BA-CA Finance (Cayman) (2) Limited

Financial Statements

for the six-month period January 1 – June 30, 2018

Report of the Company Directors

The directors of BA-CA Finance (Cayman) (2) Limited (the "Company") are pleased to present the Company's unaudited financial statements for the six-month period ended June 30, 2018.

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 established for the sole purpose of issuing hybrid subordinated securities. The proceeds of these securities are used for general corporate purposes of Unicredit BA, its subsidiaries and affiliates.

The Company is designed to take in interest revenue from a subordinated deposit with the Parent and pay dividends on the subordinated securities, in the process generating net interest revenue.

Ultimately, the outlook for 2018 is expected to be favourable compared to 2017.

Sincerely,

MARKUS SCHWIMANN

Mr. Markus Schwimann, Director
September 28, 2018

NICOLA CORSETTI

Mr. Nicola Corsetti, Director
September 28, 2018

Responsibility Statement

The directors of BA-CA Finance (Cayman) (2) Limited (the "Company") submit herewith the unaudited financial statements for the six-month period ended June 30, 2018.

Company overview

The Company is an indirect wholly-owned subsidiary of UniCredit Bank Austria AG ("UniCredit BA"). The Company was incorporated in the Cayman Islands on January 27, 2005. The Company is economically dependent on UniCredit BA.

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

Statement as required by the Decree Implementing the Directive on Transparency for Issuers under the Wft:

The accompanying financial statements for the Company, prepared in accordance with IFRS issued by the IASB, provide to the best of our knowledge a true and fair view of the Company's situation as at June 30, 2018 and results of its operations during the six-month period then ended. Material risks, if any, are promptly disclosed.

The Report of the Company Directors has been presented in such a way as to provide a true and fair view of the financial position and performance of the Company.

Approved on behalf of the Board on September 28, 2018:

MARKUS SCHWIMANN

Mr. Markus Schwimann, Director

NICOLA CORSETTI

Mr. Nicola Corsetti, Director

BA-CA Finance (Cayman) (2) Limited
Statement of Financial Position
June 30, 2018 (unaudited)
(stated in Euro)

	Note	June 30, 2018 (unaudited)	December 31, 2017
ASSETS			
Cash and cash equivalents	5	€ 1,908,820	€ 1,908,820
Provision for risks and charges	2	(778)	-
Interest receivable	3	513,969	1,248,343
Receivable from Support Agreement with related party	4	-	6,410
Other assets		1,456	3,966
Due from Parent	5	1,188,375	1,095,511
Subordinated deposit	2,3,6	129,962,700	147,000,000
		€ 133,574,542	€ 151,263,050
LIABILITIES			
Interest payable	5	€ 481,016	€ 1,180,341
Other liabilities		10,649	15,375
Hybrid subordinated securities	2,4,5,6	132,615,000	150,000,000
		133,106,665	151,195,716
SHAREHOLDER'S EQUITY			
Ordinary shares, €1 par value 15,000 shares authorised and outstanding	7	15,000	15,000
Provision for risks and charges	2	(778)	-
Net provision for financial assets and liabilities at fair value through profit or loss	2	291,240	-
Retained earnings		162,415	52,334
		467,877	67,334
		€ 133,574,542	€ 151,263,050

See accompanying notes to financial statements.

Approved by the Board of Directors on September 28, 2018:

MARKUS SCHWIMANN DIRECTOR NICOLA CORSETTI DIRECTOR

BA-CA Finance (Cayman) (2) Limited
Statement of Comprehensive Income (Loss)
for the period January 1 – June 30, 2018 (unaudited)
(stated in Euro)

	Note	January 1 – June 30, 2018 (unaudited)	Year ended December 31, 2017
INCOME			
Interest income		€ **915,172**	€ **1,248,343**
Income from Support Agreement with related party	4	**-**	**245,748**
Change in net provision for financial assets and liabilities at fair value through profit or loss (IAS 39)	2	**56,460**	**-**
		971,632	**1,494,091**
EXPENSES			
Interest expense	4,5	**829,175**	**1,419,680**
Administrative expenses	5	**32,376**	**78,784**
		861,551	**1,498,464**
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD/YEAR		€ **110,081**	€ **(4,373)**

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Statement of Changes in Shareholder's Equity
for the period January 1 – June 30, 2018 (unaudited)
(stated in Euro)

		Share Capital		Retained earnings and provisions		Total
As at December 31, 2016	**€**	**15,000**	**€**	**56,707**	**€**	**71,707**
Comprehensive loss:						
Net loss for the year		-		(4,373)		(4,373)
As at December 31, 2017	**€**	**15,000**	**€**	**52,334**	**€**	**67,334**
Comprehensive income (unaudited):						
Provisions for risks and charges		-		(778)		(778)
Net provisions for financial assets and Liabilities at fair value through profit or loss		-		291,240		291,240
Net income for the period		-		110,081		110,081
As at June 30, 2018 (unaudited)	**€**	**15,000**	**€**	**452,877**	**€**	**467,877**

