



RZB Finance (Jersey) II Limited

(Incorporated with limited liability under the laws of Jersey)

1,000,000

Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preferred Securities

**having the benefit of a support agreement entered into
with Raiffeisen Zentralbank Österreich AG**

Issue Price: 100%

1,000,000 Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preferred Securities with a liquidation preference of EUR 100 each (the "Preferred Securities") are proposed to be issued by RZB Finance (Jersey) II Limited (the "Issuer") on 31 July 2003 (the "Closing Date"). The holders of the Preferred Securities will have the benefit of a support agreement entered into between the Issuer and Raiffeisen Zentralbank Österreich AG ("RZB") as further described in the "Support Agreement" herein. The Preferred Securities will entitle holders to receive (subject to the limitations described in "Description of the Preferred Securities") non-cumulative preferential cash payments (i) from (and including) 31 July 2003 to (but excluding) 31 July 2013 at a fixed rate of 5.895 per cent. per annum payable annually in arrear on 31 July in each year, commencing on 31 July 2004; and (ii) from (and including) 31 July 2013 at a rate of 2.70 per cent. per annum above the Euro-zone interbank offered rate for three-month euro deposits (EURIBOR), payable quarterly in arrear on 31 October, 31 January, 30 April and 31 July in each year, commencing on 31 October 2013.

Payments will be calculated on the aggregate principal amount of Preferred Securities outstanding.

The Preferred Securities 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 Preferred Securities 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 100 per Preferred Security plus accrued and unpaid dividends for the then current Dividend Period on 31 July 2013 or any Dividend Date falling thereafter and, for taxation reasons or capital reasons, in whole but not in part at any time, subject as described in "Description of the Preferred Securities". In the event of the liquidation, dissolution or winding-up of the Issuer or RZB, holders of Preferred Securities will be entitled to receive for each Preferred Security a liquidation preference of EUR 100 plus accrued and unpaid dividends for the then current Dividend Period (as defined in "Description of the Preferred Securities") to the date of payment, subject as described in "Description of the Preferred Securities".

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

Deutsche Bank
Structuring Adviser

ABN AMRO

Merrill Lynch International

UBS Investment Bank

The date of this Offering Circular is 29 July 2003.

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 Preferred Securities.

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 Preferred Securities which is material to the issue of the Preferred Securities, 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, RZB and its subsidiaries and affiliates (the "Group") and the Preferred Securities which is material to the issue of such Preferred Securities, 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, Deutsche Bank AG London or any of the Managers mentioned under "Subscription and Sale" below. 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 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 Preferred Securities 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, Deutsche Bank AG London or any of the Managers mentioned under "Subscription and Sale" below to subscribe for or purchase any of the Preferred Securities.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Preferred Securities. 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 Preferred Securities, he or she should consult his or her professional advisers.

The distribution of this document and the offering of the Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, RZB, Deutsche Bank AG London or any of the Managers mentioned under "Subscription and Sale" below to inform themselves about, and to observe any such restrictions.

Preferred Securities 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities and on the distribution of this document is given under "Subscription and Sale" below.

The Preferred Securities are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Preferred Securities.

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.

In connection with this issue, Deutsche Bank AG London (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 Preferred Securities 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, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the most recently published, audited, annual, consolidated and non-consolidated financial statements of RZB for the years ended 31 December 2001 and 31 December 2002. The consolidated financial statements have been prepared in accordance with International Accounting 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.

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 Principal Paying and Transfer Agent and the Paying and Transfer Agent, 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 Principal Paying and Transfer Agent, or the specified office of Deutsche Bank Luxembourg S.A. as Paying and Transfer Agent and Listing Agent in Luxembourg.

SUMMARY

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

Issuer	RZB Finance (Jersey) II 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.
Support Provider	Raiffeisen Zentralbank Österreich AG.
Issue Size	EUR 100,000,000
Issue Details	1,000,000 Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preferred Securities each with a liquidation preference of EUR 100 (the "Liquidation Preference"). The Preferred Securities 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".
Dividends	Subject to Jersey law and as provided in the Issuer's Articles of Association, non-cumulative dividends will be payable, (i) from (and including) 31 July 2003 to (but excluding) 31 July 2013, annually in arrear on 31 July, in each year commencing on 31 July 2004, at a fixed rate per annum of 5.895 per cent. and (ii) from (and including) 31 July 2013 at a rate, of 2.70 per cent. per annum above the Euro-zone interbank offered rate for three-month euro deposits (EURIBOR) payable in arrear on 31 October, 31 January, 30 April and 31 July in each year, commencing on 31 October 2013 all as more fully described in "Description of the Preferred Securities". Prior to 31 July 2013 the amount of dividend that accrues in respect of any Dividend Period or any period of less than a Dividend Period will be calculated by applying the rate of dividend to the aggregate principal Liquidation Preference amount of Preferred Securities outstanding, on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant annual Dividend Period. On or after 31 July 2013 the amount of dividend that accrues in respect of any Dividend Period or any period of less than a Dividend Period will be calculated on the aggregate principal Liquidation Preference amount of the Preferred Securities outstanding, on the basis of the actual number of days in the relevant period divided by 360.
Non-Cumulative	The rights of holders of the Preferred Securities to receive payments in respect of Dividends is non-cumulative. The holders of Preferred Securities will have no right to receive payments in respect of any missed or reduced Dividends, whether or not Distributable Funds or Distributable Profits are sufficient or Dividends are paid by the Issuer in respect of any future Dividend Period.
Support Agreement	<p>The Issuer and the holders of the Preferred Securities 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 Preferred Securities (the "Support Agreement").</p> <p>The Support Agreement is intended to provide for dividend, redemption and liquidation rights equivalent to those which would attach to the Preferred Securities if issued directly by RZB and to oblige RZB to make funds available to the Issuer to meet its payment obligations under the Preferred Securities.</p> <p>For the text of the Support Agreement, see "Support Agreement".</p>
Link to Distributable Profits	<p>Payments in respect of Dividends on the Preferred Securities are only made on any Dividend Date to the extent that</p> <ul style="list-style-type: none">(i) the Issuer has Distributable Funds for the Dividend Period ending on the respective Dividend 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 Dividends payable on the respective Dividend Date 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 Dividend Date and ending on the relevant Dividend Date, in respect of Dividends on the Preferred Securities and dividends or other distributions or payments on Parity Securities, if any.

Notwithstanding the foregoing, the Preferred Securities will pay dividends, if RZB or any of its Subsidiaries, on any Parity Securities, declares or pays any dividends or makes any other payment or other distribution. If the dividend or other payment or distribution on such Parity Securities was in the full stated amount payable on such Parity Securities, payments in respect of Dividends will be made in full (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the period following 31 July 2013 on the first four Dividend 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 Parity Securities was only a partial payment of the amount so owing, the payments in respect of Dividends on the Preferred Securities will be reduced proportionally.

Further, notwithstanding the foregoing, if RZB or any of its Subsidiaries, on any Junior Securities, declares or pays any dividend or makes any other payment or distribution, the Preferred Securities will pay dividends (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the period following 31 July 2013, on the first four Dividend Dates, falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.

Further, notwithstanding the foregoing, if RZB 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 RZB, the Issuer will make payments on the Preferred Securities in full (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the period following 31 July 2013 on the first four Dividend Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

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 dividends in respect of the Preferred Securities: see "Description of the Preferred Securities".

The Preferred Securities ordinarily will rank senior to the Issuer's ordinary shares as to payment of dividends. However, in the event that dividends do not fall to be paid in relation to a Dividend Period on the Preferred Securities, all amounts received by the Issuer in relation to such Dividend Period may be distributed as dividends to the holder of the Issuer's ordinary shares instead of being paid to the holders of the Preferred Securities.

Regulatory Limitations

Even if Distributable Funds of the Issuer and Distributable Profits of RZB are sufficient on a particular Dividend 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 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 payments in respect of Dividends on any such Dividend Date.

Withholding Tax and Additional Amounts

The Issuer will pay such additional amounts to each holder of the Preferred Securities as may be necessary in order that every net payment in respect of the Preferred Securities, after withholding for any taxes imposed by Jersey or the Republic of Austria, upon or as a result of such payment, will not be less than the amount otherwise required to be paid, subject to the exceptions described in "Description of the Preferred Securities". The obligations of the Issuer to pay any such additional amounts are described more fully in "Description of the Preferred Securities".

Optional Redemption

The Preferred Securities 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 Preferred Securities 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 (being the Liquidation Preference plus accrued and unpaid dividends for the then current Dividend Period ending on the date fixed for redemption (as described in "Description of the Preferred Securities'')) (subject to Jersey Law and the Issuer's Articles of Association) on 31 July 2013 or any Dividend Date falling thereafter.

Redemption for Tax Reasons and Capital Reasons

In addition, the Preferred Securities 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 Preferred Securities 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, (i) at the Redemption Price (as defined in "Description of the Preferred Securities''), if the Issuer is or would be required to pay Additional Amounts (as described in "Description of the Preferred Securities'') in respect of payments due on the Preferred Securities; or (ii) at the greater of the Redemption Price (as defined in "Description of the Preferred Securities'') and the Make Whole Amount (as defined in "Description of the Preferred Securities''), if (a) the *Finanzmarktaufsichtsbehörde* determines and announces that, or as a result of a change in law or regulation or the interpretation thereof, the Preferred Securities no longer qualify as Core Capital ("Kernkapital" (as defined in "Description of the Preferred Securities'')) 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 deductible as expenses for income tax purposes.

Rights upon Liquidation

In the event of the liquidation, dissolution or winding-up of the Issuer, holders of Preferred Securities will be entitled to receive for each such Preferred Securities the Liquidation Distribution (as defined in "Description of the Preferred Securities'') subject to Jersey law and as provided in the Issuer's Articles of Association.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the holders of the Preferred Securities 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 holders of Preferred Securities and the liquidation distribution per share to be paid to the holders of all Asset Parity Securities shall not exceed the amount per share that would have been paid as the Liquidation Distribution from the assets of 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, the 3,000,000 euro Series A 7.5 per cent. Non-cumulative Non-Voting Preference Shares issued on 29 September 1999 and the 1,000,000 fungible euro 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 (the "1999 Preference Shares")) had the Preferred Securities 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 Preferred Securities and (iii) senior to RZB's Bank Share Capital. In the event of 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 share payable by the Issuer as liquidation distribution to holders of Preferred Securities 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 Preferred Securities is 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.

Voting Rights

Holders of the Preferred Securities will not be entitled to vote at any general meeting of shareholders of the Issuer except in certain limited circumstances. Holders of the Preferred Securities, together with the holders of any other preference shares or preferred securities of the Issuer ranking *pari passu* as to payment of dividends with the Preferred Securities having the right to vote for the election of Directors in similar circumstances, are entitled to elect two additional Directors to the Issuer's Board of Directors if dividends (and any Additional Amounts in respect of such dividends) have not been paid (in whole or in part) (a) in the period prior to 31 July 2013 for any two consecutive Dividend Periods and (b) in the period following 31 July 2013 for any five consecutive Dividend Periods. Such additional Directors must vacate their office if dividend payments are resumed by the Issuer in full. For a more detailed description see "Description of the Preferred Securities".

Form of the Preferred Securities

The Preferred Securities will be issued in registered form. On the Closing Date, a single securities certificate representing the Preferred Securities will be registered in the name of and deposited 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"). For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If either or both of Euroclear and/or Clearstream, Luxembourg announces an intention permanently to cease business and the Issuer is

unable to locate a qualified successor within 60 days of receiving notice of, or becoming aware of, such intention, the number of Preferred Securities corresponding to each holder's book-entry interest in the Preferred Securities represented by the initial securities certificate will be transferred to each holder of Preferred Securities, and each such holder will be registered as a holder of the Preferred Securities in the register of members maintained by the Issuer, and receive a securities certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive securities certificates will not be available to holders of the Preferred Securities.

Ratings

On issue, the Preferred Securities are expected to be assigned an "A3" rating by Moody's Investors Service Inc.¹ 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 Preferred Securities 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 described under "Restrictions on Payments" above will be governed and construed in accordance with Austrian law.

