

HETA ASSET RESOLUTION

Company presentation

Wind-down plan pursuant to GSA
2017

Klagenfurt am Wörthersee, 30.08.2017

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1. Introduction

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) (“2016 wind-down plan”) released in August 2016, and of the presentation on the financial schedule for the 2017 wind-down plan published in July 2017.

The wind-down plan pursuant to GSA 2017 as presented in this document (“2017 wind-down plan”) represents an assessment of HETA’s future developments for the time period from 2017 to 2020. The financial planning figures contained in the 2017 wind-down plan are identical to the “financial schedule” portion of the 2017 wind-down plan that was released on 6 July 2017.

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 added to at any time; any such updates and additions can be downloaded from the HETA website under “Investors/Investor Information”.

2. Legal framework conditions

On 25 August 2016, HETA published the first wind-down plan relating to the period from the end of May 2016 to 2020. 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, then the plan must be adjusted and submitted to the Supervisory Board for approval.

In the year 2016 and the first six months of 2017, HETA was faced with a number of changes in the general environment. With the emergency administrative decision from 10 April 2016 and the administrative decision about the challenge procedure ("Vorstellungsbescheid") from 2 May 2017 ("Vorstellungsbescheid II") issued by the Financial Markets Authority (FMA) as the resolution authority ("FMA"), and the distribution of HETA's assets prior to the due date in order to satisfy the creditors, which was approved on 30 June 2017 ("interim distribution"), and the acceptance of the purchase offer submitted by the Kärntner Ausgleichszahlungs-Fonds (KAF) for HETA's debt instruments, an important course was set for HETA and risk factors for future operating activities were significantly reduced. In addition, the company was able to implement a series of successful large transactions, many of which were not included in the 2016 wind-down plan, or were planned for a later date. Against this backdrop, HETA implemented the update for the 2017 wind-down plan that is outlined in this presentation.

The application of the participation of creditors instrument ordered by the FMA (on the basis of Vorstellungsbescheid II) and the interim distribution have been incorporated into the financial schedule.

3. From the 2016 wind-down plan to the 2017 wind-down plan

- Key developments since the release of the 2016 wind-down plan:

12.10.2016	KAF purchase offer for HETA debt instruments is accepted
30.03.2017	2016 annual financial statements are published
02.05.2017	Vorstellungsbescheid II (administrative decision about the challenge procedure) is issued
30.06.2017	First interim distribution is approved
06.07.2017	Financial schedule for the 2017 wind-down plan is released
16.08.2017	HETA AG Management Board makes decision to delist all of the debt instruments that have been issued by HETA and are admitted for trading
30.08.2017	Approval and release of the 2017 wind-down plan

- The expected **higher recovery, faster portfolio wind-down process, Vorstellungsbescheid II**, interim distribution resolution and acceptance of the KAF purchase offer for HETA debt instruments made it necessary to adjust the 2016 wind-down plan to the changed situation and prepare the 2017 wind-down plan.
- HETA's Management Board will review the 2017 wind-down plan on a regular basis and will publish corresponding updates in the event of changes that have a significant effect on the 2017 wind-down plan.

4. Wind-down plan 2017

Comparison with medium-term planning and wind-down plan

GSA 2016	Medium-term planning (October 2015)	Wind-down plan (GSA) (August 2016)	Wind-down plan (GSA) 2017 (August 2017)	Trend
FMA decisions (Fulfilment rate)	N/A	YES (46.02%)	YES (64.4%)	
Interim distribution	NO	NO	YES (EUR 5.8 billion)	
“Recovery amount¹⁾ until 2020 (without deduction of interim distribution)	EUR 6.3 billion	EUR 7.7 billion	EUR 9.6 billion	
Remaining portfolio End of 2020	EUR 1.4 billion	EUR 1.1 billion	EUR 0 billion	
“Wind down Rate” End of 2018 (on basis: JAB 2014)	68%	78%	95%	
Costs (2016-2020)	EUR 551 million	EUR 462 million	EUR 447 million	

¹⁾ “Recovery amount” reflects cash resources at the end of 2020 before the interim distribution.

4. Wind-down plan 2017

Planned balance sheet for the HETA Group (consolidated pursuant to IFRS)

HETA Group (IFRS) in EURm	YE 2015	YE 2016	Budget 2017	Plan 2018	Plan 2019	Plan 2020
Total Assets	11,154	10,787	6,097	5,355	5,289	5,153
Cash reserve (incl. collateral)	4,278	6,165	4,334	4,905	5,036	5,153
Net receivables to credit inst. and customers	4,579	3,556	1,106	297	159	0
Assets on stock	534	449	178	50	13	0
Derivatives	596	62	50	0	0	0
Financial assets (FVO)	205	225	191	0	0	0
Financial assets (AFS, at equity)	400	86	20	2	2	0
Other assets	562	244	217	101	80	0
Liabilities to credit institutions	3,400	1,533	1,546	1,543	1,541	1,541
Liabilities to customers	1,551	1,369	557	512	511	508
Liabilities evidenced by certificates	8,772	5,985	2,393	2,429	2,466	2,503
Derivatives	480	185	143	0	0	0
Provisions	463	532	339	244	213	171
Other liabilities	174	186	258	39	60	76
Subordinated capital	2,034	0	0	0	0	0
Equity	-5,721	997	861	587	498	354

4. Wind-down plan 2017

Planned balance sheet for HETA AG (UGB)

