

HETA ASSET RESOLUTION

Adaptation of company presentation

Effects of the administrative decision of April 2016 on the interim financial statements as at 1 March 2015

Klagenfurt am Wörthersee, 25 April 2016

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Introduction (1/2)

On 1 March 2015, the Austrian Financial Market Authority in its function as resolution authority (FMA) issued an administrative decision concerning the ordering of resolution measures pursuant to the Federal Act on the Recovery and Resolution of Banks (BaSAG) (Administrative Decision I).

Among other things, the FMA ordered that the maturity of all eligible liabilities covered by Administrative Decision I and the dates on which the interest arising thereon was to be paid was to be deferred with immediate effect to the end of 31 May 2016.

With the aim of creating additional transparency and promoting dialogue with investors and creditors in regard to the questions arising from the FMA measures, in August 2015 Heta Asset Resolution AG set up a separate platform for questions from these specialist groups, under holding@heta-asset-resolution.com, and in October 2015 published for the first time a collection of questions and answers. This presentation was updated in December 2015.

The present information for creditors and investors now represents a further update of the 2015 presentation, and takes into account the administrative decision issued by the FMA as resolution authority on 10 April 2016 (Administrative Decision II).

Administrative Decision II was served on Heta concurrently with the publication thereof on 10 April 2016. The content of the decision, and of the BDO valuation report on which the decision was based, was not known to Heta prior to publication. Immediately following receipt of Administrative Decision II, Heta started its examination of the effects on the balance sheet and the medium term planning.

With the presentation being published here, in a first stage of the incorporation of Administrative Decision II into the figures, Heta shows the effects of Administrative Decision II on the interim financial statements pursuant to UGB/BWG per 1 March 2015 (as published in the company information document of December 2015).

In connection with the information contained in the present document, Heta expressly draws the attention of creditors and investors to the corresponding disclaimers.

Introduction (2/2)

It is expressly pointed out that this company presentation may be updated or expanded at any time, in consultation with the resolution authority. Any such update or expansion will in turn be available on the Heta website under Investor Relations/Investor Information.

Following this first stage showing the effects of Administrative Decision II on the interim financial statements pursuant to UGB/BWG per 1 March 2015, as at the present time the following further stages are planned on the basis of Administrative Decision II, in regard to which appropriate publications and presentations will appear, in consultation with the resolution authority, on the Heta website under Investor Relations/Investor Information:

April 2016	May 2016	June 2016	July 2016	August 2016	September 2016
FMA: Administrative Decision II					
Heta: Balance sheet effects on financial statements as at 1.3.2015		Heta: Annual financial statements 2015, description of the effects of Administrative Decision II			Heta: Balance sheet to 30.6. (certified) with Administrative Decision II taken into account

An English version of this company presentation will also be available on the Heta website in a few days under Investor Relations/Investor Information.

Please note that the FMA as resolution authority has also published relevant information concerning the administrative decision of 10 April 2016 on its website (www.fma.gv.at). We would therefore ask you also to visit the FMA website on a regular basis.

Administrative decision of 10 April 2016

General overview of measures

Under Administrative Decision II, the following resolution measures (listed by number) pursuant to BaSAG are applied to Heta with immediate effect:

1. **Instrument of participation by holders of relevant capital instruments**, in particular:
 - Reduction of the common equity Tier 1 capital items to zero (this covers the share capital of Heta and the outstanding participation capital per 1 March 2015)
 - Reduction of the instruments of the supplementary capital as at 1 March 2015 plus interest per 28 February 2015 to zero
2. **Instrument of bail-in**, in particular
 - Reduction of the subordinated eligible liabilities per 1 March 2015 with interest to 28 February 2015 to zero
 - Reduction of the non subordinated eligible liabilities as at 1 March 2015 plus interest per 28 February 2015 to an amount of 46.02%
 - Reduction of the other non subordinated eligible liabilities to an amount of 46.02% of the level per 1 March 2015
 - Reduction of the nominal values or outstanding residual amounts of the eligible liabilities arising from court proceedings involving Heta, or of the other disputed eligible liabilities, including those in regard to which the facts were established per 1 March 2015, although the occurrence or amount is uncertain, to an amount of 46.02%
3. **Change of interest rates**: Reduction of the interest rate on eligible liabilities of Heta to 0% as of 1 March 2015.
4. **Change of maturity**: Change of maturity of all eligible liabilities to the date of the dissolution resolution pursuant to § 84 (9) BaSAG, but not later than 31 December 2023
5. **Cancellation of rights associated with the shares and titles of ownership, assumption of control, and exercise by FMA of the management rights associated with the shares and titles of ownership.**

List of abbreviations

In this presentation, the following abbreviations are used for the following terms:

