BA-CA Finance (Cayman) Limited

UNAUDITED

Financial Statements
for the six month period
January 1 – June 30, 2014

DIRECTORS' REPORT

The Directors submit herewith the 2014 semi-annual financial statements for BA-CA Finance (Cayman) Limited (the ñCompanyò).

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 ñBankò), 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 Companyôs assets and liabilities, financial position, result for the mid-year period ended June 30, 2014 and developments of the business during the mid-year period ended June 30, 2014. Material risks if any are promptly disclosed.

Approved on behalf of the Board on August 28, 2014:

JOSEF DUREGGER

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Mr. Josef Duregger, Director

NICOLA CORSETTI

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Mr. Nicola Corsetti, Director

UNAUDITED

BA-CA Finance (Cayman) Limited

Statement of Financial Position

June 30, 2014

(stated in Euro)

	Note	Unaudited 6/30/14	12/31/13
ASSETS			
Subordinated deposit	3,6	€ 245,000,000	€ 245,000,000
Due from broker		878,872	-
Financial assets held to maturity	7	3,053,717	3,957,344
Receivable from Support Agreement with related party		1,078,374	1,464,300
Interest receivable	7	76,163	83,080
Due from Parent	5	1,829,786	1,334,776
		€ 251,916,912	€ 251,839,500
LIABILITIES			
Hybrid subordinated securities (net of unamortised transaction costs of ú160,078 (2013: ú417,872))	4,6	€ 249,839,628	€ 249,582,128
Interest payable		819,000	943,250
Other liabilities		5,088	2,800
		250,663,716	250,528,178
SHAREHOLDER'S EQUITY			
Ordinary shares, ú1 par value 15,000 shares authorised and outstanding	8	15,000	15,000
Retained earnings		1,238,196	1,296,322
		1,253,196	1,311,322
		€ 251,916,912	€ 251,839,500

See accompanying notes to financial statements.

UNAUDITED

BA-CA Finance (Cayman) Limited

Statement of Comprehensive Income

Six-month period January 1 – June 30, 2014

(stated in Euro)

	Note	Unaudited January 1 – June 30, 2014	Year ended December 31, 2013
INCOME			
Interest income (net of amortization)	7	**(31,544)**	**48,748**
Gain from Support Agreement with related party	4	**2,830,125**	**5,091,927**
		2,798,581	**5,140,675**
EXPENSES			
Interest expense	4	**2,828,250**	**5,088,177**
Administrative expenses	5	**28,457**	**69,925**
		2,856,707	**5,158,102**
NET LOSS		**€ (58,126)**	**€ (17,427)**

See accompanying notes to financial statements.

<u>UNAUDITED</u>

BA-CA Finance (Cayman) Limited

Statement of Changes in Shareholder's Equity

Six-month period January 1 – June 30, 2014

(stated in Euro)

		Share capital	Retained earnings	Total
As at December 31, 2012	**€**	**15,000**	**1,313,749**	**1,328,749**
Net loss for the year		-	(17,427)	(17,427)
As at December 31, 2013	**€**	**15,000**	**1,296,322**	**1,311,322**
Net loss for the period		-	(58,126)	(58,126)
As at June 30, 2014	**€**	**15,000**	**1,238,196**	**1,253,196**

See accompanying notes to financial statements.

UNAUDITED

BA-CA Finance (Cayman) Limited

Notes to Financial Statements

June 30, 2014

(stated in Euro)

	UNAUDITED January 1 – June 30, 2014	Year ended December 31, 2013
CASH PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Net loss	€ (58,126)	€ (17,427)
Adjustment for item not affecting cash:		
Amortisation of transaction costs relating to the issuance of hybrid subordinated securities	257,500	515,000
Amortisation of bond premium	24,627	34,333
Gain from Support Agreement with related party	(2,570,750)	(5,091,927)
Cash received from support agreement	3,213,750	4,480,000
Changes in operating assets and liabilities:		
Term deposits	-	3,822,062
Due from broker	(878,872)	
Interest receivable	6,917	(83,080)
Due from parent	(495,010)	241,378
Other assets	(257,074)	(2,300)
Interest payable	(124,250)	93,178
Other liabilities	2,288	460
Net cash (used in) provided by operating activities	(879,000)	3,991,677
INVESTING ACTIVITIES		
Purchase of investments	-	(3,991,677)
Proceeds from maturity of bonds	800,000	-
Interest received from bonds	79,000	-
Net cash provided by (used in) investing activities	879,000	(3,991,677)
CHANGE IN CASH AND CASH EQUIVALENTS	-	-
BEGINNING CASH AND CASH EQUIVALENTS	-	-
ENDING CASH AND CASH EQUIVALENTS	€ -	€ -
SUPPLEMENTARY INFORMATION		
Interest received	79,000	43,225
Interest paid	€ (2,695,000)	€ (4,479,999)

See accompanying notes to financial statements.

