

HETA ASSET RESOLUTION AG

Publication of annual and consolidated financial statements 2016

Vienna/Klagenfurt am Wörthersee, 30 March 2017

- The result for the 2016 financial year and the structure of the equity and liabilities side have been significantly impacted by the effects from the application of Emergency Administrative Decision II issued by the Financial Market Authority (FMA) on 10 April 2016.
- The annual financial statements pursuant to the Austrian Commercial Code (UGB)/Austrian Banking Act (BWG) (separate financial statements), which are of particular relevance to the creditors, report a net income of EUR 7,479 million (2015: EUR -492 million), which is mainly characterised by the haircut and the positive operating developments. Total assets increased slightly to EUR 9.9 billion (2015: EUR 9.6 billion). The net income for the year eliminates the previously reported negative equity (2015: EUR -7.5 billion); the provision for contingent liabilities related to resolution procedures created in 2016 totals EUR 3.2 billion (2015: EUR 0 billion).
- The consolidated financial statements for 2016 according to IFRS show a result after tax of EUR 6,714 million (2015: EUR -496 million). Consolidated total assets fell from EUR 11.2 billion in the previous year to EUR 10.8 billion. In accordance with the wind-down objective, loans and advances to customers and credit institutions (before provisions) have declined significantly to EUR 7.4 billion (2015: EUR 10.2 billion), with cash and balances at central banks also increasing to EUR 6.2 billion (2015: EUR 4.3 billion). As a result of the high net income for the year, negative group equity (without minority interests), which was previously shown at EUR -5.7 billion (in 2015), improved to EUR 1.0 billion.
- Heta expects that the rapid progress of the portfolio wind-down will continue in 2017.

Today, the Management Board of HETA ASSET RESOLUTION AG (HETA) published the annual financial report for the 2016 financial year. The key parameter for measuring the success of the wind-down process, namely the cash reserve (cash and balances at central banks), increased in 2016 from EUR 4.3 billion to EUR 6.2 billion, mainly due to the increase in repayments of refinancing lines of group companies as well as former subsidiaries and the successful wind-down results that were achieved in 2016. By the end of March 2017, the cash reserve continued to increase to EUR 7.9 billion. This development was mainly due to the earlier repayment of Addiko Bank AG's refinancing lines and the continued disposal of assets, particularly the disposal of the Group's entire Italian activities. HETA CEO Wirt.-Ing. Sebastian Prinz von Schoenaich-Carolath: "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 and, based on the current situation, even expects that this target may already be achieved by the end of 2017. Taking into account the very positive operating results from the years 2015 and 2016, the current portfolio wind-down process is proceeding well above expectations, both in terms of price and time aspects. In this way, we are well equipped for the more difficult part of the path now ahead of us, namely the disposal of the less attractive remaining assets in our companies at acceptable prices."

Separate financial statements (UGB/BWG)

HETA is a wind-down unit according to the Federal Law on the Creation of a Wind-Down Unit (GSA), and is responsible for managing its assets. A payment moratorium covering most of the company's liabilities has been in place since 1 March 2015 (Emergency Administrative Decision I). With the second emergency administrative decision (Emergency Administrative Decision II), which was issued on 10 April 2016, the FMA applied numerous wind-down measures according to the Federal Act on the Recovery and Resolution of Banks (BaSAG) (see press release from 10 April 2016). Because of HETA's special situation, the Management Board considers the separate financial statements of HETA Asset Resolution AG (UGB/BWG) a more relevant representation of a true and fair view of the assets, liabilities, financial position and liquidity situation for the creditors.

In line with the implementation of the effects from Emergency Administrative Decision II, HETA reports a net income after tax for the year of EUR +7,479 million (2015: EUR -492 million) for 2016. In this context, the effects of Emergency Administrative Decision II can be quantified at EUR +6,105 million. This extraordinary result includes EUR +9,446 million from the reduction of the "eligible liabilities" (haircut to 46.02% and 0%), and EUR -3,341 million from allocations to provisions that had to be created in connection with Emergency Administrative Decision II. The derecognition of the "equity capital" (reduction to 0%) is shown in the income statement at EUR +3,494 million after the net income for the year under the special item Reduction in capital pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG). In total, the reduction in liabilities and equity capital results in an effect of EUR +9,599 million shown in the income statement for 2016.

