

Operational Excellence within Wind-Down Entities

Dr. Julius Freiherr Grote
12. Annual Back Office Forum

Amsterdam, 17th April 2015



HETA Asset Resolution is the wind-down part of the former Austrian bank Hypo Alpe Adria (HAA)

Introduction HETA Asset Resolution

- HAA founded in 1896; **expansion into the Alps-Adriatic region started in 1995**; further expansion towards Bosnia and Herzegovina, Serbia and Montenegro, and Germany 2000 onwards
- Nationalization in 2009 (from Bayerische Landesbank) to avert insolvency and prevent a regional banking crisis from happening; **carve-out of good bank** in 2014, **resolution** of bad bank in 2015
- **HAA present in 11 countries** in SEE region with focus on **loans** and leasing (less securities); **'bad bank' (HETA)** taken over by the Republic of Austria, **'good bank'** (SEE-network) about to be sold to Advent/EBRD

Introduction Julius Grote

- Acting **Chief Executive Officer (CEO)** at **HETA Asset Resolution Bulgaria and Macedonia**; overall responsibility for the professional wind-down in these countries
- **Banking & Consulting**, strategic and operative know-how. Wide experience in the management of wind-down entities, corporate development, organisational development and process optimisation
- Headed several **strategic transformation initiatives** as e.g. execute spin-off, implement carve-out, draft operating models, set up new legal entities, design wind-down portfolio sales process
- Published several articles in area of bank transformation and bank restructuring; doctorate in banking and Master in Business Administration

When setting up wind-down structures, four main aspects have to be considered

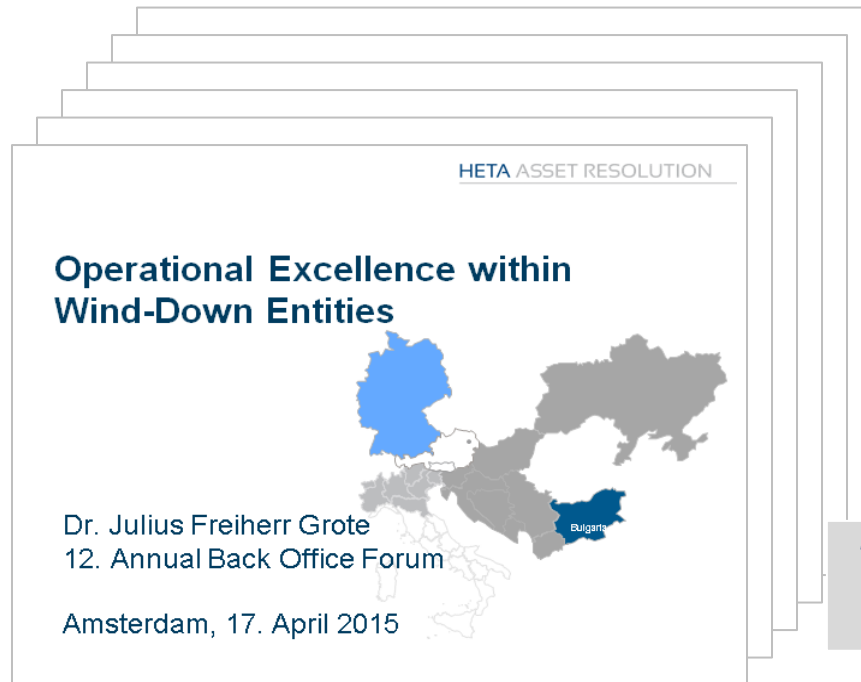
Main considerations set-up wind-down structures

Wind-Down Strategy

Legal Structure

Asset Scope

Target Operating Model



Today's focus

▶ Focus of today's presentation is operational excellence of setting up Target Operating Model (TOM) for Wind-Down entities

