition of a provision for onerous contracts (IAS 37).

The previous years' values of the items in the statement of financial position are not adjusted, pursuant to the provisions of IFRS 5. The assets and liabilities of HARIT, which are reported in the statement of financial position for 30 June 2016 as assets classified as held for sale, or as liabilities included in disposal groups classified as held for sale, are as follows:

EUR m

	30.6.2016
ASSETS	
Cash and balances at central banks	0.3
Loans and advances to credit institutions	14.8
Loans and advances to customers	282.7
Risk provisions on loans and advances to customers	-224.1
Investment properties	137.6
Intangible assets	1.3
Tangible assets	6.7
Tax assets	79.2
Other assets	6.3
Total assets	**304.8**
LIABILITIES	
Provisions	19.6
Other liabilities	13.0
Total liabilities	**32.7**

The statement of cash flows for HARIT is broken down as follows:

EUR m

	2016	2015
Cash and cash equivalents at end of previous period (1.1.)	**0.0**	**0.0**
Cash flows from operating activities	-54.7	-190.3
Cash flows from investing activities	5.0	4.3
Cash flows from financing activities	50.0	186.0
Cash and cash equivalents at end of period (30.6.)	**0.3**	**0.0**

Notes to the income statement

(11) Segment reporting

The IFRS 8 “Operating Segments” standard forms the basis for segment reporting activities. In this vein, segment reporting is based on the information that is continuously provided to the Group Executive Board, which acts as the main decision-making body pursuant to IFRS 8.7 (so-called “Management Approach”). Therefore the segment structure may deviate from the organisation categories that are used in the income statement. Heta's business structure forms the basis for segment reporting activities.

The Heta segments have been defined on the basis of business- and reference value-specific indicators. The function performed by the respective subsidiary units is the authoritative factor for assessing the business-specific indicators. In this context, a basic distinction is made between “operating subsidiaries”, subsidiaries held for sale and units with a “holding function”. Reference value-specific designations are made mainly on the basis of balance sheet items. Reference values from the income statement, such as total earnings or sales revenues, were not used for definition purposes, since wind-down units generate only minimal regular earnings (e.g. interest income).

The “Holding” segment includes those subsidiaries that perform a holding function or that are held for sale. The subsidiaries with a holding function include the parent company Heta and interim holdings such as HAR GmbH and CEDRUS Handels- und Beteiligungs GmbH (Cedrus). Measured by total assets (excluding cash and IC items), the “Holding” segment is the largest Heta segment at EUR 3.7 billion - although the majority of this total is attributed to the group parent Heta (EUR 3.5 billion).

The operating subsidiaries include those leasing and “Brush” units that are active in the SEE region (Slovenia, Croatia, Serbia, Bosnia & Herzegovina and Montenegro), Italy and other countries (Austria, Germany, Bulgaria and Macedonia). Individual countries are shown as separate segments, since separate management has been established for each “operating country” and therefore a clear segregation of responsibilities exists. Measured by total assets, “Slovenia” is the largest segment with EUR 544.5 million, followed by Italy (EUR 305.5 million), the total from “other countries” (EUR 258.3 million) and Croatia (EUR 245.5 million). Those operating subsidiaries with less than EUR 200.0 million in loans and advances to customers, or whose reported loans and advances to customers make up less than 2.5% of the total loans and advances to customers in the group, were allocated to the “Other” segment.

The “Consolidation” segment includes effects from the consolidation between the various business segments, as well as consolidation adjustments that are taken into account at the group level.

Operating income consists of the net interest income, net fee and commission income, gains and losses on financial instruments that are not measured at fair value through profit or loss, the result from financial instruments - designated at fair value through profit and loss, the operating result from investment properties and other operating result. The latter components are not shown separately in the presentation of segment reporting. Operating expenses include the components personnel expenses, other administrative expenses and depreciation and amortisation for tangible and intangible assets, which are not shown separately in the segment reporting.

11.1. Holding

In the first half of 2016, the companies in the “Holding” segment generated a positive after-tax result of EUR 6,824.3 million (previous year: EUR -1,061.9 million), which is mainly attributable to Heta. The largest effect results from the implementation of the haircut ordered by the Financial Markets Authority (FMA); it is shown in other result at EUR 6,976.8 million. With the Emergency Administrative Decision II from 10 April 2016, the Financial Markets Authority (FMA) is applying the wind-down instrument of the “bail-in” of creditors. Accordingly, all “eligible liabilities” must be reduced to 46.02% of the nominal value or the amount outstanding by 1 March 2015, including interest accrued until 28 February 2015; subordinated “eligible liabilities” are reduced to zero. Other other result also includes the disposal result from Centrice including its 15 subsidiaries, in the amount of EUR -24.4 million.

Risk provisions of EUR 38.6 million were reversed during the course of the measurement of the portfolio for the first six months of 2016, and as a result of positive effects from the portfolio wind-down. Moreover, operating expenses decreased from EUR -51.0 million to EUR -43.3 million.

Total assets in the “Holding” segment were reduced by EUR 765.1 million during the first six months of 2016. Cash holdings increased during the comparative period by EUR 1,051.6 million. Leaving the change in the cash holdings aside, the other assets decreased by approximately EUR 1.8 billion. The greatest decrease took place in the segment of financial assets (EUR - 639.0 million), which was the result of the wind-down of the derivative portfolio and the reduction of the securities portfolio. The reduction in loans and advances to credit institutions amounts to EUR 565.5 million, and is due on the one hand to repayments of credit lines for the former subsidiaries Hypo Alpe-Adria-Bank S.p.A., Udine (HBI) and Addiko Bank AG, and also the reduction in payment accounts and cash collateral. Loans and advances to customers declined by net EUR 218.9 million as a result of the wind-down of the credit portfolio (some write ups for specific risk provisions). Other assets were reduced by EUR 331.4 million, which is mainly due to the disposal of Centrice and its 15 subsidiaries.

11.2. Slovenia

The after-tax result for the Slovenia segment for the first six months of 2016 was EUR 33.9 million (previous year: EUR -0.8 million). This positive result is mainly due to releases of risk provisions (EUR 31.3 million) and the release of impairments of real estate (EUR 2.8 million) as a result of measurement effects and positive effects from the portfolio wind-down. Other result is positive at EUR 4.1 million and is mainly due to the disposal of real estate and moveable assets. Net interest income is EUR 5.4 million, which represents an EUR 7.3 million improvement over the first six months of 2015. This result is due to the significant reduction in refinancing volume, which led to lower interest expenses. Operating expenses as at 30 June 2016 amounted to EUR -6.8 million, which represents a cost reduction of EUR 1.4 million, mainly in the area of other administrative expenses.

The initial measurement effect from the assets transferred in 2016 in line with the “Buyer Brush” option amounts to EUR -22.3 million, but is deemed neutral overall since the relevant provisions in line with the measurement of the Addiko Bank AG refinancing lines were already taken into account in the Holding segment in previous years.

Totals assets in the Slovenia segment fell by EUR -39.3 million during the first half of 2016, and are now EUR 544.5 million. The reduction in total assets is mainly due to the wind-down of loans and advances to customers (EUR 126.0 million) as well as the decline in risk provisions (EUR 89.5 million), which are due to reversals in connection with the portfolio wind-down and utilisations. A contrary effect is generated by the “Buyer Brush” option, which led to an increase in loans and advances to customers of EUR 30.0 million in this segment. Real estate and moveable assets increased by EUR 2.3 million, whereby disposals of investment properties are compensated by high repossessions (collection of collateral). In addition, total assets also declined as a result of the reduction in loans and advances to credit institutions (EUR -7.2 million).

11.3. Croatia

The Croatian units generated a positive after-tax result as at June 2016, namely EUR 13.5 million (previous year: EUR -7.8 million). The main drivers behind this result are the releases of risk provisions on loans and advances (EUR 14.5 million) and other result (EUR 5.2 million), which reports mainly profits from the sale of moveable assets and real estate. The measurement of real estate and collected collateral results in a impairment requirement of EUR -1.5 million. Compared to the previous year, the net interest income is again positive at EUR 2.1 million (previous year: EUR -2.9 million), mainly as a result of the significant decline in the refinancing volume.

Analogous to the procedure used for Slovenia, the initial measurement effect from the “Buyer Brush” option in the amount of EUR -53.9 million is also neutral in the Croatia segment, since it was already taken into account in the “Holding” segment in previous years.

The assets in the Croatia segment amount to EUR 245.5 million as at 30 June 2016, and therefore increased by EUR 6.0 million compared to the end of 2015. Leaving aside the portfolio from the “Buyer Brush” option transferred in 2016, which transferred EUR 23.2 million in net loans and advances to customers and EUR 21.7 million in collected collateral, total assets decreased by EUR -38.9 million.

11.4. Serbia

As at 30 June 2016, the Serbia segment generated a positive after-tax result of EUR 1.5 million (previous year: EUR -12.4 million), which is also due to the release of risk provisions on loans and advances (EUR 4.6 million). These are the result of the positive effects from the portfolio wind-down and measurement effects. The measurement of real estate and collected collateral results in a impairment requirement for the Serbian units of EUR -1.7 million. The previous year's result was strongly influenced by the appreciation in the Swiss franc, which led to a trading result of EUR -7.1 million.

In the Serbia segment, the measurement effects from the “Buyer Brush” option amount to EUR -31.2 million for the first six months of 2016, and may be viewed as neutral overall.

The total assets for the Serbian units amount to EUR 81.3 million as at 30 June 2016, and were reduced by EUR 2.5 million during the first six months of the year. Despite the increase in loans and advances to customers due to the “Buyer Brush” option (EUR +9.4 million), total loans and advances to customers nevertheless declined by EUR 37.6 million.

11.5. Bosnia

The after-tax result in the Bosnia segment is EUR 21.2 million for the first half of 2016 (previous year: EUR -13.0 million). Positive effects from the wind-down of receivables, as well as revaluations in the first six months of 2016 led to the release of risk provisions in the amount of EUR 14.9 million through profit or loss. The other result income is positive at EUR 4.2 million, and is mainly the result of the disposal result from real estate and moveable assets. Compared to the previous year, net interest income improved by EUR 4.8 million and is now positive at EUR 1.8 million. This result is mainly due to the decrease in the refinancing volume.

The initial measurement of the “Buyer Brush” option results in a measurement effect of EUR -5.4 million, which is neutral for the year 2016 since it was already taken into account in the Holding segment in previous years.

Segment assets as at 30 June 2016 amount to EUR 79.1 million, which represents an increase of EUR 9.3 million during the first six months of 2016. The increase in total assets is due to the “Buyer Brush” option and also the write-ups in the credit portfolio. In addition, loans and advances to credit institutions also increased by EUR 3.0 million due to return flows from the portfolio wind-down.

11.6. Montenegro

The after-tax segment result for the Montenegro segment amounts to EUR 2.4 million (previous year EUR -2.7 million). Risk provisions of EUR 5.4 million were released during the course of the revaluation of the portfolio and positive effects from the portfolio wind-down. The revaluation of real estate holdings resulted in a impairment requirement of EUR -1.1 million. Net interest income for the first six months of 2016 is negative at EUR -0.2 million, but did improve over the previous year by EUR 2.1 million. This development is due to lower interest expenses as a result of the reduction in the refinancing volume.

