RZB FINANCE (JERSEY) III LIMITED

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2020

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REPORT OF THE DIRECTORS

The Directors present their interim report and the unaudited financial statements of RZB Finance (Jersey) III Limited (the "Company") for the period ended 30th June 2020.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 30th April 2004 under the Companies (Jersey) Law 1991, as amended, with registration number 87591.

ACTIVITIES

The principal activity of the Company is raising finance for other group companies. The Company's Perpetual Capital Notes are listed on the Euronext Amsterdam Stock Exchange with secondary listings on the Frankfurt, Stuttgart, Munich, Dusseldorf and Berlin stock exchanges.

There are no new Perpetual Capital Notes created and issued during the period (2019: none). The only significant change in the financial position of the Company during the period is the fair value changes of the assets and liabilities measured at fair value through profit or loss.

RESULTS AND BUSINESS REVIEW

The operating loss for the period amounted to €14,423 (2019: €17,779).

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

DIVIDENDS

The Company did not declare or pay any dividends during the period (2019: €nil).

GOING CONCERN

As set out in the Going Concern section in note 2 to the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors continue to carefully monitor on an ongoing basis the impact of COVID-19. As at the date of approval of the financial statements, the COVID-19 outbreak does not have material adverse effect on the Company. Consequently, the going concern basis continues to be appropriate in preparing the financial statements. Refer to notes 2 and 16 for further details.

DIRECTORS

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

S.J. Hopkins
J.N. Pendergast
A. Orosco
R. Go (appointed 22nd January 2020)

SECRETARY

The Company's Secretary is Sanne Secretaries Limited.

REGISTERED OFFICE

IFC 5, St Helier, Jersey, JE1 1ST

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company Law requires the Directors to prepare financial statements for each financial period. Under that Law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable laws.

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company, whose names appear on page 2, confirm to the best of their knowledge that the financial statements for the period ended 30th June 2020 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 12 to these financial statements.

Signed on behalf of the Board of Directors:

R. Go

Date: 4 August 2020

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2020

	Notes	30th Jun 20	31st Dec 19
ASSETS			
Non-current assets			
Financial asset at fair value through profit or loss	3	71,927,625	78,767,535
Current assets			
Other receivables	4	1,847	19,090
Cash and cash equivalents	5	88,905	82,731
		90,752	101,821
TOTAL ASSETS		€ 72,018,377	€ 78,869,356
EQUITY AND LIABILITIES			
Equity			
Issued share capital	6	1,000	1,000
Deficit		(72,513)	(58,090)
Capital contribution	15	125,000	125,000
TOTAL EQUITY		53,487	67,910
Non-current liabilities			
Perpetual Capital Notes at fair value through profit or loss	7	71,927,625	78,767,535
		71,927,625	78,767,535
Current liabilities			
Other payables	8	37,265	33,911
TOTAL LIABILITIES		71,964,890	78,801,446
TOTAL EQUITY AND LIABILITIES		€ 72,018,377	€ 78,869,356

The financial statements on pages 4 to 22 were approved and authorised for issue by the Board of Directors on the 4th day of August 2020 and were signed on its behalf by:

S. Hopkins
Director

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30TH JUNE 2020

	Notes	1st Jan 20 to 30th Jun 20	1st Jan 19 to 30th Jun 19
INCOME			
Gain on revaluation of Perpetual Capital Notes at fair value through profit or loss	7	6,839,910	1,764,262
Interest income on financial asset		89,344	433,413
Foreign exchange gain		2,049	-
		6,931,303	2,197,675
EXPENDITURE			
Loss on revaluation of financial asset at fair value through profit or loss	3	6,839,910	1,764,262
Interest expense on Perpetual Capital Notes		76,225	419,842
Administration and accounting fees		13,969	19,875
Audit fees		11,765	5,370
Other charges		3,857	5,734
Foreign exchange loss		-	371
		6,945,726	2,215,454
OPERATING LOSS FOR THE PERIOD		(14,423)	(17,779)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		€ (14,423)	€ (17,779)

Other comprehensive income

There were no items of other comprehensive income in either the current or prior period.

