

DZ BANK Perpetual Funding Issuer (Jersey) Limited

**Annual Report and Financial Statements for the year
ended 31 December 2020**

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Directors' report

The Directors present their report together with the audited financial statements of DZ BANK Perpetual Funding Issuer (Jersey) Limited (the 'Company') for the year ended 31 December 2020.

Incorporation

The Company was incorporated as a public company in Jersey, Channel Islands on 1 September 2005.

Principal activities

The Company was incorporated as a special purpose vehicle for the purpose of participating in a public structured Tier I capital financing programme (the 'Public Programme'), arranged by and for DZ BANK AG Deutsche Zentral – Genossenschaftsbank, Frankfurt am Main ('DZB'). Under the Public Programme, the Company can issue Tier I perpetual limited recourse securities (together, the 'Notes') up to a maximum aggregate principal amount of €1,000,000,000 (or its equivalent in any other currency). The Notes are listed on the regulated markets of the Luxembourg Stock Exchange and the Frankfurt Stock Exchange.

The proceeds from the issuance of the Notes are used by the Company to purchase classes of preference shares ('Preferred Securities') issued by DZ BANK Perpetual Funding (Jersey) Limited (the 'Funding Company'), a wholly owned subsidiary of DZB. In turn, the Funding Company uses the proceeds of the issue of the Preferred Securities to purchase subordinated notes issued by DZB which use the Euro Interbank Offered Rate ('Euribor') as the reference rate ('Initial Debt Securities'). The Preferred Securities issued by the Funding Company are on terms that reflect nearly exactly those of the Initial Debt Securities. The denomination of the Preferred Securities is €1,000 with the exception of the Class II preferred securities which had a denomination of €100,000. As such, all classes other than the Class II preferred securities, which were redeemed in 2015, are caught by the transparency directive and subsequent legislation.

Income received by the Funding Company on the Initial Debt Securities is paid by way of dividends to the Company, as holder of the Preferred Securities, and must be distributed to the holders of the Notes without material delay. The payment of such dividends by the Funding Company is subject to the satisfaction of certain financial tests (the 'Conditions to Dividends') detailed in the statement of rights for each class of Preferred Securities. The Conditions to Dividends include, among others, satisfaction of certain financial tests relating to DZB and DZ BANK Group.

On 9 November 2005 pursuant to a collateral agency agreement (the 'CAA'), Deutsche Bank AG, London Branch became the collateral agent (the 'Collateral Agent'). The obligations of the Company under the Notes are secured in favour of the Collateral Agent on behalf of the holders of the Notes. Pursuant to the CAA, the Company has created possessory security over the Preferred Securities to the Collateral Agent in favour of the holders of the Notes.

The Notes are limited recourse obligations of the Company as detailed in the Public Programme documentation. Holders of the Notes have the right to receive payments of principal and interest on the Notes solely from redemption payments and dividends on the corresponding class of Preferred Securities.

To the extent that there is a shortfall in the monies due to the holders of the Notes, no debt will be owed by the Company in respect of any shortfall remaining after realisation of the Preferred Securities and application of the proceeds thereof in accordance with the terms of the CAA. In the event that the Notes are redeemed other than at the option of the Company, such redemption will be carried out by transferring to the holders of the Notes pro rata Preferred Securities of the relevant class.

The Company commenced activities on 9 January 2006 with the first issuance of Notes ('Class VI') under the Public Programme ("First Transaction"). A second issuance of Notes was made on 13 February 2006 ('Class VII') ("Second Transaction"), a third issuance of Notes was made on 17 March 2006 ('Class I') ("Third Transaction"), a fourth issuance of Notes was made on 4 September 2006 ('Class VIII') ("Fourth Transaction"), a fifth issuance of Notes was made on 16 April 2007 ('Class IX') ("Fifth Transaction"), a sixth issuance of Notes was made on 4 September 2007 ('Class X') ("Sixth Transaction"), and a seventh issuance of Notes was made on 24 September 2008 ('Class II') ("Seventh Transaction"). As at the date of approving these financial statements the Company has fully redeemed the Class X Notes and the Class II Notes.

On 26 May 2008 the Class X Initial Debt Securities were repaid to the Company in full and the proceeds were utilised to redeem in full the Class X Preferred Securities.

On 9 October 2012 €5,000,000 of the Class VI Preferred Securities were repaid to the Company and the proceeds were utilised to redeem €5,000,000 of the Class VI Notes.