The initial measurement effect from the “Buyer Brush” option amounts to EUR -9.4 million, but its effect is also neutral analogous to the other segments.

Segment assets declined by EUR 4.3 million to EUR 61.7 million. This reduction is mainly due to the wind-down of loans and advances to customers (EUR -27.6 million), although the “Buyer Brush” option led to an increase in loans and advances to customers of EUR 2.8 million. Additionally, the credit risk provision was also reduced by EUR 21.3 million in the course of the wind-down in volume. Moveable assets and real estate increased by EUR 2.0 million as a result of the “Buyer Brush” option (EUR 3.8 million).

11.7. Italy

The Italy segment generated a loss of EUR -5.7 million (previous year: EUR -20.4 million). Positive effects from the release of risk provisions (EUR 1.2 million) were compensated with the other result of EUR -2.7 million. Costs amounted to EUR -5.7 million, and fell by EUR 0.4 million over the previous year.

Segment assets as at 30 June 2016 total EUR 305.5 million; a total of EUR -21.1 million was wound down. The company's individual balance sheet items are reclassified into other assets pursuant to IFRS 5 due to the already completed signing for the sale of the entire company.

11.8. Others

The Other segment generated a positive after-tax result of EUR 18.9 million in the first six months of 2016 (previous year: EUR -6.9 million). The impairment of financial assets in the amount of EUR 20.0 million results from positive effects from the portfolio wind-down, particularly from the Hungarian portfolio. Other result is positive at EUR 2.6 million, and is due to profits from the disposal of real estate and moveable assets. Compared to the previous year, operating expenses fell by EUR 1.6 million, and amounted to EUR -4.8 million at the end of June.

The assets of the units combined under the Other segment total EUR 258.3 million as at 30 June 2016 (31 December 2015: EUR 327.0 million). The reduction in total assets is mainly due to the reduction in loans and advances to customers (EUR -74.3 million) and other assets (EUR -29.7 million). The reduction in other assets is mainly the result of the reduction in assets classified as IFRS 5 in the 2015 consolidated financial statement, including an air plane portfolio. Holdings of moveable assets and real estate were reduced by EUR 6.0 million as a result of real estate disposals.

11.9. Consolidation

In the income statement, the reconciliation to the “Consolidation” group result consists mainly of the expected loss from the disposal of the Italian subsidiary unit Heta Asset Resolution Italia S.r.l. (HARIT), which was calculated on the basis of the expected purchase price, taking into account the expected utilisations from seller warranties and guarantees, in the amount of EUR -59.1 million.

11.10. Segment presentation

EURm

Period 1.1. - 30.6.2016	Holding	Slovenia	Croatia	Serbia	Bos-nia	Monte-negro	Italy	Others	IFRS 5 Reclassi fication	Consoli-dation	Heta Group
Operating income	**6,841.2**	**9.0**	**7.2**	**1.3**	**6.0**	**-0.5**	**-1.2**	**4.9**	**1.2**	**-3.0**	**6,866.2**
Net interest income	-78.3	5.4	2.1	0.5	1.8	-0.2	1.5	2.4	-1.5	0.0	-66.3
Net fee and commission income	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Other result	6,919.5	4.1	5.2	0.8	4.2	-0.3	-2.7	2.6	2.7	-3.0	6,933.0
Operating expense	**-43.3**	**-6.8**	**-6.7**	**-2.8**	**-2.8**	**-1.5**	**-5.7**	**-4.8**	**5.7**	**3.7**	**-65.0**
Operating result - prior to risk provision on loans and advances	6,797.9	2.1	0.5	-1.5	3.2	-2.0	-6.9	0.2	6.9	0.7	6,801.2
Impairment of financial assets	38.6	31.3	14.5	4.6	14.9	5.4	1.2	20.0	-1.2	5.1	134.3
Impairment of non financial assets	0.3	2.8	-1.5	-1.7	3.7	-1.1	0.2	-2.1	-0.2	0.8	1.2
Result after tax from continued operation	**6,824.3**	**33.9**	**13.5**	**1.5**	**21.2**	**2.4**	**-5.7**	**18.9**	**5.7**	**6.7**	**6,922.3**
Result after tax from discontinued operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-5.7**	**-58.2**	**-63.9**
Result after tax	**6,824.3**	**33.9**	**13.5**	**1.5**	**21.2**	**2.4**	**-5.7**	**18.9**	**0.0**	**-51.5**	**6,858.3**
Segment assets 30.6.2016	**9,050.4**	**544.5**	**245.5**	**81.3**	**79.1**	**61.7**	**304.8**	**258.3**	**0.0**	**-291.0**	**10,334.5**
Cash and balances at central banks	5,329.5	0.0	0.0	0.0	0.0	0.0	0.3	0.0	-0.3	0.0	5,329.5
Loans and advances to credit institutions	2,160.2	23.9	2.2	16.7	9.9	1.2	14.8	13.8	-14.8	-127.0	2,100.9
Risk provisions on loans and advances to credit institutions	-666.3	0.0	0.0	-12.5	0.0	0.0	0.0	0.0	0.0	127.0	-551.9
Loans and advances to customers	2,825.0	1,087.5	1,156.0	318.0	569.3	256.0	282.7	402.9	-282.7	-86.8	6,527.9
Risk provisions on loans and advances to customers	-1,480.7	-804.6	-1,007.1	-264.7	-520.7	-234.0	-224.1	-218.1	224.1	21.2	-4,508.6
Assets on Stock	0.1	188.9	86.6	17.5	12.5	36.8	139.5	20.9	-139.5	1.8	365.2
Financial Assets	694.2	0.0	0.0	0.7	0.2	0.0	0.0	0.1	0.0	-82.1	613.2
Other Assets	188.2	48.7	7.7	5.6	7.8	1.7	91.5	38.8	213.3	-145.2	458.3
thereof non-current assets held for sale	43.6	6.7	0.0	0.8	0.0	0.0	0.0	1.6	304.8	-45.9	311.6

* The column “IFRS 5 reclassification” is used to transfer the current result for the discontinued operation (Italy segment) from the current result to the after tax result for the period from discontinued operations. In the segment reporting to the group executive board, the current result for the discontinued operation was not reported in the result from discontinued operations but in the current result. IFRS 5 requires that the income statement is adjusted, but not the balance sheet.

EUR m

Period 1.1. - 30.6.2015	Holding	Slovenia	Croatia	Serbia	Bos-nia	Monte-negro	Italy	Others	IFRS 5 Reclassi fication	Consoli-dation	Heta Group
Operating income	**-1,110.8**	**-15.2**	**-5.8**	**-8.9**	**-12.3**	**-2.3**	**-0.2**	**-7.9**	**0.2**	**4.3**	**-1,158.9**
Net interest income	30.1	-1.9	-2.9	-1.4	-3.0	-2.3	2.5	2.3	-2.5	10.5	31.3
Net fee and commission income	-9.7	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-10.0
Other result	-1,131.2	-13.1	-2.9	-7.5	-9.2	0.0	-2.7	-10.1	2.7	-6.1	-1,180.2
Operating expense	**-51.0**	**-8.2**	**-7.1**	**-3.0**	**-3.1**	**-1.8**	**-6.1**	**-6.4**	**6.1**	**6.7**	**-73.8**
Operating result - prior to risk provision on loans and advances	-1,161.9	-23.4	-12.9	-11.9	-15.4	-4.1	-6.3	-14.2	6.3	11.1	-1,232.7
Impairment of financial assets	101.1	24.1	4.7	-0.4	2.4	1.3	-8.0	7.8	8.0	1.8	142.8
Impairment of non financial assets	0.0	-1.2	0.5	-0.1	0.0	0.0	-7.0	-0.4	7.0	-0.5	-1.7
Result after tax from continued operation	**-1,061.9**	**-0.8**	**-7.8**	**-12.4**	**-13.0**	**-2.7**	**-20.4**	**-6.9**	**20.4**	**12.2**	**-1,093.3**
Result after tax from discontinued operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-20.4**	**1.6**	**-18.8**
Result after tax	**-1,061.9**	**-0.8**	**-7.8**	**-12.4**	**-13.0**	**-2.7**	**-20.4**	**-6.9**	**0.0**	**13.8**	**-1,112.1**
Segment assets 31.12.2015	**9,815.5**	**583.8**	**239.5**	**83.8**	**69.8**	**66.0**	**326.6**	**327.0**	**0.0**	**-358.5**	**11,153.5**
Cash and balances at central banks	4,278.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,278.0
Loans and advances to credit institutions	2,725.7	31.1	5.0	16.0	6.9	1.4	18.7	13.2	0.0	-127.0	2,691.1
Risk provisions on loans and advances to credit institutions	-605.2	0.0	0.0	-12.5	0.0	0.0	0.0	0.0	0.0	127.0	-490.7
Loans and advances to customers	3,191.5	1,213.5	1,219.2	355.6	588.4	283.6	314.6	477.2	0.0	-93.2	7,550.3
Risk provisions on loans and advances to customers	-1,628.3	-894.1	-1,072.2	-302.8	-545.7	-255.3	-248.0	-258.9	0.0	39.9	-5,165.4
Assets on Stock	0.0	186.6	80.9	20.1	17.9	34.8	144.3	26.9	0.0	-5.6	506.1
Financial Assets	1,334.1	0.1	0.0	0.7	0.2	0.0	0.0	0.0	0.0	-137.9	1,197.3
Other Assets	519.6	46.6	6.5	6.6	2.1	1.6	97.0	68.5	0.0	-161.7	586.9
thereof non-current assets held for sale	407.0	7.8	0.0	1.4	0.0	0.0	0.0	15.5	0.0	0.0	431.7

*The column “IFRS 5 reclassification” is used to transfer the current result for the discontinued operation (Italy segment) from the current result to the after tax result for the period from discontinued operations. In the segment reporting to the group executive board, the current result for the discontinued operation was not reported in the result from discontinued operations but in the current result. IFRS 5 requires that the income statement is adjusted, but not the balance sheet.

(12) Interest and similar income

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Interest income	**145.3**	**273.7**
from loans and advances to credit institutions	30.8	8.1
from loans and advances to customers	36.2	80.9
from bonds, treasury bills and other fixed-interest securities	1.9	7.5
from derivative financial instruments, net	20.5	82.5
from the release of hedge adjustments	55.3	93.9
Other interest income	0.6	0.7
Current income	**8.1**	**9.4**
from finance leasing	8.1	9.4
Total	**153.4**	**283.1**

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

The reduction in interest derivatives undertaken during the first six months of 2016 is also reflected in the interest income: “eligible liabilities” were reduced as at 9 April 2016. The disposal of the liabilities also led to the derecognition of the hedge adjustment carrying amount component, as a result of which interest income from the amortisation of the hedge adjustment will no longer be recognised as of 10 April 2016. Instead, the holdings of affected hedge adjustments were derecognised as at 9 April 2016 through profit or loss in favour of the result for the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG).

