

# HETA ASSET RESOLUTION

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## Company Presentation

Wind-down plan pursuant to GSA 2019

**Vienna, 23.05.2019**

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 Management Board of HETA ASSET RESOLUTION AG (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.

Consequently, neither HETA nor any company affiliated to HETA, its/their employees, directors or other company representatives can be held liable in any way (in the context of negligence or otherwise) for any losses or damages (including consequential loss or damage, or loss of earnings), arising as a result of the use of this document or its content, or arising in any connection whatsoever with this document.

The information and representations contained in this document are intended exclusively for information purposes and do not constitute investment advice or an investment recommendation, nor an offer or invitation to buy or sell any HETA assets.

HETA reserves the right to make changes or additions to this company presentation and the information provided at any time and without prior notice.

The present information for creditors and investors represents an update of the presentation on the wind-down plan pursuant to the Federal Act for the Creation of a Wind-down Unit (GSA) (“wind-down plan 2018”) published in June 2018. With regard to the 2018 interim distribution, reference is also made to the company presentation published in June 2018.

In connection with the information contained in this company presentation, the Management Board of HETA expressly refers 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 “Investors/Investor Information”.

On 25<sup>th</sup> August 2016, HETA published the first wind-down plan relating to the period from 2016 to 2020 (“Abbauplan 2016”). The wind-down plan was updated on 31<sup>th</sup> August 2017 (“Wind-down plan 2017”) as well as on 15<sup>th</sup> June 2018 (“Wind-down plan 2018”). Pursuant to section 5 (5) GSA, the wind-down plan must be reviewed and investigated for possibly required changes by the company’s managers at the end of each calendar quarter. If the circumstances that are of material importance to the wind-down plan change, the plan must be adjusted and submitted to the Supervisory Board for approval.

The wind-down plan 2019 (“Abbauplan 2019”) presents our assessment of HETA’s future development in the period 2019 to 2023. The plan details shown are based on the financial results for 2018 and the plans drawn up by the individual subsidiaries in the first quarter of 2019.

The wind-down 2019 plan contains a new assessment of the expected recovery and the wind-down process. The mandate decree III issued by the FMA on March 26<sup>th</sup>, 2019, which has an impact on the stock of eligible senior liabilities, has been incorporated. Additionally, effects from a possible third interim distribution, which requires advance approval from the FMA as the resolution authority, were taken into account in the wind-down plan 2019.

# Wind-down plan 2019

## From the 2018 wind-down plan to the 2019 wind-down plan

- Key developments since the publication of the 2018 wind-down plan:

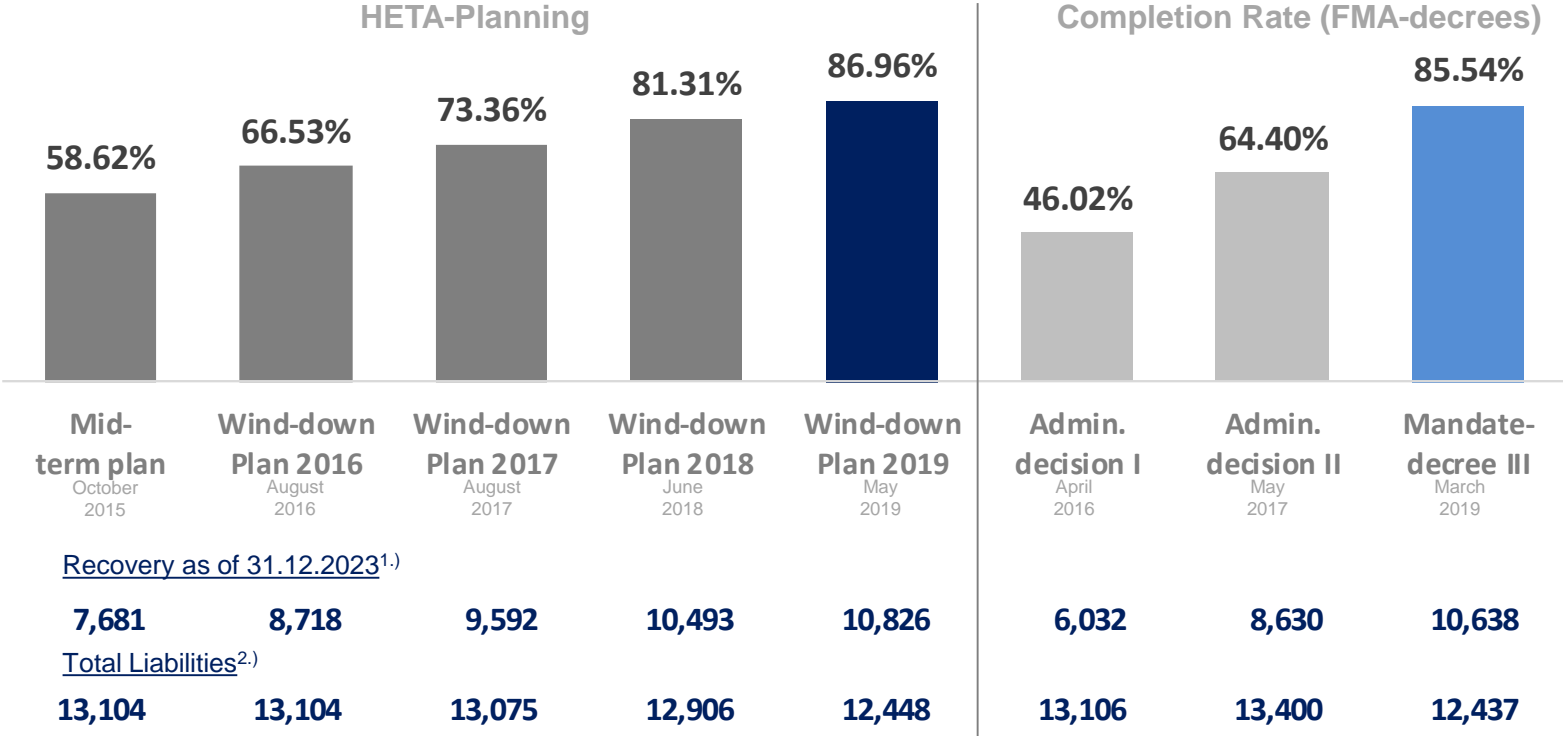
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|------------------------------|--|
| 4 <sup>th</sup> quarter 2018 | <ul style="list-style-type: none"><li>- Settlement with BayernLB regarding refinancing lines</li><li>- Settlement with the Republic of Austria on government-guaranteed subordinated bond</li><li>- Closing VANTAGE and thus complete Exit from Serbia</li></ul>   |
| 1 <sup>st</sup> quarter 2019 | <ul style="list-style-type: none"><li>- Signing SOLARIS (Sale of Croatian units and additional portfolio)</li><li>- Settlement with the state of Carinthia (Land Kärnten) on the liability commission</li><li>- Sale of the corporate headquarter in Klagenfurt</li><li>- Closing TARA and thus complete exit from Montenegro</li><li>- Closing BOLERO (Sale of Bosnian unit and additional portfolio)</li><li>- Publication of the financial statements 2018</li><li>- Mandate Decree III issued by FMA</li></ul> |
| 2 <sup>nd</sup> quarter 2019 | <ul style="list-style-type: none"><li>- Resignation of the board member Arnold Schiefer and thus reduction of the Management Board to two members</li><li>- Closing SOLARIS (Sale of Coratian unit and additional portfolio)</li><li>- Approval of the wind-down plan 2019 by the Supervisory Board of HETA</li></ul>  |

- In light of the **Mandate Decree III** issued by the FMA, **successful portfolio and country transactions, settlements** made in 2018, and the **expected, higher level of recovery**, it was necessary to adapt the wind-down plan 2018 to the **changed circumstances** and prepare a new **wind-down plan 2019**.
- The Management Board of HETA will regularly review the wind-down plan 2019 and, if circumstances change that are relevant to the 2019 wind-down plan, update it accordingly.

