

RZB Finance (Jersey) II Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2013

RZB Finance (Jersey) II Limited

Report and Financial Statements

31 December 2013

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RZB Finance (Jersey) II Limited

Company Information

For the Year Ended 31 December 2013

Directors:

Gareth Essex-Cater
Helen Grant
Francois Chesnay (resigned on 1 June 2013)
Chris Raurk (appointed on 1 June 2013)

Secretary:

State Street Secretaries (Jersey) Limited (resigned on 1 June 2013)
Sanne Secretaries Limited (appointed on 1 June 2013)

Independent auditors:

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey
JE4 8WQ
Channel Islands

Registered office:

13 Castle Street,
St Helier
Jersey
Channel Islands

RZB Finance (Jersey) II Limited

Directors' Report

For the Year Ended 31 December 2013

The directors submit their annual report and the financial statements of RZB Finance (Jersey) II Limited ('the Company') for the year ended 31 December 2013.

Incorporation

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

Activities

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

Results and Business review

The results for the year are shown in the Statement of Comprehensive Income on page 7.

On 19th December 2013, Raiffeisen Malta Bank plc agreed to sell to its parent Raiffeisen Bank International AG the issued ordinary share capital held in RZB Finance (Jersey) II Limited amounting to €2, comprising of 2 ordinary shares of par value €1 each. The mutually agreed price for the sale shares amounted to €114,000.

No new developments are expected during 2014.

The Company's principal risks and uncertainties arising from the financial instruments it holds are disclosed in detail in note 13. 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 and up to the date of this annual report were as stated on page 1.

Dividends

During the year, the Company paid an interim ordinary dividend of €25,000 (2012: €25,000). No final dividend is proposed for distribution.

Independent auditors

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

By order of the Board



Authorised Signatory
Sanne Secretaries Limited
Secretary
29 January 2014

RZB Finance (Jersey) II 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 period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 2013 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 13 of these financial statements.

Signed on behalf of the Board of Directors:



Director
Helen Grant

29 January 2014

RZB Finance (Jersey) II Limited

Statement of Financial Position

As at 31 December 2013

	Note	2013 €	2012 Restated* €	2011 Restated* €
Assets				
Available-for-sale financial asset	8	36,957,410	32,059,440	55,051,000
Total non-current assets		36,957,410	32,059,440	55,051,000
Other receivables	9	238,058	1,126,467	2,517,475
Cash and cash equivalents	14	103,035	134,708	128,912
Total current assets		341,093	1,261,175	2,646,387
Total assets		37,298,503	33,320,615	57,697,387
Equity and liabilities				
Issued share capital	10	2	2	2
Retained earnings		105,647	144,156	153,386
Fair value reserve		(7,569,590)	(12,467,560)	(44,949,000)
Total capital and reserves		(7,463,941)	(12,323,402)	(44,795,612)
Perpetual preferred securities	11	44,527,000	44,527,000	100,000,000
Total non-current liabilities		44,527,000	44,527,000	100,000,000
Other payables	12	235,444	1,117,017	2,492,999
Total current liabilities		235,444	1,117,017	2,492,999
Total liabilities		44,762,444	45,644,017	102,492,999
Total equity and liabilities		37,298,503	33,320,615	57,697,387

* See Note 3.1.

The notes on pages 9 to 30 are an integral part of these financial statements.