(13) Interest and similar expenses

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Interest expenses	**-205.1**	**-225.4**
for liabilities to credit institutions	-95.4	-56.7
for liabilities to customers	-19.7	-30.0
for liabilities evidenced by certificates	-61.5	-100.6
for subordinated capital	-14.0	-29.6
from the release of hedge adjustments	-6.2	-6.3
for other liabilities	-8.4	-2.2
Similar expenses	**-14.5**	**-26.4**
Total	**-219.6**	**-251.8**

Interest expenses are decreasing compared to the previous year's period due to the reduction in “eligible liabilities” (including accrued interest until 28 February 2015) ordered by the Financial Markets Authority (FMA). A total of EUR 7.0 billion in “eligible liabilities” (including interest liabilities recognised for the period 1 March 2015 to 9 April 2016) was derecognised as at 9 April 2016. This had the effect of also significantly reducing the volume of interest-bearing liabilities. With regard to the “eligible liabilities” affected by the haircut, which were reduced to 46.02% (with the subordinated capital reduced to zero), the interest rate is retroactively reduced to zero as a result of the Emergency Administrative Decision II; therefore no interest expenses have been entered for the affected holdings since 10 April 2016. In contrast, all of the interest was entered as interest expenses for the first six months of 2015 under the moratorium of Emergency Administrative Decision I; however, this interest was subject to a payment block.

(14) Fee and commission income

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Credit business	0.3	0.8
Bank transfers including payment transactions	0.0	0.0
Other financial services	0.3	0.4
Total	**0.5**	**1.2**

(15) Fee and commission expenses

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Credit business	0.0	-10.2
Securities and custodian business	-0.4	-0.2
Bank transfers including payment transactions	-0.1	-0.1
Other financial services	-0.6	-0.7
Total	**-1.1**	**-11.2**

Fee and commission expenses for the comparative period also included the fee for the transfer of a EUR 200 million guarantee by the Republic of Austria in the amount of EUR -9.9 million, 1 January to 30 June 2016: EUR 0.0 million.

(16) Gains and losses on financial instruments that are not measured at fair value through profit or loss

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Result from financial investment – available for sale	0.5	0.8
Result from fin. investments – at cost	0.0	0.3
Total	**0.5**	**1.1**

(17) Result from the "bail-in" of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG)

The result from the “bail-in” of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) relates to the implementation of the haircut ordered by the Financial Markets Authority (FMA), and amounts to EUR 6,976.8 million (1 January to 30 June 2015 EUR 0.0 million). With the Emergency Administrative Decision II from 10 April 2016, the Financial Markets Authority (FMA) is applying the wind-down instrument of the “bail-in” of creditors. Accordingly, all “eligible liabilities” must be reduced to 46.02% of the nominal value or the amount outstanding by 1 March 2015, including interest accrued until 28 February 2015; subordinated “eligible liabilities” are reduced to zero. In addition, the due dates for the “eligible liabilities” were changed to the date of the resolution on dissolution for Heta, or 31 December 2023, and the interest rate was retroactively set to zero as at 1 March 2015.

These changes in the terms initially lead to the complete derecognition of the currently accounted for “eligible liabilities” and the re-recognition of the new reduced liabilities. The derecognition on 9 April 2016 and re-recognition of the new liabilities on 10 April 2016 results in a net income of EUR 9,122.8 million. The new liabilities had to be recognised at the fair value as at 10 April 2016. This fair value approach that is applied to the liabilities results in a contrary effect on the result of EUR -2,146.0 million. This effect from the fair value measurement is based on the assumption that Heta's expected net assets must be distributed to creditors at the time of the resolution on dissolution, but at the latest on 31 December 2023. The measurement result from the fair value measurement of liabilities as at 30 June 2016 (P&L effect from 10 April to 30 June 2016) is entered in the result from financial instruments - designated at fair value through profit or loss.

(18) Result from trading

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Foreign exchange transactions	6.7	-135.1
Total	**6.7**	**-135.1**

*Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

The trading result includes a result from currency-related transactions in the amount of EUR 10.8 million (1 January to 30 June 2015: EUR -182.5 million), which was affected by the appreciation in the Swiss Franc in 2015 during the comparative period.

(19) Result from financial assets – designated at fair value through profit or loss

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015
Result from financial assets and related derivatives	**3.5**	**0.2**
from loans and advances to customers and credit institutions	3.6	0.2
from equity instruments	-0.4	-0.2
from debt instruments	0.0	0.2
from treasury bills	0.3	0.0
Result from long-term financial liabilities and related derivatives	**-91.9**	**63.9**
from liabilities evidenced by certificates	-53.5	17.7
from subordinated capital and other liabilities	0.1	46.2
from other liabilities	-38.5	0.0
Total	**-88.5**	**64.1**

The negative result for the first six months of 2016 in the amount of EUR -88.5 million includes EUR -80.5 million pertaining to the result from the fair value measurement of the “eligible liabilities” (P&L effect from 10 April to 30 June 2016). The subordinated capital was reduced to zero in line with the „bail-in“ of creditors ordered by Emergency Administrative Decision II, so that no results from the change in the fair value are reported for the first half of 2016 in this regard. The income from the reduction in the subordinated capital is shown in the result for the „bail-in“ of creditors pursuant to the Federal Act on the Recovery and Resolution of Banks (BASAG).

(20) Operating result from investment properties

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Rental income	26.4	26.1
Depreciation	-9.7	-11.4
Disposal result	5.7	1.6
Other expenses	-3.2	-3.7
thereof direct operating expenses (rented IP)	-0.8	-1.2
thereof direct operating expenses (not rented IP)	-2.4	-2.5
Total	**19.2**	**12.6**

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

(21) Other operating result

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Other income	66.6	977.9
Other operating expenses	-45.8	-391.5
Total	**20.8**	**586.4**
Result from operate lease assets	1.1	1.0
Other rental income	0.3	0.1
Net capital gains/losses from the sale of intangible and tangible assets	0.0	0.0
Result from emergency acquisitions and repossessed asset	4.1	-1.8
Result from allocation/release of other provisions	6.1	3.8
Other tax expenses (incl. bank tax exept income tax)	-0.6	-0.5
Expenses from complete or partial sale of fully consolidated companies	0.4	0.0
Restructuring expenses	-0.2	0.0
Result from assets classified as held for sale and disposal groups	-20.8	0.9
Remaining other result	30.3	583.0
thereof income from release of provision for anticipated claims by creditors	0.0	886.5
thereof damage compensation payment	0.0	-70.3
Total	**20.8**	**586.5**

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

The result from assets classified as held for sale and disposal groups includes the result from the deconsolidation of Centrice (see note (9) Scope of consolidation) in the amount of EUR -24.4 million. Positive disposal results were achieved from the disposal of the Hungarian project company HETA 2014 Tanacsado Kft. and the sale of an aircraft of the subsidiary HETA Luftfahrzeuge Leasing GmbH.

(22) Impairment of financial assets

The impairment of financial assets is broken down as follows:

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Impairment financial assets – at cost (risk provision)	**121.3**	**143.0**
Allocations	-73.9	-83.7
Releases	189.5	220.7
Receipts from loans and advances previously impaired	6.9	7.1
Directly recognised impairment losses	-1.1	-1.1
Impairment financial assets – available for sale	**13.0**	**-0.2**
Impairment financial assets – held to maturity	**0.0**	**0.0**
Total	**134.3**	**142.8**

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

(23) Other administrative expenses

EUR m

	1.1. - 30.6.2016	1.1. - 30.6.2015*
Infrastructure costs	-3.2	-4.2
IT- and telecommunications	-4.9	-6.4
Legal and advisory costs	-12.6	-12.2
Expense for audit and audit-related services	-1.2	-1.5
Expenses related to reorganisation and restructuring	-2.2	-0.5
Investigation of the past	0.0	-0.1
Staff training cost	-0.4	-0.3
Other general administrative expenses	-5.0	-7.2
Total	**-29.6**	**-32.5**

* Previous year values for 2015 were adjusted in connection with the reporting of the Italian subsidiary as a discontinued operation, see note (10) Discontinued Operations

Notes to the statement of financial position

(24) Loans and advances to credit institutions

24.1. Loans and advances to credit institutions – by region

EUR m

	30.6.2016	31.12.2015
Austria	791.8	1,024.0
Central and Eastern Europe (CEE)	63.4	68.0
Other countries	1,245.7	1,599.0
Total	**2,100.9**	**2,691.1**

(25) Loans and advances to customers

25.1. Loans and advances to customers –by type of customer

EUR m

	30.6.2016	31.12.2015
Public sector	990.0	983.6
Corporate clients	5,063.6	6,232.9
Retail clients	474.3	333.9
Total	**6,527.9**	**7,550.3**

25.2. Loans and advances to customers - by region

EUR m

	30.6.2016	31.12.2015
Austria	579.3	774.4
Central and Eastern Europe (CEE)	5,165.4	5,652.1
Other countries	783.2	1,123.8
Total	**6,527.9**	**7,550.3**

(26) Risk provisions on loans and advances and provisions for credit commitments and guarantees

EUR m

	As at 1.1.2016	Foreign-exchange-differences	Allo-cations	Releases	Use	Other	Changes IFRS 5	Un-winding	As at 30.6.2016
Specific risk provisions	-5,574.9	-5.3	-55.0	168.5	333.4	-84.8	218.3	15.4	-4,984.4
Portfolio-based risk provisions	-87.5	0.0	-16.9	18.6	0.0	-0.2	5.6	0.0	-80.4
Subtotal risk provisions on loans and advances	**-5,662.4**	**-5.2**	**-72.0**	**187.1**	**333.4**	**-85.0**	**223.9**	**15.4**	**-5,064.7**
Provisions for credit commitments and guarantees	-33.1	0.0	-3.5	5.5	3.9	9.3	0.0	0.0	-17.9
Total	**-5,695.5**	**-5.2**	**-75.5**	**192.6**	**337.4**	**-75.7**	**223.9**	**15.4**	**-5,082.7**

EUR m

	As at 1.1.2015	Foreign-exchange-differences	Allo-cations	Releases	Use	Other	Changes IFRS 5	Un-winding	As at 30.6.2015
Specific risk provisions	-6,768.6	-83.2	-90.9	203.9	98.7	0.0	0.0	57.3	-6,582.9
Portfolio-based risk provisions	-83.5	-0.2	-7.8	17.1	0.0	0.0	0.0	0.0	-74.3
Subtotal risk provisions on loans and advances	**-6,852.1**	**-83.3**	**-98.7**	**221.0**	**98.7**	**0.0**	**0.0**	**57.3**	**-6,657.2**
Provisions for credit commitments and guarantees	-44.5	0.0	-1.6	8.9	0.8	0.0	0.0	0.0	-36.4
Total	**-6,896.5**	**-83.3**	**-100.3**	**229.9**	**99.5**	**0.0**	**0.0**	**57.3**	**-6,693.6**

(27) Derivative financial instruments

EUR m

	30.6.2016	31.12.2015
Positive market value of derivative financial instruments – trading	18.6	14.6
Positive market value of derivative financial instruments – banking book	177.9	581.7
Total	**196.5**	**596.2**

(28) Financial assets – designated at fair value through profit or loss

EUR m

	30.6.2016	31.12.2015
Loans and advances to customers and credit institutions	178.2	198.9
Bonds and other fixed-interest securities	0.0	0.0
Shares and other non-fixed-interest securities	4.4	6.3
Total	**182.6**	**205.2**

(29) Financial assets - available for sale

EUR m

	30.6.2016	31.12.2015
Bonds and other fixed-interest securities	231.7	377.6
Shares and other non-fixed-interest securities	0.2	15.9
Shares in affiliated, non-consolidated companies (> 50%)	2.3	2.4
Total	**234.1**	**395.9**

(30) Investment properties

EUR m

	30.6.2016	31.12.2015
Investment property leased out	118.4	150.1
Vacant Investment property	114.6	250.9
Prepayments/asset under construction	4.5	4.5
Total	**237.5**	**405.4**

On the reporting date 30 June 2016, the criteria for IFRS 5 have been met with respect to the Italian subsidiary Heta Asset Resolution Italia S.r.l. (HARIT), which means that the relevant provision under the standard must be applied. In this context, a portfolio of investment properties EUR 137.6 million was reclassified into assets classified as held for sale. See note (10) Discontinued operations.

