

RZB Finance (Jersey) IV Limited

Annual Report

31 December 2011

RZB Finance (Jersey) IV Limited

Report and Financial Statements

31 December 2011

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RZB Finance (Jersey) IV Limited

Company Information

For the Year Ended 31 December 2011

Directors:

Dean Godwin
Gareth Essex-Cater
Helen Grant
Francois Chesnay

Secretary:

State Street Secretaries (Jersey) Limited (formerly
known as 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) IV Limited

Directors' Report

For the Year Ended 31 December 2011

The directors submit their report and the financial statements of RZB Finance (Jersey) IV Limited ('the Company') for the year ended 31 December 2011.

Incorporation

The Company was incorporated in Jersey, Channel Islands on 31 March 2006.

Activities

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

Results and business review

The results for the year are shown in the Statement of Comprehensive Income on page 6.

No new developments are expected during 2012.

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

Directors

The directors of the Company during the year were those listed on page 1.

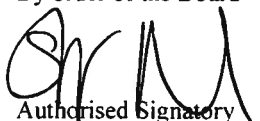
Dividends

During the year, the Company paid an interim ordinary dividend of €25,000 (2010: €25,000). No final dividend is proposed for distribution.

Auditors

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

By order of the Board



Authorised Signatory
State Street Secretaries (Jersey) Limited
Secretary

2 February 2012

RZB Finance (Jersey) IV Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as issued by the IASB and as adopted by the European Union ('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 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 2011 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. 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:



Director

2 February 2012

RZB Finance (Jersey) IV Limited

Statement of Financial Position

As at 31 December 2011

	Note	2011 €	2010 €
Assets			
Long-term loan receivable	7	500,000,000	500,000,000
Total non-current assets		500,000,000	500,000,000
Other receivables	8	16,329,435	16,329,487
Cash and cash equivalents	13	106,730	85,940
Total current assets		16,436,165	16,415,427
Total assets		516,436,165	516,415,427
Equity and liabilities			
Issued share capital	9	2,000	2,000
Retained earnings		142,481	121,823
Total capital and reserves		144,481	123,823
Perpetual capital notes	10	500,000,000	500,000,000
Total non-current liabilities		500,000,000	500,000,000
Other payables	11	16,291,684	16,291,604
Total current liabilities		16,291,684	16,291,604
Total liabilities		516,291,684	516,291,604
Total equity and liabilities		516,436,165	516,415,427

The notes on pages 8 to 21 are an integral part of these financial statements.

The financial statements on pages 4 to 21 were approved and authorised for issue by the Board of Directors on 2 February 2012 and signed on its behalf by:



Director

RZB Finance (Jersey) IV Limited

Statement of Changes in Equity

For the Year Ended 31 December 2011

	Notes	Total	Ordinary share capital	Retained earnings
		€	€	€
Balance at 1 January 2010		103,275	2,000	101,275
Total comprehensive income for the year				
Profit for the year		45,548	-	45,548
Total comprehensive income for the year		45,548	-	45,548
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 2010		123,823	2,000	121,823
Balance at 1 January 2011		123,823	2,000	121,823
Total comprehensive income for the year				
Profit for the year		45,658	-	45,658
Total comprehensive income for the year		45,658	-	45,658
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 2011		144,481	2,000	142,481

The notes on pages 8 to 21 are an integral part of these financial statements.

RZB Finance (Jersey) IV Limited

Statement of Comprehensive Income

For the Year Ended 31 December 2011

		2011	2010
	Note	€	€
Interest income		25,910,002	25,910,002
Interest expense		(25,845,000)	(25,845,000)
Net interest income	5	65,002	65,002
Expenses	6		
Administrators' remuneration		4,633	4,626
Management fee		5,766	5,783
Auditors' remuneration		6,479	6,375
Other charges		2,466	2,670
		19,344	19,454
Total comprehensive income for the year		45,658	45,548

The notes on pages 8 to 21 are an integral part of these financial statements.

