RZB Finance (Jersey) III Limited

Annual Report

2009

RZB Finance (Jersey) III Limited

Report and Financial Statements

2009

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RZB Finance (Jersey) III Limited

Company Information

For the Year Ended 31 December 2009

Directors:	Gareth Essex-Cater Helen Grant Francois Chesnay (appointed: 14 August 2009) Daniel Le Blancq (resigned: 11 August 2009)
Secretary:	Mourant & Co. Secretaries Limited
Independent auditors:	KPMG Channel Islands Limited 5 St Andrew's Place Charing Cross St Helier Jersey Channel Islands
Registered office:	22 Grenville Street St Helier Jersey Channel Islands

RZB Finance (Jersey) III Limited

Directors' Report

For the Year Ended 31 December 2009

The directors submit their report and the financial statements of RZB Finance (Jersey) III Limited ('the company') for the year ended 31 December 2009.

Incorporation

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

Activities

The principal activity of the company is raising finance for other group companies.

Results

The results for the year are shown in the Statement of Comprehensive Income on page 6, which is in line with expectations. During the year the markets started to recover from the difficulties brought about by the global financial crises which characterised the end of 2008. Given the structure of the Company's transactions, this crisis did not have an impact on the financial result and position of the company. However it had an effect on the fair value of the financial asset and financial liability as disclosed in note 12.5 to the financial statements. The reduction in interest receivable and interest payable reflects the reduction in the Euribor.

Directors

The directors of the company during the year were as stated on page 1.

Independent auditors

KPMG Channel Islands, as auditors of the Company, have expressed their willingness to continue in office.

By order of the Board

Authorised Signatory
Mourant & Co. Secretaries Limited
Secretary

25th January 2010

RZB Finance (Jersey) III Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In respect of the EU Transparency directive 2004/109/EC, the directors confirm to the best of their knowledge that the financial statements for the year ended 31 December 2009 give a true and fair view of assets, liabilities, financial position and profit of the Company as required by IFRS as adopted by the EU and that the Directors' Report gives a true and fair view of important events that have occurred during the year and their impact on the financial statements.

Signed on behalf of the Board of Directors:

Director

25th January 2010

RZB Finance (Jersey) III Limited

Statement of Financial Position

As at 31 December 2009

	Note	2009 EUR	2008 EUR
Assets			
Long-term loan receivable	7	**200,000,000**	200,000,000
Total non-current assets		**200,000,000**	200,000,000
Other receivables	8	**324,901**	364,054
Cash and cash equivalents	13	**104,030**	88,274
Total current assets		**428,931**	452,328
Total assets		**200,428,931**	200,452,328
Equity and liabilities			
Issued share capital	9	**1,000**	1,000
Retained earnings		**102,608**	92,784
Total capital and reserves		**103,608**	93,784
Perpetual capital notes	10	**200,000,000**	200,000,000
Total non-current liabilities		**200,000,000**	200,000,000
Other payables	11	**325,323**	358,544
Total current liabilities		**325,323**	358,544
Total liabilities		**200,325,323**	200,358,544
Total equity and liabilities		**200,428,931**	200,452,328

The notes on pages 8 to 20 are an integral part of these financial statements.

The financial statements on pages 4 to 20 were approved and authorised for issue by the Board of Directors on 25th January 2010 and signed on its behalf by:

Director

RZB Finance (Jersey) III Limited

Statement of Changes in Equity

For the Year Ended 31 December 2009

	Notes	Total	Ordinary share capital	Retained earnings
		EUR	EUR	EUR
Balance at 1 January 2008		77,829	1,000	76,829
Total comprehensive income for the year				
Profit for the year		40,955	-	40,955
Total comprehensive income for the year		40,955	-	40,955
Transactions with owners, recorded directly in equity				
Dividend to equity holders	9.2	(25,000)	-	(25,000)
Total transactions with owners		(25,000)	-	(25,000)
Balance at 31 December 2008		93,784	1,000	92,784
Balance at 1 January 2009		93,784	1,000	92,784
Total comprehensive income for the year				
Profit for the year		34,824	-	34,824
Total comprehensive income for the year		34,824	-	34,824
Transactions with owners, recorded directly in equity				
Dividend to equity holders	9.2	(25,000)	-	(25,000)
Total transactions with owners		(25,000)	-	(25,000)
Balance at 31 December 2009		**103,608**	**1,000**	**102,608**

The notes on pages 8 to 20 are an integral part of these financial statements.