All items dealt with in any of the total comprehensive loss relate to continuing operations.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30TH JUNE 2020

	Issued Share Capital	Capital Contribution	Deficit	Total
Balance as at 1st January 2020	1,000	125,000	(58,090)	67,910
Total comprehensive loss:				
- Operating loss for the period	-	-	(14,423)	(14,423)
Balance as at 30th June 2020	€ 1,000	€ 125,000	€ (72,513)	€ 53,487

	Ordinary Share Capital	Capital Contribution	Deficit	Total
Balance as at 1st January 2018	1,000	125,000	(11,230)	114,770
Total comprehensive loss:				
- Operating loss for the period	-	-	(17,779)	(17,779)
Balance as at 30th June 2019	€ 1,000	€ 125,000	€ (29,009)	€ 96,991

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

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30TH JUNE 2020

	Notes	1st Jan 20 to 30th Jun 20	1st Jan 19 to 30th Jun 19
Cash flows from operating activities			
Operating loss for the period		(14,423)	(17,779)
Gain on revaluation of Perpetual Capital Notes at fair value through profit or loss	7	(6,839,910)	(1,764,262)
Loss on revaluation of financial asset at fair value	3	6,839,910	1,764,262
Interest income on financial asset		(89,344)	(433,413)
Interest expense on Perpetual Capital Notes		76,225	419,842
Interest received on financial asset		95,451	41,483
Interest paid on Perpetual Capital Notes		(82,332)	(28,393)
Decrease in other receivables		11,136	8,093
Increase/(decrease) in other payables		9,461	(10,068)
Net cash flow generated from/(used in) operating activities		6,174	(20,235)
Net movement in cash and cash equivalents		6,174	(20,235)
Cash and cash equivalents at the beginning of the period		82,731	119,166
Cash and cash equivalents at the end of the period	5	€ 88,905	€ 98,931

Reconciliation of movement in net debt

	Liabilities	Cash	Net debt
Opening balance as at 1st January 2020	(78,774,358)	82,731	(78,691,627)
Cash movement during the period	82,332	6,174	88,506
Non-cash movement during the period	6,763,685	-	6,763,685
Closing balance as at 30th June 2020	€ (71,928,341)	€ 88,905	€ (71,839,436)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2020

1. GENERAL INFORMATION

RZB Finance (Jersey) III Limited (the "Company") was incorporated in Jersey, Channel Islands on 30th April 2004 as a public company under the Companies (Jersey) Law 1991, as amended and assigned company number 87591. The principal activity of the Company is raising finance for other group companies. Details of the activities of the Company are set out in notes 3, 7 & 12.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and Perpetual Capital Notes at fair value through profit or loss which are stated at fair value.

Going concern

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

The Directors believe that the Company has sufficient liquidity to be able to meet its obligations as they fall due given that: interest cash outflows are contractually lower than and contingent upon interest cash inflows; the amount of cash and accrued interest receivable held by the Company are sufficient to meet the accrued interest payable and other accruals; and, given the existence of the Support Agreement as outlined in note 12. Moreover, the Company’s main financial liability consists of the Perpetual Capital Notes which will mature concurrently with the main financial asset.

The Directors continue to carefully monitor on an ongoing basis the impact of COVID-19. As at the date of approval of the financial statements, the COVID-19 outbreak does not have material adverse effect on the Company. Refer to note 16 for further details.

New accounting standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New accounting requirements") adopted during the current period

The Directors have assessed the impact, or potential impact, of all new accounting requirements. In the opinion of the Directors, there are no mandatory new accounting requirements applicable in the current period that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no mandatory new accounting requirements are listed. The Company has not early adopted any new accounting requirements that are not mandatory.

Non-mandatory new accounting requirements not yet adopted

All non-mandatory new accounting requirements in issue are either not yet permitted to be adopted or, in the Directors’ opinion, would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

2. ACCOUNTING POLICIES - (CONTINUED)

Non-derivative financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a non-derivative financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company’s non-derivative financial assets consist of a financial asset at fair value through profit or loss, other receivables and cash and cash equivalents.

Financial asset at fair value through profit or loss

In accordance with IFRS 9, the Company classifies the investment held as financial asset measured at fair value through profit or loss ("FVTPL") as the contractual cash flows of the financial asset do not represent solely payments of principal and interest. Upon initial recognition, financial assets are measured at fair value excluding transaction costs that are directly attributable to the acquisition of such assets. Subsequently, they are measured at fair value with changes thereof being recognised directly in profit or loss in the Statement of Comprehensive Income. Financial assets at FVTPL are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership.

