

BA-CA Finance (Cayman) Limited

Financial Statements (Unaudited)

for the mid-year period January 1 ó June 30, 2016

Mid-Year Report of the Company Directors

The directors of BA-CA Finance (Cayman) Limited (the "Company") are pleased to present the Company's financial statements for the mid-year period ended June 30, 2016.

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 mid-year 2016 results were essentially flat, as expected. 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, for 2016, the Parent suspended the payments of interest to the Company on the subordinated deposit, 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 dividend obligations.

The outlook for 2016 is expected to be the same as 2015.

Sincerely,

JOSEF DUREGGER

Mr. Josef Duregger, Director
September 26, 2016

NICOLA CORSETTI

Mr. Nicola Corsetti, Director
September 26, 2016

Responsibility Statement

The Directors of BA-CA Finance (Cayman) Limited (the "Company") submit herewith the unaudited mid-year 2016 financial statements for the Company.

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 Issuers 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, 2016 and results of its operations during the period January 1 to June 30, 2016. Material risks if any are promptly disclosed.

Approved on behalf of the Board on September 26, 2016:

JOSEF DUREGGER

Mr. Josef Duregger, Director

NICOLA CORSETTI

Mr. Nicola Corsetti, Director

BA-CA Finance (Cayman) Limited
Statement of Financial Position
June 30, 2016 (Unaudited) and December 31, 2015

(stated in Euro)

	Note	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS			
Cash and cash equivalents	5	€ 2,984,629	€ 1,210,003
Interest receivable	7	32,416	68,671
Receivable from Support Agreement with related party	4	334,911	447,225
Other assets		-	2,963
Financial assets held-to-maturity	7	1,011,400	2,752,944
Due from Parent	5	2,099,187	2,127,718
Subordinated deposit	3,6	245,000,000	245,000,000
		€ 251,462,543	€ 251,609,524
LIABILITIES			
Interest payable	5	€ 327,687	€ 440,001
Other liabilities		3,572	1,631
Hybrid subordinated securities	4,5,6	250,000,000	250,000,000
		250,331,259	250,441,632
SHAREHOLDER'S EQUITY			
Ordinary shares, p1 par value 15,000 shares authorised and outstanding	8	15,000	15,000
Retained earnings		1,116,284	1,152,892
		1,131,284	1,167,892
		€ 251,462,543	€ 251,609,524

See accompanying notes to financial statements.

Approved by the Board of Directors on September 26, 2016:

JOSEF DUREGGER DIRECTOR

NICOLA CORSETTI DIRECTOR

BA-CA Finance (Cayman) Limited
Statement of Comprehensive Loss
for the period January 1 – June 30, 2016 (Unaudited) and
year ended December 31, 2015

(stated in Euro)

	Note	January 1 – June 30, 2016 (Unaudited)	Year ended December 30, 2015
INCOME			
Interest income (net of amortisation)	3,7	€ 4,912	€ 13,325
Income from Support Agreement with related party	4	1,125,187	2,188,836
		<u>1,130,099</u>	<u>2,202,161</u>
EXPENSES			
Interest expense	4,5	1,125,187	2,181,611
Administrative expenses	5	41,520	89,571
		<u>1,166,707</u>	<u>2,271,182</u>
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR			
		<u>€ (36,608)</u>	<u>€ (69,021)</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, 2016 (Unaudited) and
year ended December 31, 2015

(stated in Euro)

	Share capital		Retained earnings		Total
As at December 31, 2014	€	15,000	€	1,221,913	€ 1,236,913
Net loss for the year		-		(69,021)	(69,021)
As at December 31, 2015	€	15,000	€	1,152,892	€ 1,167,892
Net loss for the period (Unaudited)		-		(36,608)	(36,608)
As at June 30, 2016 (Unaudited)	€	15,000	€	1,116,284	€ 1,131,284

See accompanying notes to financial statements.

