

RZB Finance (Jersey) II Limited
Half-Yearly Financial Report
2011

RZB Finance (Jersey) II Limited

Half-Yearly Financial Report and Financial Statements 2011

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RZB Finance (Jersey) II Limited

Company Information

For the Period Ended 30 June 2011

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) II Limited

Interim Management Report

For the Period Ended 30 June 2011

The directors submit their report and the financial statements of RZB Finance (Jersey) II Limited ('the Company') and (the 'Issuer') for the period ended 30 June 2011.

Since the Financial Statements for the year ending 31 December 2010, other than the expected activities of the Company, no material events have occurred in the period to 30 June 2011. 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 7 to 9.

Incorporation

The company was incorporated in Jersey, Channel Islands on 22 July 2003.

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 **GARRETH ROSSEY-CATER**


26th August 2011

RZB Finance (Jersey) II 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 2011 (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 and their impact on the condensed set of financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

For and behalf of the Board of Directors


.....
Director GARETH ESSEX-CATER

 August 2011

RZB Finance (Jersey) II Limited

Statement of Financial Position

As at 30 June 2011

		30/06/2011	31/12/2010
	Note	EUR	EUR
Assets			
Long term loan receivable	6	100,000,000	100,000,000
Total non-current assets		100,000,000	100,000,000
Other receivables	7	5,457,714	2,517,700
Cash and cash equivalents	12	121,766	129,702
Total current assets		5,579,480	2,647,402
Total assets		105,579,480	102,647,402
Equity and liabilities			
Issued share capital	8	2	2
Retained earnings		168,999	154,481
Total capital and reserves		169,001	154,483
Perpetual preferred securities	9	100,000,000	100,000,000
Total non-current liabilities		100,000,000	100,000,000
Other payables	10	5,410,479	2,492,919
Total current liabilities		5,410,479	2,492,919
Total equity and liabilities		105,579,480	102,647,402

The notes on pages 7 to 16 are an integral part of these financial statements.

The financial statements on pages 4 to 16 were approved and authorised for issue by the board of directors on 26th August 2011 and signed on its behalf by:

.....
 Director **GARETH ESSKY-CATER**

RZB Finance (Jersey) II Limited

Statement of Comprehensive Income

For the Period Ended 30 June 2011

		01/01/2011 -30/06/2011	01/01/2010 -30/06/2010
	Note	EUR	EUR
Interest income		2,948,224	2,948,224
Interest expense		(2,923,274)	(2,923,274)
Net interest income	4	----- 24,950 -----	----- 24,950 -----
Expenses	5		
Auditors' remuneration		(653)	(788)
Directors' fees		(3,027)	(2,869)
Administrative fees		(5,027)	(4,900)
Other charges		(1,725)	(1,633)
		----- (10,432) -----	----- (10,190) -----
Total comprehensive income for the period		14,518	14,760
		=====	=====

The notes on pages 7 to 16 are an integral part of these financial statements.

RZB Finance (Jersey) II Limited

Notes to the financial statements

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RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

1 Reporting entity

RZB Finance (Jersey) II Limited (the “Company”) is a public company domiciled in Jersey. The address of the Company’s registered office is noted on page 1. The Company’s activities consist in raising finance for other group companies of which the Company forms part.

2 Accounting and valuation principles

The consolidated financial statements of RZB Finance (Jersey) II 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 2011 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 2010 consolidated financial statements.

3 Financial risk management

3.1 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.

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

3 Financial risk management (Continued)

3.1 Overview (Continued)

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.

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 Luxembourg stock exchange, the proceeds of which were advanced to a group entity. No other similar transaction was 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.

3.2 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 from customers and investment securities.

3.2.1 Loans

The Company's main financial assets consist of the long-term loan receivable from a group entity, Raiffeisen Bank International AG (RBI) 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 RBI.

No triggers of impairment were identified on the loan receivable, with interest always received as per conditions of the loan. The debtor has a long term credit rating of A/A-1 negative outlook from Standard & Poor's. Given this rating, management does not expect the counterparty to fail to meet its obligations.