RZB Finance (Jersey) III Limited

Statement of Comprehensive Income

For the Year Ended 31 December 2009

	Note	2009	2008
		EUR	EUR
Interest income		7,919,291	9,903,646
Interest expense		(7,859,931)	(9,842,293)
Net interest income	5	59,360	61,353
Expenses			
Administrators' remuneration		9,918	6,895
Management fee		5,980	6,785
Auditors' remuneration		6,346	5,302
Other charges		2,292	1,416
		24,536	20,398
Total comprehensive income for the year		34,824	40,955

The notes on pages 8 to 20 are an integral part of these financial statements.

RZB Finance (Jersey) III Limited

Statement of Cash Flows

For the Year Ended 31 December 2009

	Note	2009 EUR	2008 EUR
Cash flows from operating activities			
Interest receipts		**7,955,380**	9,920,878
Interest payments		**(7,896,000)**	(9,916,001)
Payment to suppliers		**(18,624)**	(23,065)
Net cash from/(used in) operating activities		**40,756**	(18,188)
Cash flows from financing activities			
Dividend paid		**(25,000)**	(25,000)
Net cash used in financing activities		**(25,000)**	(25,000)
Net increase in cash equivalents		**15,756**	(43,188)
Cash equivalents at 1 January		**88,274**	131,462
Cash equivalents at 31 December	13	**104,030**	88,274

The notes on pages 8 to 20 are an integral part of these financial statements.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

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RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

1 Reporting entity

RZB Finance (Jersey) III Limited (the "Company") is a public company domiciled in Jersey. The address of the Company's registered office is stated on page 1. The Company's activities consist in raising finance for other group companies (note 4.1).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU on the basis of IAS Regulation 8EC 1606/2002.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

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

2.4 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.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 (revised) except for that disclosed in note 12.5.

2.5 Presentation of Financial Statements

The Company applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 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.

3.2 Financial instruments

3.2.1 Non-derivative financial assets

The Company initially recognises loans and 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 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 loans and receivables and cash equivalents.

Loans and receivables

Loans and 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 initially recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise long-term loan receivable and other receivables.

Cash equivalents

Cash equivalents comprise call deposits.

3.2.2 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.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.2 Non-derivative financial liabilities (continued)

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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 has the following non-derivative financial liabilities: perpetual capital notes and other payables.

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

3.2.3 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.

3.3 Impairment

3.3.1 Financial assets (including receivables)

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 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, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables.

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

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

3 Significant accounting policies (continued)

3.4 Dividends

Dividends are recognised as a liability in the period in which these are declared.

3.5 Interest income

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

3.6 Interest expense

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

3.7 Taxation

As from May 2008, Jersey's tax regime was changed. The effect of the new tax regime is limited to the change of status of the Company, from exempt from tax to liable to Jersey income tax at 0%.

3.8 New standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the company.

4 Financial risk management

4.1 Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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 to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

4 Financial risk management (continued)

4.1 Overview (continued)

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, the proceeds of which were used to invest in a financial instrument issued by a group entity. No other similar transactions were carried out by the Company and therefore the operations for the year consisted in servicing the financial liability from the income generated by the financial asset. In addition, the Company incurred minimal administrative 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.

4.2 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 receivables.

4.2.1 Loans

The Company's main financial asset consist of a long-term loan receivable from a group entity, Raiffeisen Zentralbank Osterreich AG (RZB) and its corresponding interest receivable at year-end. The Company's revenue derives mainly from this financial asset.

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

No triggers of impairment were identified on the loan receivable, with interest always received in accordance with the terms of the loan. The debtor has a long term credit rating of A/negative outlook from Standard & Poor's. Given this rating, the Board does not expect the counterparty to fail to meet its obligations.

4.2.2 Guarantees

The Company does not provide any financial guarantees.

4.3 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.