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Statement of Cash Flows
for the period January 1 – June 30, 2018 (unaudited)
(stated in Euro)

		January 1 – June 30, 2018 (unaudited)		Year ended December 31, 2017
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	€	**110,081**	€	**(4,373)**
Adjustment for items not affecting cash:				
Change in net provision for financial assets and liabilities at fair value (IAS39)		**(56,460)**		
Changes in operating assets and liabilities:				
Interest receivable		**734,374**		**(1,248,343)**
Receivable from Support Agreement with related party		**6,410**		**839,112**
Due from Parent		**(92,864)**		**50,420**
Other assets		**2,510**		**(995)**
Interest payable		**(699,325)**		**341,180**
Other liabilities		**(4,726)**		**4,720**
Net cash used in operating activities		**-**		**(18,279)**
CHANGE IN CASH AND CASH EQUIVALENTS		**-**		**(18,279)**
BEGINNING CASH AND CASH EQUIVALENTS		**1,908,820**		**1,927,099**
ENDING CASH AND CASH EQUIVALENTS	€	**1,908,820**	€	**1,908,820**
SUPPLEMENTARY INFORMATION				
Interest received	€	**1,649,546**	€	**-**
Interest paid	€	**(1,528,500)**	€	**(1,078,500)**

See accompanying 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. Significant accounting and reporting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by IASB. The accounting policies have been applied consistently by the Company and are consistent with those used in previous years other than that the provisions in accordance with IFRS 9 which is applied for the first time at June 30, 2018.

(b) Basis of preparation

The financial statements are presented in Euro.

The interim consolidated financial statements of the Company for the first half of 2018 are unaudited and have not been reviewed by the auditors. It comprises the statement of financial position, the statement of comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows and selected explanatory notes. The selected explanatory notes describe events and transactions that are relevant to understanding the changes in the financial position, the results of operations and the cash flows of the Company since the financial statements for the financial year ended December 31, 2017.

The interim financial statements do not contain all the information and data required for the financial statements for a financial year. The interim financial statements are to be read in conjunction with the audited 2017 financial statements of the Company. It should be noted that the provisions in accordance with IFRS 9 were applied for the first time in the interim financial statements as at June 30, 2018 and that no retrospective adjustments were made here.

3. Significant accounting and reporting policies (continued)

(b) Basis of preparation (continued)

With the exception of IFRS 9, the interim consolidated financial statements as at June 30, 2018 were prepared using the accounting principles applicable to the 2017 financial year.

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 key areas of estimate are the estimations of fair value. 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.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with a financial institution with an original maturity of three months or less.

(d) Subordinated deposit

The subordinated deposit consists of an interest bearing balance held with the Parent. The Subordinated deposit is classified as loans and receivables.

(e) Due from Parent

Due from Parent consists of a receivable balance the Parent holds in cash on behalf of the Company. In turn, the Parent utilizes this balance to cover the day to day operational expenses of the Company. Due from Parent is classified as short-term receivables.

(f) 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.

The hybrid subordinated securities entitle holders to receive non-cumulative preferential cash dividends subject to certain limitations as identified in the offering circular (dated February 18, 2005). However, these limitations do not create the unconditional right for the Company to avoid delivering payment to holders of the securities. Dividend payments made to holders of the securities are classified as interest expense on the statement of comprehensive income (loss).

The securities are valued at amortised cost.

(g) Interest income and expense

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

2. Significant accounting policies (continued)

(h) Income 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 4 for further details.

(i) Recent accounting pronouncements

In 2016 the European Commission endorsed the following accounting principles that are applicable for reporting periods beginning on or after January 1, 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers

Since 1 January 2018, the new accounting and reporting rules of IFRS 9 "Financial Instruments" have been in force.

The significant changes required by IFRS 9 in the organization are split into two main areas:

- "Classification and Measurement", with the goal of ensuring that financial instruments are classified under the new IFRS 9 criteria, and
- "Impairment", with the goal of developing and implementing models and methods to calculate impairments.

The Classification and Measurement of financial assets will be based on

a) The business model in which the assets are held and

b) The contractual cash-flow characteristics of the respective instruments (the so-called "SPPI-criterion", as instruments must result in payments that are "solely payments of principal and interest", otherwise they must be measured mandatorily at fair value through the statement of comprehensive income (loss)).

For all financial assets held by the Company, the business model is "held-to-maturity", which means the prime aim is to hold the instruments until maturity and collect the cash in-flows of interest and principal.

As cash management is done by means of overnight and short-term fixed deposits, disposals before maturity are not part of the business model and only occur in rare circumstances. The business model would thus allow for all financial assets to be classified as amortised cost.

However, the Company has a particular purpose; it has issued the hybrid subordinated securities and has deposited the gathered funds with UniCredit BA (via the Parent). The corresponding deposit is of a subordinate character, as the interest received on this deposit is dependent on positive results in the financial statements of Unicredit BA. This means that under certain conditions, as discussed in Note 4, interest can be cancelled based on the terms of the subordinated deposit and such cancellations do not represent a default event.

