

BA-CA Finance (Cayman) (2) Limited

**Financial Statements for the year ended December 31, 2007
And Independent Auditor's report**



KPMG

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Independent Auditor's Report to the Shareholder

To the Shareholder of
BA-CA Finance (Cayman) (2) Limited

We have audited the accompanying financial statements of BA-CA Finance (Cayman) (2) Limited ("the Company"), which comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in shareholder's equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corresponding figures for December 31, 2006, were audited by another firm of chartered accountants whose report dated February 15, 2007, expressed an unqualified opinion.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 of 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 principles 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 opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

February 14, 2008

BA-CA Finance (Cayman) (2) Limited

Balance Sheet

December 31, 2007 (with corresponding figures at December 31, 2006)

(stated in Euro)

	Note	<u>2007</u>	<u>2006</u>
ASSETS			
Cash	5	€ 688,609	€ 276,111
Subordinated deposit	3,6	147,000,000	147,000,000
Interest receivable		<u>5,385,463</u>	<u>5,010,023</u>
		<u>€ 153,074,072</u>	<u>€ 152,286,134</u>
LIABILITIES			
Hybrid subordinated securities (net of unamortised transaction costs of €2,250,371) (2006: €2,565,198)	2(e), 4,6	€ 147,749,629	€ 147,434,802
Interest payable		5,047,575	4,672,088
Other liabilities		<u>7,851</u>	<u>5,350</u>
		<u>152,805,055</u>	<u>152,112,240</u>
SHAREHOLDER'S EQUITY			
Ordinary shares €1 par value 15,000 shares authorised and outstanding	7	15,000	15,000
Retained earnings		<u>254,017</u>	<u>158,894</u>
		<u>269,017</u>	<u>173,894</u>
		<u>€ 153,074,072</u>	<u>€ 152,286,134</u>

See accompanying notes to financial statements

Approved on behalf of the Board on February 14, 2008

NICOLA CORSETTI

Director

BA-CA Finance (Cayman) (2) Limited

Statement of Income

Year ended December 31, 2007 (with corresponding figures for the year ended December 31, 2006)

(stated in Euro)

	Note	<u>2007</u>	<u>2006</u>
INCOME			
Interest income	3,5	<u>€ 6,839,985</u>	<u>€ 7,639,485</u>
EXPENSES			
Interest expense	4	6,718,816	7,518,965
Administrative expenses	5	<u>26,046</u>	<u>29,206</u>
		<u>6,744,862</u>	<u>7,548,171</u>
NET INCOME		<u>€ 95,123</u>	<u>€ 91,314</u>

See accompanying notes to financial statements

BA-CA Finance (Cayman) (2) Limited

Statement of Changes in Shareholders' Equity

Year ended December 31, 2007 (with corresponding figures for the year ended December 31, 2006)

(stated in Euro)

	Share capital	Retained earnings	Total
As at December 31, 2006	15,000	158,894	173,894
Net income for the year	-	95,123	95,123
As at December 31, 2007	15,000	254,017	269,017

	Share Capital	Retained earnings	Total
As at December 31, 2005	15,000	67,580	82,580
Net income for the year	-	91,314	91,314
As at December 31, 2006	15,000	158,894	173,894

See accompanying notes to financial statements

BA-CA Finance (Cayman) (2) Limited

Statement of Cash Flows

Year ended December 31, 2007 (with corresponding figures for the year ended December 31, 2006)

(stated in Euro)

	<u>2007</u>	<u>2006</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	€ 95,123	€ 91,314
Adjustment for item not affecting cash:		
Amortisation of transaction costs relating to the issuance of hybrid subordinated securities	314,827	314,827
Changes in operating assets and liabilities:		
Interest receivable	(375,440)	5,020,890
Interest payable	375,487	(4,987,292)
Other liabilities	<u>2,501</u>	<u>(170,112)</u>
	<u>412,498</u>	<u>269,627</u>
CHANGE IN CASH	412,498	269,627
CASH, BEGINNING OF YEAR	<u>276,111</u>	<u>6,484</u>
CASH, END OF YEAR	<u>€ 688,609</u>	<u>€ 276,111</u>
SUPPLEMENTARY INFORMATION		
Interest received	6,464,545	(12,660,375)
Interest paid	(6,028,502)	(12,191,430)

See accompanying notes to Financial Statements

BA-CA Finance (Cayman) (2) Limited

Notes to Financial Statements

December 31, 2007

(stated in Euro)

1. The Company and its principal activity

BA-CA Finance (Cayman) (2) Limited (the “Company”) is a wholly owned subsidiary of UniCredit Bank Cayman Islands Ltd. (the “Parent”) and an indirect wholly-owned subsidiary of Bank Austria Creditanstalt AG. With effect from November 2, 2007, the sole shareholder to the Company changed its name from Bank Austria Cayman Islands Ltd. to UniCredit Bank Cayman Islands Ltd.

