

HETA ASSET RESOLUTION AG |
Publication Interim Financial Report 2015

- Result of the first six months 2015 EUR -1.1 billion mainly due to two special effects: revocation of HaaSanG by the Constitutional Court of Austria (EUR -0.8 billion) and further expenditures in connection with the sale of the SEE network (EUR -0.2 billion)
- Implementation of the preliminary wind-down plan already under way: portfolio reduction ahead of preliminary plan, risk provisions develop according to plan, administrative expenditures (except for legal costs and court fees) better than expected; liquid funds improving due to BaSAG moratorium from EUR 2.6 billion to EUR 3.3 billion
- Interim financial figures for the holding Heta pursuant to UGB/BWG as at 30th June 2015: total assets unchanged at EUR 9.6 billion due to payment moratorium, result after tax totals EUR -1.1 billion, negative equity at EUR -8.1 billion (31 December 2014: EUR -7.0 billion)
- Consolidated financial statements pursuant to IFRS as at 30 June 2015: total consolidated assets drop from EUR 12.0 billion to EUR 11.6 billion, consolidated result after tax at EUR -1.1 billion, negative equity (capital deficit) at EUR -5.8 billion.

Klagenfurt am Wörthersee, 31 August 2015

HETA ASSET RESOLUTION AG (Heta; formerly Hypo Alpe-Adria-Bank International AG) is a wind-down company as defined by the Federal Law on the Creation of a Wind-Down Unit (GSA). According to the statutes the purpose of the company is the administration of assets with the objective of an orderly, active and best possible utilisation.

To achieve this goal the company is pursuing a preliminary wind-down plan providing for a full wind-down of its assets by the end of 2020 following an 80% reduction by the end of 2018. The final wind-down plan pursuant to § 5 GSA shall be submitted to the Supervisory Board for approval during the second half of 2015.

On 1 March 2015 the Financial Market Authority (FMA) issued a decision pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) establishing a moratorium until 31 May 2016 for all of Heta's so-called "considerable liabilities" preparing the way for a participation of creditors. In parallel to the drafting of the wind-down plan ("Abbauplan") pursuant to GSA by Heta the resolution authority is establishing the resolution plan ("Abwicklungsplan") as defined by § 57 BaSAG that will determine the final procedure.

Development during the first half of 2015

Despite challenging circumstances including the BaSAG resolution procedure initiated during the first quarter and a continued poor absorption capacity in the markets, during the first six months of the year developments on the operational level were positive. Heta-CEO Sebastian Schoenaich-Carolath: „We are on a good way. The wind-down results in the first six months are better than expected. However the financial result is strongly affected by the decision of the Austrian Constitutional Court to revoke the special law HaaSanG in July 2015.“

Compared with the aliquot end-of-year values predicted in the preliminary wind-down plan for 2015 the portfolio wind-down is continuing energetically and as such is clearly ahead of the preliminary plan while the risk costs are in line with expectations. Operative personnel and administrative expenditures during the first six months are below preliminary plan, while expenditures in connection with legal issues have produced extraordinary burdens.

Interim Financial Report as at 30 June 2015

The Heta Board which was completely re-composed during the first half of 2015 has today presented the Interim Financial Report based on the consolidated financial statements pursuant to IFRS as at 30 June 2015. Just like as at 31 December 2014 it is based on the gone concern principle so that a comparison with the figures as at 30 June 2014 is only possible to a limited extent. All interest-bearing liabilities continue to be recorded in the Interim Financial Report including continued interest claims independently of the moratorium imposed by the FMA.

Since according to the Board Heta's financial figures pursuant to UGB/BWG give a more relevant picture of the assets, financial and earnings position from the creditors' perspective as well as in particular because of the consideration given to future losses, the Interim Financial Report published pursuant to § 87 BörseG in addition to the obligatory IFRS-consolidated figures also provides the results and balance sheet related figures for the holding company.

