



## **RZB Finance (Jersey) III Limited**

*(Incorporated with limited liability under the laws of Jersey)*

**€200,000,000**

**Perpetual Non-cumulative Subordinated Floating Rate Capital Notes  
having the benefit of a support agreement entered into with  
Raiffeisen Zentralbank Österreich AG**

**Issue Price: 100%**

The €200,000,000 Perpetual Non-cumulative Subordinated Floating Rate Capital Notes (the "Capital Notes") are proposed to be issued by RZB Finance (Jersey) III Limited (the "Issuer") on 15 June 2004 (the "Closing Date"). The holders of the Capital Notes ("Noteholders") will have the benefit of a support agreement entered into between the Issuer and Raiffeisen Zentralbank Österreich AG ("RZB" or the "Support Agreement Provider"). Subject to the limitations described in "Terms and Conditions of the Capital Notes", the Capital Notes will bear non-cumulative interest (i) from (and including) 15 June 2004 to (but excluding) 15 June 2005 (the "Reset Date") at a fixed rate of 6 per cent. per annum payable in arrear on the Reset Date and (ii) from (and including) the Reset Date at a rate of 0.1 per cent. per annum above the Reference Rate (as defined in "Terms and Conditions of the Capital Notes") payable semi-annually in arrear on 15 June and 15 December in each year, commencing on 15 December 2005 (each, together with the Reset Date, an "Interest Payment Date").

The Capital Notes are limited recourse obligations of the Issuer (as further detailed in "Terms and Conditions of the Capital Notes").

The Capital Notes do not have a maturity and are not redeemable at any time at the option of the Noteholders. The Capital Notes are redeemable at the option of the Issuer, subject to the prior consent of RZB, (which shall grant such consent only after either replacement of the aggregate principal amount of the Capital Notes so redeemed by the issue of other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) 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 EUR 1,000 per Capital Note plus accrued and unpaid interest for the then current Interest Period (as defined in "Terms and Conditions of the Capital Notes") on 15 June 2009 or any Interest Payment Date falling thereafter and, for taxation reasons or capital reasons, in whole but not in part at any time, subject as described in "Terms and Conditions of the Capital Notes". In the event of the liquidation, dissolution or winding-up of the Issuer or RZB, Noteholders will be entitled to receive for each Capital Note a liquidation preference of EUR 1,000 plus any accrued and unpaid interest for the then current Interest Period to the date of payment, subject as described in "Terms and Conditions of the Capital Notes".

Application has been made to list the Capital Notes on the Official Segment of the Stock Market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam.

The Capital Notes will be in bearer form and in the denomination of EUR 1,000 each. The Capital Notes will initially be in the form of a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited on or around 15 June 2004 (the "Closing Date") with a common depository for Euroclear Bank, S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest Payments in respect of the Capital Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Capital Notes in definitive form in the denomination of EUR 1,000 each without interest coupons.

**ABN AMRO**

**BNP PARIBAS**

The date of this Offering Circular is 11 June 2004.

*A copy of this Offering Circular has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation.*

*The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue by the Issuer of the Capital Notes.*

*It must be distinctly understood that in giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.*

*The Issuer confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer and the Capital Notes which is material to the issue of the Capital Notes, that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular on the part of the Issuer are honestly held and that there are no other facts the omission of which makes any such information or the expression of any such opinion or intention misleading in any material respect. The Issuer accepts responsibility accordingly.*

*RZB confirms that, to the best of its knowledge and belief, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Issuer, the RZB Group (as defined in the Terms and Conditions of the Capital Notes) and the Capital Notes which is material to the issue of such Capital Notes, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole or any such information or the expression of any such opinion or intention misleading in any material respect. RZB accepts responsibility accordingly.*

*No person has been authorised to give information or to make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, RZB, ABN AMRO Bank N.V. or BNP PARIBAS. Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or RZB or the RZB Group since the date hereof.*

*Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Capital Notes and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, RZB, ABN AMRO Bank N.V. or BNP PARIBAS to subscribe for or purchase any of the Capital Notes.*

*Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Capital Notes. It should be remembered that the price of securities and the income from them can go down as well as up. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Capital Notes, he or she should consult his or her professional advisers.*

*The distribution of this document and the offering of the Capital Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, RZB, ABN AMRO Bank N.V. or BNP PARIBAS to inform themselves about, and to observe any such restrictions.*

*Capital Notes may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Capital Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act"). Subject to certain exceptions, the Capital Notes may not be offered, sold or delivered within the United States or to U.S. persons.*

*A further description of certain restrictions on the offering and sale of the Capital Notes and on the distribution of this document is given under "Subscription and Sale" below.*

*The Capital Notes are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Capital Notes.*

*Unless otherwise specified or the context requires, references to "euro", "Euro" and "EUR" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.*

***The Capital Notes are limited recourse obligations, which means, among other things, that principal of and interest on the Capital Notes will be paid only to the extent that the Issuer has received sufficient distributions on the investments made or has claims under the Support Agreement. The Issuer may not pay distributions on the Capital Notes if the Support Agreement Provider does not have sufficient***

***distributable funds or if a regulation or an order from the FMA would limit the Issuer or the Support Agreement Provider in making distributions of profits or on the Capital Notes or Parity Securities.***

*In connection with this issue, BNP Paribas (the "Stabilising Manager") (or any duly appointed person acting for the Stabilising Manager) may over-allot or effect transactions which stabilise or maintain the market price of the Capital Notes at a level which might not otherwise prevail for a limited period. However, there is no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws including, in respect of Notes listed on Euronext Amsterdam, Article 32 of the Further Regulations on Market Conduct Supervision on the Securities Trade 2002 (Nadere Regeling gedragstoezicht effectenverkeer 2002) as amended, and will, in respect of Notes listed on Euronext Amsterdam, in any event be discontinued 30 days after the issue date of the relevant Notes.*

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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the most recently published, audited, annual, consolidated and non-consolidated financial statements of RZB for the years ended 31 December 2002 and 31 December 2003. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the non-consolidated financial statements have been prepared in accordance with Austrian Commercial Code (*Handelsgesetzbuch*) and the Austrian Banking Act (*Bankwesengesetz*);
- (2) all amendments and supplements to the Offering Circular prepared by the Issuer or RZB from time to time;
- (3) the memorandum and articles of association of the Issuer.

Save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuer and RZB will, at the specified offices of the Fiscal Agent, the Paying Agent and Listing Agent in Amsterdam, provide, free of charge, upon the oral or written request therefor, a copy of this Offering Circular (or any document incorporated by reference in this Offering Circular). Written or oral requests for such documents should be directed to the specified office of the Fiscal Agent or the specified office of ABN AMRO Bank N.V. as Paying Agent and Listing Agent in Amsterdam.

## SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Circular.

<b>Issuer</b>	RZB Finance (Jersey) III Limited, is incorporated in Jersey and organised under the Companies (Jersey) Law 1991 and is a direct wholly-owned subsidiary of Raiffeisen Malta Bank plc ("RB Malta") and an indirect majority-owned subsidiary of RZB.
<b>Support Agreement Provider</b>	Raiffeisen Zentralbank Österreich AG (the "Bank" or "RZB").
<b>Fiscal Agent</b>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main.
<b>Paying Agent</b>	ABN AMRO Bank N.V.
<b>Calculation Agent</b>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main as the agent bank acting as calculation agent.
<b>Issue Size</b>	EUR 200,000,000.
<b>Issue Details</b>	EUR 200,000,000 Perpetual Non-cumulative Subordinated Floating Rate Capital Notes. The Capital Notes will constitute regulatory hybrid capital for the purposes of sections 24(2) No. 5 and No. 6 of the Austrian Banking Act ( <i>Bankwesengesetz</i> ) ("BWG" or the "Banking Act").
<b>Closing Date</b>	15 June 2004 or such other date as may be agreed by the Issuer and the Joint Lead Managers to issue the Notes.
<b>Form and Denomination</b>	The Capital Notes will be in bearer form and in the denomination of EUR 1,000 each.
<b>Limited Recourse Obligation</b>	The Capital Notes are limited recourse obligations of the Issuer. Principal and interest on the Capital Notes will be payable solely from distributions and redemption payments received by the Issuer deriving from the Investments (see below) or the claims of the Issuer against the Bank under the Support Agreement for any Interest Period.
<b>Investments</b>	The proceeds of the issue, will be transferred as Supplementary Capital to RZB AG (Ergänzungskapital (section 23(1) No. 5 and (7) BWG, in accordance with section 24(2) No. 5 and 6 and section 45(4) BWG) and will be used for general corporate purposes of the RZB Group. After payment of fees, commissions and expenses, the net proceeds of the issue which will be available to RZB AG are expected to amount to approximately EUR 194 million.
<b>Maturity</b>	The Capital Notes do not have a maturity date and are not redeemable at any time at the option of the Noteholders.
<b>Interest</b>	Non-cumulative interest on the Capital Notes will accrue (a) from and including 15 June 2004 to but excluding 15 June 2005 (the "Reset Date") at the rate of 6 per cent. per annum, payable in arrear on the Reset Date and (b) from and including the Reset Date at the Floating Interest Rate, payable semi-annually in arrear on 15 June and 15 December in each year commencing on 15 December 2005 (each, together with the Reset Date, an "Interest Payment Date"). The amount of interest that accrues in respect of any Interest Period or any period of less than an Interest Period will be computed on the basis of the actual number of days elapsed in the relevant Interest Period (using a calendar year of 360 days consisting of 12 months of 30 days each), divided by 360.  If any Interest Payment Date would otherwise fall on a date which is not a TARGET Settlement Day, it will be postponed to the next TARGET Settlement Day (without adjustment of interest in respect of a delay where such Interest Payment Date is not a Business Day).
<b>Floating Interest Rate</b>	Equals the Reference Rate plus 0.1 per cent. per annum.  For the purpose of the above calculation, the Reference Rate is "EUR-ISDA-EURIBOR Swap Rate – 11:00" meaning the annual swap rate for swap transactions with a 10 year maturity expressed as a percentage which appears on the Reuters Screen "ISDAFIX2" Page

under the heading "EURIBOR BASIS" and above the caption – "11:00 AM C.E.T" as of 11:00 am Central European time, on the second TARGET Settlement Date before the first day of the relevant Interest Period.

The Floating Interest Rate will be capped at 9 per cent. per annum.

**Non-Cumulative**

The right of Noteholders to receive Interest Payments (as defined in the Terms and Conditions) is non-cumulative. The Noteholders will have no right to receive payments in respect of any missed or reduced Interest Payment, whether or not Distributable Funds or Distributable Profits are sufficient or Interest Payments are made by the Issuer in respect of any future Interest Period.

**Link to Distributable Profits**

Interest Payments (as defined in the Terms and Conditions of the Capital Notes) on the Capital Notes will only be made on any Interest Payment Date to the extent that:

- (i) the Issuer has Distributable Funds for the Interest Period ending on the relevant Interest Payment Date, and/or
- (ii) RZB has, in accordance with section 24(2) No. 6 BWG, an amount of Distributable Profits at least equal to (a) the aggregate amount of such Interest Payments payable on the relevant Interest Payment Date (as defined in the Terms and Conditions of the Capital Notes) and (b) payments made during the period commencing on the date that Distributable Profits were determined by the Supervisory Board of RZB immediately preceding such Interest Payment Date and ending on the relevant Interest Payment Date, in respect of interest on the Capital Notes and dividends or other distributions or payments on Parity Securities (as referred to in the Terms and Conditions), if any.

Notwithstanding the foregoing, if RZB or any of its Subsidiaries:

- (a) declares or pays any dividend or makes any other payment or other distribution on any Parity Securities, then:
  - (i) if the dividend or other payment or distribution on such Parity Securities was in the full stated amount payable on such Parity Securities, Interest Payments will be made in full on the first two Interest Payment Dates, falling contemporaneously with and/or immediately following the date on which such dividend or other payment or distribution was declared or made on such Parity Securities; or
  - (ii) if the dividend or other payment or distribution on such Parity Securities was only a partial payment of the amount so owing, the Interest Payments on the Capital Notes will be reduced proportionally; or
- (b) declares or pays any dividend or makes any other payment or distribution on any Junior Securities as referred to in the Terms and Conditions of the Capital Notes then the Capital Notes will pay interest on the first two Interest Payment Dates, falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made; or
- (c) redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of RZB, the Issuer will make payments on the Capital Notes in full on the first two Interest Payment Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred,

*provided that*, even if Distributable Funds of the Issuer and Distributable Profits of the Support Agreement Provider are sufficient on a particular Interest Payment Date, to the extent

that, (i) in accordance with applicable Austrian law, the Support Agreement Provider would be limited in making payments on preference shares or preferred securities or capital notes issued by it ranking *pari passu* as to participation in profits with the Support Agreement Provider's obligations under the Support Agreement or (ii) on such date there is in effect an order of the Austrian *Finanzmarktaufsichtsbehörde* (or any other relevant regulatory authority) prohibiting the Support Agreement Provider from making any distribution of profits, the Issuer shall not be required to make any Interest Payments on any such Interest Payment Date.

Notwithstanding the above, no payment obligation shall arise under sub-paragraphs (a) – (c) above to the extent that the relevant Subsidiary which declares or pays any dividend or makes any other payment or distribution (i) is not a special purpose vehicle incorporated solely for the purpose of raising funds for the Group by issuing preference shares, capital securities and other securities and (ii) such Subsidiary makes the dividend, payment or distribution out of its own distributable profits.

In the event that the payments described above cannot be made in full by reason of any such limitation, such payments will be made *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.

The above restrictions are imposed *mutatis mutandis* on payments by the Issuer of interest in respect of the Capital Notes.

The Capital Notes ordinarily will rank senior to the Issuer's ordinary shares as to payment of interest. However, in the event that interest does not fall to be paid in relation to an Interest Period on the Capital Notes, all amounts received by the Issuer in connection with the Investments in relation to such Interest Period may be distributed as dividends to the holder of the Issuer's ordinary shares instead of being paid to the Noteholders.

## **Regulatory Limitations**

Even if Distributable Funds of the Issuer and Distributable Profits of RZB are sufficient on a particular Interest Payment Date, to the extent that, (i) in accordance with applicable Austrian law RZB would be limited in making payments on preference shares or preferred securities or the Capital Notes issued by it ranking *pari passu* as to participation in profits with RZB's obligations under the Support Agreement or (ii) on such date there is in effect an order of the Austrian *Finanzmarktaufsichtsbehörde* (or any other relevant regulatory authority) prohibiting RZB from making any distribution of profits, the Issuer shall not be required to make any Interest Payments on any such Interest Payment Date.

## **Support Agreement**

The Issuer and the Noteholders will have the benefit of a support agreement entered into as a deed poll between RZB and the Issuer in respect of the obligations of the Issuer under the Capital Notes (the "Support Agreement").

The Support Agreement is intended to provide for interest, redemption and liquidation rights equivalent to those which would attach to the Capital Notes if issued directly by RZB and to oblige RZB to make funds available to the Issuer to meet its payment obligations under the Capital Notes.

The obligations under the Support Agreement take effect for the benefit of the Noteholders. Each of RZB and the Issuer acknowledges and covenants that the obligations binding upon it contained in the Support Agreement are owed to, and shall be for the benefit of, each and every Noteholder, and that each Noteholder shall be entitled severally to enforce the obligations against RZB or the Issuer.

RZB's obligations under the Support Agreement are subordinated to all senior and subordinated debt obligations of RZB not ranking *pari passu* with the Capital Notes, rank *pari passu* with RZB's obligations



under the support agreements entered into by RZB in connection with the 1999 Preference Shares and 2003 Preferred Securities and *pari passu* with the most senior ranking preference shares or preferred securities of RZB that rank senior to the common stock of RZB as to liquidation rights, if any, and rank senior to any other preference shares and the Bank Share Capital.

For the text of the Support Agreement, see "Support Agreement".

#### **Withholding Tax and Additional Amounts**

The Issuer's obligations to make certain payments under the Capital Notes are subject to the limitations provided in Conditions 4(f), 4(h) and Condition 8. All amounts payable by the Issuer in respect of the Capital Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Jersey or Austria or any other country from or out of which the Issuer makes payments, or any political subdivision or authority thereof or therein having power to tax (the "Withholding Taxes"), unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Capital Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of the Capital Notes:

- (i) to a Noteholder (a) who is liable to any Withholding Taxes by reason of his having some connection with Jersey or Austria or any other country from or out of which the Issuer makes payments other than the mere holding of the Capital Notes or (b) who is able to avoid such withholding or deduction by making a declaration of non-residence or any other claim for exemption to the relevant tax authority but fails to do so; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Capital Note to another Paying Agent in a member state of the European Union; or
- (iv) more than 30 days after the Relevant Date except to the extent that such Noteholder would have been entitled to such additional amounts on presenting such Capital Note for payment on the last day of such period of 30 days,

where "Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

#### **Optional Redemption**

The Capital Notes are redeemable at the option of the Issuer, subject to the prior consent of RZB (which shall grant such consent only after either replacement of the principal amount of the Capital Notes so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsichtsbehörde*, in whole but not in part, on 15 June 2009 or any Interest Payment Date falling thereafter, at the Redemption Price (being the

Liquidation Preference plus accrued and unpaid interest for the then current Interest Period ending on the date determined for redemption).

#### **Redemption for Tax Reasons and Capital Reasons**

In addition, the Capital Notes are redeemable at the option of the Issuer at any time, subject to the prior consent of RZB (which shall grant such consent only after either replacement of the principal amount of the Capital Notes so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsichtsbehörde*, in whole but not in part, at the Redemption Price, (i) if the Issuer is or would be required to pay Additional Amounts in respect of payments due on the Capital Notes; or (ii) if (a) the *Finanzmarktaufsichtsbehörde* determines and announces that, or as a result of a change in law or regulation or the interpretation thereof, the Capital Notes no longer qualify as Core Capital ("*Kernkapital*") of RZB for Austrian banking capital adequacy purposes on a consolidated basis or (b) as a result of any change in law or regulation or the interpretation thereof payments made by RZB or any member of the RZB Group on any of the Investments cease to be fully deductible as expenses for income tax purposes.

