

HETA ASSET RESOLUTION

Company presentation

- Initiation of liquidation proceedings
- Financial statements for 2021 and 2022
- Financial plan 2022

Vienna, 24.03.2022

This document contains, among other elements, statements about forecasts, planning, future expectations and other future-oriented statements, which are based on the current perspectives and assumptions of the liquidators of HETA ASSET RESOLUTION AG i.A.* (abbreviation: HETA) and are associated with known and unknown risks and uncertainties which may cause actual results and events to deviate significantly from the results and events contained in the future-oriented expectations and statements.

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The English version of the annual report is a translation. Only the German is the authentic language version

*i.A. stands for "in liquidation"

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Liquidation process of HETA

Hypo – Heta – Heta i.A.

HETA ASSET RESOLUTION

31.10.2014

31.12.2021

31.12.2030

banking operations - „going concern“

resolution acc. to BaSAG/GSA - „gone concern“

liquidation acc. to AktG – „liquidation“

COMPANY NAME



HYPO ALPE ADRIA

HETA ASSET RESOLUTION

HETA ASSET RESOLUTION
in liquidation

BUSINESS MODELL



banking institution



wind down unit



liquidation proceedings


FRAMEWORK



regulated credit institution
(BWG)



deregulated entity
(GSA/BASAG)



entity in liquidation
(AktG)

MISSION



new business



wind down of assets



liquidation

FOCUS



clients



creditors
eligible non-subordinated liabilities



beneficiaries
from liquidation participation

PLANNING



business plan



wind down plan



financial plan

Portfolio wind down since end of 2014

proposition: effective & value-preserving wind down **HETA ASSET RESOLUTION**

loans credit institutions



€ 3,1 bn

securities & derivatives



€ 2,6 bn

other assets



€ 0,4 bn

customer loans



€ 2,7 bn

movables & real estates



€ 0,9 bn

✓ A portfolio in amount of **EUR 9,7 bn** was taken over in 2014 from **HYPO Alpe-Adria** with a wind-down purpose