On 18 October 2012 €16,000,000 of the Class VII Preferred Securities were repaid to the Company and the proceeds were utilised to redeem €16,000,000 of the Class VII Notes.

Directors' report (continued)

Principal activities (continued)

On 25 October 2012 €5,700,000 of the Class I Preferred Securities were repaid to the Company and the proceeds were utilised to redeem €5,700,000 of the Class I Notes.

On 8 November 2012 €13,000,000 of the Class VIII Preferred Securities were repaid to the Company and the proceeds were utilised to redeem €13,000,000 of the Class VIII Notes.

On 15 November 2012 €10,000,000 of the Class IX Preferred Securities were repaid to the Company and the proceeds were utilised to redeem €10,000,000 of the Class IX Notes.

On 24 September 2015 €250,000,000 of the Class II Preferred Securities were repaid to the Company in full and the proceeds were utilised to redeem in full the Class II Notes.

Since 2016, there were no repayments on any of the classes of the Initial Debt Securities and therefore no redemptions on any of the classes of the Preferred Securities have taken place since the last repayment was made in September 2015.

On 12 January 2021, DZB announced that it will terminate and redeem all its outstanding Tier 1 instruments issued via special purpose vehicles, which include those held by the Company as it intends to align its capital structure in full with the current regulatory requirements for Additional Tier 1 Capital. The termination of the Tier 1 issuances will not affect DZ BANK Group's CET 1 ratio, and will have only very limited impact on further capital and liquidity ratios.

Pursuant to the minutes of Board meeting dated 14 January 2021, it was noted that DZB has expressed its intention to redeem all securities issued under the Programme on 9 April 2021 (with respect of the First Transaction), 13 May 2021 (with respect of the Second Transaction), 17 March 2021 (with respect of the Third Transaction), 4 March 2021 (with respect of the Fourth Transaction) and 16 April 2021 (with respect of the Fifth Transaction) (the "Redemption Dates"), being the securities issued under each of the Transactions. The securities issued under each of the Transactions will be redeemed in the following order: DZB will redeem the Initial Debt Securities first, followed by the redemption of the Preferred Securities issued by the Funding Company, and ultimately the Notes issued by the Company.

Following the redemption of the last outstanding Tier 1 instruments in 2021, the Directors intend to dissolve the Company in a period of less than one year from the date of approving these financial statements.

Unrecognised financial instruments

As stated in note 2 the Preferred Securities, income receivable on the Preferred Securities and the liabilities on the Notes are not recognised in accordance with International Financial Reporting Standard 9 Financial Instruments ('IFRS 9').

Directors

The Directors of the Company, who served during the year and subsequently are:

Shane Michael Hollywood
Lisa Grant (appointed on 14 April 2020)
Richard Charles Germain (resigned on 14 April 2020)

Secretary

The secretary of the Company during the year and subsequently is Ocorian Secretaries (Jersey) Limited.

Results and dividends

The results for the year are set out in the Statement of comprehensive income on page 12.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: €nil).

The Directors confirm that to the best of their knowledge the cash flows relating to the Preferred Securities and Notes disclosed in the notes to the financial statements complied with the respective contractual arrangements. These events include the payment of all distributions to Noteholders on a timely basis.

Independent auditor

Ernst & Young LLP have been appointed as auditors for the current financial year. The requirement for an audit of the Company's financial statements for 2021 is still under review. To the extent that such an audit is required, it is intended to appoint a different auditor.

Directors' report (continued)

Effects of COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. COVID-19 development and impact on the financial markets and the overall economy are highly uncertain and difficult to be predicted. The Directors have taken into consideration the existing and anticipated effects of COVID-19 virus on the Company's activities and conclude that this disruption did not significantly impact the reported figures for the year end.

Going concern

The Public Programme documents are structured such that the obligations of the Company are limited in recourse and the Company has the benefit of bankruptcy remoteness (non petition) provisions pursuant to which each Public Programme party recognises the limited financial resources of the Company and the intended bankruptcy remoteness of the Company. DZB undertakes to meet all expenses of the Company.

On 12 January 2021, DZB announced that it will terminate and redeem all its outstanding Tier 1 instruments issued via special purpose vehicles, which include those held by the Company as it intends to align its capital structure in full with the current regulatory requirements for Additional Tier 1 Capital. The termination of the Tier 1 issuances will not affect DZ BANK Group's CET 1 ratio, and will have only very limited impact on further capital and liquidity ratios.