2. Significant accounting policies (continued)

(i) Recent accounting pronouncements (continued)

In addition, the interest tenor incorporates a modification of the time value, as the annual interest payments are linked to the 10-year swap rate but are reset on an annual basis. This time-value modification would require a benchmark-test according to IFRS 9.4.1.9B, but it can be concluded already on a qualitative basis, that such a benchmark-test fails.

Based on this assessment, the financial assets related to the subordinated deposit must be measured at fair value through profit or loss, irrespective of the business model.

The Company will also elect the fair value option for its hybrid subordinated securities. The fair value of the hybrid subordinated securities has been calculated and presented at Note 6 as prescribed under IAS 39. The process will not be changed under IFRS 9.

When applied at December 31, 2017, the net impact is a gain of approximately €290,000.

IFRS 9 also changes the way credit loss allowances for instruments measured at amortised cost are to be calculated. However, it is observed that the majority of financial assets is in relation to UniCredit BA (which will opt to be measured at fair value, discussed above), while all other receivables against third parties are negligible. Therefore, the impact of impairment is immaterial.

In accordance with the transitional provisions of IFRS 9, the Company, in the same way as UniCredit BA, decided not to adjust any comparative figures from the 2017 financial statements and thus not to carry out a retrospective application to earlier reporting periods.

There is no impact from IFRS 15, as the Company has no customers and therefore no revenue from contracts with customers.

4. 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 are redeemed.

5. Subordinated deposit (continued)

On March 16, 2017, the Company was informed by the Parent that the interest under the Deposit Agreement due on March 22, 2017 would not be paid. Accordingly, the Company did not record any interest income relating to subordinated deposit through March 22, 2017. Since March 23, 2017, the Company resumed accruing interest income in accordance with the Deposit Agreement.

6. 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. and other European exchanges.

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

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 determines that in accordance with Austrian Banking regulations, UniCredit BA fails to meet capital ratios and would be limited in making payment to holders of 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.

Since the Company did not receive interest on the subordinated deposit during 2017, as discussed in Note 3, the Company requested financial support from UniCredit BA under the Support Agreement. The request was approved and funds received for the purpose of meeting the March 22, 2017 coupon obligation.

In relation to this support, at December 31, 2017, €6,410 of financial support was receivable by the Company in relation to certain expenses. During the year ended December 31, 2017, the Company earned €245,748 in income due under the Support Agreement.

5. Related party transactions

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

At June 30, 2018, the Company held cash and cash equivalents with UniCredit BA, the ultimate parent of the Company, of €1,908,820 (2017: €1,908,820).

At June 30, 2018, the Company had a receivable due from the Parent in the amount of €1,188,375 (2017: €1,095,511), of which €989,854 (2017: €989,854) relates to the Support Agreement the Parent received from UniCredit BA on behalf of the Company.

The Company is charged administrative fees of €15,000 per annum by the Parent. These amounts are included in administrative expenses on the statement of comprehensive income (loss).

At June 30, 2018, UniCredit BA owned 66.4% (2017: 66.4%) of the outstanding hybrid subordinated securities with a book value of €99,934,400 (2017: €100,399,000). As a result, the Company incurred €550,655 (2017: €1,419,680) of related interest expense during the year of which €319,443 (2017: €1,180,341) is payable at year end.

During 2017, the Company incurred accounting fees for services rendered by UniCredit BA totaling €3,573. This amount is included in administrative expenses on the statement of comprehensive income (loss).

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. As discussed in Note 3, proceeds from the initial issuance of the hybrid subordinated securities were placed in a subordinated deposit with the Parent. Concurrent with the initial deposit, the Company entered into the Support Agreement discussed in Note 4 to guarantee the Company's obligations under the hybrid subordinated securities.

Collectively, the sole purpose and use of the subordinated deposit and the Support Agreement is to fund the Company's obligations under the securities, whether for the funding of future dividend payments or possible redemption amounts. Accordingly, the collective fair value of the subordinated deposit and Support Agreement will approximate the fair value of the hybrid subordinated securities. Subordinated deposits are classified as loans and receivables.

(stated in Euro)

6. Fair value disclosure of financial instruments (continued)

The carrying and fair values of certain financial instruments as of December 31, 2017 are summarised as follows:

		Carrying value		Fair value
Assets:				
Subordinated deposit	€	147,000,000	€	129,962,700
Liabilities:				
Hybrid subordinated securities		150,000,000		132,615,000

The carrying and fair values of certain financial instruments as of December 31, 2017 are summarised as follows:

		Carrying value		Fair value
Assets:				
Subordinated deposit	€	147,000,000	€	132,729,240
Liabilities:				
Hybrid subordinated securities		150,000,000		135,438,000

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, cash, 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 investment grade ratings.

Market risk

Market risk is the potential loss the Company may incur as a result from 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, but may be indirectly exposed to market risk through interest risk.

6. Fair value disclosure of financial instruments (continued)

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 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.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not subject to foreign currency risk as all assets and liabilities are denominated in the functional currency of the Company.

7. Share capital

		2018	2017
Authorised:			
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 dividends.

8. 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 2017.