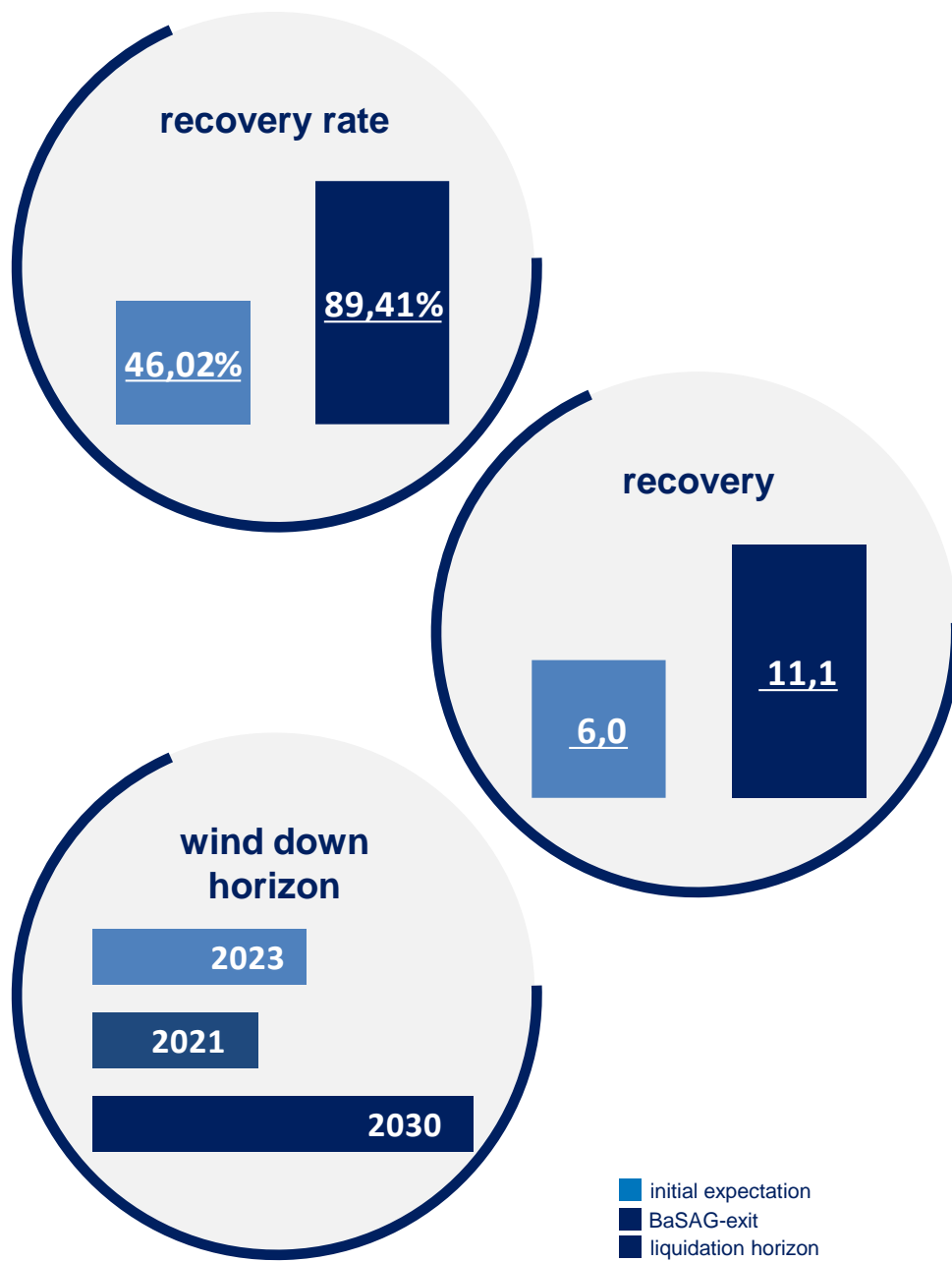
✓ The **portfolio** taken over was very **complex, heterogeneous** and located mainly in **difficult markets**

✓ With a **professional and motivated team**, an **appropriate legal framework** and an outcome-oriented approach of the **company bodies** and **shareholder representatives** the portfolio wind down was **accomplished** already in **2021**

✓ The **quick, nonetheless value preserving** portfolio wind down was supported by a **positive market development**

Recovery expectation

Initial expectations have been clearly outperformed **HETA ASSET RESOLUTION**



✓ After the **overindebtedness** had been announced in March 2015, a haircut to **46,02 %** on the **eligible non-subordinated liabilities** has been decided in April 2016 by FMA

✓ The **cash-ins** from the **portfolio wind-down** are **clearly above the expectations**. Now it is forecasted that a total **recovery** of **EUR 11,1 bn** and a **recovery rate** of **89,41 %** can be achieved

✓ Alongside the **improved recovery** also the **wind down horizon was reduced significantly**; the exit from BaSAG-regime was accomplished already in 2021 instead of 2023; the planned end of liquidation is 2030

✓ The eligible **creditors** have already received **86,32 %** of their claims

HETA in liquidation (starting with 2022)

Resolution of liquidation obstacles

HETA ASSET RESOLUTION



✓ The **liquidation obstacles** should **efficiently** and **economically** be solved, **finalisation of liquidation** is expected by 2030

✓ So far it was possible to **close** more than **11.000 legal procedures**, only **~100** procedures remain **open**

✓ The number of **participations** was **reduced** from roughly **170** to **10**, remaining entities should mainly be wound down via **liquidations**

✓ Focus is also on **the administration** of **various obligations** resulting from successfully completed **M&A-transactions**

✓ If possible, HETA will perform further **liquidation payments** to the creditors