On 14 January 2021, it was noted that DZB has expressed its intention to redeem all the securities issued under the Programme. The Initial Debt Securities issued by DZB will be redeemed first, followed by the Preferred Securities issued by the Funding Company and ultimately the Notes issued by the Company. In this regard, the Directors of the Funding Company have approved the redemption of the Preferred Securities with effect on 9 April 2021 (with respect of the First Transaction), 13 May 2021 (with respect of the Second Transaction), 17 March 2021 (with respect of the Third Transaction), 4 March 2021 (with respect of the Fourth Transaction) and 16 April 2021 (with respect of the Fifth Transaction) (the "Redemption Dates"). Before proceeding with the redemption of the Preferred Securities, the Directors of the Funding Company have ensured that immediately following the date on which the payment for the redeemed shares is to be made, the Funding Company will be able to discharge its liabilities as they fall due. Furthermore, they are of the view that the Funding Company will have adequate resources to carry on business and discharge its liabilities as they fall due until it is dissolved.

DZB has undertaken to indemnify the Company and its Directors and Ocorian Trustees (Jersey) Limited in respect of any liability arising from the redemption of the securities.

Following the redemption of the last outstanding Tier 1 instruments in 2021, the Directors intend to dissolve the Company in a period of less than one year from the date of approving these financial statements. All expenses of the Company will continue to be borne by DZB with no recourse against the Company which includes any dissolution costs.

On the basis that the Directors have no plans to embark on any new activities and intend to dissolve the Company within the foreseeable future, the financial statements of the Company are prepared on a break-up basis as set out under the basis of preparation in note 2.

Events after the reporting period

All significant events have been disclosed in note 13 of the financial statements.

Future developments

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. Even though there is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates, this transition will have direct consequences on the reference rate of the Initial Debt Securities used by the Funding Company to generate the income used to pay dividends to the Company.

The transition period for critical benchmarks has been extended until December 2021. However, EURIBOR is expected to continue to be used beyond 2021 and there is no current indication that it will cease in the near future. The benchmark can continue to be used for new and legacy contracts after 2021.

The Directors do not expect an immediate risk of a major disruption for contracts relying on Euribor fixings. Currently, there is no impact on the Company and the Directors have concluded that the current IBOR will have no material impact on the Company before the redemption dates and the dissolution of the Company. Therefore, the Directors are of the view there is no need to bring any amendments to the terms of the Notes. However, the Directors will continue to closely monitor developments in this area.

Directors' report (continued)

Statement of directors' responsibilities with regard to the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards ('IFRS').

The Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and appropriate;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the Company and to enable the Directors to ensure that any financial statements prepared comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non compliance with law and regulations.

By order of the Board



.....
Secretary - Ocorian Secretaries (Jersey) Limited

Date: 29 January 2021

Registered office

26 New Street
St Helier
Jersey
JE2 3RA


Directors' responsibilities statement

The Company is listed on the regulated markets of the Frankfurt Stock Exchange and Luxembourg Stock Exchange. Due to the nomination of Luxembourg as its home member state, and pursuant to the requirements of Article 3(2)(c) of the Luxembourg law of 11 January 2008 (as amended) relating to the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, the Company is required to include a Directors' responsibility statement in the financial statements. The Directors of the Company who served during the year and subsequently are Shane Michael Hollywood and Lisa Grant.

- To the best of their knowledge, the financial statements are in accordance with the International Financial Reporting Standards (IFRS) and give a true and fair view of the assets, liabilities, financial positions and profit or loss of the Company.
- To the best of their knowledge, the Directors' report and financial statements for the year ended 31 December 2020 include a fair review of important events that have occurred during the year ended 31 December 2020 and their impact on the financial statements, together with a description of the principal risks and uncertainties for the year as disclosed in note 8.
- To the best of their knowledge, the Directors' report includes a fair review of the development and performance of the business including the results of operations and the situation of the Company and describes the main opportunities and risks.

By order of the Board


.....
Director Shane Hollywood


.....
Director Lisa Grant

Date: 29 January 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED**

Opinion

We have audited the financial statements of DZ BANK Perpetual Funding Issuer (Jersey) Limited (the "company") for the year ended 31 December 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared on a basis other than going concern

We draw attention to note 2 of the financial statements which discloses the intention to dissolve the Company immediately following the termination and redemption of all Tier 1 Instruments. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 2. Our opinion is not modified in this respect of this matter.

