

HETA ASSET RESOLUTION AG**Release of the 2017 Annual and Consolidated Financial Statements**

Vienna/Klagenfurt am Wörthersee, 20 April 2018

- The annual financial statements according to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) report a result from ordinary activities (EGT) of EUR +1,085.2 million (2016: EUR +1,363.2 million) for the year 2017. A net profit is not recorded since this amount is mathematically set to zero with the creation of a provision. Total assets of EUR 6.5 billion as at 31 December 2017 consist of EUR 5.0 billion in balances at the Austrian National Bank (OeNB) and EUR 1.5 billion in assets that must still be wound down.
- The consolidated financial statements, which were converted from IFRS to UGB/BWG in 2017, report a positive EGT of EUR +1,035.7 million (reference value UGB/BWG for 2016: EUR +1,365.9 million).
- In mid-2017 a total of EUR 5.8 billion was distributed to creditors, of which EUR 4.5 billion was paid out and EUR 1.3 billion was secured.
- For 2018, HETA expects that the disposal of group units will continue at the present dynamic pace, and that a second interim distribution will also take place this year.

About the company

HETA Asset Resolution AG (HETA) is a wind-down unit according to the Federal Law on the Creation of a Wind-Down Unit (GSA), and it is responsible for the management and rapid disposal of the company's assets. A payment moratorium covering most of the company's liabilities has been in place since 1 March 2015 (Emergency Administrative Decision I). With Emergency Administrative Decision II, which was issued on 10 April 2016, the Financial Markets Authority (FMA) applied numerous wind-down measures according to the Federal Act on the Recovery and Resolution of Banks (BASAG) and reduced the nominal value of the subordinated liabilities and non-subordinated liabilities that existed as at 1 March 2015 to 0% and 46.02% respectively. On 2 May 2017, the Financial Markets Authority (FMA) released *Vorstellungsbescheid II* (an administrative decision about the challenge procedure), which replaces Emergency Administrative Decision II and on the basis of which the nominal value of these liabilities was increased to 64.4%.

In July 2017, HETA implemented a first interim distribution of 44.436% on the basis of the amount outstanding on 1 March 2015, and subsequently paid out a total of EUR 4.5 billion for undisputed non-subordinated liabilities and secured EUR 1.3 billion for disputed non-subordinated liabilities on OeNB accounts, which will continue to be reported on HETA's balance sheet until the actual date of payment. The buy-back of non-subordinated liabilities that were subject to the "bail-in" of creditors, implemented in December 2017, only led to liquidity outflows of EUR 3.9 million.

As a result of the extremely successful disposal of assets during the course of the 2017 financial year, cash holdings (cash and balances at central banks) increased by EUR 3.3 billion. However, taking into account the payments in connection with the first interim distribution (EUR 4.5 billion), cash and balances at central banks fell from EUR 6.2 billion (2016) to EUR 5.0 billion (2017). Assets other than cash and balances at central banks, which totalled almost EUR 7.3 billion at the beginning of 2015, still amount to EUR 1.5 billion as at 31 December 2017.

HETA Executive Board spokesperson Mag. Alexander Tscherteu: "With regard to the original objective at the time the wind-down process was initiated in early 2015, namely the wind-down of 80% of assets by the end of 2018, HETA is currently well above this target in terms of the volumes, as this target was already achieved by the end of 2017. In addition, the wind-down process has been so successful that the company was able to generate approximately EUR

2.7 billion in profits during the last three years. These profits represent additional billions of euros compared to the first wind-down plan, which will benefit our creditors, of which the public authority is the largest.”

Separate financial statements (UGB/BWG)

In 2017, HETA reports an EGT of EUR +1,085.2 million (2016: EUR +1,363.2 million). Despite the steady decline in interest-bearing lending / loans and the negative interest applied to the liquidity holdings (-0.40% p.a.), the net interest result was nevertheless positive at EUR +15.4 million (2016: EUR -70.2 million). At EUR -37.2 million (2016: EUR -35.7 million), personnel expenses for 2017 were above the previous year's value due to one-time expenditures associated with the reduction of the workforce that are included in this amount, while administrative expenses (material costs) were considerably lower at EUR -30.7 million (2016: EUR -64.8 million). This led to an operating result of EUR +173.1 million (1-12/2016: EUR -55.9 million). The net balance from the measurement of current and fixed assets of EUR +912.2 million (2016: +1,419.1 million) is mainly due to the reversal of risk provisions on loans and advances for intragroup and external loans, and income from write-ups and the disposal of participating interests.

