

**RZB FINANCE (JERSEY) III LIMITED**  
**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30TH JUNE 2019**

## **RZB FINANCE (JERSEY) III LIMITED**

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## **RZB FINANCE (JERSEY) III LIMITED**

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### **REPORT OF THE DIRECTORS**

The Directors present their interim report and the unaudited financial statements of RZB Finance (Jersey) III Limited (the "Company") for the period ended 30th June 2019.

#### **INCORPORATION**

The Company was incorporated in Jersey, Channel Islands on 30th April 2004.

#### **ACTIVITIES**

The principal activity of the Company is raising finance for other group companies. The Company's Perpetual Capital Notes are listed on the Euronext Amsterdam Stock Exchange with secondary listings on the Frankfurt, Stuttgart, Munich, Dusseldorf and Berlin stock exchanges.

#### **RESULTS AND BUSINESS REVIEW**

The operating loss for the period amounted to €17,779 (2018: €10,606).

The Company's principal risks and uncertainties arising from the financial instruments it holds are disclosed in detail in note 12. Other than those mentioned in this note, in the Directors' opinion, the Company's exposure to other risks is minimal.

#### **DIVIDENDS**

The Company did not declare or pay any dividends during the period (2018: €nil).

#### **DIRECTORS**

The Directors who held office throughout the period and subsequently were:-

S.J. Hopkins  
J.N. Pendergast  
A. Orosco

#### **SECRETARY**

The Company's Secretary is Sanne Secretaries Limited.

#### **REGISTERED OFFICE**

IFC 5, St Helier, Jersey, JE1 1ST

## **RZB FINANCE (JERSEY) III LIMITED**

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

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's 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 Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **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 2019 give a true and fair view of the assets, liabilities, financial position 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 12 of these financial statements.

Signed on behalf of the Board of Directors:



S.J. Hopkins

Date: 30th July 2019

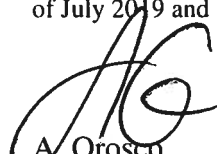
## RZB FINANCE (JERSEY) III LIMITED

### STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2019

	<u>Notes</u>	<u>30th Jun 19</u>	<u>31st Dec 18</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial asset at fair value through profit or loss	3	65,187,238	66,951,500
<b>Current assets</b>			
Other receivables	4	429,967	46,130
Cash and cash equivalents	5	98,931	119,166
		528,898	165,296
<b>TOTAL ASSETS</b>	€	65,716,136	€ 67,116,796
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	6	1,000	1,000
Retained earnings		( 29,009)	( 11,231)
Capital contribution	15	125,000	125,000
<b>TOTAL EQUITY</b>		96,991	114,769
<b>Non-current liabilities</b>			
Perpetual Capital Notes at fair value through profit or loss	7	65,187,238	66,951,500
		65,187,238	66,951,500
<b>Current liabilities</b>			
Other payables	8	431,907	50,527
<b>TOTAL LIABILITIES</b>		65,619,145	67,002,027
<b>TOTAL EQUITY AND LIABILITIES</b>	€	65,716,136	€ 67,116,796

The financial statements on pages 4 to 22 were approved and authorised for issue by the Board of Directors on the 30th day of July 2019 and were signed on its behalf by:

  
A. Orosco  
Director

*(The notes on pages 8 to 22 form part of these unaudited financial statements)*

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE PERIOD ENDED 30TH JUNE 2019**

	<u>Notes</u>	<u>1st Jan 19 to 30th Jun 19</u>	<u>1st Jan 18 to 30th Jun 18</u>
<b>INCOME</b>			
Gain on revaluation of Perpetual Capital Notes at fair value through profit or loss	7	1,764,262	3,049,008
Interest income on financial asset		433,413	437,824
Foreign exchange gain		-	81
		<u>2,197,675</u>	<u>3,486,913</u>
<b>EXPENDITURE</b>			
Loss on revaluation of financial asset at fair value through profit or loss	3	1,764,262	3,049,008
Interest expense on Perpetual Capital Notes		419,842	424,252
Administration and accounting fees		19,875	10,739
Audit fees		5,370	6,520
Other charges		5,734	7,000
Foreign exchange loss		371	-
		<u>2,215,454</u>	<u>3,497,519</u>
<b>OPERATING LOSS FOR THE PERIOD</b>		<u>( 17,779)</u>	<u>( 10,606)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u>€ ( 17,779)</u>	<u>€ ( 10,606)</u>