Overview of our audit approach

Key audit matter	• The application of derecognition principles may be inappropriate.
Materiality	• Overall materiality of €1,132,305 which represents 0.5% of total assets before derecognition.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED (continued)**

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>The application of derecognition principles may be inappropriate</p> <p>Preferred Securities £226,461,000 (2019: £226,922,850), and Notes £226,461,000, (2019: £226,922,850)</p> <p><i>Refer to the Accounting policies (pages 18-19); and Notes 5 and 7 of the Financial Statements (pages 19-21)</i></p> <p>There is a risk that the derecognition requirements of IFRS are inappropriately applied to the Preferred Securities and Notes of the Company resulting in a material misstatement.</p>	<p>We read management's assessment of the derecognition of the Preferred Securities and Notes under IFRS 9, <i>Financial Instruments</i>.</p> <p>We read the terms of the contracts relating to the Preferred Securities and Notes and validated that the Company:</p> <ul style="list-style-type: none"> • has no obligation to pay amounts to Note Holders unless it collects these amounts from the Preferred Securities; • is prohibited from selling or pledging the Preferred Securities other than as security to the Note Holders; and • has an obligation to remit any cash flows arising from the Preferred Securities to the Note Holders without material delay. <p>We validated that the cash receipts arising from the Preferred Securities as recorded in the Company bank statements were remitted to the Note holders without material delay in accordance with the terms of the contracts relating to the Preferred Securities and Notes.</p>	<p>We reported that there were no matters identified during our audit work to indicate that application of the derecognition principles may be inappropriate.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED (continued)**

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be € 1,132,305 (2019: €1,134,614) which is 0.5% (2019: 0.5%) of the total assets before derecognition. We believe that total assets provide us with the most important metric that investors use in measuring the performance of their holdings.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely €849,229 (2019: €850,961). We have set performance materiality at this percentage due to the low level of audit differences identified in the prior year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of €56,615 (2019: €56,731) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 6 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED (continued)

Matters on which we are required to report by exception

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

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be Companies (Jersey) Law 1991 and International Financial Reporting Standards.
- ▶ We understood how the company is complying with this framework by making inquiries with management and those charged with governance regarding:
 - their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED (continued)**

- the company's methods of enforcing and monitoring compliance with such policies;
 - management's process for identifying and responding to fraud risks in the company, including programs and controls the company has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud; and
 - how management monitors those programs and controls. Inquiries were also made with the directors and company representatives regarding their views on business practices and ethical behavior.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by:
- obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessments;
 - making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specific those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
 - making inquiries with management and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
 - making inquiries with management and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the company.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inspecting the statutory records of the company, including minutes of board meetings, and inspecting correspondence with the relevant regulatory authorities and legal representatives.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
29 January 2021

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of comprehensive income
For the year ended 31 December 2020

	2020 €	2019 €
Income	_____ -	_____ -
Profit for the year	-	-
Other comprehensive income	_____ -	_____ -
Total comprehensive income for the year	_____ -	_____ -

The notes on pages 16 to 23 are an integral part of these financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of financial position
As at 31 December 2020

	Note	2020 €	2019 €
Asset			
Current asset			
Cash and cash equivalents		<u>2</u>	<u>2</u>
Total asset		<u>2</u>	<u>2</u>
Equity attributable to the owners of the Company			
Stated capital	6	<u>2</u>	<u>2</u>
Total equity		<u>2</u>	<u>2</u>

The financial statements on pages 12 to 23 were approved and authorised for issue by the Board of Directors on 29 January 2021 and were signed on its behalf by:

.....
Shane Michael Hollywood
Director

.....
Lisa Grant
Director

The notes on pages 16 to 23 are an integral part of these financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of changes in equity
For the year ended 31 December 2020

	Stated capital €	Retained earnings €	Total €
Balance as at 1 January 2019	2	-	2
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transaction with owners	-	-	-
Balance as at 31 December 2019	2	-	2
	Stated capital €	Retained earnings €	Total €
Balance as at 1 January 2020	2	-	2
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transaction with owners	-	-	-
Balance as at 31 December 2020	2	-	2

The notes on pages 16 to 23 are an integral part of these financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of cash flows
For the year ended 31 December 2020

	2020	2019
	€	€
Cash flows from operating activities	_____ -	_____ -
Cash flows from investing activities	_____ -	_____ -
Cash flows from financing activities	_____ -	_____ -
Net movement in cash and cash equivalents in the year	-	-
Cash and cash equivalents at the start of the year	2	2
Effects of foreign exchange rate changes	_____ -	_____ -
Cash and cash equivalents at the end of the year	<u>2</u>	<u>2</u>

The notes on pages 16 to 23 are an integral part of these financial statements

1 General information

DZ BANK Perpetual Funding Issuer (Jersey) Limited (the 'Company') is a public limited company incorporated in Jersey, Channel Islands. The principal activities of the Company are described in the Directors' report on page 2.