(31) Assets classified as held for sale

EUR m

	30.6.2016	31.12.2015
Cash and balances at central banks	0.3	0.3
Loans and advances to credit institutions	20.1	28.8
Loans and advances to customers	287.8	12.5
Impairment on financial assets – at cost (risk provision)	-228.3	-13.9
Financial assets – available-for-sale	0.0	2.4
Other financial investments (investment properties)	145.2	329.9
Intangible assets	0.0	0.1
Tangible assets	14.2	21.5
Tax assets	34.7	0.2
Other assets	37.5	50.0
Total	**311.6**	**431.7**

As at 30 June 2016, the item "assets and disposal groups classified as held for sale", which must be reported separately according to IFRS 5, includes assets held for sale and a disposal group that will likely be sold during the next 12 months.

This item shows, among other things, the assets of a Croatian real estate project, the assets of the Macedonian group company Heta Asset Resolution Leasing DOOEL Skopje and real estate of Crotian, Slovenian and Bulgarian subsidiaries. For additional details, please see note (5) Winding down investment companies and portfolio sales. Similarly, the entire assets of HARIT are also shown in this item (see note (10) Discontinued operations).

The assets of the Croatian real estate project are shown in the segment reporting under the "Holding" segment, while the assets of the Macedonian group company are shown in the "Other" segment. The real estate of the Slovenian and Croatian companies are shown in the "Slovenia" and "Croatia" segment, while the Bulgarian real estate are shown in the "Other" segment. The assets of the Italian subsidiary Heta Asset Resolution Italia S.r.l. (HARIT) correspond to those shown in the "Italy" segment.

(32) Liabilities to credit institutions

32.1. Liabilities to credit institutions - by region

EUR m

	30.6.2016	31.12.2015
Austria	27.7	113.7
Central and Eastern Europe (CEE)	0.1	9.7
Other countries	1,974.6	3,276.7
Total	**2,002.4**	**3,400.0**

(33) Liabilities to customers

33.1. Liabilities to customers - by type of customer

EUR m

	30.6.2016	31.12.2015
Demand and time deposits	**889.6**	**1,509.8**
from public sector	53.2	85.6
from corporate clients	835.6	1,422.9
from retail clients	0.7	1.3
Total	**889.6**	**1,509.8**

33.2. Liabilities to customers - by region

EUR m

	30.6.2016	31.12.2015
Austria	22.9	40.4
Central and Eastern Europe (CEE)	12.1	17.3
Other countries	854.6	1,452.1
Total	**889.6**	**1,509.8**

(34) Liabilities Pfandbriefbank

EUR m

	30.6.2016	31.12.2015
Total	**770.8**	**1,241.9**

(35) Liabilities evidenced by certificates

EUR m

	30.6.2016	31.12.2015
Issued bonds	4,494.0	7,600.0
Liabilities issued by the "Pfandbriefbank"	0.0	0.1
Total	**4,494.0**	**7,600.1**

(36) Derivative financial instruments

EUR m

	30.6.2016	31.12.2015
Negative market value of derivative financial instruments – trading	19.6	15.3
Negative market value of derivative financial instruments – banking book	188.9	464.9
Total	**208.6**	**480.2**

(37) Provisions

EUR m

	30.6.2016	31.12.2015
Pensions	5.8	5.8
Severance payments	4.2	4.9
Provisions for anniversary payments	0.1	0.1
Provisions for credit commitments and guarantees	18.0	33.1
Restructuring provisions as per IAS 37.70	32.4	41.0
Other provisions	602.1	377.9
Total	**662.7**	**462.7**

The item other provisions includes provisions for consulting and legal costs, tax proceedings, expenses relating to the forensic investigation of the past, provisions for statutory cost recourse claims, fees and external wind-down costs.

(38) Liabilities included in disposal groups classified as held for sale

EUR m

	30.6.2016	31.12.2015
Liabilities to credit institutions	0.0	0.0
Liabilities to customers	0.1	1.0
Provisions	19.8	2.6
Tax liabilities	0.0	2.7
Other liabilities	15.6	7.0
Total	**35.5**	**13.3**

(39) Other liabilities

EUR m

	30.6.2016	31.12.2015
Deferred expenses	50.4	55.0
Accruals und other obligations	72.2	101.9
Total	**122.6**	**156.9**

(40) Subordinated capital

EUR m

	30.6.2016	31.12.2015
Subordinated liabilities	0.0	2,005.1
Supplementary capital	0.0	0.0
Total	**0.0**	**2,005.1**

Risk report

(41) Current portfolio developments

During the first half of 2016, the total exposure (gross value of receivables before risk provisions) decreased by approximately EUR 1.4 billion to EUR 15.7 billion. The non-performing loans (NPL) at Heta continued to decline during the first six months of 2016. The total exposure of non-performing loans (NPL) was approximately EUR 7.1 billion during the first half of 2016.

(42) Extraordinary events that occurred during the first six months of 2016

Several important extraordinary events occurred during the first six months of 2016. They are explained in more detail in note (1) Important events during the first six month of 2016.

(43) Risk provisions

For the calculation of the risk provisions, a follow-up measurement was performed on 30 June 2016, taking into account the gone concern-assumption. This methodology, which was already applied in the Asset Quality Review, is described in detail in the consolidated financial statements for 31 December 2015. The premises and parameters in the methodology did not change since 31 December 2015.

On the reporting date of 30 June 2016, the risk provisions totalled EUR -5.1 billion, which is EUR 0.6 billion lower than on 31 December 2015.

(44) Monitoring of collateral

The data compilation of all collaterals form the basis of the group's collateral management system, which is the responsibility of Group Case Operations (GCO). Using reports, the GCO, as the higher-level unit in the group, monitors compliance with the required directives and time specifications for all collateral measurements.

The majority of the collaterals that is considered recoverable is made up of real estate, while the remaining collateral consist of asset guarantees and other guarantees, receivables and other collaterals.

Individual measurements are performed for all commercial real estate items with a market value exceeding EUR 1.0 million. All real estate collateral items with a market value below EUR 1.0 million are measured with a separate statistical tool. A group-wide “Collateral Workflow” has been implemented, which guarantees a standardised workflow for ensuring the currentness of the valuations.

(45) Market risk

Overall, the wind-down measures (see note (1.2.2) Emergency Administrative Decision II) implemented by the Financial Markets Authority (FMA) had the effect of reducing the market risk. The CHF liabilities overhang in the open currency position was greatly reduced due to the „bail-in“ of creditors, and thus results in a much reduced foreign currency risk. The removal of interest from the „eligible liabilities“ resulted in much lower interest expenses in subsequent periods. From a present value point of view (value at risk), the interest rate risk in Heta’s investment portfolio increases, because the removal of interest from the „eligible liabilities“ results in asset overhangs.

(46) Liquidity risk

The wind-down measures under the “Emergency Administrative Decision II” (moratorium, exemption of interests and decrease of “eligible liabilities” had a positive effect on Heta's structural liquidity risk (see note (1.2.2) Emergency Administrative Decision II). From the current point of view, Heta is adequately refinanced throughout the duration of the wind-down plan.

(47) Operational risk and internal control system (ICS)

The main focus areas in terms of the operational risk (OpRisk) during the first six months of 2016 concentrated on the collection and analysis of operational risk cases at the various subsidiaries, and hence the development and implementation of risk prevention measures.

New OpRisk policies and manuals were rolled out across the group, and were implemented by the subsidiaries.

During the course of the first six month of 2016, the internal control system continued to be adapted to the modified processes and areas in the wind-down unit to ensure that the wind-down objective can be achieved. A new ICS policy was rolled out across the group and implemented by the subsidiaries. In addition, a 2016 annual plan was developed for the internal control system.

(48) Legal risks

Comments regarding the outstanding proceedings at Heta and its subsidiaries can be found in note (55) Important proceedings. Potential losses from these proceedings could have a decidedly negative impact on Heta's expected payouts to creditors.

(49) Tax risks relating to tax audits

The tax audits carried out by the respective tax authorities in Austria and several group countries during the past few years are now mostly complete. Resulting subsequent tax claims, for which Heta's legal opinion corresponds to that of the tax authority, have been mostly paid, or the relevant provisions were created in the semi-annual financial statements for 30 June 2016. In the case of findings where the legal opinions diverge, Heta has filed an appeal and, depending on its assessment of how successful the appeal may be, has additionally created a provision.

In addition, Heta has also assumed arm’s length tax-related guarantees in connection with the sale of Addiko Bank AG. The resulting amount of expected utilisation was determined by an expert, and the relevant provision was created in the semi-annual financial statements for 30 June 2016.

Supplementary information

(50) Contingent liabilities and other off-balance-sheet liabilities

The following off-balance-sheet liabilities existed on the reporting date:

EUR m

	30.6.2016	31.12.2015
Contingent liabilities	**10.0**	**109.0**
from bills of exchange transferred for settlement	0.0	0.0
from credit guarantees	2.9	94.1
from letters of credit	0.0	0.0
from other guarantees	4.5	4.5
from other contingent liabilities	2.6	10.4
Other liabilities	**50.5**	**123.4**
from irrevocable credit commitments	50.5	110.5
from other liabilities	0.0	12.9
Total	**60.4**	**232.4**

(51) Loans and advances and financial liabilities designated at fair value

The application of the fair value option results in the following values for the different items in the statement of financial position:

EUR m

	30.6.2016	31.12.2015
Loans and advances to customers and credit institutions	178.2	198.9
Bonds and other fixed-interest securities	0.0	0.0
Shares and other non-fixed-interest securities	4.4	6.3
Total	**182.6**	**205.2**
Liabilities to credit institutions	1,885.4	172.8
Liabilities to customers	861.1	1.0
Liabilities Pfandbriefbank	770.8	7.3
Liabilities evidenced by certificates	4,494.0	198.2
Subordinated capital	0.0	4.5
Hybrid capital	0.0	0.2
Total	**8,011.2**	**383.9**

The "eligible (balance sheet) liabilities" that were reduced as a result of the Emergency Administrative Decision II and that were fully derecognised as at 9 April 2016 are recognised as at 10 April 2016 at 46.02% of their fair value and allocated to the category " liabilities measured at fair value through profit or loss".

