RZB Finance (Jersey) III Limited

Half-Yearly Financial Report 2012

RZB Finance (Jersey) III Limited

Half-Yearly Financial Report and Financial Statements 2012

Contents

	Page (s)
Company Information	1
Interim Management Report	2
Statement of Persons Responsible Within the Issuer	3
Condensed Set of Financial Statements:	
Statement of Financial Position	4
Statement of Comprehensive Income	5
Notes to the Condensed Set of Financial Statements:	6-15

RZB Finance (Jersey) III Limited

Company Information

For the Period Ended 30 June 2012

Directors:	Gareth Essex-Cater Helen Grant Francois Chesnay
Secretary:	State Street Secretaries (Jersey) Limited (formerly known as Mourant & Co. Secretaries Limited)
Registered office:	22 Grenville Street St Helier Jersey Channel Islands

RZB Finance (Jersey) III Limited

Interim Management Report

For the Period Ended 30 June 2012

The directors submit their report and the unaudited financial statements of RZB Finance (Jersey) III Limited ('the Company') and (the 'Issuer') for the period ended 30 June 2012.

Since the Financial Statements for the year ending 31 December 2011, other than the expected activities of the Company, no material events have occurred in the period to 30 June 2012. The Company has performed in line with expectations.

Concerning the principal risks and uncertainties for the remaining six months we would like to refer to the notes of the financial statements on pages 10 to 14.

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 period are shown in the Statement of Comprehensive Income on page 5.

Directors

The directors of the Company during the period were those stated on page 1.

For and behalf of the Board of Directors

.....

Director

29 **August 2012**

RZB Finance (Jersey) III Limited

Statement of Persons Responsible within the Issuer

We confirm to the best of our knowledge that the condensed set of financial statements for the period to 30 June 2012 (the 'Condensed Set of Financial Statements') give a true and fair view of assets, liabilities, financial position and comprehensive income of the Company as required by the applicable accounting standards and that the Interim Management Report gives a true and fair view of important events that have occurred during the first six months of the financial year.

For and behalf of the Board of Directors

.....

Director

29 **August 2012**

RZB Finance (Jersey) III Limited

Statement of Financial Position

As at 30 June 2012

	Note	30/06/2012 EUR	31/12/2011 EUR
Assets			
Long term loan receivable	5	**200,000,000**	200,000,000
Total non-current assets		**200,000,000**	200,000,000
Other receivables	6	**195,311**	245,660
Cash and cash equivalents	11	**135,461**	116,188
Total current assets		**330,772**	361,848
Total assets		**200,330,772**	200,361,848
Equity and liabilities			
Issued share capital	7	**1,000**	1,000
Retained earnings		**135,735**	117,665
Total capital and reserves		**136,735**	118,665
Perpetual capital notes	8	**200,000,000**	200,000,000
Total non-current liabilities		**200,000,000**	200,000,000
Other payables	9	**194,037**	243,183
Total current liabilities		**194,037**	243,183
Total equity and liabilities		**200,330,772**	200,361,848

The notes on pages 7 to 15 are an integral part of these financial statements.

The financial statements on pages 4 to 15 were approved by the Board of Directors on 29 August 2012 and signed on its behalf by:

.....

Director

RZB Finance (Jersey) III Limited

Statement of Comprehensive Income

For the Period Ended 30 June 2012

	Note	01/01/2012 -30/06/2012 EUR	01/01/2011 -30/06/2011 EUR
Interest income		**2,652,720**	3,438,954
Interest expense		**(2,623,262)**	(3,409,733)
Net interest income	3	**29,458**	29,221
Expenses	4		
Administrators' remuneration		**(4,472)**	(3,827)
Management fee		**(2,840)**	(2,491)
Auditors' remuneration		**(829)**	(653)
Other charges		**(3,247)**	(1,888)
		(11,388)	(8,859)
Total comprehensive income for the period		**18,070**	20,362

The notes on pages 7 to 15 are an integral part of these financial statements.