*(The notes on pages 8 to 22 form part of these unaudited financial statements)*

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 30TH JUNE 2019**

	<b>Ordinary Share Capital</b>	<b>Capital Contribution</b>	<b>Retained Earnings</b>	<b>Fair Value Reserve</b>	<b>Total</b>
Balance as at 1st January 2019	1,000	125,000	( 11,230)	-	114,770
Total comprehensive income:					
- Operating loss for the period	-	-	( 17,779)	-	( 17,779)
Balance as at 30th June 2019	€ 1,000 €	€ 125,000 €	€ ( 29,009) €	€ - €	€ 96,991 €

	<b>Ordinary Share Capital</b>	<b>Capital Contribution</b>	<b>Retained Earnings</b>	<b>Fair Value Reserve</b>	<b>Total</b>
Balance as at 1st January 2018 as previously stated	1,000	125,000	9,362	( 5,428,500)	( 5,293,138)
Effect of application of IFRS 9	-	-	-	5,428,500	5,428,500
Balance as at 1st January 2018	1,000	125,000	9,362	-	135,362
Total comprehensive income:					
- Operating loss for the period	-	-	( 10,606)	-	( 10,606)
Balance as at 30th June 2018	€ 1,000 €	€ 125,000 €	€ ( 1,244) €	€ - €	€ 124,756 €

*(The notes on pages 8 to 22 form part of these unaudited financial statements)*

## RZB FINANCE (JERSEY) III LIMITED

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### STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30TH JUNE 2019

	<u>Notes</u>	<u>1st Jan 19</u> <u>to</u> <u>30th Jun 19</u>	<u>1st Jan 18</u> <u>to</u> <u>30th Jun 18</u>
<b>Cash flows from operating activities</b>			
Operating loss for the period		( 17,779)	( 10,606)
Gain on revaluation of Perpetual Capital Notes at fair value through profit or loss	7	( 1,764,262)	( 3,049,008)
Loss on revaluation of financial asset at fair value through profit or loss	3	1,764,262	3,049,008
Interest income on financial asset		( 433,413)	( 437,824)
Interest expense on Perpetual Capital Notes		419,842	424,252
Interest received on financial asset		41,483	431,566
Interest paid on Perpetual Capital Notes		( 28,393)	( 417,994)
Decrease in other receivables		8,093	10,693
(Decrease)/increase in other payables		( 10,068)	8,319
<b>Net cash flow (used in)/generated from operating activities</b>		<u>( 20,235)</u>	<u>8,406</u>
<b>Net movement in cash and cash equivalents</b>		( 20,235)	8,406
<b>Cash and cash equivalents at the beginning of the period</b>		<u>119,166</u>	<u>136,476</u>
<b>Cash and cash equivalents at the end of the period</b>	5	<u><u>98,931</u></u>	<u><u>€ 144,882</u></u>

*(The notes on pages 8 to 22 form part of these unaudited financial statements)*

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**1. GENERAL INFORMATION**

RZB Finance (Jersey) III Limited (the "Company") was incorporated in Jersey, Channel Islands on 30th April 2004 as a public company under the Companies (Jersey) Law 1991. The principal activity of the Company is raising finance for other group companies.

**2. 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.

**Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and Perpetual Capital Notes at fair value through profit or loss which, following the adoption of IFRS 9 "Financial Instruments" are stated at fair value.

**Going concern**

The financial statements have been prepared on a going concern basis.

The Directors believe that the Company has sufficient liquidity to be able to meet its obligations as they fall due given that: interest cash outflows are contractually lower than and contingent upon interest cash inflows; the amount of cash and accrued interest receivable it holds are sufficient to meet the accrued interest payable and other accruals; and, given the existence of the Support Agreement as outlined in note 12. Moreover, the Company's main financial liability consists of the Perpetual Capital Notes ("Capital Notes") which will mature concurrently with the main financial asset.

**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 had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no other mandatory new accounting requirements are listed. The Company has not early adopted any new accounting requirements that are not mandatory.

**Non-mandatory new accounting requirements not yet adopted**

The Directors have assessed the impact, or potential impact, of all new accounting requirements. In the opinion of the Directors, all non-mandatory new accounting requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed. The Company has not early adopted any new accounting requirements that are not mandatory.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**2. ACCOUNTING POLICIES - (CONTINUED)**

**Non-derivative financial assets**

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a non-derivative financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial assets consist of a financial asset at fair value through profit or loss, other receivables and cash and cash equivalents.