(52) Fair value disclosures

Fair value is the price that would be received for the sale of an asset or that would be paid to transfer a debt in an orderly transaction between market participants on the valuation date. Heta's wind-down obligation was taken into account by applying market prices of comparable financial instruments and stipulating the most advantageous market pursuant to IFRS 13.16. The following fair value hierarchy is based on the origin of the fair value:

- Quoted prices in active markets (Level I)

The fair value of financial instruments traded in active markets is best established through quoted prices where these represent market values/prices used in regularly occurring transactions. This applies above all listed equity securities, debt instruments, which are traded on the interbank market, and listed derivatives.

- Value determined by using observable parameters (Level II)

If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or recognised valuation models using observable prices or parameters must be used to determine fair value. This level includes the majority of the OTC (Over The Counter) derivatives and non-quoted debt instruments.

- Value determined by using non-observable parameters (Level III)

This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using valuation models appropriate to the individual financial instrument. This model makes use of management assumptions and estimates which are dependent on the pricing transparency and complexity of the financial instrument.

The end of the period under review is defined as the date of reclassification between various levels of the fair value hierarchy.

- Equity instruments

Equity instruments are reported in Level I if they are quoted in an active market. If not, they are then reported in Level III. If the fair value of an equity instrument cannot be reliably measured, the equity instrument is measured at amortised cost. Equity instruments measured at cost are impaired if the carrying amount is higher than the recoverable amount, either by a significant amount or over a longer period of time.

- Derivatives

The fair values of derivatives that are not options are determined by discounting the relevant cash flows. These are reported under Level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, then these derivatives are reported under Level III. The measurement of the fair values of structured financial products takes into account the type of embedded derivative; these are reported in Level II or Level III depending on whether input factors were used.

- Fixed-interest receivables

The method used to measure fixed-interest receivables and securities depends on the liquidity on the relevant market. Liquid instruments measured at the respective market value are shown in Level I. In the absence of an active market, fair values are calculated on the basis of risk premium curves. The proximity to the risk premium curve used determines whether these instruments are reported in Level II or Level III. They are reported in Level III if the measurement procedure uses an input parameter that cannot be directly observed in the market. Provision of price data, either at a low frequency or only from one source, leads to report in Level III.

- Liabilities

The fair value of the liabilities is calculated using an "Expected Present Value" technique. Other than the risk-free interest rate curve, all of the input parameters of the model cannot be directly observed in the market, and are shown under Level III.

- Hedge accounting

Within the scope of hedge accounting, Heta uses only fair value hedges to hedge the market values of financial instruments. Financial instruments hedged according to IAS 39 are reported in the statement of financial position in accordance with the hedged fair value, i.e. the carrying amount plus the change of the market value attributable to the hedged part of the financial instrument. The hedge serves above all to minimise the market value risk caused by changes of interest rates.

As the carrying amount of unhedged fixed interest financial instruments according to IAS 39 (Loans & Receivables (L&R), Held to Maturity) remains unaffected by market changes, this produces a difference between the fair value and the carrying amount, which is determined by means of a capital value-oriented valuation method.

For this purpose, Heta established the expected series of payments for each financial instrument and discounted it with a discounting rate based on market data.

Because of Heta's over-indebtedness in terms of equity as at 31 December 2014 and the announcement of the company's owner that he would not provide any additional funds, it was anticipated that the company would no longer be in a position to service its liabilities as they become due. Taking into account the Financial Markets Authority (FMA) Emergency Administrative Decision from 1 March 2015, which had the effect of deferring all of the liabilities covered under the Federal Act on the Recovery and Resolution of Banks (BaSAG) until 31 May 2016, it could no longer be assumed, with regard to those liabilities with hedges, that these represent efficient hedging relationships in terms of IAS 39 (Hedge Accounting). For this reason, the hedging relationships for all liabilities of Heta were terminated in the 2014 financial year and the derivative transactions are now continued as stand-alone derivatives. The effect arising from the termination of the hedging relationship, which consists primarily of the basis adjustments applied until that reporting date, is distributed over the term of the underlying transaction.

Hedging relationships in connection with active underlying transactions (especially securities and receivables) were terminated as at 31 December 2014 if the underlying transaction had a term of more than five years. The limited five-year term was determined in compliance with the time frame stipulated by the Executive Board for the complete wind-down of the portfolio by 2020. Such derivatives are entered in the interim consolidated financial statements for 30 June 2016 as stand-alone derivatives at the respective market value.

With the Emergency Administrative Decision II from 10 April 2016 and the resulting requirement to adjust the originally hedged underlying transactions on the liabilities side due to the haircut, the basis adjustments for the underlying transactions on the liabilities side, that still existed were reversed at 10 April 2016.

52.1. Fair Value of financial instruments recognised at fair value

52.1.1. MEASUREMENTS TECHNIQUES USED TO CALCULATE THE FAIR VALUE OF LEVEL II AND LEVEL III ITEMS

The approved valuation techniques according to IFRS 13 are the market approach, the cost approach and the income approach. The valuation technique using the market approach is based on identical or comparable assets and liabilities. With the income approach, the future cash flows or income and expenses are discounted on the valuation date. The fair value determined in this manner reflects current market expectations regarding these future amounts. This includes in particular present value models and also option price models used for the valuation of financial instruments or cash flows with an option character. The cost approach is not used.

The fair value of financial instruments with short terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

While market prices for some of the Level III items are provided externally, the market prices are either supplied less frequently or only from one source. If possible, the values are verified against third-party valuations on a recurring basis.

The following valuation techniques are applied to items that are valued internally based on models:

- Present value of the future cash flows

Level II and III items that are not traded in active markets but where the date and amount of the cash flows are known are valued at the present value of the future cash flows. A risk premium is taken into account for discounting. All input factors are observable for Level II instruments while some parameters cannot be directly observed for Level III.

- Expected present value of the equity and liabilities side

The valuation of the liabilities is based on two differently weighted scenarios (wind-down and insolvency scenario). In the wind-down scenario, the amount that is expected to be distributed to creditors in the wind-down scenario is derived from Heta's disposal plan, whereas it is derived from internally estimated disposal proceeds in the case of assumed insolvency proceedings. The date of 31 December 2023 is assumed as the distribution date. The expected present value is calculated using a risk-adjusted discounted interest rate that is derived from collateralised bonds.

- Option valuation models

The existing portfolio of Level III items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes or FX rates, or with dates that cannot be determined. Recognised interest and option valuation models calibrated daily with market data (prices, swaption prices, FX rates) are used for the valuation of such cash flows.

52.1.2. NON-OBSERVABLE INPUT FACTORS FOR LEVEL III ITEMS

- Volatilities and correlations

Volatilities are important input parameters for all option valuation models. The volatilities are derived from market data using recognised models. If a model incorporates more than one market variable, correlations also have to be estimated and taken into account.

- Risk premiums

Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults, and therefore reflect the loss given default and the probability of default. Risk premiums for some issuers can be observed directly in the market. When single-name CDS (credit default swap) curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's country and sector.

- Country risk

Some countries have an additional issuer risk factor, which is also taken into account when calculating the fair value. A country risk premium, which is calculated on the basis of the country CDS (credit default swap) curve, is taken into account for this purpose.

- Internal rating

The issuer default risk is determined on the basis of the group's internal rating scale.

- Liquidity discount

In illiquid markets, both income-based and market-based approaches take into account liquidity discounts, which are derived on the basis of market indications.

- Loss given default (LGD)

The loss given default is a parameter that is never directly observable before a company defaults. Historical data is used to estimate the expected loss given default.

- Probability of default (PD)

The risk premium and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

- Estimated amount of distribution in wind-down scenario

The amount distributed to creditors in the wind-down scenario is derived from the extended internal medium-term plan.

- Estimated amount of distribution in insolvency scenario

The amount distributed to creditors in a possible insolvency scenario is estimated on the basis of an internal insolvency scenario that assumes a shorter disposal horizon.

- Probability of insolvency

At present, there are two reasons for an insolvency scenario at Heta. On the one hand, a decision by the Constitutional Court of Austria (VfGH), which would repeal the application of the Federal Act on the Recovery and Resolution of Banks (BASAG) to Heta, or a negative outcome of the submission procedure before the European Court of Justice (ECJ) could lead to an insolvency at Heta under certain conditions. On the other hand, the Financial Markets Authority (FMA) itself announced, in line with its publications on the Heta issue, that e.g. an enforcement against Heta's assets, which breaches the principle of the equal treatment of creditors, could lead to an insolvency scenario. (see note (1.2.3) Lawsuits in connection with Emergency Administrative Decision I and II).

Both events must be examined independently of each other. The probability of occurrence is derived on the basis of an internal estimate.

- Term/distribution date in the wind-down and insolvency scenario

The latest point in time as per the emergency administrative decision, hence 31 December 2023, is the assumed distribution date.

- Risk-adjusted discounted interest rate

The applied discount curve is made up of an interest rate curve (EUR Swap) and a premium for collateralised bonds. The premium for collateralised bonds is calculated on the basis of an Austrian peer group, using the regression method.

On 30 June 2016, the ranges for non-observable input factors were as follows:

Financial instrument	Input parameters	Range
Derivatives	Loss Given Default (LGD)	40.00%
Derivatives	Probability of Default (PD)	0.92% - 100.00%
Securities and loans	Credit spread	0 bp - 1,890 bp
Country risk	Credit spread	0 bp -170 bp
Internal rating	Probability of Default (PD)	0.00% -25.00%
Liquidity discount	-	
Based on market	Discount	0.00% -50.00%
Based on income	Credit Spread	0 bp -250 bp
Loss severity	Loss Given Default (LGD)	45.00%
Liabilities	Distribution in wind-down scenario	EUR 8,718 mio.
	Distribution in insolvency scenario	EUR 7.593 mio.
	Probability of insolvency	25.00%
	Term	7,5 years
	Discount factor	0.36%

52.1.3. ADJUSTMENTS TO FAIR VALUE

- Credit valuation adjustment (CVA) and debt valuation adjustment (DVA)

The credit valuation adjustment (CVA) and the debt valuation adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte-Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied and discounted by the counterparty's marginal probabilities of default. The DVA on the other hand is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default.

For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as the minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here the portfolio CVA is distributed proportionately to the individual CVAs. The full CVA approach is applied to unsecured items. A waterfall principle is applied to determine the probabilities of default. First the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves; these are comprised of country-specific curves and an internal rating.

- OIS discounting

Heta values derivatives taking into account basis spread influences by using various interest curves. Various interest curves are used to calculate the forward rates and discount factors (multi-curve framework). Overnight-indexed swap rates (OIS interest rates) are used for discounting purposes in the valuation of collateralised OTC derivatives in the course of the current market standards. A cross-currency basis spread is taken into account for foreign currency swaps for which the collateral and cash flows are in a different currency.