The Company was incorporated in the Cayman Islands on January 27, 2005 for an unlimited duration and with limited liability under the Companies Law of the Cayman Islands. By written resolution dated February 1, 2005, the Company changed its name from BA-CA Finance (Cayman) II Limited to BA-CA Finance (Cayman) (2) Limited.

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 Bank Austria Creditanstalt 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 March 1, 2025. No such taxes are levied in the Cayman Islands at the present time.

As at December 31, 2007 the Company had no employees. The Company’s registered office is located at 238 North Church Street, P.O. Box 31302, George Town, Grand Cayman.

2. Summary of 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 judgements, 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 judgements 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) (2) Limited

Notes to Financial Statements

December 31, 2007

(stated in Euro)

2. Significant accounting policies (continued)

(c) Cash

Cash comprises balances held with the Parent which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(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 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.

3. Subordinated deposit

Upon receipt of proceed from issuance of the Hybrid Subordinated Securities, the Company deposited an amount of €147,000,000 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 bore interest at 7.95% per annum until March 22, 2006; thereafter such deposit bears interest at a variable rate as stipulated in the subordinated deposit agreement (the "Deposit Agreement") dated February 18, 2005.

The deposit is repayable solely at the option of the Parent.

4. Hybrid subordinated securities

On February 22, 2005 the Company issued 150,000 Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preferred Securities at € 1,000 each. These securities are listed on Euronext Amsterdam N.V.

BA-CA Finance (Cayman) (2) Limited

Notes to Financial Statements (continued)

December 31, 2007

(stated in Euro)

5. Hybrid subordinated securities (continued)

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

The hybrid subordinated securities entitle holders to receive non-cumulative preferential cash dividends subject to certain limitations. These limitations identified in the offering circular (dated February 18, 2005).

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

For the period from (and including) February 22, 2005 to (but excluding) March 22, 2006, the preferential cash dividends were calculated at a rate of 7.5% per annum; after March 21, 2006, the preferential cash dividends were calculated at a variable rate as stipulated in the offering circular dated February 18, 2005. Dividends are payable annually in arrear with the first payment having been made as scheduled on March 22, 2006.

These securities were issued with the benefit of a support agreement entered into with Bank Austria Creditanstalt 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, Bank Austria Creditanstalt AG will make available to the Company sufficient funds to enable it to meet its payment obligations.

5. Related party transactions

Interest income and accrued interest is comprised of interest earned on the subordinated deposit held with the Parent. The Company had cash on deposit with the Parent in the amount of €688,609 and €276,111 at December 31, 2007 and 2006, respectively.

The Company paid administrative fees of €15,000 in each of 2007 and 2006 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 exchange-traded securities is based on current market quotations.

The carrying and fair values of certain financial instruments as of December 31, 2007 are summarised as follows:

BA-CA Finance (Cayman) (2) Limited

Notes to Financial Statements

December 31, 2007

(stated in Euro)

6. Fair value disclosure of financial instruments (continued)

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	€ 147,000,000	€ 101,482,488

Liabilities:

Hybrid subordinated securities	147,749,629	102,000,000
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The carrying and fair values of certain financial instruments as of December 31, 2006 are summarised as follows:

	<u>Carrying value</u>	<u>Fair value</u>
<u>Assets:</u>		
Subordinated deposit	€ 147,000,000	€ 121,889,471

Liabilities:

Hybrid subordinated securities	147,434,802	122,250,000
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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 our 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) (2) Limited

Notes to Financial Statements

December 31, 2007

(stated in Euro)

6. Fair value disclosure at 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

		2007	2006
Authorised			
15,000 shares of Euro 1 each	€	15,000	15,000
Allotted, called up and fully paid:			
15,000 shares	€	15,000	15,000