The financial statements on pages 4 to 30 were approved and authorised for issue by the board of directors on 29 January 2014 and signed on its behalf by:

Director



RZB Finance (Jersey) II Limited

Statement of Changes in Equity

For the Year Ended 31 December 2013

	Notes	Total €	Ordinary share capital €	Retained earnings €	Fair value reserve €
Balance at 1 January 2012 (as originally stated)		153,388	2	153,386	-
Adjustment resulting from change in accounting policy(note 3.1)	(44,949,000)		-	-	(44,949,000)
Balance at 1 January 2012 - restated	(44,795,612)		2	153,386	(44,949,000)
Total comprehensive income for the year					
Profit for the year		15,770	-	15,770	-
Other Comprehensive income					
Fair value reserve (available for sale financial assets)					
Net change in fair value	32,481,440		-	-	32,481,440
Total comprehensive income for the year	32,497,210		-	15,770	32,481,440
Transactions with owners, recorded directly in equity					
Dividend to equity holders	10.2 (25,000)		-	(25,000)	-
Total transactions with owners	(25,000)		-	(25,000)	-
Balance at 31 December 2012 - restated	(12,323,402)		2	144,156	(12,467,560)
Balance at 1 January 2013 - restated	(12,323,402)		2	144,156	(12,467,560)
Total comprehensive income for the year					
Loss for the year	(13,509)		-	(13,509)	-

RZB Finance (Jersey) II Limited

Statement of Changes in Equity (continued)

For the Year Ended 31 December 2013

	Notes	Total	Ordinary share capital	Retained earnings	Fair Value Reserve
		€	€	€	€
Other Comprehensive income					
Fair value reserve (available for sale financial assets)					
Net change in fair value		4,897,970	-	-	4,897,970
Total comprehensive income for the year		4,884,461	-	(13,509)	4,897,970
Transactions with owners, recorded directly in equity					
Dividend to equity holders	10.2	(25,000)	-	(25,000)	-
Total transactions with owners		(25,000)	-	(25,000)	-
Balance at 31 December 2013		(7,463,941)	2	105,647	(7,569,590)

The notes on pages 9 to 30 are an integral part of these financial statements.

RZB Finance (Jersey) II Limited

Statement of Comprehensive Income

For the Year Ended 31 December 2013

		2013	2012
	Note	€	€ Restated
Interest income		2,097,276	5,635,049
Interest expense		(2,074,876)	(5,587,447)
Net interest income	6	22,400	47,602
Expenses	7		
Auditors' remuneration		(6,626)	(7,519)
Directors' fees		(6,107)	(5,970)
Administrative fees		(10,107)	(9,971)
Other charges		(13,069)	(8,372)
		(35,909)	(31,832)
(Loss)/Profit for the year		(13,509)	15,770
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available for sale financial asset)			
Net change in fair value	8	4,897,970	32,481,440
Other comprehensive income for the year		4,897,970	32,481,440
Total comprehensive income for the year		4,884,461	32,497,210

The notes on pages 9 to 30 are an integral part of these financial statements.

RZB Finance (Jersey) II Limited

Statement of Cash Flows

For the Year Ended 31 December 2013

	Note	2013	2012
		€	€
Cash flows from operating activities			
Interest receipts	15.3	2,985,779	7,026,479
Interest payments		(2,957,820)	(6,967,175)
Payment to suppliers		(34,632)	(28,508)
		-----	-----
Net cash flows (used in)/from operating activities		(6,673)	30,796
		=====	=====
Cash flows from financing activities			
Dividend paid		(25,000)	(25,000)
		-----	-----
Cash used in financing activities		(25,000)	(25,000)
		=====	=====
Net (decrease)/increase in cash and cash equivalents		(31,673)	5,796
Cash and cash equivalents at 1 January		134,708	128,912
		-----	-----
Cash and cash equivalents at 31 December	14	103,035	134,708
		=====	=====

The notes on pages 9 to 30 are an integral part of these financial statements.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

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RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

1 Reporting entity

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

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.

The Company is currently in a net liability position and it is expected that in the future it will incur further operating losses. However, the Directors believe that the Company has sufficient liquidity to be able to meet its obligations as they fall due, given the amount of cash it holds and given the existence of the Support Agreement as outlined in note 13.2.1. Moreover, the Company’s main financial liability consists of the Perpetual Preferred Securities which mature concurrently with, and are limited in recourse to, the main financial asset.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

2.4.1 Assumptions and estimation uncertainties

2.4.1.1 Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

2.4.1 Assumptions and estimation uncertainties (continued)

2.4.1.1 Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 *Presentation of Financial Statements* (revised) except as disclosed in notes 13.7 and 13.8.