Balance Sheet in EURm	YE 2015	YE 2016	Budget 2017	BP 2018	BP 2019	BP 2020
ASSETS						
Cash reserve, central banks (incl. collateral)	4,273	6,165	4,334	4,905	5,036	5,153
Net receivables from credit inst. and customers	4,550	3,371	936	244	105	0
Securities	383	81	18	0	0	0
Participations	85	140	130	100	75	0
Other assets	263	156	100	59	38	0
Total assets	9,556	9,913	5,518	5,308	5,254	5,153
LIABILITIES						
Liabilities to credit institutions	3,519	1,116	1,566	1,563	1,563	1,563
Liabilities to customers	1,520	938	590	437	425	383
Liabilities evidenced by certificates	8,820	3,894	1,813	1,813	1,813	1,813
Other liabilities	326	222	121	135	134	130
Accrued items	6	0	0	0	0	0
Provisions	845	3,743	1,428	1,360	1,319	1,264
<i>of which provisions for uncertain liabilities in connection with wind-down procedures</i>	<i>0</i>	<i>3,171</i>	<i>892</i>	<i>953</i>	<i>969</i>	<i>982</i>
Subordinated liabilities	1,998	0	0	0	0	0
Equity (sum)	-7,479	0	0	0	0	0
Total liabilities	9,556	9,913	5,518	5,309	5,254	5,153

4. Wind-down plan 2017

Planned income statement for HETA AG (UGB)

Profit & Loss Account in EURm	YE 2015	YE 2016	BU 2017	BP 2018	BP 2019	BP 2020
Net interest income	-151.5	-70.2	18.3	5.3	-4.4	-3.7
Dividends	1.0	18.6	67.9	29.2	23.6	32.8
Provision income	1.8	1.1	0.7	0.7	0.5	0.4
Provision expense	-93.1	-16.7	-0.5	-0.3	-0.2	-0.1
Income/expenses from finance business	56.4	11.8	-5.0	0.0	0.0	0.0
Other operating income	28.5	71.6	3.4	1.9	1.9	1.6
Operating income	-157.0	16.2	84.8	36.8	21.5	31.0
Administrative expenses	126.7	-100.5	-72.7	-51.9	-40.8	-38.7
Depreciation	-3.1	-2.2	-1.8	-1.7	-1.0	-1.0
Other operating expenses	-0.0	-2.4	-0.1	-0.0	-0.0	-0.0
Operating expenses	129.8	-105.1	-74.6	-53.6	-41.8	-39.6
Operating result	-286.8	-88.9	10.1	-16.8	-20.3	-8.7
Valuation result UGB	461.8	1.419.1	75.4	26.8	-2.7	-16.1
Result from ordinary activities (EGT)	175.0	1.330.2	85.6	10.0	-23.1	-24.8
Extraordinary result	-655.6	6.137.9	-85.1	-9.5	23.6	25.3
Taxes	-11.0	10.8	-0.5	-0.5	-0.5	-0.5
Result after taxes	-491.6	7.478.8	-0.0	0.0	0.0	0.0

5. Resolution obstacles and risks 1/3

Certain obstacles and risks need to be taken into account in the context of the portfolio wind-down. As in the 2016 wind-down plan, these items are also reported in the 2017 wind-down plan and are the result of the following circumstances, among others:

- **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 the 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 providers.

- **Contractual obligations from the sales agreements or other liquidation agreements**

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 provision of certain guarantee 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 prompt closure of individual companies.

5. Resolution obstacles and risks 2/3

- **Court proceedings**

Within the HETA Group, a large number of court proceedings are pending in Austria and abroad. Because a company cannot be fully liquidated during pending court proceedings, those circumstances could lead to a situation in which a company is closed in terms of the financial aspects but must nevertheless continue to exist until the end of the legal proceedings, which may lead to delays in the closure of individual HETA companies.

- **Risks from the liquidation of participations**

The liquidation of HETA companies is dominated by legal and tax issues. In most jurisdictions, audits under tax law are initiated at the start of the liquidation process. It is therefore possible that such audits will lead to the imposition of charges for which no provisions have been made to date, or which may prolong the liquidation period that was 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 staff departures could also represent a wind-down risk. The legally required creditor notifications before the start of the liquidation process could lead to the assertion of previously unknown claims or new legal proceedings.

5. Resolution obstacles and risks 3/3

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

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.

- **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 the provision of loans. In 2015, a new law went into force in Montenegro, according to which banks (and also third parties as of 2016) were obliged to convert existing CHF loans into euro in accordance with the official exchange rate that applied at the time the loan agreement was concluded. In September 2015, such a law was also approved and implemented in Croatia. In July 2017, Croatia also passed a law that declared loan agreements of non-legitimised lenders concluded in Croatia null and void with retroactive effect if those agreements were not entirely fulfilled. The law covers certain legal entities (micro or small businesses) as well as natural persons; however, the law does not provide any information as to whether these must be Croatian citizens or have their residence/domicile/registration in Croatia. Leasing companies are only included if they provided a loan in Croatia. The HETA Group is also affected by these legislative developments, and these and similar legislative measures could have a significantly negative effect on the future wind-down procedure and might lead to the requirement to adjust the planning.

List of abbreviations

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

AFS	Available for Sale
BWG	Austrian Banking Act
CHF	Swiss Francs
POA	Profit from ordinary activities
EU	European Union
ECJ	European Court of Justice
EUR	Euro
FMA	Austrian Financial Market Authority
FVO	Fair Value Option
GSA	Austrian Federal Act for the Creation of a Wind-Down Unit
HETA	HETA ASSET RESOLUTION AG
IFRS	International Financial Reporting Standards
KAF	Kärntner Ausgleichszahlungs-Fonds
N/A	Not applicable
OeNB	Oesterreichische Nationalbank (the Austrian Central Bank)
UGB	Austrian Corporate Code