3.2.2 Guarantees

The Company does not provide financial guarantees.

3.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 in the payment of interest payable on financial liability. The timing of its cash outflows falls due on the same dates of the cash inflows from the financial asset. The Board considers its available cash resources as enough to meet other cash outflows which mainly consist in administrative expenditures

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

3 Financial risk management (continued)

3.4 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, market risk is also considered to be minimal.

3.4.1 Currency risk

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

3.4.2 Interest rate risk

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

3.5 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.

3.6 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 net interest income was established on incorporation of the Company, there is little scope 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) II Limited

Notes to the financial statements

For the period ended 30 June 2011

4 Net interest income

	01/01/2011 - 30/06/2011	01/01/2010 -30/06/2010
	EUR	EUR
Interest on long term loan receivable (refer to note 6)	2,948,068	2,948,068
Bank interest income	156	156
Interest income	<u>2,948,224</u>	<u>2,948,224</u>
Interest expense on perpetual preferred securities (refer to note 9)	<u>(2,923,274)</u>	<u>(2,923,274)</u>
Net interest income	<u>24,950</u>	<u>24,950</u>

5 Expenses

During the period, the company did not have any employees (2010: nil).

6 Long term loan receivable

	2011/ 2010
	EUR
Non-current investments	
Securitised commercial certificates of obligation	<u>100,000,000</u>

The Company's investments consist of EUR100,000,000, Undated Securitised Commercial Certificates of Obligation issued by Raiffeisen Bank International AG ('RBI') and subscribed in full by the Company on issuance at par.

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

6 Long term loan receivable (continued)

The certificate may be redeemed at the option of the borrower at interest payment date on or after 31 July 2013 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 from (and including) 31 July 2003 to (but excluding) 31 July 2013, annually in arrears on 31 July, in each year commencing on 31 July 2004, at a fixed rate per annum of 5.945%, and from (and including) 31 July 2013 at a rate of 2.75% per annum above the euro-zone interbank offered rate for three-month euro deposits (EURIBOR) payable quarterly in arrears on 31 October, 31 January, 30 April and 31 July in each year, commencing on 31 October 2013.

7 Other receivables

	30/06/2011	31/12/2010
	EUR	EUR
Accrued interest receivable	5,456,370	2,508,301
Prepayments	1,344	9,399
	<u>5,457,714</u>	<u>2,517,700</u>

8 Share capital

	30/06/2011	31/12/2010
	EUR	EUR
Authorised Share Capital		
15,000 ordinary shares at EUR1 each	<u>15,000</u>	<u>15,000</u>
Issued and Fully Paid Up Share Capital		
2 Ordinary Shares at EUR1 each	<u>2</u>	<u>2</u>

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) II Limited

Notes to the financial statements

For the period ended 30 June 2011

9 Perpetual preferred securities

	30/06/2011	31/12/2010
	EUR	EUR
Issued and Fully Paid Up		
1,000,000 Perpetual Non-Cumulative Non-Voting Fixed/Floating Rate Preferred Securities at EUR100 each	<u>100,000,000</u>	<u>100,000,000</u>

Holders of perpetual non-cumulative preferred securities receive dividends which will be payable from (and including) 31 July 2003 to (but excluding) 31 July 2013, annually in arrears on 31 July, in each year commencing on 31 July 2004, at a fixed rate per annum of 5.895%, and from (and including) 31 July 2013 at a rate of 2.70% per annum above the Euro-zone interbank offered rate for three-month Euro deposits (EURIBOR) payable in arrears on 31 October, 31 January, 30 April and 31 July in each year, commencing on 31 October 2013. The preferred securities do not carry the right to vote unless the dividend is in arrears.

The dividend is non discretionary and payment thereof is subject to the conditions included in Clause (a) of the Offering Circular.

The preferred securities 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 preferred securities so redeemed by the issue 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, at EUR100 per preferred security plus accrued and unpaid dividends for the then current dividend period on 31 July 2013 or any dividend date falling thereafter and, subject as described in the "Description of the Preferred Securities".