#### **Status and Subordination**

The Capital Notes constitute direct obligations of the Issuer, ranking *pari passu* among themselves. Notwithstanding the availability of sufficient Distributable Funds, the payment obligations of the Issuer in respect of the Capital Notes, in particular for the payment of interest and, if applicable, for the redemption of the Capital Notes, constitute obligations of the Issuer which are subordinated to all current and future senior and other unsubordinated and subordinated debt obligations of the Issuer not ranking *pari passu* with the Capital Notes.

#### **Rights upon Liquidation**

In the event of the liquidation, dissolution or winding-up of the Issuer, Noteholders will be entitled to receive a Liquidation Distribution (as defined in the Terms and Conditions of the Capital Notes) in respect of each relevant Capital Note.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Noteholders as aforesaid, 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 to be paid to Noteholders and the liquidation distribution per Capital Note to be paid to the holders of all Asset Parity Securities shall not exceed the amount per Capital Note that would have been paid as the Liquidation Distribution from the assets of 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 ranking or expressed to rank *pari passu* with or junior to the obligations of RZB under the Support Agreement (including, for the avoidance of doubt and without limitation, (A) (1) the EUR 3,000,000 Series A 7.5 per cent. non-cumulative non-voting preference Shares issued on 29 September 1999; (2) the EUR 1,000,000 fungible series A 7.5 per cent. non-cumulative non-voting preference shares issued on 21 October 1999 having the benefit of a support agreement dated 29 September 1999 executed and delivered by RZB and RZB Finance (Jersey) Limited (together, the "1999 Preference Shares") and (B) the 1,000,000 perpetual non-cumulative non-voting fixed/floating rate preferred securities having the benefit of a support agreement dated 31 July 2003 executed and delivered by RZB and RZB Finance (Jersey) II Limited (the "2003 Preferred Securities")) had the Capital Notes and the 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 the obligations of RZB under the Support

Agreement), (ii) *pari passu* with all securities of RZB expressed to rank *pari passu* with the Capital Notes and (iii) senior to RZB's Bank Share Capital (as defined in the Terms and Conditions).

In the event of the liquidation, dissolution or winding-up of RZB, the Board of Directors of the Issuer shall convene an extraordinary general meeting of the Issuer for the purpose of proposing a special resolution to place the Issuer in voluntary liquidation and in these circumstances the amount per Capital Note payable by the Issuer as Liquidation Distribution to Noteholders in the event of a winding-up of the Issuer will be as described above. RZB has undertaken in the Support Agreement that, so long as any of the Capital Notes are outstanding, unless RZB itself is in liquidation, RZB will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

**Form of the Capital Notes**

The Capital Notes will initially be represented by a temporary global security in bearer form which will be deposited on the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") where the Capital Notes have been accepted for clearance. The temporary global security will be exchangeable for a permanent global security in bearer form upon certification as to non-US beneficial ownership. In certain limited circumstances, the global securities can be exchanged for definitive Capital Notes.

**Ratings**

On issue, the Capital Notes are expected to be assigned an "A3" rating by Moody's Investors Service Inc. A rating is not a recommendation to buy, sell or hold securities or shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Governing law**

The Capital Notes will be governed by and construed in accordance with the law of Jersey. The Support Agreement will be governed by and construed in accordance with English law save that the provisions concerning the ranking of the Support Agreement above will be governed by and construed in accordance with Austrian law and those provisions set out in Condition 4(f) (*Non cumulative interest payments*) above and determinations in respect of amounts of Distributable Profits will be governed and construed in accordance with Austrian law.

**Listing**

Application has been made to list the Capital Notes on the Official Segment of the stock market of Euronext Amsterdam N.V.

## **USE OF PROCEEDS**

The proceeds of the issue will be transferred as Supplementary Capital to RZB AG (Ergänzungskapital (section 23(1) No. 5 and (7) BWG, in accordance with section 24(2) No. 5 and 6 and section 45(4) BWG) and will be used for the general corporate purposes of the RZB Group. After payment of fees, commissions and expenses, the net proceeds of the issue which will be available to RZB AG are expected to amount to approximately EUR 194 million.

## THE ISSUER

### History

The Issuer was incorporated in Jersey on 30 April 2004 (registered number 87591) for an unlimited duration and with limited liability under the laws of Jersey.

The registered office of the Issuer is 22 Grenville Street, St Helier, Jersey JE4 8PX. The Issuer has no place of business in Austria.

### Business

The Issuer is a direct wholly-owned subsidiary of Raiffeisen Malta Bank plc, 71 Il-Piazzetta, Tower Road, Sliema, SLM 16, Malta and an indirect majority-owned subsidiary of RZB and its sole purpose is the issue of the Capital Notes.

As is stated on page 2 of this Offering Circular, the issue of the Capital Notes requires the consent of the Jersey Financial Services Commission under the Control of Borrowing (Jersey) Order 1958, which consent has been obtained. This consent is subject to conditions which must be complied with on an ongoing basis. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

### Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the incorporation of the Issuer a significant effect on the financial position of the Issuer.

### Share Capital

- (a) The existing issued ordinary shares are not listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V. or on any other stock exchange and are not dealt on any other recognised market.
- (b) The Issuer was established with an authorised share capital of EUR 1,000 consisting of 1,000 shares of par value EUR 1 each. 1,000 shares were issued and fully paid following the incorporation of the Issuer. Save as described, there has been no subsequent change in the share capital of the Issuer.
- (c) The holders of the ordinary shares in the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Capital Notes.
- (d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

### Capitalisation of RZB Finance (Jersey) III Limited

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at 15 June 2004, adjusted to give effect to the issue of the Capital Notes to be issued on 15 June 2004.

	<b>As at 15 June 2004</b>
	<i>(in EUR)</i>
<b>Short-term liabilities</b> . . . . .	—
Long-term liabilities . . . . .	—
Stockholders' equity	
Share capital . . . . .	1,000
Capital Notes . . . . .	200,000,000
Reserves . . . . .	—
Retained earnings . . . . .	—
Total stockholders' equity . . . . .	200,001,000
<b>Total capitalisation</b> . . . . .	<b>200,001,000</b>

### Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness in the nature of borrowings and has had no contingent liabilities or granted any guarantees.

## Directors

- (a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

<u>Name</u>	<u>Function in the Issuer</u>	<u>Principal Activity Outside the Issuer</u>	<u>Domicile</u>
Julia Chapman	Director	Solicitor of the Royal Court of Jersey	Jersey
Gareth Essex-Cater	Director	Corporate Administration Manager	Jersey
Daniel Le Blancq	Director	Corporate Administration Manager	Jersey
Helen Grant	Director	Corporate Administration Manager	Jersey

- (b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature or conditions or is or was significant to the business of the Issuer since its incorporation.

No Director or any connected person has any interest, whether or not held by a third party, in the share capital of the Issuer.

At the date of this document there were no loans granted or guarantees provided by the Issuer to any Director of the Issuer.

Julia Chapman is a partner of Mourant du Feu & Jeune, the legal adviser to the Issuer as to matters of Jersey law and of the Mourant Group, the ultimate owner of Mourant & Co. Limited, to which fees are payable for providing corporate administration services to the Issuer, including provision of a secretary through its subsidiary company, Mourant & Co. Secretaries Limited. Julia Chapman is also a director of Mourant & Co. Limited. Gareth Essex-Cater, Daniel Le Blancq and Helen Grant are employees of the Mourant Group and are corporate administration managers of Mourant & Co. Limited.

- (c) As at the date of this document, the Directors have not received any remuneration for the provision of their services to the Issuer.

The remuneration of the Directors shall from time to time be determined by the Issuer in general meeting.

- (d) The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, any Director of the Issuer may be counted in the quorum present at any meeting at which any proposed arrangement or contract in which he or she is interested is considered and, subject to the Articles of Association, may vote on any proposal, arrangement or contract in which he is interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he is removed from office by an ordinary resolution of the Issuer in general meeting.

For purposes of the Issuer's Articles of Association, "Law" means the Companies (Jersey) Law, 1991, as amended.

## Employees

The Issuer has no employees.

## Secretary

The Secretary of the Issuer is Mourant & Co. Secretaries Limited of 22 Grenville Street, St. Helier, Jersey JE4 8PX.

## General

- (a) Since 30 April 2004, the date upon which the Issuer was incorporated, there has been no significant change in the trading or financial position of the Issuer.
- (b) KPMG Channel Islands Limited of P.O. Box 453, 5 St. Andrews Place, Charing Cross, St Helier, Jersey JE4 8WQ has been appointed as auditors to the Issuer.
- (c) No accounts have been prepared for the Issuer nor have any dividends been declared or paid since the date of the Issuer's incorporation.
- (d) No transactions have occurred since incorporation of the Issuer other than (i) the allotment of the shares described under "Share Capital" and (ii) the execution of the Support Agreement, Subscription Agreement and the Agency Agreement described in this Offering Circular and of a Corporate Administration Agreement dated on or about 15 June 2004 and made between the Issuer and Mourant & Co. Limited.

## RAIFFEISEN ZENTRALBANK ÖSTERREICH AKTIENGESELLSCHAFT

### Registered Office, Legal Form, Incorporation, Duration

Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) which has its registered office Am Stadtpark 9, A-1030 Vienna, is a company limited by shares incorporated with unlimited duration under Austrian company law.

### History

RZB was founded on 16 August 1927 under the name "*Girozentrale der Österreichischen Genossenschaften*" in response to the long-felt need within the Raiffeisen co-operative organisation for a central clearing bank to control the investment of funds generated in this particular sector in Austria. In 1945, when the bank came under the supervision of the Austrian Ministry of Finance as part of the reconstruction of the Austrian economy after World War II, it assumed the name "*Genossenschaftliche Zentralbank AG*" (GZB). At the beginning of 1955, GZB started to operate as an independent institution.

To emphasize its integration into the three-tier structure of the *Raiffeisen Banking Group* (RBG), GZB changed its name to "*Raiffeisen Zentralbank Österreich Aktiengesellschaft*" on the occasion of its move to its new head office building in October 1989. RZB is the central institution of the Raiffeisen Banking Group as well as an independent commercial and investment bank. RZB was one of the first western banks to enter the Central and Eastern European (CEE) markets, starting in 1986 as one of the founders of Unicbank Rt., Budapest (now Raiffeisen Bank Rt.). Today, it is one of the leading banking groups in the region, currently covering 16 markets with 15 subsidiary banks and two representative offices. Almost 800 banking outlets (including the branches of the Savings Bank of Albania, *Banka e Kursimeve e Shqipërisë*, officially acquired at the beginning of 2004) provide a close-meshed network throughout the region.

### Business Profile

RZB is Austria's third largest bank in terms of assets and is one of CEE's leading banking groups. RZB offers its local and international customers a comprehensive range of corporate and investment banking services. Retail banking is offered through its subsidiary banks in CEE (in Austria, this business segment is taken care of by the first two tiers of RBG, the Raiffeisen Banks and Regional Raiffeisen Banks). Its consolidated subsidiaries in Austria and other countries (the "RZB Group") and its global network of business associates and correspondents all contribute to its line of services.

The main focus of the RZB Group's business is Europe, with a particular focus on the emerging markets of the CEE region, which RZB considers, together with Austria, as its home market. The RZB Group has built up a network of banking subsidiaries in Hungary, Slovakia, the Czech Republic, Poland, Bulgaria, Croatia, Russia, Romania, the Ukraine, Bosnia and Herzegovina, Slovenia, Serbia and Montenegro, including Kosovo, Belarus and Albania (the "Network Banks"). *Raiffeisen International Bank-Holding AG* (Raiffeisen International) acts as these banks' holding company, owning the majority of shares (in most cases 100 or almost 100 per cent.). Raiffeisen International is a 100 per cent. owned subsidiary of RZB.

Until 2000, when *Market Banka* was purchased in Bosnia and Herzegovina, the RZB Group's banking network expanded purely organically by the foundation of new local banks and their own growing branch network. Since then, acquisitions have played a substantial, but not exclusive, role in the further expansion of the branch network.

In 2001, RZB expanded its commitment in CEE considerably by acquiring *Hrvatska Postanska Banka* in Bosnia and Herzegovina and *Banca Agricola* in Romania. Both banks were merged with the respective Raiffeisen Banks already operating in these countries in 2002. With *Raiffeisenbank a.d.*, it was the first foreign banking group to enter the former Yugoslavia after the political changes of 2000.

In April 2002, Raiffeisen International's public offer for the Slovenian *Krekova banka d.d.*, Maribor, was accepted by almost all shareholders, representing 97 per cent. of all issued ordinary shares. The ninth largest bank in the country has continued its operations under the name *Raiffeisen Krekova Banka d.d* and provides RZB with an outstanding basis for developing its retail banking activities in the country. By purchasing 76 per cent. of the capital stock of *American Bank of Kosovo* in December 2002, RZB has become the first western banking group with a strategic investment in Kosovo. The bank was renamed *Raiffeisen Bank Kosovo* in May 2003 and the balance of shares was purchased in July 2003.

RZB finalised the acquisition of a majority stake in *Priorbank*, the third largest bank in Belarus, in mid-January 2003. With this step, RZB was the first Western bank to engage in a strategic investment in Belarus. This was also the case in December 2003, when RZB won the tender for the privatisation of the *Savings Bank of Albania*, the country's largest bank. The full ownership of the bank was officially handed over to RZB in April 2004.

In addition to its network of subsidiary banks, RZB maintains representative offices in Moscow and Vilnius, Lithuania, as well as specialised companies, such as investment and leasing companies,

building societies, mortgage banks, real estate developers, private equity management companies and venture capital units. In Western Europe, RZB has a branch office in London, a subsidiary bank in Malta and representative offices in Brussels, Milan and Paris. A finance company and a representative office, both located in New York, and further representations in Houston and Chicago, cover the American markets.

In Asia, RZB runs branches in Singapore and Beijing and representative offices in Hong Kong, Ho Chi Minh City, Mumbai, Seoul and Tehran. This international presence underlines the RZB Group's emerging markets strategy.

### **Strategy**

RZB is a universal banking group in CEE, having defined the region as its home market. The past fifteen years have been characterised by accelerated growth in the emerging markets of CEE. RZB recognised the region's potential at a very early stage and pioneered much of the development of the financial services industry in that region, subsequently establishing operations, the so-called Network Banks, throughout CEE. RZB continues to explore and examine further acquisition opportunities throughout CEE to further increase its presence. The criteria applied include business viability and compatibility with its predominantly organically evolved banking network.

The RZB Group's strategy in CEE is defined by the following key elements:

- accompanying Western commercial customers into these markets;
- offering high quality services to local and multinational corporations, as well as small and medium-sized companies and private customers;
- setting up/acquiring new banks for the commercial and retail business sectors, as well as investment banking units and other financial service companies (e.g. leasing, building societies);
- control share capital, ie at least a majority stake in the relevant entity;
- management and staff of the individual Network Banks are almost exclusively local, concentrating local market expertise as well as supporting the approach as a local bank with an international background.

Today, the RZB Group has an outstanding international reputation as a leading provider of financial services due to its experience in the region and its development of one of the largest networks of business locations.

A major business development was the step into the retail banking segment of CEE, including state-of-the-art distribution and acquisition channels such as internet and telephone banking. RZB's consistent approach to retail banking reflects the growing needs of private customers and small enterprises and resulted in an even wider diffusion of the Raiffeisen brand.

The total assets of the Network Banks grew from EUR 14.3 billion in 2002 to EUR 18.4 billion as of 31 December 2003. The number of business locations has increased from 604 to 697 in that period. The Network Banks contribute to more than two-thirds of consolidated profit before tax while accounting for less than 40 per cent. of total assets.

The RZB Group aims at further strengthening its position in CEE, as well as in Austria. It has set an ambitious strategic framework aiming at high quality products with high service standards group-wide, linking an increasing number of international customers with the growth markets and thereby aiming to achieve a substantial business share in CEE. The clear objective is to reach a major market position and a viable market share in defined market segments.

The internet is another of the RZB Group's priorities. RZB has no intention of developing into a pure internet bank, but it does intend to become CEE's foremost internet-minded banking organisation. RZB has indeed been an internet pioneer in many markets. The RZB Group already has a broad line of internet products and in due course will be enlarging the range and making it available in more countries.

### **Subscribed Capital, Shareholders and Authorised Capital**

As at 31 March 2004, RZB's share capital (*Grundkapital*) was EUR 349,191,921.91 divided into 4,289,513 ordinary shares (*Stammkapital*) and 515,660 preference shares (*Vorzugsaktien*). All shares are issued and fully paid-up. None of the shares of RZB are listed on any stock exchange.

As at 31 March 2004, the Regional Raiffeisen Banks held in aggregate (directly and indirectly) 87.7 per cent. of the total amount of the shares in RZB. The remaining shares were held by various Austrian companies, including mortgage banks. The Regional Raiffeisen Banks in turn are owned by local Raiffeisen Banks and associations which in turn are owned by their individual members (see The Raiffeisen Banking Group on page 29).



## Capitalisation of RZB

The following table sets out the non-consolidated capitalisation of RZB as at 31 March 2004, and 31 December 2003 as well as the consolidated capitalisation of RZB as at 31 December 2003.

	31 March 2004	31 December 2003	
	RZB (non-consolidated)	RZB (non-consolidated)	RZB Group (consolidated)
	(in EUR million)	(in EUR million)	(in EUR million)
<b>Liabilities</b>			
Liabilities to credit institutions . . . . .	27,190	24,835	27,422
Liabilities to customers . . . . .	5,069	5,019	16,990
Securitised liabilities . . . . .	2,901	3,080	3,506
Subordinated liabilities . . . . .	1,136	1,133	1,028
<b>Equity</b>			
Issued share capital . . . . .	349	349	349
Capital reserves . . . . .	530	530	527
Retained earning reserves (including minority interests) . . . . .	554	554	1,290
<b>Total capitalisation</b> . . . . .	<b>37,729</b>	<b>35,500</b>	<b>51,112</b>
<b>Capital Adequacy</b>			
Tier 1 Capital . . . . .	1,404	1,405	2,109
Tier 2 Capital . . . . .	1,015	1,009	923
Total Capital . . . . .	2,465	2,460	3,097
Tier 1 ratio (%) . . . . .	8.3	8.2	7.5
Solvency ratio (%) . . . . .	13.6	13.3	10.2

Note: There has been no material change in the non-consolidated and consolidated capitalisation of RZB since 31 March 2004 and 31 December 2003, respectively.

