

**RZB FINANCE (JERSEY) III LIMITED**  
**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30TH JUNE 2018**

## **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 2018.

#### **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 €10,606 (2017: €9,823).

On 5th December 2017, a capital contribution amounting to €125,000 was received from Raiffeisen Bank International AG ("RBI") being the Company's sole shareholder. The funds were remitted to the Company as a capital injection to assist with ongoing operational expenses.

The Company formally adopted IFRS 9 with effect from 1 January 2018. As discussed in note 2 to the financial statements, adoption of IFRS 9 resulted in reclassification of the Company's investment from available-for-sale financial asset to financial assets at fair value through profit or loss. The Capital Notes issued by the Company from amortised cost financial liabilities to financial liabilities at fair value through profit or loss to eliminate the mismatch that would have occurred from differences in measurement basis of the financial assets and the financial liabilities.

A summary of the changes to the amounts previously reported is shown in note 2.

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 (2017: €nil).

#### **DIRECTORS**

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

G.P. Essex-Cater	(resigned 20/03/2018)
S.J. Hopkins	
J.N. Pendergast	
A. Orosco	(appointed 20/03/2018)

#### **SECRETARY**

The Company's Secretary is Sanne Secretaries Limited.

#### **REGISTERED OFFICE**

13 Castle Street, St. Helier, Jersey, Channel Islands, JE4 5UT.

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## **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 2018 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:



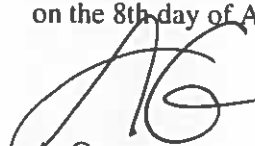
J.N. Pendergast

Date: 8th August 2018

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 30TH JUNE 2018**

	<u>Notes</u>	<u>30th Jun 18</u>	<u>31st Dec 17</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale financial asset	3	-	85,046,500
Financial asset at fair value through profit or loss	3	81,997,492	-
<b>Current assets</b>			
Other receivables	4	42,222	46,657
Cash and cash equivalents	5	144,882	136,476
		187,104	183,133
<b>TOTAL ASSETS</b>		82,184,596	€ 85,229,633
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	6	1,000	1,000
Retained earnings		( 1,244)	9,362
Fair value reserve		-	( 5,428,500)
Capital contribution	15	125,000	125,000
<b>TOTAL EQUITY</b>		124,756	( 5,293,138)
<b>Non-current liabilities</b>			
Perpetual Capital Notes	7	-	90,475,000
Perpetual Capital Notes at fair value through profit or loss	7	81,997,492	-
		81,997,492	90,475,000
<b>Current liabilities</b>			
Other payables	8	62,348	47,771
<b>TOTAL LIABILITIES</b>		82,059,840	90,522,771
<b>TOTAL EQUITY AND LIABILITIES</b>		82,184,596	€ 85,229,633

The financial statements on pages 4 to 22 were approved and authorised for issue by the Board of Directors on the 8th day of August 2018 and were signed on its behalf by:

  
A. Orosco  
Director:

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

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE PERIOD ENDED 30TH JUNE 2018**

	<b>Notes</b>	<b><u>1st Jan 18</u> <u>to</u> <u>30th Jun 18</u></b>	<b><u>1st Jan 17</u> <u>to</u> <u>30th Jun 17</u></b>
<b>INCOME</b>			
Gain on revaluation of Perpetual Capital Notes		3,049,008	-
Interest income on financial asset		437,824	425,911
Foreign exchange gain		81	59
		<u>3,486,913</u>	<u>425,970</u>
<b>EXPENDITURE</b>			
Loss on revaluation of financial asset at fair value through profit or loss	7	3,049,008	-
Interest expense on Perpetual Capital Notes		424,252	412,822
Administration and accounting fees		10,739	10,870
Audit fees		6,520	5,733
Other charges		7,000	6,368
		<u>3,497,519</u>	<u>435,793</u>
<b>OPERATING LOSS FOR THE PERIOD</b>		<b>( 10,606)</b>	<b>( 9,823)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified subsequently from other comprehensive income to profit or loss</i>			
Change in fair value of available-for-sale financial asset		-	19,904,500
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>€ ( 10,606)</b>	<b>€ 19,894,677</b>