In 2017, total assets declined by EUR 3,431.5 million to EUR 6,481.2 million (2016: EUR 9,912.7 million). On the assets side, cash and balances at central banks fell by EUR 1,180.5 million to EUR 4,984.4 million (2016: EUR 6,164.9 million) as a result of the first interim distribution to creditors, whereby the figure for 31 December 2017 also includes an amount of EUR 1,302.2 million that was secured at the OeNB for disputed creditor claims.

Out of the carrying amounts for assets that do not take the form of cash and balances at central banks, EUR 689.4 million (2016: EUR 1,679.1 million) is attributable to receivables from group subsidiaries and third-party customers, and EUR 350.6 million (2016: EUR 1,691.9 million) to loans and advances to credit institutions. Because of the positive progress at the subsidiaries in 2017, write-ups were applied and the carrying amount of shares in affiliated companies increased to EUR 382.8 million (2016: EUR 139.6 million). Other assets total EUR 74.0 million (2016: EUR 237.2 million).

On the liabilities side, the liabilities subject to the “bail-in” of creditors are entered at the amount set by the Financial Markets Authority (FMA) (less completed payments, where applicable). The provision for contingent liabilities related to resolution procedures is entered at the amount by which assets exceed entered liabilities / provisions as at 31 December 2017. The decrease in this provision from EUR 3,171.5 million to EUR 1,809.1 million is due to utilisations in line with the increase in the rate from 46.02% to 64.4% as per the administrative decision (reduction), and the allocation from the current result (increase). Since the Emergency Administrative Decision II was issued, equity capital has been reported at EUR 0.

Consolidated financial statements (UGB/BWG)

Following the de-listing of bonds from the regulated market in 2017, the financial reporting for the group was converted from IFRS to UGB/BWG mainly for cost and resource-related reasons; the conversion date was set retroactively to 1 January 2016 to ensure that with regard to the balance sheet and income statement, the comparative period for 2016 can also be represented on the basis of UGB/BWG.

The EGT for the group for the 2017 financial year is decidedly positive at EUR +1,035.7 million (2016: EUR +1,365.9 million).

The net interest result saw a significant improvement of EUR +81.9 million to EUR +8.9 million (2016: EUR -73.0 million); this was particularly due to the fact that the interest for “eligible liabilities” was set to zero as a result of Emergency Administrative Decision II that was issued on 10 April 2016. Personnel expenses decreased to EUR -59.3 million (2016: EUR -71.2 million) as a result of the reduction in the group's workforce and disposals, while administrative expenses (material costs) amounted to EUR -47.5 million (2016: EUR -88.4 million). Overall, this led to a positive operating result of EUR +208.3 million (2016: EUR -0.7 million). The net balance from the measurement of current and fixed assets of EUR +827.4 million (2016: EUR +1,366.6 million) was mainly the result of the reversal of risk provisions on loans and advances and previously created warranty provisions from sale agreements, and disposal proceeds from subsidiaries divested in 2017.

Taking into account taxes on income and other taxes of EUR -6.4 million (2016: EUR -9.9 million), the net profit for the group was EUR 0 million (2016: EUR +7,234.0 million), as the entire profit was mathematically set to zero with the creation of a provision for contingent liabilities related to resolution procedures and the elimination of the fund for general banking risks. The allocation of the provision / elimination of the fund resulted in an extraordinary result of EUR -1,029.3 million (2016: EUR +5,878.0 million) in 2017.

The fund for general banking risks, which was created according to section 57 (3) Austrian Banking Act (BWG), amounted to EUR 154.5 million on 31 December 2017, and reflects the measurement differences between the separate and consolidated financial statements. The equity capital in the consolidated financial statements is also reported at EUR 0. In 2017, HETA's consolidated total assets decreased by EUR 3,931.2 million to EUR 6,444.1 million, mainly because of the first interim distribution to creditors.

At the end of 2017, the HETA Group had a total of 617 employees (FTE), which is 398 fewer employees than in the previous year (1,015).

Publications

Both the consolidated financial statements and the separate financial statements are published on the company's website (www.HETA-asset-resolution.com → Investors → Financial reports presentations (German only)). Please consult these documents for further information.

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