**Financial asset at fair value through profit or loss**

In accordance with IFRS 9, the Company classifies the investment held as financial asset measured at fair value through profit or loss ("FVTPL") as the contractual cash flows of the financial asset do not represent solely payments of principal and interests. Upon initial recognition, financial assets 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 profit or loss 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.

**Receivables**

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

**Cash and cash equivalents**

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

**Impairment**

The Company recognises a loss allowance for incurred and expected credit losses on a financial asset that is measured at amortised cost.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**2. ACCOUNTING POLICIES - (CONTINUED)**

**Impairment - (continued)**

The IFRS 9 expected credit loss ("ECL") model replaces the current "incurred loss" model of IAS 39. The ECL model requires the recognition of ECLs upon initial recognition of a financial asset. It contains a 3 stage approach which is based on the change in credit quality of financial assets. Depending on the stage, the ECL allowance is measured either as 12-months (stage 1) or lifetime expected credit losses (stages 2 and 3).

The Company adopts an accounting policy choice to use the general approach with low credit risk exception under IFRS 9 in measuring expected credit losses. As a result, the expected credit losses for this category will be measured as 12-months expected. Following the adoption of IFRS 9, any future developments in the impairment losses will impact the Company's profit or loss.

**Non-derivative financial liabilities**

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company has the following non-derivative financial liabilities: Capital Notes and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition the Capital Notes are measured at fair value through profit or loss and other payables are measured at amortised cost using the effective interest method.

**Perpetual Capital Notes at fair value through profit or loss**

The Directors have considered the characteristics of the Capital Notes, and the requirements of IFRS and consider that the most appropriate classification of these securities is as debt.

The Capital 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 investments were to be measured at fair value through profit or loss whilst the Capital Notes would otherwise be measured at amortised cost. Consequently the Capital Notes are initially and subsequently measured at fair value through profit or loss. Therefore, the Capital Notes are presented within liabilities in the Statement of Financial Position. Financial liabilities at fair value through profit or loss are recognised on the trade date and derecognised when they are extinguished (i.e. when the obligation is discharged, cancelled or expired).

**Fair value estimation**

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:

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**2. ACCOUNTING POLICIES - (CONTINUED)**

**Fair value estimation- (continued)**

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; and

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable requires judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In choosing between alternative sources of market data, the Directors give consideration to factors such as the frequency and volume of trades, the consistency of market data between sources, and other matters arising in their determination of the principal and most advantageous market.

The Company recognises transfers between levels of the fair value hierarchy as if the change occurred at the beginning of the period.

**Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Key estimates used in preparing these financial statements primarily include the determination of the fair value of the financial assets and liabilities at fair value through profit or loss asset based on the traded price of the Capital Notes as disclosed in note 12. Key judgements include the classification of the Certificate as financial assets at fair value through profit or loss and the classification of Perpetual Capital Notes as debt at fair value through profit or loss. Judgement is used by the Directors to determine which market listing provides the most active price, the most appropriate trade date price and therefore the most appropriate fair value for use in the financial statements.

**Functional and presentation currency**

These financial statements are presented in Euro, which is the Company's functional and presentation currency.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**2. ACCOUNTING POLICIES - (CONTINUED)**

**Foreign currency transactions**

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign exchange differences arising on translation are recognised in profit or loss.

**Embedded derivatives**

Derivatives embedded in financial instruments that are closely related to the host contracts are not treated as separate derivatives. The interest rate cap in place on the Company's investment in Undated Securitised Commercial Certificate of Obligation and on the Perpetual Capital Notes has not been accounted for separately. The fair value of the embedded derivative is included in the fair value of the host contract under fair value through profit or loss.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

**Interest income on financial asset**

Interest income is accounted for on an accruals basis using the effective interest method.

**Interest expense on Capital Notes**

Interest expense on Capital Notes is accounted for on an accruals basis using the effective interest method.

**Segment 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 regular reviews of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one reportable operating segment.

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 to other parties both internal and external to the Company, including the decisions to purchase and sell securities. 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.

The management receives financial information based on IFRS and as such no reconciliation is required between management information and the financial statements as presented.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2019

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

##### Expenses

Expenses are recognised on an accruals basis.