RZB Finance (Jersey) III Limited

Notes to the financial statements

		Page
1.	Reporting entity	7
2.	Accounting and valuation principles	7
3.	Net interest income	7
4.	Expenses	7
5.	Long-Term Loan receivables	8
6.	Other receivables	8
7.	Share Capital	8
8.	Perpetual Capital Notes	9
9.	Other Payables	10
10.	Financial instruments	10
11.	Cash and Cash equivalent	14
12.	Related parties	15
13.	Ultimate Controlling Party	15

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

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.

2 Accounting and valuation principles

The financial statements of RZB Finance (Jersey) III Limited (the "Company") are prepared in conformity with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the International Accounting Standards adopted by the EU on the basis of IAS regulation 8EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations committee (IFRIC/SIC). The unaudited interim report as of 30 June 2012 is prepared in conformity with IAS34. In the interim reporting, exactly the same accounting and valuation principles and consolidation methods are applied as in the preparation of the 2011 consolidated financial statements.

3 Net interest income

3.1

	01/01/2012 - 30/06/2012	01/01/2011 - 30/06/2011
	EUR	EUR
Interest on long-term loan receivable (refer to note 5)	**2,652,578**	3,438,822
Bank interest income	**142**	132
Interest income	**2,652,720**	3,438,954
Interest expense on perpetual capital notes (refer to note 8)	**(2,623,262)**	(3,409,733)
Net interest income	**29,458**	29,221

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

4 Expenses

During the period, the company did not have any employees (2011: nil).

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

5 Long term loan receivables

	2012/2011
	EUR
Non-current investments	
Securitised commercial certificates of obligation	200,000,000

The loan receivable consists of EUR200,000,000 Undated Securitised Commercial Certificates of Obligation issued by a related party, Raiffeisen Bank International AG ('RBI') 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, adjusted for any impairment losses, 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 the end of the reporting period, the rate stood at 2.068% per annum.

6 Other receivables

	30/06/2012	31/12/2011
	EUR	EUR
Accrued interests receivable	**195,311**	239,733
Prepayments	-	5,927
	195,311	245,660

The accrued interest arose on the securitised commercial certificate of obligation (note 5).

7 Share capital

	2012/2011
	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.

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

8 Perpetual capital notes

	2012/2011
	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 2.038% 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 Bank International AG ('RBI') (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 issuer, 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 issuer 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 issuer or any other share or other security issued by the issuer and having the benefit of a guarantee from RBI 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 preference shares or preferred securities or capital notes, if any, of the issuer ranking pari passu with the capital notes as regards participation in the assets of the issuer.

Notwithstanding the availability of sufficient assets of the issuer 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 RBI, 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 RBI (after payment in full in accordance with Austrian law of all creditors of RBI, including holders of its subordinated debt but excluding holders of any liability expressed to rank pari passu with or junior to RBI's obligations under the 'Support Agreement') had the capital notes and all asset parity securities been issued by RBI and ranked (i) junior to all liabilities of RBI (other than any liability expressed to rank pari passu with or junior to RBI's obligations under the 'Support Agreement'), (ii) pari passu with all asset parity securities of RBI and (iii) senior to RBI's Bank Share Capital.

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

8 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 RBI.

In the event of liquidation, dissolution or winding-up of RBI, 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.

9 Other payables

	30/06/2012	31/12/2011
	EUR	EUR
Accrued interest payable	**192,418**	237,156
Accruals	**1,619**	6,027
	194,037	243,183

10 Financial instruments

10.1 Financial risk management

10.1.1 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.

The quantitative disclosures in notes 5 and 8 on the financial instruments should be read in the context of the narrative disclosures in this section to better understand the Company's risk arising from those financial instruments.

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

10 Financial instruments (continued)

10.1 Financial risk management (continued)

10.1.2 Risk management framework

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, the proceeds of which were used to invest in a financial instrument issued by Raiffeisen Bank International AG ('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 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.

10.2 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 loans and receivables.