## Management

The Board of Managing Directors (*Vorstand*) is responsible for the management of RZB and acts on behalf of RZB. The Supervisory Board (*Aufsichtsrat*) has according to its legal duties responsibility for supervising the Board of Managing Directors. In addition to these legally obligatory bodies there is a voluntary Federal Advisory Board (*Länderkuratorium*) to provide additional support to the Supervisory Board.

**Board of Managing Directors (as at 15 May 2004)**

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the RZB Group</b>
Walter Rothensteiner	Chairman of the Board of Managing Directors	Chairman of Bundessparte Bank und Versicherung, Wirtschaftskammer Österreich (WKÖ) and other functions within the organisation of WKÖ, Chairman of the Supervisory Board of Casinos Austria AG, of Österreichische Lotterien Ges.m.b.H, and of Raiffeisen International Bank-Holding AG (RI), Vice-chairman of the Supervisory Board of UNIQA Versicherungen AG and of Oesterreichische Kontrollbank AG, Member of the Supervisory Board of Austrian Airlines Österreichische Luftverkehrs-AG, Kurier Zeitungsverlag und Druckerei Gesellschaft m.b.H. and of Österreichische Volksbanken AG, Member of the General Council of Oesterreichische Nationalbank
Herbert Stepic	Deputy Chairman of the Board of Managing Directors	Chairman of the Board of Managing Directors of Raiffeisen International Bank-Holding AG Member of the Supervisory Board of Oesterreichische Kontrollbank AG
Karl Sevelda	Member of the Board of Managing Directors	Member of the Supervisory Board of Österreichische Hotel- und Tourismusbank Ges.m.b.H of A.S.A. Abfallservice AG, of Investkredit Bank AG and of Raiffeisen International Bank-Holding AG
Karl Stoss (until autumn 2004)	Member of the Board of Managing Directors since 11 March 2002	Member of the Supervisory Board of Raiffeisen International Bank-Holding AG, and of Wiener Börse AG Designated Chairman of the Board of Managing Directors of Generali Holding Vienna AG
Manfred Url	Member of the Board of Managing Directors	Vice-Chairman of the Supervisory Board of VISA Service Kreditkarten AG, Member of the Supervisory Board of Österreichische Lotterien Ges.m.b.H. and of Raiffeisen International Bank-Holding AG

**Supervisory Board (as at 15 May 2004)**

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the RZB Group</b>
Christian Konrad	Chairman	Chairman of Österreichischer Raiffeisenverband, Raiffeisenlandesbank Niederösterreich-Wien AG, Chairman of the Supervisory Board of Agrana Beteiligungs AG, of UNIQA Versicherungen AG and of Mediaprint Zeitungs- und Zeitschriftenverlag GesmbH, Member of the Supervisory Board of Südzucker AG, Mannheim
Georg Doppelhofer	Vice-Chairman	CEO of Raiffeisenlandesbank Steiermark reg.Gen.m.b.H.
Fritz Hakl	Vice-Chairman	CEO of Raiffeisen-Landesbank Tirol AG
Ludwig Scharinger	Vice-Chairman	CEO of Raiffeisenlandesbank Oberösterreich AG
Klaus Buchleitner	Member	RWA Raiffeisen Ware Austria AG
Manfred Holztrattner	Member	CEO of Raiffeisenverband Salzburg reg.Gen.m.b.H.
Julius Marhold	Member	CEO of Raiffeisenlandesbank Burgenland reg.Gen.m.b.H.
Klaus Pekarek	Member	CEO of Raiffeisenlandesbank Kärnten reg.Gen.m.b.H.
Peter Püspök	Member	CEO of Raiffeisenlandesbank Niederösterreich-Wien AG

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the RZB Group</b>
Karl Waltle	Member	CEO of Raiffeisenlandesbank Vorarlberg reg.Gen.m.b.H
Gottfried Wanitschek	Member	Member of the Board of UNIQA Versicherungen AG
Peter Anzeletti-Reikl	Employee Representative	—
Franz Hummel	Employee Representative	—
Martin Prater	Employee Representative	—
Antje Piller	Employee Representative	—
Helge Rechberger	Employee Representative	—
Hildegard Svejda	Employee Representative	—

#### **Members of the Federal Advisory Board (as at 15 May 2004)**

<b>Name</b>	<b>Position</b>
Wilfred Thoma	Chairman
Jürgen Wagensonner	Vice-Chairman
Walter Zandanell	Vice-Chairman
Kurt Amann	Member
Jakob Auer	Member
Hans Malliga	Member
Franz Romeder	Member
Sebastian Schönbuchner	Member
Helmut Thrackl	Member

The address of the Board of Managing Directors and the Supervisory Board is Raiffeisen Zentralbank Österreich Aktiengesellschaft, Am Stadtpark 9, A-1030 Vienna, Austria.

#### **State Commissioners**

The Federal State Commissioner (*Staatskommissär*) and his deputy are appointed by The Federal Minister of Finance and act as officials of the Austrian Financial Markets Authority as Austrian banking supervisory authority. The current incumbents are:

Alfred Lejsek (State Commissioner)

Christian Riemer (Deputy State Commissioner)

#### **Employees**

As at 31 December 2003, the RZB Group employed a staff of 21,119 worldwide, 17,544 thereof in the Network Banks in CEE and 1,186 at Raiffeisen Zentralbank in Vienna.

#### **Auditors**

The independent auditors of RZB are KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Kolingasse 19, A-1090 Vienna. KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft audited the non-consolidated financial statements of RZB and the consolidated financial statements of the RZB Group for the six consecutive years ended 31 December 1997-2002 and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft audited such statements for the year ended 31 December 2003. An unqualified audit certificate on the financial statements was issued for each of those years.

#### **Financial Year**

The financial year of RZB corresponds to the calendar year.

#### **Legal and Arbitration Proceedings**

To RZB's knowledge there have not been any legal or arbitration proceedings pending, which have had in recent years or could have a material adverse effect on the financial condition of RZB or the RZB Group.

On 11 June 2002 the European Commission imposed on eight major Austrian Banks a fine in the amount of EUR 124.26 million in relation to alleged infringements of Article 81 that relates to

agreements and concerted practices which may affect trade between Member States (cartel proceedings); RZB's fine amounts up to EUR 30.38 million. The Austrian banks, and, of course RZB, filed an action against the decision of the European Commission with the European Court of First Instance. International lawyers – acting on behalf of the Austrian banks and RZB – are of the opinion that sound arguments are available. A decision of the European Court of First Instance has not yet been rendered, however, RZB's management believes that the fine is unlikely to have a material adverse effect on the financial position of RZB or the RZB Group.

Based on the complaints in the above mentioned cartel proceedings a class action has been served on 16 May 2001. This class action is not for a specific amount. RZB has retained a US law firm to represent RZB in these proceedings. The class action was dismissed by the court of first instance but subsequently the plaintiff filed an appeal which is currently pending. At the current moment RZB's management believes that the result of this appeal is unlikely to have a material adverse effect on the financial position of RZB or the RZB Group.

On 20 October 2000 a class action complaint was notified by Holocaust victims, and on 31 October 2000 another class action complaint actually was served upon RZB, neither class action is for a specific amount. RZB has asked a New York law firm to represent RZB's case in these proceedings. According to RZB's management view it is unlikely that the result of these actions will have a material adverse effect on the financial position of RZB or the RZB Group. This view is *inter alia* based on the fact that the Austrian government has negotiated a general settlement of these claims; this settlement agreement is not directly binding on the plaintiffs, but the courts are considered to act in accordance with the US government "Statement of Interest" which will be issued further to the terms of the settlement agreement.

The class action instigated against RZB by a former Austrian entrepreneur has been finally dismissed.

## **Business of the RZB Group**

### *Corporate Business*

Corporate Business is one of RZB's core business sectors. It embraces the traditional credit business for commercial customers, corporate finance (project and investment finance, acquisition finance and real estate finance), trade and export finance, documentary business, leasing for corporate customers, as well as finance services for regional authorities and financial institutions.

There exists within the Raiffeisen Banking Group a clear delineation of market responsibilities with regards to corporate banking activities. Target customers of the 586 local Raiffeisen Banks are small companies, whereas the nine Regional Raiffeisen Banks focus on medium sized companies. With a clear commitment to the top 1,000 companies in Austria, RZB offers a service concept custom-tailored to the needs of this target group. According to an independent market study sponsored by the leading commercial banks, approximately 25 per cent. of the top 500 companies and 20 per cent. of the top 1,000 companies in the country maintain a preferred bank relation with RZB.

In serving multinational companies, the RZB Group benefits from its region-wide bank network in CEE, as well as from its well established customer service model, the *Global Account Management System (GAMS)*. The latter provides international groups with a central account manager that coordinates all activities in the individual countries of the region.

It is RZB's goal to act as the main bank for most of its customers. Income growth is intended to be achieved through cross-selling efforts with existing customers and the acquisition of new customers. The optimized product mix and the selective approval of credit commitments resulted in a growth of risk-weighted assets in the RZB Group's corporate business of 8.5 per cent., compared with an increase of 18.8 per cent. in profit before tax in that customer segment in 2003.

It was not only due to prevailing adverse general conditions that the provisions for possible loan losses had to be increased by 9.7 per cent. Another reason was RZB's business relationship with two Western European corporations, the collapse of which involved a large number of international banks and was not to be foreseen even by the strictest monitoring standards applied.

### *Corporate Finance*

The applications of structured financing services and products custom-tailored to individual situations made it possible to achieve attractive margins and fee income. New products such as asset backed securities and mezzanine capital assist commercial customers with the restructuring of their balance sheets or support growth-oriented companies by supplying risk capital, while at the same time broadening the bank's foundation for sustained growth in this segment.

### *Project and Investment Finance*

In the area of international project finance, 2003 was characterised by intensive co-operation with supranational financing institutions. Today, RZB is the second largest partner bank for the European Bank for Reconstruction and Development (EBRD) by the volume of co-financed projects. It is the only

Austrian bank in the top 20 participants and in its position ahead of numerous much larger international banks.

#### *Real Estate Finance*

In Austria and Western Europe, a number of prestigious real estate finance transactions were concluded, among others the new *Le Meridien* and the renovated *Hilton* hotels in Vienna as well as the new *Mövenpick Dream Castle Hotel* in the Disneyland Resort Paris.

#### *Specialist in Environmental Issues*

RZB has entered into a co-operation arrangement with the consulting company Austrian Carbon Management to address the issue of climate-control according to the Kyoto protocol most professionally. Besides financing, customers are offered consulting services with a view to reducing their emissions out of one hand, as it were.

#### *Syndicated Loans in CEE*

As was the case in the previous two years, RZB again arranged more transactions in CEE than any other bank in 2003. In 32 transactions, a total loan volume of USD 2.4 billion was raised and syndicated.

#### *Corporate Business in CEE*

RZB began with commercial banking in nearly all countries of CEE and then expanded into other areas such as retail and investment banking. It was the first international bank in many markets, e.g. in Serbia and Montenegro, Kosovo and Belarus. RZB's Network Banks are among the leading commercial banks in their national markets and are also, with the exception of its subsidiaries in Poland and Russia, among the ten largest banks in each country. Raiffeisenbank Austria, Moscow, is the second largest international bank in Russia. The Network Banks' total credit portfolio increased by almost 38 per cent. to EUR 7.3 billion in 2003, while the increase in provisions for possible loan losses grew by only two per cent.

#### *International Financial Institutions and Sovereigns*

Apart from the services provided by RZB's numerous subsidiaries and branches, RZB offers a wide range of products to international financial institutions, supranationals and sovereign bodies. The RZB Group has become a major partner for these customer groups by taking part in their funding and guarantee programmes for providing loans and leasing finance to SMEs and other corporate clients in CEE.

#### *Treasury and Investment Banking*

Treasury activities comprise proprietary trading in foreign exchange, currency and FX swaps, fixed income and structured derivatives in those currencies most actively traded. Credit derivatives, e.g. asset swaps and credit default swaps are increasingly important. The presence of the RZB Group in CEE countries continues to be enhanced and the range of instruments traded therein is expanded continually.

Investment Banking is a core activity of the RZB Group. Services comprise origination, underwriting and syndication and brokerage. RZB concentrates on the fixed income business, whereas *Raiffeisen Centrobank* ("RCB"), a 100 per cent. subsidiary of RZB, acts as the equity house of RZB and the Raiffeisen Banking Group. In 2003 RCB was again the most active market maker and specialist on the Vienna Stock Exchange winning 68 per cent. of all primary market sectors mandates. RCB's market share in the total annual trading volume of the Vienna Stock Exchange amounted to approximately one fourth, after one fifth in 2002.

Fixed-income sales activities continuously strengthen RZB's position in the Austrian banking market for bond, interest and treasury products. At the same time, sales activities in the CEE markets were increased in collaboration with the Network Banks. Customer demand for hedging products for currency and interest rate risks and for solutions based on the application of specially structured products was up considerably as well in the difficult general environment that continued in 2003. Customers also benefited from faster and cheaper order processing after the sales desk for derivative products was equipped with a direct connection to the world's leading derivative exchange EUREX. RZB is an important primary and secondary market dealer for Austrian government bonds.

Synergies within the network of all investment banking units are utilised by a careful co-ordination and integration of all related business activities within a product/client matrix. RZB's local and international business units are active in promoting sales of Eastern European bonds and stocks in mature markets and vice versa. Other investment banking products, such as repo and securities lending, have been marketed successfully, particularly in emerging markets. Fund business and credit derivatives complement RZB's product range in this sector.

RZB is a trusted and reliable capital markets partner for corporations, banks as well as sovereign entities. For instance, it had the position of co-lead manager in arranging the €500 million FRN for the Slovak Republic in 2003. Further prestigious customers in this segment were the *European Investment Bank* (Luxembourg), *Investkredit Bank AG* in Vienna as well as *Bank TuranAlem* in Kazakhstan and Russia's *MMK Finance*. Corporate customers increasingly make use of capital market instruments, especially corporate bonds, as an alternative to loan financing. In 2003, RZB was the only Austrian bank in leading positions in all six publicly offered issues targeting the local market. With the EUR 100 million bond for *Heinzl Holding GmbH* RZB succeeded as lead manager in introducing a new issuer to the local market.

RCB was again successful in the equities-business, e.g. as co-manager in the SPO and the convertible bond of *voestalpine*. Also, it participated as the only Austrian bank in the syndication group of the *Telekom Austria AG* convertible bond and introduced *Cross Holding* as lead manager to the Vienna Stock Exchange. *Topcall*, *Schoeller Bleckmann Oilfield Equipment* and *S&T* were successfully relisted on the Vienna Stock Exchange.

RZB's Network Banks are also quite active in the primary business for corporate bonds: Raiffeisenbank Austria, Moscow, boasts a market share of eight per cent. in arranging local corporate bonds, having placed the equivalent of USD 250 million in 2003, thereby substantially supporting the development of this market segment. Especially noteworthy are the bonds arranged for *Vimpelcom*, Eastern Europe's second largest mobile telephone operator, and *Sun Interbrew*, the second largest brewery in Russia and the Ukraine, worth the equivalent of USD 100 and 80 million, respectively. Raiffeisenbank (Bulgaria) is the local market leader having arranged or co-arranged 40 per cent. of the new corporate bonds in the country. For example, it arranged the first USD denominated bond for *Bulgarian-American Credit Bank*. Raiffeisenbank Austria, Zagreb, was one of the three co-arrangers for the €200 million government bond to finance the Croatian pension reform and is one of the country's most important market makers in the bond sector.

### **Fund Management**

RZB's 50 per cent. subsidiary *Raiffeisen Kapitalanlage-Gesellschaft mbH* ("Raiffeisen KAG") is the fund management arm of the RZB Group. Raiffeisen KAG, founded in 1985, provides administration of mutual funds for both private customers and institutional investors (e.g. pension funds). Within the first five years of its existence it became the leader in terms of market share in its domestic market, and has subsequently retained this position (currently with more than 21 per cent.) despite intense competition among Austria's 23 fund management companies. Funds under management were approximately EUR 21 billion at the end of December 2003.

The fund management concentrates primarily on international and European bonds, Eastern European and Austrian stocks and European emerging markets. Raiffeisen KAG services institutional investors with a special client service management team. Raiffeisen KAG's market share of 26 per cent. (December 2003) with institutional investors indicates its success.

Raiffeisen KAG owns 100 per cent. of Raiffeisen Vermögensverwaltungsbank AG ("RVG"), 100 per cent. of Raiffeisen Immobilien-Kapitalanlage Gesellschaft mbH ("Immo KAG") and 100 per cent. of Raiffeisen International Fund Advisory ("RIFA"). RVG manages EUR 795 million in customer investments and is one of the largest Austrian asset management companies. RIFA was founded in 1998 and is Raiffeisen KAG's international distributor of mutual funds. Immo KAG was founded in 2003, providing administration of mutual real estate funds for both private customers and institutional investors.

Together with those companies, Raiffeisen KAG has been operating under the umbrella brand Raiffeisen Capital Management since November 2002.

### **Risk management**

The risk policy and risk management concept is defined by the Managing Board of RZB and takes into account the risk situation in every segment of the bank's activities to ensure the long-term success of RZB. RZB distinguishes between different risk types, such as credit risk (corporates, financial institutions and countries), market risk, liquidity risk and operational risk. RZB uses a Value-at-Risk ("VaR") concept to measure these risk types; the total risk is limited by the risk-taking capacity. Depending on the type of business, there are, in addition to VaR limits, volume and position limits as well as sensitivity limits, time-band limits and stop-loss limits in place. RZB applies regular stress tests regarding market and credit risk.

#### *Credit approval and review procedures*

As a wholesale bank, RZB is approving and monitoring credit risk on an individual customer / transaction basis with a view to the total exposure to the group of connected customers. For this purpose a credit approval and review process has been established and is constantly adjusted to cope with the latest developments in the industry. The process is documented by guidelines, procedures and organisational rules and takes into account the segregation of duties regarding loan acquisition, credit

assessment/rating, credit decision and credit monitoring. Additionally, credit risk is monitored and managed on a portfolio level considering risk concentration in industries, countries, maturities, etc.

