

BA-CA Finance (Cayman) Limited

Unaudited Financial Statements

for the six-month period January 1 – June 30, 2017

Annual Report of the Company Directors

The directors of BA-CA Finance (Cayman) Limited (the “Company”) are pleased to present the Company’s unaudited financial statements for the six-month period ended June 30, 2017.

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. However, the Parent suspended the payments of interest to the Company on the subordinated deposit due during 2017, as allowed under certain circumstances. As a result, the Company is supported by UniCredit BA to make sufficient funds available to satisfy the Company’s 2017 dividend obligations.

Ultimately, the outlook for the 4th quarter 2017 is expected to be favourable because the Company will be able to accrue interest income on the subordinated deposit from October 28, 2017, onwards.

Sincerely,

MARKUS SCHWIMANN

Mr. Markus Schwimann, Director
September 22, 2017

NICOLA CORSETTI

Mr. Nicola Corsetti, Director
September 22, 2017

Responsibility Statement

The directors of BA-CA Finance (Cayman) Limited (the “Company”) submit herewith the unaudited financial statements for the six-month period ended June 30, 2017.

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 September 23, 2004. 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 Issurers under the WtF:

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, 2017 and results of its operations six-month period from January 1 to June 30, 2017. Material risks, if any, are promptly disclosed.

The Annual 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 22, 2017:

MARKUS SCHWIMANN

Mr. Markus Schwimann, Director

NICOLA CORSETTI

Mr. Nicola Corsetti, Director

BA-CA Finance (Cayman) Limited
Statement of Financial Position (Unaudited)
June 30, 2017

(stated in Euro)

	Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS			
Cash and cash equivalents	5	€ 3,984,288	€ 4,024,537
Receivable from Support Agreement with related party	4	394,820	253,795
Other assets		-	2,971
Due from Parent	5	2,057,021	2,066,817
Subordinated deposit	3,6	245,000,000	245,000,000
		€ 251,436,129	€ 251,348,120
LIABILITIES			
Interest payable	5	€ 394,820	€ 245,826
Other liabilities		15,737	8,822
Hybrid subordinated securities	4,5,6	250,000,000	250,000,000
		250,410,557	250,254,648
SHAREHOLDER'S EQUITY			
Ordinary shares, €1 par value 15,000 shares authorised and outstanding	7	15,000	15,000
Retained earnings		1,010,572	1,078,472
		1,025,572	1,093,472
		€ 251,436,129	€ 251,609,524

See accompanying notes to financial statements.

Approved by the Board of Directors on September 22, 2017:

MARKUS SCHWIMANN DIRECTOR

NICOLA CORSETTI DIRECTOR

BA-CA Finance (Cayman) Limited
Statement of Comprehensive Income (Loss)
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

	Note	January 1 – June 30, 2017 (Unaudited)	Year ended December 31, 2016 (Audited)
INCOME			
Interest income (net of amortisation)	3	€ -	€ 4,762
Income from Support Agreement with related party	4	<u>819,292</u>	<u>1,988,060</u>
		<u>819,292</u>	<u>1,992,822</u>
EXPENSES			
Interest expense	4,5	<u>819,292</u>	<u>1,979,575</u>
Administrative expenses	5	<u>67,900</u>	<u>87,667</u>
		<u>887,192</u>	<u>2,067,242</u>
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR			
		<u>€ (67,900)</u>	<u>€ (74,420)</u>

See accompanying notes to financial statements.

BA-CA Finance (Cayman) Limited
Statement of Changes in Shareholder's Equity
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

	Share capital		Retained earnings		Total
As at December 31, 2015	€	15,000	€	1,152,892	€ 1,167,892
Net loss for the year		-		(74,420)	(74,420)
As at December 31, 2016	€	15,000	€	1,078,472	€ 1,093,472
Net loss for the period		-		(67,900)	(67,900)
As at June 30, 2017	€	15,000	€	1,010,572	€ 1,025,572

See accompanying notes to financial statements.

BA-CA Finance (Cayman) Limited
Statement of Cash Flows
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

	January 1 – June 30, 2017 (Unaudited)	Year ended December 31, 2016 (Audited)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	€ (67,900)	€ (74,420)
Adjustment for items not affecting cash:		
Amortisation of bond premium	-	64,942
Changes in operating assets and liabilities:		
Receivable from Support Agreement with related party	(141,024)	193,430
Interest receivable	-	68,671
Due from Parent	9,795	60,902
Other assets	2,971	(8)
Interest payable	148,995	(194,175)
Other liabilities	6,914	7,192
Net cash (used in) provided by operating activities	(40,249)	126,534
INVESTING ACTIVITIES		
Proceeds from maturity of bonds	-	2,688,000
Net cash provided by investing activities	-	2,688,000
CHANGE IN CASH AND CASH EQUIVALENTS	(40,249)	2,814,534
BEGINNING CASH AND CASH EQUIVALENTS	4,024,537	1,210,003
ENDING CASH AND CASH EQUIVALENTS	€ 3,984,288	€ 4,024,537
SUPPLEMENTARY INFORMATION		
Interest received	€ -	€ 138,377
Interest paid	€ (647,500)	€ (2,173,750)

See accompanying notes to financial statements.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

1. The Company and its principal activity

BA-CA Finance (Cayman) 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 September 23, 2004 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 October 12, 2024. 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.

(b) Basis of preparation

The financial statements are presented in Euro.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value as of June 30, 2017 has been disclosed in Note 6.

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.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

2. Significant accounting policies (continued)

(c) Cash and cash equivalents

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

(d) Subordinated deposit

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

(e) 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 valued at amortised cost.

(f) 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.