I. Wind-Down Strategy

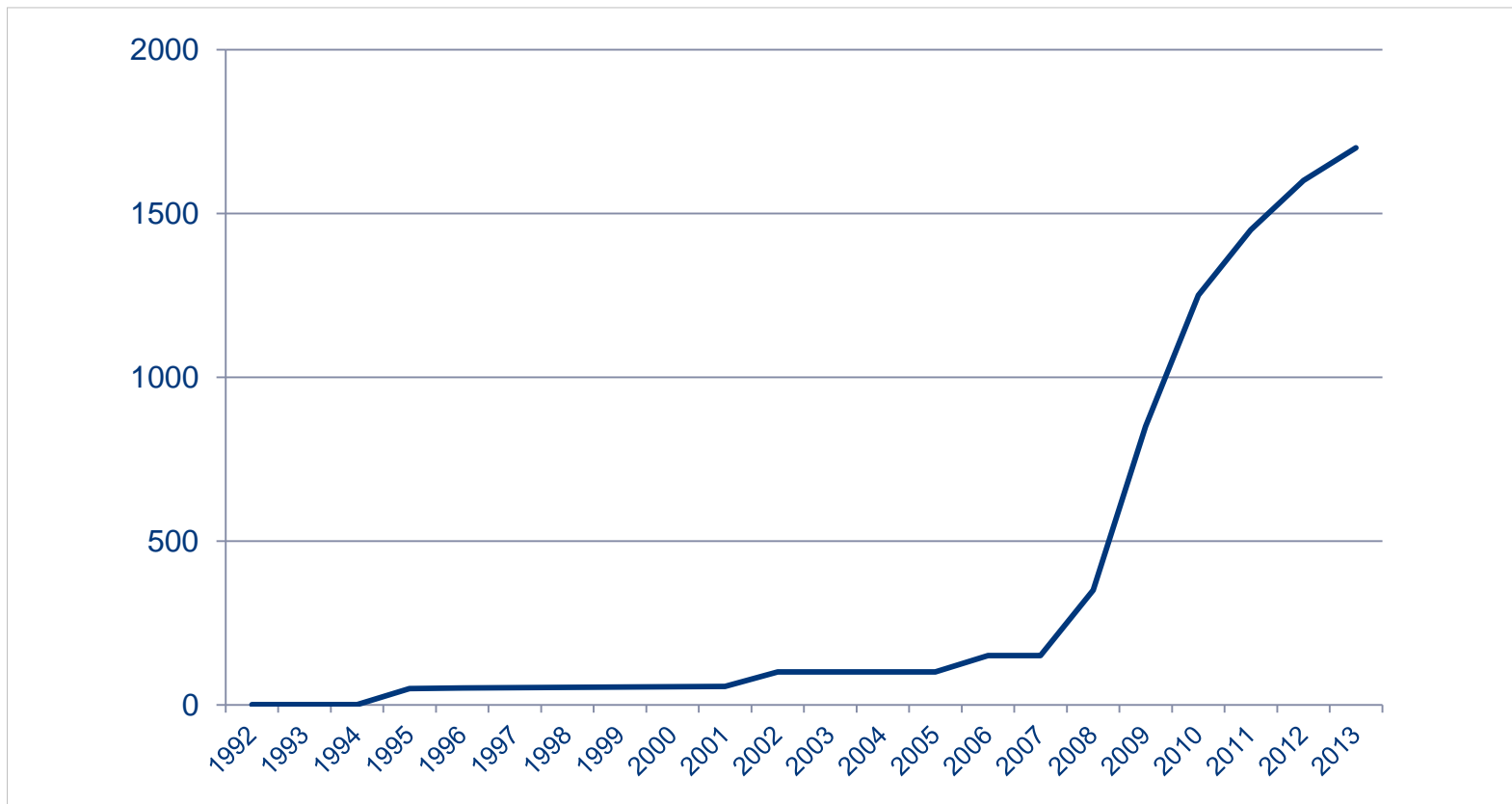
II. Target Operating Model and Processes