1. The Company and its principal activity

BA-CA Finance (Cayman) Limited (the ñCompanyò) is a wholly owned subsidiary of Alpine Cayman Islands Ltd. (the ñParentò) and an indirect wholly-owned subsidiary of UniCredit Bank Austria AG.

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 Bank Austria AG, 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 Companyôs registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò). 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.

2. Significant accounting policies (continued)

(c) Term deposit

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

(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* (ñIAS 32ò). 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.

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.

(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 and subordinated deposit. 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 3 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.

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 assetôs 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 ú245,000,000 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 ñDeposit Agreementò) 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 are redeemed.

On November 8, 2013, the Company was also informed by the Parent that the interest due on April 28, 2014 and October 28, 2014 would not be paid. On March 19, 2013, the Parent informed the Company that the interest under the Deposit Agreement due on April 28, 2013 and October 28, 2013 would not be paid. Accordingly, the Company did not record any interest income relating to subordinated deposits during 2014 or 2013.

4. Hybrid subordinated securities

On October 28, 2004 the Company issued 250,000 Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preferred Securities at ú1,000 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 October 25, 2004):

a) Unavailability of distributable profit.
b) UniCredit Bank Austria AG determined that in accordance with Austrian Banking regulations, UniCredit Bank Austria AG 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 Bank Austria AG from making any payment to holders of hybrid subordinated securities.

For the period from (and including) 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 Bank Austria AG (the ñSupport Agreementò). 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 Bank Austria AG 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 18, 2013 the Company receives financial support from Unicredit Bank Austria AG (ñUnicredit BAò) under the Support Agreement dated October 25, 2004.

At June 30, 2014, ú1,078,374 (December 31, 2013: ú1,464,300) of financial support is receivable by the Company. During the six-month period to June 30, 2014, the Company earned ú2,830,125 (year end December 31, 2013: ú5,091,927) in gains pursuant to proceeds due under the Support Agreement.

(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 ú1,829,786 as at June 30, 2014 (December 31, 2013: ú1,334,776).

The Company paid administrative fees of ú12,500 (2013: ú25,000) to the Parent. These amounts are included in administrative expenses.

At June 30, 2014, UniCredit Bank Austria AG, the ultimate parent of the Company owned 62.0% of the outstanding hybrid subordinated securities with a book value of ú154,900,000 (December 31, 2013: ú154,581,000).

6. Fair value disclosure of financial instruments

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

The carrying and fair values of certain financial instruments as of June 30, 2014 are summarised as follows:

	Carrying value	Fair value
Assets:		
Subordinated deposit	ú 245,000,000	ú 188,050,000
Liabilities:		
Hybrid subordinated securities	249,839,628	191,890,000

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

	Carrying value	Fair value
Assets:		
Subordinated deposit	ú 245,000,000	ú 159,103,000
Liabilities:		
Hybrid subordinated securities	249,582,128	162,342,500

(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.

7. Financial Assets Held to Maturity

As at June 30, 2014, the outstanding financial assets held-to-maturity are as follows:

Corporate bonds	ú 3,053,717

(December 31, 2013: ú3,957,344)

At June 30, 2014, the Company held corporate bonds with coupon interest rates ranging from 2.875% to 4.5% (December 31, 2013: 2.875% to 4.875%) which matures between October 29, 2014 and July 13, 2015 (December 31, 2013: May 30, 2014 and July 13, 2015).

(stated in Euro)

8. Share capital

		6/30/14	12/31/13
Authorised:			
15,000 shares of ú1 each	ú	15,000	15,000
Allotted, called up and fully paid:			
15,000 shares	ú	15,000	15,000