Listing

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

¹ "A" Bonds and preferred stock which are rated A possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

USE OF PROCEEDS

The proceeds of the issue, which are expected to amount to approximately EUR 100,000,000, will be on-lent to RZB in the form of supplementary capital (Ergänzungskapital (section 23(1) No. 5 BWG) in accordance with (section 24(2) No. 6b BWG) and will be used for general corporate purposes of the RZB Group.

THE ISSUER

History

The Issuer was incorporated in Jersey on 22 July 2003 (registered number 85720) 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 Preferred Securities.

As is stated on page 2 of this Offering Circular, the issue of the Preferred Securities 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 Luxembourg Stock Exchange 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 €15,000 consisting of 15,000 shares of par value €1 each, which were subsequently designated as ordinary shares. Its authorised share capital was increased by special resolution to €100,015,000 consisting of 15,000 ordinary shares of par value €1 each and 1,000,000 Preferred Securities of a par value of €100 each. 2 shares were issued and fully paid following incorporation of the Issuer and designated ordinary shares on 29 July 2003. 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 Preferred Securities.
- (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) II Limited

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at 29 July 2003, adjusted to give effect to the issue of the Preferred Securities to be issued on 31 July 2003.

	As at 29 July 2003
	<i>(in EUR)</i>
Short-term liabilities	—
Long-term liabilities	—
Stockholders' equity	
Share capital	100,000,002
Reserves	—
Retained earnings	—
Total stockholders' equity	100,000,002
Total capitalisation	100,000,002

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>
Julia Chapman	Director	Solicitor of the Royal Court of Jersey
Gareth Essex-Cater	Director	Corporate Administration Manager
Daniel Le Blancq	Director	Corporate Administration Manager
Helen Grant	Director	Corporate Administration Manager

(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, provided however that notwithstanding the above, no Director of

the Issuer may vote or be counted in the quorum in relation to any proposal, arrangement or contract in which he is interested, save where the Director's interest is by virtue of either (i) an interest in shares or other securities of the Issuer or (ii) the giving of a security, guarantee or indemnity in relation to either any money lent by the Director at the request of or for the benefit of the Issuer, any indebtedness of the Issuer for which the Director has assumed responsibility, any issue of shares in which the Director may be entitled to participate, any contract with another company in which the Director is interested (unless the Director has a holding of more than 1 per cent.), the adoption by the Issuer of any employee scheme in which the Director may benefit, or the purchase of insurance for the Director against any liability.

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 22 July 2003, 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 Jersey of 45 The Esplanade, St Helier, Jersey JE4 8WQ have 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 29 July 2003 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 the 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 1987 as one of the founders of Unicbank Rt., Budapest (now Raiffeisen Bank Rt.). Today, it has a strong position in the CEE, covering 15 markets with 14 subsidiary banks and two representative offices. More than 675 banking outlets provide a highly meshed network throughout the region.

Business Profile

RZB is Austria's fourth largest bank in terms of assets and is one of Central Europe's leading banks. RZB offers its customers a comprehensive range of domestic and international services in corporate and investment banking. Retail banking is offered through its subsidiary banks in the CEE. Its consolidated subsidiaries in Austria and other countries (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. In these countries, 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 and Belarus (the Network Banks)).

In 2000, RZB acquired its first bank, *Market banka* in Bosnia and Herzegovina, renaming it Raiffeisen Bank soon thereafter. In July 2001, RZB was the first banking group to enter the Yugoslavian market with its subsidiary *Raiffeisenbank a.d.* Also in 2001 the acquisitions of the Herzegovinian *Hrvatska Postanska Banka* and the Romanian *Banca Agricola* complemented and expanded its presence in the CEE region. Both banks have meanwhile merged with the existing Raiffeisen Bank active in the respective country.

In 2002, the public offer of RZB Group for the Slovenian *Krekova banka d.d.* was accepted by almost all shareholders, representing 97 per cent. of all issued ordinary shares. Continuing its operations under the name *Raiffeisen Krekova Banka d.d.*, the ninth largest bank in Slovenia 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.

In addition to its network of subsidiary banks, RZB maintains representative offices in Moscow and Vilnius, Lithuania, as well as specialized 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, located in New York and a further representation in Houston, 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.

In December 2002, the shareholders of RZB (most of them Austrian Regional Raiffeisen Banks) paid in capital amounting to EUR 147.7 million, the second tranche of the largest capital increase in the bank's history, agreed upon in 2000. In total, approximately EUR 367 million were paid in. RZB Group's core capital now amounts to approximately EUR 1.97 billion, eligible own funds to EUR 2.76 billion. The RZB Group's core capital ratio is therefore 7.0 per cent., the own funds ratio 10.3 per cent.

Strategy

RZB sees itself as a universal banking group in Central and Eastern Europe, having defined the region as its home market. 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 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 Group already has a broad line of Internet products and in due course it will be enlarging the range and making it available in more countries.

Subscribed Capital, Shareholders and Authorised Capital

As at 30 June 2003, 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 30 June 2003, the Raiffeisen regional 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 Raiffeisen regional 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 85).

Capitalisation of RZB

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

	31 May 2003	31 March 2003	
	RZB (non-consolidated)	RZB (non-consolidated)	RZB Group (consolidated)
	(in EUR million)	(in EUR million)	(in EUR million)
Liabilities			
Liabilities to credit institutions	22,399	22,152	24,698
Liabilities to customers	5,081	3,436	13,798
Securitised liabilities	3,221	3,292	3,704
Subordinated liabilities	982	1,013	815
Equity			
Issued share capital	349	349	349
Capital reserves	531	531	527
Retained earning reserves (including minority interests)	540	525	1,381
Total capitalisation	33,103	31,298	45,272
Capital Adequacy			
Tier 1 Capital	1,360	1,367	1,879
Tier 2 Capital	880	882	893
Total Capital	2,243	2,252	2,815
Tier 1 ratio (%).	7.5	7.6	6.3
Solvency ratio (%).	12.5	12.6	9.4

Note: There has been no material change in the non-consolidated and consolidated capitalisation of RZB since 31 May 2003 and 31 March 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

Name	Position	Principal Activities outside the RZB Group
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 GesmbH, 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 and of Österreichische Volksbanken AG, Member of the General Council of Oesterreichische Nationalbank
Herbert Stepic	Deputy Chairman of the Board of Managing Directors	Member of the Supervisory Board of Oesterreichische Kontrollbank AG
Helfried Marek	Member of the Board of Managing Directors until 31 December 2002	Vice Chairman of the Supervisory Board of Wiener Börse AG
Karl Sevelda	Member of the Board of Managing Directors	Member of the Supervisory Board of Österreichische Hotel- und Tourismusbank Ges.m.b.H.
Karl Stoss	Member of the Board of Managing Directors since 11 March 2002	
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 UTA Telekom AG and of Österreichische Lotterien Ges.m.b.H.

Supervisory Board

Name	Position	Principal Activities outside the RZB Group
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 Haki	Vice-Chairman	CEO of Raiffeisen-Landesbank Tirol reg.Gen.m.b.H.
Ludwig Scharinger	Vice-Chairman	CEO of Raiffeisenlandesbank Oberösterreich reg.Gen.m.b.H.
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
Klaus Thalhammer	Member	CEO of Österreichische Volksbanken AG
Karl Waltle	Member	CEO of Raiffeisenlandesbank Vorarlberg reg.Gen.m.b.H.

Name	Position	Principal Activities outside the RZB Group
Gottfried Wanitschek	Member	Member of the Board of UNIQA Versicherungen AG
Franz Hummel	Employee Representative	—
Martin Prater	Employee Representative	—
Günther Gall	Employee Representative	—
Anton Patek	Employee Representative	—
Helge Rechberger	Employee Representative	—
Hildegard Svejda	Employee Representative	—

Members of the Federal Advisory Board

Name	Position
Jakob Auer	Chairman
Gerhard Ortner	Vice-Chairman
Josef Riegler	Vice-Chairman
Kurt Amann	Member
Franz Romeder	Member
Sebastian Schönbacher	Member
Helmut Thrackl	Member
Vinzenz Thurn-Valsassina	Member
Jürgen Wagenonner	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 delegate are appointed by The Federal Minister of Finance and act as officials of the Austrian Financial Markets Authority as Austrian banking supervisory authority.

Alfred Lejsek (State Commissioner)

Christian Riemer (Deputy)

Employees

In 2002, RZB and the RZB Consolidated Group employed on average 1,175 and 15,235 employees respectively.

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 has audited the non-consolidated financial statements of RZB and the consolidated financial statements of the RZB Group for the last six consecutive years each ended 31 December and have issued an unqualified audit certificate on the financial statements 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; 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. Renowned 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 EU proceedings a class action has been served on 16 May 2001. This class action is not for a specific amount. RZB has retained a renowned 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.

As a consequence of these cartel-proceedings on the European level the Austrian public prosecutor at the district court of Vienna (*Staatsanwalt bei Landesgericht Wien*) opened penal investigations against acting and former managing directors (among them the acting chairman of the Board of Managing Directors of RZB) of those Austrian Banks involved in these European cartel proceedings. Upon consultation with experienced Austrian lawyers RZB is of the opinion that these penal investigations, which are still in their preliminary stages, are unjustified; in addition it is highly unlikely that their results will have a material adverse effect on the financial position of RZB or the RZB Group.

On 20 October 2000 a class action complaint has been 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 renowned 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 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 segments. 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 599 local Raiffeisenbanks are small companies whereas the nine regional Raiffeisenbanks focus on medium sized companies.

With a clear commitment to the top 1,000 companies in Austria, RZB continued its successful course in 2002 with a service concept custom-tailored to the needs of this target group. According to an independent market study sponsored by the leading commercial banks, 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 Central and Eastern Europe, as well as from its well established customer service model, the *Global Account Management System (GAMS)*. This provides international groups with a central contact that coordinates all activities in the individual countries of the region.

RZB's account managers market RZB's products in close co-operation with the product managers who are responsible for specific products. RZB expects the training efforts that were made over the past few years to result in growing business volumes in the next couple of years. Income growth is intended to be achieved through cross-selling efforts with existing customers and the acquisition of new customers. It is RZB's goal to act as the main bank for most of its customers. By introducing the latest IT tools in the corporate banking division, RZB aims to further relieve account managers of administrative work and make resources available for its marketing efforts.

The optimized product mix and the selective approval of credit commitments kept the growth of risk-weighted assets at 2.1 per cent. over 2001, which is lower than the increase in gross earnings. In accordance with international standards, but not in accordance with standard practice in Austria, all new business was concluded under rating-based terms.

In spite of the difficult economic conditions, the gross earnings from Austrian and multinational commercial customers served from Vienna increased by 6.3 per cent. over the record level from 2001.

As at 31 December 2002 the balance-sheet item "loans and advances to customers" has grown by 16.8 per cent. to EUR 19,785 million for the group.

The difficult economic climate increased pressure on domestic and multinational companies and led to poorer ratings. In spite of these adverse conditions, the provisions for possible loan losses of RZB for Austrian companies and international companies served from Vienna is roughly at the same level as for 2001. This was made possible by intensive risk monitoring, active risk management and the rating-based management of the credit portfolio.

Corporate Finance

RZB succeeded in increasing its business volume in corporate finance under conditions shaped by recession. The consistent expansion of know-how in all business segments was honoured with numerous local and international contracts, and some of these transactions were also praised in the international press and were honoured with awards.

The applications of structured financing services and products custom-tailored to the individual situation made it possible to achieve attractive margins and service earnings. 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, 2002 was characterized by intensive cooperation with supranational financing institutions. One noteworthy example is the participation as co-arranger in a loan of the *International Finance Corporation (IFC)* for USD 80 million, which was granted to the trade and real estate company *Ramenka* in Moscow. RZB was already ranked tenth for new co-financing projects with the IFC in 2002.