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

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 30TH JUNE 2018**

	<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

	<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 2017 as previously stated	1,000	-	32,443	(27,142,500)	( 27,109,057)
Total comprehensive income:					
- Operating loss for the period	-	-	( 9,823)	-	( 9,823)
- Other comprehensive income	-	-	-	19,904,500	-
Balance as at 30th June 2017 as previously stated	€ 1,000	€ -	€ 22,620	€ ( 7,238,000)	€ ( 27,118,880)

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

**RZB FINANCE (JERSEY) III LIMITED****STATEMENT OF CASH FLOWS****FOR THE PERIOD ENDED 30TH JUNE 2018**

	<u>Notes</u>	<u>1st Jan 18</u> <u>to</u> <u>30th Jun 18</u>	<u>1st Jan 17</u> <u>to</u> <u>30th Jun 17</u>
<b>Cash flows from operating activities</b>			
Gain on revaluation of Perpetual Capital Notes		( 3,049,008)	-
Loss on revaluation of financial asset at fair value through profit or loss		3,049,008	-
Operating loss for the year		( 10,606)	( 9,823)
Interest income on available-for-sale financial asset		( 437,824)	( 425,911)
Interest expense on Perpetual Capital Notes		424,252	412,822
Interest received on available-for-sale financial asset		431,566	418,446
Interest paid on Perpetual Capital Notes		( 417,994)	( 405,357)
Decrease in other receivables		10,693	10,721
Increase/(decrease) in other payables		8,319	( 400)
<b>Net cash flow used in operating activities</b>		<u>8,406</u>	<u>498</u>
<b>Net movement in cash and cash equivalents</b>		<u>8,406</u>	<u>498</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>136,476</u>	<u>33,322</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<u>€ 144,882</u>	<u>€ 33,820</u>

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



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

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

#### **FOR THE PERIOD ENDED 30TH JUNE 2018**

##### **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 and Perpetual Capital Notes which are stated at fair value.

###### **Going concern**

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

The Company is currently in a net liability position and it is expected that in the future it will incur further operating losses. However 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**

**IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement") – effective for accounting periods beginning on or after 1 January 2018.**

The Company has adopted IFRS 9 in its financial statements from 1 January 2018. Restatement of comparative figures is not required under IFRS 9. In the opinion of the Directors, the effect of implementation of IFRS 9 has been clearly presented in these financial statements. Consequently, the Company has not restated its comparative figures. The key changes resulting from the implementation of IFRS 9 are set out below and overleaf.

###### **Classification and measurement**

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2018

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

Upon implementation of IFRS 9, the Company's principal financial asset has been reclassified from available-for-sale financial asset to financial asset at fair value through profit or loss ("financial asset at FVTPL"). The Perpetual Capital Notes issued by the Company have been reclassified from financial liabilities at amortised cost to financial liabilities at fair value through profit or loss, being designated as such in order to eliminate the accounting mismatch that otherwise would have occurred from differences in measurement bases between the financial assets and the financial liabilities.

The following table summarises the effect of the application of IFRS 9 on the relevant balances presented in the Company's Statement of Financial Position.

	Balances as previously reported	Effect of application of IFRS 9	Balances after application of IFRS 9
Available-for-sale financial asset as at 1st January 2017	63,332,500	( 63,332,500)	-
Available-for-sale financial asset as at 30th June 2017	83,237,000	( 83,237,000)	-
Available-for-sale financial asset as at 31st December 2017	85,046,500	( 85,046,500)	-
Financial asset at FVTPL as at 1st January 2017	-	63,332,500	63,332,500
Financial asset at FVTPL as at 30th June 2017	-	83,237,000	83,237,000
Financial asset at FVTPL as at 31st December 2017	-	85,046,500	85,046,500
Perpetual Capital Notes at amortised cost as at 1st January	( 90,475,000)	90,475,000	-
Perpetual Capital Notes at amortised cost as at 30th June 2017	( 90,475,000)	90,475,000	-
Perpetual Capital Notes at amortised cost as at 31st December	( 90,475,000)	90,475,000	-
Perpetual Capital Notes at FVTPL as at 1st January 2017	-	( 63,332,500)	( 63,332,500)
Perpetual Capital Notes at FVTPL as at 30th June 2017	-	( 83,237,000)	( 83,237,000)
Perpetual Capital Notes at FVTPL as at 31st December 2017	-	( 85,046,500)	( 85,046,500)
Fair Value Reserve as at 1st January 2017	27,142,500	( 27,142,500)	-
Fair Value Reserve as at 30th June 2017	7,238,000	( 7,238,000)	-
Fair Value Reserve as at 31st December 2017	5,428,500	( 5,428,500)	-