Due to the nature of the Company's operations, the Board considers liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest expense on the perpetual capital notes. The timing of its cash outflows falls due on the same dates of the cash inflows from the loan receivable. The Board considers its available cash resources as enough to meet other cash outflows which mainly consist of administrative expenses.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

4 Financial risk management (continued)

4.4 Market risk

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

Due to the structure of the Company's assets and liabilities, particularly the back to back terms and conditions of the principal financial asset and liability, the net exposure to market risk is also considered to be minimal.

4.4.1 Currency risk

With the exception of certain administrative expenses which are denominated in GBP, all other transactions are undertaken in Euro.

4.4.2 Interest rate risk

Interest incurred on the financial liability is on floating rate basis whilst the amount receivable from the loan to a group entity yields a fixed margin over this rate in order to cover administration expenses of the Company.

4.5 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 credit, market 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. Due to the nature of operations and company's structure, the Board considers this risk to be low.

4.6 Capital management

The Company's assets and liabilities and the relative underlying terms and conditions allow for a highly probable annual margin that increases equity. 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. 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. The Board of Directors monitors the level of dividends to ordinary shareholders.

All ordinary shares are held by Raiffeisen Malta Bank plc and the Company does not have any share option schemes or hold its own shares.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

5 Net interest income

5.1

	2009	2008
	EUR	EUR
Interest on long-term loan receivable	**7,918,911**	9,902,311
Bank interest income	**380**	1,335
Interest income	**7,919,291**	9,903,646
Interest expense on perpetual capital notes	**7,859,931**	9,842,293
Net interest income	**59,360**	61,353

5.2 Interest income was earned on asset exposures that the company has with related parties.

6 Expenses

During the year, the company did not have any employees (2008: Nil).

7 Long-term loan receivable

	2009	2008
	EUR	EUR
Non-current investments		
Securitised commercial certificate of obligation	**200,000,000**	200,000,000

The loan receivable consists of EUR200,000,000 Undated securitised commercial certificate of obligation issued by a related party, Raiffeisen Zentralbank Österreich AG ('RZB') and subscribed in full by the Company on issuance at par.

The certificate may be redeemed at the option of the borrower at interest payment date on or after 15 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 in arrears from (and including) 15 June 2005 at a floating 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 year maturity. The floating interest rate is capped at 9.03% per annum. At end of the reporting period, the rate stood at 3.603% per annum (2008: 4.009% per annum).

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

8 Other receivables

	2009	2008
	EUR	EUR
Accrued interest receivable	320,267	356,356
Prepayments	4,634	7,698
	324,901	364,054

The accrued interest arose on the securitised commercial certificate of obligation (note 7).

9 Share capital and reserves

9.1

	2009/2008
	EUR
Authorised, issued and fully paid up share capital	
1,000 Ordinary Shares at EUR1 each	1,000

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

9.2 A dividend was declared and paid by the Company during the year.

	2009	2008
	EUR	EUR
€25 per ordinary share (2008: €25)	25,000	25,000

9.3 No further dividends were proposed by the directors after the end of the reporting period.

10 Perpetual capital notes

	2009/2008
	EUR
Issued and fully paid up	
200,000 perpetual non-cumulative subordinated floating rate capital notes @ EUR1,000 each	200,000,000

Non-cumulative interest on the capital notes will accrue at the floating interest rate, payable semi-annually in arrears on 15 June and 15 December in each year. 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 year maturity. The floating interest rate was capped at 9% per annum. At the end of the reporting period, the rate stood at 3.573% per annum (2008: 4.006% per annum).

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

10 Perpetual capital notes (continued)

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') (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 'Finanzmarktaufsichtsbehorde' or 'FMA'), in whole but not in part, on 15 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 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 capital notes 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.

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.

In the event of liquidation, dissolution or winding-up of RZB, the board of directors shall convene an extraordinary general meeting of the Company for the purpose of proposing a special resolution to place the Company into voluntary winding-up and the amount per capital note to which holders shall be entitled as a liquidation distribution will be as described above.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

11 Other payables

	2009	2008
	EUR	EUR
Accrued interest payable	317,600	353,669
Accruals	7,723	4,875
	325,323	358,544

12 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business.

12.1 Credit risk

The Company's main financial asset consists of Undated securitised commercial certificate of obligation issued by Raiffeisen Zentralbank Österreich AG which issuer has a Standard & Poor's long term credit rating of A/ negative outlook.

