

**INVESTKREDIT FUNDING LIMITED**  
**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30TH JUNE 2015**

## **INVESTKREDIT FUNDING LIMITED**

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### **REPORT OF THE DIRECTORS**

The Directors present their interim report and the unaudited financial statements of Investkredit Funding Limited (the "Company") for the period 1st January 2015 to 30th June 2015. Please note that the financial report for the first half of 2015 has neither been audited nor reviewed by the Company's auditor.

#### **INCORPORATION**

The Company was incorporated in Jersey, Channel Islands on 18th October 2002.

#### **ACTIVITIES**

The principal activity of the Company is the issue of Perpetual Subordinated Non-Cumulative Limited Recourse Notes (the "LRN Notes") in separate series to the value of up to €100,000,000. To date, the Company has made one issue of LRN Notes in an amount of €50,000,000. The proceeds of this issue were used to purchase a Certificate of Deposit from Investkredit International Bank plc ("IIB"). IIB's parent company, Investkredit Bank AG merged with Österreichische Volksbanken-Aktiengesellschaft ("ÖVAG") in 2012. Subsequently, on 5th October 2012 the Company agreed to the cancellation of €24,931,000 nominal amount of the Certificate of Deposit in consideration for the cancellation of €24,931,000 nominal amount of LRN Notes held by ÖVAG. On 25th February 2013 the Company acquired €25,069,000 nominal amount of Ergänzungskapital Notes ("EKN Notes") issued by ÖVAG in exchange for the cancellation of the remaining €25,069,000 nominal amount of Certificate of Deposit issued by IIB.

At an Extraordinary General Meeting ("EGM") held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". This was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. Immigon has assumed ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG.

As set out in the Offering Circular, the LRN Notes are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in them. The LRN Notes are dually listed on the Vienna Stock Exchange and Frankfurt Stock Exchange.

#### **BUSINESS REVIEW AND GOING CONCERN REVIEW**

There were no changes in the structure of the Company itself during the period. The process of winding up of immigon is expected to continue until the end of 2017. On 24th April 2015 ÖVAG announced a single entity loss after taxation for the year ended 31st December 2014 of approximately EUR 888 million, resulting in a total net loss (including previous years' losses carried forward of approximately EUR 1.3 billion. In order to be able to continue as going concern, the Company relies on support from immigon (formerly ÖVAG) in its capacity as: issuer of the EKN Notes held by the Company; its parent company; and, counterparty to the Support Agreement. As stated above, it is expected that the run down of immigon will take a number of years. Accordingly, the Directors expect the Company to continue in existence for at least 12 months from the signing of these financial statements and therefore consider the Company to be a going concern.

The loss for the period amounted to €39,007 (2014: €47,062). The Directors do not recommend a dividend for the period (2014: Enil).

In accordance with the terms of the EKN Notes and the Support Agreement, no interest was receivable on either the EKN Notes or the Support Agreement during the period. Consequently, no interest was payable on the LRN Notes during the period.

## **INVESTKREDIT FUNDING LIMITED**

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### **REPORT OF THE DIRECTORS - (CONTINUED)**

#### **BUSINESS REVIEW AND GOING CONCERN REVIEW - (CONTINUED)**

The Directors have been informed that no net losses have currently been allocated to the EKN Notes held by the Company. Immigon has informed the Directors that the ultimate redemption amount that will be receivable on the EKN Notes (and therefore payable on the LRN Notes) upon liquidation of immigon is currently highly uncertain. However, it remains possible that the redemption amount could potentially be the full nominal value of the LRN Notes, even if the probability of such an outcome might be considered to be uncertain if the current market price of the LRN Notes is assumed to represent a reasonable approximation of the net present value of the projected cash flows payable on the LRN Notes.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks to the business relate to the use of financial instruments, in particular the uncertainty regarding the redemption amount that might be received on the EKN Notes issued by ÖVAG/immigon and ultimately returned to the holders of the LRN Notes. The specific risks arising from the Company's use of financial instruments and the Directors' strategies to manage those risks are discussed in note 9 of the financial statements.

#### **DIRECTORS**

The Directors who held office during the period and subsequently were:

C.D. Ruark	
K. Kinsky	(resigned 9th July 2015)
A. Hikade	(resigned 9th July 2015)
J. Gaugusch	(appointed 9th July 2015)
M. Wiebogen	(appointed 9th July 2015)

#### **SECRETARY**

The Company Secretary is Sanne Secretaries Limited.