RZB was one of ten institutions that were invited by the *European Bank for Reconstruction and Development (EBRD)* to participate in a syndicated tranche of USD 100 million for the development of an oil field by the Russian-Finnish joint venture *SeverTEK*. This transaction was named "European Oil and Gas Deal of the Year 2002" by *Project Finance Magazine*. At the end of the year, RZB was number two on the list of banks that participated in syndicated loans sponsored by the EBRD or that committed to transactions.

Subsidized financing

RZB again took advantage of a number of subsidized facilities such as the *European Recovery Program (ERP)*, the *Forschungsförderungsfonds für die gewerbliche Wirtschaft (FFF)* and various national and EU-wide subsidy programmes for its customers in 2002. The credit volume managed through the ERP was expanded by EUR 80 million, maintaining the leading position held by *Raiffeisen Zentralbank* in this segment with a total of approximately EUR 370 million.

Real estate finance

RZB was able to secure its position among the three market leaders in Austria in the field of commercial real estate finance. In total, RZB was able to increase its lending volume from real estate finance by more than half and to nearly double the earnings from this segment in comparison to 2001.

Export finance

In a year that was also very difficult for export business, RZB was able to increase its share of transactions guaranteed or refinanced by *Oesterreichische Kontrollbank Aktiengesellschaft (OeKB)* in spite of a general decrease in overall Austrian export promotion. No noteworthy losses were recorded in this segment in 2002.

Structured trade finance

RZB was able to expand its leading position in the realization of commodity transactions and structured trade finance. The financed volume, especially for crude oil, oil products and metals, could be increased by 22 per cent. starting from the very high level achieved in 2001. No losses were recorded in this segment in 2002 due to the primarily transaction-based collateralization of the finance contracts.

Syndicated Loans in CEE

With 24 major loans, RZB again arranged more transactions in CEE in 2002 than any other bank. Especially noteworthy are the loans for *Aeroflot*, Russia, Halyk Bank, Kazakhstan, and *Croatian Railways*. In light of these successes, RZB was named the "Best Arranger of Eastern European Loans" by the financial journal *EuroWeek*.

Corporate business in CEE

RZB began with commercial banking in nearly all countries of Central and Eastern Europe and then expanded into other areas such as retail and investment banking. RZB was the first international bank in many markets – as in Kosovo and Belarus at the end of 2002. 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.

International Business

During the past fifteen years the international business of RZB has been characterized by accelerating growth in the emerging markets of Central and Eastern Europe. Starting with Hungary in 1987, RZB recognized the region's potential at a very early stage and pioneered much of the development of the financial services industry in that region, subsequently having established operations throughout Central and Eastern Europe. RZB Group's Central and Eastern European strategy is clearly defined by:

- accompanying western customers into these new markets;
- creating high quality service for local customers;
- setting up/acquiring new operations, RZB's so-called Network Banks, investment banking units and other financial service companies (e.g. leasing);
- share capital control, i.e. at least a majority stake in the relevant entity; and
- a mixed local and international management, guaranteeing a high degree of self-management.

In addition to fourteen Network Banks (including Raiffeisen Bank, Kosovo and Priorbank JSC, Belarus) which offer commercial and retail banking services, investment banking companies and a number of specialized financial service companies, such as investment firms, leasing companies, building societies, mortgage banks, real estate developers, private equity management, venture capital units and special purpose vehicles offering financial market consulting, mortgage and leasing business, have been established in Central and Eastern Europe. These companies meet rapidly changing customer needs. The RZB Group now has an international reputation as a leading provider of financial services due to its experience in the region and having developed one of the largest networks of business locations.

Another international focus is Asia. RZB is represented by branches in Singapore and Beijing. RZB was the first Austrian bank to receive a banking license for China and representative offices in Mumbai, Hong Kong, Ho Chi Minh City, Seoul and Tehran.

Another major business development has been the implementation of retail banking in the Central and Eastern European countries, which includes state-of-the art distribution and acquisition channels such as internet and telephone banking. It reflects the needs of the growing segment of private customers and results in a wide diffusion of the Raiffeisen brand.

The asset base of the Network Banks grew from EUR 11.4 billion in 2001 to more than EUR 14.2 billion in 2002. The number of business locations increased from about 500 in 2001 to 604 in 2002. The Network Banks cover fourteen CEE markets, with Belarus being added at the end of 2002. The RZB Network Banks in Central and Eastern Europe, contribute to more than half of the profit and loss account of the Group although representing less than a third of the assets.

During 2002 the RZB Group achieved a number of awards, including "Best Bank in Central and Eastern Europe and Central Asia" by Global Finance Magazine.

The RZB Group aims at further strengthening its position in Central and Eastern Europe, as well as in Austria.

The clear objective is to reach a major market position and a viable market share in defined market segments. By the so called Group Development Process GDP, RZB Group is aligning its organisation and benefiting from the synergies of various business procedures.

The ongoing enhancement of the Group's risk management applications, as well as its controlling and customer policies, have considerably strengthened the Network.

RZB 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 Central and Eastern Europe.

International Financial Institutions, Supranationals 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 Sovereigns.

The RZB Group has become a major partner for supranational institutions by taking part in their funding and guarantee programmes for providing loans and leasing finance to SME's and other corporate clients in Central and Eastern Europe.

In 2002, RZB maintained its leading position as an arranger of syndicated loans in Central and Eastern Europe and also reinforced its presence on the Austrian corporate and the Western European bank loan market with Top 3 league table positions. The USD 300 million Syndicated Pre-Export Loan for Russia's LUKoil, jointly arranged by RZB and ING Bank was awarded EMEA Emerging Markets Loan of the Year by Thomson-IFR. RZB was voted "Best Arranger of Eastern European Loans" by banks, polled by Euroweek.

In other regions such as in certain Middle East and Asian markets, RZB is lead – arranging syndicated loans on a very selective basis.

Being the head institution of the Austrian Raiffeisen Banking Group, RZB is committed to meeting the various needs of the increasing number of demanding export/import oriented clients. Trade finance with particular emphasis on complex structured transactions with counterparties in emerging markets as well as a continually growing number of deals covered by export credit agencies, in many instances involving multisourcing, are therefore playing a more and more important role in RZB's product range.

Cash management services (with special regard to RZB's pivotal position as a "gateway" to CEE markets) and dealing in credit derivatives like credit default swaps are also strong pillars in RZB's strategy.

RZB's international business units are active in promoting sales of Eastern European bonds and equities in matured 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 segment.

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. In 2002 RZB introduced CDS documentation under Austrian Law for its customers. Due to a strong long-term liquidity position, RZB has focused on structured products and private placements.

The presence of the RZB Group in CEE countries continues to be enhanced and the range of instruments traded therein is expanded continually. Following the introduction of Euro currency banknotes RZB's share of the 500 million Euros distributed by Austrian banks in Central and Eastern Europe was 80 per cent. The overall Group's treasury activities are strongly organised and coordinated by RZB.

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) acts as the equity house of RZB and the Raiffeisen Banking Group.

Synergies within the network of all operating investment banking units are increasingly utilised by a careful co-ordination and integration of all related business activities within a product/client matrix.

In 2002 RCB was the largest market maker and specialist on the Vienna Stock Exchange and received more than half of the equity and derivatives mandates. The market share of RCB in the total annual trading volume of the Vienna Stock Exchange was 20 per cent.

With a market share of nearly 30 per cent. for Eastern European derivatives, RCB held first place on the Austrian Futures Exchange.

RZB is a region-wide provider of investment banking/fixed income services throughout the CEE region. The following list contains the highlights in 2002 of the securities and bond business in the CEE-network.

Highlights 2002:

- In Russia, *Raiffeisenbank Austria* took fourth place among all lead managers in the country on the local corporate bond market. It arranged bond issues for *Aeroflot*, *Sistema*, *United Metallurgical Company* and *CenterTelecom*.
- In Hungary, *Raiffeisen Securities & Investment* was an active market participant in the arrangement and structuring of municipal bond issues.
- In Slovakia, *Tatra banka* was again named the "Best Debt House" by the financial journal *Euromoney*. Tatra Bank was Joint-Lead Manager for the bond issue of the *Slovakian Railways* amounting to EUR 170 million.
- In Croatia, *Raiffeisenbank Austria* was awarded with the joint lead management of a EUR 500 million 10-year bond for the *Republic of Croatia*. Its subsidiary *Raiffeisen Securities* achieved a market share of nearly 50 per cent. of the bond trading market on the Zagreb stock exchange. Furthermore it was the leading market participant in the securities and bonds trading segments with a share of 36 per cent. of the total trading volume.
- *Raiffeisenbank Bulgaria's* participation in the swapping of *Brady bonds* with USD and Euro global bonds was the highlight of its investment banking year 2002. This transaction has successfully established this bank as one of the leading *market makers* for these government bonds.
- Raiffeisen Bank Polska has been an active arranger of debt capital instruments in 2002.

In the international bond markets, RZB is a regular participant in management groups. In 2002 RZB was member of the management group for nearly 50 eurobond issues of Austrian issuers (e.g. Kelag, Andritz, Egger, Bundesimmobiliengesellschaft), international corporate issuers (e.g. DaimlerChrysler, Volkswagen, Sibneft, CFR Marfa), supranational issuers (e.g. World Bank) as well as sovereign issuers (Republic of Lithuania, Republic of Austria).

The main strategic orientation of the investment banking/fixed income segment was/is the long-term growth of the corporate bond market.

In 2002 RZB was mandated with the lead management of the Austrian corporate bond issues of Bauholding Strabag and SPAR. Furthermore the private placement for the Slovenian bank Nova Kreditna Banka Maribor was structured and placed under the Lead Management of RZB.

Fixed-income sales activities further strengthened their good position on the Austrian banking market for bond-, interest- and treasury products. At the same time, efforts to offer CEE products to western European customers were stepped up, and 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 and volatile environment that dominated 2002. Customers also benefited from faster and more economical 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. An important part of RZB's investment banking activities is the securities lending and repo business. RZB maintained its leading position in the Austrian securities lending and repo markets and increased its presence in the international markets.

In 2002 RZB expanded its third-party fund business serving 70 international fund management companies with approximately 670 funds and sub-funds.

The Internet broker raiffeisen-trade.com offers trading facilities for the largest stock markets in the world. The new website launched in 2002 was nominated "World's Best Consumer Online Securities Trading" by the U.S. magazine Global Finance.

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 24 fund management companies. Funds under management were approximately EUR 19 billion at the end of December 2002.

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 2002) with institutional investors indicates its success.

Raiffeisen KAG owns 100 per cent. of Raiffeisen Vermögensverwaltungsbank AG (RVG) and 100 per cent. of Raiffeisen International Fund Advisory (RIFA). RVG manages EUR 740 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.

Together with those companies, 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

Besides managing risk at the portfolio level, RZB's core activity of monitoring credit risk is done on an individual loan basis. For this purpose a credit approval and review process has been established. The process is documented by guidelines, procedures and organisational rules and takes into account the segregation of duties regarding loan acquisition, credit assessment, credit decision and credit monitoring. As RZB is a wholesale bank, it has sufficient capacity to monitor and review practically every loan on an individual basis.

Approach to provisioning for loan losses

RZB's guidelines for provisioning and loan write-offs are very conservative. The provisioning issue is integrated in the yearly review process of every single loan. Provisions for potential loan losses are triggered by a small probability of full or partial default on principal and/or interest repayments. In practice, all loans of a certain credit rating are considered for provisioning and discussed in the "problem loan committee" meetings which take place three times a year. Nearly all provisions made by RZB are specific to individual loans and customers.

RZB generally writes-off loans when the loss has become final and certain. Almost every write-off is preceded by building up the specific provisions over years. A write-off of a loan generally has minimum effect on RZB's balance sheet in the year of the write-off because RZB (i) records loans on its balance sheet net of the allowance for possible loan losses and (ii) generally establishes provisions at a level which it considers to represent the expected risk of loss for a particular loan.

Besides provisioning individual loans and guarantees, RZB provisions general country risk portfolios, when necessary. The level of general country risk provisions is determined by external secondary market rates of the debts of the respective country in question.

