BA-CA Finance (Cayman) (2) Limited

Financial Statements

for the years ended
December 31, 2013 and 2012
and Independent Auditors' Report

BA-CA FINANCE (CAYMAN) (2) LIMITED

Financial Statements

for the years ended December 31, 2013 and 2012

CONTENTS:

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BA-CA Finance (Cayman) (2) Limited

We have audited the accompanying financial statements of BA-CA Finance (Cayman) (2) Limited (the "Company"), which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income (loss), changes in shareholder's equity and cash flows (all expressed in Euro) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2013, and the results of its operations, changes in its shareholder's equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company for the year ended December 31, 2012 were audited by another auditor who expressed an unqualified opinion on those financial statements on July 3, 2013.

Deloitte & Touche

April 16, 2014

BA-CA FINANCE (CAYMAN) (2) LIMITED

Statement of Financial Position

December 31, 2013 and 2012

(expressed in Euro)

	2013	2012
ASSETS		
Subordinated deposit (Notes 3 and 6)	**€ 147,000,000**	€ 147,000,000
Term deposit	**-**	1,840,681
Financial assets held-to-maturity (Note 7)	**1,897,150**	-
Interest receivable	**50,138**	-
Receivable from Support Agreement with related party (Note 4)	**2,462,312**	2,974,907
Due from Parent (Note 5)	**643,040**	766,992
Other assets	**2,301**	-
TOTAL ASSETS	**€ 152,054,941**	€ 152,582,580
LIABILITIES		
Hybrid subordinated securities (net of unamortised transaction costs of €359,854 (2012: €989,854) (Notes 4 and 6)	**€ 149,640,146**	€ 149,325,146
Interest payable	**2,145,172**	2,985,456
Other liabilities	**2,467**	2,338
	151,787,785	152,312,940
SHAREHOLDER'S EQUITY		
Ordinary shares, €1 par value 15,000 shares authorised and outstanding (Note 8)	**15,000**	15,000
Retained earnings	**252,156**	254,640
	267,156	269,640
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**€ 152,054,941**	€ 152,582,580

Approved by the Board of Directors on April 16, 2014

Nicola Corsetti ______________ Director   Josef Duregger ______________ Director

See notes to financial statements

BA-CA FINANCE (CAYMAN) (2) LIMITED
Statement of Comprehensive Income (Loss)
for the years ended December 31, 2013 and 2012
(expressed in Euro)

	2013	2012
INCOME		
Interest income (Note 3)	€ 1,715,198	€ 3,953,359
Gain from Support Agreement with related party (Note 4)	3,337,906	8,672,547
	5,053,104	12,625,906
EXPENSES		
Interest expense (Note 4)	3,325,216	4,494,485
Impairment loss on interest receivable (Note 3)	1,679,753	8,467,395
Administrative expenses (Note 5)	50,619	59,227
	5,055,588	13,021,107
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	€ (2,484)	€ (395,201)

See notes to financial statements

BA-CA FINANCE (CAYMAN) (2) LIMITED
Statement of Changes in Shareholder's Equity
for the years ended December 31, 2013 and 2012
(expressed in Euro)

	Share Capital	Retained earnings	Total
As at December 31, 2011	€ 15,000	€ 649,841	€ 664,841
Comprehensive loss:			
Net loss for the year	-	(395,201)	(395,201)
As at December 31, 2012	15,000	254,640	269,640
Comprehensive loss:			
Net loss for the year	-	(2,484)	(2,484)
As at December 31, 2013	**€ 15,000**	**€ 252,156**	**€ 267,156**

See notes to financial statements

BA-CA FINANCE (CAYMAN) (2) LIMITED

Statement of Cash Flows

for the years ended December 31, 2013 and 2012

(expressed in Euro)