#### *Approach to provisioning for loan losses*

RZB's guidelines for loan loss provisions are very conservative. The provisioning issue is part of the yearly review process of every single loan. Provisions for potential loan losses are triggered as soon as a potential default on principal and/or interest repayments becomes apparent. In practice, all loans with a certain rating are discussed and considered for provisioning in the "problem loan committee" meetings which take place three times a year.

RZB generally writes-off loans when the loss has become final and certain. Almost every write-off is preceded by building up adequate provisions over years. Therefore, a write-off generally has minimum effect on RZB's current balance sheet. The conservative approach to provisions is also documented by sizable write backs of loan loss reserves due to improving credit quality or final losses being smaller than estimated.

Besides provisioning individual loans and guarantees, RZB provisions general country risk portfolios, when necessary. The level of country risk provisions is determined by external secondary market rates for the relevant country's risk.

#### *Asset and liability management*

RZB's risk management department produces asset and liability management information used by the treasury and RZB's asset liability committee (ALCO). This information refers mainly to interest rate positions and any liquidity positions (within certain limits) on RZB's books. The interest rate gap is limited by a certain fraction of RZB's risk taking capacity. ALCO monitors the interest rate gap position in order to optimise return and risk within the given limits. In addition, interest rate and exchange rate sub-limits are allocated to different trading departments within RZB and checked on a daily basis.

### **Summary Financial Information**

The following summary information of RZB should be read in conjunction with the non-consolidated financial statements of RZB incorporated by reference herein.

#### *RZB Balance Sheet (non-consolidated)*

##### **Assets**

	<b>31 December</b>	
	<b>2003</b>	<b>2002</b>
	(audited)	(audited)
	<i>(in EUR million)</i>	
Cash and balances at central banks and post office banks . . . . .	1,052	1,065
Treasury bills and other eligible bills . . . . .	387	425
Loans and advances to banks. . . . .	18,963	14,148
Loans and advances to customers. . . . .	10,520	10,749
Debt securities and other fixed-interest securities . . . . .	2,573	2,335
Shares and other variable-yield securities (interest dependent on annual profits)	170	460
Interests in subsidiaries and other equity participation. . . . .	1,802	1,670
Intangible and tangible fixed assets . . . . .	46	42
Other assets. . . . .	1,966	976
<b>Balance sheet total</b> . . . . .	<b>37,479</b>	<b>31,870</b>

**Liabilities**

	31 December	
	2003	2002
	(audited)	(audited)
	<i>(in EUR million)</i>	
Deposits by banks . . . . .	24,835	21,169
Customer deposits . . . . .	5,018	3,215
Debts documented by certificates . . . . .	3,080	4,063
Other liabilities . . . . .	1,778	855
Provisions . . . . .	150	192
Subordinated liabilities . . . . .	803	720
Supplementary Capital . . . . .	330	230
Subscribed capital . . . . .	349	349
Reserves . . . . .	1,084	1,034
Balance sheet profit . . . . .	52	43
<b>Balance sheet total . . . . .</b>	<b>37,479</b>	<b>31,870</b>

*RZB Profit and Loss Account (non-consolidated)*

	31 December	
	2003	2002
	(audited)	(audited)
	<i>(in EUR million)</i>	
Interest received and similar income . . . . .	959	1,070
Interest paid and similar expenses . . . . .	(757)	(888)
Net interest income . . . . .	202	182
Operating income . . . . .	465	433
Operating expenses . . . . .	(244)	(243)
Operating profit . . . . .	221	190
Net expense on the disposal or revaluation of loans and advances and specific securities . . . . .	(80)	(79)
Net income/expense on the disposal or revaluation of securities valued as financial assets and of interest in affiliated companies and shares . . . . .	(39)	28)
Profit on ordinary activities . . . . .	102	83
Extraordinary profit/loss . . . . .	—	(23)
Taxes . . . . .	(1)	(3)
Annual surplus (after taxes) . . . . .	101	57
Transfers to reserves . . . . .	(49)	(14)
Profit for the financial year . . . . .	52	43
Profit brought forward . . . . .	—	—
<b>Balance sheet profit . . . . .</b>	<b>52</b>	<b>43</b>



## THE RZB GROUP

The financial statements of RZB Group were prepared in 2003 (for the first time in 2001) according to International Financial Reporting Standards (IFRS).

RZB (IFRS) Group comprises 97 (2002: 90) fully-consolidated companies and 17 (2002: 17) companies valued at-equity:

	Fully Consolidated		Equity-Method	
	2003	2002	2003	2002
Number as at 1 January . . . . .	90	79	17	17
Included in financial year . . . . .	9	14	2	—
Merged in financial year . . . . .	(2)	(2)	—	—
Excluded in financial year . . . . .	—	(1)	(2)	—
	97	90	17	17

The RZB Group consists of the following principal companies:

*Domestic Institutions:*

- F.J. Elsner & Co. Gesellschaft m.b.H., Innsbruck
- Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft, Vienna
- Raiffeisen Centrobank AG, Vienna
- Raiffeisen Investment AG, Vienna
- Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (subgroup)
- Raiffeisen-Reisebüro Ges.m.b.H., Vienna
- RSC Raiffeisen Daten Service Center GmbH, Vienna
- Software Daten Service Ges.m.b.H, Vienna
- ZHS Office-& Facilitymanagement GmbH, Vienna
- Raiffeisen Informatik Service Ausland Gesellschaft m.b.H, Vienna

*Foreign Institutions:*

- Raiffeisen Bank Rt., Budapest (HU)
- Raiffeisen Bank, Kosovo J.S.C., Pristina (KO)
- Raiffeisen Bank S.A., Bucharest (RO)
- Centrotrade Chemicals AG, Zug (CH)
- JSCB Raiffeisenbank Ukraine, Kiev (UA)
- OOO Raiffeisen – Leasing, Moscow (RU)
- Priorbank JSC, Minsk (BY)
- Raiffeisenbank a.s., Prague (CZ)
- Raiffeisenbank Austria d.d., Zagreb (HR)
- Raiffeisen Car Leasing Ltd., Budapest (HU)
- Raiffeisenbank (Bulgaria) EAD, Sofia (BG)
- Raiffeisenbank d.d. Bosna i Hercegovina, Sarajevo (BA)
- Raiffeisenbank A.D., Belgrade (CS)
- Raiffeisen Bank Polska S.A., Warsaw (PL)
- Raiffeisen Securities and Investment Rt., Budapest (HU)
- Raiffeisen Krekova Banka d.d., Maribor (SI)
- Raiffeisen Leasing d.o.o., Ljubljana (SI)
- Raiffeisen Leasing Polska S.A., Warsaw (PL)
- Raiffeisen Leasing SRL, Bucharest (RO)
- Raiffeisen – Leasing d.o.o., Zagreb (HR)
- Raiffeisen – Leasing, spolecnost s.r.o., Prague (CZ)
- Raiffeisen Lizing Rt., Budapest (HU)

- Raiffeisen Malta Bank plc., Sliema, (MT)
- RZB Finance LLC, New York City (US)
- Tatra banka a.s., Bratislava (SK)
- Tatra Leasing spol. s .r .o., Bratislava (SK)
- ZAO Raiffeisenbank Austria, Moscow (RU)
- Raiffeisen Leasing d.o.o., Belgrad (CS)

#### **Recent developments and outlook**

In December 2003, RZB won the tender for the privatisation of the *Savings Bank of Albania*, Albania's largest bank. The full ownership of the bank was officially handed over to RZB in April 2004.

Karl Stoss, Board Member in charge of Transaction Services, Treasury, Investment Banking, Economics and Financial Market Research and Office and Facility Management was designated as General Manager of *Generali Holding Vienna AG* in March and will leave RZB in autumn 2004. His successor is currently being selected.

RZB is evaluating possibilities to generate additional capital for further intensified growth in its home markets Austria and CEE. Based on existing in-principle decisions, the Management Board of RZB announced in December 2003 that an IPO of the currently wholly owned subsidiary Raiffeisen International Bank-Holding AG, in which the RZB Group's banking participations in CEE are concentrated, may occur in the future. RZB would remain majority owner.

RZB and its 15 Network Banks in CEE were selected as winners of *Global Finance* magazine's "Best Bank in Eastern Europe and Central Asia" award in March 2004. RZB's network banks *Banka e Kursimeve* (Albania), *Priorbank* (Belarus), *Raiffeisen Bank d.d.* (Bosnia and Herzegovina), *Raiffeisen Bank S.A.* (Romania), *Raiffeisenbank a.d.* (Serbia and Montenegro) and *Tatra banka a.s.* (Slovakia) won the "Best Bank" awards for their respective countries.

Also in March 2004, RCB again proved its leading position on the Vienna Stock Exchange. It received 68 per cent. of all prime market segment mandates in the first round of auctions for specialist mandates. With this, RCB commits itself as specialist for 25 out of 37 shares in this sector for one year starting 1 April 2004. RCB's leading position for options and futures is demonstrated by RCB being awarded the contracts for the underlyings *ATX* and *ATX Five* as well as for all stock options on Austrian shares.

For 2004, RZB expects the positive trend to continue with increase in business volume and profit at or around 10 per cent. as well as slightly improved key ratios, especially cost/income ratio and return on equity.

## Summary Financial Information

The following summary financial information of the RZB Group should be read in conjunction with the consolidated Financial Statements of RZB, incorporated by reference herein.

*RZB Group Balance Sheet according to IFRS (audited)*

	<b>31 December</b>	
	<b>2003</b>	<b>2002</b>
	<i>(in EUR million)</i>	
<b>Assets</b>		
1. Cash reserve . . . . .	2,812	2,007
2. Loans and advances to banks . . . . .	19,152	15,028
3. Loans and advances to customers . . . . .	22,180	19,785
4. Provisions for losses on loans and advances . . . . .	(659)	(554)
5. Trading assets . . . . .	3,461	2,513
6. Financial assets available for sale . . . . .	4,267	3,129
7. Financial investments . . . . .	2,370	1,960
8. Equity Participations . . . . .	870	863
9. Tangible and intangible fixed assets . . . . .	661	617
10. Other assets . . . . .	937	1,057
Total Assets . . . . .	<u>56,051</u>	<u>46,405</u>
<b>Liabilities</b>		
1. Deposits by banks . . . . .	27,423	23,471
2. Customer deposits . . . . .	16,990	12,673
3. Liabilities evidenced by paper . . . . .	3,506	4,410
4. Provisions for liabilities and charges . . . . .	257	293
5. Trading liabilities . . . . .	1,734	229
6. Other liabilities . . . . .	2,669	2,108
7. Subordinated capital . . . . .	1,028	946
8. Equity . . . . .	1,695	1,748
9. Consolidated profit/loss . . . . .	216	137
10. Minority interests . . . . .	533	390
Total Liabilities . . . . .	<u>56,051</u>	<u>46,405</u>

*RZB Group Profit and Loss Account according to IFRS (audited)*

	<b>31 December</b>	
	<b>2003</b>	<b>2002</b>
	<i>(in EUR million)</i>	
1. Net Interest Income . . . . .	862.9	708.9
2. Provisions for losses on loans and advances . . . . .	(202.2)	(151.2)
3. Net interest income after provisioning . . . . .	660.7	557.7
4. Net commission income . . . . .	359.3	283.3
5. Trading profit/loss . . . . .	293.3	253.3
6. Net income from financial assets available for sale . . . . .	25.5	0.7
7. Net income from financial investments . . . . .	(48.8)	(22.4)
8. Staff expenses . . . . .	(519.2)	(443.6)
9. Other administrative expenses . . . . .	(373.3)	(356.3)
10. Depreciation of intangible and tangible fixed assets . . . . .	(124.9)	(100.0)
11. Other operating profit/loss . . . . .	71.2	92.8
12. Extraordinary profit/loss . . . . .	0.0	(23.1)
13. Annual profit/loss before tax . . . . .	343.6	242.6
14. Income Taxes . . . . .	(65.2)	(62.1)
15. Annual profit/loss after tax . . . . .	278.4	180.5
16. Minority Interests . . . . .	(62.2)	(43.1)
17. Consolidated profit/loss . . . . .	216.2	137.4

RZB Group Cash Flow Statement

	<b>31 December</b>	
	<b>2003</b>	<b>2002</b>
	<i>(in EUR thousands)</i>	
<b>Profit</b>	<b>216,235</b>	<b>137,388</b>
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	188,206	125,592
Net provisioning for liabilities and charges and for possible loan losses	243,831	116,831
Gains (losses) from disposals of tangible fixed assets and financial investments	(7,363)	(10,695)
Other adjustments (net)	156,462	(230,286)
<b>Subtotal</b>	<b>797,371</b>	<b>138,830</b>
Change in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	(10,065,236)	(4,459,952)
Trading assets	(840,007)	(639,133)
Other assets	(1,344,697)	50,778
Deposits from banks and customers	11,393,273	3,427,259
Liabilities evidenced by paper	(825,918)	(346,374)
Other liabilities	1,150,132	459,454
Interest income and dividends	2,235,001	2,156,308
Interest expenses	(1,250,518)	(1,304,623)
Income tax	(33,187)	(9,764)
<b>Net cash from operating activities</b>	<b>1,216,214</b>	<b>(527,218)</b>
Proceeds from sales of:		
Financial investments and equity participations	738,737	975,480
Tangible and intangible fixed assets	269,421	63,772
Purchases of:		
Financial investments and equity participations	(1,148,188)	(875,263)
Tangible and intangible fixed assets	(216,757)	(248,194)
Acquisitions of subsidiaries	(22,142)	(42,464)
<b>Net cash from investing activities</b>	<b>(378,929)</b>	<b>(126,669)</b>
Inflows from capital increases	—	146,213
Inflows (outflows) of subordinated capital	82,222	174,023
Dividends paid and other	(43,091)	(39,719)
<b>Net cash from financing activities</b>	<b>39,131</b>	<b>280,517</b>
<b>Cash and cash equivalents at end of previous period</b>	<b>2,006,502</b>	<b>2,418,439</b>
Net cash from operating activities	1,216,214	(527,218)
Net cash from investing activities	(378,929)	(126,669)
Net cash from financing activities	39,131	280,517
Effect of exchange rate changes	(71,093)	(38,567)
<b>Cash and cash equivalents at end of period</b>	<b>2,811,825</b>	<b>2,006,502</b>

## THE RAIFFEISEN BANKING GROUP (RBG)

RZB's origins are in the Raiffeisen co-operative movement which was established to provide credit to agricultural co-operatives. Today, RBG provides the full range of banking and related services to all categories of corporate and private customers in Austria. RBG consists of three tiers:

- As of 31 December 2003, the local level consists of 586 Raiffeisen Banks with 1,713 branches, owned by 1.7 million members. Their principal business is to provide general banking services to their local customers, i.e. private persons as well as small and medium-sized enterprises.
- At the provincial level, Regional Raiffeisen Banks operate as liquidity and financing centres for their owners, i.e. the local Raiffeisen Banks and other cooperative associations. At the same time, they provide commercial and retail banking services, complementing the services of the local banks.
- RZB acts as the central institution and liquidity centre for the Regional Raiffeisen Banks and constitutes the link between RBG and the other credit and banking institutions in Austria and abroad.

RZB is one of the country's leading corporate and investment banks, focusing on the local top 1,000 market-segment as well as on international and multinational corporations. Through its subsidiaries and affiliated companies in Austria and abroad, it provides a comprehensive range of specialised financial services, also supporting the local and regional members of RBG.

The following tables illustrate the balance-sheet positions of RZB, the RZB Consolidated Group and of RBG.

### Selected balance sheet data

As at 31 December 2003			
	RZB (non- consolidated)	RZB – Group (consolidated)	Raiffeisen Banking Group (consolidated, incl. RZB <sup>(1)</sup> )
	(audited)	(audited)	(unaudited)
	<i>EUR million</i>		
Balance-sheet total . . . . .	37,479	56,051	128,749
Loans and advances to banks . . . . .	18,963	19,152	18,202
Loans and advances to customers . . . . .	10,520	22,180	77,128
Deposits by banks . . . . .	24,835	27,423	26,413
Customer deposits . . . . .	5,018	16,990	76,860
Own funds according to Austrian Banking Act . . . . .	2,460	3,097	9,264
Capital and disclosed reserves . . . . .	1,433	2,166 <sup>(2)</sup>	6,282
Number of employees . . . . .	1,186	21,119	41,418

Notes:

(1) As described above, the data on RBG consists of all three tiers of the Raiffeisen banking sector in Austria: 586 local Raiffeisen Banks, Regional Raiffeisen Banks and RZB Group.

(2) Including minority interests.

### Market position in Austria

Having 2,299 banking outlets in Austria, RBG has at its disposal 44 per cent. of all Austrian banking offices and runs the largest banking network in Austria.

Market shares of the RBG (in per cent.)\*

As at 31 December				
	2003	2002	2001	2000
Savings deposits . . . . .	28.6	28.2	27.4	27.0
Sight deposits . . . . .	24.2	23.6	22.9	21.7
Time deposits . . . . .	17.5	14.1	15.6	13.9
Total deposits . . . . .	26.5	25.5	24.8	24.4
Loans . . . . .	22.3	22.1	21.5	21.0

\* Local Raiffeisen Banks, Regional Raiffeisen Banks, RZB.

RBG took a pioneering step in the field of deposit guarantees when it set up *Raiffeisen-Kundengarantiegemeinschaft Österreich* (RKÖ). RKÖ was founded in 2000 to set up a system of several regional associations and one national association of Austrian Raiffeisenbanks which mutually undertake to use their business reserves additionally to protect the customers' deposits with any of the participating Raiffeisenbanks. RKÖ guarantees up to 100 per cent. of customer deposits, going far beyond Austria's statutory deposit guarantee regulations. Consequently, if a member is forced to declare bankruptcy, which has never happened, customer deposits at that Raiffeisen Bank will retain their value beyond the limits of statutory deposit guarantees (See "*The Austrian Banking System – Deposit Guarantee Scheme*"). 90 per cent. of the Austrian Raiffeisenbanks (including RZB) are members of the RKÖ scheme. For the avoidance of doubt, no guarantee is stated for any kind of subordinated debts, neither under the Raiffeisen Deposit Guarantee Scheme nor under the RKÖ Scheme.