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Highlights in 2021



Financial statements 2021

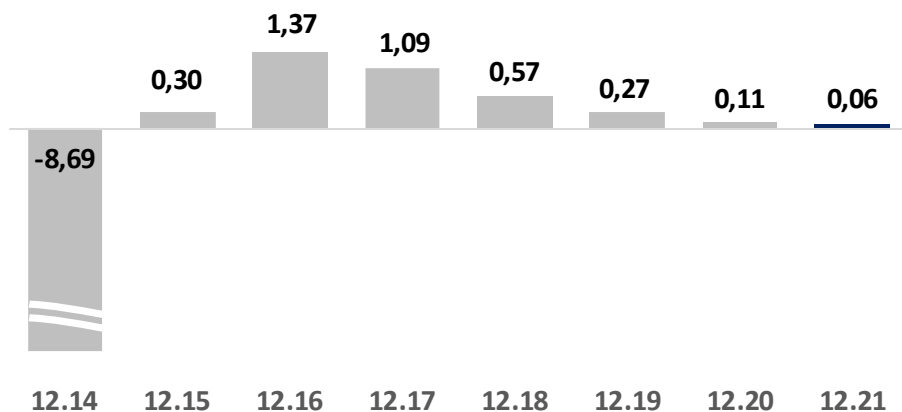
annual results and costs

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annual results

adjusted*

HETA AG single entity
in EUR bn

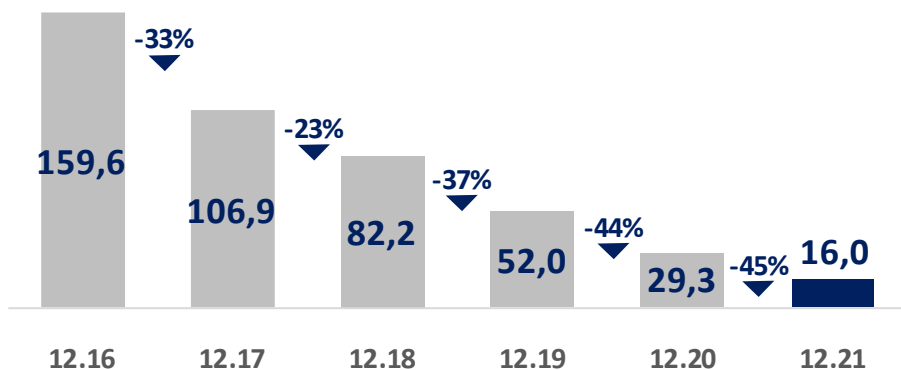


- **March 2015:** change of **legal framework** to **BaSAG-regime** and **new valuation** of portfolio under a **gone-concern-assumption**
- This led to a negative result for the financial year 2014 of **EUR -8,69 bn**
- In the years **2015 to 2020** HETA achieved a **positive result** of cumulative **EUR +3,71 bn**
- The **result** in **2021** is also **positive** (EUR +0,06 bn) and **well above budget**

administrative expenses

personnel and non-personnel expenses

HETA group
in EURm



- **Successful continuation** of the **organisational** and **cost structure**
- In **2021** the costs in HETA **group** could be **reduced** by **-45 %** and amount to **EUR 16,0m**
- Due to an **active cost-monitoring** and **thorough optimization-measures** costs stayed clearly **below budget**

Financial statements 2021

balance sheet development

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Balance sheet development in EURm	31.12. 2021	31.12. 2020	Delta
Cash with Austrian National Bank (OeNB)	611,6	765,6	-154,0
Receivables from credit institutions	15,7	19,1	-3,4
Customer receivables	10,5	13,5	-3,0
Shares and securities	0,2	0,2	0,0
Participations	123,7	159,6	-35,9
Other Assets	48,5	49,5	-1,0
SUM ASSETS	810,2	1 007,5	-197,3
Liabilities against credit institutions	0,0	28,7	-28,7
Liabilities against customers	159,0	221,9	-62,9
Liabilities evidenced by certificates	0,0	83,4	-83,4
Other liabilities	15,6	21,1	-5,4
Provisions	635,6	652,5	-16,9
<i>o/w "operative" provisions</i>	<i>159,7</i>	<i>239,4</i>	<i>-79,7</i>
<i>o/w prov. for contingent liabilities rel. resolution procedures</i>	<i>475,9</i>	<i>413,1</i>	<i>62,8</i>
Equity	0,0	0,0	0,0
SUM LIABILITIES	810,2	1 007,5	-197,3