The operating result (result from ordinary activities) was decidedly positive at EUR +1,363 million (1-12/2015: EUR +175 million). In addition to significantly reduced employee and administrative expenses, this reduction was also due to lower interest expenses in connection with Emergency Administrative Decision II, after it reduced the current interest rate for "eligible liabilities" to 0% as of 10 April 2016.

Net interest income was negative at EUR -70 million (1-12/2015: EUR -152 million) due to the continuing decline in interest-bearing loans, the negative interest imposed on the cash reserves and the interest expenses for "eligible liabilities" which had to be recognised until 9 April 2016. The net fee and commission income was also negative at EUR -16 million (1-12/2015: EUR -91 million). Personnel expenses amounted to EUR -36 million (1-12/2015: EUR -41 million), while administrative expenses totalled EUR -65 million (1-12/2015: EUR -85 million). In total, this gave way to a negative operating result of EUR -56 million (1-12/2015: EUR -287 million). The net balance from the measurement of current and fixed assets of EUR +1,419 million (1-12/2015: EUR +462 million) is mainly the result of realised gains, the termination of derivative positions and the reversal of risk provisions and previously created warranty provisions from sale agreements.

Taking into account taxes on income and other taxes of EUR 11 million (1-12/2015: EUR -11 million), the net income for the year 2016 was EUR +7,479 million (1-12/2015: EUR -492 million).

Balanced equity capital after Emergency Administrative Decision II

The balance sheet situation was also dominated by the effects from Emergency Administrative Decision II. On the equity and liabilities side, liabilities and provisions fell in 2016 by EUR 7,122 million from EUR 17,035 million (31.12.2015) to EUR 9,913 million. In the course of implementing the effects from Emergency Administrative Decision II, HETA's annual financial statements for 2016 report an amount of EUR 3,172 million amount as a provision for contingent liabilities related to resolution procedures, which may change significantly over the course of the wind-down period depending on the company's future wind-down performance. In addition, a provision had to be created for still expected payments to third parties, using the rate of 46.02% noted in the administrative decision. For 31 December 2016, HETA no longer reports any negative equity (EUR 0) (31.12.2015: EUR -7,479 million).

On the assets side, the cash reserve improved as a result of the disposal process: liquidity holdings, which are held at central banks, increased by EUR 1,892 million to EUR 6,165 million (31.12.2015: EUR 4,273 million) as a result of repayments in the loan portfolio, individual disposals and the successful closing of the Centrice-Group disposal (performing real estate portfolio). Other assets include receivables from group companies and third-party customers of EUR 1,680 million (31.12.2015: EUR 2,504 million), loans and advances to credit institutions of EUR 1,692 million (31.12.2015: EUR 2,054 million), fixed-income securities of EUR 81 million (31.12.2015: EUR 375 million), shares in affiliated companies of EUR 140 million (31.12.2015: EUR 85 million) and other assets of EUR 156 million (31.12.2015: EUR 263 million). In 2016, total assets increased slightly by EUR 357 million to EUR 9,913 million (31.12.2015: EUR 9,556 million).

Consolidated Financial Statements (IFRS)

The group result for the period (after tax) for the 2016 financial year amounts to EUR +6,714 million (1-12/2015: EUR -496 million). This result is mainly characterised by the implementation of the haircut ordered by the FMA. The haircut generates a result of the "Bail-In" of creditors according to the Federal Act on the Recovery and Resolution of Banks (BaSAG) totalling EUR 7,126 million (1-12/2015: EUR 0 million).