		2013		2012
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss	**€**	**(2,484)**	€	(395,201)
Adjustments for items not affecting cash:				
Amortization of transaction costs relating to the issuance of hybrid subordinated securities		**315,000**		315,000
Amortization of bond premium		**14,693**		-
Impairment loss on interest receivable		**1,679,753**		8,467,395
Interest income on subordinated deposit		**(1,679,753)**		(3,941,512)
Gain from Support Agreement with related party		**(3,337,906)**		(8,672,547)
Cash received from support agreement		**3,850,500**		5,697,640
Changes in operating assets and liabilities:				
Term deposit		**1,840,681**		(22,009)
Interest receivable		**(50,138)**		10,209
Due from Parent		**123,952**		(251,569)
Other assets		**(2,301)**		-
Interest payable		**(840,284)**		(1,201,015)
Other liabilities		**130**		(6,391)
Net cash provided by operating activities		**1,911,843**		-
FINANCING ACTIVITIES				
Purchase of investments		**(1,911,843)**		-
CHANGE IN CASH AND CASH EQUIVALENTS		**-**		-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**-**		-
CASH AND CASH EQUIVALENTS, END OF YEAR	**€**	**-**	€	-
SUPPLEMENTARY INFORMATION				
Interest received	**€**	**-**	€	22,056
Interest paid	**€**	**(3,850,500)**	€	(5,380,500)

See notes to financial statements

1. THE COMPANY AND ITS PRINCIPAL ACTIVITY

BA-CA Finance (Cayman) (2) Limited (the “Company”) is a wholly owned subsidiary of Alpine Cayman Islands Ltd. (the “Parent”) and an indirect wholly-owned subsidiary of UniCredit Bank Austria AG (“UniCredit BA”).

The Company was incorporated in the Cayman Islands on January 27, 2005 for an unlimited duration and with limited liability under the Companies Law of the Cayman Islands. The Company is economically dependent on the Parent.

The Company was established to issue hybrid subordinated securities. The proceeds of these securities were advanced to the Parent and are used for general corporate purposes of UniCredit BA, its subsidiaries and affiliates.

The Company has received an undertaking from the Cayman Islands Government exempting it from all local income, profits, and capital gains taxes until March 1, 2025. No such taxes are levied in the Cayman Islands at the present time.

The Company’s registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies have been applied consistently by the Company and are consistent with those used in previous years.

Basis of preparation

The financial statements are presented in Euro.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Term deposit

Term deposit consists of a cash balance on deposit with a financial institution with a maturity of six months.

Subordinated deposit

The subordinated deposit consists of interest bearing balances held with the Parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost less any impairment.

Hybrid subordinated securities

Hybrid subordinated securities have been classified by the Company as a liability in accordance with International Accounting Standard 32, *Financial Instruments: Disclosure and Presentation* ("IAS 32"). In the event of the winding-up of the Company, holders at the time will be entitled to receive the nominal value of each security plus accrued and unpaid dividends, but will have no right or claim to any of the remaining assets of the Company. Dividend payments made to holders of the securities are classified as interest expense on the statement of comprehensive income (loss).

The securities are initially recognized at nominal value less transaction costs, and the transaction costs are amortized over ten years (the estimated life of the securities). The amortization of the transaction costs is included in interest expense.

Interest income and expense

Interest income and expense are recorded on an accrual basis. Interest income comprises of interest earned on cash and subordinated deposit. Interest expense comprises dividend payments on hybrid subordinated securities.

Gain from support agreement with related party

Proceeds due from the Support Agreement are recorded on an accruals basis as and when the interest expense from the dividend payments on the hybrid subordinated securities is recognized. See Note 3 for further details.

Identification and measurement of impairment

The subordinated deposit, carried in the statement of financial position at cost, is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset would be considered impaired when objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that the subordinated deposit is impaired include significant financial difficulties of the Parent, default or delinquency by the Parent, restructuring of amount due on terms that the Company would not consider otherwise, indications that the Parent will enter bankruptcy, or adverse changes in the payment status of the Parent other than those allowed by the Deposit Agreement (Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Identification and measurement of impairment (continued)

An impairment loss in respect of a financial asset carried at cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SUBORDINATED DEPOSIT

Upon receipt of proceeds from issuance of the hybrid subordinated securities, the Company deposited an amount of €147,000,000 with the Parent. The deposit, together with any accrued interest and costs and expenses in connection therewith, are subordinated to the claims of all the creditors of the Parent, but are senior to the claims of the holders of the ordinary shares of the Parent. The deposit bore interest at 7.95% per annum until March 22, 2006; thereafter such deposit bears interest at a variable rate as stipulated in the subordinated deposit agreement (the "Deposit Agreement") dated February 18, 2005. Interest is receivable annually in arrears. The deposit is repayable solely at the option of the Parent until the date the hybrid subordinated securities (Note 4) are redeemed.

