

Heta Asset Resolution AG /

Heta Board: Annual accounts of previous years fully genuine and correct

- HETA reserves the right to take legal actions against wrongful allegations.
- Accounts of previous years were reviewed by auditors and received unqualified opinion.
- Assessment of assets and liabilities made according to “gone concern” principle and as such fundamentally differs from valuation method used to date.

Klagenfurt am Wörthersee, 04.03.2015. The allegation made over the last days that the accounts of Hypo Alpe-Adria-Bank International AG (today Heta Asset Resolution AG) of previous years were subject to illegal manipulations is completely unfounded and is rejected by the Board of Heta Asset Resolution. The interested parties reserve the right to take legal actions.

The annual and consolidated accounts of former Hypo Alpe-Adria-Bank International AG (HBInt.) were each established to the best knowledge and belief and approved by the auditor’s unqualified opinion. The audit opinions included comprehensive amendments to the certification notation referring in particular to the Board’s risk-related statements in the annex and/or the notes to the annual and consolidated accounts.

The repeated allegations in the media that the previous annual and consolidated accounts had not included any notes on risks and had painted a fair-weather scenario must therefore be rejected as false.

To objectify the debate the Board points out the following facts:

1. As a consequence of the coming into force of the GSA (*Federal Law on the Creation of a Wind-Down Entity*) at the end of October 2014 the former HBInt. had to give up its banking licence and has since been run as a Wind-Down unit. As part of this process the company also changed its name to HETA ASSET RESOLUTION AG (HETA). By virtue of a resolution by an extraordinary general assembly on 29th October 2014 the sole business purpose was defined in the statutes as the orderly active and best possible sale of the assets and the company’s subsequent self-dissolution. This portfolio reduction must be completed as soon as possible in compliance with the resolution goals.
2. The change of business purpose also implies a change of the valuation basis: the predecessor company HBInt. reported its accounts on the assumption that the company would continue its operations (so-called „going concern“ principle). As a Wind-Down unit, however, HETA needs to adopt the „gone concern“ reporting principle. This reporting method was used in order to comply with the GSA requirements ensuring the fastest possible portfolio sale and the company’s wind-down as soon as possible.
3. Immediately after deregulation had been completed HETA started with the preparations for the re-valuation of all assets (the so-called Asset Quality Review AQR) required under the GSA. In its ad hoc report of 28th November 2014 it was announced that the application of the GSA would have effects on Heta’s annual accounts 2014. With the external support of an auditor the Board issued new valuation guidelines that are applied for the annual accounts at 31st December 2014 under the Austrian Commercial Code and the Banking Act. The re-valuation assumes an almost complete portfolio and total asset reduction over the next five years.
4. The loss immediately disclosed to the Supervisory Board in a special report as required under the GSA will be within a range of between approximately -5.1 billion and -8.7 billion which in

turn results in an asset shortfall of approximately between -4.0 to -7.6 billion €. The reasons for these expected losses are as follows:

- Increases in the provisions for non-performing loans: in contrast to the assumptions in the media such provisions actually account for approximately one fourth of the calculated upper loss ceiling of -8.7 billion euro on these portfolios and are mainly caused by:
 - The long lasting recession in South Eastern European countries: due to clearly weaker growth perspectives any reversal of the losses in value suffered can no longer be expected. On the contrary overtime further losses in value are to be feared.
 - The increasingly conservative approach taken by investors: a swift sale of the portfolio in the market will lead to clear price reductions as a result of limited market liquidity.
 - Increased provisions for loans in Swiss Francs.
- Provisions for wind-down expenses over the entire planning horizon.
- Depreciations regarding the market value of loans and securities not classified as non-performing: such depreciations are required as HETA as a Wind-Down unit as a consequence of liquidity restrictions will not be able to retain them up to their expiry date.
- Possible legal risks from the reversal of creditor participation pursuant to the HaaSanG (*Federal Law on Rehabilitation Measures for Hypo Alpe-Adria-Bank International AG*) as well as provisions for risks and liabilities towards former group companies (HGAA and Hypo Italia).

It is pointed out that many of these loss components would generally not be applied in a „going concern“ valuation and result from the „gone concern“ principle adopted for the accounts. As to date special reference will be made to any remaining risks that cannot be directly considered in the figures of the balance sheets (HaaSanG) in the annex and/or the notes.

HETA's annual and consolidated accounts for the business year 2014 are currently being established. Their audited version will be available at the end of April 2015.

Contact information:

Heta Asset Resolution AG

Alfred Autischer

Tel.: + 43 (0) 664 / 8844 64 20

Corporate Communications

Tel. +43 (0) 50209 3465

E-Mail: communication@heta-asset-resolution.com