52.1.4. SENSITIVITY ANALYSIS WITH LEVEL III ITEMS

The values of Level III financial instruments are determined on the basis of non-observable input factors. The value assigned to these non-observable factors can be derived from a range of alternatives and is subject to management assumptions and estimates. As at 30 June 2016, the value of factors within the possible range was selected on the basis of the pricing transparency and complexity of the financial instrument so as to best reflect market conditions. In order to determine sensitivities within the measurement of the fair value regarding changes in non-observable input factors, the factors for the assets were shifted by +/- 100 basis points.

Credit spread was identified as a material, unobservable input factor for the valuation of Level III items on the asset side. With respect to the valuation of liabilities, all input parameters were subjected to a sensitivity analysis.

The following effects on the result arose from the rise and fall of the credit spread and other input parameters on 30 June 2016:

EUR m

30.6.2016	Fair value - adjustment of credit spread input parameters -100 BP	Fair value - adjustment of credit spread input parameters +100 BP
Assets		
Financial assets – designated at fair value through profit or loss	-8.3	7.3
Total	**-8.3**	**7.3**

EUR m

30.6.2016	Fair Value Fair value changes with positive shift	Fair value changes with negative shift
Liabilities		
Change of +/-10% in the estimated distribution amount in the wind-down scenario	637.0	-637.0
Change of +/-10% in the estimated distribution amount in the insolvency scenario	185.0	-185.0
Change of +/-5% (absolute) in the probability of insolvency	-55.0	55.0
Change of +/-1 year in the distribution date in the wind-down and insolvency scenario	-61.0	62.0
Change of +/-10bp (absolute) in the discount rate	-29.0	29.0
Change with earlier distribution on 30.6.2017 in the amount of 10% of the planned cash holdings at year end 2016 (EUR 557 million)	62.0	

52.1.5. FAIR VALUE LEVEL

The table below shows the allocation of financial instruments carried at fair value according to their level in the fair value hierarchy.

EUR m

30.6.2016	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions	Total
Assets				
Derivative financial instruments	0.0	189.5	7.0	196.5
Financial assets – designated at fair value through profit or loss	0.5	0.0	182.2	182.6
Financial assets – available-for-sale	180.1	23.2	30.8	234.1
Total	**180.5**	**212.7**	**219.9**	**613.2**
Liabilities				
Liabilities to credit institutions	0.0	0.0	1,885.4	1,885.4
Liabilities to customers	0.0	0.0	861.1	861.1
Liabilities Pfandbriefbank	0.0	0.0	770.8	770.8
Liabilities evidenced by certificates	0.0	0.0	4,494.0	4,494.0
Derivative financial instruments	0.0	198.1	10.4	208.6
Subordinated capital	0.0	0.0	0.0	0.0
Hybrid capital	0.0	0.0	0.0	0.0
Total	**0.0**	**198.1**	**8,021.7**	**8,219.8**

EUR m

31.12.2015	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions	Total
Assets				
Derivative financial instruments	0.0	542.8	53.4	596.2
Financial assets – designated at fair value through profit or loss	0.4	0.0	204.8	205.2
Financial assets – available-for-sale	328.2	32.0	35.7	395.9
Total	**328.6**	**574.8**	**293.9**	**1,197.3**
Liabilities				
Liabilities to credit institutions	0.0	0.0	172.8	172.8
Liabilities to customers	0.0	0.0	1.0	1.0
Liabilities Pfandbriefbank	0.0	0.0	7.3	7.3
Liabilities evidenced by certificates	0.0	77.7	120.5	198.2
Derivative financial instruments	0.0	455.6	24.7	480.2
Subordinated capital	0.0	0.0	4.5	4.5
Hybrid capital	0.2	0.0	0.0	0.2
Total	**0.2**	**533.2**	**330.7**	**864.1**

The reconciliation of the financial instruments in Level III is shown in the table below:

EUR m

30.6.2016	At start of reporting period (+)	Total gains/ losses	Re-valuation (only afs)	Additions (+)	Disposals (-)	Transfer into Level III	First application from „bail-in" of creditors pursuant BaSAG	Other (+/-)	At end of reporting period (-)
Assets									
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	53.4	-46.5	0.0	0.0	0.0	0.0	0.0	-0.0	7.0
Financial assets – designated at fair value through profit or loss	204.8	7.0	0.0	0.0	-25.5	0.0	0.0	-4.1	182.2
Financial assets – available-for-sale	38.1	-0.1	0.6	0.0	-6.0	0.0	0.0	-1.8	30.8
Total	**296.3**	**-39.6**	**0.6**	**0.0**	**-31.6**	**0.0**	**0.0**	**-5.9**	**219.9**
Liabilities									
Liabilities to credit institutions	172.8	-17.6	0.0	0.0	-171.2	0.0	1,901.4	0.0	1,885.4
Liabilities to customers	1.0	-7.9	0.0	0.0	0.0	0.0	868.0	0.0	861.1
Liabilities Pfandbriefbank	0.0	-10.1	0.0	0.0	0.0	0.0	780.8	0.0	770.8
Liabilities evidenced by certificates	127.8	-41.9	0.0	0.0	-127.2	74.6	4,460.8	0.0	4,494.0
Derivative financial instruments	24.7	-14.2	0.0	0.0	0.0	0.0	0.0	0.0	10.4
Subordinated capital	4.5	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**330.7**	**-96.3**	**0.0**	**0.0**	**-298.4**	**74.6**	**8,011.0**	**0.0**	**8,021.7**

On 30 June 2016, the liabilities evidenced by certificates in the amount of 74.6 million were reclassified from Level II into Level III, since market price quotations are no longer obtained from third parties as a result of the implementation of Emergency Administrative Decision II.

The first application of "eligible liabilities" at the fair value is shown in the column first application from „bail-in" of creditors. The profits/losses column includes the measurement effect between the initial application on 10 April 2016 and the balance sheet date 30 June 2016. For additional details, please see note (2) Effects of the haircut on the consolidated financial statements. Additionally, the column "Total gains/losses" contains both income and expenses from financial instruments which were held as at 30 June 2016, as well as from financial instruments that were derecognised during the 2016 financial year.

The measurement of "eligible liabilities" at the fair value is shown in the result from financial instruments - designated at fair value through profit or loss. Gains and losses for derivative financial instruments are reported in the result from financial instruments - designated at fair value through profit and loss, in the result from hedge accounting and in the trading result; the remaining items are reported in accordance with their category in the income statement and in equity.

The reconciliation of the assets and debt reported in Level III as at 31 December 2015 was as follows:

EUR m

31.12.2015	At start of reporting period (+)	Total gains/ losses	Re-valuation (only afs)	Additions (+)	Disposals (-)	Transfer into Level III	Transfer out of Level III	Other (+/-)	At end of reporting period (-)
Assets									
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	79.6	-26.1	0.0	0.1	0.0	0.0	-0.2	0.0	53.4
Financial assets – designated at fair value through profit or loss	487.4	-85.1	0.0	0.0	-199.4	1.9	0.0	0.0	204.8
Financial assets – available-for-sale	273.5	0.2	0.8	8.7	-248.8	18.1	0.0	-14.6	38.1
Total	**840.6**	**-111.0**	**0.8**	**8.8**	**-448.1**	**19.9**	**-0.2**	**-14.6**	**296.3**
Liabilities									
Liabilities to credit institutions	198.0	-25.2	0.0	0.0	0.0	0.0	0.0	0.0	172.8
Liabilities to customers	3.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Liabilities Pfandbriefbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities evidenced by certificates	148.5	-18.9	0.0	0.0	-1.8	0.0	0.0	0.0	127.8
Derivative financial instruments	46.3	-21.6	0.0	0.1	0.0	0.0	0.0	-0.1	24.7
Subordinated capital	3.3	2.2	0.0	0.0	-1.0	0.0	0.0	0.0	4.5
Total	**399.1**	**-65.6**	**0.0**	**0.1**	**-2.8**	**0.0**	**0.0**	**-0.1**	**330.7**

52.2. Fair Value of financial instruments not recognised at fair value

The carrying amounts of the reported financial investments and assets not recognised at the fair value are compared to the respective fair values below:

EUR m

30.6.2016	Carrying amount	Fair value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Loans and advances to credit institutions	1,549.0	1,548.6	-0.4	0.0	0.0	1,548.6
Loans and advances to customers	2,019.3	1,943.8	-75.5	0.0	0.0	1,943.8
Other financial investments – investment properties	236.3	241.9	5.7	0.0	0.0	241.9
Assets classified as held for sale	311.6	356.3	44.7	0.0	0.0	356.3
Other receivables	65.0	68.9	3.9	0.0	0.0	68.9
Total	**4,181.2**	**4,159.5**	**-21.7**	**0.0**	**0.0**	**4,159.5**
Liabilities						
Liabilities to credit institutions	117.0	117.0	0.0	0.0	0.0	117.0
Liabilities to customers	28.5	28.5	0.0	0.0	0.0	28.5
Liabilities Pfandbriefbank	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities evidenced by certificates	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated capital	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	16.6	15.3	1.4	0.0	0.0	15.3
Total	**162.1**	**160.7**	**1.4**	**0.0**	**0.0**	**160.7**

EUR m

31.12.2015	Carrying amount	Fair value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Loans and advances to credit institutions	2,200.4	2,199.6	-0.8	0.0	0.0	2,199.6
Loans and advances to customers	2,385.0	2,260.0	-125.0	0.0	0.0	2,260.0
Other financial investments – investment properties	405.6	417.8	12.2	0.0	0.0	417.8
Assets classified as held for sale	429.4	430.5	1.2	0.0	0.0	430.5
Other receivables	23.4	28.0	4.6	0.0	0.0	28.0
Total	**5,443.6**	**5,335.9**	**-107.8**	**0.0**	**0.0**	**5,335.9**
Liabilities						
Liabilities to credit institutions	3,227.3	3,171.6	55.7	0.0	0.0	3,171.6
Liabilities to customers	1,549.9	1,020.7	529.2	0.0	0.0	1,020.7
Liabilities evidenced by certificates	8,595.5	5,724.5	2,871.0	0.0	0.0	5,724.5
Subordinated capital	2,000.6	1,439.2	561.4	0.0	0.0	1,439.2
Other liabilities	22.0	22.0	0.0	0.0	0.0	22.0
Total	**15,395.3**	**11,378.0**	**4,017.3**	**0.0**	**0.0**	**11,378.0**

The fair value of loans and liabilities is determined according to the present value of future cash flows.

The risk premium for loans depends on the internal or external rating of the borrower, a country risk premium and a liquidity discount for illiquid markets. The inherent model risk and illiquidity of the items were also taken into account with adjustment factors.

The fair value of investment properties is determined on the basis of market-based estimates, which are generally calculated by appraisers. If market-based estimates are not available, the fair value is estimated on the basis of the income approach.

In the case of assets classified as held for sale, the fair value is calculated on the basis of existing purchase price offers.

