

# HETA ASSET RESOLUTION

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## Questions & Answers

Mandate Decree III of FMA

**Klagenfurt am Wörthersee, 26 March 2019**

## Q&A

### **1. What does the reduced haircut issued by the Austrian Financial Market Authority (FMA) mean for the creditors?**

The new settlement rate updated by FMA only applies to non-subordinated (i.e. senior) eligible liabilities as at March, 1<sup>st</sup> 2015. The nominal value of these liabilities was last changed (by Mandate Decree II from May, 2<sup>nd</sup> 2017) from originally 46.02% to 64.40% . With the Mandate Decree III dated March, 26<sup>th</sup> 2019 the nominal value now amounts to 85.54%.

The nominal value of the subordinated eligible liabilities remains at 0.00%.

FMA in its function as the national resolution authority was able to increase the settlement rate again due to significant better performance of the HETA wind down than planned.

### **2. What other changes result from the Mandate Decree III?**

Mandate Decree III changes the quota in respect of the non-subordinated eligible liabilities only. All other resolution measures ordered in the decisions (administrative decision I and administrative decision II) issued to date, in particular the postponement of the due date until the resolution of HETA respectively until 31.12.2023, remain valid.

## Q&A

### **3. When will the next update of the wind-down plan be available?**

The last wind-down according to the Federal Act for the Creation of a Wind-down Unit (GSA) was prepared by HETA in June 2018 and transmitted to the addressees provided by the GSA. The essential figures were published on HETA's Website with the wind-down plan 2018 resulting in a recovery amount of EUR 10,49 billion and a recovery rate of 81,3%.

In December 2018, HETA was able to conclude a settlement with both BayernLB and the Republic of Austria, which had a positive impact of approx. 4.6 percentage points to the recovery rate reported in the 2018 wind-down plan.

The new wind-down plan of HETA ('Abbauplan 2019') will be finalized in May 2019. After the necessary approvals it will then be sent to the addressees according to the GSA.

### **4. What are the main changes in the 2019 wind-down plan?**

The new wind-down plan will reflect the positive economic development of HETA in 2018 and include an updated assessment of its expected future development.

Regarding the expected cash inflow over the entire resolution horizon (recovery amount) the 2019 wind-down plan will also reflect the return of EUR 0.25 billion in connection with the claims waiver stipulated in BayernLB settlement concluded in December 2018.

## Q&A

### 5. How much has been paid out to creditors by HETA so far?

With Mandate Decree II (replaced by administrative decision II), the due date of all eligible non-subordinated liabilities has been shifted in a way that it coincides with the decision on resolution according to § 84 Abs. 9 BaSAG, but no later than 31.12.2023. The Mandate Decree III does not change this due date. This means that, in principle, payments on these liabilities are legally obligatory at this time. However, the arranged maturity change does not preclude an early distribution of the wind-down proceeds.

Thus, in 2017 at 44.436% and in 2018 at 18.676% (total 63.112%), HETA's proceeds have been paid out prior to the maturity date to creditors of HETA's non-subordinated undisputed eligible liabilities.

A total of EUR 7.8 billion ('net') has been disbursed in respect of eligible liabilities in the context of interim distributions and completed settlements so far. Taking into account the settlement with BayernLB, which led to EUR 0.106 billion (first installment of the EUR 0.250 billion settlement) being retained from disbursement in December 2018, this results in a disbursement 'gross' amount of EUR 7.9 billion.

## Q&A

### **6. When will there be another (third) interim distribution?**

The Articles of Incorporation of HETA AG stipulate that the Management Board must carry out a review within 4 weeks of the approval of the annual financial statements assessing the possibility of an early distribution. The liquidation of HETA, its further business operations and the satisfaction of the creditors may not be endangered thereby as an essential prerequisite. The Executive Board of HETA must report the result to the board of FMA. A proposal for an interim distribution also requires the approval of the FMA.

As a result of the new Mandate Decree a final examination of the possibility of an interim distribution will take place only after the expiry of the statutory deadline for objections against this decision and after issuing a new administrative decision. The earliest in Q4 2019. From today's point of view it is not yet possible to assess whether and how much can be paid out in 2019 as part of a third interim distribution.

### **7. When will the resolution of HETA be completed?**

The wind-down of HETA is progressing faster and better than originally planned or assumed. However, it can not be predicted from today's perspective when the resolution will be finally completed.

With Mandate Decree III the maturity of all eligible liabilities was left unchanged on Dec. 31, 2023 respectively on the date of the resolution regarding the liquidation. Despite the better recovery of HETA, it can not be assumed from the current perspective that neither the final resolution of all HETA's assets, nor in particular, the completion of all ongoing legal proceedings nor the elimination of other resolution obstacles will take place before 31.12.2023.