BA-CA Finance (Cayman) Limited
Statement of Cash Flows
for the period January 1 – June 30, 2016 (Unaudited) and
year ended December 31, 2015
(stated in Euro)

	January 1 - June 30, 2016 (Unaudited)	Year ended December 31, 2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	€ (36,608)	€ (69,021)
Adjustment for items not affecting cash:		
Amortisation of bond premium	53,544	140,432
Changes in operating assets and liabilities:		
Receivable from Support Agreement with related party	112,314	515,287
Interest receivable	36,254	21,997
Due from Parent	28,531	(331,155)
Other assets	2,963	(1,681)
Interest payable	(112,314)	(100,889)
Other liabilities	1,942	(1,148)
Net cash provided by operating activities	86,626	173,822
INVESTING ACTIVITIES		
Purchase of investments	-	(989,072)
Proceeds from maturity of bonds	1,688,000	2,000,000
Net cash provided by investing activities	1,688,000	1,010,928
CHANGE IN CASH AND CASH EQUIVALENTS	1,774,626	1,184,750
BEGINNING CASH AND CASH EQUIVALENTS	1,210,003	25,253
ENDING CASH AND CASH EQUIVALENTS	€ 2,984,629	€ 1,210,003
SUPPLEMENTARY INFORMATION		
Interest received	€ 94,710	€ 175,755
Interest paid	€ (1,237,500)	€ (2,282,500)

See accompanying notes to financial statements.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2016 (Unaudited) and
year ended December 31, 2015
(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"). 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, 2016 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 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, 2016 (Unaudited) and
year ended December 31, 2015
(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.

(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 were 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.

(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) Gain 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

The Company has not applied the following new and revised standards for IFRS that have been issued but are not yet effective:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Company's financial statements.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2016 (Unaudited) and
year ended December 31, 2015
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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 15, 2016, the Parent suspended the April 28, 2016 and October 28, 2016 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 had/will have insufficient funds to meet the April 28, 2016 and October 28, 2016 dividend obligations on the hybrid subordinated securities in issue (Note 4). On March 17, 2015, the Company was informed by the Parent that the interest under the Deposit Agreement due on April 28, 2015 and October 28, 2015 would not be paid. Accordingly, the Company has not recorded any interest income relating to subordinated deposits during 2016 and 2015.

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 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.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
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4. Hybrid subordinated securities (continued)

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, 2016 and March 17, 2015, the Company requested financial support from UniCredit BA under the Support Agreement dated October 28, 2004.

At June 30, 2016, €334,911 (December 31, 2015: €447,225) of financial support is receivable by the Company. During the period January 1 to June 30, 2016, the Company earned €1,125,187 (Year 2015: €2,188,836) 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, 2016, the Company held cash and cash equivalents with UniCredit BA, the ultimate parent of the Company, of €2,944,380 (December 31, 2015: €1,169,754).

At June 30, 2016, the Company had a receivable due from the Parent in the amount of €2,099,187 (December 31, 2015: €2,127,718) of which €1,459,123 (December 31, 2015: €1,459,123) relates to the Support Agreement the Parent received from UniCredit BA on behalf of the Company.

The Company paid administrative fees of €12,500 (full year 2015: €25,000) to the Parent. These amounts are included in administrative expenses on the statement of comprehensive income loss.

At June 30, 2016 and December 31, 2015, UniCredit BA, the ultimate parent of the Company owned 62.0% of the outstanding hybrid subordinated securities with a book value of €155,303,000 (December 31, 2015: €155,372,000). As a result, the Company incurred €697,616 (full year 2015: €1,353,471) of related interest expense during the period of which €203,166 is payable at June 30, 2016 (December 31, 2015: €272,976).

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.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
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(stated in Euro)

6. Fair value disclosure of financial instruments (continued)

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, 2016 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	p 245,000,000	p 103,191,550
<u>Liabilities:</u>		
Hybrid subordinated securities	250,000,000	105,297,550

The carrying and fair values of certain financial instruments as of December 31, 2015 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	p 245,000,000	p 136,496,850
<u>Liabilities:</u>		
Hybrid subordinated securities	250,000,000	139,282,500

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 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.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
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(stated in Euro)

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 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.

7. Financial Assets Held to Maturity

As at June 30, 2016, the outstanding financial assets held-to-maturity are as follows:

Corporate bonds	<u>€1,011,400</u>
(December 31, 2015: €2,752,944)	

At June 30, 2016, the Company held one corporate bond with fixed coupon interest rate 4.375% (December 31, 2015: three corporate bonds with interest rates 4.375% to 7%) which matures on October 12, 2016 (December 31, 2015: May 9, 2016 to October 12, 2016). Fair value approximates amortised cost as of June 30, 2016 and December 31, 2015. In accordance with IFRS 13, Fair Value Measurement, the Company has classified the financial instruments listed above as Level 2 in the fair value hierarchy.

BA-CA Finance (Cayman) Limited
Notes to Financial Statements
for the period January 1 – June 30, 2016 (Unaudited) and
year ended December 31, 2015
(stated in Euro)

8. Share capital

		6/30/2016	12/31/2015
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 debt and equity balances. The overall strategy remains unchanged from 2015.