In December 2012, the Parent informed the Company that the interest under the Deposit Agreement due on March 22, 2013 would not be paid. Accordingly, the Company did not recognize any associated interest income from January 1, 2013 to March 22, 2013.

On November 8, 2013, the Parent informed the Company that the interest under the Deposit Agreement due on March 22, 2014 would not be paid. Accordingly, the Company wrote off interest accrued from March 22, 2013 to September 30, 2013 and did not recognized any interest income from October 1, 2013 to December 31, 2013.

During the year ended December 31, 2013, €1,679,753 of accrued interest income and receivable was written off. Pursuant to the Support Agreement, UniCredit BA guaranteed sufficient funds during the year to cover interest payments and certain operating costs of the Company.

At December 31, 2013, €Nil of interest is receivable by the Company in relation to the subordinated deposit. During the year ended December 31, 2013, the Company earned €Nil in interest.

On March, 20, 2012, the Parent informed the Company that the interest under the Deposit Agreement due on March 22, 2012 would not be paid. Accordingly, on March 20, 2012, the Company wrote off any associated interest income accrued during 2012.

During the year ended December 31, 2012, €8,467,395 (including €4,525,883 earned during prior year) of accrued interest income and receivable was written off. Pursuant to the Support Agreement, UniCredit BA guaranteed sufficient funds during the year to cover interest payments and certain operating costs of the Company.

At December 31, 2012, €Nil of interest is receivable by the Company. During the year ended December 31, 2012 the Company earned €Nil in financial interest.

4. HYBRID SUBORDINATED SECURITIES

On February 22, 2005, the Company issued 150,000 Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preferred Securities at €1,000 each. These securities are listed on Euronext Amsterdam N.V.

These securities are redeemable at the option of the Company, subject to the prior consent of UniCredit BA.

The hybrid subordinated securities entitle holders to receive non-cumulative preferential cash dividends subject to certain limitations. These limitations are identified in the offering circular (dated February 18, 2005) as follows:

a) Unavailability of distributable profit.
b) UniCredit BA determined that in accordance with Austrian Banking regulations, UniCredit BA fails to meet capital ratios and would be limited in making payment to holders hybrid subordinated securities.
c) There is in effect, any law of relevant regulatory authority which prohibits UniCredit BA from making any payment to holders of hybrid subordinated securities.

For the period from (and including) February 22, 2005 to (but excluding) March 22, 2006, the preferential cash dividends were calculated at a rate of 7.5% per annum; after March 21, 2006, the preferential cash dividends were calculated at a variable rate as stipulated in the offering circular dated February 18, 2005. Dividends are payable annually in arrears and are reported as interest expense in the accompanying financial statements.

These securities were issued with the benefit of a support agreement entered into with UniCredit BA (the “Support Agreement”) on February 22, 2005. Should the Company have insufficient funds to enable it to meet in full all of its obligations under or in respect of these securities, UniCredit BA will make available to the Company sufficient funds to enable it to meet its payment obligations.

As the Company did not receive interest on the subordinated deposit as discussed in Note 3, on March 19, 2013, the Company requested UniCredit BA for its financial support under the Support Agreement dated February 22, 2005. The request was approved and funds were received on March 22, 2013.

At December 31, 2013, €2,462,312 (2012: €2,974,907) of financial support is receivable by the Company in relation to interest accrued from March 23, 2013 to December 31, 2013. During the year ended December 31, 2013, the Company earned €3,337,906 (2012: €8,672,547) in gains pursuant to proceeds due under the Support Agreement.