#### **REGISTERED OFFICE**

The registered office is 13 Castle Street, St. Helier, Jersey, Channel Islands, JE4 5UT.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial period under the Companies (Jersey) Law 1991. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

## **INVESTKREDIT FUNDING LIMITED**

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### **REPORT OF THE DIRECTORS - (CONTINUED)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - (CONTINUED)**

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- \* properly select and apply accounting policies;
- \* present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- \* provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain its transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm they have complied with the above requirements throughout the period and subsequently.

#### **STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER**

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company whose names appear on page 2 confirm to the best of their knowledge that the financial statements for the period ended 30th June 2015 give a true and fair view of the assets, liabilities and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 9 of these financial statements.

Signed on behalf of the Board of Directors by:

Director: 

Date: 28 August 2015

# INVESTKREDIT FUNDING LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2015

	<u>Notes</u>	<u>30th Jun 15</u>	<u>31st Dec 14</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	2	250,690	3,760,350
<b>Current assets</b>			
Trade and other receivables	3	7,486	-
Cash and cash equivalents	4	20,555	22,838
		28,041	22,838
<b>TOTAL ASSETS</b>		€ 278,731	€ 3,783,188
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	7	10,000	10,000
Capital contribution	15	60,000	-
Retained deficit		( 68,103)	( 29,096)
<b>TOTAL SHAREHOLDERS' EQUITY/(DEFICIT)</b>		1,897	( 19,096)
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	6	250,690	3,760,350
<b>Current liabilities</b>			
Trade and other payables	5	26,144	41,934
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		€ 278,731	€ 3,783,188

The financial statements on pages 4 to 20 were approved and authorised for issue by the Board of Directors on the 28 day of August 2015 and were signed on its behalf by:

For and on behalf of the Board of Directors:



*(The notes on pages 8 to 20 form part of these financial statements)*

**INVESTKREDIT FUNDING LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

	<u>Notes</u>	<u>1st Jan 15 to 30th Jun 15</u>	<u>1st Jan 14 to 30th Jun 14</u>
<b>INCOME</b>			
Deposit interest income		-	22
Gain on revaluation of financial liabilities at fair value through profit or loss	6	3,509,660	2,747,562
		<u>3,509,660</u>	<u>2,747,584</u>
<b>EXPENDITURE</b>			
Loss on revaluation of financial assets at fair value through profit or loss	2	3,509,660	2,747,562
Administration fees		10,984	15,661
Management fees		4,761	-
Professional fees		10,436	21,720
Audit fees		8,953	8,012
Annual filing fee		103	-
International Service Entity fee		137	-
Realised loss on exchange		2,990	923
Bank charges		643	-
Sundry expenses		-	768
		<u>3,548,667</u>	<u>2,794,646</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u>€ ( 39,007)</u>	<u>€ ( 47,062)</u>

**Other comprehensive income**

There were no items of other comprehensive income in either the current period or the prior period.

*(The notes on pages 8 to 20 form part of these financial statements)*

**INVESTKREDIT FUNDING LIMITED**

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**STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

	<u>Share capital</u>	<u>Capital contribution</u>	<u>Retained (deficit)/earnings</u>	<u>Total</u>
Balance at 1st January 2015	10,000	-	( 29,096)	( 19,096)
Total comprehensive loss for the period	-	-	( 39,007)	( 39,007)
Capital contribution received	-	60,000	-	60,000
Balance at 30th June 2015	€ 10,000	€ 60,000	€ ( 68,103)	€ 1,897
Balance at 1st January 2014	10,000	-	48,158	58,158
Total comprehensive loss for the period	-	-	( 47,062)	( 47,062)
Balance at 30th June 2014	€ 10,000	€ -	€ 1,096	€ 11,096

*(The notes on pages 8 to 20 form part of these financial statements)*

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**INVESTKREDIT FUNDING LIMITED**

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**STATEMENT OF CASH FLOWS****FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