RZB Finance (Jersey) IV Limited

Statement of Cash Flows

For the Year Ended 31 December 2011

	Note	2011 €	2010 €
Cash flows from operating activities			
Interest received		25,910,002	25,910,002
Interest paid		(25,845,000)	(25,845,000)
Payment to suppliers		(19,212)	(19,400)
Net cash from operating activities		<u>45,790</u>	<u>45,602</u>
Cash flows from financing activities			
Dividend paid		(25,000)	(25,000)
Cash used in financing activities		<u>(25,000)</u>	<u>(25,000)</u>
Net increase in cash and cash equivalents		20,790	20,602
Cash and cash equivalents at the beginning of the year		85,940	65,338
Cash and cash equivalents at the end of the year	13	<u>106,730</u>	<u>85,940</u>

The notes on pages 8 to 21 are an integral part of these financial statements.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

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RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

1 Reporting entity

RZB Finance (Jersey) IV 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 (Note 15).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU.

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 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 estimate is 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 requirement of IAS 1 *Presentation of Financial Statements* (revised) except as disclosed in note 12.7.

3 Significant accounting policies

Except for the effects of the new accounting standard adopted during the year, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

3 Significant accounting policies (continued)

3.1 Foreign currency

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 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 loans and receivables and cash 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 initial 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 and cash equivalents

Cash and 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) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

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*

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 loans and other 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.

3.4 Dividends

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

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

3 Significant accounting policies (continued)

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

The Company is liable to Jersey income tax at 0%.

3.8 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.

4 New standards and interpretations not yet adopted

A new standard and various amendments to accounting standards, which have been adopted by the EU, are effective for annual financial statements beginning on or after 1 January 2012. These had no material impact to the financial statements during the year.

As at 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for the Company's financial statements as at 31 December 2011. Management is currently in the process of evaluating the potential effect of these standards, amendments to standards and interpretations.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

5 Net interest income

	2011	2010
	€	€
5.1		
Interest from long-term loan receivable	25,910,000	25,910,000
Bank interest income	2	2
	-----	-----
Interest income	25,910,002	25,910,002
	-----	-----
Interest expense on perpetual capital notes	(25,845,000)	(25,845,000)
	-----	-----
Net interest income	<u>65,002</u>	<u>65,002</u>

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 (2010: nil).

7 Long-term loan receivable

	2011	2010
	€	€
Undated securitised commercial certificate of obligation issued by a related party, Raiffeisen Bank International AG and subscribed in full by the Company on issuance at par	<u>500,000,000</u>	<u>500,000,000</u>

The certificate may be redeemed at the option of the borrower at interest payment date on or after 16 May 2016 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 from (and including) 16 May 2006 to (but excluding) 16 May 2016 ('the Reset date'), at a fixed interest rate of 5.182% per annum, payable annually in arrears and from (and including) the Reset date at a floating interest rate of 1.9625% per annum plus the 3-month Euribor deposit.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

8 Other receivables

	2011	2010
	€	€
Accrued interest receivable	16,326,850	16,326,847
Prepayments	2,585	2,640
	<u>16,329,435</u>	<u>16,329,487</u>

Accrued interest receivable arose on the Securitised commercial certificate of obligations (note 7).

9 Share capital and reserves

9.1	2011	2010
	€	€
Authorised, issued and fully paid up share capital		
2,000 Ordinary shares at €1 each	<u>2,000</u>	<u>2,000</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.

9.2	2011	2010
	€	€
A dividend was declared and paid by the Company during the year.		
€12.50 per ordinary share (2010: €12.50)	<u>25,000</u>	<u>25,000</u>

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

10 Perpetual capital notes

	2011	2010
	€	€
Issued and Fully Paid up		
10,000 Perpetual non-cumulative subordinated perpetual callable step-up fixed to floating rate capital notes @ €50,000 each	<u>500,000,000</u>	<u>500,000,000</u>

Non-cumulative interest on the capital notes will accrue:

- (a) from (and including) 16 May 2006 to (but excluding) 16 May 2016 ('the Reset date'), at a fixed interest rate of 5.169% per annum, payable annually in arrears; and
- (b) from (and including) the Reset date at a floating interest rate of 1.95% per annum plus the Reference rate, payable quarterly in arrears on 16 August, 16 November, 16 February and 16 May in each year. The Reference rate ("EURIBOR - 11:00") is the offered rate for three-month Euro deposits.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

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 Bank International AG (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 16 May 2016 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 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 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 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 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 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.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

11 Other payables

	2011	2010
	€	€
Accrued interest payable	16,285,890	16,285,890
Accruals	5,794	5,714
	<u>16,291,684</u>	<u>16,291,604</u>

12 Financial instruments

12.1 Financial risk management

12.1.1 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 7 and 10 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.

12.1.2 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 Vienna 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 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.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

12 Financial instruments (continued)

12.2 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.