## THE AUSTRIAN BANKING SYSTEM

### Overview

As at 31 December 2003, the Austrian banking industry consisted of 896 independent banks with a total of 4,401 branches. The structure of Austria's banking system is characterised by a large number of small institutions and a smaller number of medium to large banks.

The industry can be split into the following "sectors":

	<b>Total assets</b>
	<i>(in euro billion)</i>
Savings banks . . . . .	215.4
Commercial banks . . . . .	97.8
Raiffeisen (rural co-operatives) . . . . .	144.0
Mortgage banks . . . . .	45.7
Volksbanken (trade co-operatives) . . . . .	31.9
Specialised banks . . . . .	51.1
Building Societies . . . . .	19.2
	<hr/>
	605.1
	<hr/> <hr/>

Changes in banking practice generally, and in Austrian banking legislation specifically, have contributed to an erosion of the original distinctions between the sectors. Today, commercial banks, savings banks and co-operative banks all engage in substantially similar business; however, each has different business policies.

### Membership of the European Union

Austria joined the European Economic Area ("EEA") in January 1994 and became a member of the EU on 1 January 1995. Membership of the EEA entailed the adoption of and implementation by Austria of most of the EU directives, which has resulted in significant changes to Austrian banking law and accounting rules as Austrian laws have been harmonised with EU directives.

### Banking Act

The legal framework of the banking system was reformed in 1993 with the passing of the Bankwesengesetz 1993 (the "Banking Act") which was part of the Finanzmarktanpassungsgesetz 1993 ("Financial Markets Harmonisation Act"). The Financial Markets Harmonisation Act was passed to bring Austrian law into compliance with the EEA treaty and EU banking directives. The Banking Act implements 11 EU directives and five EU recommendations. In August 1996, an amendment to the Banking Act was made, bringing Austrian law into compliance with EU directives on large exposures, deposit guarantee, consolidation, supervision and reporting.

A further amendment to the Banking Act, which, among other things, implements the EU Investment Services Directive and the EU Capital Adequacy Directive, was enacted on 30 December 1996. The amendment consisted of the new Securities Supervision Act as well as amendments to the Banking Act, the Stock Exchange Act and the Austrian Insolvency Law, and had various effective dates up to 1 January 1999.

Further amendments of the Banking Act followed. A recent amendment was enacted in 2001 by the Finanzmarktaufsichtsgesetz ("Financial Market Supervision Act") which provided for a new Financial Market Supervisory Authority ("Finanzmarktaufsichtsbehörde" or "FMA") and had various effective dates up to 1 April 2002.

With the Bundesgesetz über das Internationale Insolvenzrecht ("International Insolvency Law Act") 2003 the provisions concerning the insolvency of banks were amended in line with the Council regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings.

### Regulation and Supervision

The structure of the regulation and supervision of the Austrian banking system is set forth in a number of statutes, including the Banking Act, the National Bank Act 1984 and the Mortgage Bond Act 1927, each as amended.

The Banking Act contains most of the essential regulations for "credit institutions", as banks are designated. In addition to setting out capital adequacy rules, the Banking Act imposes various other requirements, restrictions and regulations on Austrian banks, including reporting and liquidity

requirements, restrictions on participations and large exposures, and regulations regarding internal controls and internal audits, deposit guarantees, money laundering and customer protection.

The National Bank Act 1984 regulates the position of the Austrian National Bank in the system of European Central Banks, while the Mortgage Bond Act 1927 governs bonds backed by mortgages.

Under the Banking Act, regulation and supervision of Austrian banks and of the branches of foreign banks in Austria is the responsibility of the FMA assisted by the Austrian National Bank. The FMA may take a variety of actions under the Banking Act to supervise banks on a comprehensive basis. In order to enable the FMA to fulfil its obligations, banks must, among other things, prepare monthly preliminary balance sheets and quarterly profit and loss statements, and submit annual audit reports.

With the Foreign Exchange Act 2004 the free movement of capital and of monetary transactions with foreign countries were each re-instated.

### **Federal Ministry of Finance**

The Federal Ministry of Finance (the "Ministry of Finance") is headed by the Federal Minister of Finance (the "Minister of Finance"), who is a member of the Federal Government. The Ministry of Finance monitors compliance with the Banking Act and other relevant legislation by the FMA.

### **Financial Market Supervisory Authority**

Since April 2002 all supervisory tasks and resources have been transferred from the Federal Ministry of Finance (supervision of banking, insurance and pension funds) and the former Austrian Securities Authority (securities supervision) to the FMA. The FMA monitors compliance with the Banking Act and other relevant legislation and regulations by Austrian banks and financial institutions, both at home and abroad, and by foreign banks operating in Austria. In accordance with the Banking Act, credit and financial institutions organised in and regulated by the authorities of EEA Member States are subject to regulation and supervision by their home state and not by Austria. With respect to activities in Austria, some regulations of the Banking Act must be observed.

### **The European Central Bank and the Austrian National Bank**

Since 1 January 1999, responsibility for the monetary and currency policy of all the states participating in the third stage of European economic and monetary union, including Austria, rests with the European Central Bank. The governor of the Austrian National Bank is a member of the council of the European Central Bank.

In addition to its functions within the European System of Central Banks, the Austrian National Bank reviews reports filed by banks and makes recommendations to the Ministry of Finance. Detailed foreign currency statistics concerning the foreign currency position of all Austrian banks are compiled by the Austrian National Bank and provide it with an indication of the business volume of all large Austrian banks. Austria's detailed information reporting requirements act as a form of regulatory mechanism since the figures in these reports and the information provided by the banks must be consistent and compiled in accordance with the rules and regulations of the Austrian National Bank.

The Austrian National Bank continuously evaluates the status of Austrian banks as part of the banking supervision regime provided for in the Banking Act.

### **Capital Adequacy Requirements**

Under Austrian risk-based capital adequacy rules, which are based on EU law, each bank must maintain a ratio (the "Solvency Ratio") of at least 8 per cent. The Solvency Ratio is the ratio of Qualifying Capital ("Own Funds", as explained below) to risk-adjusted assets and certain off-balance sheet items (as explained below).

For purposes of calculation of the Solvency Ratio, the Banking Act defines "Qualifying Capital" as consisting principally of (i) paid-in capital, (ii) disclosed reserves, (iii) funds for general bank risks, (iv) Supplementary Capital, (v) certain hidden reserves, (vi) participation capital, (vii) subordinated capital, (viii) revaluation reserves and (ix) the commitments of members of co-operative banks to make additional contributions quantified in relation to their shareholdings. Certain losses, certain intangible assets and certain investments in banks or financial institutions are required to be deducted from equity in computing Qualifying Capital.

"Core Capital" consists of (i) paid-in capital, (ii) disclosed reserves, and (iii) funds for general bank risks, less losses and intangible assets. The Banking Act requires that the aggregate amount of the elements comprising Qualifying Capital, other than those elements which are part of Core Capital, must not exceed the Core Capital. In addition, the sum of subordinated debt may not exceed 50 per cent. of the Core Capital. Core Capital reflects a concept similar to "Tier 1 Capital" and Qualifying Capital (other than Core Capital) reflects a concept similar to "Tier 2 Capital".



Risk-adjusted assets and certain off-balance sheet items are computed by assigning the assets to four broad categories of relative credit risk: 0 per cent., 20 per cent., 50 per cent. and 100 per cent. The balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. Off-balance sheet items on the bank book such as swaps and other financial derivatives are valued either at cost or market price. As with on-balance sheet assets, each off-balance sheet item is assigned to a credit risk category depending upon the type of counterparty or the debtor and multiplied by the applicable percentage weight. Since 1998, banks have been required to meet the capital requirements regarding position risk as well as settlement and counterparty risk according to "trading book approach". As a complementary measure, short-term subordinated capital will be accepted as part of Own Funds (Short-term Subordinated Capital is commonly referred to as "Tier 3 Capital", as such term is used in BIS capital adequacy rules).

Consolidated capital adequacy requirements must be met not only by a bank, but also by the bank together with all other financial services companies in the bank's group. For this purpose, the group consists of the parent company bank and all other banks, factoring and leasing companies, investment firms and ancillary banking service undertakings in which it holds more than 20 per cent. of the share capital or which it controls.

### **Minimum Reserves**

As of 1 January 1999, all banks incorporated in a state which is participating in the third stage of European Economic and Monetary Union ("EMU") are obliged to maintain minimum reserves for liabilities in all currencies of EMU participating member states. The percentages of the minimum reserve requirements may be determined by ordinance if this is necessary for the protection of creditors and the readiness to pay. As of now the minimum reserve requirement for sight deposits and time deposits for up to 2 years is set at 2.0 per cent. A general allowance of EUR 100,000 can be deducted. These reserves are interest bearing.

Failure by a bank to meet the minimum reserve requirements exposes the bank concerned to potential penalty interest charges.

### **Deposit Guarantee Scheme**

Austrian law requires that any bank which receives deposits must join the guarantee scheme of its sector within the banking system. Non-membership of the relevant guarantee scheme results in the lapse of the bank's licence to conduct deposit-taking business in Austria. Payments made by a guarantee scheme to restore guaranteed deposits are met by contributions from each member bank in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such bank's deposits, subject to a maximum contribution amount equal to one-third of the Section 23(6) Banking Act liability reserve of such bank. RZB has to be, and is, a member of the Raiffeisen-Einlagensicherung reg. Gen.m.b.H. (the "Raiffeisen Deposit Guarantee Scheme").

### **Accounting and Auditing**

Generally, Austrian auditing regulations are adapted to EU standards. Austrian banks, and banks operating in Austria, are required to submit audited financial statements, including the audit reports thereon, to the FMA and the Austrian National Bank. Such statements must be submitted within six months of the end of the business year.

Recent legislation allows banks to use international accounting standards (such as International Financial Reporting Standards or US GAAP) to consolidate financial statements provided that the financial statements comply with EU guidelines, contain all required information and are audited. In addition the auditors must confirm compliance with EU directive requirements.

Bank auditors are required to certify compliance with certain regulatory requirements, and to include in their long form reports to the relevant supervising authorities an overall opinion on the risks, profitability and financial position of the respective bank. Bank auditors may be auditing firms but also sector related but independent institutions.

## TERMS AND CONDITIONS OF THE CAPITAL NOTES

(The following is the text of the Terms and conditions of the Capital Notes which (subject to completion and amendment) will be endorsed on each Capital Note in definitive form)

The EUR 200,000,000 Perpetual Non-cumulative Subordinated Floating Rate Capital Notes (the "Capital Notes", which expression includes any further Capital Notes issued pursuant to Condition 12 (*Further issues*) and forming a single series therewith) of RZB Finance Jersey III Limited (the "Issuer") are the subject of (a) a support agreement dated 15 June 2004 (as amended or supplemented from time to time, the "Support Agreement") entered into by Raiffeisen Zentralbank Österreich AG (the "Support Agreement Provider" or "RZB") and (b) a fiscal agency agreement dated 15 June 2004 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, the Support Agreement Provider, Deutsche Bank Aktiengesellschaft, Frankfurt am Main as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Capital Notes) the paying agents named therein (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Capital Notes) and Deutsche Bank Aktiengesellschaft, Frankfurt am Main as calculation agent (the "Calculation Agent", which expression includes any successor calculation agent appointed from time to time in connection with the Capital Notes). Certain provisions of these Conditions are summaries of the Support Agreement and the Agency Agreement and subject to their detailed provisions. The holders of the Capital Notes (the "Noteholders") are bound by, and are deemed to have notice of, all the provisions of the Support Agreement and the Agency Agreement applicable to them. Copies of the Support Agreement and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

In these Conditions the following expressions have the following meanings:

### 1. Definitions

**"1999 Preference Shares"** means the EUR 3,000,000 Series A 7.5 per cent. non-cumulative non-voting preference shares issued on 29 September 1999 and the EUR 1,000,000 fungible series A 7.5 per cent. non-cumulative non-voting preference shares issued on 21 October 1999, having the benefit of a support agreement dated 29 September 1999 executed and delivered by the Support Agreement Provider and RZB Finance (Jersey) Limited;

**"2003 Preferred Securities"** means the 1,000,000 perpetual non-cumulative non-voting fixed/floating rate preferred securities having the benefit of a support agreement dated 31 July 2003 executed and delivered by the Support Agreement Provider and RZB Finance (Jersey) II Limited;

**"Agents"** means the Fiscal Agent, the Calculation Agent and any of the Paying Agents, or such other entity as is appointed by the Issuer and the Support Agreement Provider and notified to the Noteholders in accordance with Condition 13 (*Notices*) and "Agent" means any one of the Agents;

**"Asset Parity Security"** means any capital note, preference share, preferred security or other security issued by RZB, the Issuer or any other Subsidiary of RZB (a) ranking *pari passu* as to participation in the assets of RZB with RZB's obligations under the Support Agreement (including, for the avoidance of doubt and without limitation the 1999 Preference Shares and the 2003 Preferred Securities), or (b) entitled to the benefit of a guarantee or support agreement from RZB ranking *pari passu* as to participation in the assets of RZB with RZB's obligations under the Support Agreement (including, for the avoidance of doubt and without limitation, the 1999 Preference Shares and the 2003 Preferred Securities);

**"Bank Share Capital"** means the common shares of RZB, together with all other securities of RZB (including *Vorzugsaktien*), ranking *pari passu* with the common shares of RZB as to participation in a liquidation surplus;

**"Business Day"** means a day on which TARGET is operating;

**"Core Capital"** means capital which qualifies as core regulatory capital (*Kernkapital*) of RZB for Austrian Banking Capital Adequacy purposes as defined in the Austrian Banking Act (*Bankwesengesetz*), "BWG" as amended from time to time and/or as determined by the *Finanzmarktaufsichtsbehörde* or any successor thereto performing for the time being the same or similar functions in relation to banks in Austria;

**"Directors"** means the directors of the Issuer for the time being;

**"Distributable Funds"** of the Issuer for any Interest Period means the distributions and redemption payments deriving from the Investments and the claims of the Issuer against RZB under the Support Agreement;

**"Distributable Profits"** means, in respect of each fiscal year of RZB, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year in the individual financial statements of RZB, of accumulated retained earnings and any other reserves and surpluses capable under Austrian law of being available for distribution as cash dividends to holders of Bank Share Capital, but before deduction of the amount of any dividend or other distribution declared on Bank Share Capital in respect of such prior fiscal year;

**"euro"** and **"EUR"** mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty and whose smallest subdivision shall be one hundredth of a euro or one "cent";

**"Euro-zone"** means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty;

**"Investments"** means the proceeds of the issue, which will be transferred as Supplementary Capital to RZB AG, (Ergänzungskapital (section 23(1) No. 5 and (7) BWG, in accordance with section 24(2) No. 5 and 6 and section 45(4) BWG) and will be used for the general corporate purposes of the RZB Group. After payment of fees, commissions and expenses, the net proceeds of the issue which will be available to RZB AG are expected to amount to approximately EUR 194 million;

**"Interest Payments"** means the interest payments on the Capital Notes;

**"Junior Securities"** means (i) common stock of RZB, (ii) each class of preference shares of RZB ranking junior to Parity Securities of RZB, if any, and any other instrument of RZB ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any Subsidiary of RZB subject to any guarantee or support agreement of RZB ranking junior to the obligations of RZB under the Support Agreement;

**"Liquidation Distribution"** in respect of each Capital Note, means the Liquidation Preference plus accrued and unpaid interest for the then current Interest Period to the date of payment;

**"Liquidation Preference"** means EUR 1,000 per Capital Note or, in relation to any other preference shares, preferred securities or capital notes of the Issuer ranking *pari passu* with the Capital Notes as regards participation in the assets of the Issuer, such amount as the holders are entitled to receive by way of liquidation preference per preference share, preferred security or capital note held by them in the event of any voluntary or involuntary winding-up of the Issuer;

**"Parity Security"** means any preference share, capital note or other security (a) issued by RZB and ranking *pari passu* as to payment of dividends, interest or distributions with RZB's obligations under the Support Agreement (including, for the avoidance of doubt and without limitation, the 1999 Preference Shares and the 2003 Preferred Securities) or (b) issued by the Issuer or any other Subsidiary of RZB and entitled to the benefit of a guarantee or support agreement from RZB ranking *pari passu* as to payment of dividends with RZB's obligations under the Support Agreement (including, for the avoidance of doubt and without limitation, the 1999 Preference Shares and the 2003 Preferred Securities);

**"Redemption Price"** in respect of each Capital Note means the Liquidation Preference of such Capital Note plus accrued and unpaid interest for the then current Interest Period ending on the date determined for redemption;

**"RZB"** means Raiffeisen Zentralbank Österreich AG;

**"RZB Group"** means RZB together with its Subsidiaries;

**"Subsidiary"** means a fully consolidated subsidiary of RZB (within the meaning of §228 subparagraph 3 of the Austrian Commercial Code);

**"Support Agreement"** means the Support Agreement to be dated 15 June 2004 and made between RZB and the Issuer;

**"TARGET"** means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system;

**"TARGET Settlement Day"** means a day on which the TARGET System is open; and

**"Treaty"** means the Treaty establishing the European Community, as amended.

## 2. Form, Denomination and Title

The Capital Notes are in bearer form in the denomination of EUR 1,000 without coupons attached. Title to the Capital Notes will pass by delivery. Any Noteholder shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### 3. Status and Support Agreement

- (a) *Status of the Capital Notes:* The Capital Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank (i) senior to the ordinary share capital of the Issuer, (ii) *pari passu* among themselves and at least *pari passu* with all other present and future preference shares, capital notes or other securities issued by the Issuer which rank *pari passu* with the Capital Notes and subordinated to all current and future senior and other unsubordinated and subordinated debt obligations of the Issuer.

Notwithstanding the availability of sufficient Distributable Funds, the payment obligations of the Issuer in respect of the Capital Notes, in particular for the payment of interest and, if applicable, for the redemption of the Capital Notes, constitute obligations of the Issuer which are subordinated to all current and future senior and other unsubordinated and subordinated debt obligations of the Issuer.