(g) Interest income and expense

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

(h) Income from support agreement with related party

Proceeds due from the Support Agreement are recorded on an accrual 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 following standards, amendments or interpretations have become effective:

- Amendments to IFRS10, IFRS12 and IAS28: Investment Entities - Applying the Consolidation Exception
- Amendments to IAS27: Equity Method in Separate Financial Statements;
- Amendments to IAS1: Disclosure Initiative;
- Annual Improvements to IFRSs 2012 - 2014 Cycle;
- Amendments to IAS16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

2. Significant accounting policies (continued)

(i) Recent accounting pronouncements (continued)

- Amendments to IFRS11: Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS16 and IAS 41: Bearer Plants;
- Amendments to IAS19 - Defined benefit plans: employee contributions;
- Annual Improvements to IFRSs 2010 - 2012 Cycle

The application of the principles and amendments mentioned above did not have an impact on the Statement of Financial Position and Statement of Comprehensive Income (Loss).

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

- IFRS9 Financial Instruments;
- IFRS15 Revenue from Contracts with Customers

With regards to IFRS9, a group wide project within UniCredit BA has been set up with the aim of creating common risk and accounting methodologies as well as a harmonized target operating model across the group's legal entities, including the Company. The potential impact from IFRS9 is under evaluation.

There will be no impact from IFRS15, as the Company has no customers and therefore no revenue from contracts with customers.

3. Subordinated deposit

Upon receipt of proceeds from issuance of the hybrid subordinated securities, the Company deposited an amount of €245,000,000 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 bears interest at a variable rate as stipulated in the subordinated deposit agreement (the "Deposit Agreement") dated October 25, 2004. Interest is receivable semi-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.

On March 16, 2017, the Parent suspended the April 28, 2017 and October 28, 2017 payments of interest to the Company on the subordinated deposit. Suspension was allowed by Clause 3.4 of the Agreement between the parties. On March 15, 2016, the Company was informed by the Parent that the interest under the Deposit Agreement due on April 28, 2016 and October 28, 2016 would not be paid. Accordingly, the Company did not record any interest income relating to subordinated deposits during mid-year 2017 or the year 2016.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

4. Hybrid subordinated securities

On October 28, 2004, the Company issued 250,000 Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preferred Securities at €1,000 each. These securities are listed on Euronext Amsterdam N.V. and Frankfurt exchanges.

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 October 25, 2004):

- 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 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 October 28, 2004 to October 28, 2005, the preferential cash dividends were calculated at a rate of 6% per annum; after October 28, 2005, the preferential cash dividends were calculated at a variable rate as stipulated in the offering circular dated October 25, 2004. The dividends are payable semi-annually in arrears with the first payment having been made as scheduled on April 28, 2005. The dividends 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”). 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 16, 2017 and March 15, 2016, the Company requested financial support from UniCredit BA under the Support Agreement dated October 28, 2004. The requests were approved and funds received by the Company on April 28, 2017 and 2016, as well as on October 28, 2016.

At June 30, 2017 €394,819 (December 31, 2016: €253,795) of financial support is receivable by the Company. During the six-month period ended June 30, 2017, the Company earned €819,292 (year 2016: €1,988,060) in income pursuant to proceeds 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, 2017 and December 31, 2016, the Company held cash and cash equivalents with UniCredit BA, the ultimate parent of the Company, of €3,984,288. Corresponding bank fees totaling €Nil (year 2016: €11,843) was paid to UniCredit BA during the six-month period ended June 30, 2017 and is included in administrative expenses on the statement of comprehensive income (loss).

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

5. Related party transactions (continued)

At June 30, 2017, the Company had a receivable due from the Parent in the amount of €2,057,021 (December 31, 2016: €2,066,817), of which €1,474,318 (2016: €1,466,348) relates to the Support Agreement the Parent received from UniCredit BA on behalf of the Company.

The Company is charged administrative fees of €25,000 per annum by the Parent. This amount is included in administrative expenses on the statement of comprehensive income (loss).

During the first six months of 2017, the Company incurred accounting fees, for services rendered by UniCredit BA totaling €3,752 (year 2016: €14,968). This amount is in administrative expenses on the statement of comprehensive income (loss).

At June 30, 2017 and December 31, 2016, UniCredit BA, the ultimate parent of the Company owned 62.0% of the outstanding hybrid subordinated securities with a book value of €155,344,950 (2016: €155,252,510). As a result, the Company incurred €508,289 (2016: €1,228,129) of related interest expense during the period of which €244,947 (2016: €152,510) is payable at period/year end that is ultimately due to UniCredit BA.

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.

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

The carrying and fair values of certain financial instruments as of June 30, 2017 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	€ 245,000,000	€ 210,555,450
<u>Liabilities:</u>		
Hybrid subordinated securities	250,000,000	214,852,500

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

6. Fair value disclosure of financial instruments (continued)

The carrying and fair values of certain financial instruments as of December 31, 2016 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	€ 245,000,000	€ 153,901,650
<u>Liabilities:</u>		
Hybrid subordinated securities	250,000,000	157,042,500

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 credit 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.

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.

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.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2017 (Unaudited)
(stated in Euro)

7. Share capital

		06/30/2017	12/31/2016
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 debt and equity balances. The overall strategy remains unchanged from 2016.

9. Subsequent events

On March 16, 2017, the Parent suspended the October 28, 2017 payments of interest to the Company on the subordinated deposit. Suspension was allowed by Clause 3.4 of the Agreement between the parties. As a result, the Company will have insufficient funds to meet the October 28, 2017 dividend obligation on the hybrid subordinated securities in issue (Note 4).

On March 17, 2017, in accordance with Clause 2.1.1 of the Support Agreement dated October 28, 2004, the Company requested that UniCredit BA make sufficient funds available to satisfy the Company's dividend obligations. Funds will be received before the Company's October 28, 2017 dividend obligation becomes due.