Other receivables

Other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method less allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Impairment

All financial assets, except those carried at fair value through profit or loss, are subject to review for impairment at each reporting date. At initial recognition, an impairment allowance is required for expected credit loss or losses ("ECL") resulting from possible default events within the next 12 months. If an event were to occur that significantly increased the credit risk of the counterparty, an allowance for ECL would be required for possible defaults over the term of the financial instrument. Such a change in credit risk of the counterparty would also have an impact on the recognition of income on the financial asset.

2. ACCOUNTING POLICIES - (CONTINUED)

Impairment - (continued)

As permitted under IFRS 9, the Company has elected to utilise the practical expedient under which any necessary impairment allowance may be measured by estimating the twelve-month ECL.

In the Directors' opinion, the credit risk of a default at the level of the other receivables and the cash and cash equivalents was low at initial recognition and has assessed that such risk remains low as at the reporting date. Consequently, in the Directors' opinion, the ECL for these financial assets for the twelve-month period after the reporting date is approximately equal to nil.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company has the following non-derivative financial liabilities: Perpetual Capital Notes and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition the Perpetual Capital Notes are measured at fair value through profit or loss and other payables are measured at amortised cost using the effective interest method.

Perpetual Capital Notes at fair value through profit or loss

The Directors have considered the characteristics of the Perpetual Capital Notes, and the requirements of IFRS and consider that the most appropriate classification of these securities is as debt.

The Perpetual Capital Notes are designated at fair value through the statement of profit or loss, as permitted under IFRS 9, in order to eliminate the accounting mismatch that would otherwise occur in the Company's Statement of Financial Position and Statement of Comprehensive Income if the investments were to be measured at fair value through profit or loss whilst the Perpetual Capital Notes would otherwise be measured at amortised cost. Consequently the Perpetual Capital Notes are initially and subsequently measured at fair value through profit or loss. Therefore, the Perpetual Capital Notes are presented within liabilities in the Statement of Financial Position. Financial liabilities at fair value through profit or loss are recognised on the trade date and derecognised when they are extinguished (i.e. when the obligation is discharged, cancelled or expired).

Fair value estimation

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

2. ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation - (continued)

The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active; and

Level 3 – Inputs that are not based upon observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable requires judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In choosing between alternative sources of market data, the Directors give consideration to factors such as the frequency and volume of trades, the consistency of market data between sources, and other matters arising in their determination of the principal and most advantageous market.

The Company recognises transfers between levels of the fair value hierarchy as if the change occurred at the beginning of the period.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key estimates used in preparing these financial statements primarily include the determination of the fair value of the financial assets and financial liabilities at FVTPL asset based on the closing price of the Perpetual Capital Notes at period end as disclosed in note 12. Key judgements include the classification of the Certificate as financial assets at FVTPL and the classification of Perpetual Capital Notes as debt at FVTPL. Judgement is used by the Directors to determine which market listing provides the most active price, the most appropriate closing price and therefore the most appropriate fair value for use in the financial statements.

Functional and presentation currency

These financial statements are presented in Euro ("€", "EUR"), which is the Company’s functional currency.

2. ACCOUNTING POLICIES - (CONTINUED)

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 the Statement of Comprehensive Income.

Embedded derivatives

Derivatives embedded in financial instruments that are closely related to the host contracts are not treated as separate derivatives. The interest rate cap in place on the Company's investment in Undated Securitised Commercial Certificate of Obligation and on the Perpetual Capital Notes has not been accounted for separately. The fair value of the embedded derivative is included in the fair value of the host contract under fair value through profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Interest income on financial asset

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

Interest expense on Perpetual Capital Notes

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

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform regular reviews of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one reportable operating segment.

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day-to-day management of the business to other parties both internal and external to the Company, including the decisions to purchase and sell securities. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

The management receives financial information based on IFRS and as such no reconciliation is required between management information and the financial statements as presented.

2. ACCOUNTING POLICIES - (CONTINUED)

Expenses

Expenses are recognised on an accrual basis.

Employees

The Company did not have any employees during the period or in the prior period.

3. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

		30th Jun 20		31st Dec 19
Opening balance		78,767,535		66,951,500
Change in fair value	(	6,839,910)		11,816,035
Closing balance	€	71,927,625	€	78,767,535

The financial asset at fair value through profit or loss consists of €90,475,000 Undated Securitised Commercial Certificate of Obligation (the "Certificate") issued by a related party, Raffeissen Bank International ("RBI") and subscribed in full by the Company on issuance at par. The carrying value of the financial assets was determined based on the fair value of the Perpetual Capital Notes (see notes 7 & 12).

The Certificate may be redeemed at the option of the borrower on each interest payment date on or after 15th June 2009 at par in accordance with the conditions of issuance of the securitised commercial certificate of obligation. The claim of the Company shall be subordinated in accordance with Section 45 (4) of the Austrian Banking Act.

Interest is receivable semi-annually in arrears on 15th June and 15th December from (and including) 15th June 2005 at an interest Rate of 0.13% per annum plus the Reference Rate. The Reference Rate ("EUR-ISDA-EURIBOR Swap rate –11:00") is the annual swap rate for swap transactions with a 10 year-period maturity. The floating interest rate is capped at 9.03% per annum. At the reporting date, the interest rate stood at 0.049% per annum (31st December 2019: 0.211% per annum).

Interest accrues on a non-cumulative basis and as long as such interest shall be covered by the annual surplus of RBI as stated in the last approved annual financial statements of RBI.

The Directors do not expect the Certificate to be redeemed in the foreseeable future, which is accordingly presented within non-current assets.

4. OTHER RECEIVABLES

		30th Jun 20		31st Dec 19
Accrued interest receivable		1,847		7,954
Prepayments		-		11,136
	€	1,847	€	19,090

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

5. CASH AND CASH EQUIVALENTS

		30th Jun 20		31st Dec 19
Raiffeisen Bank International AG call deposit	€	88,905	€	82,731

6. ISSUED SHARE CAPITAL

		30th Jun 20		31st Dec 19
Authorised, issued and fully paid up share capital				
1,000 Ordinary shares at €1 each (2019: 1,000 ordinary shares)	€	1,000	€	1,000

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

7. PERPETUAL CAPITAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS

		30th Jun 20		31st Dec 19
Perpetual Capital Notes		78,767,535		66,951,500
Change in fair value		(6,839,910)		11,816,035
	€	71,927,625	€	78,767,535

Non-cumulative interest on the Perpetual Capital Notes will accrue at the floating interest rate, payable semi-annually in arrears on 15th June and 15th December each period. The floating interest rate is equal to 0.1% per annum plus the Reference Rate ("EUR-ISDA-EURIBOR Swap rate –11:00") being the annual swap rate for swap transactions with a 10-period maturity. The floating interest rate is capped at 9% per annum. At the reporting date, the interest rate stood at 0.049% per annum (31st December 2019: 0.211% per annum).

Interest payments are non discretionary and are subject to the conditions included in Clause (4) of the Offering Circular.

The Perpetual Capital Notes are redeemable at the option of the Company, subject to law and to the prior consent of Raiffeisen Zentralbank Österreich AG ("RZB") (as "Support Agreement Provider") which shall grant such consent only after either replacement of the principal amount of the Perpetual 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 15th June 2009 or any interest payment date falling thereafter, at the redemption price being the liquidation preference plus accrued and unpaid interest from the then current interest period ending on the date determined for the redemption.

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Perpetual Capital Note holders at the time will be entitled to receive the relevant liquidation distribution in respect of each Perpetual Capital Note held out of the assets of the Company available for distribution to Note holders. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares, preference shares, preferred securities or any other class of shares of the Company or any other share or other security issued by the Company and having the benefit of a guarantee from RZB ranking junior as regards participation in assets to the Perpetual Capital Notes, but such entitlement will rank equally with the entitlement of the holders of any other shares or securities or Perpetual Capital Notes, if any, of the Company ranking pari passu with the Perpetual Capital Notes as regards participation in the assets of the Company.

7. PERPETUAL CAPITAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

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 Perpetual 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 Perpetual 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.

A down-stream merger of RBI and RZB took place on 18th March 2017 in which RBI is the surviving entity and the universal successor of RZB with respect to all of its rights and liabilities. From the Company's perspective, all agreements entered into with RZB as set out above, including but not limited to the Support Agreement, have been transferred to RBI at the date of the merger. There are no changes to the terms and conditions of the Perpetual Capital Notes following the merger.