	<b>1st Jan 15 to 30th Jun 15</b>	<b>1st Jan 14 to 30th Jun 14</b>
<b>Cash flows from operating activities</b>		
Total comprehensive loss for the period	( 39,007)	( 47,062)
Gain on revaluation of financial liabilities at fair value through profit or loss	( 3,509,660)	( 2,747,562)
Loss on revaluation of financial assets at fair value through profit or loss	3,509,660	2,747,562
Increase in trade and other receivables	( 7,486)	( 2,441)
(Decrease)/increase in trade and other payables	( 15,790)	14,080
<b>Net outflow from operating activities</b>	<b>( 62,283)</b>	<b>( 35,423)</b>
<b>Cash flows from financing activities</b>		
Capital contribution	60,000	-
<b>Net cash flows from financing activities</b>	<b>60,000</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>( 2,283)</b>	<b>( 35,423)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22,838</b>	<b>80,417</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>€ 20,555</b>	<b>€ 44,994</b>

*(The notes on pages 8 to 20 form part of these financial statements)*

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## **INVESTKREDIT FUNDING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

##### **1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value.

##### **Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

##### **Going concern**

The Limited Recourse Notes ("LRN Notes") issued by the Company are perpetual financial instruments as they have no specified maturity date, being redeemable only at the option of the Company. Interests on the LRN Notes are payable on each Interest Payment Date at the rate specified in the Statement of Rights of the LRN Notes as set out in the Offering Circular dated 28th November 2002 (the "OC") if the conditions specified therein are met. The Company's obligation to pay interest on the LRN Notes on any given Dividend Payment Date will at all times be matched by the Company's right to receive an equal and opposite amount from immigon (formerly ÖVAG) under the terms of the Ergänzungskapital Notes ("EKN Notes"). However, in the event that one or more interests are not paid, such interest are non-cumulative (i.e. the right of the holders of the LRN Notes to receive such interest lapses) and no interest is payable on such unpaid interest.

Under Clause 3.4 of the Support Agreement dated 22nd October 2002 between immigon and the Company, immigon has undertaken "to maintain the Company as a subsidiary for so long as any LRN Notes shall remain in issue." Under Clause 2 of the Support Agreement, immigon has agreed to extend all of the obligations assumed by it pursuant to the Support Agreement to and for the benefit of the Company as if the Support Agreement were given by immigon only. Consequently, immigon is responsible for paying any of the Company's expenses that the Company is unable to pay itself and to maintain the Company as a going concern for as long as any LRN Notes remain in issue.

At an Extraordinary General Meeting ("EGM") held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". This was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. Immigon has assumed ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG.

## **INVESTKREDIT FUNDING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

#### **FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

##### **1. ACCOUNTING POLICIES - (CONTINUED)**

###### **Going concern - (continued)**

The process of winding up of immigon is expected to continue until the end of 2017. On 24th April 2015 ÖVAG announced a single entity loss after taxation for the year ended 31st December 2014 of approximately EUR 888 million, resulting in a total net loss (including previous years' losses carried forward of approximately EUR 1.3 billion). In order to be able to continue as going concern, the Company relies on support from immigon (formerly ÖVAG) in its capacity as issuer of the EKN Notes held by the Company; its parent company; and, counterparty to the Support Agreement. As stated above, it is expected that the run down of immigon will take a number of years. Accordingly, the Directors expect the Company to continue in existence for at least 12 months from the signing of these financial statements and therefore consider the Company to be a going concern. As a result these financial statements have been prepared on a going concern basis.

###### **New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current period**

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current period that are relevant and/or material to the Company. Consequently, no such mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory except for IFRS 9 which was adopted during 2014.

###### **Non-mandatory New Accounting Requirements not yet adopted**

In the Directors' opinion, there are no non-mandatory New Accounting Requirements that are either permitted to be adopted, or would have a material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no such non-mandatory New Accounting Requirements have either been adopted, or listed.

###### **Use of estimates, judgements and assumptions**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of uncertainty and critical judgements are surrounding the fair value estimation. Further details in relation to the key assumptions made in determining fair value are disclosed in the "Fair value estimation" accounting policy and in note 9.

###### **Fair value estimation**

The fair value estimation methodology is explained in note 9.

