

BA-CA Finance (Cayman) (2) Limited

UNAUDITED

**Financial Statements
for the six month period
January 1 – June 30, 2015**

DIRECTORS' REPORT

The Directors submit herewith the 2015 semi-annual financial statements for BA-CA Finance (Cayman) (2) Limited (the "Company").

These financial statements were NOT audited by an external audit firm.

Company overview

The Company is an indirect wholly-owned subsidiary of UniCredit Bank Austria AG (the "Bank"), incorporated in the Cayman Islands on September 23, 2004. The Company is economically dependent on the Bank.

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

Statement as required under Article 5:25c of the Financial Markets Supervision Act

These financial statements provide to the best of our knowledge a true and fair view of the Company's assets and liabilities, financial position, result for the mid-year period ended June 30, 2015 and developments of the business during the mid-year period ended June 30, 2015. Material risks if any are promptly disclosed.

Approved on behalf of the Board on August 20, 2015:

JOSEF DUREGGER

Mr. Josef Duregger, Director

NICOLA CORSETTI

Mr. Nicola Corsetti, Director

BA-CA Finance (Cayman) (2) Limited
Statement of Financial Position
June 30, 2015
(stated in Euro)

	Note	<u>Unaudited</u> <u>June 30, 2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS			
Subordinated deposit	3,6	€ 147,000,000	€ 147,000,000
Cash and cash equivalents		1,927,899	63,895
Financial assets held-to-maturity	7	-	1,813,022
Interest receivable		-	49,667
Receivable from Support Agreement with related party	4	334,030	2,680,146
Due from Parent	5	1,200,308	909,876
Other assets		-	1,282
		<u>€ 150,462,237</u>	<u>€ 152,517,888</u>
LIABILITIES			
Hybrid subordinated securities (net of unamortised transaction costs of pNil (2014: p44,854))	4,6	€ 150,000,000	€ 149,955,146
Interest payable		283,561	2,363,006
Other liabilities		<u>6,082</u>	<u>3,945</u>
		<u>150,289,643</u>	<u>152,322,097</u>
SHAREHOLDER'S EQUITY			
Ordinary shares, p1 par value 15,000 shares authorised and outstanding	8	15,000	15,000
Retained earnings		<u>157,594</u>	<u>180,791</u>
		<u>172,594</u>	<u>195,791</u>
		<u>€ 150,462,237</u>	<u>€ 152,517,888</u>

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Statement of Comprehensive Income (Loss)
for the six months ended June 30, 2015
(stated in Euro)

	Note	<u>Unaudited</u> <u>January 1 –</u> <u>June 30, 2015</u>	<u>Year ended</u> <u>December 31,</u> <u>2014</u>
INCOME			
Interest income (net of amortisation)	3,7	€ 1,315	€ (20,599)
Gain from Support Agreement with related party	4	<u>1,029,524</u>	<u>3,291,974</u>
		<u>1,030,839</u>	<u>3,271,375</u>
EXPENSES			
Interest expense	4	<u>1,023,909</u>	<u>3,289,833</u>
Administrative expenses	5	<u>30,127</u>	<u>52,907</u>
		<u>1,054,036</u>	<u>3,342,740</u>
NET LOSS AND TOTAL COMPREHENSIVE LOSS		<u>€ (23,197)</u>	<u>€ (71,365)</u>

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Statement of Changes in Shareholder's Equity
for the six months ended June 30, 2015

(stated in Euro)

		Share Capital	Retained earnings	Total
As at December 31, 2013	€	15,000	252,156	267,156
Comprehensive loss:				
Net loss for the year		-	(71,365)	(71,365)
As at December 31, 2014	€	15,000	180,791	195,791
Comprehensive loss:				
Net loss for the period		-	(23,197)	(23,197)
As at June 30, 2015	€	15,000	157,594	172,594

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Statement of Cash Flows
for the six months ended June 30, 2015
(stated in Euro)

	<u>Unaudited</u> January 1 – June 30, 2015	<u>Year ended</u> December 31, 2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	€ (23,197)	€ (71,365)
Adjustment for items not affecting cash:		
Amortisation of transaction costs relating to the issuance of hybrid subordinated securities	44,854	315,000
Net interest/amortization on bonds	(1,315)	20,599
Changes in operating assets and liabilities:		
Receivable from Support Agreement with related party	2,346,116	(217,834)
Due from Parent	(290,432)	(266,836)
Other assets	1,282	1,019
Interest payable	(2,079,445)	217,834
Other liabilities	2,136	1,478
Net cash used in operating activities	<u>(1)</u>	<u>(105)</u>
INVESTING ACTIVITIES		
Purchase of investments	1,800,000	-
Interest received on bonds	64,005	64,000
Net cash provided by investing activities	<u>1,864,005</u>	<u>64,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,864,004	63,895
BEGINNING CASH AND CASH EQUIVALENTS	<u>63,895</u>	<u>-</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>€ 1,927,899</u></u>	<u><u>€ 63,895</u></u>
SUPPLEMENTARY INFORMATION		
Interest received	€ 64,005	€ 64,000
Interest paid	€ (3,058,500)	€ (2,757,000)

See accompanying notes to financial statements.