III. People and Incentives/Steering

IV. Questions and Answers

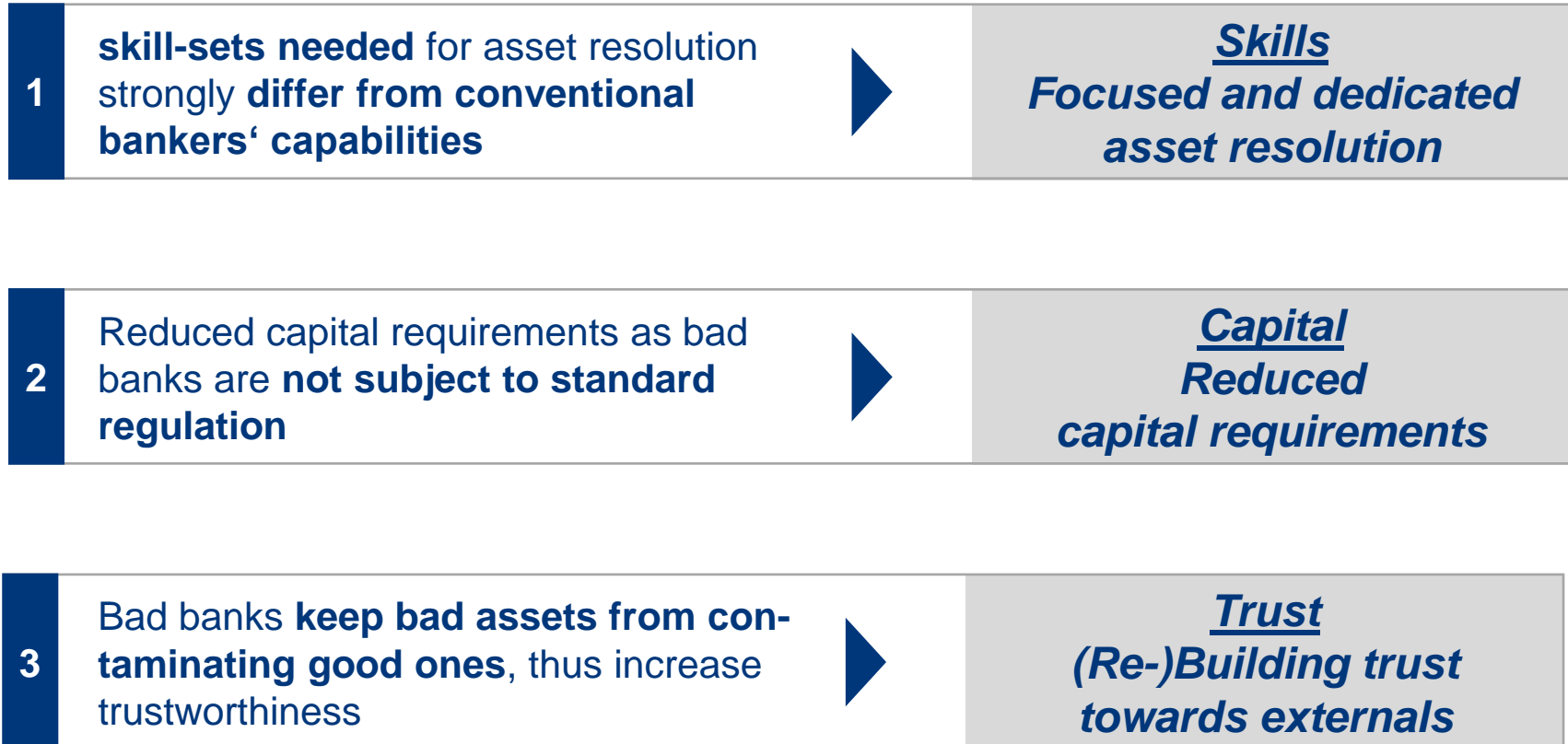
Wind-Down business is a growing business

Aggregated volume of assets in European Wind-Down units (in EUR bn)