Financial statements 2021

income account

HETA ASSET RESOLUTION

Income statement in EURm	01.01. - 31.12.21	01.01. - 31.12.20	Delta
Net interest income	-3,8	-30,3	26,5
Income form securities and participations	33,8	114,7	-81,0
Net commission income	0,0	0,0	0,0
Income and expenditure from financial transactions	-0,2	0,5	-0,7
Other operating income	76,6	53,4	23,2
Operating income	106,3	138,3	-32,0
General administrative expenditure	-15,2	-21,4	6,2
<i>o/w personnel expenses</i>	-7,5	-10,8	3,4
<i>o/w other administrative expenses</i>	-7,7	-10,6	2,8
Depreciation	-0,1	-0,4	0,3
Other operating expenditure	-1,1	-0,4	-0,6
Operating expenditure	-16,4	-22,2	5,8
Operating result	90,0	116,1	-26,1
Valuation result	-27,8	-10,6	-17,2
Profit or loss on ordinary items	62,1	105,5	-43,4
Extraordinary result	-62,5	-105,6	43,1
Taxes	0,4	0,1	0,3
Profit or loss of the year	0,0	0,0	0,0

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Liquidation opening balance sheet

Valuation differences

General remarks

- The **initiation of the liquidation procedure** pursuant to the **AktG** is triggering a **change of the accounting standards** from “gone concern” (final statement 2021) to “**liquidation values**”
- The **financial statements of HETA** are now **no longer** prepared pursuant to **BWG** and **(all) UGB-regulations**, but considering only **selected UGB-criteria** pursuant to **§ 211 AktG**
- Furthermore **consolidated statements no longer need to be prepared**
- Due to the initiation of the **liquidation procedure** pursuant to the AktG and the **change of the accounting standards** HETA is **obliged** to prepare a **liquidation opening balance sheet** as of **1st January 2022**

Valuation differences

- The **change of applicable accounting standards** is resulting in **adjustments** of the **reporting-scheme**
- The **valuation of assets** is based on a **realisation-approach** with the primary goal to **identify the “net value of a company’s physical assets”**, which in HETA’s case will go to the creditors of eligible non-subordinated liabilities
- **Differences to the financial statements 2021** (“Schlussbilanz”) are resulting from the following effects:
 - **Non-application of discounting-effects** (receivables, participations, provisions)
 - **Consideration of additional provisions and haircuts** based on an **internal risk assessment** of cash flows (consistent to financial plan)

numerical effects

- The **provision for contingent liabilities relating to resolution procedures** is **decreasing** by **EUR -91m** (from EUR 476m in financial statements 2021 to EUR 385m in liquidation opening balance sheet)
- **Differences to the financial statements 2021** are resulting mostly from the following effects:
 - **EUR +25m - Non-application of discounting effects**
 - **EUR -116m - Consideration of additional provisions and haircuts**
- The **provision for contingent liabilities relating to resolution procedures as of 1st January 2022** in amount of **EUR 385m** is consequently reflecting the **expected liquidation payments** in the financial plan 2022 (liquidation participation payments and closing payment) to creditors