2 Accounting policies

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

(a) Statement of compliance

The financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

(b) Basis of preparation

The financial statements have been prepared on a break-up basis.

These financial statements are presented in Euro ('€'), which is the Company's functional and reporting currency.

(c) Effects of COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. COVID-19 development and impact on the financial markets and the overall economy are highly uncertain and difficult to be predicted. The Directors have taken into consideration the existing and anticipated effects of COVID-19 virus on the Company's activities and conclude that this disruption did not significantly impact the reported figures for the year end.

(d) Going concern

The Public Programme documents are structured such that the obligations of the Company are limited in recourse and the Company has the benefit of bankruptcy remoteness (non petition) provisions pursuant to which each Public Programme party recognises the limited financial resources of the Company and the intended bankruptcy remoteness of the Company. The current respective long and short term ratings of DZB are AA- and A-1+ by S&P and Aa1 and P-1 by Moody's.

On 12 January 2021, DZB announced that it will terminate and redeem all its outstanding Tier 1 instruments issued via special purpose vehicles, which include those held by the Company as it intends to align its capital structure in full with the current regulatory requirements for Additional Tier 1 Capital. The termination of the Tier 1 issuances will not affect DZ BANK Group's CET 1 ratio, and will have only very limited impact on further capital and liquidity ratios.

On 14 January 2021, it was noted that DZB has expressed its intention to redeem all the securities issued under the Programme. The Initial Debt Securities issued by DZB will be redeemed first, followed by the Preferred Securities issued by the Funding Company and ultimately the Notes issued by the Company. In this regard, the Directors of the Funding Company have approved the redemption of the Preferred Securities with effect on 9 April 2021 (with respect of the First Transaction), 13 May 2021 (with respect of the Second Transaction), 17 March 2021 (with respect of the Third Transaction), 4 March 2021 (with respect of the Fourth Transaction) and 16 April 2021 (with respect of the Fifth Transaction) (the "Redemption Dates"). Before proceeding with the redemption of the Preferred Securities, the Directors of the Funding Company have ensured that immediately following the date on which the payment for the redeemed shares is to be made, the Funding Company will be able to discharge its liabilities as they fall due. Furthermore, they are of the view that the Funding Company will have adequate resources to carry on business and discharge its liabilities as they fall due until it is dissolved.

DZB has undertaken to indemnify the Company and its Directors and Ocorian Trustees (Jersey) Limited in respect of any liability arising from the redemption of the securities.

Following the redemption of the last outstanding Tier 1 instruments in 2021, the Directors intend to dissolve the Company in a period of less than one year from the date of approving these financial statements. All expenses of the Company will continue to be borne by DZB with no recourse against the Company which includes any dissolution costs.

On the basis that the Directors have no plans to embark on any new activities and intend to dissolve the Company within the foreseeable future, the financial statements of the Company are prepared on a break-up basis.

2 Accounting policies (continued)

(d) Going concern (continued)

In adopting the break-up basis at the year end, the following policies and procedures were implemented:

- Any assets are classified as current and disclosed at values at which they are expected to be realised.
- Any liabilities are classified as current and recognised where an obligation exists at the statement of financial position date.
- Any expenses of the Company continue to be borne by DZ Bank AG with no recourse against the Company which includes any dissolution costs.

(e) New and amended standards and interpretations

(i) Adoption of new and revised standards adopted by the Company

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

The nature and the impact of each new standard or amendment relevant to the Company are described below:

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORS) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The application of these amendments had no impact on the Company's financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Company.

(ii) New standards, amendments and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Interest rate benchmark reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. These amendments are effective for annual periods beginning on or after 1 January 2021.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

2 Accounting policies (continued)

(e) New and amended standards and interpretations (continued)

Amendments to IFRS 7 financial instruments includes the following:

- How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform.
- Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs.
- If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The Directors are still assessing the potential impact of adopting these amendments and the Company plans to adopt these amendments on the required effective date.

The Directors have reviewed and considered all standards, amendments and interpretations issued but not yet effective as at the date the financial statements are authorised for issue. In the opinion of the Directors the standards, amendments and interpretations issued but not yet effective are either not relevant to the activities of the Company or will have no impact on the Company until its dissolution.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions.