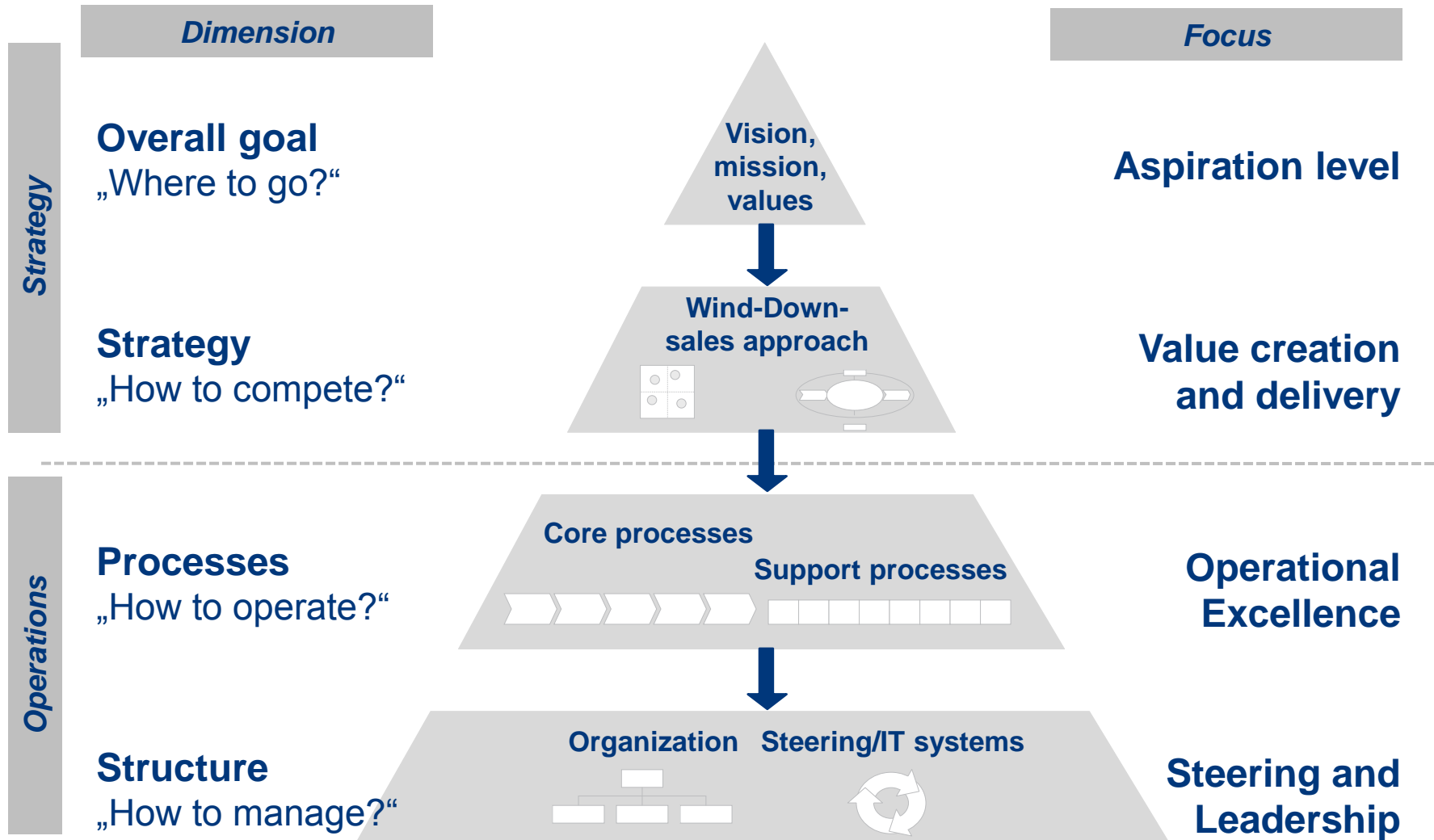


Source: internal analyses

Segregating assets in Wind-Down entities can be derived from three main reasons