12.2.1 Loans

The Company's main financial asset consist of an Undated Securitised Commercial Certificate of Obligation (see note 7) issued by Raiffeisen Bank International AG ('RBI'), formerly Raiffeisen Bank International AG, and its corresponding interest receivable at year-end. The Company's revenue is derived mainly from this financial asset.

On 16 May 2006, the company entered into an agreement with RBI ('the Support Agreement') whereby RBI agreed 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 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.

12.2.2 Guarantees

The Company does not provide any financial guarantees.

12.3 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. Thus, 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.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

12 Financial instruments (continued)

12.4 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.

12.4.1 Currency risk

The Company is exposed to foreign currency risk on certain administrative expenses, which are 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.

12.4.2 Interest rate risk

Interest incurred on the financial liability 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 1.3 basis points, in 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.

The interest rate on the financial asset is fixed until 15 May 2016, following which the interest rate will become floating at a fixed percentage over EURIBOR. The 1.3 basis points margin will remain unchanged.

12.5 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.

12.6 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.

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

12 Financial instruments (continued)

12.6 Capital management (continued)

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.

12.7 Fair values

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

	Carrying Amount 2011/2010	Fair Value 2011	Fair Value 2010
	€	€	€
Financial assets			
Long-term loan receivable	<u>500,000,000</u>	<u>214,500,000</u>	<u>343,945,000</u>
Financial liabilities			
Perpetual capital notes	<u>500,000,000</u>	<u>214,500,000</u>	<u>343,945,000</u>

The financial liability represents capital notes that were issued at par and listed on the Vienna Stock Exchange. At the financial reporting date the capital notes are being quoted at 42.90 on the basis of a dealer quote.

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 1.3 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 assets 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 2011 does not represent an impairment of value, based on the high credit rating of RBI.

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

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

13 Cash and cash equivalents

Balances of cash and cash equivalents as shown in the balance sheet are analysed below:

	2011	2010
	€	€
Analysis of balances of cash and cash equivalents:		
Call deposits	106,730	85,940
	<u> </u>	<u> </u>
Analysed in the Statement of Financial Position as follows:		
Cash and cash equivalents	106,730	85,940
	<u> </u>	<u> </u>

The call deposits amounting to €106,730 (2010: €85,940) were held with Raiffeisen Malta Bank plc and Raiffeisen Bank International AG. These bear interest at 0% to 0.25% per annum (2010: 0.25%).

14 Related parties

14.1 Identity of related parties

The company has a controlling related party relationship with its immediate parent company and ultimate parent company (refer note 15).

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

Dean Godwin and G.P. Essex-Cater are shareholders of Mourant Limited. Until 1st April 2010, Dean Godwin, 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.

14.2 Transactions with Directors and Company Secretary

Directors of the Company are employees of an affiliate of the company secretary. During the year the company secretary charged the company management and administrative fees and other charges amounting to €10,773 (2010: €11,137).

RZB Finance (Jersey) IV Limited

Notes to the Financial Statements

For the Year Ended 31 December 2011

14 Related parties (continued)

14.3 Other transactions with related parties

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

15 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.

16 Segment information

Geographical information

The Company is domiciled in Jersey, Channel Islands. All of the Company's revenues are generated from its long term loan receivable with an entity based in Austria.

Non-current assets

Except for the long term loan receivable, the Company does not have any other non-current assets as at 31 December 2011 (2010: €nil).

Major investment counterparty

All of the Company's long term loan receivable is held with one counterparty, Raiffeisen Bank International AG.

17 Effect of the current economic crisis

The Board acknowledges that in the current economic crisis, the situation of the Company and the risks that it faces could change rapidly. However, on the basis of the evidence available to them and outlined in notes 7, 10 and 12, they are satisfied that the Company is able to continue as a going concern for the foreseeable future.



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Independent auditor's report to the members of RZB Finance (Jersey) IV Limited

We have audited the financial statements of RZB Finance (Jersey) IV Limited for the year ended 31 December 2011 which comprise the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Comprehensive Income, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards as adopted by the European Union ("EU").

This report is made solely to the company's members, as a body, in accordance with Article 113A 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 explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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Independent auditor's report to the members of RZB Finance (Jersey) IV Limited – continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its total comprehensive income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Steven Hunt

for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

3 February 2012

Notes:

- The maintenance and integrity of the website is the responsibility of the directors or other responsible party; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 3 February 2012. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 3 February 2012 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.