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the company, the holders of the preferred securities will be entitled to receive for each preferred security a liquidation preference of EUR100 plus accrued and unpaid dividends for the then current dividend period to the date of payment. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares, preference shares or 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 RBI ranking junior as regards participation in assets to the preferred securities, but such entitlement will rank equally with the entitlement of the holders of any other preference shares or preferred securities, if any, of the company ranking *pari passu* with the preferred securities 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 holders of the preferred securities, 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 holders of the preferred securities and the liquidation distribution per share paid to the holders of all asset parity securities, shall not exceed the amount per share 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

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

9 Perpetual preferred securities (continued)

expressed to rank pari passu with or junior to RBI's obligations under the 'Support Agreement') had the preferred securities 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.

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 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 share to which holders shall be entitled as a liquidation distribution will be as described above.

10 Other payables

	30/06/2011	31/12/2010
	EUR	EUR
Accrued interest payable	5,410,479	2,487,205
Accruals	-	5,714
	<u>5,410,479</u>	<u>2,492,919</u>

11 Financial instruments

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

11.1 Credit risk

The Company's main financial asset consists of Undated Securitised Commercial Certificates of Obligation issued by Raiffeisen Bank International AG which has a Standard & Poor's long term credit rating of A/A-1 negative outlook.

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

11 Financial instruments (continued)

11.2 Liquidity risk

The Company's main financial liability consists of the Perpetual Preferred Securities which have the maturity dates concurrent to that of the main non-derivative 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 receivable. Therefore the Company does not face any significant liquidity risk.

11.3 Interest rate risk

The interest rate on the financial asset is fixed till 31 July 2013, following which the interest rate will become floating at a fixed percentage over EURIBOR. The premium has been set at 5 basis points higher than that on the perpetual preferred securities. A change of 100 basis points in interest rates would therefore have no net impact on the Company's results and equity.

11.4 Foreign currency risk

The Company incurs foreign currency risk on certain expenses, which are mainly paid in Pound Sterling. The company accepts the 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.

11.5 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	100,000,000	80,235,000
	<u> </u>	<u> </u>
Financial liabilities		
Perpetual preferred securities	100,000,000	80,235,000
	<u> </u>	<u> </u>

As at 2010, the market price of this instrument was quoted at 84%. In view that the market for this instrument is not active the directors obtained dealer's quote determined on an asset swap spread of +1179.2 based on an instrument issued by RBI, that is substantially the same.

In view of the fact that the company's financial assets mirror the same terms and conditions of the financial liabilities (with the exception of a 5 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.

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

12 Cash and cash equivalents

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

	30/06/2011 EUR	31/12/2010 EUR
Analysis of balances of cash and cash equivalents:		
Call deposits	<u>121,766</u>	<u>129,702</u>
Analysed in the Statement of Financial Position as follows:		
Cash and cash equivalents	<u>121,766</u>	<u>129,702</u>

13 Related parties

The company has a controlling related party relationship with its immediate parent company and ultimate parent company (refer note 14).

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

G.P. Essex-Cater is a shareholder of Mourant Limited. Until 1st April 2010, G.P. Essex-Cater, H. Grant and F.X.A. Chesnay were employees of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provided administrative services to the Company at commercial rates. On 1st April 2010 Mourant Limited sold its interest in certain affiliates to State Street Corporation ("SSC"). Each of G.P. Essex-Cater, H. Grant and F.X.A. Chesnay is now an employee of a subsidiary of SSC, affiliates of which provide ongoing 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.

Directors of the company are also employees of State Street (Jersey) Limited. During the period State Street (Jersey) Limited charged the Company management fees, administrative fees and other charges amounting to EUR6,054 (June 2010: EUR5,737).

No emoluments were paid or advances made by the Company to any of the Directors during the period.

RZB Finance (Jersey) II Limited

Notes to the financial statements

For the period ended 30 June 2011

14 **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.