

**BA-CA Finance (Cayman) Limited**

**Financial Statements**  
**for the year ended December 31, 2011**  
**And Independent Auditors' report**

## **BA-CA FINANCE (CAYMAN) LIMITED**

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**Independent Auditors' Report to the Shareholder**

To the Shareholder of  
**BA-CA Finance (Cayman) Limited**

We have audited the accompanying financial statements of BA-CA Finance (Cayman) Limited (the "Company"), which comprise the statement of financial position as at December 31, 2011, and the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

June 14, 2012

**BA-CA Finance (Cayman) Limited**  
**Statement of Financial Position**  
**December 31, 2011**  
*(stated in Euro)*

	Note	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Subordinated deposit	3,6	€ 245,000,000	€ 245,000,000
Term deposit		3,778,883	3,757,708
Interest receivable	3	1,331,340	1,412,242
Due from Parent	5	<u>1,139,321</u>	<u>422,396</u>
		<u>€ 251,249,544</u>	<u>€ 250,592,346</u>
<b>LIABILITIES</b>			
Hybrid subordinated securities (net of unamortised transaction costs of €1,447,873 (2010: €1,962,873))	4,6	€ 248,552,127	€ 248,037,127
Interest payable		1,177,863	1,274,740
Other liabilities		<u>8,729</u>	<u>8,076</u>
		<u>249,738,719</u>	<u>249,319,943</u>
<b>SHAREHOLDER'S EQUITY</b>			
Ordinary shares, €1 par value 15,000 shares authorised and outstanding	7	15,000	15,000
Retained earnings		<u>1,495,825</u>	<u>1,257,403</u>
		<u>1,510,825</u>	<u>1,272,403</u>
		<u>€ 251,249,544</u>	<u>€ 250,592,346</u>

*See accompanying notes to financial statements.*

Approved on behalf of the Board on June 14, 2012

NICOLA CORSETTI  
 \_\_\_\_\_ Director

JOSEF DUREGGER  
 \_\_\_\_\_ Director

**BA-CA Finance (Cayman) Limited**  
**Statement of Comprehensive Income**  
**Year ended December 31, 2011**  
*(stated in Euro)*

	Note	<u>2011</u>	<u>2010</u>
<b>INCOME</b>			
Interest income	3,5	€ <u>8,944,024</u>	€ <u>9,213,685</u>
<b>EXPENSES</b>			
Interest expense	4	<u>8,660,623</u>	<u>8,955,553</u>
Administrative expenses	5	<u>44,979</u>	<u>39,284</u>
		<u>8,705,602</u>	<u>8,994,837</u>
<b>NET INCOME</b>		€ <u><u>238,422</u></u>	€ <u><u>218,848</u></u>

*See accompanying notes to financial statements.*

**BA-CA Finance (Cayman) Limited**  
**Statement of Changes in Shareholder's Equity**  
**Year ended December 31, 2011**  
*(stated in Euro)*

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
As at December 31, 2009	€ 15,000	1,038,555	1,053,555
Net income for the year	-	218,848	218,848
<b>As at December 31, 2010</b>	<b>€ 15,000</b>	<b>1,257,403</b>	<b>1,272,403</b>
Net income for the year	-	238,422	238,422
<b>As at December 31, 2011</b>	<b>€ 15,000</b>	<b>1,495,825</b>	<b>1,510,825</b>

*See accompanying notes to financial statements.*

**BA-CA Finance (Cayman) Limited**  
**Statement of Cash Flows**  
**Year ended December 31, 2011**  
*(stated in Euro)*

	<u>2011</u>	<u>2010</u>
<b>CASH PROVIDED BY/(USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income	€ 238,422	€ 218,848
Adjustment for item not affecting cash:		
Amortisation of transaction costs relating to the issuance of hybrid subordinated securities	515,000	515,000
Changes in operating assets and liabilities:		
Term deposits	(21,175)	(286,645)
Interest receivable	80,902	349,063
Other assets	(716,925)	(422,396)
Interest payable	(96,877)	(353,197)
Other liabilities	<u>653</u>	<u>20,748</u>
<b>CHANGE IN CASH</b>	-	(75)
<b>CASH, BEGINNING OF YEAR</b>	<u>-</u>	<u>75</u>
<b>CASH, END OF YEAR</b>	<u>€ -</u>	<u>€ -</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest received	9,024,926	9,562,748
Interest paid	<u>€ (8,757,500)</u>	<u>€ (9,308,750)</u>

*See accompanying notes to financial statements.*

# **BA-CA Finance (Cayman) Limited**

## **Notes to Financial Statements**

**December 31, 2011**

*(stated in Euro)*

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### **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.