3 Changes in accounting policies

3.1 Classification of the Investment in Undated Securitised commercial certificates of obligation as an available-for-sale (“AFS”) financial asset (previously classified within loans and receivables (“LAR”))

IAS 39.9(c) states that the category of LAR excludes financial assets “for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale”. The rationale for classifying the investment in the undated securitised commercial certificates of obligations in previous years under the classification of LAR was based on an interpretation of the relevant accounting standards at inception and at the end of each subsequent financial period. Interpretations of accounting standards are evolving and it was brought to the attention of the Board that an accounting treatment based on the classification of this asset as AFS would be more appropriate. The Board considered the possible accounting treatments and considered it appropriate to change its accounting treatment of its financial assets based on this clarification of interpretation.

It is the Directors’ understanding that, although different interpretations of the relevant provisions of IAS 39 may have existed in the market place as at the date of initial recognition and subsequently, its interpretation of IAS 39.9(c) was previously widely accepted. However, on 29 October 2013 the

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

3 Changes in accounting policies (continued)

3.1 Classification of the Investment in Undated Securitised commercial certificates of obligation as an available-for-sale (“AFS”) financial asset (previously classified within loans and receivables (“LAR’) (continued)

European Securities and Markets Authority (“ESMA”) issued its latest extract from its enforcement database which included reference to the classification of loans and receivables.

Under ESMA’s interpretation, financial instruments with coupons that are conditional upon sufficient distributable profits at the issuer and with principal amounts that may be reduced by the occurrence of losses at the issuer are required to be classified as AFS financial assets by the holders of such financial assets. In the Directors’ opinion, this represents a change in accounting practice requiring a consequent change in classification of the investment in the Undated Securitised Commercial Certificates of Obligation in the financial statements of the Company.

Accordingly, the comparative amounts for 2011 and 2012 have been restated as follows:

	Loans and receivables	Available-for-sale financial asset
	€	€
Balance as at 31 December 2011 as previously reported	100,000,000	-
Effect of change in accounting policy	(100,000,000)	100,000,000
Fair value loss on available-for-sale financial asset	-	(44,949,000)
	-----	-----
Balance as at 31 December 2011 as restated	-	55,051,000
	-----	-----
Fair value gain on available-for-sale financial	-	32,481,440
	-	-
Sale of 554,730 available-for-sale financial assets	-	(55,473,000)
	-----	-----
Balance as at 31 December 2012 as restated	-	32,059,440
	=====	=====

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

3 Changes in accounting policies (continued)

3.1 Classification of the Investment in Undated Securitised commercial certificates of obligation as an available-for-sale (“AFS”) financial asset (previously classified within loans and receivables (“LAR’)) (continued)

Effects of change in Statement of Comprehensive Income (“SCI”) and Statement in Equity (“SCE”) for the years ended 31 December 2011 and 31 December 2012

	Statement of Comprehensive Income – Net Change in Fair Value of available-for-sale financial asset €	Statement of Changes in Equity – Fair Value reserve €
Balance for the year ended 31 December 2011 previously reported	-	-
Effect of change in accounting policy	(44,949,000)	(44,949,000)
Balance for the year ended at 31 December 2011 as restated	-	(44,949,000)
Fair value reserve (available for sale financial asset) - Net change in fair value	32,481,440	32,481,440
Balance for the year ended at 31 December 2012 as restated		(12,467,560)

The Company has also adopted the following new standard including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

3.2 IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs.

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS7. As a result, the Company has included additional disclosures in this regard (see Note 13).

Notwithstanding the above, this change had no significant impact on the measurement of the Company's assets and liabilities.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

4 Significant accounting policies

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

4.1 Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign exchange differences arising on translation are recognised in profit or loss.