# Wind-down Plan 2019

## Development of completion rate

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- **Constant increase** of expectations due to **positive wind down progress**
- Currently HETA expects a **completion rate** of **86.96%**, which is approx. +1.5 % pts **above** the **FMA-mandate decree III**
- **Compared to the 2018 wind-down plan**, the fulfilment rate has increased by approximately **+5.7 percentage points**, which is attributable to the **decline in eligible liabilities** (mainly due to settlements with the Republic of Austria and BayernLB) and to **additional revenue**.



<sup>1.)</sup> Reflects the cash position as of 31.12.2023 plus the amounts paid out with the interim distributions. Recovery in Mid-term Plan and Wind-down Plan 2016 is based on 31.12.2020

<sup>2.)</sup> Refers to the nominal value of the eligible senior liabilities at the specific effective dates. The amount of the liabilities can be affected by FX-fluctuations.

# Wind-down plan 2019

Key figures in comparison to previous wind-down plans

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|   | Medium-term planning<br>(October 2015) | Wind-down plan 2016<br>(August 2016) | Wind-down plan 2017<br>(August 2017) | Wind-down plan 2018<br>(June 2018) | Wind-down plan 2019<br>(May 2019) | Trend<br>Compared to.<br>Wind-down plan 2018  |
|---|--|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|---|
| <b>FMA Decrees</b><br>(Fulfilment rate)   | n.a.                                   | YES<br>(46.02%)                      | YES<br>(64.4%)                       | YES<br>(64.4%)                     | YES<br>(85.54%)                   |    |
| <b>Recovery Amount</b><br>As of 31.12.2023 <sup>1)</sup>                                | € 7.68 bn                              | € 8.72 bn                            | € 9.59 bn                            | € 10.49 bn                         | € 10.83 bn                        |    |
| <b>Fulfilment rate</b><br>as of 31.12.2023 <sup>1)</sup>                                | 58.6%                                  | 66.5%                                | 73.4%                                | 81.3%                              | 87.0%                             |    |
| <b>Remaining portfolio</b> <sup>2)</sup><br>HETA-group as of 31.12.2020                 | € 1.4 bn                               | € 1.1 bn                             | € 0 bn                               | € 0 bn                             | € 0.1 bn                          |    |
| <b>“Wind-down rate” end of 2018</b><br>Bases on YE 2014                                 | 68 %                                   | 78 %                                 | 95%                                  | 91%                                | 90%                               |   |
| <b>Operative costs</b> <sup>3)</sup><br>HETA-group, accumulated 2016-2023 <sup>1)</sup> | € 551 mio                              | € 478 mio                            | € 507 mio                            | € 512 mio                          | € 499 mio                         |  |

<sup>1)</sup> Mid-term plan and Wind-down Plan 2016 include a planning horizon until end of 2020

<sup>2)</sup> Remaining assets in Wind-down Plan 2019 mainly related to escrow-claims and liquidity

<sup>3)</sup> Contain personnel costs, administrative costs, regular depreciation and closing costs. Provisions, related to court procedures are not included