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)

	31 December	
	2002	2001
	(audited)	(audited)
	<i>(in EUR million)</i>	
Cash and balances at central banks and post office banks	1,065	1,299
Treasury bills and other eligible bills	425	668
Loans and advances to banks	14,148	15,306
Loans and advances to customers	10,749	10,508
Debt securities and other fixed-interest securities	2,335	2,010
Shares and other variable-yield securities	460	497
Equity shares	191	172
Interest in affiliated companies	1,479	1,252
Intangible and tangible fixed assets	42	43
Other assets	976	1,420
Balance sheet total	31,870	33,175

	31 December	
	2002	2001
	(audited)	(audited)
	<i>(in EUR million)</i>	
Deposits by banks	21,169	22,954
Customer deposits	3,215	2,637
Debts documented by certificates	4,063	4,320
Other liabilities	855	1,016
Provisions	192	185
Subordinated liabilities	720	571
Supplementary capital	230	230
Subscribed capital	349	312
Reserves	1,034	910
Balance sheet profit	43	40
Balance sheet total	31,870	33,175

RZB Profit and Loss Account (non-consolidated)

	31 December	
	2002	2001
	(audited)	(audited)
	<i>(in EUR million)</i>	
Interest received and similar income	1,070	1,448
Interest paid and similar expenses	(888)	(1,294)
Net interest income.	182	154
Operating income	433	421
Operating expenses	(243)	(240)
Operating profit	190	181
Net expense on the disposal or revaluation of loans and advances and specific securities	(79)	(102)
Net income/expense on the disposal or revaluation of securities valued as financial assets and of interest in affiliated companies and equity shares.	(28)	(11)
Profit on ordinary activities	83	68
Extraordinary profit/loss	(23)	—
Taxes.	(3)	(2)
Annual surplus (after taxes).	57	66
Transfers to reserves	(14)	(26)
Profit for the financial year	43	40
Profit brought forward	—	—
Balance Sheet profit	43	40

THE RZB GROUP

The financial statements of RZB Group have been prepared in 2002 (for the first time in 2001) according to International Accounting Standards (IAS).

RZB (IAS) Group comprises 90 (2001: 79) full-consolidated companies and 17 (2001: 17) companies valued at-equity:

	Fully Consolidated		Equity-Method	
	2002	2001	2002	2001
Number as at 1 January	79	44	17	17
Included in financial year	14	37	—	2
Merged in financial year	(2)	(1)	—	—
Excluded in financial year	(1)	(1)	—	(2)
	90	79	17	17

The 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
- Raiffeisentrade. com Wertpapierdienstleistungs GmbH, Vienna
- RSC Raiffeisen Daten Service Center GmbH, Vienna
- Software Daten Service Ges.m.b.H, Vienna
- ZAS Handels- und Service GmbH, Vienna

Foreign Institutions:

- Raiffeisenbank Rt., Budapest (HU)
- Raiffeisen Bank, Kosovo J.S.C., Pristina (KO)
- Raiffeisen Bank S.A., Bucharest (RO)
- Centrotrade Chemicals AG, Zug (CH)
- Centrotrade Mineral & Metals Inc., New York City (US)
- JSCB Raiffeisenbank Ukraine, Kiev (UA)
- OOO Raiffeisen – Leasing, Moscow (RU)
- Raiffeisenbank a.s., Prague (CZ)
- Raiffeisenbank Austria d.d., Zagreb (HR)
- Raiffeisenbank Lizing Kft., Budapest (HU)
- Raiffeisenbank (Bulgaria) A.D., Sofia (BG)
- Raiffeisenbank d.d. Bosna i Hercegovina, Sarajevo (BA)
- Raiffeisenbank HPB d.d., Mostar (BA)
- Raiffeisenbank A.D., Belgrade (YU)
- Raiffeisenbank Polska S.A., Warsaw (PL)
- Raiffeisen Értékpapír és Befektési 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)

Recent developments and outlook

RZB is evaluating the possibility to open Raiffeisen International Beteiligungs AG (RIB), the 100 per cent subsidiary of RZB managing the equity investments in the CEE Network Banks, to minority shareholders. RZB will maintain the majority share, and therefore the strategic control of RIB, in any case. The capital increase for RZB completed in 2002 covers the medium-term capital needs of RIB, and the very concrete negotiations that are underway at this time with parties interested in a minority stake in the company should be concluded successfully this year.

After having purchased 76 per cent. of *American Bank of Kosovo (ABK)*, via RIB in December 2002, RZB has rebranded its new subsidiary as *Raiffeisen Bank Kosovo JSC*. The bank was founded in November 2001 and is currently Kosovo's second largest in terms of balance sheet total (EUR 62.3 million at end April 2003). Raiffeisen Bank Kosovo operates 17 branches and sub-branches in Kosovo and employs a staff of 285. *USAID*, which had indirectly fully owned ABK previously, will still remain a shareholder with 24 per cent. of the outstanding stock.

In mid January 2003, RZB finalized the acquisition of the majority of *Priorbank*, the third largest bank in Belarus, thereby again becoming the first western bank engaging in a strategic investment in this country. The purchase was executed via RIB. In April, RZB has publicly offered to buy the outstanding shares of *Priorbank* currently owned by various companies and private persons. Almost 2,800 shareholders sold more than 6.6 million shares to RIB. Consequently RZB, via RIB, now owns 61.23 per cent. of *Priorbank*.

In March 2003, RZB took over the *Romanian-American Enterprise Fund's (RAEF)* shares in *Raiffeisen Bank S.A.*, Bucharest, which represented a 4.99 per cent. share in the bank. The transfer was concluded through *RIB* increasing its share in Raiffeisen Bank to 99.2 per cent., the remaining 0.8 per cent. still being owned by several thousand shareholders.

The uncertain geopolitical situation is likely to provide Austria, and all of Europe, with little room for noticeable economic improvement. Economic growth in 2003 is expected to come in at 1.0 per cent, which should also be in line with the average for all countries of the Euro zone. In 2004, the growth rates for Austria and the entire Euro zone should climb to well above two per cent.

In spite of the fact that expectations for significant economic recovery in the EU had to be revised, a moderate increase in economic growth in the countries of CEE in 2003 is expected.

As things stood at the time this report was written, the financial year 2003 will continue along the lines of 2002 for RZB. Business growth will continue, moderately in Austria and more swiftly in CEE, and along with it the investment program that should form the basis for further growth and consistent earnings. The slight improvement in margins on new business in Austria should be sustainable during 2003.

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 IAS (audited)

	31 December	
	2002	2001
	<i>(in EUR million)</i>	
Assets		
1. Cash Reserve	2,007	2,418
2. Loans and advances to banks	15,028	16,582
3. Loans and advances to customers.	19,785	16,936
4. Provisions for losses on loans and advances	(554)	(475)
5. Trading Assets	2,513	1,875
6. Financial assets available for sales	3,129	3,167
7. Financial investments	1,960	1,880
8. Participations	863	760
9. Tangible and intangible fixed assets.	617	521
10. Other assets	1,057	920
Total Assets	46,405	44,584
Liabilities		
1. Deposits by banks.	23,471	24,915
2. Customer deposits	12,673	10,262
3. Liabilities evidenced by paper.	4,410	4,638
4. Provisions for liabilities and charges	293	254
5. Other liabilities	2,337	1,787
6. Subordinated capital	946	772
7. Equity.	1,748	1,457
8.(Group) annual surplus/deficit	137	164
9. Minority interests	390	335
Total Liabilities	46,405	44,584

RZB Group Profit and Loss Account according to IAS (audited)

	31 December	
	2002	2001
	<i>(in EUR million)</i>	
1. Net Interest Income	709	534
2. Provisions for losses on loans and advances	(151)	(112)
3. Net interest income after provision	558	422
4. Net commission income	283	214
5. Trading results	254	240
6. Result on financial investments	(22)	(26)
7. Staff expenses	(444)	(334)
8. Administrative expenses	(356)	(279)
9. Depreciation of in-/tangible assets.	(105)	(89)
10. Other operating result.	98	84
11. Extraordinary result	(23)	—
12. Annual Surplus/deficit before tax	243	232
13. Income Taxes	(62)	(21)
14. Annual Surplus/deficit after tax	181	211
15. Minority Interests	(43)	(47)
16. Group annual surplus/deficit	138	164

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:

- The local level consists of 599 Raiffeisen Banks with 1,719 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 2002		
	RZB (non- consolidated)	RZB – Group (consolidated)	Raiffeisen Banking Group (consolidated, incl. RZB ⁽¹⁾)
	(audited)	(audited)	(unaudited)
	<i>EUR million</i>		
Balance-sheet total	31,870	46,405	114,200
Loans and advances to banks	14,148	15,028	13,091
Loans and advances to customers	10,749	19,785	72,856
Deposits by banks	21,169	23,471	22,548
Customer deposits	3,215	12,673	68,041
Own funds according to Austrian Banking Act	2,204	2,869	8,417
Capital and disclosed reserves	1,383	2,275 ⁽²⁾	5,873
Number of employees	1,175	15,235	38,300

Notes:

(1) As described above, the data on RBG consists of all three tiers of the Raiffeisen banking sector in Austria: 599 local Raiffeisen banks, Regional Raiffeisen Banks and RZB.

(2) Including minority interests.

Market position in Austria

Having 2,328 banking outlets in Austria, RBG has at its disposal 43 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			
	2002	2001	2000	1999
Savings deposits	28.2	27.4	27.0	26.6
Sight deposits	23.6	22.9	21.7	22.0
Time deposits	14.1	15.6	13.9	17.1
Total deposits	25.5	24.8	24.4	24.6
Loans	22.1	21.5	21.0	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 give legal substance to something that has been an unwritten law within RBG from the outset, namely that the autonomous Raiffeisen Banks, the Regional Raiffeisen Banks and Raiffeisen Zentralbank must always support each other to ensure that no customer or creditor can ever come to harm. RKÖ guarantees up to 100 per cent. of customer deposits, going far beyond Austria's statutory deposit guarantee regulations. RKÖ is a national association of regional deposit guarantee associations. The business reserves of all the member banks are made available to guarantee deposits with legally binding effect on the basis of a precisely defined pattern of financial obligations. Consequently, even 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.

THE AUSTRIAN BANKING SYSTEM

Overview

As at 31 December 2002, the Austrian banking industry consisted of 897 independent banks with a total of 4,471 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":

	Total assets
	<i>(in euro billion)</i>
Savings banks	214.8
Commercial banks	91.9
Raiffeisen (rural co-operatives)	131.3
Mortgage banks	40.5
Volksbanken (trade co-operatives)	29.8
Specialised banks.	46.3
Building Societies	18.7
	<hr/>
	573.3
	<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.

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 his obligations, banks must, among other things, prepare monthly preliminary balance sheets and quarterly profit and loss statements, and submit annual audit reports.

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 regulator 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. (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 Accounting 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 auditor has to 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.

DESCRIPTION OF THE PREFERRED SECURITIES

As used in the Articles of Association of the Issuer, "Company" means the Issuer.

The following is a description of the rights attaching to the Preferred Securities which are set out in full in, are subject to, and are qualified in their entirety by reference to the Issuer's Memorandum and Articles of Association (the "Articles"). Paragraphs in italics are not included in the Articles and contain a summary of certain procedures of Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme, ("Clearstream, Luxembourg") and that will be applicable to the Preferred Securities. Euroclear and/or Clearstream, Luxembourg may, from time to time, change these procedures.