4.2 Financial instruments

4.2.1 *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 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 available-for-sale assets, receivables and cash and cash equivalents.

Receivables

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, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables comprise other receivables and cash and cash equivalents.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

4 Significant accounting policies (continued)

4.2 Financial instruments (continued)

4.2.1 *Non-derivative financial assets (continued)*

Available-for-sale financial assets

Financial instruments designated as available-for-sale financial assets are initially recognised at fair value. Subsequent to initial recognition, they are re-measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in Other Comprehensive Income ("OCI") and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss up to the derecognition date, accumulated in equity is reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise call deposits.

4.2.2 *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.

The Company derecognises a financial liability when its contractual obligations are discharged, 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 preferred securities 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.

4.2.3 *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.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

4 Significant accounting policies (continued)

4.3 Impairment

4.3.1 *Non-derivative financial asset*

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.

4.3.1.1 *Financial assets measured at amortised cost*

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.

The Company considers evidence of impairment for other receivables.

4.3.1.2 *Available-for-sale financial asset*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

4.4 Perpetual preferred securities

The Directors have considered the characteristics of the perpetual preferred securities, and the requirements of International Accounting Standard 32 'Financial Instruments: Presentation' ("IAS 32") and consider that the most appropriate classification of these securities is debt.

The preferred securities are recognised initially at the issue proceeds received less attributable cost. Subsequent to initial recognition, the preferred securities are stated at amortised cost using the effective interest method.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

4 Significant accounting policies (continued)

4.4 Perpetual preferred securities (continued)

In accordance with IAS 39 AG8, the Directors review as at each reporting date whether or not there has been any change in the projected cash flows payable on the preferred securities in order to determine whether or not an adjustment to the carrying amount is required under the effective interest method. If such adjustment is required at any time, the carrying value of the preferred securities will be adjusted to the net present value of projected future cash flows payable, discounted at the original projected internal rate of return on the preferred securities (the "NPV"). As at the reporting date, no such change in projected cash flows had occurred since issue, with interest expected to continue to be paid under the preferred securities in perpetuity.

4.5 Dividends

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

4.6 Interest income

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

4.7 Interest expense

Interest expense on perpetual preferred securities is accounted for on an accruals basis using the effective interest method.

4.8 Taxation

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

4.9 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.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

5 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, which have been adopted by the EU, are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these financial statements due to the fact that they are not yet obligatory implemented. IFRS 9 *Financial Instruments* has not yet been adopted by the EU. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. Apart from those set out below new standards not yet effective are not expected to have any impact on the financial statements.

IFRS 9 *Financial Instruments* (2010) and IFRS 9 *Financial Instruments* (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The effective date for IFRS 9 has been delayed until the earliest of annual periods beginning on or after 1 January 2017 with early adoption permitted subsequent to endorsement from the EU.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

5 New standards and interpretations not yet adopted (continued)

IFRS 9 *Financial Instruments* (2010) and IFRS 9 *Financial Instruments* (2009) (continued)

The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues.

Based on our initial assessment, the Company is not expecting a significant impact from the amendments of IFRS 9.

Amendments to IAS 32 on offsetting financial assets and financial liabilities (2012)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

Based on our initial assessment, the Company is not expecting a significant impact from the adoption of the amendments to IAS 32.

6 Net interest income

6.1	2013	2012
	€	€
Interest on Available-for-sale financial asset	2,097,270	5,634,839
Bank interest income	6	210
	-----	-----
Interest income	2,097,276	5,635,049
	-----	-----
Interest expense on perpetual preferred securities	(2,074,876)	(5,587,447)
	-----	-----
Net interest income	22,400	47,602
	=====	=====

6.2 Interest income was earned on asset exposures that the Company has with Raiffeisen Bank International AG (see note 15).