- (b) *Limited Recourse:* The Capital Notes are limited recourse obligations of the Issuer. Principal and interest on the Capital Notes will be solely payable by the Issuer from Distributable Funds.
- (c) *Support Agreement:* The Support Agreement Provider has in the Support Agreement unconditionally and irrevocably undertaken that if at any time the Issuer has insufficient funds to enable it to meet in full its obligations in respect of the Capital Notes as and when such obligations fall due, to make available to the Issuer sufficient funds to meet such payment obligations. The Support Agreement Provider's obligations under the Support Agreement are subordinated to all senior and subordinated debt obligations of the Support Agreement Provider, rank *pari passu* with the most senior ranking preference shares of the Bank that rank senior to the common stock of the Support Agreement Provider as to liquidation rights, if any, and rank senior to any other preference shares and the Bank Share Capital.

### 4. Interest

- (a) *Accrual of interest:* The Capital Notes bear interest (a) from and including 15 June 2004 (the "Issue Date") to but excluding 15 June 2005 (the "Reset Date") at the rate of 6 per cent. per annum, payable in arrear on the Reset Date and (b) from and including the Reset Date at the Rate of Interest (as defined in Condition 4(b)), payable semi-annually in arrear on 15 June and 15 December in each year (each, together with the Reset Date, an "Interest Payment Date"), subject as provided in Condition 6 (*Payments*); *provided, however, that*, if any Interest Payment Date would otherwise fall on a date which is not a TARGET Settlement Day, it will be postponed to the next TARGET Settlement Day (without adjustment or interest in respect of a delay where such Interest Payment Date is not a Business Day). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date, is herein called an "Interest Period".

Each Capital Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Capital Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Capital Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (b) *Rate of interest:* The rate of interest applicable to the Capital Notes for each Interest Period falling after the Reset Date (the "Rate of Interest") will be determined by the Calculation Agent on the following basis:
- (i) the Calculation Agent will determine the Reference Rate, being "EUR-ISDA-EURIBOR Swap Rate- 11:00" meaning the annual swap rate for euro swap transactions with a 10 year maturity (the "Designated Maturity"), expressed as a percentage, which appears on the Reuters Screen "ISDAFIX2" Page under the heading "EURIBOR BASIS" (the "Relevant Series Page") and above the caption "11:00 AM C.E.T" (as such headings and captions may appear from time to time) as of 11:00 a.m., Central European time, on the second TARGET Settlement Day before the first day of the relevant Interest Period (the "Interest Determination Date");
- (ii) in the event that the Reference Rate does not appear on the Relevant Screen Page, the rate for that date will be determined as if the parties had specified "EUR- Annual Swap Rate – Reference Banks" as the applicable Reference Rate. "EUR-Annual Swap Rate – Reference Banks" means that the rate will be a percentage determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the interbank market (the "Reference Banks") at approximately 11:00 a.m., Central European time, on the Interest Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic

mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of that Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to in the case of "EUR-ISDA-EURIBOR Swap Rate - 11:00", "EUR-EURIBOR-Telerate", with a Designated Maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the first day of that Interest Period will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest),

and the Rate of Interest for such Interest Period shall be the sum of 0.1 per cent. per annum and the Reference Rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine the Reference Rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Capital Notes during such Interest Period will be the sum of 0.1 per cent. per annum and the Reference Rate or (as the case may be) arithmetic mean last determined in relation to the Capital Notes in respect of a preceding Interest Period.

The Rate of Interest will be capped at nine per cent. per annum.

- (c) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable on the Interest Determination Date in relation to each Interest Period falling after the Reset Date, calculate the amount of interest (the "Interest Amount") payable in respect of each Capital Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Capital Note, multiplying the product by the number of days in such Interest Period (using a calendar year of 360 days consisting of 12 months of 30 days each) divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (d) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Capital Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the Business Day before the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (e) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Support Agreement Provider, the Paying Agents, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (f) *Non-cumulative Interest Payments:* Interest Payments on the Capital Notes will be non-cumulative and will be deemed to accrue on a day by day basis. Interest on the Capital Notes will be paid by the Issuer out of funds legally available therefor; *provided that* Interest Payments will only be made on any Interest Payment Date to the extent that:
  - (i) the Issuer has Distributable Funds for the Interest Period ending on the respective Interest Payment Date; and/or
  - (ii) the Support Agreement Provider has in accordance with section 24(2) No. 6 BWG an amount of Distributable Profits at least equal to (a) the aggregate amount of such Interest Payments payable on the relevant Interest Payment Date and (b) payments made during the period commencing on the date that Distributable Profits were determined by the Supervisory Board of the Support Agreement Provider immediately preceding such Interest Payment Date and ending on the relevant Interest Payment Date, in respect of interest on the Capital Notes and dividends or other distributions or payments on Parity Securities, if any.

If no interest falls to be paid by the Issuer in respect of the Capital Notes in any Interest Period then the right of Noteholders to receive interest (or any proportion thereof) in respect of the Interest Period ending on the relevant Interest Payment Date will be extinguished and the Issuer will have no obligation to pay the interest accrued for such Interest Period or to pay any interest thereon, whether or not interest on the Capital Notes is paid for any future Interest Period.

(g) *Obligation to pay Interest*

Subject to Condition 4(h) below and notwithstanding the restrictions set out in Condition 4(f) (*Non-cumulative Interest Payments*) above, interest will be paid on the Capital Notes in the following circumstances:

- (i) if the Support Agreement Provider or any of its Subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Securities. If the dividend or other payment or distribution on such Parity Securities was in the full stated amount payable on such Parity Securities, Interest Payments will be made in full on the first two Interest Payment Dates, falling contemporaneously with and/or immediately following the date on which such dividend or other payment or distribution was declared or made on such Parity Securities. If the dividend or other payment or distribution on such Parity Securities was only a partial payment of the amount so owing, the Interest Payments on the Capital Notes will be reduced proportionally;
- (ii) if the Support Agreement Provider or any of its Subsidiaries declares or pays any dividend or makes any other payment or distribution on any Junior Securities, interest will be paid on the Capital Notes on the first two Interest Payment Dates, falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made;
- (iii) if the Support Agreement Provider or any of its Subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of the Support Agreement Provider, the Issuer will make Interest Payments on the Capital Notes in full on the first four Interest Payment Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred;

provided that no payment obligation shall arise under sub-paragraphs (i) – (iii) above to the extent that the relevant Subsidiary which declares or pays any dividend or makes any other payment or distribution (i) is not a special purpose vehicle incorporated for the purpose of raising funds for the Group by issuing preference shares, capital securities and other securities and (ii) such Subsidiary makes the dividend, payment or distribution out of its own distributable profits.

- (h) *Restrictions on Interest Payments:* Notwithstanding the obligation to pay interest set out in Condition 4(f) and 4(g) above, even if Distributable Funds of the Issuer and Distributable Profits of the Support Agreement Provider are sufficient on a particular Interest Payment Date, to the extent that, (i) in accordance with applicable Austrian law, the Support Agreement Provider would be limited in making payments on preference shares or preferred securities or capital notes issued by it ranking *pari passu* as to participation in profits with the Support Agreement Provider's obligations under the Support Agreement or (ii) on such date there is in effect an order of the Austrian *Finanzmarktaufsichtsbehörde* (or any other relevant regulatory authority) prohibiting the Support Agreement Provider from making any distribution of profits, the Issuer shall not be required to make any Interest Payments on any such Interest Payment Date.
- (i) *Pro rata Interest Payments:* When, by reason of any limitation described in Condition 4(f) (*Non-cumulative Interest Payments*) or Condition 4(g) (*Obligation to pay Interest*) above, interest is not paid in full on the Capital Notes and any Parity Securities, all interest payable upon the Capital Notes and any such Parity Securities will be payable *pro rata* in the proportion that the amounts available for payment on the Capital Notes and any such Parity Securities on the due date of payment shall bear to the full amount that would have been payable on the Capital Notes and such Parity Securities but for such limitation and any claims in respect of the difference between the full amount and the amount so payable shall be thereupon extinguished. If interest is not paid in full in accordance with the Conditions, the Noteholders will be notified in accordance with Condition 13 (*Notices*).

## 5. Redemption and Purchase

- (a) *Redemption at option of the Issuer:* The Capital Notes may be redeemed at the option of the Issuer in whole but not in part, subject to the prior consent of the Support Agreement Provider (which shall grant such consent only after either replacement of the principal amount of the Capital Notes so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsichtsbehörde*), on 15 June 2009 or on any Interest Payment Date thereafter at the Redemption Price upon the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable).
- (b) *Redemption for tax reasons and capital reasons:* The Capital Notes may be redeemed at the option of the Issuer in whole but not in part, at any time, subject to the prior consent of the Support Agreement Provider (which shall grant such consent only after either replacement of the

principal amount of the Capital Notes so redeemed by issuing other capital of at least equivalent quality (*Kapital gleicher oder besserer Qualität*) or having applied for and been granted consent by the *Finanzmarktaufsichtsbehörde* at the Redemption Price giving not less than 60 nor more than 90 days' notice to the Noteholders (which notice shall be irrevocable), if:

- (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) if (a) the *Finanzmarktaufsichtsbehörde* determines and announces that, or as a result of a change in law or regulation or interpretation thereof, the Capital Notes no longer qualify as Core Capital (*Kernkapital*) of the Support Agreement Provider for Austrian Banking capital adequacy purposes on a consolidated basis or (b) as a result of a change in law or regulation or the interpretation thereof payments made by the Support Agreement Provider or any member of the RZB Group on any of the Investments cease to be fully deductible as expenses for income tax purposes;

*provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Capital Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Fiscal Agent:

- (A) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts or that the Capital Notes no longer qualify as Core Capital (*Kernkapital*), as the case may be.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Capital Notes in accordance with this Condition 5(b).

- (c) *No other redemption*: The Issuer shall not be entitled to redeem the Capital Notes otherwise than as provided in Condition 5(a) (*Redemption at the option of the Issuer*) and Condition 5(b) (*Redemption for tax reasons and capital reasons*) above.
- (d) *Purchase*: The Issuer, the Support Agreement Provider or any of their respective Subsidiaries may at any time purchase Capital Notes in the open market or otherwise and at any price.

## **6. Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Capital Notes at the Specified Office of any Paying Agent by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET system.
- (b) *Interest*: Payments of interest shall be made only against presentation of the appropriate Capital Note at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 6(a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Capital Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).
- (d) *Payments on business days*: If the due date for payment of any amount in respect of any Capital Note is not a Business Day in the place of presentation, the Noteholder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "Business Day" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET system is operating.
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Capital Note presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

## **7. Taxation**

The Issuer's obligations to make certain payments under the Capital Notes are subject to the limitations provided in Conditions 4(f), 4(h) and Condition 8. All amounts payable by the Issuer in respect of the

Capital Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Jersey or Austria or any other country from or out of which the Issuer makes payments, or any political subdivision or authority thereof or therein having power to tax (the "Withholding Taxes"), unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Capital Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of the Capital Notes:

- (a) to a Noteholder (i) who is liable to any Withholding Taxes by reason of his having some connection with Jersey or Austria or any other country from or out of which the Issuer makes payments other than the mere holding of the Capital Notes or (ii) who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority but fails to do so; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Capital Note to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the Noteholder of such Capital Note would have been entitled to such additional amounts on presenting such Capital Note for payment on the last day of such period of 30 days,

where "Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer or the Support Agreement Provider becomes subject at any time to any taxing jurisdiction other than Jersey or Austria respectively, references in these Conditions to Jersey or Austria shall be construed as references to Jersey or (as the case may be) Austria and/or such other jurisdiction.

## **8. Rights upon Liquidation**

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Issuer, the Noteholders at the time will be entitled to receive the relevant Liquidation Distribution in respect of each Capital Note held out of the assets of the Issuer available for distribution to Noteholders.

Such entitlement will arise before any distribution of assets is made to holders of ordinary shares, preference shares, preferred securities or capital notes or any other class of shares of the Issuer or any other share or other security issued by the Issuer and having the benefit of a guarantee from the Support Agreement Provider ranking junior as regards participation in assets to the Capital Notes, but such entitlement will rank equally with the entitlement of the holders of any other preference shares or preferred securities or capital notes, if any, of the Issuer ranking *pari passu* with the Capital Notes as regards participation in assets of the Issuer.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Noteholders 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 the Support Agreement Provider, the Liquidation Distribution paid to Noteholders and the liquidation distribution per security to be paid to the holders of all Asset Parity Securities, shall not exceed the amount per Capital Note that would have been paid as the liquidation distribution from the assets of the Support Agreement Provider (after payment in full in accordance with Austrian law of all creditors of the Support Agreement Provider, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Support Agreement Provider's obligations under the Support Agreement including, for the avoidance of doubt, the 1999 Preference Shares and the 2003 Preferred Securities) had the Capital Notes and the Asset Parity Securities been issued by the Support Agreement Provider and ranked (x) junior to all liabilities of the Support Agreement Provider (other than any liability expressed to rank *pari passu* with or junior to the Support Agreement Provider's obligations under the Support Agreement), (y) *pari passu* with all Asset Parity



Securities of the Support Agreement Provider and (z) senior to the Support Agreement Provider'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 in this Condition 9, 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 Noteholders will have no right or claim to any of the remaining assets of the Issuer or the Support Agreement Provider.

In the event of the liquidation, dissolution or winding-up of the Support Agreement Provider, the Board of Directors shall convene an Extraordinary General Meeting of the Issuer for the purpose of proposing a Special Resolution to put the Issuer into voluntary winding-up and the amount per Capital Note to which Noteholders shall be entitled as a Liquidation Distribution will be as set out in this Condition 8.

The Support Agreement Provider will undertake in the Support Agreement that, so long as any Capital Notes are outstanding, unless the Support Agreement Provider itself is in liquidation, the Support Agreement Provider will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.

#### **9. Replacement of Capital Notes**

If any Capital Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and the Paying Agent having its Specified Office in Amsterdam, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Capital Notes must be surrendered before replacements will be issued.

#### **10. Agents**

In acting under the Agency Agreement and in connection with the Capital Notes, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Support Agreement Provider and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Support Agreement Provider reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or calculation agent and additional or successor paying agents; *provided, however, that* the Issuer and the Support Agreement Provider shall at all times maintain (a) a fiscal agent and a calculation agent, (b) a paying agent in Amsterdam and (c), if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force, a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 13 (Notices).

#### **11. Meetings of Noteholders; Modification**

(a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Capital Notes, including the modification of any provision of these Conditions proposed by the Issuer and the Support Provider. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Agency Agreement). Such a meeting may be convened by the Issuer and the Support Agreement Provider (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Capital Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Capital Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Capital Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Capital Notes, to reduce the amount of principal or interest payable on any date in respect of the Capital Notes, to alter the method of calculating the amount of any payment in respect of the Capital Notes or the date for any such payment, to effect the exchange or substitution of the Capital Notes for, or the conversion of the Capital Notes into, shares, bonds or other obligations or securities of the Issuer or Support Agreement Provider or any other person or body corporate formed or to be formed, to change the currency of payments under the Capital Notes, to amend the terms of the Support Agreement relating to the

Capital Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Capital Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification*: The Capital Notes, these Conditions and the Support Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

## 12. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Capital Notes having the same terms and conditions as the Capital Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Capital Notes.

## 13. Notices

If and for so long as the Capital Notes are listed on Euronext Amsterdam, notices to the Noteholders shall be valid if published in the Daily Official List of Euronext Amsterdam N.V. ("*Officiële Prijscourant*") and a leading newspaper having general circulation in the Netherlands (which is expected to be *Het Financieele Dagblad*). Any such notice shall be deemed to have been given on the date of first publication.

## 14. Prescription

Claims for principal shall become void unless the relevant Capital Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Notes are presented for payment within five years of the appropriate Relevant Date.

## 15. Governing Law and Jurisdiction

- (a) *Governing law*: The Capital Notes and all matters arising from or connected with the Capital Notes are governed by, and shall be construed in accordance with, Jersey law. Save that determination in respect of Distributable Profits will be construed in accordance with Austrian law.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Capital Notes.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 15(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 15 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction (save for federal courts of the United States). To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to RZB's London Branch at 10 King William Street, London EC4R 7TW or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified

Office of the Fiscal Agent. Nothing in this Condition 15(e) shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Capital Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Capital Notes in definitive form ("Definitive Notes") in the denomination of EUR 1,000 each at the request of the bearer of the Permanent Global Note if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, unless within 14 days of such event occurring the Capital Notes have been accepted for clearing and settlement within an equivalent international clearing and settlement system.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated without coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 15 June 2004 (the "Deed of Covenant") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Capital Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Capital Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

*Notices:* Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; *provided, however, that*, so long as the Notes are listed on the Official Segment of the stock market of Euronext Amsterdam N.V. and its rules so require, notices will also be published in a leading newspaper having general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*).

## SUPPORT AGREEMENT

Set forth below is the text of the Support Agreement to be dated 15 June 2004:

### THIS SUPPORT AGREEMENT

is executed and delivered by each of:

- (1) **RAIFFEISEN ZENTRALBANK ÖSTERREICH AG**, Vienna, Republic of Austria ("RZB"); and
- (2) **RZB FINANCE (JERSEY) III LIMITED**, a company incorporated with limited liability under the laws of Jersey (the "Company").

**WHEREAS**, RZB desires to cause the Company to issue, and the Company desires to issue, the Capital Notes (as defined below) and RZB and the Company desire to enter into this Support Agreement.

**NOW, THEREFORE** each of RZB and the Company executes and delivers this Support Agreement for the benefit of the Noteholders (as defined below) and, in the case of RZB only, of the Company.