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

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"). The accounting policies have been applied consistently by the Company and are consistent with those used in previous years.

(b) 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.

(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.

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

2. Significant accounting policies (continued)

(d) Subordinated deposit

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

(e) 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 amortised cost less any impairment.

(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. Dividend payments made to holders of the securities are classified as interest expense on the statement of income.

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

(g) Interest income and expense

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

(h) 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 4 for further details.

(i) 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.

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

2. Significant accounting policies (continued)

(i) Identification and measurement of impairment (continued)

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).

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 are redeemed.

On March 17, 2015, the Parent suspended the March 22, 2015 payment of interest to the Company on the subordinated deposit. On March 18, 2014, the Parent informed the Company that the interest under the Deposit Agreement due on March 22, 2014 would not be paid. Pursuant to the Support Agreement (Note 4), UniCredit BA guaranteed sufficient funds to cover 2015 and 2014 interest payments and certain operating costs of the Company.

Management of the Company believes that the March 22, 2016 payment of interest to the Company on the subordinated deposit will be suspended. Therefore, at June 30, 2015, €Nil (December 31, 2014: €Nil) of interest related to the subordinated deposit is receivable by the Company. During the period ended June 30, 2015, the Company earned €Nil (year ended December 31, 2014: €Nil) in related interest.

BA-CA Finance (Cayman) (2) Limited

Notes to Financial Statements

for the six months ended June 30, 2015

(stated in Euro)

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 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.

As the Company did not receive interest on the subordinated deposit as discussed in Note 3, the Company requested financial support from Unicredit BA under the Support Agreement. The request was approved and funds were received for the March 22, 2014 and 2013 coupon obligations.

At June 30, 2015, €334,030 (December 31, 2014: €2,680,146) of financial support is receivable by the Company from the Parent. During the period ended June 30, 2015, the Company earned €1,029,524 (year ended December 31, 2014: €3,291,974) in gains pursuant to proceeds due under the Support Agreement.

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

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 p1,200,308 and p909,876 at June 30, 2015 and December 31, 2014, respectively, in relation to administration, accounting, audit and legal fees incurred during the year.

The Company paid administrative fees of p15,000 (December 31, 2014: p15,000) to the Parent. These amounts are included in administrative expenses on the statement of comprehensive income (loss).

At June 30, 2015, UniCredit BA, the ultimate parent of the Company owned 66.4% of the outstanding hybrid subordinated securities with a book value of p99,803,000 (December 31, 2015: p101,159,000).

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. In accordance with IFRS 13, Fair Value Measurement, the Company has classified the financial instruments listed below as Level 2 in the fair value hierarchy.

The carrying and fair values of certain financial instruments as of June 30, 2015 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	p 147,000,000	p 90,221,250
<u>Liabilities:</u>		
Hybrid subordinated securities	150,000,000	92,062,500

The carrying and fair values of certain financial instruments as of December 31, 2014 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	p 147,000,000	p 94,263,750
<u>Liabilities:</u>		
Hybrid subordinated securities	149,955,146	96,187,500

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

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, 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 high credit ratings.

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 June 30, 2015, there are no outstanding financial assets held-to-maturity.

As at December 31, 2014, the outstanding financial assets held-to-maturity are as follows:

Corporate bonds	<u>€ 1,813,022</u>
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At December 31, 2014, the Company held corporate bonds with fixed coupon interest rates ranging from 3.00% to 4.00% which mature between March 23, 2015 and March 31, 2015. Fair value approximates amortized cost as of December 31, 2014.

BA-CA Finance (Cayman) (2) Limited
Notes to Financial Statements
for the six months ended June 30, 2015
(stated in Euro)

8. Share capital

		6/30/15	12/31/14
Authorised:			
15,000 ordinary shares of p1 each	p	15,000	15,000
Allotted, called up and fully paid:			
15,000 ordinary shares of p1 each	p	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.

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 2014.