7 Expenses

During the year, the Company did not have any employees (2012: nil).

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

8 Available-for-sale financial asset

	2013	2012
	€	Restated €
Available-for-sale financial asset		
Balance as at 1 January (1 January 2012 restated)	32,059,440	55,051,000
Fair value gain on AFS recorded in other		
Comprehensive Income	4,897,970	32,481,440
Cancelled commercial certificates during the year	-	(55,473,000)
	<u>36,957,410</u>	<u>32,059,440</u>

The Company's available-for-sale consist of a €44,527,000 (2012: €44,527,000), Undated Securitised Commercial Certificates of Obligation issued by a related party, Raiffeisen Bank International AG ('RBI'), and subscribed in full by the Company on issuance at par.

The certificate may be redeemed at the option of the borrower on an interest payment date on or after 31 July 2013 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) 31 July 2003 to (but excluding) 31 July 2013, annually in arrears on 31 July, in each year commencing on 31 July 2004, at a fixed rate per annum of 5.945%, and from (and including) 31 July 2013 at a rate of 2.75% per annum above the euro-zone interbank offered rate for three-month euro deposits (EURIBOR) payable quarterly in arrears on 31 October, 31 January, 30 April and 31 July in each year, commencing on 31 October 2013. At end of the reporting period, the rate stood at 2.978% per annum.

Interest is receivable as long as such interest shall be covered by the annual surplus of RBI (prior to change of reserves) as stated in the last annual accounts approved and accrues on a non-cumulative basis.

On 22 November 2012 the Company entered into a Purchase and Cancellation Agreement with RBI, the agreement resulted in the purchase and cancellation of €55,473,000 Perpetual Non-cumulative Subordinated Floating Rate Preferred Securities (see note 11) from RBI at the notional amount plus any accrued interest. The consideration for the purchase was settled by way of discharge of Securitised commercial certificates issued by RBI and held by the company with the notional amount of €55,473,000, resulting in no gain or loss from the transaction. The acquisition and discharge became effective on 28 November 2012. Interest accrued up to the date of the discharge was paid to the Company. This transaction constitutes a non-cash transaction as agreed between the respective parties.

The directors do not expect the Undated Securitised Commercial Certificates of Obligation issued to be redeemed in the foreseeable future accordingly they are presented as non-current assets.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

9 Other receivables

	2013	2012
	€	€
Accrued interest receivable	228,369	1,116,871
Prepayments	9,689	9,596
	<u>238,058</u>	<u>1,126,467</u>

The accrued interest arose on the securitised commercial certificates of obligation (note 8).

10 Share capital and reserves

10.1	2013	2012
	€	€
Authorised Share Capital		
15,000 Ordinary shares at €1 each	<u>15,000</u>	<u>15,000</u>
Issued and Fully Paid Up Share Capital		
2 Ordinary Shares at €1 each	<u>2</u>	<u>2</u>

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

10.2	2013	2012
	€	€
A dividend was declared and paid by the Company during the year.		
€12,500 per ordinary share (2012: €12,500)	<u>25,000</u>	<u>25,000</u>

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

10.4 On 19th December 2013, Raiffeisen Malta Bank plc agrees to sell to its parent Raiffeisen Bank International AG 100% of the issued ordinary share capital it holds in RZB Finance (Jersey) II Limited.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

11 Perpetual preferred securities

	2013	2012
	€	€
Issued and Fully Paid Up		
445,270/1,000,000 Perpetual Non-Cumulative Non-Voting fixed/Floating Rate Preferred Securities at €100 each	44,527,000	100,000,000
Buy-back and cancellation of Preferred Securities during the year	-	(55,473,000)
	<u>44,527,000</u>	<u>44,527,000</u>
Perpetual Non-Cumulative Preferred Securities as at year end	<u>44,527,000</u>	<u>44,527,000</u>

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

The interest is non discretionary and payment thereof is subject to the conditions included in Clause (a) of the Offering Circular. During 2012, the Company opted to repurchase the perpetual preferred securities and duly cancel the available-for-sale financial asset as a result of the parent's strategy to reduce its risk exposure given the current weak economic conditions.