#### IAS 7, "Statement of Cash Flows" (amendments) – effective retrospectively for accounting periods commencing on or after 1<sup>st</sup> January 2017

IAS 7 has been amended to improve disclosure on an entity's liabilities. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

#### 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 2018**

**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**

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

In accordance with IFRS 9, the Company classifies the investment held as financial assets measured at fair value through profit or loss. 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 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**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. 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.

Objective evidence that financial assets are impaired can include, but not limited to, default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security.

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

**FOR THE PERIOD ENDED 30TH JUNE 2018**

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

**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: Perpetual Capital Notes and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

**Perpetual Capital Notes**

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 expires).

**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:

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.

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

**FOR THE PERIOD ENDED 30TH JUNE 2018**

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

**Fair value estimation- (continued)**

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 assessment of impairment and the determination of the fair value of the available-for-sale financial 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.

**Functional and presentation currency**

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

**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 available for sale financial asset.

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

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

#### **FOR THE PERIOD ENDED 30TH JUNE 2018**

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

##### **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**

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.

##### **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 / AVAILABLE-FOR-SALE FINANCIAL ASSET**

	<b><u>30th Jun 18</u></b>	<b><u>31st Dec 17</u></b>
Opening balance	85,046,500	63,332,500
Change in fair value	( 3,049,008)	21,714,000
Closing balance	<b>€ 81,997,492</b>	<b>€ 85,046,500</b>

The financial asset at fair value through profit or loss (2017: available-for-sale financial asset) consists of €90,475,000 Undated Securitised Commercial Certificate of Obligation (the "Certificate") issued by a related party, Raiffeisen Bank International AG ('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).

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2018

#### 3. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS / AVAILABLE-FOR-SALE FINANCIAL ASSET - (CONTINUED)

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 1.12% per annum (2017: 0.892% per annum).

Interest is receivable as long as such interest shall be covered by the annual surplus of RBI (prior to change of reserves) as stated in the last annual financial statements approved and accrues on a non-cumulative basis.

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 18</u>	<u>31st Dec 17</u>
Accrued interest receivable	42,222	35,964
Prepayments	-	10,693
	<u>€ 42,222</u>	<u>€ 46,657</u>

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

#### 5. CASH AND CASH EQUIVALENTS

	<u>30th Jun 18</u>	<u>31st Dec 17</u>
Raiffeisen Bank International AG call deposit	144,882	135,754
Sanne client account	-	722
	<u>€ 144,882</u>	<u>€ 136,476</u>

#### 6. SHARE CAPITAL

	<u>30th Jun 18</u>	<u>31st Dec 17</u>
<b>Authorised, issued and fully paid up share capital</b>		
1,000 Ordinary shares at EUR1 each (2016: 1,000 ordinary shares)	<u>€ 1,000</u>	<u>€ 1,000</u>

#### Capital Notes have been estimated

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.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2018

##### 7. PERPETUAL CAPITAL NOTES

	<u>30th Jun 18</u> <u>at FVTPL</u>	<u>31st Dec 17</u> <u>at amortised cost</u>
Perpetual Capital Notes	90,475,000	90,475,000
Restatement - IFRS 9	( 5,428,500)	-
Revaluation	( 3,049,008)	-
	<u>€ 81,997,492</u>	<u>€ 90,475,000</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 (2017: 0.924% 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.

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.



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

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

#### **FOR THE PERIOD ENDED 30TH JUNE 2018**

#### **7. PERPETUAL CAPITAL NOTES -(CONTINUED)**

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.