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 Company’s 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 (“IFRS”). The accounting policies have been applied consistently by the Company and are consistent with those used in previous years.

#### ***(b) Basis of preparation***

The financial statements are presented in Euro.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



**BA-CA Finance (Cayman) Limited**  
**Notes to Financial Statements (continued)**  
**December 31, 2011**  
*(stated in Euro)*

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**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* ("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.

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) 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.

*(g) Identification and measurement of impairment*

The subordinated deposit, carried in the statement of financial position at cost, is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset would be considered impaired when objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

**BA-CA Finance (Cayman) Limited**  
**Notes to Financial Statements (continued)**  
**December 31, 2011**  
*(stated in Euro)*

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**2. Significant accounting policies (continued)**

*(g) Identification and measurement of impairment (continued)*

Objective evidence that the subordinated deposit is impaired include significant financial difficulties of the Parent, default or delinquency by the Parent, restructuring of amount due on terms that the Company would not consider otherwise, indications that the Parent will enter bankruptcy, or adverse changes in the payment status of the Parent other than those allowed by the Deposit Agreement (Note 3).

An impairment loss in respect of a financial asset carried at cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**3. Subordinated deposit**

Upon receipt of proceeds from issuance of the hybrid subordinated securities, the Company deposited an amount of €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. At December 31, 2011, €1,311,535 (2010: €1,408,451) of interest is receivable by the Company and included in interest receivable on the accompanying statement of financial position. During the year ended December 31, 2011 the Company earned €8,906,835 (2010: €9,203,248) in interest which is included in interest income on the accompanying statement of comprehensive income.

**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.

These securities are redeemable at the option of the Company, subject to the prior consent of UniCredit Bank Austria AG.

**BA-CA Finance (Cayman) Limited**  
**Notes to Financial Statements (continued)**  
**December 31, 2011**  
*(stated in Euro)*

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**4. Hybrid subordinated securities (continued)**

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. 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.

**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 €1,139,321 as at December 31, 2011 (2010: €422,396).

The Company paid administrative fees of €25,000 in each of 2011 and 2010 to the Parent. These amounts are included in administrative expenses.

**6. Fair value disclosure of financial instruments**

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

**BA-CA Finance (Cayman) Limited**  
**Notes to Financial Statements (continued)**  
**December 31, 2011**  
*(stated in Euro)*

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**6. Fair value disclosure of financial instruments (continued)**

The carrying and fair values of certain financial instruments as of December 31, 2011 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	€ 245,000,000	€ 75,134,150
<u>Liabilities:</u>		
Hybrid subordinated securities	248,552,127	76,667,500

The carrying and fair values of certain financial instruments as of December 31, 2010 are summarised as follows:

<u>Assets:</u>		
Subordinated deposit	€ 245,000,000	€ 134,750,000
<u>Liabilities:</u>		
Hybrid subordinated securities	248,037,127	137,500,000

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.

**BA-CA Finance (Cayman) Limited**  
**Notes to Financial Statements (continued)**  
**December 31, 2011**  
*(stated in Euro)*

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**6. Fair value disclosure of financial instruments (continued)**

*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. Share capital**

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		2011	2010
Authorised:			
15,000 shares of €1 each	€	15,000	15,000
Allotted, called up and fully paid:			
15,000 shares	€	15,000	15,000

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**8. Subsequent events**

On March 20, 2012, the Parent suspended the April 28, 2012 and October 28, 2012 payments of interest to the Company on a subordinated deposit. Suspension was allowed by Clause 3.4 of the Deposit Agreement between the two parties. On March 20, 2012, in accordance with Clause 2.1.1 of the support agreement with Unicredit Bank Austria AG (“Unicredit”), the Company has requested Unicredit make sufficient funds available to satisfy the Company’s dividend obligations. The request was approved and funds received by the Company on April 30, 2012.