(53) Related parties disclosures

Transactions with related parties result in the following balance sheet applications for the respective balance sheet date:

30.6.2016	Parent	Affiliated companies	Joint Ventures	Key management personnel
Assets	**99.5**	**13.1**	**19.5**	**0.0**
Loans and advances to credit institutions	0.0	0.0	0.0	0.0
Loans and advances to customers	50.0	82.4	19.5	0.0
Risk provisions on loans and advances	0.0	-73.8	0.0	0.0
Other assets	49.5	4.6	0.0	0.0
Liabilities	**394.6**	**0.3**	**0.0**	**1.0**
Liabilities to credit institutions	0.0	0.0	0.0	0.0
Liabilities to customers	0.0	0.0	0.0	0.0
Provisions	353.7	0.1	0.0	1.0
Other financial liabilities	40.9	0.0	0.0	0.0
Other non-financial obligations	0.0	0.2	0.0	0.0
Liabilities arising from guarantees	**0.0**	**0.0**	**0.0**	**0.0**
Guarantees issued by the group for related party	0.0	0.0	0.0	0.0
Guarantees received by the group from related party	0.0	0.0	0.0	0.0

31.12.2015	Parent	Affiliated companies	Joint Ventures	Key management personnel
Assets	**99.5**	**23.9**	**21.2**	**0.0**
Loans and advances to credit institutions	0.0	0.0	0.0	0.0
Loans and advances to customers	50.0	92.2	22.2	0.0
Risk provisions on loans and advances	0.0	-72.9	-1.0	0.0
Other assets	49.5	4.6	0.0	0.0
Liabilities	**211.3**	**0.5**	**4.5**	**0.0**
Liabilities to customers	0.0	0.4	4.5	0.0
Provisions	143.9	0.0	0.0	0.0
Other financial liabilities	67.4	0.0	0.0	0.0
Other non-financial obligations	0.0	0.1	0.0	0.0
Liabilities arising from guarantees	**0.0**	**0.0**	**0.0**	**0.0**
Guarantees issued by the group for related party	0.0	0.0	0.0	0.0
Guarantees received by the group from related party	0.0	0.0	0.0	0.0

Balances and transactions between the company and its fully-consolidated subsidiaries, which are related parties, were eliminated during the consolidation process and must therefore not be disclosed in these notes.

Key management personnel is defined as the Executive Board members and managing directors of the subsidiaries, as well as the first and second levels of management of Heta.

Relationships with companies accounted for at equity are shown in the table under affiliated companies. Expenses of EUR 0.0 million (2015: EUR -0.5 million) were recorded in the first half of 2016 for uncollectible receivables and doubtful accounts with related parties (non-consolidated investment companies owned by Heta).

In addition, on the balance sheet date there are business relationships with publicly-owned organisations at a scope customary for the banking industry.

The company maintains a series of business relationships and relationships under liability law with the Republic of Austria. On the balance sheet date of 30 June 2016, these relationships result in the following situations that are relevant in terms of the financial statements:

EUR m

	Treatment according to Emergency Administrative Decision 10.4.2016	Reduction pursuant to the decision	Claim after consideration of Emergency Administrative Decision	Term
Fee 5,375% p.a. for GGB	eligible	46.02%	192.7	until 2022
Cost reimbursement claims in connection with management GGB		46.02%	0.1	until 2022
Fee Phoenix 10% p.a. for non-drawn cases	eligible	46.02%	11.7	until 2018
Penalty in connection with alleged breach of agreement in principle	eligible	46.02%	0.5	n/a
ADRIA hedging instrument	no „eligible liabilities“	n/a	108.3	until 2022
Settlement costs	no „eligible liabilities“	n/a	22.6	until 2023
Total			**335.9**	

In December 2015, the Austrian government submitted a payment of EUR 11.2 million with respect to the EUR 200 million guarantee agreement (“Phoenix”). The amounts drawn to date but not yet paid by the Austrian government are shown under other assets and amount to EUR 49.4 million (31 December 2015: EUR 49.5 million). In the case of the not yet drawn cases, all of the amounts to be paid by the Austrian government are taken into account as recoverable collateral in the calculation of specific provisions for the third-party credit portfolio. For additional information, please see note (56.1) Guarantee agreement with the Republic of Austria.

(54) Guarantee by the State of Carinthia

The statutory liability of the State of Carinthia is fashioned as a deficiency guarantee pursuant to section 1356 of the Austrian Civil Code (Allgemeines Bürgerliches Gesetzbuch), and includes all liabilities assumed by Heta before 3 April 2003, as well as all liabilities that were incurred from 3 April 2003 to 1 April 2007 and whose term does not extend beyond 30 September 2017. The state does not assume any guarantee for liabilities assumed after 1 April 2007. The guarantee was set out in the Kärntner Landesholding Act (K-LGH). The Kärntner Landesholding Act (K-LHG) was repealed with the law that sets out the dissolution of the Kärntner Landesholding and repeals the Kärntner Landesholding Act (K-LHG); however, section 1 (2) of this act also clarifies that section 5 of the Kärntner Landesholding Act (K-LHG) (old) must continue to be applied to the guarantees assumed by the state as the deficiency guarantor pursuant to section 1356 Austrian Civil Code (ABGB), insofar as these are bona fide and were legally substantiated.

A guarantee commission agreement between the State of Carinthia and Heta provided for a guarantee commission of one per mill p.a. of the outstanding amount. This guarantee commission agreement was terminated by Heta on 31 December 2011 in exercise of the contractually designated ordinary termination right, as a result of which the contractual obligation to pay the guarantee commission is cancelled as of the year 2012. Notwithstanding this termination of the contractual guarantee commission agreement, the State of Carinthia’s deficiency guarantee as set out in the legislation continues to be in effect. The Aufsichtskommissär (Supervisor) of the Sondervermögen Kärnten fund (the universal successor to the Kärntner Landesholding) is still authorised to access the relevant information at the company.

The company and the State of Carinthia have diverging legal opinions regarding the guarantee commission for the year 2011, which has not been paid by the company to date. The company submitted a waiver of statute of limitation ending in 31 December 2015 to the state, which was extended to 31 December 2016 in 2015. In turn, the State of Carinthia committed to not file suit against the company for the time being.

Based on item II.2. in the Emergency Administrative Decision II issued by the Financial Markets Authority (FMA), all of Heta's state-guaranteed liabilities, with the exception of the guaranteed pension provisions and the cover pool liabilities, were reduced to 46.02%.

Taking into account the cover pool liabilities (covering loans) paid back during the first six months of 2016, which were not subject to a pay-ment moratorium under the Federal Act on the Recovery and Resolution of Banks (BaSAG), the development of state-guaranteed liabilities is shown as follows:

EUR m

	30.6.2016 taking into account possible „bail-in" of creditors pursuant to BaSAG	31.12.2015 taking into account cancellation HaaSanG by VfGH
Heta Asset Resolution AG	4,632.6	11,133.8
Total	**4,632.6**	**11,133.8**

On the basis of the statutory authorisation pursuant to section 2a of the Financial Market Stability Act (FinStaG), on 20 January 2016 the State of Carinthia submitted, through the specially created Kärntner Ausgleichszahlungs-Fonds (K-AF), an offer to Heta creditors for the purchase of all of Heta's debt instruments secured by the state guarantee, which however was not accepted by the creditors with the legally required acceptance quorum. Heta responded to the request for information submitted by the state of Carinthia in connection with this offer regarding its debt instruments secured by the state guarantee in line with its existing obligations to provide information pursuant to section 5 K-LHG (old), and also does so in line with the now intended public offer from the Kärntner Ausgleichszahlungs-Fonds (K-AF).

In addition to the deficiency guarantee by the State of Carinthia pursuant to section 5 Kärntner Landesholding Act (K-LHG) (old), there is also a deficiency guarantee by the Sondervermögen Kärnten Fonds and the Kärntner Beteiligungsverwaltung as the legal successor to the Kärntner Landesholding (KLH) pursuant to section 4 Kärntner Landesholding Act (K-LHG). This deficiency guarantee comprises all of Heta's liabilities that were incurred until the time the Kärntner Landesholding Act (K-LHG) was repealed (4 May 2016).

For further information, please refer to note (3) Repurchase offers from the State of Carinthia.

(55) Important proceedings

55.1. Information regarding Bayerische Landesbank (BayernLB)

55.1.1. JUDGEMENT OF THE MUNICH I REGIONAL COURT REGARDING EQUITY SUBSTITUTION LOANS FROM BAYERISCHE LANDESBANK

In connection with the judgement by the Munich I Regional Court regarding the equity substitution loans from Bayerische Landesbank, on 18 May 2016, Heta received an order from the Higher Regional Court Munich in which the court is considering, on the basis of the applicable Federal Act on the Recovery and Resolution of Banks (BaSAG) and Emergency Administrative Decision II issued by the Financial Markets Authority (FMA) on 10 April 2016, which in the opinion of the court must be equated to insolvency proceedings for banks, to interrupt the proceedings and to withdraw recognition of the mutual need for legal protection due to the Memorandum of Understanding (MoU) concluded between the Republic of Austria and the Free State of Bavaria. Both Heta and Bayerische Landesbank (BayernLB) have objected to an interruption of the proceedings. The further progress of the proceedings remains to be seen.

55.2. Other proceedings

55.2.1. CLAIMS REGARDING THE CONDITIONS OF THE LOAN AGREEMENT

In Bosnia (federation), a decision by the constitutional court was released in May 2016. It states that loan agreements in CHF, which were concluded between a natural person and a bank, are deemed contracts with a currency clause, and not loans denominated in foreign currency. This refers to those contracts in which it was agreed that the loan (both annuities and interest) would be repaid in the local currency. The local law regarding foreign currency transactions in the federation allows for the option to conclude these types of contracts between a natural person and a bank, so that this type of contract cannot be viewed as null and void pursuant to the law. In view of the issues surrounding the change in interest rates, however, the court is of the opinion that the change in interest rate must be defined and specified. It is expected that the issue of sufficient certainty with respect to the interest change clause will be at the forefront of future court proceedings.

According to the purchase agreement concluded with the buyer of Addiko Bank AG, Heta was required to compensate, under certain conditions, the damages from the CHF portfolios of the former banking subsidiaries that result from such legal measures. The corresponding indemnification obligation on the part of Heta was however conclusively settled with the settlement on 10 March 2016 (also for future losses incurred by the buyer). Please refer to note (56.2) Sale of the SEE network: Implementation of the settlement achieved in March 2016 and the agreed portfolio transfer.