### 1. Definitions

As used in this Support Agreement, the following terms shall, unless the context otherwise requires, have the following meanings:

**"1999 Preference Shares"** means the EUR 3,000,000 Series A 7.5 per cent. Non-cumulative Non-Voting Preference Shares issued on 29 September, 1999 and the EUR 1,000,000 fungible Series A 7.5 per cent. Non-Cumulative Non-Voting Preference Shares issued on 21 October, 1999, in each case having the benefit of a support agreement dated 29 September, 1999 executed and delivered by RZB and RZB Finance (Jersey) Limited;

**"2003 Preferred Securities"** means the 1,000,000 perpetual non-cumulative non-voting fixed/floating rate preferred securities having the benefit of a support agreement dated 31 July 2003 executed and delivered by RZB and RZB Finance (Jersey) II Limited;

**"Asset Parity Security"** means any preference share, capital note or other security issued by RZB, the Company or any other Subsidiary of RZB (a) ranking *pari passu* as to participation in the assets of RZB with RZB's obligations under this Support Agreement (including, for the avoidance of doubt and without limitation, the 1999 Preference Shares and the 2003 Preferred Securities), or (b) entitled to the benefit of a guarantee or support agreement from RZB ranking *pari passu* as to participation in the assets of RZB with RZB's obligations under this Support Agreement (including, for the avoidance of doubt and without limitation, the 1999 Preference Shares and the 2003 Preferred Securities);

**"Bank Share Capital"** means the common shares of RZB, together with all other securities of RZB (including *Vorzugsaktien*) ranking *pari passu* with the common shares of RZB as to participation in a liquidation surplus;

**"Capital Notes"** means all of the Perpetual Non-cumulative Non-voting Floating Rate Capital Notes of the Company in issue from time to time, whether or not in issue on the date of this Support Agreement, the Noteholders of which are entitled to the benefits of this Support Agreement as evidenced by the execution of this Support Agreement;

**"Interest Period"** has the meaning, in relation to the Capital Notes, given to such term in the Terms and Conditions of the Capital Notes;

**"Interest"** means the amount of interest payable on the Capital Notes in accordance with the terms thereof;

**"Liquidation Date"** means the date of final distribution of the assets of the Company in the case of a winding-up of the Company (whether voluntary or involuntary);

**"Liquidation Distribution"** means, with respect to the Capital Notes, the Liquidation Preference plus accrued and unpaid interest for the then current Interest Period to the date of payment;

**"Liquidation Preference"** has the meaning, in relation to the Capital Notes, given to such term in the Terms and Conditions of the Capital Notes;

**"Noteholder"** means any holder from time to time of any Capital Note of the Company;

**"Redemption Price"** means with respect to each Capital Note the Liquidation Preference of such Capital Note plus accrued and unpaid Interest for the then current Interest Period ending on the date determined for redemption; and

**"Subsidiary"** means a fully consolidated subsidiary of RZB (within the meaning of §228 paragraph 3 of the Austrian Commercial Code).

Any other terms used in this Agreement and defined in the Articles of Association of the Company shall have the same meaning when used in this Agreement.

## 2. Support

- 2.1 2.1.1 Subject to the limitations contained in the following paragraphs of this Clause 2.1, RZB irrevocably and unconditionally agrees if at any time the Company has insufficient funds to enable it to meet in full all of its obligations under or in respect of the Capital Notes as and when such obligations fall due, to make available to the Company funds sufficient to enable it to meet such payment obligations. The Company shall use any amount made available to it by RZB pursuant to this Support Agreement solely to fulfil its payment obligations under or in respect of the Capital Notes.
- 2.1.2 Notwithstanding Clause 2.1.1, if, at the time that any amounts are to be paid in respect of Liquidation Distributions on the Capital Notes, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, distribution or winding-up of RZB, payment under this Support Agreement of amounts in respect of such Liquidation Distributions and payment by RZB in respect of any liquidation distributions payable with respect to any Asset Parity Securities shall not exceed the amount per security 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 this Support Agreement (including for the avoidance of doubt the 1999 Preference Shares and the 2003 Preferred Securities)) had the Capital Notes and all such Asset Parity Securities been issued by RZB and ranked (a) junior to all liabilities of RZB (other than any liability expressed to rank *pari passu* with or junior to RZB's obligations under this Support Agreement), (b) *pari passu* with all Asset Parity Securities of RZB and (c) senior to RZB's Bank Share Capital.
- 2.1.3 In the event that the amounts described in Clause 2.1.1 cannot be paid in full by reason of any limitation referred to in Clause 2.1.2 such amounts will be payable by RZB to the Company 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.

The determination of any such limitation of RZB's obligations under this Support Agreement as set forth above will be made on the relevant Interest Payment Date, the date specified for redemption or the Liquidation Date, as the case may be.

- 2.2 This Support Agreement shall be deposited with and held by Deutsche Bank Aktiengesellschaft, Frankfurt am Main, as fiscal agent until all the obligations of RZB hereunder have been discharged in full. RZB hereby acknowledges the right of every Noteholder to the production of, and the right of every Noteholder to obtain a copy of, this Support Agreement.
- 2.3 Subject to applicable law, RZB, may from time to time purchase the Capital Notes from any Noteholder and hold or resell any Capital Note so purchased.
- 2.4 Subject to applicable law, RZB's obligations hereunder constitute unsecured obligations of RZB and rank and will at all times rank (a) junior to all liabilities of RZB (other than any liability expressed to rank *pari passu* with or junior to this Support Agreement), (b) *pari passu* with all payment obligations of RZB in respect of Asset Parity Securities and (c) *pari passu* with RZB's obligations entered into by RZB in connection with the 1999 Preference Shares and the 2003 Preferred Securities.

## 3. Covenants

- 3.1 RZB undertakes that it will not issue any capital notes preference shares or preferred securities which are materially equivalent to preference shares ranking senior to its obligations under this Support Agreement and RZB undertakes that it will not enter into any support agreement or give any guarantee in respect of any capital notes, preference shares or preferred securities which are materially equivalent to preference shares issued by any Subsidiary of RZB if such support agreement or guarantee (including, without limitation, any support agreement or guarantee that would provide a priority of payment with respect to distributable funds) would rank senior to this Support Agreement unless, in each case, (a) this Support Agreement is changed to give the Company and/or the Noteholders (as applicable) such rights and entitlements as are contained in or attached to such capital notes, preference shares or preferred securities or such other support agreement or guarantee so that this Support Agreement ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment out of distributable funds as, any such capital notes, preference shares or preferred securities, or other support agreement or guarantee, provided that in no case shall this Support Agreement be changed so that RZB's obligations in respect of it rank *pari passu* with, or junior to, Bank Share Capital and (b) the most recent Interest Payment on the Capital Notes has been paid in full by the Company.

- 3.2 RZB undertakes that any amount required to be paid to the Company pursuant to this Support Agreement to enable the Company to pay any Interest Payment payable in respect of the most recent Interest Period will be paid prior to any payment or other distribution in respect of any interest upon common shares, *Vorzugsaktien* or any other shares or securities of RZB ranking junior to RZB's obligations under this Support Agreement (whether issued directly by RZB or by a Subsidiary of RZB and entitled to the benefit of a support agreement or guarantee ranking junior to RZB's obligations under this Support Agreement).
- 3.3 RZB undertakes to maintain the Company as an indirect subsidiary for so long as any Capital Note shall remain in issue. RZB undertakes that, so long as any Capital Note is outstanding, unless RZB is itself in liquidation, RZB will not permit, or take any action to cause, the winding-up of the Company.

#### **4. Termination**

This Support Agreement shall terminate and be of no further force and effect upon full payment of the Redemption Price or purchase and cancellation of, all outstanding Capital Notes or full payment of the Liquidation Distributions and liquidation of the Company, provided, however, that this Support Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Capital Notes or this Support Agreement must be restored by a Noteholder for any reason whatsoever.

#### **5. Undertaking**

Each of RZB and the Company undertakes, for the benefit of the Noteholders:

- (a) that it will perform its obligations and exercise its rights under this Support Agreement and, in the case of the Company (without limitation to the foregoing), will exercise its right to enforce performance of the terms of this Support Agreement by RZB; and
- (b) that it will consent to an order for specific performance or similar relief by any court of competent jurisdiction in the event that any such order or relief is sought in an action brought by a Noteholder in respect of this Support Agreement.

#### **6. Deed Poll**

This Support Agreement shall take effect as a Deed Poll for the benefit of the Noteholders. Each of RZB and the Company hereby acknowledges and covenants that the obligations binding upon it contained in this Support Agreement are owed to, and shall be for the benefit of, each and every Noteholder, and that each Noteholder shall be entitled severally to enforce the said obligations against RZB and the Company.

#### **7. Successors and Communications**

- 7.1 Subject to operation of law, all undertakings and agreements contained in this Support Agreement shall bind the successors, assigns, receivers, trustees and representatives of RZB and the Company (as the case may be) and shall inure to the benefit of the Noteholders and/or the Company (as applicable). The Company shall not transfer its obligations hereunder in any circumstances and RZB shall not transfer its obligations hereunder without the prior approval of not less than two thirds of the Noteholders which consent shall be obtained in accordance with procedures contained in the Terms and Conditions of the Capital Notes; provided, however, that the foregoing shall not preclude RZB from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets and obligations (including its obligations under this Agreement) to, a banking organisation organised under the laws of a member state of the European Union, without obtaining any approval of such Holders.
- 7.2 Except for those changes (a) required by Clause 3.1 hereof; (b) which do not materially adversely affect the rights of Noteholders; or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 7.1 (in any of which cases no agreement will be required), this Support Agreement shall be changed only by agreement in writing signed by RZB and the Company with the prior approval of not less than two thirds of the Noteholders (excluding in each case any Capital Notes held by RZB or any entity of which RZB, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Company's Memorandum and Articles of Association and the applicable laws of Jersey.
- 7.3 Any notice, request or other communication required or permitted to be given hereunder to RZB shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to RZB, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Raiffeisen Zentralbank Österreich AG  
Am Stadtpark 9  
A-1030 Vienna  
Austria  
Republic of Austria

Facsimile: + 43 1 717 07 3835

Attention: Treasury Capital Markets, Nicolaus Hagleitner

Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Company, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

RZB Finance (Jersey) III Limited  
22 Grenville Street  
St. Helier  
Jersey JE4 8PX

Facsimile: +44 1534 609 333

Attention: Mourant International Finance Administration – Jersey Corporate 3

Any notice, request or other communication required or permitted to be given hereunder to the Noteholders shall be given by RZB or the Company in the same manner as notices sent by the Company to the Noteholders.

- 7.4 The obligations of RZB and the Company to the Noteholders under this Support Agreement are solely for the benefit of the Noteholders and are not separately transferable from the Capital Notes.
- 7.5 RZB will furnish any Noteholder, upon request of such Noteholder, with a copy of its annual report, and any interim reports made generally available by RZB to holders of the common shares of RZB.

## **8. Governing Law**

- 8.1 This Support Agreement shall be governed by, and construed in accordance with English law save that Clause 2.1.2 and Clause 2.4 shall be governed by, and construed in accordance with Austrian law.
- 8.2 Each of RZB and the Company hereby irrevocably agrees for the benefit of the Noteholders (and, in the case of RZB only, the Company) that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Support Agreement and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts.

Each of RZB and the Company irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England or any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon RZB and the Company and may be enforced in the courts of any other jurisdiction.

Each of RZB and the Company hereby undertake to maintain an agent for service of process in England for as long as any Capital Notes remain outstanding. RZB and the Company hereby appoint RZB Austria London Branch at 10 King William Street, London, EC4N 7TW, as their agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint another person as its agent for that purpose.



## TAXATION

### General

The comments below are of a general nature based on current law and practice in the relevant jurisdiction referred to. They relate only to the position of persons who are the holders of the Capital Notes ("Noteholders") and may not apply to certain classes of persons such as dealers. Any Noteholders of Capital Notes who are in doubt as to their personal tax position should consult their professional advisers.

### Taxation in Jersey

As at the date of this Offering Circular, Noteholders (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, exchange, sale or other disposal of the Capital Notes. Dividend payments may be made by the Issuer without withholding or deduction for, or on account of, and without, any payment of Jersey income tax.

On 3 June 2003, the European Union ("EU") Council of Economic and Finance Ministers adopted a directive on the taxation of savings income in the form of interest payments (the "EU Savings Tax Directive"). It is proposed that, subject to a number of important conditions being met, each EU Member State will, from 1 January 2005, be required to provide to the tax authorities of another EU Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other EU Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding tax system for a transitional period in relation to such payments.

Jersey is not a member of the European Union and is therefore not required to implement the EU Savings Tax Directive. However, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, Jersey, in line with steps proposed by other relevant third parties, proposes to introduce a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent situate in Jersey (the terms "beneficial owner" and "paying agent" for this purpose are as defined in the EU Savings Tax Directive). The withholding tax system would apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

Under the current proposals in respect of the implementation of such a withholding tax system in Jersey, the Issuer would not be obliged to levy withholding tax in respect of interest payments made by it to a paying agent.

The States of Jersey has not yet adopted measures to implement these proposals but is expected to adopt such measures on the same timetable as EU Member States and other relevant third countries.

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposal of Capital Notes.

### Taxation in Austria

The following discussion is a summary of certain tax matters arising under Austrian tax law. The discussion does not purport to be a comprehensive description of all tax considerations, which may be relevant to a decision to purchase the Capital Notes. With the exception of certain illustrative data, the discussion is limited to income taxation of dividends, interest and capital gains under Austrian law, and does not address all aspects of such Austrian taxation. The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the Austrian tax laws as of the date hereof and is subject to change. Any such change maybe applied retroactively and may adversely affect the tax consequences described herein. The discussion does not consider any specific facts or circumstances that will be relevant to a particular Noteholder. In particular, this discussion does not consider the tax considerations that will be relevant to prospective investors who reside outside Austria, including but not limited to foreign investors with a permanent establishment in Austria. The following summary only applies to individual or corporate Noteholders, who are subject to unlimited tax liability in Austria ("Austrian individual holders" respectively "Austrian corporate holders"). If not stated otherwise, the discussion applies to both business and private assets of the Austrian individual holder.

The following assumes that the Capital Notes will be treated as debt instruments for Austrian tax purposes. However, it cannot be entirely excluded that the Austrian tax authorities will qualify the

Capital Notes not as debt securities but as shares and the income derived therefrom as dividend income. Holders of Capital Notes are therefore strongly advised to consult their tax adviser.

### **Taxation as Debt Instruments**

Austrian individual holders as well as Austrian corporate holders are subject to Austrian personal or corporate income tax on interest income derived from the Capital Notes. In case the debt instrument is held by an Austrian individual holder and Austrian withholding tax ("Kapitalertragsteuer") of 25 per cent. is deducted by an Austrian coupon paying agent on the interest payment, the withholding tax is a final tax. However, the individual might opt for an assessment at regular rates if this leads to lower taxation. Costs laid out to earn the interest are not taken into account either in the case of the fixed rate, or in the case of an income tax assessment. Austrian corporate holders can avoid Austrian withholding tax by submitting a written declaration of exemption from withholding tax ("Befreiungserklärung" due to Sec 94 lit 5 EStG) to the paying agent. Austrian corporate holders are subject to corporate income tax on the interest income at the normal rate (34 per cent., from 2005: 25 per cent.) via the corporate income tax return. If the payment is made outside of Austria, there is no deduction of Austrian withholding tax. In this case taxation is – with respect to Austrian individual holders – shifted to the procedure of tax declaration and tax assessment by the tax authorities. Interest payments are subject to personal income tax at a fixed rate of 25 per cent. unless assessment at the regular rates leads to lower taxation (option for assessment at regular rates). Costs laid out to earn the interest do not reduce the basis of assessment. Any capital gain from the sale of the Capital Notes by Austrian individual holders will be subject to Austrian personal income tax at the progressive income tax rates, unless the shares are sold by the Austrian individual holder out of his private assets after an ownership period of more than one year. Capital Gains realized by Austrian corporate holders are liable to corporate income tax at the standard rate of 34 per cent. (from 2005: 25 per cent.).

### **Taxation as Shares**

In case the Austrian tax authorities qualify the Capital Notes as shares the interest payments would be qualified as dividends and the dividend payments would be subject to income tax in the hands of the Austrian individual holder. Foreign dividends received via Austrian coupon paying agents are subject to a 25 per cent. Austrian withholding tax. In general, the withholding tax is a final tax. The individual can opt for an assessment, if this leads to lower income taxation (half income tax rate procedure). Costs laid out to earn the dividends cannot be taken into account either in the case of the final tax, or in the case of an income tax assessment. However, the Austrian Finance Minister can decree that income taxation has to be effectuated at the regular rates with respect to distributions paid by foreign companies, which are not subject to tax comparable to Austrian corporate income tax. No such decree exists at present, but it cannot be excluded that one will be issued some time in the near future. If dividend payments are received outside of Austria, no Austrian withholding tax is deducted and the taxation of the dividend income has to be effectuated via the personal income tax return. Foreign dividends are subject to personal income tax at a final rate amounting to 25 per cent, unless the application of the half income tax rate procedure leads to lower income taxation. Costs laid out to earn the dividends are not taken into account either in the case of the fixed rate, or in the case of the half rate procedure. However, the Austrian Finance Minister can decree that income taxation has to be effectuated at the regular rates with respect to dividends paid by foreign companies, which are not subject to tax comparable to Austrian corporate income tax. No such decree exists at the time being, but it cannot be excluded that one will be issued some time in the near future. The alienation of the Capital Notes by an Austrian individual holder gives rise to a taxable profit or, as the case may be, gain if the sales proceeds exceed the book value or the acquisition cost respectively, and the expenses incurred on the sale. The same applies when a shareholding is relinquished in the case of liquidation of the company. Capital gains, however, are not taxable, if privately held shares amounted to less than 1 per cent. of the shares of the foreign company within the last five years before alienation and if the time span between acquisition and alienation of the Capital Notes exceeds one year. Foreign dividends received by an Austrian corporate holder are in general subject to corporate tax at the standard rate of 34 per cent. From the year 2004 on, however, dividends are exempt from corporate tax, if the Austrian corporation holds at least 10 per cent. of the capital of the foreign dividend paying corporation for an uninterrupted period of 1 year. In this case gains (also capital gains), losses and other changes in value of the participation have no tax effect, unless the foreign company is wound up. Subject to certain conditions the Austrian corporate holder also has the option to treat the gains (capital gains), losses and other changes in value of the participation as taxable income. Temporary arrangements exist with respect to the transition from the previous version of the international participation exemption to the current one. The participation exemption does not apply, if the dividend paying corporation earns mainly passive income in the form of interest, rental income from movable and non-tangible goods or from the sale of participations, if the income of the dividend paying corporation is not subject to tax comparable to Austrian corporate tax.