## **INVESTKREDIT FUNDING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

#### **FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

##### **1. ACCOUNTING POLICIES - (CONTINUED)**

###### **Financial assets at fair value through profit or loss**

In accordance with IFRS 9, the Company classifies the EKN Notes as financial assets measured at fair value through profit or loss ("FVTPL") as the contractual terms of the EKN Notes do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model adopted by the Company does not include the sale of financial assets. The relevant contractual terms are: (i) the fact that interest may only be paid on the EKN Notes to the extent that it is covered by distributable funds at immigon (previously ÖVAG); and (ii) the fact that, prior to the liquidation of immigon, the EKN Notes may only be redeemed subject to a pro rata deduction from the principal outstanding on the EKN Notes of the net losses of immigon which have accrued since the issue date of the EKN Notes. The EKN Notes are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Upon initial recognition, the EKN Notes are measured at fair value excluding transaction costs that are directly attributable to the acquisition of such assets. Subsequently, they are measured at fair value with changes thereof being recognised directly in the statement of comprehensive income. Financial assets at FVTPL are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership.

###### **Impairment**

As required by IAS 39 and IFRS 9, all financial assets, except those carried at fair value through profit or loss, are subject to review for impairment at each reporting date. However, the Company's only material financial assets (the "EKN Notes") are classified as at FVTPL and are therefore not subject to review for impairment.

###### **Financial liabilities at fair value through profit or loss**

The LRN Notes are designated at FVTPL, as permitted under IFRS 9, in order to eliminate the accounting mismatch that would otherwise occur in the Company's statement of financial position and statement of comprehensive income if the EKN Notes were to be measured at FVTPL whilst the LRN Notes would otherwise be measured at amortised cost. Consequently the LRN Notes are initially and subsequently measured at FVTPL. The Directors have considered the characteristics of the LRN Notes, and the requirements of "Financial Instruments: Presentation" ("IAS 32"), and consider that the most appropriate classification of these securities is debt. Therefore, the LRN Notes are presented within non-current liabilities in the statement of financial position. Financial liabilities at FVTPL are recognised on the trade date and derecognised when the Company has transferred substantially all of its financial obligations relating thereto.

###### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

###### **Trade and other receivables and payables**

Trade and other receivables and payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

###### **Capital contribution**

The Company received a non-recurring and non-repayable amount of EUR 60,000 from ÖVAG on 19th February 2015 in order to strengthen the Company's liquidity and equity. This amount has been classified as a capital contribution received.

## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 1. ACCOUNTING POLICIES - (CONTINUED)

##### Stated capital

Ordinary shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

##### Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

##### Foreign currency translation

###### *a) Functional currency and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is Euro. The financial statements are presented in Euro, which is the Company's functional and presentation currency.

###### *b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the statement of financial position date of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform a regular review of the operating results of the Company and make decisions using financial information at the entity level. Accordingly, the Directors believe that the Company has only one operating segment (see note 10).

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

#### 2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>30th Jun 15</u>	<u>31st Dec 14</u>
25,069 Ergänzungskapital Notes of €1,000 each (2014: 25,069)		
Opening balance	3,760,350	8,418,170
Loss on revaluation of financial assets at fair value through profit or loss	( 3,509,660)	( 4,657,820)
Closing balance	€ 250,690	€ 3,760,350

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## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The proceeds of the issue of LRN Notes were used to purchase a Certificate of Deposit from Investkredit International Bank plc ("IIB"). IIB's parent company, Investkredit Bank AG, merged with ÖVAG in 2012. Subsequently, on 5th October 2012 the Company agreed to the cancellation of €24,931,000 nominal amount of the Certificate of Deposit in consideration for the cancellation of €24,931,000 nominal amount of LRN Notes held by ÖVAG. On 25th February 2013 the Company acquired €25,069,000 nominal amount of EKN Notes issued by ÖVAG in exchange for the cancellation of the remaining €25,069,000 nominal amount of Certificate of Deposit issued by IIB.

Interest is receivable on the EKN Notes at a rate of 3 month Euribor plus 1.75% and is due quarterly in arrears on each 31st March, 30th June, 30th September and 31st December. Interest income on the EKN Notes is non-cumulative. The EKN Notes have no scheduled maturity date.

At an Extraordinary General Meeting ("EGM") held on 23rd December 2014, the shareholders of ÖVAG approved a proposal to demerge ÖVAG and subsequently to become a "run down company". This was unanimously resolved at the Annual General Meeting held on 28th May 2015 and the legal split was completed on 4th July 2015, on which date ÖVAG surrendered its banking licence. Part of the business transferred to Volksbank Wien-Baden AG, while the remainder will continue to operate as a wind-down company under the name immigon portfolioabbau ag ("immigon") in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks. Immigon will be responsible for managing its assets with the aim of ensuring the orderly, active and value-preserving wind-down of its assets. Immigon has assumed ÖVAG's liabilities under the EKN Notes together with other supplementary capital and equity capital of ÖVAG.