Result for the period

The financial figures of Heta pursuant to UGB/BWG (individual company) for the first six months 2015 show a result for the period after tax of EUR -1.1 billion which was mainly caused by the following (unplanned) special circumstances: (i) re-recognition of liabilities in connection with the revocation of the HaaSanG by the Constitutional Court (EUR -0.8 billion), (ii) further expenditures regarding the sale of the SEE network (EUR -0.2 billion), (iii) expenditures in connection with claims for costs and damages (EUR -0.1 billion) and (iv) release of risk provisions on refinancing lines to the former Italian subsidiary bank HBI (EUR +0.1 billion). Finally the clear over indebtedness shown with a clear excess of (interest-bearing) liabilities over (interest-bearing) assets impacts Heta with another EUR -0.1 billion.

As shown, the Hypo Alpe Adria Restructuring Act (HaaSanG) has been revoked by a decision of the Constitutional Court (VfGH) of 3 July 2015 without any term granted for repairs during the first six months produced a P&L-effect of EUR -0.8 billion. Under the application of the HaaSanG in 2014 the derecognition of the respective liabilities produced an extraordinary result of EUR 1.7 billion with provisions totalling EUR 0.9 billion for a threatening utilisation by creditors already required as at 31 December 2014.

Another EUR -0.2 billion in expenditures were produced in connection with the closing of the sale of the SEE network on 17 July 2015. While indemnity and security measures in favour of the purchaser had a negative impact, a positive impact came from interest effects.

The term sheet on the financing and capitalisation of the former subsidiary bank Hypo Alpe-Adria-Bank S.p.A. (HBI) signed on 23 June 2015 between Heta, the Republic of Austria, and HBI-Bundesholding AG provided a positive contribution to the results in the amount of EUR +0.1 billion. The aim of the agreement is to prevent regulatory wind-down procedures by the supervisory authorities and a higher repayment rate for the then existing Heta refinancing lines in the amount of approx. EUR 1.7 billion.

Balance sheet, negative equity

A comparison of the current total assets (EUR 9.6 billion) of the holding company Heta with the total assets as at 31 December 2014 (EUR 9.6 billion) despite the clear drop in customer claims and securities of EUR -0.5 billion shows only minor changes. This is mainly due to the payment moratorium imposed by the FMA for certain liabilities keeping the proceeds accruing from the portfolio wind-down on the asset side as liquidity reserves. The progressing portfolio wind-down increased liquid funds during the first six months 2015 from EUR 2.6 billion to EUR 3.3 billion.

On the liabilities side liabilities to credit institutions increased by EUR 0.7 billion (to EUR 3.2 billion) and the subordinated capital by EUR 0.9 billion (to EUR 1.9 billion) mainly as a result of the revocation of the HaaSanG by virtue of the Constitutional Court ruling of 3 July 2015. The provisions formed for a threatening utilisation by creditors as at 31 December 2014 have been released in the first six months 2015 in the amount of EUR 0.9 billion.

In total as at 30 June 2015 Heta shows in its interim financial figures pursuant to UGB/BWG total assets of EUR 9.6 billion and liabilities / provisions of EUR 17.7 billion. The resulting negative equity showing a capital shortfall as at 30 June 2015 totalled EUR -8.1 billion.

Interim Financial Report pursuant to IFRS

The consolidated financial statements pursuant to IFRS during the first six months shows a result after tax of EUR -1.1 billion (January to June 2014: EUR -1.7 billion) mainly characterised by the same special effects as the financial figures of the holding company pursuant to UGB/BWG (see above).

The consolidated total assets dropped from EUR 12.0 billion (31 December 2014) to EUR 11.6 billion (30 June 2015), the negative consolidated equity is EUR -5.8 billion (31 December 2014: EUR -4.7 billion). The reasons for the valuation differences between IFRS and UGB/BWG as well as the essential differences in numbers are shown in chapter 2.15 of the Interim Management Report.

General settlement

The intention of concluding a general settlement announced by representatives of the Republic of Austria and the Free State of Bavaria as the owner of BayernLB in a memorandum of understanding (MoU) on 7 July 2015 regarding all disputes between BayernLB and Heta, BayernLB and Republic of Austria as well as disputes between Province of Carinthia and its state holding is currently examined by the Heta Board. No positive effects on the results from the MoU or a possible agreement with BayernLB had to be included into the figures as at 30 June 2015.

Publication of the Interim Financial Report

The Interim Financial Report 2015 is published on 31 August 2015 and is available for download from www.heta-asset-resolution.com in the course of the day.

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