# Wind-down Plan 2019

## Planned Balance Sheet HETA AG (UGB/BWG)

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| <b>HETA AG (UGB) - ASSETS<br/>in EURm</b>                          | <b>2018</b>  | <b>Budget<br/>2019</b> | <b>Plan<br/>2020</b> | <b>Plan<br/>2021</b> | <b>Plan<br/>2022</b> | <b>Plan<br/>2023</b> |
|--|--------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Cash</b>  | <b>2,273</b> | <b>1,083</b>           | <b>1,273</b>         | <b>1,226</b>         | <b>1,185</b>         | <b>1,140</b>         |
| <b>Net loans to credit institutions &amp; customers</b>            | <b>647</b>   | <b>195</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Participations</b>  | <b>464</b>   | <b>210</b>             | <b>165</b>           | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Other assets</b>  | <b>34</b>    | <b>45</b>              | <b>25</b>            | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Total Assets</b>  | <b>3,417</b> | <b>1,532</b>           | <b>1,463</b>         | <b>1,226</b>         | <b>1,185</b>         | <b>1,140</b>         |
| <b>HETA AG (UGB) - LIABILITIES<br/>in EURm</b>                     | <b>2018</b>  | <b>Budget<br/>2019</b> | <b>Plan<br/>2020</b> | <b>Plan<br/>2021</b> | <b>Plan<br/>2022</b> | <b>Plan<br/>2023</b> |
| <b>Liabilities to credit institutions</b>                          | <b>34</b>    | <b>188</b>             | <b>187</b>           | <b>187</b>           | <b>187</b>           | <b>187</b>           |
| <b>Liabilities to customers</b>                                    | <b>342</b>   | <b>418</b>             | <b>405</b>           | <b>240</b>           | <b>240</b>           | <b>240</b>           |
| <b>Liabilities evidenced by certificates</b>                       | <b>89</b>    | <b>541</b>             | <b>541</b>           | <b>541</b>           | <b>541</b>           | <b>541</b>           |
| <b>Provisions</b>  | <b>2,915</b> | <b>366</b>             | <b>310</b>           | <b>243</b>           | <b>201</b>           | <b>147</b>           |
| of which provisions for imponderabilities of the wind down process | 2,619        | 130                    | 136                  | 130                  | 125                  | 147                  |
| <b>Other liabilities</b>   | <b>37</b>    | <b>20</b>              | <b>20</b>            | <b>15</b>            | <b>16</b>            | <b>25</b>            |
| <b>Equity</b>  | <b>0</b>     | <b>0</b>               | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Total Liabilities</b>   | <b>3,417</b> | <b>1,532</b>           | <b>1,463</b>         | <b>1,226</b>         | <b>1,185</b>         | <b>1,140</b>         |



# Wind-down Plan 2019

Planned Profit & Loss Account HETA AG (UGB/BWG)

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| HETA AG (UGB) - P&L<br>in EURm              | 2018   | Budget<br>2019 | Plan<br>2020 | Plan<br>2021 | Plan<br>2022 | Plan<br>2023 |
|---|--------|----------------|--------------|--------------|--------------|--------------|
| Operating income                            | 271.5  | 334.0          | 106.1        | 172.3        | 13.2         | 29.2         |
| Net interest income                         | 8.1    | 7.3            | -3.6         | -5.0         | -4.8         | -4.6         |
| Income from securities and participations   | 152.6  | 284.0          | 80.0         | 156.0        | 0.0          | 0.0          |
| Net commission income                       | -0.3   | -0.2           | -0.1         | 0.0          | 0.0          | 0.0          |
| Gains and losses from financial investments | -27.9  | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          |
| Other operating income                      | 139.2  | 42.8           | 29.8         | 21.3         | 18.1         | 33.9         |
| Operating expenses                          | -53.2  | -39.4          | -28.8        | -20.5        | -17.5        | -33.5        |
| General administrative expenses             | -51.4  | -38.7          | -28.3        | -20.3        | -17.2        | -33.4        |
| Depreciation for assets                     | -1.5   | -0.7           | -0.5         | -0.3         | -0.2         | -0.1         |
| Other expenses                              | -0.4   | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          |
| Operating result                            | 218.3  | 294.6          | 77.3         | 151.8        | -4.2         | -4.3         |
| Value adjustments                           | 78.7   | -255.9         | -70.1        | -156.0       | 0.0          | 0.0          |
| Result on ordinary items                    | 297.0  | 38.6           | 7.2          | -4.2         | -4.2         | -4.3         |
| Extraordinary result                        | -298.0 | -37.1          | -5.7         | 5.7          | 5.7          | 9.3          |
| Taxes                                       | 1.0    | -1.5           | -1.5         | -1.5         | -1.5         | -5.0         |
| P&L of the current year                     | 0.0    | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          |