8. OTHER PAYABLES

	30th Jun 20	31st Dec 19
Accrued interest payable	716	6,823
Accrued expenses	36,549	27,088
	€ 37,265	€ 33,911

9. TAXATION

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0% (2019: 0%).

10. ULTIMATE CONTROLLING PARTY

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

11. RELATED PARTIES

Sanne Fiduciary Services Limited ("SFSL") and Sanne Secretaries Limited ("SSL") provided administration and/or secretarial services respectively to the Company at commercial rates. Each of SFSL and SSL is a member of Sanne Group plc and all of its subsidiaries and affiliates (the "Sanne Group Plc"). Each of A. Orosco, S.J. Hopkins, J.N. Pendergast and R. Go is an employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group plc.

Fees incurred with Sanne Group plc during the period in respect of management fees and administration and accounting fees are detailed on the face of the Statement of Comprehensive Income. Amounts prepaid to Sanne Group plc at the period end amounted to €nil (31st December 2019: €9,303).

As at 30th June 2020, RBI held Perpetual Capital Notes which amounted to €410,000 (31st December 2019: €410,000).

Also see notes 3, 4 and 5 for assets held with a related party and the Statement of Comprehensive Income for income earned on these assets.

12. FINANCIAL INSTRUMENTS

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board is responsible for identifying and analysing the risks faced by the Company, for setting appropriate risk limits and controls, and for monitoring risks and adherence to limits.

The Company was set up to raise finance for the group (of which Raiffeisen Landesbanken-Holding GmbH is the ultimate parent). This was achieved by the issue of a financial instrument listed on the Euronext Amsterdam Stock Exchange which was also listed subsequently on the Frankfurt, Stuttgart, Dusseldorf, Munich and Berlin stock exchanges, the proceeds of which were used to invest in a financial instrument issued by RBI. No other similar transactions were carried out by the Company and therefore the operations for the period consisted in servicing the financial liability from the income generated by the financial asset. In addition, the Company incurred minimal operating expenses. As a result, the Board deems its sole involvement as sufficient to monitor the risks faced by the Company and need not delegate any specific duties to Board committees.

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

- market risk;
- credit risk;
- liquidity risk; and
- operational risk.

This note presents information about the Company's financial instruments and its exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk involved in their use, and the management of capital.

12. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities.

	30th Jun 20		31st Dec 19	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial asset at fair value through profit or loss	€ 71,927,625	€ 71,927,625	€ 78,767,535	€ 78,767,535
Financial liabilities:				
Perpetual Capital Notes at fair value through profit or loss	€ 71,927,625	€ 71,927,625	€ 78,767,535	€ 78,767,535

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

The Company has issued Perpetual Capital Notes to highly sophisticated investors. The only material asset of the Company is the financial asset at fair value through profit or loss and there is no credit enhancement within the Company. The terms and conditions of the financial asset are exactly matched to that of the Perpetual Capital Notes, except for the 3 basis point difference between the respective coupon rates. In the opinion of the Directors, the Company is entirely transparent to the holders of the Perpetual Capital Notes and therefore in the opinion of the Directors, upon redemption, the fair value of the financial asset would be approximately equal and opposite to the fair value of the Perpetual Capital Notes.

The estimated fair value of the Perpetual Capital Notes was based on the closing price as at 30th June 2020 on the Stuttgart Stock Exchange, being 79.50% (31st December 2019: 87.06%).

The Perpetual Capital Notes are traded on a number of stock exchanges, including the Stuttgart, Frankfurt, Dusseldorf, Berlin, Munich and Euronext Amsterdam stock exchanges and the traded/quoted prices for the Perpetual Capital Notes may vary between these market. The Directors have considered the frequency and volume of trades observed and, from the information available to the Directors, the greatest frequency and volume of trading generally appears to occur on the Stuttgart Stock Exchange. Consequently, in the opinion of the Directors, the Stuttgart Stock Exchange is considered to be the principal market.

The Directors’ assessment of whether a market should be considered to be active or inactive may vary from period to period, depending on factors such as market conditions. IFRS does not provide a definitive guidance as to what constitutes an active or inactive market. As at the reporting date, the Directors used the following parameters as guidance: a market may ordinarily be considered to be active if either (i) trading takes place on at least 10 days per month on average during the financial period (with such trades resulting in a cumulative aggregate nominal amount traded of at least 2% of the outstanding nominal amount), or (ii) the cumulative aggregate nominal amount traded during the financial period was at least 10% of the outstanding nominal amount. When considering whether or not the market for a particular security is active, the Directors considered the volume traded across all observable markets and trading venues, not solely the volume traded on the principal market.

12. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values - (continued)

The fair values of the Perpetual Capital Notes have been estimated and used as a proxy for the fair value of the financial asset as set out above. The closing price may be different to the theoretical valuation that would be generated for such securities through a model using the underlying characteristics of the security and may be different from the price that could be achieved upon sale. Such differences may be significant. In addition, the value of the Perpetual Capital Notes is limited to the net proceeds available from the Company.

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

Fair value hierarchy

30th Jun 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial asset at fair value through profit or loss	€ -	€ 71,927,625	€ -	€ 71,927,625
Financial liabilities:				
Perpetual Capital Notes at fair value through profit or loss	€ -	€ 71,927,625	€ -	€ 71,927,625

31st Dec 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial asset at fair value through profit or loss	€ -	€ 78,767,535	€ -	€ 78,767,535
Financial liabilities:				
Perpetual Capital Notes at fair value through profit or loss	€ -	€ 78,767,535	€ -	€ 78,767,535

In the Directors' opinion, the closing price of the Perpetual Capital Notes represents a reasonable estimate of their fair value. There were no transfers between levels in the current period.

As the fair value of the financial asset is derived from the fair value of the Perpetual Capital Notes, the fair value of such is classified within level 2 of the fair value hierarchy.

Market risk

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

The Certificate and Perpetual Capital Notes are carried at fair value, therefore the Directors do not consider the Company is exposed to any net market risk. Movement on the Certificate is matched to the Perpetual Capital Notes.

12. FINANCIAL INSTRUMENTS - (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates.

The Perpetual Capital Notes incur interest on a floating rate basis whilst the financial asset yields a fixed margin over this rate by 3 basis points, in order to cover ongoing operational expenses of the Company.

For this reason, a change in interest rates would therefore have no significant net impact on the Company's financial performance and equity. The holders of the Perpetual Capital Notes ultimately bear the interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on certain operating expenses, which are mainly denominated in Pound Sterling ("GBP"). All other transactions are undertaken in Euro.

The Company accepts this risk and, accordingly, does not hedge against it. A reasonably possible change in the EUR/GBP exchange rate would have an insignificant effect on the results and equity of the Company.

As the Perpetual Capital Notes are denominated in the same currency as the financial asset, the Directors believe that the holders of the Perpetual Capital Notes are not exposed to any material net currency risk.

Other price risk

In the opinion of the Directors, there are no other price risks that could reasonably be foreseen to affect the fair values of the Company's financial instruments.

Sensitivity analysis

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

Whilst the financial instruments held by the Company may be separately exposed, the Company itself is not exposed to any significant net interest rate or net currency risk. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial asset.

12. FINANCIAL INSTRUMENTS - (CONTINUED)

Credit risk - (continued)

Financial assets and liabilities at fair value through profit or loss

The Company's main financial assets consist of the Certificate (see note 3) issued by RBI and its corresponding interest receivable at period end (see note 4). The Company's revenue derives mainly from this financial asset. The Company's main financial liability consists of the Perpetual Capital Notes.

The Directors do not consider the Perpetual Capital Notes to have any material credit risk attributable to the Company, due to the back to back nature of the Perpetual Capital Notes. The fair value movement attributable to the Company's credit risk changes is therefore not material.

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

At the period end, the Company did not have any past due or impaired receivables and other financial assets.

The Company's maximum exposure to credit risk is equal to the amount of assets shown in the Statement of Financial Position.

Guarantees

There are no other guarantees or collaterals provided by counterparties.

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 will be repaid concurrent to that of the main financial asset due to their matching terms.

The Company's Perpetual Capital Notes are classified as a financial liability because they bear non-discretionary interest and are redeemable in cash by the holders. Non-discretionary interest is recognised as interest expense in the Statement of Comprehensive Income as accrued.

The most significant cash outflow due within one period consists of the payment of interest expense on the Perpetual Capital Notes. The timing of its cash outflows falls due on the same dates as the cash inflows from the financial asset.