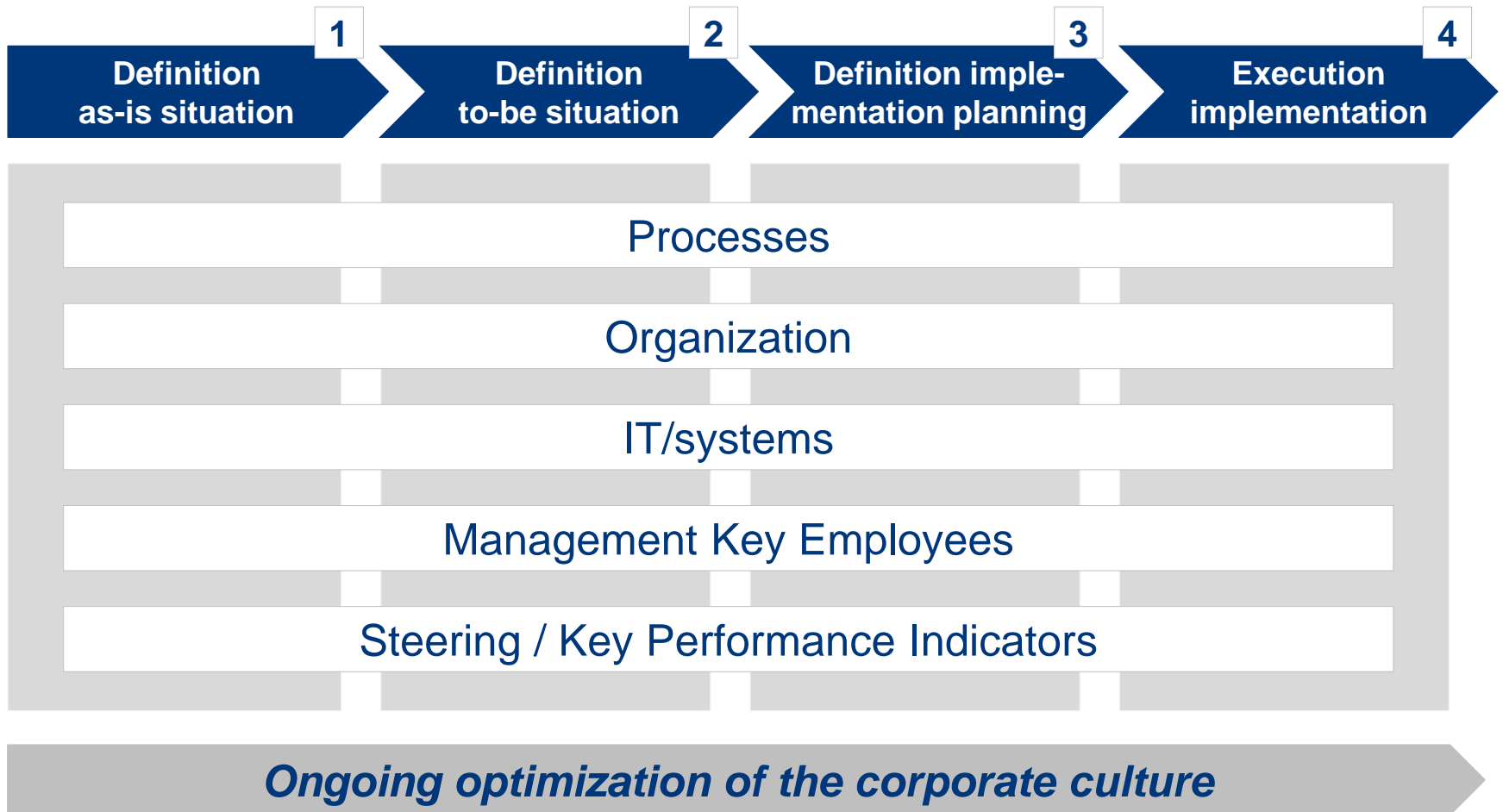


Set-up of wind-down entities in Bulgaria and Macedonia covers strategic and operational drivers