##### Employees

The Company did not have any employees during the period or in the prior period.

#### 3. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>30th Jun 19</u>	<u>31st Dec 18</u>
Opening balance	66,951,500	85,046,500
Change in fair value	( 1,764,262)	( 18,095,000)
Closing balance	€ 65,187,238	€ 66,951,500

The financial asset at fair value through profit or loss consists of €90,475,000 Undated Securitised Commercial Certificate of Obligation (the "Certificate") issued by a related party, RBI and subscribed in full by the Company on issuance at par. The carrying value of the financial assets was determined based on the fair value of the Perpetual Capital Notes (see note 12).

The Certificate may be redeemed at the option of the borrower on each interest payment date on or after 15th June 2009 at par in accordance with the conditions of issuance of the securitised commercial certificate of obligation. The claim of the Company shall be subordinated in accordance with Section 45 (4) of the Austrian Banking Act.

Interest is receivable semi-annually in arrears on 15th June and 15th December from (and including) 15th June 2005 at an interest Rate of 0.13% per annum plus the Reference Rate. The Reference Rate ("EUR-ISDA-EURIBOR Swap rate -11:00") is the annual swap rate for swap transactions with a 10-period maturity. The floating interest rate is capped at 9.03% per annum. At the reporting date, the interest rate stood at 0.398% per annum (2018: 1.009% per annum).

Interest accrues on a non-cumulative basis and as long as such interest shall be covered by the annual surplus of RBI as stated in the last approved annual financial statements of RBI.

The Directors do not expect the Certificate to be redeemed in the foreseeable future, which is accordingly presented within non-current assets.

#### 4. OTHER RECEIVABLES

	<u>30th Jun 19</u>	<u>31st Dec 18</u>
Accrued interest receivable	429,967	38,037
Prepayments	-	8,093
	€ 429,967	€ 46,130

The accrued interest receivable arose from the Certificate (note 3).

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2019

<b>5. CASH AND CASH EQUIVALENTS</b>		<b><u>30th Jun 19</u></b>		<b><u>31st Dec 18</u></b>
Raiffeisen Bank International AG call deposit	€	98,931	€	119,166
		<u>                    </u>		<u>                    </u>
<b>6. SHARE CAPITAL</b>		<b><u>30th Jun 19</u></b>		<b><u>31st Dec 18</u></b>
<b>Authorised, issued and fully paid up share capital</b>				
1,000 Ordinary shares at €1 each (2018: 1,000 ordinary shares)	€	1,000	€	1,000
		<u>                    </u>		<u>                    </u>

The holders of ordinary shares are entitled to receive dividends as may be declared from time to time and are entitled to one vote per share at meetings of the Company.

<b>7. PERPETUAL CAPITAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>30th Jun 19</u></b>		<b><u>31st Dec 18</u></b>
Perpetual Capital Notes		66,951,500		90,475,000
Impact of IFRS 9 adoption		-	(	5,428,500)
Change in fair value	(	1,764,262)	(	18,095,000)
		<u>                    </u>		<u>                    </u>
	€	65,187,238	€	66,951,500
		<u>                    </u>		<u>                    </u>

Non-cumulative interest on the Capital Notes will accrue at the floating interest rate, payable semi-annually in arrears on 15th June and 15th December each period. The floating interest rate is equal to 0.1% per annum plus the Reference Rate ("EUR-ISDA-EURIBOR Swap rate -11:00") being the annual swap rate for swap transactions with a 10-period maturity. The floating interest rate is capped at 9% per annum. At the end of the reporting period, the interest rate stood at 1.09% per annum (2018: 1.09% per annum).

Interest payments are non discretionary and are subject to the conditions included in Clause (4) of the Offering Circular.

The Capital Notes are redeemable at the option of the Company, subject to law and to the prior consent of Raiffeisen Zentralbank Österreich AG ("RZB") (as "Support Agreement Provider") which shall grant such consent only after either replacement of the principal amount of the Capital Notes so redeemed by the issuing of other capital of at least equivalent quality or having applied for and been granted consent by the Austrian Financial Market Supervisory Authority (the 'Finanzmarktaufsichtsbehörde' or 'FMA'), in whole but not in part, on 15th June 2009 or any interest payment date falling thereafter, at the redemption price being the liquidation preference plus accrued and unpaid interest from the then current interest period ending on the date determined for the redemption.