The preferred securities are redeemable at the option of the Company, subject to law and to the prior consent of RBI which shall grant such consent only after either replacement of the principal amount of the preferred securities so redeemed by the issue of other capital of at least equivalent quality or having applied for and been granted consent by the Austrian Financial Market Supervisory Authority (the 'Finanzmarktaufsichtsbehörde' or 'FMA'), in whole but not in part, at €100 per preferred security plus accrued and unpaid interest for the then current interest period on 31 July 2013 or any dividend date falling thereafter and, subject as described in Preferred Securities".

On 23 February 2012, RBI invited the holders of perpetual non-cumulative preferred securities with a denomination of €100 each, issued by the Company, to tender the preferred securities to RBI for purchase at a fixed purchase price plus any accrued and unpaid dividends. On 8 March 2012, it was announced that RBI had received acceptances from note holders of 553,734 preferred securities. In addition RBI purchased 996 preferred securities in the market. On 22 November 2012 the Company entered into a Purchase and Cancellation Agreement with RBI. It was agreed by the directors, that the Company would cancel the preferred securities on receipt of the preferred securities purchased by RBI. In exchange for the return of the certificates the Company agreed to discharge the obligation of RBI relating to the Securitised commercial certificates for the notional amount of €55,473,000, resulting in no gain or loss from the transaction. The transaction for the cancellation of the above securities was settled on 28 November 2012. Interest accrued on the purchased preferred securities up to the date of the cancellation was paid to RBI on the settlement date for the amount of €1,072,175. This transaction constitutes a non-cash transaction as agreed between the respective parties.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

11 Perpetual preferred securities (continued)

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of the preferred securities will be entitled to receive for each preferred security a liquidation preference of €100 plus accrued and unpaid interest for the then current interest period to the date of payment. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares, preference shares or preferred securities or any other class of shares of the company or any other share or other security issued by the Company and having the benefit of a guarantee from RBI ranking junior as regards participation in assets to the preferred securities, but such entitlement will rank equally with the entitlement of the holders of any other shares or securities, if any, of the company ranking pari passu with the preferred securities as regards participation in the assets of the Company.

Notwithstanding the availability of sufficient assets of the Company to pay any liquidation distribution to the holders of the preferred securities, if at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of RBI, the liquidation distribution paid to holders of the preferred securities and the liquidation distribution per share paid to the holders of all asset parity securities, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of RBI (after payment in full in accordance with Austrian law of all creditors of RBI, including holders of its subordinated debt but excluding holders of any liability expressed to rank pari passu with or junior to RBI's obligations under the 'Support Agreement') had the preferred securities and all asset parity securities been issued by RBI and ranked (i) junior to all liabilities of RBI (other than any liability expressed to rank pari passu with or junior to RBI's obligations under the 'Support Agreement'), (ii) pari passu with all asset parity securities of RBI and (iii) senior to RBI's Bank Share Capital.

If the liquidation distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable pro rata in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the liquidation distribution, as adjusted if applicable, the holders will have no right or claim to any of the remaining assets of the Company or RBI.

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

12 Other payables

	2013	2012
	€	€
Accrued interest payable	224,535	1,107,478
Accruals	10,909	9,539
	-----	-----
	<u>235,444</u>	<u>1,117,017</u>
	=====	=====

The accrued interest payable relates to the perpetual preferred securities (note 11).

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

13 Financial instruments

13.1 Financial risk management

13.1.1 Overview

The Company has exposure to the following risks arising from 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 8 and 11 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.

13.1.2 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 Luxembourg 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.