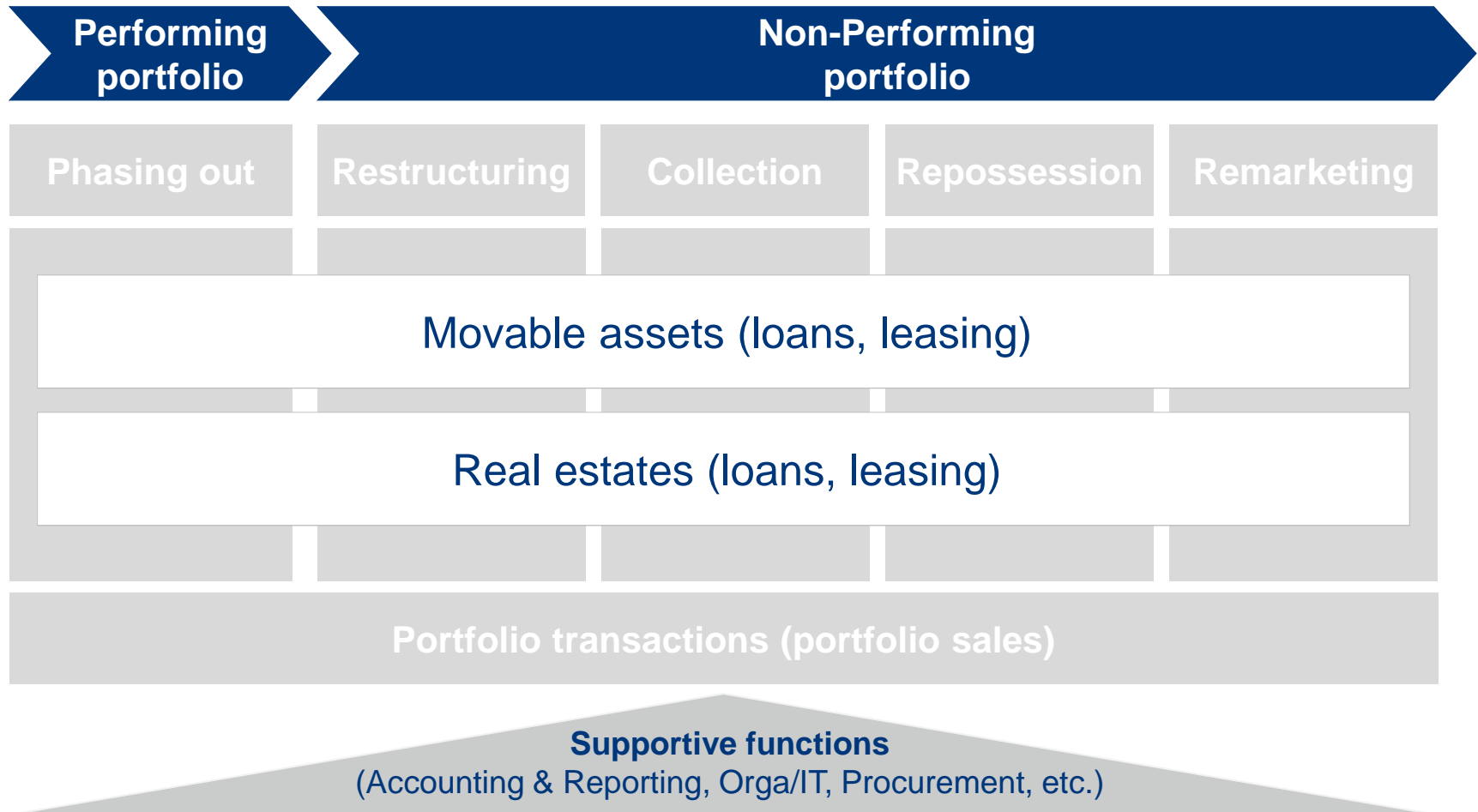


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- II. Target Operating Model and Processes**
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The design of an effective Target Operating Model (TOM) followed a highly-structured approach



The value chain of a wind-down entity with focus loans¹ is the foundation for the procedural landscape