The following are the definitions, taken from the Articles of Association of the Issuer, which relate to the Preferred Securities:

"1999 Preference Shares" means the 3,000,000 euro Series A 7.5 per cent. Non-cumulative Non-Voting Preference Shares issued on 29 September, 1999 and the 1,000,000 fungible euro 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;

"Adjusted Comparable Yield" will be the yield at the Redemption Calculation Date (as defined below) on the euro benchmark security selected by the Calculation Agent, after consultation with RZB, as having a maturity comparable to the remaining term of the Preferred Securities to 31 July 2013, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to 31 July 2013;

the "Agents" means the Principal Paying and Transfer Agent and the Paying and Transfer Agent, or such other entity as is appointed by the Company and notified to the Holders in accordance with sub-Article 6(h) and "Agent" means any one of the Agents;

"Asset Parity Security" means any preference share, preferred security 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 the Support Agreement (including, for the avoidance of doubt and without limitation the 1999 Preference Shares), 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);

"Austrian Tax" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Austria or by any authority therein or thereof having power to tax;

"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;

"Calculation Agent" means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, or such other entity as is appointed by the Company and notified to the Holders in accordance with sub-Article 6(h).

"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 Company for the time being;

"Distributable Funds" of the Issuer for any Dividend 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;

“Dividend Date” means (i) in respect of the period from and including 31 July 2003 to (and including) 31 July 2013, 31 July in each year, commencing on 31 July 2004 and (ii) thereafter, 31 October, 31 January, 30 April and 31 July in each year *provided that* if any Dividend Date after 31 July 2013 would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which case the Dividend Date shall be the immediately preceding Business Day;

“Dividend Period” means the period from and including 31 July 2003 to (but excluding) the first Dividend Date and each successive period from and including a Dividend Date to (but excluding) the next succeeding Dividend Date;

“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;

“Group” means RZB together with its consolidated subsidiaries;

“Holder” means a person whose name is entered in the Register as a holder of Preferred Securities;

“Investments” means the investments within the RZB Group for which the Issuer shall subscribe using the net proceeds of the issue of the Preferred Securities;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Island of Jersey or by any authority therein or thereof having power to tax;

“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;

“the Law” means the Companies (Jersey) Law, 1991 as amended;

“Liquidation Distribution” means the Liquidation Preference plus accrued and unpaid dividends for the then current Dividend Period to the date of payment;

“Liquidation Preference” means EUR 100 per Preferred Security or, in relation to any other preference shares or preferred securities of the Company ranking *pari passu* with the Preferred Securities as regards participation in the assets of the Company, such amount as the holders thereof are entitled to receive by way of liquidation preference per preference share or preferred security held by them in the event of any voluntary or involuntary winding-up of the Company;

“Parity Security” means any preference share, preferred security or other security (a) issued by RZB and 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) or (b) issued by the Company 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);

“Paying and Transfer Agent” means Deutsche Bank Luxembourg S.A. or such other entity as is appointed by the Company and notified to Holders in accordance with sub-Article 6(h);

“Principal Paying and Transfer Agent” means Deutsche Bank Aktiengesellschaft, Frankfurt am Main or such other entity as is appointed by the Company and notified to the Holders in accordance with sub-Article 6(h);

“Redemption Calculation Date” means the third Business Day prior to the Specified Redemption Date on which the Preferred Securities are redeemed at the option of the Issuer as a result of (a) the *Finanzmarktaufsichtsbehörde* determining and announcing that, or as a result of a change in law or regulation or interpretation thereof, the Preferred Securities no longer qualify as Core Capital (*Kernkapital*) of RZB for Austrian Banking purposes on a consolidated basis or (b) there occurring a change in law or regulation or the interpretation thereof which results in payments made by RZB or any member of the RZB Group on any of the Investments ceasing to be deductible as expenses for income tax purposes;

“Redemption Price” means the Liquidation Preference plus accrued and unpaid dividends for the then current Dividend Period ending on the date fixed for redemption;

“Register” means the register of members to be kept pursuant to Article 26;

“Registrar” means Mourant & Co. Limited, Jersey, or such other entity as is appointed by the Company and notified to the Holders in accordance with sub-Article 6(h);

“RZB” means Raiffeisen Zentralbank Österreich AG;

“Specified Redemption Date” means any date designated for the redemption for tax reasons or for capital reasons of the Preferred Securities pursuant to sub-Article 6(d);

“Subsidiary” means a subsidiary of RZB (within the meaning of § 228 sub-paragraph 3 of the Austrian Commercial Code);

“Support Agreement” means the Support Agreement to be dated 31 July 2003 and made between RZB and the Company;

“TARGET” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) system; and

“Treaty” means the Treaty establishing the European Community, as amended.

The following (with the exception of the paragraph in italics) is Article 6 of the Issuer’s Articles of Association relating to the Preferred Securities:

“Without limiting the generality of the authority granted to the Board of Directors of the Company in these Articles (the “Board of Directors”, which expression in this Article 6 shall include any duly authorised committee of the Board of Directors), the Directors may issue at their discretion all or any of the 1,000,000 Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preferred Securities (the “Preferred Securities”, which expression shall include any further Preferred Securities issued pursuant to sub-Article 6(f)(iv) below) which shall have attached to them the following rights and obligations:

(a) Dividends

Subject to the Law and as provided in sub-Articles 6(a)(iv) and 6(a)(viii), non-cumulative dividends (“Dividends”) on the Preferred Securities will accrue:

(i) from and including 31 July 2003 to (but excluding) 31 July 2013, at a rate of 5.895 per cent. per annum payable annually in arrear on each Dividend Date except as provided in sub-Articles 6(a)(iv) and 6(a)(viii). The amount of dividend payable for any period less than a Dividend Period will be calculated by applying the rate of dividend to the aggregate principal Liquidation Preference amount of the Preferred Securities outstanding, on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant annual Dividend Period;

(ii) from (and including) 31 July 2013 to (but excluding) the next succeeding Dividend Date at the following rate:

the aggregate of 2.70 per cent. per annum and:

(aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month euro deposits as at 11.00 a.m. (Brussels time) on the second Business Day before 31 July 2013 or the relevant Dividend Date in question thereafter (the “Dividend Determination Date”) as appears on the display designated as page “EURIBOR 01” on Reuters monitor (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Calculation Agent; or

(bb) if such offered rate does not appear on that page, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to prime banks in the Euro-zone interbank market for three-month euro deposits at 11.00 a.m. (Brussels time) on the relevant Dividend Determination Date obtained by the Calculation Agent from the principal Euro-zone office of each of four major banks (the “Reference Banks”) in the Euro-zone interbank market, provided at least two of such banks provide the Calculation Agent with such offered quotations; or

(cc) if, on the Dividend Determination Date to which the provisions of sub-paragraph (bb) above apply, one only or none of the Reference Banks provides the Calculation Agent with such a quotation, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which major banks in the Euro-zone selected by the Calculation Agent are quoting

at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Dividend Period to leading European banks for a period of three months,

except that, if the banks so selected by the Calculation Agent under sub-paragraph (cc) above are not quoting as mentioned above, the relevant dividend rate shall be either (i) the aggregate of 2.70 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined for the last preceding Dividend Period or (ii) if none, 6.895 per cent. per annum.

From (and including) 31 July 2013 the Calculation Agent will, as soon as practicable after the Dividend Determination Date in relation to each relevant Dividend Period, calculate the amount of dividend (the "Dividend Amount") payable in respect of the aggregate principal Liquidation Preference amount of the Preferred Securities for such Dividend Period. The Dividend Amount will be calculated by applying the rate of dividend (as determined by the Calculation Agent) for such Dividend Period to the aggregate principal Liquidation Preference amount of the Preferred Securities outstanding, multiplying the product by the actual number of days in such Dividend Period divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Calculation Agent will, upon determining the rate of the dividends pursuant to sub-Article 6(a)(ii) calculate the Dividend Amount and cause such rate and such amount to be notified to RZB, the Agents and the Luxembourg Stock Exchange and to be notified to the Holders as soon as possible after their determination but in no event later than the second Business Day after the first day of the relevant Dividend Period. The Calculation Agent will be entitled to recalculate any Dividend Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Dividend Period.

- (iii) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this sub-Article 6(a) by the Calculation Agent will (in the absence of manifest error) be binding on the Company, RZB, the Agents and the Holders 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.
- (iv) Dividends on the Preferred Securities will be non-cumulative and will be deemed to accrue on a day by day basis. Dividends on the Preferred Securities will be paid by the Company out of funds legally available therefor; *provided, however, that* dividend payments ("Dividend Payments") on the Preferred Securities are only made on any Dividend Date to the extent that:
 - (aa) the Issuer has Distributable Funds for the Dividend Period ending on the respective Dividend Date, and/or
 - (bb) 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 Dividends payable on the respective Dividend Date 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 Dividend Date and ending on the relevant Dividend Date, in respect of Dividends on the Preferred Securities and dividends or other distributions or payments on Parity Securities, if any.
- (v) Notwithstanding the foregoing, the Preferred Securities will pay dividends, if RZB or any of its Subsidiaries, on any Parity Securities, declares or pays any dividends or makes any other payment or other distribution. If the dividend or other payment or distribution on such Parity Securities was in the full stated amount payable on such Parity Securities, payments in respect of Dividends will be made in full (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the period following 31 July 2013 on the first four Dividend 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 payments in respect of Dividends on the Preferred Securities will be reduced proportionally.
- (vi) Further, notwithstanding the foregoing, if RZB or any of its Subsidiaries, on any Junior Securities, declares or pays any dividend or makes any other payment or distribution, the Preferred Securities will pay dividends (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the period following 31 July 2013, on the first four Dividend Dates, falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- (vii) Further, notwithstanding the foregoing, if RZB 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 RZB, the Issuer will make payments on the Preferred Securities in full (i) in the period prior to 31 July 2013 on the first Dividend Date and (ii) in the

period following 31 July 2013 on the first four Dividend Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

- (viii) Even if Distributable Funds of the Issuer and Distributable Profits of RZB are sufficient on a particular Dividend 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 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 payments in respect of Dividends on any such Dividend Date.
- (ix) If no dividend (or proportion thereof) falls to be paid by the Company in respect of the Preferred Securities in any Dividend Period then the right of Holders to receive a dividend (or proportion thereof) in respect of the Dividend Period ending on the relevant Dividend Date will be extinguished and the Company will have no obligation to pay the dividend accrued for such Dividend Period or to pay any interest thereon, whether or not dividends on the Preferred Securities are paid for any future Dividend Period.
- (x) When, by reason of any limitation described in sub-Articles 6(a)(iv) and 6(a)(viii) above, dividends are not paid in full on the Preferred Securities and any Parity Securities, all dividends declared or payable upon the Preferred Securities and any such Parity Securities will be payable *pro rata* in the proportion that the amounts available for payment on the Preferred Securities and any such Parity Securities on the due date of payment shall bear to the full amount that would have been payable on the Preferred Securities 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 dividends are not paid in full in accordance with the foregoing, the Holders will be notified in accordance with sub-Article 6(h).
- (xi) Save as described in this sub-Article 6(a), Holders will have no right to participate in the profits of the Company.

It is intended that the Preferred Securities will be initially represented by a single certificate for the total number of the Preferred Securities. Such certificate for the Preferred Securities is to be delivered into the physical custody of a common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will make payment of any amounts received by it to its accountholders in accordance with its published rules and regulations.

(b) Liquidation Distributions

- (i) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Holders at the time will be entitled to receive the Liquidation Distribution in respect of each Preferred Security held out of the assets of the Company available for distribution to shareholders.

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

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of RZB, the Liquidation Distribution paid to Holders and the Liquidation Distribution per share paid to the holders of all Asset Parity Securities, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of RZB (after payment in full in accordance with Austrian law of all creditors of RZB, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to RZB's obligations under the Support Agreement including, for the avoidance of doubt, the 1999 Preference Shares) had the Preferred Securities and all Asset Parity Securities been issued by RZB and ranked (x) junior to all liabilities of RZB (other than any liability expressed to rank *pari passu* with or junior to RZB's obligations under the Support Agreement), (y) *pari passu* with all Asset Parity Securities of RZB and (z) senior to RZB's Bank Share Capital.

- (ii) If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in sub-Article 6(b)(i) above, such amounts will be payable *pro rata* in

the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Distribution, as adjusted if applicable, the Holders will have no right or claim to any of the remaining assets of the Company or RZB.