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Capital Note holders at the time will be entitled to receive the relevant liquidation distribution in respect of each Capital Note held out of the assets of the Company available for distribution to Note holders. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares, preference shares, preferred securities or any other class of shares of the Company or any other share or other security issued by the Company and having the benefit of a guarantee from RZB ranking junior as regards participation in assets to the Capital Notes, but such entitlement will rank equally with the entitlement of the holders of any other shares or securities or Capital Notes, if any, of the Company ranking pari passu with the Capital Notes as regards participation in the assets of the Company.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2019

#### 7. PERPETUAL CAPITAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

Notwithstanding the availability of sufficient assets of the Company to pay any liquidation distribution to the Note holders, if at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of RZB, the liquidation distribution paid to Note holders and the liquidation distribution per security to be paid to the holders of all asset parity securities, shall not exceed the amount per Capital Note that would have been paid as the liquidation distribution from the assets of RZB (after payment in full in accordance with Austrian law of all creditors of RZB, including holders of its subordinated debt but excluding holders of any liability expressed to rank pari passu with or junior to RZB's obligations under the 'Support Agreement') had the Capital Notes and all asset parity securities been issued by RZB and ranked (i) junior to all liabilities of RZB (other than any liability expressed to rank pari passu with or junior to RZB's obligations under the "Support Agreement"), (ii) pari passu with all asset parity securities of RZB and (iii) senior to RZB's Bank Share Capital.

If the liquidation distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the liquidation distribution, as adjusted if applicable, the Note holders will have no right or claim to any of the remaining assets of the Company or RZB.

A down-stream merger of RBI and RZB took place on 18th March 2017 in which RBI is the surviving entity and the universal successor of RZB with respect to all of its rights and liabilities. From the Company's perspective, all agreements entered into with RZB as set out above, including but not limited to the Support Agreement, have been transferred to RBI at the date of the merger. There are no changes to the terms and conditions of the Capital Notes following the merger.

<b>8. OTHER PAYABLES</b>	<b><u>30th Jun 19</u></b>	<b><u>31st Dec 18</u></b>
Accrued interest payable	428,354	36,906
Accruals	3,553	13,621
	<hr/>	<hr/>
	€ 431,907	€ 50,527
	<hr/> <hr/>	<hr/> <hr/>

#### 9. TAXATION

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0% (2018: 0%).

#### 10. ULTIMATE CONTROLLING PARTY

The Company's ultimate parent company is Raiffeisen-Landesbanken Holding GmbH, a company registered in Austria.



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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**11. RELATED PARTIES**

During the period, Sanne Fiduciary Services Limited ("SFSL") and Sanne Secretaries Limited ("SSL") provided administration and/or secretarial services respectively to the Company at commercial rates. Each of SFSL and SSL is a member of the "Sanne Group" (where the "Sanne Group" means Sanne Group PLC and all of its subsidiaries and affiliates). Each of A. Orosco, S.J. Hopkins and J.N. Pendergast is a Director and/or employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group.

Fees incurred with Sanne Group during the period in respect of management fees and administration and accounting fees are detailed on the face of the Statement of Comprehensive Income. Amounts prepaid to Sanne Group at the period end amounted to €nil (31st December 2018: €8,093).

Also see notes 3, 4 and 5 for assets held with a related party and the Statement of comprehensive income for income earned on these assets.

**12. FINANCIAL INSTRUMENTS**

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board is responsible for identifying and analysing the risks faced by the Company, for setting appropriate risk limits and controls, and for monitoring risks and adherence to limits.

The Company was set up to raise finance for the group (of which Raiffeisen Landesbanken-Holding GmbH is the ultimate parent). This was achieved by the issue of a financial instrument listed on the Euronext Amsterdam Stock Exchange which was also listed subsequently on the Frankfurt, Stuttgart, Dusseldorf and Berlin stock exchanges, the proceeds of which were used to invest in a financial instrument issued by RBI. No other similar transactions were carried out by the Company and therefore the operations for the period consisted in servicing the financial liability from the income generated by the financial asset. In addition, the Company incurred minimal operating expenses. As a result, 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 Company has exposure to the following risks from its use of financial instruments:

- market risk;
- credit risk;
- liquidity risk; and
- operational risk.