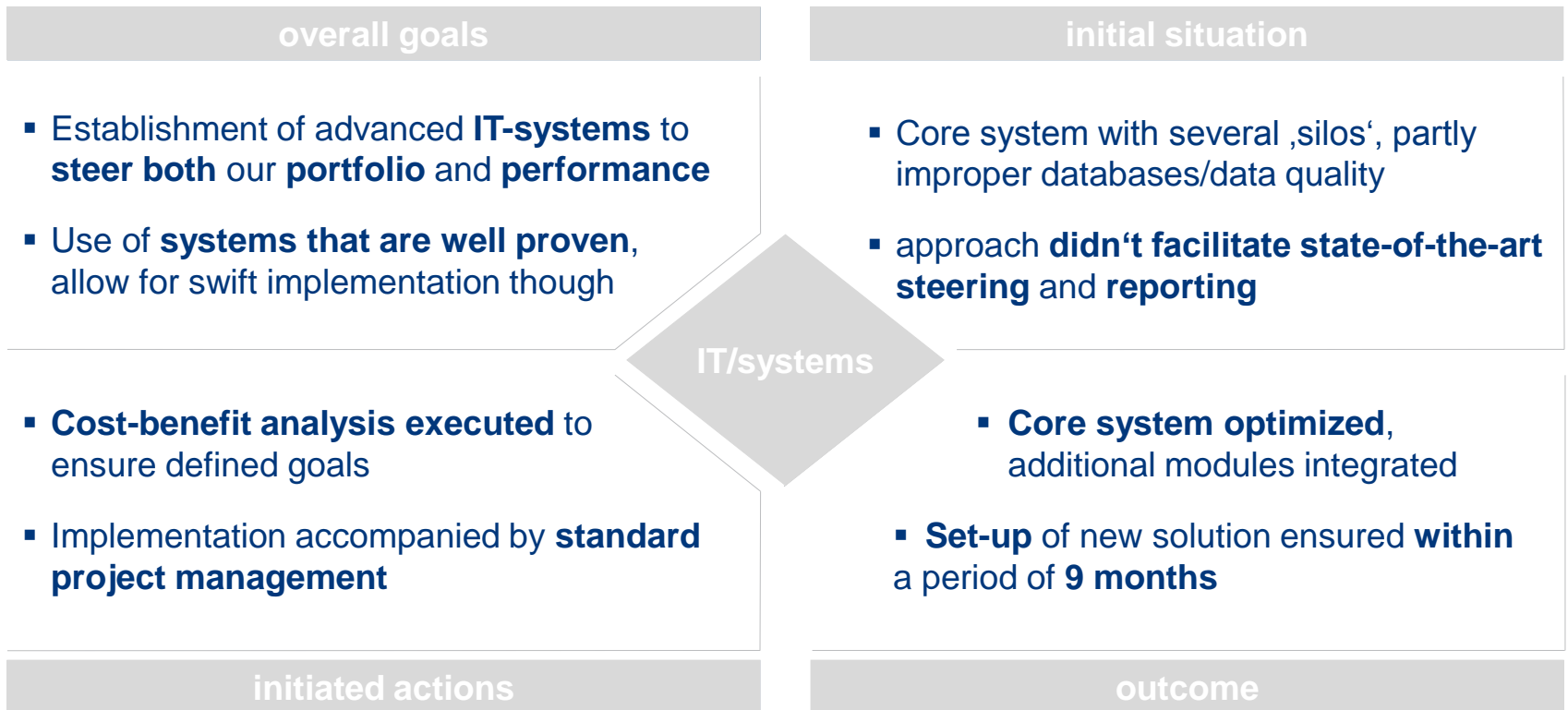


NB: (Toxic) securities out of scope

The organisational structure is to be tailored to particular needs of the wind-down value chain



As for IT, a compromise between proper steering basis and a pragmatic approach is to be defined



▶ As an outcome, additional modules have been integrated into an optimized core system