# Wind-down Plan 2019

## Planned Balance Sheet HETA Group (UGB/BWG)

| <b>HETA Group (UGB) - ASSETS<br/>in EURm</b>      | <b>2018</b>  | <b>Budget<br/>2019</b> | <b>Plan<br/>2020</b> | <b>Plan<br/>2021</b> | <b>Plan<br/>2022</b> | <b>Plan<br/>2023</b> |
|---|--------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Cash  | 2,273        | 1,083                  | 1,273                | 1,226                | 1,185                | 1,140                |
| Net loans to credit institutions & customers      | 802          | 292                    | 31                   | 17                   | 0                    | 0                    |
| Financial assets                                  | 2            | 2                      | 0                    | 0                    | 0                    | 0                    |
| Participations                                    | 13           | 10                     | 0                    | 0                    | 0                    | 0                    |
| Assets on stock                                   | 118          | 51                     | 0                    | 0                    | 0                    | 0                    |
| Other assets                                      | 44           | 46                     | 26                   | 0                    | 0                    | 0                    |
| <b>Total Assets</b>                               | <b>3,252</b> | <b>1,484</b>           | <b>1,329</b>         | <b>1,243</b>         | <b>1,185</b>         | <b>1,140</b>         |
| <b>HETA Group (UGB) - LIABILITIES<br/>in EURm</b> | <b>2018</b>  | <b>Budget<br/>2019</b> | <b>Plan<br/>2020</b> | <b>Plan<br/>2021</b> | <b>Plan<br/>2022</b> | <b>Plan<br/>2023</b> |
| Liabilities to credit institutions                | 42           | 188                    | 187                  | 187                  | 187                  | 187                  |
| Liabilities to customers                          | 64           | 257                    | 240                  | 240                  | 240                  | 240                  |
| Liabilities evidenced by certificates             | 89           | 541                    | 541                  | 541                  | 541                  | 541                  |
| Provisions  | 2,988        | 429                    | 332                  | 257                  | 201                  | 147                  |
| Fund for general wind down risks                  | 24           | 46                     | 10                   | 4                    | 0                    | 0                    |
| Other liabilities                                 | 45           | 24                     | 20                   | 15                   | 16                   | 25                   |
| Equity  | 0            | 0                      | 0                    | 0                    | 0                    | 0                    |
| <b>Total Liabilities</b>                          | <b>3,252</b> | <b>1,484</b>           | <b>1,329</b>         | <b>1,243</b>         | <b>1,185</b>         | <b>1,140</b>         |

Note:

Assets on Stock: Sum of Repossessed Assets, Investment Properties and Emergency Acquired Assets

**Certain impediments and risks need to be taken into account in the context of the portfolio wind-down. As in previous wind-down plans, these items are also reported in the wind-down plan 2019 and are the result of the following circumstances, among other factors:**

- **Sales processes and EU state aid law**

As a result of the Republic of Austria's position as owner, European law on state aid has to be observed in the context of asset disposals by the HETA Group. European law on state aid specifies an auction-like bidding process for those sales procedures of the HETA Group that require the approval of the Supervisory Board; this process is associated with corresponding planning and time requirements and may therefore lead to delays in the wind-down period.

- **Banking secrecy, data protection, group of buyers**

As a wind-down unit, HETA must still comply with the provisions of § 38 of the Austrian Banking Act (BWG/banking secrecy) and the provisions under data protection law. These constitute a de facto restriction for the wind-down of the HETA Group's loan portfolio, since the disclosure of information that is relevant to the disposition is made more difficult without the consent of the customers or collateral owners.

- **Contractual obligations from sales and further realization contracts**

As part of the wind-down process, the HETA Group must enter into new contractual obligations. These include warranties that are typical in the market, security mechanisms or the commitment for the provision of certain services until the legal position is fully transferred to the buyer. In general, efforts are made to keep contractual obligations to a minimum. Until the end of the contractual obligations, there may be delays with respect to the closure of individual HETA companies, or there is the risk that the assertion of warranty claims may lead to new legal proceedings that could also delay the efficient closure of individual companies.