This note presents information about the Company's financial instruments and its exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk involved in their use, and the management of capital.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2019

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

##### Fair values

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

	<u>30th Jun 19</u>		<u>31st Dec 18</u>	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Financial asset at fair value through profit or loss	€ 65,187,238	€ 65,187,238	€ 66,951,500	€ 66,951,500
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ 65,187,238	€ 65,187,238	€ 66,951,500	€ 66,951,500

There is no active market for the financial asset and accordingly there is no market price available to determine its fair value.

The Company has issued Capital Notes to highly sophisticated investors. The only material asset of the Company is the financial asset at fair value through profit or loss and there is no credit enhancement within the Company. The terms and conditions of the financial asset are exactly matched to that of the perpetual Capital Notes, except for the 3 basis point difference between the respective coupon rates. In the opinion of the Directors, the Company is entirely transparent to the holders of the perpetual Capital Notes and therefore in the opinion of the Directors, upon redemption, the fair value of the financial asset would be approximately equal and opposite to the fair value of the Capital Notes.

The estimated fair value of the Capital Notes was based on the closing price as at 30th June 2019 on Stuttgart Stock Exchange, being 72.05% (31st December 2018: 74.0%).

The Capital Notes are traded on a number of stock exchanges, including the Stuttgart, Frankfurt, Dusseldorf, Berlin and Euronext Amsterdam stock exchanges and the traded/quoted prices for the Capital Notes may vary between these market. The Directors have considered the frequency and volume of trades observed and, from the information available to the Directors, the greatest frequency and volume of trading generally appears to occur on the Stuttgart Stock Exchange. Consequently, in the opinion of the Directors, the Stuttgart Stock Exchange should normally be considered to be the principal market.

The fair values of the Capital Notes have been estimated and used as a proxy for the fair value of the financial asset as set out above. The closing price may be different to the theoretical valuation that would be generated for such securities through a model using the underlying characteristics of the security and may be different from the price that could be achieved upon sale. Such differences may be significant. In addition, the value of the Capital Notes is limited to the net proceeds available from the Company.

In the opinion of the Directors there is no material difference between the carrying values of the Company's other financial assets and liabilities and their fair values.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2019

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

##### Fair value hierarchy

30th June 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial asset at fair value through profit or loss	€ -	€ 65,187,238	€ -	€ 65,187,238
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ -	€ 65,187,238	€ -	€ 65,187,238
<b>31st December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Financial asset at fair value through profit or loss	€ -	€ 66,951,500	€ -	€ 66,951,500
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ -	€ 66,951,500	€ -	€ 66,951,500

In the Directors' opinion, the closing price of the Capital Notes represents a reasonable estimate of their fair value. There were no transfers between levels in the current period.

As the fair value of the financial asset is derived from the fair value of the Capital Notes, the fair value of such is classified within Level 2 of the fair value hierarchy.

##### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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.

The Certificate and Capital Notes are carried at fair value, therefore the Directors do not consider the Company is exposed to any net market risk. Movement on the Certificate is matched to the Capital Notes.

##### Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates.

The Capital Notes incur interest on a floating rate basis whilst the financial asset yields a fixed margin over this rate by 3 basis points, in order to cover ongoing operational expenses of the Company.

For this reason, a change in interest rates would therefore have no significant net impact on the Company's financial performance and equity. The holders of the Capital Notes ultimately bear the interest rate risk.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

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

*Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on certain operating expenses, which are mainly denominated in Pound Sterling (GBP). All other transactions are undertaken in Euro.

The Company accepts this risk and, accordingly, does not hedge against it. A reasonably possible change in the EUR/GBP exchange rate would have an insignificant effect on the results and equity of the Company.

As the Capital Notes are denominated in the same currency as the financial asset, the Directors believe that the holders of the Capital Notes are not exposed to any material net currency risk.

*Other price risk*

In the opinion of the Directors, there are no other price risks that could reasonably be foreseen to affect the fair values of the Company's financial instruments.

**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.

Whilst the financial instruments held by the Company may be separately exposed, the Company itself is not exposed to any significant net interest rate or net currency risk. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

**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 Company's financial asset.

*Financial assets and liabilities at fair value through profit or loss*

The Company's main financial assets consist of the Certificate (see note 3) issued by RBI and its corresponding interest receivable at period-end (see note 4). The Company's revenue derives mainly from this financial asset. The Company's main financial liability consists of the Capital Notes.