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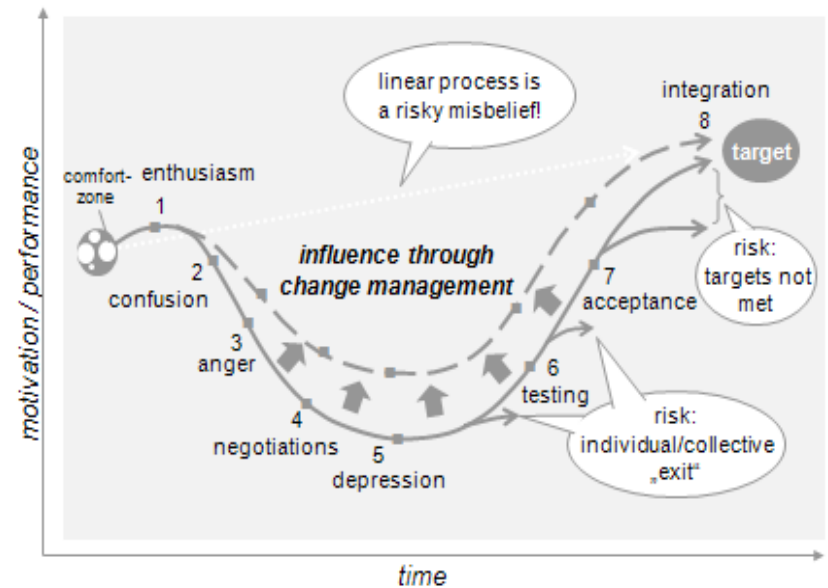
Activation and loyalty of (key) employees requires strict emphasis on the corporate culture

Three pillars corporate culture

- 1 Communication**
 - Distinct **communication** where we are heading for and what we expect
 - Besides contents, also the **way of communication** is crucial (“how”)
- 2 Monitoring**
 - Strict **monitoring** re degree of target achievement
 - **Clear rules for performance standards, rewards and sanctions**
- 3 Support**
 - High-performance is requested, **no one** is “**left out in the rain**” though
 - Additionally, **key employees** have to be **identified and developed**

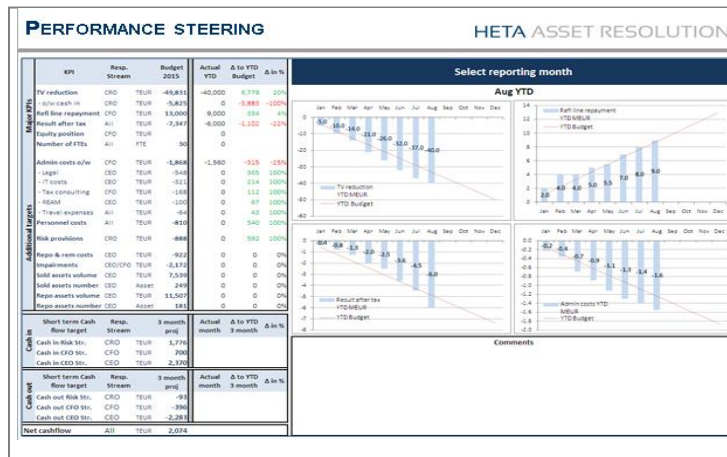


The implementation of structured efforts helps to...



...activate and retain (key) employees and optimize results

The quantitative steering for organizational units is based upon a 'cockpit structure' with a few KPIs



- Defined Key Performance Indicators reflect the respective key drivers
- database within HAA established, case-by-case approach applied

- In addition, structured feedback sessions consider 'soft facts'
- Therefore, both the quantitative and qualitative view are being steered

Performance Review			
Area	Objectives	Outcomes	Performance
Operational Review	Operational Review Area	Operational Review Area	Operational Review Area
	Operational Review Area	Operational Review Area	Operational Review Area
	Operational Review Area	Operational Review Area	Operational Review Area
3-6 month program	3-6 month program	3-6 month program	3-6 month program
	3-6 month program	3-6 month program	3-6 month program
	3-6 month program	3-6 month program	3-6 month program
1-2 year program	1-2 year program	1-2 year program	1-2 year program
	1-2 year program	1-2 year program	1-2 year program
	1-2 year program	1-2 year program	1-2 year program
Compliance & Regulatory	Compliance & Regulatory	Compliance & Regulatory	Compliance & Regulatory
	Compliance & Regulatory	Compliance & Regulatory	Compliance & Regulatory
	Compliance & Regulatory	Compliance & Regulatory	Compliance & Regulatory
Strategic Review	Strategic Review Area	Strategic Review Area	Strategic Review Area
	Strategic Review Area	Strategic Review Area	Strategic Review Area
	Strategic Review Area	Strategic Review Area	Strategic Review Area

The cockpit structures are accompanied by structured feedback sessions that consider 'soft facts' as well

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