- (iii) In the event of the liquidation, dissolution or winding-up of RZB, the Board of Directors shall convene an Extraordinary General Meeting of the Company for the purpose of proposing a Special Resolution to put the Company into voluntary winding-up and the amount per share to which Holders shall be entitled as a Liquidation Distribution will be as set out in sub-Articles 6(b)(i) and 6(b)(ii) above.

RZB will undertake in the Support Agreement that, so long as any of the Preferred Securities is 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.

(c) **Optional Redemption**

- (i) The Preferred Securities are redeemable, at the option of the Company, subject to the Law and to the prior consent of RZB (which shall grant such consent only after either replacement of the principal amount of the Preferred Securities 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 31 July 2013 or on any Dividend Date falling thereafter upon not less than 30 nor more than 60 days' notice to the Holders with a copy to the Luxembourg Stock Exchange for so long as the Preferred Securities are listed on such exchange specifying the relevant date fixed for redemption (which notice shall be irrevocable), each to be redeemed at the Redemption Price on the date fixed for redemption.
- (ii) Upon the expiry of such notice, the Company shall be bound to redeem the relevant Preferred Securities accordingly, in accordance with and subject to the Law.

(d) **Redemption for Tax Reasons and for Capital Reasons**

Notwithstanding the foregoing, the Preferred Securities will be redeemable, at the option of the Company at any time, subject to the Law and to the prior consent of RZB, (which shall grant such consent only after either replacement of the principal amount of the Preferred Securities 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 (i) at the Redemption Price, if the Company is or would be required to pay Additional Amounts (as defined in sub-Article 6(g)), or (ii) at the greater of the Redemption Price and the Make Whole Amount, if (a) the *Finanzmarktaufsichtsbehörde* determines and announces that, or as a result of a change in law or regulation or interpretation thereof, the Preferred Securities 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 a 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 deductible as expenses for income tax purposes, upon not less than 60 nor more than 90 days' notice to the Holders designating the relevant Specified Redemption Date (which notice shall be irrevocable), each to be redeemed on the Specified Redemption Date. Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly, in accordance with and subject to the Law.

The "Make-Whole Amount" will be calculated by the Calculation Agent, and will equal the sum of the Present Values (as defined below) on the Specified Redemption Date of (i) the nominal amount of the Preferred Securities outstanding and (ii) the remaining scheduled dividend payments on the Preferred Securities to (but excluding) 31 July 2013 exclusive.

The "Present Values" will be calculated by the Calculation Agent by discounting the nominal amount of the Preferred Securities and the remaining scheduled dividend payments to 31 July 2013 on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Adjusted Comparable Yield plus 0.60 per cent.

(e) **Payments and Purchases**

- (i) Dividends declared or payable on the Preferred Securities will be payable by the Company on the relevant Dividend Date (but without interest in respect of a delay where such Dividend Date is not a Business Day) or other due date for payment as provided herein to the Holders of record thereof as they appear on the Register for the Preferred Securities on the relevant record date, which will be five Business Days prior to the relevant date for payment.

For so long as the Preferred Securities are represented by a single Share Certificate for the total number of Preferred Securities outstanding, the record day for the Preferred Securities will be the Business Day immediately preceding the relevant date for payment.

- (ii) If the Company gives a notice of redemption in respect of the Preferred Securities, then, by 10.00 a.m. (Frankfurt time) on the date specified for redemption, the Company will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Redemption Price, and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Redemption Price to the Holders as at the relevant record date, which will be five Business Days prior to the relevant date specified for redemption. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders will be extinguished, except the right of the Holders to receive the Redemption Price in respect of each share, but without interest, and the Preferred Securities will cease to be outstanding.
- (iii) Subject to any applicable fiscal or other laws and regulations:
 - (aa) each payment in respect of dividends will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preferred Securities; and
 - (bb) any payment in respect of the redemption of any Preferred Security will be made by cheque against presentation and surrender of the relevant share certificate at the office of the Principal Paying and Transfer Agent,

provided however, that a Holder may receive any such payment by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the Principal Paying and Transfer Agent in sufficient time prior to the relevant date of payment.
- (iv) In the event that payment of the Redemption Price in respect of any Preferred Security is improperly withheld or refused and not paid by the Company, dividends on such Preferred Security, subject as described in sub-Articles 6(a)(iv) and 6(a)(viii), will continue to accrue, at the then applicable rate, from the date specified for redemption to the date of actual payment of such Redemption Price.
- (v) In making any payment in respect of the Preferred Securities, amounts shall be rounded, if necessary, to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).
- (vi) Subject to the foregoing and to applicable law (including, without limitation, to Jersey and Austrian securities and banking laws and regulations) and to the rules of the Luxembourg Stock Exchange (for such time as the Preferred Securities remain listed thereon), the Company or RZB or any of RZB's other Subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement. If purchases are made by tender, the tender must be available to all Holders alike. Any such Preferred Security so purchased by RZB or any of RZB's other Subsidiaries may be resold.

Any such purchase if made by the Company shall be made in such manner and on such terms as the Company shall approve in general meeting.

(f) **Voting Rights**

- (i) Holders will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.
- (ii) If (a) in the period prior to 31 July 2013 for any two consecutive Dividend Periods and (b) in the period following 31 July 2013 for any five consecutive Dividend Periods, dividends and any Additional Amounts in respect of such dividends have not been paid in full on the Preferred Securities by the Company, then the Holders together with the holders of any other preference shares or preferred securities of the Company ranking *pari passu* as to payment of dividends with the Preferred Securities having the right to vote for the election of Directors on the occurrence of a concurrent event of similar effect under the terms of such shares or preferred securities, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the Holders of a majority of the aggregate Liquidation Preference of the Preferred Securities and the holders of a majority of the aggregate Liquidation Preference of such other preference shares or preferred securities or by ordinary resolution passed by the Holders of a majority of the aggregate Liquidation Preference of the Preferred Securities and the holders of a majority of the aggregate Liquidation Preference of such other preference shares or preferred securities present in person or by proxy at a separate general meeting of the Holders and holders of such other preference shares or preferred securities convened for the purpose, to appoint two additional members of the Board of Directors.

Not later than 30 days after such entitlement arises, if the written notice of the Holders and the holders of any other preference shares or preferred securities of the Company having the right to vote for the election of Directors in the circumstances described in the preceding paragraph has not been given as provided for in the preceding paragraph, the Board of Directors will convene a separate general

meeting for the above purpose. If the Board of Directors fails to convene such meeting within such 30 day period, the Holders of 10 per cent. of the aggregate Liquidation Preference of the Preferred Securities and the holders of 10 per cent. of the aggregate Liquidation Preference of such other preference shares or preferred securities will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting. Any member of the Board of Directors so appointed shall vacate office, subject to the terms of such other preference shares or preferred securities, if for any Dividend Period, dividends and any Additional Amounts in respect of such dividends have been paid in full on the Preferred Securities by the Company.

Each of Euroclear and Clearstream, Luxembourg will notify its accountholders in the event of its becoming aware that any such entitlement arises. Euroclear and Clearstream, Luxembourg will, upon receipt of timely requests, take appropriate action to enable voting and other shareholder rights to be exercised in respect of the Preferred Securities.

- (iii) Any variation or abrogation of the rights, preferences and privileges of the Preferred Securities by way of amendment of these Articles or otherwise (including, without limitation, the authorisation or issuance of any shares or preferred securities of the Company ranking, as to participation in the profits or assets of the Company, senior to the Preferred Securities) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of (i) RZB and (ii) of the Holders of at least two-thirds of the outstanding Preferred Securities or with the sanction of a resolution, passed at a separate meeting, by the Holders of at least two-thirds of the outstanding Preferred Securities present and voting at such meeting.

Each of Euroclear and Clearstream, Luxembourg will notify its accountholders in the event that any consent referred to in the paragraph above is requested from it. Each of Euroclear and Clearstream, Luxembourg will, upon receipt of timely requests, take appropriate action consistent with the above to the enable rights in respect of the above to be exercised.

- (iv) Notwithstanding the foregoing, *provided that* the most recent dividend payable on the Preferred Securities has been paid in full by the Company, the holders of ordinary shares of the Company (in the case of the increase of the authorised amount of Preferred Securities and the creation of one or more other series of preference shares or preferred securities of the Company as provided in sub-Article 6(f)(iv)(aa) and the authorisation and creation of one or more other classes of shares or preferred securities of the Company as provided in sub-Article 6(f)(iv)(bb)), or the Board of Directors (in the case of the issue of such shares or preferred securities as provided in sub-Articles 6(f)(iv)(aa) and 6(f)(iv)(bb)) may, without the consent or sanction of the Holders, take such action as is required in order to amend these Articles:
 - (aa) to increase the authorised amount of Preferred Securities or to create and issue one or more other series of preference shares or preferred securities of the Company ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Company; or
 - (bb) to authorise, create and issue one or more other classes of shares or preferred securities of the Company ranking junior, as regards participation in the profits and assets of the Company, to the Preferred Securities.
- (v) Notwithstanding the foregoing, no vote of the Holders will be required for the Company to redeem and cancel the Preferred Securities in accordance with these Articles.
- (vi) No resolution may be proposed for adoption by the ordinary shareholders of the Company providing for the winding-up of the Company, unless the Holders and the holders of any other preference shares or preferred securities of the Company ranking *pari passu* as regards participation in profits or assets with the Preferred Securities have approved such resolution. Such approval may only be given by the consent in writing of the Holders of at least two-thirds of the aggregate Liquidation Preference of the outstanding Preferred Securities and the holders of at least two-thirds of the aggregate Liquidation Preference of such other preference shares or preferred securities or with the sanction of a resolution passed by at least two-thirds of the aggregate Liquidation Preference at a meeting of the Holders and the holders of such other preference shares or preferred securities present and voting at such meeting. Such approval shall not be required if the winding-up of the Company is proposed or initiated because of the liquidation, dissolution or winding-up of RZB.
- (vii) Any Preferred Security outstanding at such time that is owned by RZB or any entity in which RZB, either directly or indirectly, owns 20 per cent., or more of the voting shares or similar ownership interests, shall not carry a right to vote and shall, for voting purposes, be treated as if it were not outstanding.

- (viii) The Company will cause a notice of any meeting at which Holders are entitled to vote to be mailed to each Holder. In addition the notice shall be published in accordance with sub-Article 6(h) below. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

(g) Additional Amounts

All payments in respect of the Preferred Securities by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Austrian Tax, unless the withholding or deduction of such Jersey Tax or Austrian Tax is required by law. In that event, the Company will pay, as further dividends, such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable, (i) to a Holder (or to a third party on his behalf) with respect to any Preferred Security to the extent that such Jersey Tax or Austrian Tax is imposed or levied by virtue of such Holder (or the beneficial owner) of such Preferred Security (a) having some connection with Jersey or the Republic of Austria, as the case may be, other than being a Holder (or beneficial owner) of such Preferred Security, or (b) being 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 failing to do so); (ii) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the expiry of such period of 30 days; or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and except that the Company's obligations to make any such payments are subject to the limitations provided in sub-Articles 6(a)(iv) and 6(a)(viii) and sub-Articles 6(b)(i) and 6(b)(ii) above.

As used herein, the "Relevant Date" means the date on which the relevant payment first becomes due and payable or, if the full amount of the money payable has not been duly received by the Principal Paying and Transfer Agent on or prior to such due date, the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the Holders in accordance with these Articles.

(h) Notices

Notices, including notice of any redemption of the Preferred Securities, will be given by the Issuer (i) so long as any Preferred Security is listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, by publication in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (ii) by mail to Euroclear and Clearstream, Luxembourg and, in the case of a notice of redemption of the Preferred Securities not less than 30 nor more than 60 days prior to the date fixed for such redemption.

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 Preferred Securities are credited of any such notices received by it.

(i) Equalisation

(i) The Directors may maintain and operate an equalisation account in respect of Preferred Securities issued prior to 31 July 2013 and in such case, the following provisions shall apply in addition to and shall override any other provisions of these Articles.