10.2.1 Loans

The Company's main financial asset consist of an Undated Securitised Commercial Certificate of Obligation (see note 5) issued by Raiffeisen Bank International AG ('RBI'), formerly Raiffeisen Zentralbank Osterreich AG, and its corresponding interest receivable at year-end (see note 6). The Company's revenue derives mainly from this financial asset.

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

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

No triggers of impairment were identified on the loan receivable, with interest continuing to be 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. At year end, the Company did not have any passed due or impaired receivables.

The Company's maximum exposure to credit risk is equal to the amount of assets shown in the statement of financial position.

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

10 Financial instruments (continued)

10.2 Credit risk (continued)

10.2.2 Guarantees

The Company does not provide any financial guarantees.

10.3 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.

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. 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.

Furthermore, other liabilities, which are payable within one year, are not significant. The Board considers its available cash resources as enough to meet other cash outflows which mainly consist of administrative expenses.

Therefore, due to the nature of the Company's operations, the Board considers liquidity risk faced by the Company as minimal.

10.4 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 (notwithstanding the interest margin) of the principal financial asset and liability, the net exposure to market risk is also considered to be minimal.

10.4.1 Currency risk

The Company is exposed to foreign currency risk on certain administrative 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 10 percent weakening of the Euro against the Pound Sterling would have an insignificant effect on the results and equity of the Company.

10.4.2 Interest rate risk

Interest incurred on the perpetual capital notes is on a floating rate basis whilst the amount receivable from the loan to a group entity yields a fixed margin over this rate by 3 basis points, in

10 Financial instruments (continued)

10.4 Market risk (continued)

10.4.2 Interest rate risk (continued)

order to cover administration expenses of the Company. For this reason, and as these financial instruments are carried at amortised cost, a change in interest rates would therefore have no net impact on the Company's results and equity.

As from 15 June 2005, the interest rate on financial asset fluctuates at a fixed percentage over EUR-ISDA-EURIBOR Swap rate. The 3 basis points margin will remain unchanged.

10.5 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. The Board manages the operational risk of the Company through regular Board meetings and monitoring of compliance with the Offering Circular.

10.6 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 period.

The Company is not subject to externally imposed capital requirements.

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

10 Financial instruments (continued)

10.7 Fair values

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

	Carrying Amount	Fair Value
	EUR	EUR
Financial assets		
Long-term loan receivable	**200,000,000**	66,000,000
Financial liabilities		
Perpetual capital notes	**200,000,000**	66,000,000

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.

11 Cash and cash equivalents

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

	30/06/2012	31/12/2011
	EUR	EUR
Analysis of balances of cash and cash equivalents:		
Call deposits	**135,461**	116,188
Analysed in the Statement of Financial Position as follows:		
Cash and cash equivalents	**135,461**	116,188

RZB Finance (Jersey) III Limited

Notes to the financial statements

For the Period Ended 30 June 2012

12 Related parties

12.1 Identity of related parties

The Company has a related party relationship with its immediate parent company and ultimate 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 was an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provided administrative services to the Company at commercial rates during the period to 1st April 2010.

On 1st April 2010, Mourant Limited sold its interest in certain affiliates to State Street Corporation ("SSC"). Each of Gareth Essex-Cater, Helen Grant and Francois Chesnay is now an employee of a subsidiary of SSC. Affiliates of SSC now provide administrative services to the Company at commercial rates.

On 1st June 2010, Mourant & Co. Limited changed its name to State Street (Jersey) Limited.

On 1st June 2010, Mourant & Co. Secretaries Limited changed its name to State Street Secretaries (Jersey) Limited.

12.2 Transactions with Directors and Company Secretary

Directors of the company are employees of an affiliate of the company secretary. During the period, the company secretary charged the Company management fees and administrative fees and other charges amounting to EUR5,112 (June 2011: EUR4,485).

12.3 Other transactions with related parties

Details of other transactions with the immediate parent company and ultimate parent company are disclosed in notes 3, 5, 6, 7 and 11.

13 Ultimate Controlling Party

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.