Liquidation opening balance sheet

Reconciliation statements 2021 and opening balance 2022

HETA ASSET RESOLUTION

Liquidation opening balance sheet in EURm	31.12. 2021	Um- wertung	01.01. 2022
Intangible fixed assets	0,0	0,0	0,0
Tangible fixed assets	0,0	0,0	0,0
Financial Assets	123,7	9,6	133,3
Receivables and other assets	59,0	-11,5	47,6
Shares and securities	0,2	0,0	0,2
Balances with credit institutions	627,3	0,0	627,3
<i>o/w cash at Austrian National Bank (OeNB)</i>	611,6	0,0	611,6
<i>o/w balances with credit institutions - short term</i>	15,7	0,0	15,7
SUM ASSETS	810,2	-1,9	808,3
Liquidation capital	0,0	0,0	0,0
Provisions	635,6	-1,9	633,7
<i>o/w "operative" provisions</i>	159,7	88,9	248,7
<i>o/w prov. for contingent liabilities rel. resolution procedures</i>	475,9	-90,9	385,0
Liabilities	174,6	0,0	174,6
SUM LIABILITIES	810,2	-1,9	808,3

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Notes

- The present information for creditors and investors represents an update of the presentation on the wind-down plan pursuant to GSA (“Aktualisierter Abbauplan 2021”)
- In connection with the information containing in this company presentation HETA’s liquidators expressly refer creditors and investors to the corresponding disclaimer
- It is also noted that the company presentation may be updated or supplemented at any time, any such updates and additions can be downloaded from the HETA website under „investor relations / investor information“

legal framework conditions

- On **25th August 2016**, HETA published **the first wind-down plan** covering the period from 2016 to 2020 („Abbauplan 2016“)
- The **wind-down plan** was **updated** on 31st August 2017 („Abbauplan 2017“), 15th June 2018 („Abbauplan 2018“), 23rd May 2019 („Abbauplan 2019“), 14th May 2020 („Abbauplan 2020“), 20th May 2021 („Abbauplan 2021“) and 15th December 2021 („Aktualisierter Abbauplan 2021“)
- Due to the **BaSAG-exit** HETA is **no longer legally obliged** to prepare a **wind-down plan**
- However, HETA has **committed itself** in the **new statute** to prepare **planning calculations** (financial plan) and to **publish** the most **significant parameters**
- Currently it is **intended** to **prepare** and **publish** a **yearly update** of the financial plan

main planning assumptions

- **Exit from BaSAG-regime by end of 2021 und initiation of liquidation procedure beginning of 2022**
- Resolution of **remaining liquidation obstacles** during the liquidation procedure (liquidation horizon until end of 2030, afterwards maintaining archive with external servicer until 2037)
- Execution of **liquidation participation payments** during the liquidation procedure
- Payment of the then remaining **liquidation proceeds** after **2030** (closing payment)
- **Expected recovery-rate: 89,41 %** (total); in the “Aktualisierter Abbauplan 2021” a rate of 89,25 % was expected