On 24th April 2015 ÖVAG announced a single entity loss after taxation for the year ended 31st December 2014 of approximately EUR 888 million, resulting in a total net loss (including previous years' losses carried forward of approximately EUR 1.3 billion. The Directors have been informed that no future profits are currently expected in the wind-down unit. However, no net losses have currently been allocated to the EKN Notes issued by Investkredit Bank AG (merged into ÖVAG on 16th September 2012). ÖVAG has informed the Directors that the ultimate redemption amount that will be receivable on the EKN Notes (and therefore payable on the LRN Notes) upon liquidation of ÖVAG is currently highly uncertain, but it remains possible that such redemption amount currently could potentially amount to the full nominal value of the LRN Notes, even if the probability of such an outcome might be considered to be uncertain if the current market price of the LRN Notes is assumed to represent a reasonable approximation of the net present value of the projected cash flows payable on the LRN Notes.

#### 3. TRADE AND OTHER RECEIVABLES

	<u>30th Jun 15</u>	<u>31st Dec 14</u>
Prepayments	€ 7,486	€ -

#### 4. CASH AND CASH EQUIVALENTS

	<u>30th Jun 15</u>	<u>31st Dec 14</u>
Current account	€ 20,555	€ 22,838

## INVESTKREDIT FUNDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

5. TRADE AND OTHER PAYABLES	<u>30th Jun 15</u>	<u>31st Dec 14</u>
Administration fees	12,456	22,658
Management fees	-	1,503
Audit fees	12,901	16,752
Professional fees	787	719
Other charges	-	302
	<u>€ 26,144</u>	<u>€ 41,934</u>

6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	<u>30th Jun 15</u>	<u>31st Dec 14</u>
25,069 Perpetual Subordinated Non-Cumulative Limited Recourse Notes of €1,000 each (2014: 25,069)		
Opening balance	3,760,350	8,418,170
Gain on revaluation of financial liabilities at fair value through profit or loss	( 3,509,660)	( 4,657,820)
Closing balance	<u>€ 250,690</u>	<u>€ 3,760,350</u>

The Company issued 50,000 Perpetual Subordinated Non-Cumulative Limited Recourse Notes (the "LRN Notes") at an issue price of €1,000 per LRN Note. The LRN Notes have no fixed maturity date and are redeemable, at par value, only at the option of the Company, on any interest payment date falling on or after 31st December 2008. The LRN Notes are dually listed on the Vienna Stock Exchange and Frankfurt Stock Exchange.

No redemption of LRN Notes may take place if the Company has insufficient distributable funds to pay the Redemption Price of the LRN Notes and to pay in full the corresponding interest, accrued and unpaid. As at 30th June 2015, the nominal amount of LRN Notes outstanding was €25,069,000 (2014: €25,069,000).

Interest will accrue on the LRN Notes at a rate per annum equal to 3 month Euribor plus 1.65% and is payable quarterly in arrears. Interest payments are only made to the extent that (a) the Issuer has sufficient distributable funds and (b) ÖVAG has an amount of distributable profits for its preceding fiscal year at least equal to the aggregate amount of such interest payments on the LRN Notes and dividends or other distributions or payments on Parity Securities, if any, pro rata on the basis of distributable profits for such preceding fiscal year. The holders of the LRN Notes will have no right to receive payment in respect of any missed or reduced interest payments.

Despite sufficient distributable funds of the Company and sufficient distributable profits of ÖVAG, the Company shall not be required to make interest payments on the LRN Notes on any Payment Date to the extent that, pursuant to applicable Austrian banking regulations affecting banks which fail to meet their capital ratios on a consolidation basis, the Bank would be limited in making payments on the LRN Notes or Parity Securities, or if on such date, there is in effect an order of the Regulatory Authority prohibiting the Bank from making any distribution or profits. Interest on the LRN Notes is non-cumulative.