BaSAG	Bundesgesetz zur Sanierung und Abwicklung von Banken [Federal Act on the Recovery and Resolution of Banks]
BWG	Bankwesengesetz [Austrian Banking Act]
FMA	Finanzmarktaufsicht [Austrian Financial Market Authority]
HaaSanG	Bundesgesetz über Sanierungsmaßnahmen für die Hypo Alpe Adria Bank International AG [Hypo Alpe Adria Restructuring Act]
HBI	Hypo Alpe-Adria-Bank SpA (Italy)
Heta	HETA ASSET RESOLUTION AG (formerly Hypo Alpe-Adria-Bank International AG or HBIInt)
HGAA	Hypo Group Alpe Adria
Mio	million
Mrd	billion
UGB	Unternehmensgesetzbuch [Austrian Commercial Code]

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1. Effects of the FMA decision of 10 April 2016 on the interim financial statements pursuant to UGB/BWG as at 1 March 2015

Important notes (1/2)

The figures shown in this section are based on the interim separate financial statements pursuant to UGB/BWG for Heta as at 1 March 2015, which were published in the investor presentation on 15 December 2015 and which have not been certified by an auditor or subjected to review by an auditor.

Supplementary explanatory notes concerning the balance sheet as at 1 March 2015:

- The balance sheet as at 1 March 2015 (the date on which the BaSAG administrative decision was issued) is based on the statutory provisions pursuant to § 54ff BaSAG, and form the initial basis for drafting the wind-down plan pursuant to GSA.
- Adjusting events which were known up to November 2015 have been taken into account. Irrespective of whether the underlying circumstances constitute an adjusting or a non adjusting event, the following events (which are already described in the interim financial statements as at 30 June 2015) have been taken into account:
 - Closing of the sale agreement for the reprivatization of the bank network in south eastern Europe (HGAA), July 2015
 - Conclusion of a Term Sheet in connection with financing provided to Hypo Alpe-Adria-Bank S.p.A. (HBI), June 2015
 - Judgement of the Constitutional Court of Austria concerning the rescission of HaaSanG, July 2015
 - Judgement of Munich I Regional Court concerning equity-replacing loans of Bayerische Landesbank, May 2015

1. Effects of the FMA decision of 10 April 2016 on the interim financial statements pursuant to UGB/BWG per 1 March 2015

Important notes (2/2)

The valuation of assets and liabilities, and also provisions, is largely based on forecasts, planning, estimates and future-oriented statements. These forecasts, planning, estimates and future-oriented statements are based on the expectations, plans, estimates and forecasts of Heta at the time in regard to future circumstances, and are associated with expectations at the time in question, known and unknown risks, and uncertainties and assumptions which can affect Heta, the Heta Group, and wind-down divisions, earnings and developments of Heta or the Heta Group. The occurrence of such risks or uncertainties, or the non occurrence of assumptions, can lead to the actual results and values of the individual assets and liabilities, and the actual financial position, financial performance or cash flows of Heta or the Heta Group being significantly different from the present-day forecasts, planning, estimates and future-oriented statements as these have been taken into account in the interim balance sheet as at 1 March 2015.

IN CONNECTION WITH THE FOLLOWING REPRESENTATION OF THE INTERIM FINANCIAL STATEMENTS AS AT 1 MARCH 2015 AND THE SIMULATION OF THE EFFECTS ARISING FROM THE FMA ADMINISTRATIVE DECISION OF 10 APRIL 2016, WE MAKE PARTICULAR REFERENCE TO THE DISCLAIMER IN THIS PRESENTATION. WE THEREFORE ASK YOU TO READ THIS DISCLAIMER BEFORE STUDYING THIS SECTION.

Heta is currently examining the effects of the FMA decision of 10 April 2016 on the annual financial statements as at 31 December 2015. Following completion of this work, Heta will publish its analysis concerning the balance sheet effects of the FMA decision on the annual financial statements for 2015, together with the key figures for the annual financial statements for 2015.