liquidation participation payment

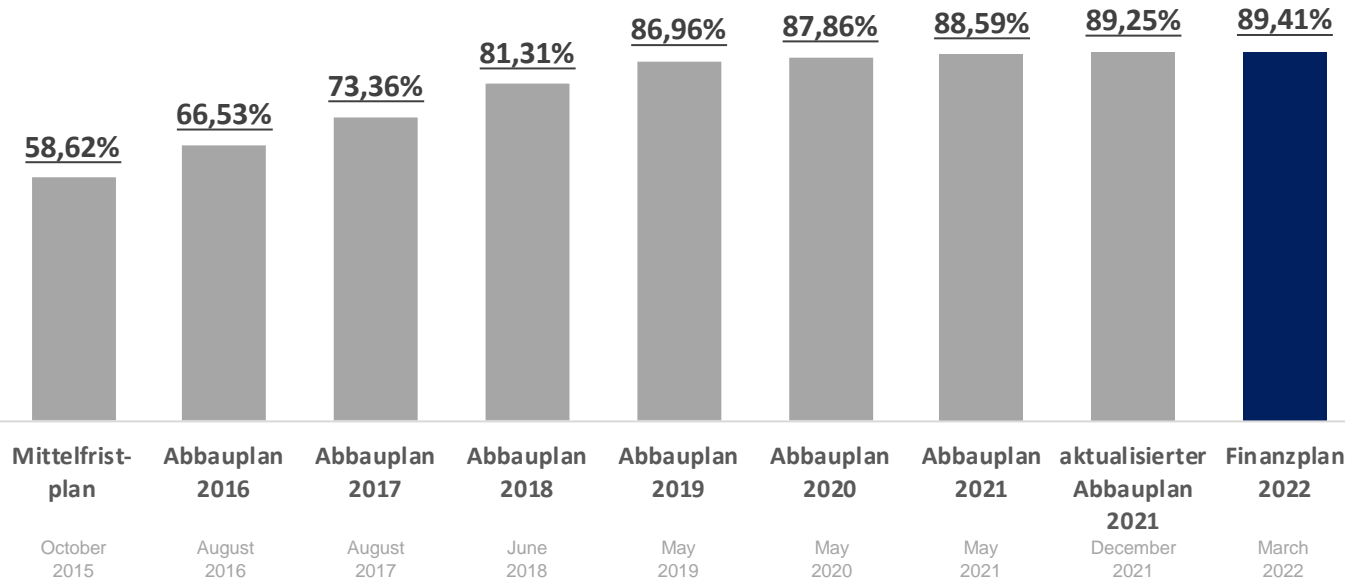
- During the **BaSAG-resolution** HETA was able to distribute already **EUR 10,8 bn** to the creditors, achieving the full **FMA-quota of 86,32 %**
- With the **statute-change** a further distribution via the so-called **liquidation participation payments** has been enabled, which can be performed in the liquidation procedure **from 2023 onwards**
- The **financial plan 2022** is reflecting **further payments** to the creditors in amount of nearly **EUR 385m**, which should mostly be **paid before 2030**

Financial plan 2022

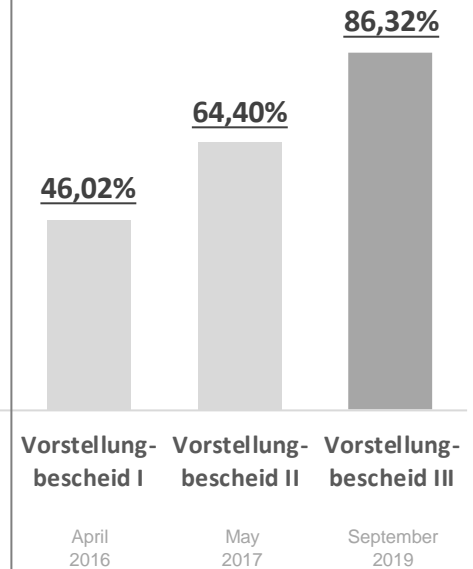
Development of recovery rate

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HETA-Planning



Quota FMA-decrees



- Slight adjustment of the **recovery rate** to **89,41 %** compared the last wind-down plan (89,25 %, status from December 2021)
- **Improvement** is resulting mostly from **planned cost-optimization** and **lower impacts of provisioned risks**
- As the **full FMA-quota of 86,32 %** has already been **paid out to the creditors** of eligible non-subordinated liabilities during **five distributions**, the **difference of 3,09 %** (equals EUR 385m) should be distributed via **liquidation participation payments**

Financial plan 2022

Planned balance sheet HETA AG (UGB)