13.2 Credit risk

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

13.2.1 Available-for-sale financial assets

The Company's main financial asset consist of an Undated Securitised Commercial Certificate of Obligation (the "Certificates")(see note 8) issued by Raiffeisen Bank International AG ('RBI'), formerly Raiffeisen Zentralbank Osterreich AG, and its corresponding interest receivable at year-end (see note 9). The Company's revenue derives mainly from this financial asset.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

13 Financial instruments (continued)

13.2 Credit risk (continued)

13.2.1 Available-for-sale financial assets (continued)

On 29 July 2003, the Company entered into an agreement with RBI ('the Support Agreement') whereby RBI agrees to make available to the Company funds sufficient to enable it to meet its obligations should it have insufficient funds. In evaluating the Company's risk exposure, the Directors have considered the current economic conditions which raise concerns over the liquidity and solvency of certain Eurozone countries and their banking systems. Although there are no indications that RBI, as a European bank, will be unable to meet its obligations to the Company on maturity of the Undated Securitised Commercial Certificate of Obligations, the broader uncertainty in the market characterised by significant declines in the values of equity and debt securities, the collapse of major financial institutions and continued intervention programs by national and European bodies could adversely affect the Company's risk exposure. However, given the limited recourse nature of the Company, the Directors believe that there is no net material credit and counterparty risk to the Company and all credit and counterparty risks in relation to both interest and principal repayments of the Certificates is ultimately borne by the holders of the preferred securities.

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

No triggers of impairment were identified on the available-for-sale financial asset, with interest continuing to be received in accordance with the terms of the asset. RBI has a long term credit rating of A negative outlook from Standard & Poor's. Given this rating, the Board does not expect the counterparty to fail to meet its obligations. At year end, the Company did not have any passed due or impaired receivables.

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

13.2.2 Guarantees

The Company does not provide any financial guarantees.

13.3 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 Preferred Securities which have maturity dates concurrent to that of the main financial asset due to their matching terms.

The Company's Perpetual preferred securities 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 profit or loss as accrued.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

13 Financial instruments (continued)

13.3 Liquidity risk (continued)

Thus, the most significant cash outflow consists of the payment of interest expense on these securities. The timing of its cash outflows falls due on the same dates of the cash inflows from the available-for-sale financial asset.

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

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

13.4 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 of the Company to market risk is also considered to be minimal.

13.4.1 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 or strengthening of the Euro against the GBP would have an insignificant effect on the results and equity of the Company.

13.4.2 Interest rate risk

Interest incurred on the Perpetual Preferred Securities as from July 2013 is on a floating rate basis whilst the amount receivable on the financial asset to Raiffeisen Bank International AG yields a fixed margin over this rate by 5 basis points, in order to cover administration expenses of the Company. For this reason, and the fact any change in interest rates is not likely to have material impact on the fair value of the available for sale asset's fair value, a change in interest rates would therefore have no significant net impact on the Company's results and equity.

As from 31 July 2013, the interest rate on financial asset fluctuates at a fixed percentage over EURIBOR. The 5 basis points margin remains unchanged.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

13 Financial instruments (continued)

13.5 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.

13.6 Capital management

The Company's assets and liabilities and the relative underlying terms and conditions allow for a highly probable annual margin that increases equity. The Board's policy is to have a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As the level of net interest income was established on incorporation of the Company, there is little need for the monitoring of the return on capital. The Board of Directors monitors the level of dividends to ordinary shareholders.

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

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

The Company is not subject to externally imposed capital requirements.

13.7 Accounting classification and fair values

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

	Carrying amount 2013	Carrying amount restated 2012	Fair Value 2013	Fair Value 2012
	€	€	€	€
Financial assets				
Available-for-sale financial asset	36,957,410	32,059,440	36,957,410	32,059,440
Financial liabilities				
Perpetual preferred securities	44,527,000	44,527,000	36,957,410	32,059,440

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

13 Financial instruments (continued)

13.7 Accounting classification and fair values (continued)

The respective financial assets and liabilities are categorised as Level 2 (2012: Level 2) in the fair value hierarchy for the reasons set out in 13.8.