(expressed in Euro) (continued)

5. RELATED PARTY TRANSACTIONS

Related party balances and transactions not disclosed elsewhere in these financial statements include the following:

The Company had a receivable due from the Parent in the amount of €643,040 and €766,992 at December 31, 2013 and 2012, respectively in relation to administration, accounting, audit and legal fees incurred during the year.

The Company paid administrative fees of €15,000 in each of 2013 and 2012 to the Parent. These amounts are included in administrative expenses on the statement of comprehensive income (loss).

At December 31, 2013, UniCredit BA, the ultimate parent of the Company owned 66.4% (2012: 66.4%) of the outstanding hybrid subordinated securities with a book value of €100,801,000 (2012: €99,619,000).

6. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The following disclosures represent the Company's best estimate of the fair value of financial instruments. The fair value of hybrid subordinated securities is based on current market quotations as these are exchange-traded. The fair value of the subordinated deposit is determined based on the price of the exchange-traded subordinated securities. Management estimated this to be representative of fair value due to the similar duration, interest rate risk and credit risk of the two instruments.

The carrying and fair values of certain financial instruments as of December 31, 2013 are summarised as follows:

	Carrying value	Fair value
Assets:		
Subordinated deposit	€ 147,000,000	€ 95,320,680
Liabilities:		
Hybrid subordinated securities	149,640,146	97,266,000

The carrying and fair values of certain financial instruments as of December 31, 2012 are summarized as follows:

	Carrying value	Fair value
Assets:		
Subordinated deposit	€ 147,000,000	€ 69,304,620
Liabilities:		
Hybrid subordinated securities	149,325,146	70,719,000

(expressed in Euro) (continued)

6. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (continued)

The fair value of financial instruments that are short-term in nature or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value. Those instruments include balances recorded in interest receivable, term deposit, interest payable and other liabilities.

Credit risk

Credit risk arises from the chance of counterparties defaulting on their contractual obligations. The risk of credit losses is mitigated as the Parent is a part of a large multinational bank with a high credit rating.

Market risk

Market risk is the potential loss the Company may incur as a result of changes in the market prices of a particular instrument, whether these changes are caused by factors specific to the instrument or its issuer or factors affecting all securities traded in the market. The Company is not directly exposed to any market risk on its financial instruments as the carrying value is not fair value.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the interest rates on the subordinated deposit and hybrid subordinated securities are reset at the same time, and determined using the same reference rate, interest rate risk is perfectly hedged.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The liquidity risk is mitigated by timing the payment obligations on its hybrid subordinated securities concurrently with the liquidity terms of the subordinated deposit and by the support received from UniCredit BA.

7. FINANCIAL ASSETS HELD-TO-MATURITY

As at December 31, 2013, the outstanding financial assets held-to-maturity are as follows:

Corporate bonds	$ 1,897,150

At December 31, 2013, the Company held corporate bonds with coupon interest rates ranging from 3.00% to 4.00% which mature between March 23, 2015 and March 31, 2015.

There were no financial assets held-to-maturity as at December 31, 2012.

(expressed in Euro) (continued)

8. SHARE CAPITAL

		2013		2012
Authorized:				
15,000 ordinary shares of €1 each	€	15,000	€	15,000
Allotted, called up and fully paid:				
15,000 ordinary shares of €1 each	€	15,000	€	15,000

The common stock issued by the Company is held entirely by the Parent. Each share has a right to vote and a right to dividend.

9. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balances. The overall strategy remains unchanged from 2012.

10. SUBSEQUENT EVENTS

On March 18, 2014, the Parent suspended the March 22, 2014 payment of interest to the Company on a certain subordinated deposit. Suspension was allowed by Clause 3.4 of the Agreement between the two parties. As a result, the Company had insufficient funds to meet the March 22, 2014 dividend obligations on the hybrid subordinated securities in issue (Note 4).

On March 18, 2014, in accordance with Clause 2.1.1 of the Support Agreement dated February 22, 2005, the Company requested UniCredit BA make sufficient funds available to satisfy the Company's dividend obligations. The request was approved and funds received by the Company on March 21, 2014.