(ii) If the Directors are maintaining an equalisation account:

(aa) the subscription price for each such Preferred Security issued shall include an equalisation payment calculated by multiplying EUR 5.895 by a fraction, the numerator of which is the number of days elapsed since 31 July 2003 or, if later, the last Dividend Date and the denominator of which is the actual number of days (365 or 366) in the relevant annual Dividend Period, rounded to the nearest whole cent, which equalisation payment shall not form part of the share capital or premium but shall be credited to the equalisation account;

(bb) on the redemption of a Preferred Security issued prior to 31 July 2013, any equalisation repayment payable from the equalisation account to a Holder in accordance with sub-Article 6(i)(iv) hereof shall be payable as part of the Redemption Price;

- (cc) for the purpose only of determining the amount to be declared by way of distribution in respect of a Preferred Security issued prior to 31 July 2013, there shall be deemed to be included in the relevant profits of the Company available for distribution by way of dividend the amount standing to the credit of the equalisation account at the date by reference to which such determination is made;
 - (dd) on the occasion of the payment of a distribution to the Holder of a Preferred Security in respect of which an equalisation payment has been paid and to whom an equalisation repayment is payable in accordance with sub-Article 6(i)(iv) hereof, the amount of the distribution payable to such Holder shall be reduced by the amount of the equalisation repayment payable to such Holder as aforesaid and if such equalisation repayment is equal to the distribution which would otherwise be payable, no distribution shall be payable on such Preferred Security; and
 - (ee) in accordance with sub-Article 6(i)(iv) hereof, the Holder of any Preferred Security on which, on the commencement of a winding up, any sum by way of an equalisation repayment is outstanding shall rank as an unsecured creditor of the Company for the repayment thereof.
- (iii) The Directors shall credit any equalisation payments received in respect of the allotment of Preferred Securities to the equalisation account provided that, subject as hereinafter provided, such payments shall be attributable to the Holders for the time being of the Preferred Securities on account of which such equalisation payments were paid and who have not received an equalisation repayment from the equalisation account pursuant to Sub-Article 6(i)(iv) hereof and shall not form part of the capital of the Company.
 - (iv) Subject as is hereinafter provided, the Holder for the time being of a Preferred Security in respect of which an equalisation payment was paid on its allotment shall be entitled to the payment from the relevant equalisation account of an equalisation repayment of such sum as is hereinafter provided on the occurrence of the first of any of the following events following the date of issue of the Preferred Security, namely:
 - (aa) on the payment of a distribution from the profits of the Company; or
 - (bb) on redemption of such share; or
 - (cc) on the winding up of the Company.

The equalisation repayment payable in the foregoing events shall be the amount of the relevant equalisation payment made on the issue of such Preferred Security *provided that* such equalisation repayments may be paid at a rate or rates per Preferred Security ascertained by dividing the aggregate of all equalisation payments standing to the credit of the equalisation account by the number of Preferred Securities in respect of which such equalisation repayments are payable and such Preferred Securities may be divided into two or more groups issued within different periods of time.

- (v) All unclaimed equalisation repayments to which a Holder is entitled in any of the events referred to in sub-Article 6(i)(iv) may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No such equalisation repayments shall bear interest against the Company. The payment by the Directors of any such unclaimed equalisation repayments in respect of a Preferred Security shall not constitute the Company a trustee in respect thereof. Any equalisation repayment unclaimed after 10 years from the date when it first became payable shall be forfeited automatically, without the necessity for any declaration or other action of the Company.

OTHER PROVISIONS OF THE ISSUER'S ARTICLES

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect. As used in the Articles of Association of the Issuer, the words "share" and "holder" shall without limitation be construed respectively as including the Preferred Securities and Holders:

(a) Transfer of Shares

The shares of the Issuer are in registered form. Shares may be transferred by instrument in writing in the usual or common form, or in such other form as the Directors may approve. All instruments of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, by the transferee. Registration of transfers of shares will be effected without charge by or on behalf of the Issuer, but upon payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges which may be imposed in relation to it. The Directors of the Issuer may, without assigning any reason, refuse to register a transfer of any share which is not fully paid and may also refuse the registration of any transfer of any share (which is not fully paid) on which the Issuer has a lien. The Directors of the Issuer will not be required to register the transfer of any Preferred Security after it has been called for redemption. Save as aforesaid, the Articles of Association contain no restrictions on the transferability of fully paid shares, *provided that* the instrument of transfer is lodged at the office of the Paying and Transfer Agents in Frankfurt am Main or in Luxembourg or at the offices of any other authorised transfer agent appointed by the Issuer in respect of the Preferred Securities, accompanied by the relevant share certificate and such other evidence of title as the Directors may require and is only in respect of one class of share.

Every person whose name is entered as a member in the Register shall be entitled without payment to one certificate, for each class of shares, evidencing all shares in registered form held by him. Where a holder has transferred part of the shares comprised in his holding, he shall be entitled to a share certificate for the balance without charge. Every certificate with respect to shares shall be issued within two months after allotment or the lodgement at the office of the Paying and Transfer Agents in Frankfurt am Main or in Luxembourg or such other authorised transfer agent appointed by the Issuer for such purposes by the relevant holder of an instrument of transfer in respect of the shares (unless the conditions of issue of such shares otherwise provide).

It is intended that the Preferred Securities will be initially represented by a single certificate for the total number of the Preferred Securities. Such certificate for the Preferred Securities is to be delivered into the physical custody of a common depositary for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will make payment of any amounts received by it to its accountholders in accordance with its published rules and regulations.

For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If either or both of Euroclear and/or Clearstream, Luxembourg announces an intention permanently to cease business and the Issuer is unable to locate a qualified successor within 60 days of receiving notice of, or becoming aware of, such intention, the number of Preferred Securities corresponding to each holder's book-entry interest in the Preferred Securities represented by the initial securities certificate will be transferred to each holder of Preferred Securities, and each such holder will be registered as a holder of the Preferred Securities in the register of members maintained by the Issuer, and receive a securities certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive securities certificates will not be available to holders of the Preferred Securities.

If definitive share certificates are made available in respect of Preferred Securities, such share certificates will be available from the Agents at their offices and will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three days of issue, by uninsured post at the risk of such Holders.

In the Agency Agreement (the "Agency Agreement") to be dated 28 July 2003 between the Issuer, RZB, the Registrar, the Calculation Agent, the Principal Paying and Transfer Agent and the Paying and Transfer Agent, the Issuer will agree that if a transferee is not a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, it shall give sufficient notice to the Registrar to allow for the appointment of a replacement registrar by the Issuer, if necessary.

The Registrar will initially be Mourant & Co. Limited, Jersey, the Principal Paying and Transfer Agent will initially be Deutsche Bank Aktiengesellschaft, Frankfurt am Main (or such other person as the Issuer may appoint and notify to the Holders), and the Paying and Transfer Agent will initially be Deutsche Bank Luxembourg S.A. (or such other agent as the Issuer may appoint and notify to the Holders). For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange, the Issuer will maintain a paying and transfer agent in Luxembourg.

(b) Replacement of Share Certificate

If a share certificate is damaged, defaced, lost, stolen or destroyed, a new share certificate representing the same shares may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the Directors of the Issuer may think fit and on payment of any exceptional expenses of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, on delivery of the old share certificate.

(c) Alteration in Capital

Subject as described in "Description of the Preferred Securities" above, the Issuer may from time to time by special resolution alter its share capital in any manner permitted by the Law and, in particular, may increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such special rights (if any) or to be subject to such restrictions (if any) as the resolution may prescribe.

Subject as described in "Description of the Preferred Securities" above, the Issuer may from time to time by special resolution reduce its share capital in any manner authorised by Jersey law.

(d) Variation of Rights

All or any of the rights attached to any class of shares (other than the Preferred Securities) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent in writing of the holders of not less than two-thirds of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. The necessary quorum for such separate meeting (other than an adjourned meeting) is two holders holding or representing at least one-third in nominal amount of the issued shares of that class or, if there is only one holder of the issued shares of such class, such holder.

(e) Dividends

Subject to the Law and as provided in sub-Article 6(a) in relation to the automatic payment of dividends, the general meeting may declare annual or interim dividends out of profits on the recommendation of, and not exceeding the amount recommended by, the Directors. The Preferred Securities ordinarily will rank senior to the Issuer's ordinary shares as to payment of dividends. However, in the event that dividends do not fall to be paid in relation to a Dividend Period on the Preferred Securities, all amounts received by the Issuer in relation to such Dividend Period may be distributed as dividends to the holders of the Issuer's ordinary shares instead of being paid to the holders of the Preferred Securities.

No dividend has been paid on the ordinary shares of the Issuer since its incorporation.

(f) Prescription and Governing Law

Any dividend or distribution unclaimed for a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer. The Preferred Securities are governed by Jersey law.

(g) Members' Rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any General Meeting on a show of hands, every member who is present in person or by proxy has one vote, and, on a poll, every member present in person or by proxy has one vote for every share of any class of which he is the holder.

Subject to the rights attached to the Preferred Securities, the directors or the liquidator of the Issuer may, as the case may be, with the sanction of a special resolution of the Issuer and any other sanction required by law, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Issuer and may determine how such division shall be carried out as between the members or different classes of members.

SUPPORT AGREEMENT

Set forth below is the text of the Support Agreement to be dated 31 July 2003:

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) II 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 Preferred Securities (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 Holders (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 3,000,000 euro Series A 7.5 per cent. Non-cumulative Non-Voting Preference Shares issued on 29 September, 1999 and the 1,000,000 fungible euro 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;

"Asset Parity Security" means any preference share, preferred security 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), 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);

"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;

"Dividend Period" has the meaning, in relation to the Preferred Securities, given to such term in the Articles of Association of the Company;

"Dividends" means the amount of dividends payable on the Preferred Securities in accordance with the terms thereof;

"Holder" means any holder from time to time of any Preferred Security of the Company, provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, such term shall not include RZB or any entity of which RZB, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests (including the Company);

"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 Preferred Securities, the liquidation preference per security as provided by the terms thereof;

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

"Redemption Price" means with respect to each Preferred Security the amount required under the terms thereof to be paid to the Holder upon the optional redemption of such Preferred Securities; and

"Subsidiary" means a 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 Preferred Securities 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 Preferred Securities.

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 Preferred Securities, 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) had the Preferred Securities 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 Asset Parity Securities of RZB and (c) senior to 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 Dividend 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 principal paying and transfer agent until all the obligations of RZB hereunder have been discharged in full. RZB hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Support Agreement.

2.3 Subject to applicable law, RZB, may from time to time purchase the Preferred Securities from any Holder and hold or resell any Preferred Security 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) senior to Bank Share Capital.

3. Covenants

3.1 RZB undertakes that it will not issue any 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 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 Holders (as applicable) such rights and entitlements as are contained in or attached to such preference shares, 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 preference shares, 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 dividend payment on the Preferred Securities 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 Dividends payable in respect of the most recent Dividend Period will be paid prior to any payment or other distribution in respect of any dividends 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 a subsidiary for so long as any Preferred Security shall remain in issue. RZB undertakes that, so long as any Preferred Security 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 the Make Whole Amount on, or purchase and cancellation of, all outstanding Preferred Securities 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 Preferred Securities or this Support Agreement must be restored by a Holder for any reason whatsoever.

5. Undertaking

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

- (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 Holder in respect of this Support Agreement.

6. Deed Poll

This Support Agreement shall take effect as a Deed Poll for the benefit of the Holders. 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 Holder, and that each Holder 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 Holders 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 the Holders of not less than two thirds of the Preferred Securities, which consent shall be obtained in accordance with procedures contained in the Company's Memorandum and Articles of Association and the applicable laws of Jersey; 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 Holders; 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 the Holders of not less than two-thirds of the Preferred Securities (excluding in each case any Preferred Securities 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 1091
Attention: Capital Markets

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) II 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 Holders shall be given by RZB or the Company in the same manner as notices sent by the Company to the Holders.