The Directors do not consider the Capital Notes to have any material credit risk attributable to the Company, due to the back to back nature of the Capital Notes. The fair value movement attributable to the Company's credit risk changes is therefore not material.

The Board monitors the credit risk continuously based on external ratings of RBI.

At the period end, the Company did not have any past due or impaired receivables and other financial assets.

The Company's maximum exposure to credit risk is equal to the amount of assets shown in the Statement of Financial Position.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

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

*Guarantees*

There are no other guarantees or collaterals provided by counterparties.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

The Company's main financial liability consists of the Capital Notes that will be repaid concurrent to that of the main financial asset due to their matching terms.

The Company's Capital Notes are classified as a financial liability because they bear non-discretionary interest and are redeemable in cash by the holders. Non-discretionary interest is recognised as interest expense in the Statement of Comprehensive Income as accrued.

The most significant cash outflow due within one period consists of the payment of interest expense on the Capital Notes. The timing of its cash outflows falls due on the same dates as the cash inflows from the financial asset.

Other liabilities, which are payable within one period, are not significant. The Board considers its available cash resources as sufficient to meet other cash outflows which mainly consist of administrative expenses. Furthermore, the Company had entered into an agreement with RZB (the "Support Agreement") whereby RZB agreed to make available to the Company funds sufficient to enable it to meet its obligations should it have insufficient funds. Following the down-stream merger described in note 7, the Support Agreement and the rights and obligations in relation to this agreement have been transferred to RBI. RZB's long term credit rating was withdrawn in March 2017. RBI has a long term credit rating of BBB+ from Standard & Poor's as at the period end (31st December 2018: BBB+).

The Directors therefore do not consider that the Company is exposed to significant net liquidity risk. Liquidity risk is ultimately borne by the holders of the Capital Notes.

*Contractual maturity analysis of Capital Notes*

The expected maturity profile of the Company's financial liabilities is presented in the table below. The amount disclosed below is contractual undiscounted cash flows in respect of the nominal amount of the Capital Notes. As the Capital Notes are perpetual, no interest amounts have been included below however details of the applicable rates are disclosed in note 7.

	<u>30th Jun 19</u>		<u>31st Dec 18</u>
Perpetual Capital Notes			
No maturity	€ 90,475,000	€	90,475,000

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

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

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with a Company's processes and from external factors other than market, credit and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness. The Board manages the operational risk of the Company by closely monitoring the Company's activities through regular Board meetings and ensuring compliance with the Offering Circular.

**13. OPERATING SEGMENTS**

**Geographical information**

The Company is domiciled in Jersey, Channel Islands. All of the Company's revenues are generated from RBI, an entity based in Austria.

**Non-current assets**

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

**Major investment counterparty**

All of the Company's revenues are derived from one entity, RBI.

**14. CAPITAL MANAGEMENT**

The Company's transactions are designed to enable the Company to pay its liabilities as they fall due. The Board's policy is to have a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's capital consists of equity as set out in the Statement of Financial Position. The Capital Notes incur interest on a floating rate basis whilst the financial asset yields a fixed margin over this rate by 3 basis points, in order to cover ongoing operational expenses of the Company. As the level of net interest income was established on incorporation of the Company, there is little need for the monitoring of the return on capital. All ordinary shares are held by RBI and the Company does not have any share option schemes or hold its own shares. RBI was a wholly-owned subsidiary of RZB which was ultimately owned by the ultimate controlling party as disclosed in note 10, until a Down-stream Merger of RBI and RZB took place on 18th March 2017 in which RBI is the surviving entity and the universal successor of RZB with respect to all of its rights and liabilities.

There were no changes in the Company's approach to capital management during the period or in the prior period except for the capital contribution as described in note 15.

The Company is not subject to externally imposed capital requirements.

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

**FOR THE PERIOD ENDED 30TH JUNE 2019**

**15. CAPITAL CONTRIBUTION**

On 5th December 2017, a capital contribution in the amount of EUR 125,000 was received by the Company from RBI. The funds were remitted to the Company as a capital injection to assist the Company with operational costs, as deemed appropriate by the Directors.

**16. SUBSEQUENT EVENTS**

In the Directors' opinion, there are no significant events that have occurred between the reporting date and the date of approval of these financial statements that would be likely to have a material impact upon the Company, its reported financial position or its results.