ÖVAG has entered into a Support Undertaking whereby ÖVAG undertakes to ensure that the Company will at all times be in a position to meet its net obligations. The Support Undertaking has been amended in 2012 to enable the partial cancellation of the EKN Notes. After the demerger of ÖVAG on 4th July 2015, immigon has assumed the obligations of ÖVAG under the Support Undertaking and will continue to ensure that the Company will be able to meet its obligations.

## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

7. STATED CAPITAL	<u>30th Jun 15</u>	<u>31st Dec 14</u>
AUTHORISED, ISSUED AND FULLY PAID:		
10,000 €1 par value Ordinary Shares issued for €1 each	€ 10,000	€ 10,000

These shares entitle holders to voting rights at any general meeting of the Company, to ordinary dividends as may be declared by the Directors from time to time, and to participate in the winding up of the Company.

#### Capital management

The Company is not exposed to externally imposed capital requirements. The Company manages its finances in order to ensure that there is sufficient capital, in the opinion of the Directors, to support the transactions and level of business undertaken by the Company.

#### 8. TAXATION

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0% (2014: 0%).

#### 9. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing those risks. This note also provides further quantitative disclosures in relation to the Company's financial instruments.

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board deems its sole involvement as sufficient to monitor the risks faced by the Company and need not delegate any specific duties to Board committees.

The principal activity of the Company is the issue of LRN Notes. The proceeds from the issue have been used to acquire EKN Notes. Therefore, the role of financial assets and financial liabilities is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company along with the income and expenditure.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk.

All short-term receivables, payables and cash have been excluded from the following disclosures.

## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 9. FINANCIAL INSTRUMENTS - (CONTINUED)

##### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the EKN Notes held by the Company.

The Directors believe that there is no net material credit risk to the Company since its obligations to holders of the LRN Notes are limited to the amounts due and receivable under the EKN Notes. The Company therefore has no net exposure to any non-performing financial agreements or credit risk. The Company's gross maximum exposure to credit risk is the equivalent of the nominal amount of the Notes, €25,069,000 (2014: €25,069,000). All credit risk is ultimately borne by the holders of the LRN Notes. See note 2 for the credit risk associated with immigon.

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Distribution payments under the LRN Notes are non-cumulative, and are limited to amounts receivable from under the EKN Notes. As disclosed in note 1, the EKN Notes are held in the wind down company, immigon, after the demerger of ÖVAG. Immigon is not expected to generate profit and therefore the Company is not expecting to pay any distributions to the LRN Notes.

Due to the nature of the Company's operations, the Directors consider the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest on the LRN Notes. The timing of its cash outflows fall due on the same dates as the cash inflows from the EKN Notes. The Directors consider its available cash resources, the support received under the Support Agreement and the capital contribution received (see note 15 for further details) as sufficient. Any liquidity risk is ultimately borne by the holders of the LRN Notes.

The contractual undiscounted maturity profile of the Company's financial assets and liabilities is as follows:

	<u>30th Jun 15</u>	<u>31st Dec 14</u>
Financial assets at fair value through profit or loss		
No contractual maturity (note 2)	€ 25,069,000	€ 25,069,000
Financial liabilities at fair value through profit or loss		
No contractual maturity (note 6)	€ ( 25,069,000)	€ ( 25,069,000)

As the maturity date of the liabilities is directly linked to the maturity date of the assets, the Directors believe that there is no significant net liquidity risk to the Company.

##### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.



## INVESTKREDIT FUNDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 9. FINANCIAL INSTRUMENTS - (CONTINUED)

##### Market risk - (continued)

Due to the structure of the Company's assets and liabilities, particularly the back to back terms and conditions of the principal financial assets and liabilities, the Directors consider the Company's net exposure to market risk to be insignificant, with the main risks being discussed below.

##### Interest rate risk

Interest rate risk occurs when there is a mismatch between the interest rates of the Company's assets and liabilities.

The Company finances its operations through the issue of LRN Notes. Interest is payable on the LRN Notes at 3 month Euribor plus 1.65% whilst interest is receivable on the EKN Notes at 3 month Euribor plus 1.75%. Therefore, the amount by which the Company's interest income will exceed its interest expense is fixed at 0.10%. Also, interest will not be payable unless there are sufficient distributable funds to do so. Accordingly, the Directors believe that there is no material net interest rate risk to the Company and all interest rate risk is borne by the LRN Note holders.