Taking into account the result from companies accounted for at equity in the amount of EUR -1 million (1-12/2015: EUR 0 million), the result for the period before taxes from continued operation is EUR +6,761 million (1-12/2015 adjusted value: EUR -435.0 million). Following the consideration of income taxes of EUR 0 million (1-12/2015 adjusted value: EUR -1 million), the result after tax for the period from continued operations is EUR +6,761 million (1-12/2015 adjusted value: EUR -436 million).

The annual after tax result from discontinued operations in the amount of EUR -47 million (1-12/2015: EUR -61 million) includes the current result from the Italian subsidiary HETA Asset Resolution Italia S.r.l. (HARIT) as well as the measurement result from the expected disposal of that company. HARIT is shown as a separate business in the “Italy” segment. The closing for the disposal of HARIT was completed on 21 February 2017.

On the cost side, expenses declined by EUR 45 million over the previous year. Employee expenses also declined as a result of the progressive reduction in the workforce, by EUR 14 million from EUR -77 million (adjusted 2015 value) to EUR -63 million in 2016. Other administrative expenses amounted to EUR -85 million, and therefore fell by EUR 29 million (2015 adjusted value: EUR -114 million). This cost reduction is mostly due to the reduction in expenses for legal and consulting services. Depreciation and amortization for tangible and intangible assets declined to EUR -3 million (1-12/2015 adjusted value: EUR -5 million).

Equity and liabilities side characterised by haircut

Similar to the overall result, also the liabilities side of the consolidated statement of financial position as at 31 December 2016 was characterised by the haircut. With Emergency Administrative Decision II, the wind-down measures according to the Federal Act on the Recovery and Resolution of Banks (BaSAG) were applied to HETA. The derecognition of “eligible liabilities”, which became necessary as a result of the “bail-in” of creditors, had the effect of reducing the amount of liabilities and provisions by EUR 7.1 billion compared to 31 December 2015. In addition, HETA's issued and subordinated capital was reduced to zero.

Group equity (without minority interests) became positive as a result of Emergency Administrative Decision II, and amounts to EUR 1.0 billion (31.12.2015: EUR -5.7 billion). The equity capital shown in the IFRS consolidated financial statements on the reporting day does not establish a claim on the part of HETA's owner however. Rather, this amount is used to cover future losses, particularly from the disposal of performing loans and group companies, and from closing-down costs.

Consolidated total assets decreased by EUR 0.4 billion in 2016, from EUR 11.2 billion (31.12.2015) to EUR 10.8 billion. While the cash reserve increased by EUR 1.9 billion, loans and advances to credit institutions and customers, derivative holdings as well as securities and other assets decreased as a result of the progressive wind-down of the portfolio.

Audit Opinions

The annual financial statements and the consolidated financial statements for 2016 have received an unqualified audit opinion from the company's auditors. As in previous years, these audit opinions also include additional statements in which the auditors refer to key statements made by the Management Board in the Appendix respectively in the Notes.

Publications

The annual and consolidated financial statements for HETA as at 31 December 2016 are published in line with the annual financial report pursuant to section 82 (4) of the Stock Exchange Act (BörseG). Both the consolidated financial statements and the separate financial statements are published on the company's website (www.heta-asset-resolution.com → Investor Relations → Financial reports & presentations). Please consult these documents for further information.

The English versions will be made available to the public in the middle of April 2017.

Contact:

HETA ASSET RESOLUTION AG
Dr. Alfred Autischer
Tel.: + 43 (0) 664 / 8844 64 20

Communication Management
Tel. +43 (0) 50209 2492
e-mail: communication@heta-asset-resolution.com

Relevant additional information concerning this ad hoc communication:

Issuer:
HETA ASSET RESOLUTION AG
Alpen-Adria-Platz 1
A-9020 Klagenfurt am Wörthersee
www.heta-asset-resolution.com

Sector: Banks

Main ISINs of the issuer according to issue volume:
XS0281875483, XS0272401356, XS0292051835, XS0293593421, XS0289201484

Stock exchanges:
Luxembourg Stock Exchange; second regulated market (geregelter Freiverkehr) and third market (Dritter Markt; MTF) of the Vienna Stock Exchange.