- 7.4 The obligations of RZB and the Company to the Holders under this Support Agreement are solely for the benefit of the Holders and are not separately transferable from the Preferred Securities.
- 7.5 RZB will furnish any Holder, upon request of such Holder, 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 Holders (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 Preferred Securities remain outstanding. RZB and the Company hereby appoint RZB's London Branch at 36-38 Botolph Lane, London, EC3R 8DE, 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.

IN WITNESS WHEREOF this Support Agreement has been executed as a deed and delivered on behalf of each of RZB and the Company on the date shown below:

Executed as a deed by

RAIFFEISEN ZENTRALBANK ÖSTERREICH AG

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

Executed as a deed by

RZB FINANCE (JERSEY) II LIMITED

By:

acting under the authority of that company in the presence of:

Witness's Signature:

Name:

Address:

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 their Preferred Securities and may not apply to certain classes of persons such as dealers. Any holders of Preferred Securities 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, holders of Preferred Securities (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 Preferred Securities. 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 Preferred Securities.

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 Preferred Securities. 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 holder of Preferred Securities. 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 holders, who are subject to unlimited tax liability in Austria ("Austrian individual holders" resp. "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 Preferred Securities will be treated as debt instruments for Austrian tax purposes. However, it cannot be entirely excluded that the Austrian tax authorities will qualify the Preferred Securities not as debt securities but as shares and the income derived therefrom as dividend income. Holders of Preferred Securities 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 Preferred Securities. 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 final tax, 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" gem. § 94 Z 5 EStG) to the coupon paying agent. Corporate holders are subject to corporate income tax on the interest income at the normal rate (34 per cent.) via the corporate income tax return.

If the coupon 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. As of 1 April 2003 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. Costs laid out to earn the interest do not reduce the basis of assessment.

Any capital gain from the sale of the Preferred Securities 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 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.

Taxation as Shares

In case the Austrian tax authorities qualify the Preferred Securities as shares, the dividend payments would be subject to income tax for the Austrian individual holder. As of 1 April 2004 Austrian coupon paying agents will deduct a 25 per cent. Austrian withholding tax on payments of foreign dividends. The withholding tax will in general be a final tax. The individual will be able to 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 dividends 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 the dividend payments are effected before 1 April 2004 in or outside of Austria or if they are made outside of Austria after 1 April 2004, no Austrian withholding tax is deducted and the taxation of the dividend income has to be effectuated via the personal income tax return. As of 1 April 2003 the dividend payments are subject to personal income tax at a fixed 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 Preferred Securities 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 Preferred Securities 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. Dividends are, however, exempt from corporate tax, if the recipient holds directly at least 25 per cent. of the shares of the foreign dividend paying corporation for an uninterrupted period of 2 years ("international participation exemption"). This 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 and if it cannot be proven that the Austrian corporate holder of the dividend is not predominantly directly or indirectly owned by individuals not resident in Austria. In case the dividend is taxed under this regulation the foreign corporate tax levied on the income of the distributing corporation will be credited against the Austrian corporate tax due on the dividend received.

A modified version of the international participation exemption will come into operation in the year 2004. From then dividends will be 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 will have no tax effect, unless the foreign company is wound up. Subject to certain conditions the Austrian corporate holder will, however, have 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 currently effective international participation exemption to its modified version. The participation exemption will 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities in Austria. Net wealth tax is not levied any more in Austria.

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 Preferred Securities. This section does not purport to be a comprehensive description of all of the German tax consequences that may be relevant to holders of the Preferred Securities. 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 Preferred Securities. The Preferred Securities may qualify as debt or equity instruments for German tax purposes. **Prospective holders of the Preferred Securities 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 Preferred Securities. Only these advisers will be able to take into account appropriately the details relevant to the taxation of the respective holders of the Preferred Securities.**

Withholding tax

German withholding tax on interest (*Zinsabschlag*) will be deducted from payments on the Preferred Shares to an investor who is tax resident in Germany or who is not tax resident in Germany but holds the Preferred Securities as assets of a German permanent establishment ("German Investor") if the Preferred Securities are kept or administered in a domestic securities deposit account by, or if the Bonds are presented for payment at the office ("At-The-Counter-Transaction") of, a German financial institution, which term includes a German branch of a foreign financial institution but excludes a foreign branch of a German financial institution or a German Issuer ("German Disbursing Agent") at a rate of 30% (in the case of an At-The-Counter-Transaction the tax rate is 35%) plus 5.5% solidarity surcharge thereon.

If the Preferred Securities 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 % 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 qualify the Preferred Securities as debt instruments and the income derived therefrom as interest income, German Investors will be subject to German income tax or corporate income tax respectively (each plus solidarity surcharge thereon) with any payment received on the Preferred Securities. In case the Preferred Securities are held as business assets in a German permanent establishment any payments will also be subject to trade tax.

Capital gains from the sale of the Preferred Securities by German Investors will in any case be subject to German income tax or corporate income tax (each plus solidarity surcharge thereon) and if the Preferred Securities are held as business assets in a German permanent establishment capital gains will also be subject to trade tax.

Tax consequences in case the Preferred Securities are qualified as equity

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

Risk of applicability of the German Foreign Investment Act (Auslandinvestment-Gesetz)

The Issuer believes that even if the Preferred Securities are qualified as equity instruments, holders of the Preferred Securities will not be subject to the German Foreign Investment Act. The Foreign Investment 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)

In case the Preferred Securities are qualified as equity there is a risk that holders of the Preferred Securities who are tax resident in Germany are subject to the provisions of the German Foreign Tax Act (*Außensteuergesetz*) depending in particular on the investment of the Issuer.

If the Foreign Tax Act is applied, investors 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 Preferred Securities are held as business assets of a German permanent establishment, to trade tax.

An investor will *inter alia* not be subject to the Foreign Tax Act if either (i) the Preferred Securities from a German tax perspective are not qualified as an interest in the nominal capital of the Issuer, (ii) all investments of the Issuer are qualified as equity instruments and the Issuer solely receives dividends provided the investment is a company running an active trade or business or (iii) the income of the investors does neither completely nor almost completely consist of so-called tainted passive income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) and the respective investor does not hold an interest of 1 per cent. or more in the Issuer and German tax residents and certain expatriate German citizens (former German tax residents) in the aggregate, directly or indirectly, do not hold more than 50 per cent of the issued share capital or of the voting rights in the Issuer.

Taxation if the German Foreign Tax Act is not applied

If the German Foreign Tax Act is not applied although the Preferred Securities are qualified as equity, the tax analysis as set out in the following paragraphs will apply.

– Taxation of Dividends

50% of the dividends 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 % of the expenses economically related to the dividend income are deductible for income tax purposes. In addition, the entire income is subject to trade tax if a German Individual Investor holds the Preferred Securities as business assets of a German permanent establishment.

Dividends received by a corporate German Investor (“German Corporate Investors”) are in principle exempt from German corporate income tax. 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 Preferred Securities have been recorded in the trading book, dividends are fully subject to corporate income tax. The same applies if the Preferred Securities 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% of the capital gains from the sale of the Preferred Securities if the Preferred Securities are either sold within one year after the acquisition of the Preferred Securities 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 Preferred Securities as business assets receive capital gains from the disposition of the Preferred Securities.

Capital gains received by a German Corporate Investor from the sale of the Preferred Securities are in principle tax exempt. If the Preferred Securities are held by a credit institution or financial services institution within the meaning of the German Banking Act (*Kreditwesengesetz*) and if the Preferred Securities have been recorded in the trading book, capital gains from the disposal of Preferred Securities are fully subject to corporate income tax. The same applies if the Preferred Securities 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 Preferred Securities 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 Preferred Securities 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 holders of the Preferred Securities in the same way as if they had directly invested in RZB. However, in this case it cannot be excluded that the holders of the Preferred Securities 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 Preferred Securities are qualified as equity”.

Gift or inheritance tax

A transfer of the Preferred Securities as a gift or by reason of death will be subject to German inheritance or gift tax if the holder of the Preferred Securities, 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 holder of the Preferred Securities, 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 Preferred Securities belong to business assets attributable to a permanent establishment or a permanent representative in Germany.

Other taxes

There are no transfer, stamp or similar taxes which would apply to the sale or transfer of the Preferred Securities in Germany. Net worth tax is no longer 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 29 July 2003 (the "Subscription Agreement") Deutsche Bank AG London, ABN AMRO Bank N.V., Merrill Lynch International, and UBS Limited (the "Managers") have jointly and severally agreed with the Issuer and RZB, subject to the satisfaction of certain conditions, to subscribe for the Preferred Securities at the issue price of 100%. The Issuer has agreed to pay to the Managers a total commission of 1%. Deutsche Bank AG London on behalf of the 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 Managers against certain liabilities in connection with the issue of the Preferred Securities.

United States of America

The Preferred Securities 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 Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (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 Preferred Securities during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities 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 Preferred Securities 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 Preferred Securities 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 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities in, from or otherwise involving the United Kingdom.

Austria

Each of the Managers has represented and agreed that it will only offer the Preferred Securities in the Republic of Austria in compliance with the provisions of the Austrian Capital Markets Act, Federal Law Gazette 1991/625 as amended, and any other laws applicable in the Republic of Austria governing the offer and sale of the Preferred Securities in the Republic of Austria. Each of the Managers further agrees that it will offer the Preferred Securities in compliance with Section 3(1) No. 13 of the Austrian Capital Markets Act.

Germany

Each Manager has represented and agreed that it will comply with the Securities Sales Prospectus Act (the "Act") of the Federal Republic of Germany (Wertpapier-Verkaufsprospektgesetz) of 13 December 1990 (as amended). In particular, each of the Managers has represented that it has not engaged and agreed that it will not engage in public offering (*Öffentliches Angebot*) within the meaning of the Act with respect to any shares otherwise than in accordance with all other applicable legal and regulatory requirements.

General

Each of the 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities to be listed on the Luxembourg Stock Exchange, 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 Preferred Securities will be deposited prior to listing with the *Registre de Commerce et des Sociétés à Luxembourg*, where such documents may be examined and copies obtained upon request. At the date hereof it is not intended to list the Preferred Securities on any other stock exchange.

So long as the Preferred Securities are listed on the Luxembourg Exchange, the Issuer will maintain a paying and transfer agent in Luxembourg.

2. Authorisations

The issue of the Preferred Securities by the Issuer has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 29 July 2003.

The entering into of the Support Agreement by RZB has been duly authorised by resolutions of its Board of Directors passed on 28 July 2003.

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 Preferred Securities 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 Preferred Securities and the Support Agreement.

3. Legal status

The Issuer operates under the laws of Jersey (registered number 85720) 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 Group nor, so far as RZB and the Issuer is aware, is any such litigation or arbitration pending or threatened.

5. Clearing

The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

German Security Code (WKN): 970377

ISIN: XS0173287862

Common Code: 017328786

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 Group since 31 December 2002 or, in the case of the Issuer, since the date of its incorporation on 22 July 2003.

7. Subsidiaries

A list of RZB's subsidiaries including RZB's holdings of subsidiaries as at 31 December 2002 is set out in the published consolidated audited financial statements of RZB for the year ended 31 December 2002.

8. Documents available

For so long as the Preferred Securities 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 and Transfer 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 year ended 31 December 2002;
- (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 Preferred Securities are listed on the Luxembourg Stock Exchange, 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 and Transfer 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 2003.

9. Auditors

KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft Austria have audited (a) the consolidated financial statements of RZB prepared in accordance with International Accounting 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 years ended 31 December 2001 and 31 December 2002. The auditors expressed an unqualified opinion on the accounts of RZB for the financial year ended 31 December 2001 and 31 December 2002.

No accounts of the Issuer have yet been prepared or audited. KPMG Jersey have been appointed as auditors to the Issuer.

10. Notices

All notices to the Holders of Preferred Securities will be given by the Issuer (i) so long as any of the Preferred Securities is listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, by publication in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (ii) by mail to Euroclear and Clearstream, Luxembourg and (iii) to the Luxembourg Stock Exchange through the Paying and Transfer 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 Preferred Securities are credited of any such notices received by it.

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