The Company's maximum exposure to credit risk consists of the above instrument and its related interest receivable disclosed in note 8.

On 15 June 2004, the Company entered into an agreement with its intermediate parent company ('the Support Agreement') whereby it agrees to make available to the Company funds sufficient to enable it to meet its obligations should it have insufficient funds.

12.2 Interest rate risk

As from 15 June 2005, the interest rate on financial asset fluctuates at a fixed percentage over EUR-ISDA-EURIBOR Swap rate. The interest income has been set at 3 basis points higher than that due on perpetual capital notes. A change in interest rates would therefore have no net impact on the Company's results and equity.

12.3 Liquidity risk

The Company's main financial liability consists of the perpetual capital notes that have a maturity date concurrent to that of the main financial asset. Furthermore, other liabilities, which are payable within one year, are not significant and are sufficiently covered by the cash and cash equivalents and accrued interest income. Therefore, the Company does not face any significant liquidity risk.

12.4 Foreign currency risk

The Company is exposed to foreign currency risk on certain expenses, which are mainly paid in Pound Sterling. The Company accepts this risk and, accordingly, does not hedge against it. A 10 percent weakening of the Euro against the Pound Sterling would have an insignificant effect on the results and equity of the Company.

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

12 Financial instruments (continued)

12.5 Fair values

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

	Carrying Amount 2009-2008 EUR	Fair Value 2009 EUR	Fair Value 2008 EUR
Financial assets			
Long-term loan receivable	200,000,000	85,000,000	60,000,000
Financial liabilities			
Perpetual capital notes	200,000,000	85,000,000	60,000,000

The fair value of the financial liabilities reflects the market price of the securities as quoted by the Amsterdam stock exchange.

In view of the fact that the Company's financial asset mirrors the same terms and conditions of the financial liability (with the exception of a 3 basis point difference in the coupon rate) and having regard to the difference between the bid/offer price, the directors are of the opinion that the fair value of the financial asset is not materially different from that of the financial liability.

In the opinion of the directors the difference between the carrying value of the long-term loan receivable and its fair value as at 31 December 2009 and 2008 does not represent an impairment of value, based on the high credit rating of RZB.

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.

13 Cash equivalents

Balances of cash and cash equivalents as shown in the Statement of Financial Position are analysed below:

	2009 EUR	2008 EUR
Analysis of balances of cash equivalents:		
Call deposits	**104,030**	88,274
Analysed in the Statement of Financial Position as follows:		
Cash equivalents	**104,030**	88,274

Call deposits amounting to EUR 103,030 (2008: EUR 87,274) are held with group entities. These bear interest at 0.25% per annum (2008: 2%).

RZB Finance (Jersey) III Limited

Notes to the Financial Statements

For the Year Ended 31 December 2009

14 Related parties

14.1 Identity of related parties

The company has a controlling related party relationship with its parent company and intermediate parent company

The company also has a related party relationship with its directors and company secretary.

Gareth Essex-Cater is a shareholder of Mourant Limited. Each of Gareth Essex-Cater, Helen Grant and Francois Chesnay is an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provide ongoing administrative services to the company at commercial rates.

14.2 Transactions with directors and company secretary

Directors of the company are also employees of the corporate company secretary. During the year the corporate company secretary charged the company management fees and administrative fees and other charges amounting to EUR 11,461 (2008: EUR 13,436).

14.3 Other transactions with related parties

Details of other transactions with the parent and ultimate parent company are disclosed in notes 5, 7, 8, 9 and 13.

15 Group enterprises

Control of the company

The company is a wholly-owned subsidiary of Raiffeisen Malta Bank plc, a company registered in Malta. The company's ultimate parent company is Raiffeisen-Landesbanken-Holding GmbH, a company registered in Austria.

KPMG

KPMG Channel Islands Limited

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Independent auditors' report to the members of RZB Finance (Jersey) III Limited

We have audited the financial statements of RZB Finance (Jersey) III Limited for the year ended 31 December 2009 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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Independent auditors' report to the members of RZB Finance (Jersey) III Limited - continued

Basis of audit opinion - continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the company's affairs as at 31 December 2009 and of its total comprehensive income for the year then ended; and

- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

KPMG Channel Islands Limited

Chartered Accountants

26 January 2010