HETA ASSET RESOLUTION

Planned balance sheet development in EURm	Budget 2022	Plan 2023	Plan 2024	Plan 2025	Plan 2026	Plan 2027	Plan 2028	Plan 2029	Plan 2030
Tangible and intangible assets	0,6	0,5	0,4	0,3	0,3	0,3	0,3	0,3	0,0
Financial assets	134,3	134,3	134,3	134,3	0,0	0,0	0,0	0,0	0,0
Receivables and other assets	8,0	7,5	7,0	1,5	1,0	1,0	0,5	0,5	0,0
Shares and securities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash and balances with credit institutions	550,4	324,5	286,9	280,3	238,1	85,5	55,4	46,3	16,1
<i>o/w cash at Austrian National Bank (OeNB)</i>	<i>549,4</i>	<i>323,7</i>	<i>286,1</i>	<i>279,7</i>	<i>237,5</i>	<i>85,1</i>	<i>55,0</i>	<i>46,1</i>	<i>16,1</i>
<i>o/w balances with credit institutions - short term</i>	<i>1,0</i>	<i>0,8</i>	<i>0,8</i>	<i>0,6</i>	<i>0,6</i>	<i>0,4</i>	<i>0,4</i>	<i>0,2</i>	<i>0,0</i>
SUM ASSETS	693,3	466,8	428,6	416,4	239,4	86,8	56,2	47,1	16,1
Liquidation capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	532,0	305,8	267,8	256,6	214,2	77,3	47,1	38,1	8,1
<i>o/w "operative" provisions</i>	<i>147,3</i>	<i>121,4</i>	<i>83,5</i>	<i>72,1</i>	<i>54,5</i>	<i>52,3</i>	<i>41,7</i>	<i>32,3</i>	<i>1,8</i>
<i>o/w prov. for contingent liabilities rel. resolution procedures</i>	<i>384,8</i>	<i>184,4</i>	<i>184,3</i>	<i>184,4</i>	<i>159,7</i>	<i>25,0</i>	<i>5,4</i>	<i>5,8</i>	<i>6,3</i>
Liabilities	161,3	161,0	160,7	159,9	25,2	9,5	9,1	8,9	8,0
SUM LIABILITIES	693,3	466,8	428,6	416,4	239,4	86,8	56,2	47,1	16,1

Financial plan 2022

Income statement HETA AG (UGB)

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Planned profit and loss account in EURm	Budget 2022	Plan 2023	Plan 2024	Plan 2025	Plan 2026	Plan 2027	Plan 2028	Plan 2029	Plan 2030
Release of provisions	16,2	13,3	11,2	10,1	8,6	7,8	7,2	6,8	7,0
Further other operating income	0,3	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other operating income	16,5	13,4	11,2	10,1	8,6	7,9	7,2	6,8	7,0
Personnel costs	-6,2	-5,0	-4,5	-4,1	-3,7	-3,8	-3,9	-3,9	-4,0
Administrative expenditure	-6,7	-5,7	-4,6	-4,0	-3,0	-2,5	-2,2	-1,9	-2,2
Depreciation	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	0,0
Other operating expenditure	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating expenditure	-13,0	-10,7	-9,2	-8,1	-6,7	-6,4	-6,1	-5,8	-6,1
Operating result	3,5	2,6	2,0	2,0	1,9	1,5	1,0	1,0	0,9
Result from participations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Valuation result	-0,4	-0,4	-0,2	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
Net interest income	-2,9	-2,2	-1,5	-1,4	-1,3	-0,8	-0,4	-0,3	-0,2
Financial result	-3,3	-2,6	-1,7	-1,5	-1,4	-0,9	-0,5	-0,4	-0,3
Result before tax	0,2	0,1	0,3	0,5	0,5	0,6	0,6	0,6	0,6
Taxes on income	-0,5	-0,5	-0,4	-0,4	-0,3	-0,3	-0,2	-0,2	-0,1
Other taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Result after tax	-0,3	-0,4	-0,1	0,1	0,2	0,3	0,4	0,4	0,5
Change of provision for risks in liquidation procedure	0,3	0,4	0,1	-0,1	-0,2	-0,3	-0,4	-0,4	-0,5
Profit or loss for the year	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Certain obstacles must also be taken into account in the context of liquidation under the Stock Corporation Act (AktG). These arise from the following circumstances:

Contractual obligations or legal disputes

from sales and other resolution agreements as well as settlement agreements

- In the course of the wind-down activities, the HETA Group necessarily entered into new contractual obligation
- These include, but are not limited to, customary warranties, security mechanisms or the obligation to provide certain services until the full transfer of legal position to the buyer, whereby an attempt was generally made to keep the contractual obligations at a minimum
- These obligations could also lead to possible security claims in the course of the liquidation of HETA AG or its subsidiaries as a result of creditors' appeals
- Until the end of the contractual obligations, there may therefore be delays in the expected liquidation period of HETA or in the closure of individual HETA companies or there remains a risk that the assertion of warranty claims could lead to new legal disputes, which could also delay the rapid closure of individual companies
- In order to obtain the highest possible liquidation proceeds and a rapid completion of the liquidation, HETA examines such claims carefully and taking into account all relevant considerations, then decides whether such claims are recognized in the context of an out-of-court settlement or clarified in the competent courts in the context of legal proceedings

Court proceedings

- Within the HETA Group, a large number of court proceedings domestically and abroad are still pending, and new court proceedings may arise at any time
- Since a company cannot be completely liquidated during pending legal proceedings, this can lead to a company being economically closed but legally having to continue to exist until the end of a legal dispute
- In addition, as a condition for the sale of its portfolios, HETA had to undertake that the legal proceedings initiated by HETA against the debtors continue to be pursued by HETA, because e.g. a change of party is only possible with the consent of the debtor or in order to avoid limitation issues
- In the case of sales transactions, HETA needs to ensure that the obligations to "front" such legal proceedings are limited in time or that corresponding termination rights are provided for HETA
- Nevertheless, this has an impact on the time horizon for the winding-up of HETA or its participations

Liquidation obstacles (2/2)

HETA ASSET RESOLUTION

Liquidation risks

from the liquidation of participations and HETA AG itself

- In the liquidation of HETA companies or HETA itself, legal and tax problems are particularly prevalent
- In most jurisdictions, tax audits are also initiated when a company begins the liquidation process
- There is a not insignificant risk that such audits may lead to the imposition of previously unconsidered levies or may potentially extend the liquidation period planned by the group
- The legally mandatory creditor appeals in the context of liquidations could lead to the assertion of previously unknown claims or new legal proceedings

Risk of non-recognition of resolution measures

- Despite the termination of the BaSAG procedure, the FMA's decisions are still valid and applicable
- For example, the decisions continue to have an impact on pending legal proceedings of HETA AG relating to facts prior to 1st March 2015
- If HETA is obliged to fulfill its obligations in such proceedings, this obligation may constitute a newly emerged, non-subordinated, eligible liability to which the notices continue to apply
- From today's perspective, it cannot be ruled out that proceedings concerning the non-recognition of resolution measures by courts in other Member States or in non-EU countries could also arise in the future
- HETA will continue to take all available legal remedies for the recognition of FMA decisions

future legislative measures

- In the SEE countries where the assets of the HETA Group were formerly located, there have been repeated legislative proposals and new laws in recent years that have had a negative impact on financial institutions
- An example is the so-called Croatian Nullity Act, which had a negative impact on the resolution of the Croatian cross-border portfolio held by HETA and resulted in more than 30 legal proceedings against HETA AG
- This law was initially found by the ECJ to be contrary to EU law and was also repealed by the Croatian Constitutional Court at the end of 2020
- Such legislative measures may affect the further liquidation of HETA despite the end of the portfolio resolution, as they can lead to new legal proceedings in which former customers make recourse claims

CoVID-19 Pandemic

- Since the 2020 wind-down plan, an additional provision has been taken into account in form of an unexpected loss determined in a comprehensive risk survey
- Due to the persistence of the pandemic, this approach will continue to be maintained
- Despite a comprehensive assessment of the potential risks associated with COVID-19, it cannot be ruled out that further unexpected effects not taken into account in the planning could occur