The interest rate profile of the Company's financial assets and liabilities is as follows:

			<u>30th Jun 15</u>		<u>31st Dec 14</u>
	Interest charging basis	Effective interest rate	Carrying value	Effective interest rate	Carrying value
<i>Financial assets:</i>					
Financial assets at fair value through profit or loss	Floating	Euribor + 1.75%	€ 250,690	Euribor + 1.75%	€ 3,760,350
<i>Financial liabilities:</i>					
Financial liabilities at fair value through profit or loss	Floating	Euribor + 1.65%	€ 250,690	Euribor + 1.65%	€ 3,760,350

##### Interest rate risk - sensitivity analysis

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." From the Company's perspective any change in the interest rate attached to the EKN Notes would be matched by an equal and opposite change in the interest rate attached to the LRN Notes. Consequently a change in interest rates would have no significant net effect on profit or loss and/or equity. Therefore, in the Directors' opinion, no sensitivity analysis in respect of interest rates is required to be disclosed.

##### Currency rate risk

Currency rate risk occurs when there is a mismatch between the currencies of the Company's assets and liabilities.

Substantially all of the Company's assets and liabilities are denominated in Euro, consequently, the Directors believe that there is no material currency risk to the Company or to the holders of the LRN Notes.

## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 9. FINANCIAL INSTRUMENTS - (CONTINUED)

##### Currency rate risk - (continued)

	<u>30th Jun 15</u>		<u>31st Dec 14</u>	
<i>Denominated in Euro:</i>				
Financial assets at fair value through profit or loss	€	250,690	€	3,760,350
Financial liabilities at fair value through profit or loss	€	(250,690)	€	(3,760,350)

##### Counterparty risk

Counterparty risk is the risk that a party to an agreement with the Company fails to meet its obligations.

If the proceeds of the EKN Notes on redemption were to be insufficient to meet the Company's obligations on maturity of the LRN Notes, the Company would rely upon the Support Agreement with immigon (formerly ÖVAG) up to the demerger on 15th July 2015. After the demerger, the Company relies on the "run down entity", immigon, to meet its obligations. Accordingly, the Company bears significant counterparty risk exposure to immigon (formerly ÖVAG).

Fitch downgraded the credit rating of ÖVAG on 10th February 2014 from BBB- to B with a negative outlook. On 15th June 2015, Moody's downgraded the long term credit rating of ÖVAG from B2 to Caa1. These credit ratings have been maintained by immigon after the demerger.

In the Directors' opinion, the amounts payable by the Company under the LRN Notes are linked, in commercial substance, to the amounts receivable by the Company from the EKN Notes and/or the Support Agreement. Therefore, in the Directors' opinion, despite the Company's exposure to counterparty risk with respect to immigon, there is no net material counterparty risk to the Company and all counterparty risk is ultimately borne by the LRN Note holders.

##### Fair values

The fair values of the Company's assets and liabilities are as follows:

	<u>30th Jun 15</u>		<u>31st Dec 14</u>	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through profit or loss	<u>250,690</u>	<u>€ 250,690</u>	<u>€ 3,760,350</u>	<u>€ 3,760,350</u>
Financial liabilities at fair value through profit or loss	<u>( 250,690)</u>	<u>€ ( 250,690)</u>	<u>€ ( 3,760,350)</u>	<u>€ ( 3,760,350)</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

**FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

**9. FINANCIAL INSTRUMENTS - (CONTINUED)**

**Fair values - sensitivity analysis**

Market participants will make assumptions about future interest rates when determining the quoted prices observed for the LRN Notes. The fair values of the LRN Notes as at 30th June 2015 and 31st December 2014 were derived from quoted prices. Any change in the fair value of the LRN Notes will be matched by an equal and opposite change in the fair value of the EKN Notes and therefore on this basis the Directors do not deem it necessary to disclose a fair value sensitivity analysis as at 30th June 2015 and 31st December 2014.

**Fair value estimation and hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

The fair value of the LRN Notes as at 30th June 2015 was obtained directly from closing quoted market price reported on the Frankfurt Stock Exchange. As at 31st December 2014, the Directors based the fair value of the LRN Notes on an unadjusted traded price of 15% which was observed on the Frankfurt stock exchange on 12th January 2015 being the trade date closest to the year end. Given the lack of observable prices as at 31st December 2014, the Directors consider this the most appropriate estimate of the fair value at 31st December 2014.