## **Inheritance and gift tax**

Under Austrian law, the transfer of Capital Notes will be subject to Austrian inheritance or gift tax on a transfer by reason of death or a gift, if at the time of the transfer of the securities: (a) the donor, deceased or the donee, heir or other beneficiary is resident in Austria at the time of the transfer, or, if having Austrian citizenship, was not continuously outside of Austria and without a place of residence in Austria for more than two years; or (b) the shares were held as assets of a permanent establishment maintained in Austria by the deceased or donor. Inheritance tax will not accrue if the Capital Notes are qualified as debt instruments and if the securities were held as part of the private assets ("Privatvermögen") by the deceased Austrian individual holder. In case the Capital Notes are qualified as shares, no inheritance tax will accrue, if the deceased holds less than 1 per cent. of the share capital at the time of death.

## **Other Taxes**

There are no transfer, stamp or similar taxes, which would apply to the sale or transfer of the Capital Notes in Austria. Net wealth tax is not levied in Austria.

## **Taxation in the Netherlands**

### *Dutch Resident Holders*

Holders who are individuals and are resident or deemed to be resident in The Netherlands, or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes, are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Capital Notes or gain or loss realised upon disposal or redemption of the Capital Notes, provided that the Capital Notes are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4 per cent. of the average value of the Holder's net assets in the relevant fiscal year (including the Capital Notes) and is taxed at a flat rate of 30 per cent.

Corporate Holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Capital Notes.

## **Taxation in Germany**

The following section is a short summary of certain German taxation principles that may be or may become relevant with respect to the Capital Notes. This section does not purport to be a comprehensive description of all of the German tax consequences that may be relevant to Noteholders. The summary is based on German domestic tax laws currently in force and as applied in practice as of the date of this Offering Circular. Provisions may change at short-term notice, possibly with retroactive effect.

There is some uncertainty as to how the German tax authorities and/or tax courts will treat the Capital Notes. The Capital Notes may qualify as debt or equity instruments for German tax purposes. **Prospective Noteholders are advised to consult their tax advisers as regards the tax consequences of the acquisition, holding and disposition or transfer without consideration, respectively, of the Capital Notes. Only these advisers will be able to take into account appropriately the details relevant to the taxation of the respective Noteholders.**

## **Withholding tax**

German withholding tax on interest (*Zinsabschlag*) will be deducted from payments on the Capital Notes to (i) a Noteholder who is tax resident in Germany or who is not tax resident in Germany but holds the Capital Notes as assets of a German permanent establishment ("German Investor") if the Capital Notes are kept or administered in a domestic securities deposit account by a German credit institution or financial services institution, which term includes a German branch of a foreign credit institution or financial services institution but excludes a foreign branch of a German credit institution or financial services institution ("German Disbursing Agent") and the German Disbursing Agent acts as a paying agent, or (ii) German tax resident or non-German tax resident Noteholder if the Capital Notes are presented for payment at the office of a German Disbursing Agent ("Over-The-Counter-Transaction"). Withholding tax will be levied at a rate of 30 per cent. (in the case of an Over-The-Counter-Transaction the tax rate is 35 per cent.) plus 5.5 per cent. solidarity surcharge thereon.

If the Capital Notes have been acquired through a German Disbursing Agent and have since then been held in a securities deposit account with or have been administered by such German Disbursing Agent the assessment base for withholding tax upon redemption or disposal will be an amount equal to the difference between the issue price or the purchase price and the sale proceeds or redemption proceeds. If this is not the case the assessment base will be an amount equal to 30 per cent. of the sale proceeds or redemption proceeds. The withholding tax and solidarity surcharge thereon are credited against the German income tax and solidarity surcharge liability.

### **Taxation as debt instruments**

If the German tax authorities and/or tax courts qualify the Capital Notes as debt instruments and the income derived therefrom as interest income, German Investors and Noteholders presenting the Capital Notes in the course of an Over-The-Counter-Transaction will be subject to German income tax or corporate income tax respectively (each plus solidarity surcharge thereon) with any payment received on the Capital Notes. In case the Capital Notes are held as business assets in a German permanent establishment any payments will also be subject to trade tax.

Capital gains from the sale or redemption of the Capital Notes by German Investors and Noteholders presenting the Capital Notes in the course of an Over-The-Counter-Transaction will in any case be subject to German income tax or corporate income tax, as the case may be, (each plus solidarity surcharge thereon) and if the Capital Notes are held as business assets in a German permanent establishment capital gains will also be subject to trade tax.

### **Tax consequences in case the Capital Notes are qualified as equity**

Due to its legal nature and its terms and conditions the Capital Notes may be qualified as equity instruments.

#### *Risk of applicability of the German Investment Tax Act (Investmentsteuergesetz)*

The Issuer believes that even if the Capital Notes are qualified as equity instruments, Noteholders will not be subject to the German Investment Tax Act. The Investment Tax Act requires an investment according to the principle of risk diversification. As the Issuer only invests in the RZB Group this requirement will not be satisfied.

#### *Risk of applicability of the German Foreign Tax Act (Außensteuergesetz)*

Even if the Capital Notes are qualified as equity the Issuer believes that it is unlikely that the German Foreign Tax Act will be applied to the Capital Notes as the Capital Notes do neither grant a participation in the share capital of the Issuer or any other entity nor grant general voting rights.

If, however, the Foreign Tax Act is applied, Noteholders who are tax resident in Germany will be taxed on their *pro rata* share in the income (determined according to German tax accounting rules) earned by the Issuer irrespective of whether such income is distributed by the Issuer. The full amount of the share in the income of the Issuer will be subject to German income tax or corporation tax (each plus solidarity surcharge thereon) and, in case the Capital Notes are held as business assets of a German permanent establishment, to trade tax. In the case of German corporations additional tax liability will arise in case the profits of the Issuer are distributed, resulting in a (partial) double taxation, 5 per cent. of any dividends distributed by the Issuer will be subject to German corporate income tax in the event that the Foreign Tax Act applies. According to the prevailing view of German legal scholars as well 5 per cent. (rather than the amount) of such distributions should in addition to the tax liability described above be subject to German trade tax. In case of certain German institutional investors (insurance companies, pension funds (*Pensionsfonds*) and in certain circumstances also credit institutions, financial services institutions or financial enterprises) there is a risk that the full amount of distributions could be subject to corporate income tax and trade tax resulting in an effective double taxation.

#### *Taxation if the German Foreign Tax Act is not applied*

If the German Foreign Tax Act is not applied although the Capital Notes are qualified as equity, which the Issuer believes is rather unlikely, the tax analysis as set out in the following paragraphs will apply.

#### *Taxation of Interest*

50 per cent. of the Interest Payments received by a German Investor who is an individual ("German Individual Investor") will be subject to German income tax (plus solidarity surcharge thereon). Accordingly, only 50 per cent. of the expenses economically related to the Interest Payments are deductible for income tax purposes. In addition, the entire income is subject to trade tax if a German Individual Investor holds the Capital Notes as business assets of a German permanent establishment.

95 per cent. of the Interest Payments received by a corporate German Investor ("German Corporate Investors") are in principle exempt from German corporate income tax, but 100 per cent. of the Interest Payments will be subject to trade tax if a German Corporate Investor holds the Capital Notes as business assets of a German permanent establishment. If the German Corporate Investor is a credit institution or financial services institution within the meaning of the German Banking Act (*Kreditwesengesetz*) and if the Capital Notes have been recorded in the trading book, or a German insurance undertaking or pension fund (*Pensionsfonds*) Interest Payments are fully subject to corporate income tax and trade tax. The same applies if the Capital Notes were acquired by a financial enterprise as defined in the German Banking Act to achieve short-term capital gains from trading activities.

### *Taxation of Capital gains*

German Individual Investors are subject to tax with 50 per cent. of the capital gains from the sale or redemption of the Capital Notes if the Capital Notes are either sold within one year after the acquisition of the Capital Notes or if the German Private Investor at any time during the five years preceding the sale, directly or indirectly held an interest of 1 per cent. or more in the Issuer. In addition the capital gains will be subject to trade tax if German Individual Investors who hold the Capital Notes as business assets receive capital gains from the disposition of the Capital Notes.

95 per cent. of capital gains received by a German Corporate Investor from the sale or redemption of the Capital Notes are in principle tax exempt. If the Capital Notes are held by a credit institution or financial services institution within the meaning of the German Banking Act (*Kreditwesengesetz*) and if the Capital Notes have been recorded in the trading book or if the Capital Notes are held by a German insurance company or pension fund (*Pensionfonds*), capital gains from the disposal of Capital Notes are fully subject to corporate income tax and trade tax. The same applies if the Capital Notes were acquired by a financial enterprise as defined in the German Banking Act to achieve short-term capital gains from trading activities.

Losses from the sale of the Capital Notes are in principle deductible only if and to the extent that the corresponding capital gains would be taxable. However, the deduction of such losses is subject to additional restrictions.

### **Taxation in case the Issuer is disregarded for German tax purposes**

Income derived from the Capital Notes may also be treated as interest and may therefore be taxed in accordance with the paragraph "Taxation as debt instruments" in case the German tax authorities disregard the Issuer for German tax purposes and therefore treat the Noteholders in the same way as if they had directly invested in RZB. However, in this case it cannot be excluded that the Noteholders are considered to have an equity interest in RZB in which case the investors would be taxed as described in the paragraph "Tax consequences in case the Capital Notes are qualified as equity".

### **Gift or inheritance tax**

A transfer of the Capital Notes as a gift or by reason of death will be subject to German inheritance or gift tax if the Noteholder, or the heir, donee or other beneficiary is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act. This may in particular be the case if the Noteholders, heir, donee or other beneficiary is

- (i) an individual having at the time of the donation or death its residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than five years without having a residence in Germany, or
  - (ii) a corporation having its seat or central place of management in Germany,
- or the Capital Notes belong to business assets attributable to a permanent establishment or a permanent representative in Germany.

### **Other taxes**

There are stamp taxes, registration taxes or equivalent taxes which would apply to the sale or transfer of the Capital Notes in Germany. Net worth tax is currently not levied in Germany.

### **EU Savings Directive**

On 3 June 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 January 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

## SUBSCRIPTION AND SALE

Under a Subscription Agreement dated 11 June 2004 (the "Subscription Agreement") ABN AMRO Bank N.V., and BNP Paribas (the "Joint Lead Managers") have jointly and severally agreed with the Issuer and RZB, subject to the satisfaction of certain conditions, to subscribe for the Capital Notes at the issue price of 100 per cent.. The Issuer has agreed to pay to the Joint Lead Managers a total commission of 2 per cent. BNP Paribas on behalf of the Joint Lead Managers is entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer and RZB have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Capital Notes.

### United States of America

The Capital Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Notes (i) as part of their distribution at any time or (ii) otherwise until the expiration of the period ending 40 days after the later of the commencement of the offering and the Closing Date (the "Distribution Compliance Period") within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Capital Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

The Capital Notes are being offered and sold outside the United States to non- U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Notes within the United States by a dealer (that is not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- (1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Capital Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Capital Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Notes in, from or otherwise involving the United Kingdom.

### Austria

Each Joint Lead Manager has confirmed that it is aware of the fact that no Austrian sales prospectus (*KMG-Prospekt*) within the meaning of the Austrian Capital Markets Act, Federal Law Gazette 1991/625 as amended (*Kapitalmarktgesetz*, "KMG") of the Republic of Austria has been or will be published with respect to the Capital Notes and that it will comply with the KMG and any other laws and legal and regulatory requirements applicable in the Republic of Austria with respect to the issue, sale and offering of securities, whether as part of their initial distribution or as part of any resale of the Capital Notes in the secondary market. Each of the Joint Lead Managers further agrees that it will, in the case of any offer, offer the Capital Notes in compliance with Section 3(1) No. 13 of the Austrian Capital Markets Act.

### **Jersey**

Each Joint Lead Manager has represented and agreed that it will not direct its selling efforts in respect of the Capital Notes towards natural persons or persons (other than financial institutions) who are resident for income tax purposes in Jersey.

### **Germany**

Each Joint Lead Manager has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the "Act") of the Federal Republic of Germany has been or will be published with respect to the Capital Notes and that it will comply with the Act and any other laws and legal and regulatory requirements applicable in the Federal Republic of Germany with respect to the issue, sale and offering of securities, whether as part of their initial distribution or as part of any resale of the Capital Notes in the secondary market. In particular, each of the Joint Lead Managers has represented that it has not engaged and agrees that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Capital Notes otherwise than in accordance with the Act.

### **The Netherlands**

Each of the Joint Lead Managers has represented and agreed that prior to the publication of the advertisement as mentioned in Article 47.7 of the Listing and Issuing Rules of Euronext Amsterdam N.V. (*Fondsenreglement*), no contractually binding offers (or solicitations of such offers) in respect of the Capital Notes have been or will be made to any individual or legal entity in The Netherlands, other than to individuals or legal entities, who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "Professionals"), provided that in any documents or advertisements in which a forthcoming offering of such Capital Notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professionals.

### **General**

Each of the Joint Lead Managers has undertaken that it will comply, to the best of its knowledge and belief, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Capital Notes or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of Capital Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales in all cases at its own expense.

## GENERAL INFORMATION

### 1. Listing

In connection with the application for the Capital Notes to be listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., copies of the memorandum and articles of association of the Issuer and the articles of association of RZB (together, if necessary, with English translations thereof) and a legal notice relating to the issue of the Capital Notes will be deposited prior to listing with the Amsterdam Listing Agent, where such documents may be examined and copies obtained upon request. At the date hereof it is not intended to list the Capital Notes on any other stock exchange.

So long as the Capital Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the Issuer will maintain a paying agent in the Netherlands.

### 2. Authorisations

The issue of the Capital Notes by the Issuer has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 9 June 2004.

The entering into of the Support Agreement by RZB has been duly authorised by resolutions of its Board of Directors passed on 1 March 2004.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or RZB under the laws of Jersey and Austria have been given for the issue of Capital Notes and for the Issuer and RZB, as the case may be, to undertake and perform their respective obligations under each of the Subscription Agreement, the Agency Agreement, the Capital Notes and the Support Agreement.

### 3. Legal status

The Issuer operates under the laws of Jersey (registered number 87591) with limited liability and for an unlimited duration.

RZB operates under Austrian law. RZB is registered in the Commercial Register of the commercial court in Vienna under file number 58882t.

### 4. Litigation

Save as disclosed in this Offering Circular, neither RZB nor the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts which could, if determined adversely, have a material adverse affect on the financial position of RZB or the RZB Group nor, so far as RZB and the Issuer is aware, is any such litigation or arbitration pending or threatened.

### 5. Clearing

The Capital Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

German Security Code (WKN): A0BC9Z

ISIN: XS0193631040

Common Code: 019363104

Dutch Security Code: 14750

### 6. No material change

Save as described herein, there has been no material adverse change in the financial position or prospects of RZB or the RZB Group since 31 December 2003 or, in the case of the Issuer, since the date of its incorporation on 30 April 2004.

### 7. Subsidiaries

A selective overview of RZB's equity participations as at 31 December 2003 is set out in the published consolidated audited financial statements of RZB for the year ended 31 December 2003.

### 8. Documents available

For so long as the Capital Notes remain outstanding, copies of the following documents (together, if applicable, with an English translation thereof) will, upon request, be available during normal business hours free of charge at the registered offices of the Issuer and RZB and at the specified offices of the Paying Agents shown on the back page of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the articles of association of RZB;
- (c) the consolidated audited annual accounts of RZB for the financial years ended 31 December 2002 and 31 December 2003;



- (d) the consents and authorisations referred to in paragraph 2 above;
- (e) the Support Agreement; and
- (f) the Agency Agreement.

For so long as the Capital Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the most recently published consolidated and non-consolidated audited annual financial statements and consolidated unaudited semi-annual interim financial statements of RZB, and the most recently published audited annual accounts of the Issuer, will also be available at the offices of the Paying Agents, currently shown on the back page of this Offering Circular. RZB does not publish non-consolidated interim financial statements. The first annual accounts of the Issuer are expected to be prepared for the period commencing on incorporation and ending on 31 December 2004.

#### **9. Auditors**

KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft Austria have audited (a) the consolidated financial statements of RZB prepared in accordance with International Financial Reporting Standards and (b) the unconsolidated financial statements of RZB prepared in accordance with Austrian Commercial Code (*Handelsgesetzbuch*) and Austrian Banking Act (*Bankwesengesetz*) for the financial year ended 31 December 2002 and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the financial year ended 31 December 2003. The auditors expressed an unqualified opinion on the accounts of RZB for the financial year ended 31 December 2002 and 31 December 2003.

No accounts of the Issuer have yet been prepared or audited. KPMG Channel Islands Limited has been appointed as auditors to the Issuer.

#### **10. Notices**

All notices to the Noteholders will be given by the Issuer (i) so long as any of the Capital Notes is listed on Euronext Amsterdam and Euronext Amsterdam so requires, by publication in the Daily Official List of Euronext Amsterdam N.V. ("*Officiële Prijscourant*") and a leading newspaper having general circulation in Amsterdam (which is expected to be *Het Financieele Dagblad*) and (ii) by mail to Euroclear and Clearstream, Luxembourg and (iii) to Euronext Amsterdam through the Listing Agent.

In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify the holders of securities accounts with it to which any Capital Notes are credited of any such notices received by it.

#### **11. Compliance with Euronext rules**

As long as the Notes are listed on Euronext Amsterdam, the Issuer will comply with the provisions set forth in Article 2.1.20, sections a-g of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam.

#### **12. Structuring Advice**

The Joint Lead Managers will receive a fee pursuant to their role as structuring advisers in connection with the structuring of the transaction.

**REGISTERED OFFICE OF THE ISSUER**

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St. Helier  
Jersey JE4 8PX

**REGISTERED OFFICE OF RZB**

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Austria

**FISCAL AGENT**

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Germany

**CALCULATION AGENT**

**Deutsche Bank Aktiengesellschaft**  
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D-60272 Frankfurt am Main  
Germany

**AMSTERDAM LISTING AGENT**

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The Netherlands

**PAYING AGENT**

**ABN AMRO Bank N.V.**  
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**LEGAL ADVISERS**

*To the Joint Lead Managers as to English law*

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*To the Issuer as to Jersey law*

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**AUDITORS**

*To the Issuer*

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Charing Cross  
St. Helier, Jersey JE4 8WQ

*To RZB*

**KPMG Austria GmbH Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft**  
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