#### **8. OTHER PAYABLES**

	<u>30th Jun 18</u>	<u>31st Dec 17</u>
Accrued interest payable	41,091	34,833
Accruals	21,257	12,938
	<u>€ 62,348</u>	<u>€ 47,771</u>

#### **9. TAXATION**

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0% (2017: 0%).

#### **10. ULTIMATE CONTROLLING PARTY**

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

#### **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 G.P. Essex-Cater, 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 2017: €8,859).

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.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE PERIOD ENDED 30TH JUNE 2018****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 Amsterdam Stock Exchange which was also listed subsequently on the Frankfurt, Stuttgart, Munich, 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
- \* 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.

**Fair values**

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

	<u>30th Jun 18</u>		<u>31st Dec 17</u>	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Financial asset at fair value through profit or loss	€ 81,997,492	€ 81,997,492	€ 85,046,500	€ 85,046,500
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ 81,997,492	€ 81,997,492	€ 90,475,000	€ 85,046,500

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

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2018

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

The Company has issued perpetual 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 Perpetual Capital Notes.

The estimated fair value of the perpetual Capital Notes was based on the traded price on the Euronext Amsterdam Stock Exchange dated 28th June 2018 at 90.53% (28th December 2017: Stuttgart Stock Exchange 94.00%) being the last trade date closest to the period end. Alternative prices maybe available on other stock exchanges. The Directors have considered the frequency and volume of trades observed and noted that these appeared to be higher on the Frankfurt Stock Exchange (2017: Euronext Amsterdam Stock Exchange) than alternative markets where information is available to the Company and therefore consider the Stuttgart Stock Exchange (2017: Euronext Amsterdam Stock Exchange) to be the principal market.

The fair values of the perpetual Capital Notes have been estimated for disclosure purposes and to be used as a proxy for the fair value of the financial asset as set out above. The last traded 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 perpetual 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.

##### Fair value hierarchy

30th June 2018	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial asset at fair value through profit or loss	€ -	€ 81,997,492	€ -	€ 81,997,492
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ -	€ 81,997,492	€ -	€ 81,997,492
<b>31st December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Available-for-sale financial asset	€ -	€ 85,046,500	€ -	€ 85,046,500
<b>Financial liabilities:</b>				
Perpetual Capital Notes	€ -	€ 85,046,500	€ -	€ 85,046,500

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

**FOR THE PERIOD ENDED 30TH JUNE 2018**

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

In the Directors' opinion, the traded price of the Capital Notes represents a reasonable estimate of their fair value. In 2016, the valuation of the Capital Notes was transferred to level 2 due to the low volume of trade observed in the market. 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 Company currently has a negative equity balance on the statement of financial position solely due to the mismatch in the accounting policies for the financial asset which is carried at fair value and the Capital Notes which are carried at amortised cost. Accordingly, changes in the fair value of the financial asset will increase or decrease the equity balance. However, due to the structure of the Company's assets and liabilities, particularly their back to back terms and conditions (notwithstanding the interest margin), any net exposure of the Company to market risk is deemed temporary as any change in the fair value of the Capital Notes are ultimately passed on to the holders.

**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.

**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.

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

**FOR THE PERIOD ENDED 30TH JUNE 2018**

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

*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.

*Available-for-sale financial asset*

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.

Key estimates used in preparing these financial statements primarily include the assessment of impairment and the determination of the fair value of the available-for-sale financial 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.

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.

**Guarantees**

The Company does not provide any financial guarantees.

**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.

## RZB FINANCE (JERSEY) III LIMITED

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

#### FOR THE PERIOD ENDED 30TH JUNE 2018

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

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.

##### **Liquidity risk - (continued)**

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 2017: BBB+).

	<u>30th Jun 18</u>	<u>31st Dec 17</u>
Perpetual Capital Notes		
No maturity	€ 90,475,000	€ 90,475,000

##### **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 through regular Board meetings and monitoring of compliance with the Offering Circular.

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

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

#### **FOR THE PERIOD ENDED 30TH JUNE 2018**

#### **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.

#### **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, no other significant events 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.