The EKN Notes are neither quoted nor traded in an active market, being held exclusively by the Company. Consequently, no quoted market price exists for the EKN Notes. The terms of the EKN Notes are identical in all material respects to those of the LRN Notes except for the fact that the LRN Notes bear interest at the 3 months Euribor plus a margin of 1.65%, whilst the EKN Notes bear interest at the 3 months Euribor plus a margin of 1.75%. Accordingly, in the Directors' opinion the fair value of the EKN Notes is estimated to be equal and opposite to the fair value of the LRN Notes.

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active;

Level 3 – Inputs that are not based upon observable market data.

## INVESTKREDIT FUNDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015

#### 9. FINANCIAL INSTRUMENTS - (CONTINUED)

##### Fair value estimation and hierarchy - (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "active" and/or "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

The LRN Notes are classified within Level 2 (2014: Level 2) of the fair value hierarchy on the basis that the fair value was derived from an observable price in a market at the period end.

The EKN Notes are classified within Level 2 (2014: Level 2) of the fair value hierarchy on the basis that the fair value of the EKN Notes has been determined directly from the fair value of the LRN Notes, which is a Level 2 fair value.

The Directors apply transfers between levels in the fair value hierarchy as at the end of each reporting period. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements during the period or in the prior year.

#### 10. OPERATING SEGMENTS

##### *Geographical information*

All of the Company's revenues are generated from external sources which are analysed as follows:

	<u>30th Jun 15</u>		<u>30th Jun 14</u>
Austria	€	-	€ 22

##### *Non-current assets*

The Company does not have any non-current assets other than the financial asset at fair value through profit or loss.

##### *Major investment company*

The Company's note interest income is derived solely from immigon (formerly ÖVAG), the issuer of the EKN Notes.

#### 11. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Company is owned by immigon (formerly ÖVAG), which owns 100% of the issued ordinary shares of the Company.

## **INVESTKREDIT FUNDING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

#### **FOR THE PERIOD 1ST JANUARY 2015 TO 30TH JUNE 2015**

#### **12. RELATED PARTIES**

During the period, Sanne Corporate Services Limited ("SCSL") and Sanne Secretaries Limited ("SSL") provided administration and/or secretarial services respectively to the Company at commercial rates. SCSL was a subsidiary of Sanne Fiduciary Services Limited ("SFSL") until 31st July 2015 when SCSL and SFSL merged and SSL is a subsidiary of SFSL. Each of SCSL, SSL and SFSL is a member of the "Sanne Group" (where the "Sanne Group" means Sanne Group PLC and all of its subsidiaries and affiliates of the same). C.D. Ruark is a Director and/or employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group.

A. Hikade and K. Kinsky are employees of ÖVAG.

J. Gaugusch and M. Wiebogen are employees of immigon.

In the Directors' opinion, there are no additional related party transactions that require disclosure, other than those in notes 2, 5, 6, 11 and 13. Administration fees & management fees payable during the period are disclosed on the face of the statement of comprehensive income.

#### **13. COMPANY EXPENSES**

Under the terms of the Support Agreement between the Company and immigon, the Company's expenses are met by immigon to the extent that the Company has insufficient funds to meet its own expenses.

#### **14. KEY MANAGEMENT PERSONNEL**

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Company. Accordingly, no emoluments in respect of the Directors applicable to the Company have been disclosed.

#### **15. CAPITAL CONTRIBUTION**

The Company received a non-recurring and non-repayable amount of EUR 60,000 from ÖVAG on 19th February 2015 in order to strengthen the Company's liquidity and equity.

#### **16. CONTINGENT LIABILITIES**

The Company has received notice of legal proceedings, initiated by certain holders of the LRN Notes, challenging both the basis of the merger between Investkredit Bank AG and ÖVAG in 2012 and the basis of the demerger of ÖVAG into Volksbank Wien-Baden AG and immigon. The Directors are unable to make an objective estimate of the likely outcome of this litigation, nor the likely legal costs that might be incurred. In accordance with the Support Undertaking, to the extent that the Company is unable to meet any legal costs that might be incurred, such costs will be met by immigon and are therefore not recognised in these financial statements.

#### **17. EVENTS AFTER THE YEAR END**

There were no events subsequent to the statement of financial position date, which require adjustments to, or disclosure in, the financial statements.