Level 2 shall construe to mean that the fair value inputs are based on valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

13.8 Valuation techniques and significant unobservable inputs

The financial liability represents preferred securities that were issued at par and listed on the Luxembourg Stock Exchange. The directors consider that the market for the preferred securities is not active, and in the absence of an active traded price, the fair value of the preferred securities has been determined with reference to evaluated pricing obtained from Reuters of 83% (2012: 72%).

The directors believe that the evaluated price forms a reasonable basis for valuing the preferred securities as at the financial reporting date, as Reuters is considered to be a reliable pricing service that may have based its evaluation on various sources, including market data, such as, dealer's quotes and market based models, such as discounted cash flow analysis, credit spread analysis and comparable analysis. The Company corroborated the evaluated price to other pricing information available including a dealer's quote, historical on exchange order data, consensus pricing, another evaluated price from another independent third party pricing service and the spread on other similar instruments issued by RBI.

In view of the fact that the Company's financial asset mirrors the same terms and conditions of the financial liabilities (with the exception of a 5 basis point difference in the coupon rate) and having regard to the difference between the bid/offer price, the directors are of the opinion that the fair value of the financial asset is not materially different from that of the financial liability.

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) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

14 Cash and cash equivalents

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

	2013	2012
	€	€
Analysis of balances of cash and cash equivalents:		
Call deposits	103,035	134,708
	<u>=====</u>	<u>=====</u>
Analysed in the Statement of Financial Position as follows:		
Cash and cash equivalents	103,035	134,708
	<u>=====</u>	<u>=====</u>

The call deposits amounting to €103,035 (2012: €134,708) were held with Raiffeisen Bank International AG. These bear interest at 0% to 0.05% per annum (2012: 0.05%).

15 Related parties

15.1 Identity of related parties

The Company has a related party relationship with its immediate parent company and ultimate parent company (see note 16).

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

Each of G.P. Essex-Cater, H. G. Grant and C. Ruark is an employees and director of companies within the Sanne Group, affiliates of which provide ongoing administrative services to the Company at commercial rates.

15.2 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 fees, administrative fees and other charges amounting to €12,749 (2012: €12,586).

15.3 Other transactions with related parties

Details of other transactions with the immediate parent company are disclosed in notes 6, 8, 9, 10 and 14.

Interest received amounting to €2,985,779 (2012: €7,026,479) is derived wholly from the Company's parent company.

RZB Finance (Jersey) II Limited

Notes to the Financial Statements

For the Year Ended 31 December 2013

16 Ultimate controlling party

Control of the company

During 2013, 100% of the Company's shares were acquired by Raiffeien Bank International AG ('RBI') from Raiffeisen Malta Bank plc. The Company's ultimate parent Company is Raiffeisen-Landesbanken Holding GmbH, a company registered in Austria.

17 Segment information

Geographical information

The Company is domiciled in Jersey, Channel Islands. All of the Company's revenues are generated from its available-for-sale financial asset with an entity based in Austria.

Non-current assets

Except for the available-for-sale financial asset, the Company does not have any other non-current assets as at 31 December 2013 (2012: €nil).

Major investment counterparty

All of the Company's available-for-sale financial asset is held with one counterparty, Raiffeisen Bank International AG.

18 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 8, 11 and 13, they are satisfied that the Company is able to continue as a going concern for the foreseeable future.

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

We have audited the financial statements of RZB Finance (Jersey) II Limited (the "company") for the year ended 31 December 2013 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 and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the company's members, as a body, in 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of RZB Finance (Jersey) II 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 2013 and of its loss 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 and Recognized Auditor

31 January 2014

Notes:

- The maintenance and integrity of the website on which these financials statements are published 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 31 January 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 31 January 2014 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.