55.2.2. PROCEEDING INVOLVING FORMER SHAREHOLDERS

During the course of the forensic investigation of the past, civil lawsuits were filed against former shareholders and former executive bodies by the former Hypo Alpe-Adria-Bank International AG in 2011 and 2012. It includes the suit (so-called "special dividend/consultant" civil action) filed in March 2012 against certain original shareholders and a total of nine former executive bodies (members of the Executive and Supervisory Board). It asserted claims (original value in dispute EUR 50.1 million) in connection with the distribution of a non-linear special dividend to the noted original shareholders in 2008 for the 2007 financial year, which was not justified from Heta's point of view. In the proceedings themselves, the preliminary hearing took place in the first quarter of 2014; evidentiary proceedings began in the first quarter of 2014. A settlement of approximately EUR 19 million (around 75% of the defendant's amount in dispute) for Heta was agreed in July 2014 with three defendant original shareholders and two former members of the executive bodies. Due to the initiation of the criminal proceedings, the civil proceedings were suspended on 1 December 2014 until the end of the criminal proceedings. In the middle of January 2016, Heta's legal representative received the report by the expert in the criminal proceedings, which depicted the 2007 annual financial statements as correct. This result must be viewed as a negative factor for future outcomes in civil and criminal proceedings. Therefore Heta had the report scientifically analysed by experts, and reached an entirely different conclusion. The preliminary proceedings have been suspended in the meantime. Heta will submit an application to continue the proceedings in compliance with the deadlines. Therefore the progress of the criminal and civil proceedings remains to be seen.

A civil suit filed in 2011 relates to the group of issues pertaining to the Hypo Leasing Holding (HLH) preferred shares, which were placed in 2004 and 2006 in two tranches. Following an investigation of the financing model and the preparation of a forensic report on the order of Heta, these events were prosecuted both in terms of civil and criminal law. Heta has filed a suit for payment of EUR 48.0 million against 12 defendants with joint liability for the same amount. However, the Supreme Court found that Heta's legal argument was devoid of any factual and legal basis, and instead referred the proceedings back to the first instance with a restricted value in dispute of EUR 23 million (action for performance EUR 17.5 million and action for declaratory judgement EUR 5.5 million) The amount of approximately EUR 17.0 million was dismissed with legal effect. In the meantime, a settlement was reached with two defendants. Other settlement talks continue. The proceedings have in the meantime been continued against the remaining ten defendants.

55.2.3. OTHER PROCEDUAL MATTERS

In the group, there are currently almost 1,000 pending passive proceedings, in which Heta or its subsidiaries are the defendants, and over 10,000 active proceedings in which Heta or its subsidiaries are acting as the plaintiff or prosecuting party.

In 2015, these proceedings were entered across the group in a new electronic database at the holding level. In addition, a group-wide review of relevant and pending passive proceedings was held as part of the Legal Quality Review (LQR) project, with the support of external legal advisors. After the end of the Legal Quality Review (LQR), the decision was made to conduct a semi-annual review of all already pending and new passive proceedings, so that possible changes with regard to the strategy and estimates regarding the chance of success can be considered during the strategy definition process. In the months of June and July 2016, another 800 passive court proceedings were reviewed in the entire group.

(56) Main agreements

56.1. Guarantee agreement with the Republic of Austria

On 28 December 2010, a guarantee agreement was concluded between the Republic of Austria and Heta, in which the liability of the Republic of Austria as deficiency guarantor in accordance with section 1356 of the Austrian Civil Code (ABGB) was agreed. The Republic of Austria's guarantee relates to a precisely specified portion of receivables of Heta's portfolio, and is limited to EUR 200.0 million ("maximum guarantee amount"). In return for the assumption of this guarantee by the Republic of Austria, a commission of 10% p.a., calculated on the basis of the nominal amount of the guaranteed partial amount of the receivable, was agreed. The agreement was supplemented and amended with the first addendum from April 2011 and the second addendum from August 2013. In this context, the guarantee (now pursuant to section 1346 of the Austrian Civil Code (ABGB) was extended to 30 June 2017, and certain collateralised receivables were replaced with other already existing receivables of the bank, while the maximum guarantee amount was left unchanged at EUR 200.0 million. Furthermore, the drawdown modalities were adapted, and in particular the process for verifying the drawdown preconditions was revised. As part of the extension of the guarantee, the ability to assert claims was modified to the effect that this only became possible as of May 2014.

Guarantee commission payments were suspended on 1 March 2015 due to the moratorium imposed by the Financial Markets Authority (FMA). Based on the Emergency Administrative Decision II from 10 April 2016, both the guarantee fee not yet paid by 1 March 2015 as well as all future payment obligations under the guarantee commission were subjected to a haircut and thus were reduced to 46.02%. The claims by the Republic of Austria are deferred until latest 31 December 2023.

Drawdowns from the guarantee totalled EUR 60.7 million by 30 June 2016. Additional drawdowns for a volume of EUR 6.4 million took place at the beginning of August 2016.

In December 2015, the Republic of Austria for the first time recognised the existence of the drawdown preconditions in one instance, and made a payment of EUR 11.2 million in the same month. In Heta's view, this meant that the Austrian government is also of the opinion that the Emergency Administrative Decision I and the associated wind-down measures regarding the obligation to pay the commission did not have the effect of changing the general validity and continued existence of the guarantee. Since, on the basis of the situation as it was described, it could be assumed that the guarantee would be acknowledged, it had to be considered as a recoverable item in the annual financial statements for 31 December 2015. Therefore the impairments created in connection with the receivables "subject to the guarantee" were reversed in the amount that is secured by the guarantee, and a recoverable cash flow will be assumed when calculating the risk provisions for those loan cases that are secured with the guarantee.

A separate receivable from the Republic of Austria is added to the balance sheet for those cases that were drawn and not yet serviced. On 30 June 2016, this receivable is nominal EUR 49.5 million (31 December 2015: EUR 49.5 million). The payment for the remaining already drawn cases, or possible future utilisation cases, is based on the existence of the defined drawdown preconditions, whereby Heta expects that it will meet the required conditions. At the end of 2015, the Republic of Austria agreed that already drawn but not yet serviced cases would be reviewed promptly. The review process to be performed by the Republic of Austria in advance of a payment regarding the already drawn cases has turned out to be more protracted than expected. However, Heta plans to arrange a mechanism for accelerating the review process by concluding a third addendum to the guarantee agreement.

The assumptions regarding the inflow of funds from the guarantee agreement, which were established for 31 December 2015, had not changed by 30 June 2016.

56.2. Sale of the SEE network: Implementation of the settlement achieved in March 2016 and the agreed portfolio transfer

In March 2016, Heta and the buyer of the former group-affiliated banking network in south-east Europe (SEE network) agreed on an extensive compromise regarding the full settlement of all CHF exemption claims set out in the sale agreement for the SEE network (credit and legal risks), as well as other outstanding issues in connection with the share purchase agreement for Addiko Bank AG. As a result of the settlement, the contractual liability limits that applied to the remaining guarantees and exemptions were reduced accordingly. The maximum liability of the Republic of Austria under the hedging instrument with the buyer (and thus also the fee that Heta must pay to the Republic of Austria) was also reduced. The maximum liability by the Republic of Austria under the hedging instrument with the buyer now amounts to approximately EUR 1.27 billion. In turn, Heta waived credit lines (CHF denominated) of EUR 325.0 million vis-a-vis Addiko Bank AG. This did not result in any income-related effects during the first six months of 2016 because the entire waiver was already allocated to a provision in the 31 December 2015 financial statements.

On the basis of the sale agreement, the buyer of the SEE network had the right to transfer to Heta or Heta group companies certain assets, consisting of loan and leasing receivables, land and other real assets from the disposal of collateral, as well as non-strategic participations, on the basis of the net carrying amount on 31 December 2014 ("buyer brush" option). These re-transfers had to be completed no later than 31 March 2016 either in the form of true asset transfers ("true sale") or by payment of the IFRS risk provision ("P&L settlement amount") that was of relevance to the result in the year 2015 at the level of the 2015 consolidated financial statements for Addiko Bank AG. In this vein, Heta assumed assets at a net carrying amount of approximately EUR 275.0 million (at 2014 carrying amounts), and approximately EUR 62.0 million were compensated with/offset against the existing refinancing line as compensation for risk provisions for non-transferable assets to Addiko Bank AG. The assets re-transferred in line with true sale transactions in Slovenia, Croatia, Serbia, Montenegro and Bosnia and Herzegovina were subjected to a revaluation in the first six months of 2016 on the basis of Heta's own directives (Asset Quality Review (AQR) directive). Taking into account the expenses for the true sale and the P&L settlement amount, which were already placed in provisions in the 31 December 2015 consolidated financial statements; this resulted in a positive effect on income statement for the first six months of 2016 in the amount of approximately EUR 62.0 million.

Additional costs that Heta is obliged to assume were reimbursed; additional charges from the share purchase agreement (cost reimbursements, exemptions, warranties, credit risks), which are expected to be incurred in the future, are allocated to provisions in the 30 June 2016 interim consolidated financial statements at the full amount.

For the purpose of implementing the settlement, the buyer ensured that EUR 150.0 million (denominated in CHF) was repaid to Heta as early as March 2016.

(57) Employee data

	30.6.2016	31.12.2015
Employees at closing date (Full Time Equivalent – FTE)	1,217	1,329
Employees average (FTE)	1,280	1,612

(58) Events after the balance sheet date

The sale of 100% of the shares in Heta Asset Resolution Leasing DOOEL Skopje (Heta Macedonia) was successfully completed with the closing on 27 July 2016. With this transaction, Heta no longer undertakes any operating activities in Macedonia, and therefore no longer has any exposure with respect to Heta Macedonia.

On 5 August 2016, an agreement was signed for the sale of 100% of shares in Heta Asset Resolution Italia S.r.l. (HARIT) and all of the financing provided by Heta to HARIT. The portfolio managed by HARIT and its 90 employees consists mainly of repossessed real estate and other assets, as well as performing and non-performing leasing contracts. Following the closing, Heta no longer carries out any operating activities in Italy.

The Financial Markets Authority (FMA), which exercises all owner's rights in Heta since the Emergency Administrative Decision II from 10 April 2016, appointed Dr. Karl Engelhart as a new member of the Supervisory Board at the extraordinary shareholders’ meeting on 18 August 2016.

Klagenfurt/Wörthersee, 25 August 2016
HETA ASSET RESOLUTION AG

THE EXECUTIVE BOARDD

Wirt.-Ing. Sebastian
Prinz von Schoenaich-Carolath
(Chairman)

Mag. Martin Handrich (Member)	Mag. Arnold Schiefer (Member)	Mag. Alexander Tscherteu (Member)

Statement of all legal representatives

We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the interim group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, of the principal risks and uncertainties for the remaining six months of the financial year, and of the major related party transactions to be disclosed.

Klagenfurt/Wörthersee, 25 August 2016
HETA ASSET RESOLUTION AG

THE EXECUTIVE BOARD

Wirt.-Ing. Sebastian
Prinz von Schoenaich-Carolath
(Member)

Mag. Martin Handrich (Member)	Mag. Arnold Schiefer (Member)	Mag. Alexander Tscherteu (Member)

Imprint

Publisher of the interim financial report
and responsible for the content:
HETA ASSET RESOLUTION AG
Alpen-Adria-Platz 1
9020 Klagenfurt am Wörthersee
phone +43 (0) 50 209-0
fax +43 (0) 50 209-3000
holding@heta-asset-resolution.com
www.heta-asset-resolution.com

For questions on the interim financial report 2016
and/or to be included in our Investor Relations
Newsletter-Service please contact:
HETA ASSET RESOLUTION AG
Konstantin Moritz, MAS
phone +43 (0) 502 09-2858
konstantin.moritz@heta-asset-resolution.com