- **Legal proceedings**

Within the HETA Group, a large number of court proceedings is pending in Austria and abroad. Because a company cannot be fully liquidated during pending court proceedings, this could lead to a situation in which a company is closed in terms of the economical aspects but must nevertheless continue to exist until the end of the legal proceedings. Furthermore, in certain cases, purchasers can demand that execution steps taken by a HETA company against debtors must continue to be pursued by that HETA company because, for example, a change of party is only possible with the debtor's permission or to avoid statute of limitation issues. In case of sales, attention is paid in putting a time limit on any obligations to "front" such proceedings and in ensuring that appropriate termination rights are included for HETA. Nevertheless, this has an impact on the time horizon for winding down the concerned HETA company.

- **Risks from the liquidation of participations**

The liquidation of HETA companies is dominated by legal and tax issues. In most jurisdictions, tax audits are initiated at the start of the liquidation process. It is therefore not inconsiderable that such audits will lead to imposed charges for which no provisions have been made to date, or which may prolong the liquidation period planned by the Group. In some jurisdictions, companies are liquidated under the supervision of the respective regulatory authority or a liquidator appointed by the same. In such cases it is very difficult to estimate the duration of this process in advance. There is also a chance that preparations for the liquidation process are accompanied by an increase in the number of employees leaving the company, so that unplanned employee turnover could also represent a wind-down risk. The legally required creditor notifications before the start of the liquidation process could lead to the enforcement of previously unknown claims or new legal proceedings.

- **Risk of the resolution measures not being recognised, preliminary ruling procedures**

The submissions before the European Court of Justice (ECJ) were withdrawn following the successful purchase of the HETA bonds by the KAF. This has significantly improved the wind-down environment for HETA and has greatly reduced the threat from creditors who refused to recognise the wind-down measures of the Financial Market Authority (FMA) or contested the same in the courts. It is, however, possible that courts in other member states or in countries outside of the EU may initiate new proceedings regarding the non-recognition of the wind-down measures in the future. A ruling against HETA would go against the wind-down measures ordered by the FMA. HETA will therefore not only contest any judgements against it at the first instance, in order to get clarification regarding recognition of the BaSAG; but will also use all legal means available to fight off enforcement. Legal proceedings of this nature could negatively impact on the future wind-down of HETA.

- **Future legislative measures**

In recent years, the South-Eastern European countries in which HETA Group's assets are located have repeatedly submitted legislative proposals and issued laws that had a negative effect on financial institutions. In July 2017, Croatia passed a law that declared loan agreements of non-legitimised lenders concluded in Croatia null and void with retroactive effect unless those agreements have already been paid back in full. This also voids the collateral provided. The HETA Group is also affected by these legislative developments; and this law will have a negative impact on the efforts to realise the Croatian cross-border portfolio of HETA, as it extends the wind-down period. The law makes it possible to halt ongoing enforcement proceedings until a decision has been made about the applicability of the new law, without any further review. In February 2018, HETA filed a petition for standardization with the Croatian Constitutional Court. In addition, there is now a ruling by the ECJ in a preliminary ruling procedure that certain provisions of this law would be contradictory to EU law. This law and similar legislative measures could impact negatively on future wind-down activities and render it necessary to modify planning.

### **Future developments regarding the refinancing line with Hypo Alpe-Adria-Bank S.p.A., Italy (HBI)**

At the end of 2018, HBI still had approx. EUR 220 million in refinancing lines open to HETA. At the end of June 2018, HETA was informed that HBI could not continue servicing the refinancing lines until the underlying risk was clarified due to alleged legal obstacles. As a reason for non-compliance with the contractual obligation, HBI referred to a statement by its legal advisers, according to which a repayment stop under Italian equity substitution law would exist due to the current risk situation of HBI. The reasons for the current payment stop are reviewed on a monthly basis and therefore depending on current developments, repayments may be resumed in line with the agreed liquidity model. HBI and HETA are currently engaged in reconciliation talks to put the current situation beyond dispute. Due to the differing legal views regarding the possible subordination or the application of the Italian capital adequacy right to the refinancing lines, the need for a judicial enforcement of the claims of HETA can not be ruled out and thus represents an uncertainty in the wind-down plan.