1. Effects of the FMA decision of 10 April 2016 on the interim financial statements pursuant to UGB/BWG per 1 March 2015

1.1. Overview – balance sheet per 1 March 2015

HETA AG Separate Financial Statements according to UGB/BWG as at 1.3.2015					
Figures in EUR million					
Assets	01.03.2015	31.12.2014	Equity and Liabilities	01.03.2015	31.12.2014
1. Cash in hand and balances with other banks	2.513	2.359	1. Liabilities to credit institutions	3.790	2.929
2. Treasury bills and other bills eligible for refinancing with central banks	224	233	2. Liabilities to customers	1.662	1.668
3. Loans and advances to credit institutions	2.509	2.520	3. Debt evidenced by certificates	8.738	8.616
4. Loans and advances to customers	3.122	3.246	4. Other liabilities	48	141
5. Bonds and other fixed-income securities	381	391	5. Deferred assets	23	25
6. Shares and other non-fixed income securities	21	21	6. Provisions	1.442	2.122
7. Shares in associated companies	0	0	6A. Funds for general banking risks	0	0
8. Shares in affiliated companies	543	505	7. Subordinated liabilities	1.928	1.096
9. Intangible fixed assets	4	4	8. Supplementary capital	0	0
10. Tangible fixed assets	4	4	9. Issued capital	3.494	3.494
11. Other assets	278	316	10. Capital reserves	0	0
12. Deferred assets	20	9	11. Revenue reserves	-8.013	0
			12. Liability reserve	0	0
			13. Net accumulated loss	-11.507	-10.481
TOTAL ASSETS	9.618	9.610	TOTAL ASSETS	9.618	9.610

- Loss allocations to different capital instruments have not been made
- Liabilities are shown at the nominal amount (incl. accrued interest)
- Negative equity amounts to EUR -8.0 billion

1. Effects of the FMA decision of 10 April 2016 on the interim financial statements pursuant to UGB/BWG per 1 March 2015

1.2. Liabilities side per 1 March 2015 incl. BaSAG classification

HETA AG Separate Financial Statements as at 1.3.2015 - Classification Liabilities Side					
Figures in EUR million		of which			
Equity and Liabilities	01.03.2015	Equity capital	Liabilities eligible for consideration (Subord./Suppl.)	Liabilities eligible for consideration (Senior)	Liabilities not covered by haircut
1. Liabilities to credit institutions	3.790			2.931	859
2. Liabilities to customers	1.662			1.446	216
3. Debt evidenced by certificates	8.738			8.469	269
4. Other liabilities	48			32	16
5. Deferred assets	23			0	23
6. Provisions	1.442			173	1.269
6A. Funds for general banking risks	0				
7. Subordinated liabilities	1.928		1.928		0
8. Supplementary capital	0		0		
9. Issued capital	3.494	3.494			
10. Capital reserves	0				
11. Revenue reserves	-8.013				
12. Liability reserve	0				
13. Net accumulated loss	-11.507				
TOTAL ASSETS	9.618	3.494	1.928	13.051	2.652

- Representation of the liabilities pursuant to § 90 BaSAG (loss absorption cascade).
- The classification is based on the administrative decision issued on 10 April 2016 by the resolution authority (FMA).
- In the context of our right to inspect the records, we have been able to inspect the report by BDO Financial Advisory Services GmbH concerning the final valuation of HETA ASSET RESOLUTION AG per the reference date 1 March 2015 pursuant to BaSAG, in which the detailed statements regarding the eligible / non eligible liabilities are provided.

1. Effects of the FMA decision of 10 April 2016 on the interim financial statements pursuant to UGB/BWG per 1 March 2015

1.3. Allocation of the loss to liability positions

HETA AG Separate Financial Statements according to UGB/BWG as at 1.3.2015 - Loss Allocation							
Amounts in EUR million							
EQUITY AND LIABILITIES	1.3.2015 (published interim financial statements according to UGB/BWG)	Equity capital: -100% Loss Allocation	Subordinated liabilities and supplementary capital -100% Loss Allocation	'Liabilities eligible for consideration': 53.98% Loss Allocation	1.3.2015 (Simulation; after loss allocation)	Allocation to provision	1.3.2015 (Simulation; after loss allocation and allocation to provision)
1. Liabilities to credit institutions	3.790			-1.582	2.207		2.207
2. Liabilities to customers	1.662			-781	881		881
3. Liabilities evidenced by certificates	8.738			-4.572	4.167		4.167
4. Other liabilities	48			-17	31		31
5. Deferred assets	23			0	23		23
6. Provisions	1.442			-93	1.349	960	2.309
6A. Funds for general banking risks	0				0		0
7. Subordinated liabilities	1.928		-1.928		0		0
8. Supplementary capital	0				0		0
9. Issued capital	3.494	-3.494			0		0
10. Capital reserves	0				0		0
11. Revenue reserves	0				0		0
12. Liability reserve according to section 57 (5) BWG	0				0		0
13. Net accumulated loss	-11.507	3.494	1.928	7.045	960	-960	0
Total assets	9.618	0	0	0	9.618	0	9.618

- **Bail-in on the basis of the loss allocation quotas as stated in the administrative decision.**
- **The balance sheet loss as shown per 1 March 2015, in the amount of EUR -11.5 billion, is set against EUR 12.5 billion in reduced equity and loan capital.**
- **The resulting surplus amount based on the interim financial statements as at 1 March 2015, in the amount of approx. EUR 1.0 billion, is allocated to a provision.**