Other liabilities, which are payable within one period, are not significant. The Board considers its available cash resources as sufficient to meet other cash outflows which mainly consist of administrative expenses. Furthermore, the Company had entered into an agreement with RZB (the "Support Agreement") whereby RZB agreed to make available to the Company funds sufficient to enable it to meet its obligations should it have insufficient funds. Following the down-stream merger described in note 7, the Support Agreement and the rights and obligations in relation to this agreement have been transferred to RBI. RZB's long term credit rating was withdrawn in March 2017. RBI has a long term credit rating of A- from Standard & Poor's as at the period end (31st December 2019: BBB+).

The Directors therefore do not consider that the Company is exposed to significant net liquidity risk. Liquidity risk is ultimately borne by the holders of the Perpetual Capital Notes.

12. FINANCIAL INSTRUMENTS - (CONTINUED)

Contractual maturity analysis of Perpetual Capital Notes

The expected maturity profile of the Company's financial liabilities is presented in the table below. The amount disclosed below is contractual undiscounted cash flows in respect of the nominal amount of the Perpetual Capital Notes. As the Perpetual Capital Notes are perpetual, no interest amounts have been included below however details of the applicable rates are disclosed in note 7.

	30th Jun 20	31st Dec 19
Perpetual Capital Notes		
No maturity	€ 90,475,000	€ 90,475,000

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with a Company's processes and from external factors other than market, credit and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness. The Board manages the operational risk of the Company by closely monitoring the Company's activities through regular Board meetings and ensuring compliance with the Offering Circular.

13. OPERATING SEGMENTS

Geographical information

The Company is domiciled in Jersey, Channel Islands. All of the Company's revenues are generated from RBI, an entity based in Austria.

Non-current assets

Except for the financial asset at fair value through profit or loss, the Company does not have any other non-current assets.

Major investment counterparty

All of the Company's revenues are derived from one entity, RBI.

14. CAPITAL MANAGEMENT

The Company's transactions are designed to enable the Company to pay its liabilities as they fall due. The Board's policy is to have a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's capital consists of equity as set out in the Statement of Financial Position. The Perpetual Capital Notes incur interest on a floating rate basis whilst the financial asset yields a fixed margin over this rate by 3 basis points, in order to cover ongoing operational expenses of the Company. As the level of net interest income was established on incorporation of the Company, there is little need for the monitoring of the return on capital. All ordinary shares are held by RBI and the Company does not have any share option schemes or hold its own shares. RBI was a wholly-owned subsidiary of RZB which was ultimately owned by the ultimate controlling party as disclosed in note 10, until a Down-stream Merger of RBI and RZB took place on 18th March 2017 in which RBI is the surviving entity and the universal successor of RZB with respect to all of its rights and liabilities.

There were no changes in the Company's approach to capital management during the period or in the prior period except for the capital contribution as described in note 15.

The Company is not subject to externally imposed capital requirements.

15. CAPITAL CONTRIBUTION

On 5th December 2017, a capital contribution in the amount of € 125,000 was received by the Company from RBI. The funds were remitted to the Company as a capital injection to assist the Company with operational costs, as deemed appropriate by the Directors.

16. EVENTS DURING THE PERIOD

The current worldwide coronavirus outbreak commenced in China, being notified to the World Health Organisation ("WHO") by China on 31st December 2019, and the situation has continued to evolve throughout the period, being declared by the WHO as a Public Health Emergency of International Concern on 30th January 2020 and as a worldwide pandemic on 11th March 2020.

In the opinion of the Directors, COVID-19 did not have any material adverse effect on the overall financial position and/or net results of the Company due to the fact that the Company has attempted to match the properties of its financial liabilities to those of its financial assets to mitigate significant elements of risk generated by mismatches of investment performance caused by market risks and/or any other risks such as credit risks against its obligations. Accordingly, the risks associated with the Company's financial assets and financial liabilities are ultimately borne by the holders of the Perpetual Capital Notes.

The Directors continue to carefully monitor on an ongoing basis the impact of COVID-19. As at the date of approval of the financial statements, the COVID-19 outbreak does not have material adverse effect on the Company. Consequently, these financial statements have been prepared on a going concern basis.

17. SUBSEQUENT EVENTS

In the Directors' opinion, there are no significant events that have occurred between the reporting date and the date of approval of these financial statements that would be likely to have a material impact upon the Company, its reported financial position or its results.