(g) Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange ruling at the statement of financial position date. Foreign exchange gains and losses are included in the statement of comprehensive income for the year in which they arise.

(h) Expenses

All expenses of the Company are borne by DZB with no recourse against the Company which includes any dissolution costs.

(i) Income

Dividend income is accounted for on an accruals basis.

(j) Recognition and de-recognition of financial assets and liabilities

The Company initially recognises financial assets and liabilities on the origination date unless the full de-recognition criteria are met.

De-recognition of a financial asset occurs when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with accounting standards.

De-recognition of a financial liability occurs when the obligation specified in the contract is discharged, cancelled or expired.

The Company recognises or de-recognises all other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) on the trade date when it is committed to purchase or sell the asset or liability.

2 Accounting policies (continued)

(k) Critical accounting estimates and judgements

The preparation of these financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities as at the statement of financial position date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the event such estimates and assumptions which are based on the best judgement of the Directors as at the statement of financial position date deviate from the actual circumstances in the future, the original estimates and assumptions will be modified as appropriate in the year or period in which the circumstances change.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

De-recognition of financial instruments

The Directors have reviewed the Company's accounting policy concerning the recognition and derecognition of its financial instruments. The application of IFRS 9 based on the terms of the financial instruments of the Company resulted in the derecognition of these instruments.

The Preferred Securities are not recognised as the Company has an agency role in connection with the collection of the cash flows generated from the Preferred Securities and does not enjoy the risks and rewards, rights and obligations of the Preferred Securities. The Company has the contractual right to receive the cash flows generated from the Preferred Securities, but has a contractual obligation to pay any cash flows received to the holders of the Notes without material delay. The Company has no obligation to pay amounts to Noteholders unless it collects these amounts from the Preferred Securities. In addition the Company is prohibited from selling or pledging the Preferred Securities other than as security to the holders of the Notes.

For the same reason, the financial liabilities relating to the Notes are not recognised. The holders of the Notes are entitled only to receive the cash flows generated from the Preferred Securities and, therefore, have no recourse to the Company in the event of default.

3 Taxation

The Company is registered in Jersey, Channel Islands as an income tax paying company. The general rate of income tax for companies resident in Jersey (such as the Company) is 0% for the current year of assessment (2019: 0%).

4 Income receivable on the Preferred Securities

As outlined in note 2(k), the Preferred Securities are not recognised in the statement of financial position. As the Preferred Securities are not recognised neither is the income receivable on the Preferred Securities. The dividend receivable matches the amounts payable to the holders of the Notes and these funds are payable without material delay. The following information is presented in the financial statements in order to provide information to the reader.

	2020	2019
	€	€
Class VI	327,150	354,150
Class VII	354,480	397,320
Class I	25,499	29,025
Class VIII	344,520	400,200
Class IX	<u>52,000</u>	<u>71,200</u>
	<u>1,103,649</u>	<u>1,251,895</u>

5 Preferred Securities

As outlined in note 2(k), the Preferred Securities are not recognised in the statement of financial position. The following information is presented in the financial statements in order to provide information to the reader. No consideration has been given to the possibility of future losses on the Preferred Securities as any such losses would have no effect on the financial position of the Company, nor on its aggregate financial performance.

	Issue date	Principal amount 2020 €	Fair value 2020 €	Principal amount 2019 €	Fair value 2019 €
Class VI	9 January 2006	45,000,000	39,150,000	45,000,000	40,500,000
Class VII	13 February 2006	84,000,000	73,080,000	84,000,000	73,080,000
Class I	17 March 2006	4,300,000	3,741,000	4,300,000	3,652,850
Class VIII	4 September 2006	87,000,000	75,690,000	87,000,000	75,690,000
Class IX	16 April 2007	40,000,000	34,800,000	40,000,000	34,000,000
		<u>260,300,000</u>	<u>226,461,000</u>	<u>260,300,000</u>	<u>226,922,850</u>

Pursuant to the Preferred Securities purchase agreements, the Company has purchased the above Preferred Securities from the Funding Company as part of the pass-through arrangement. The Preferred Securities are non-cumulative, non-voting preference shares of the Funding Company representing ownership interests in the Funding Company.

Income received by the Funding Company on the Initial Debt Securities is paid by way of dividends to the Company, as holder of the Preferred Securities, and must be distributed to the holders of the Notes without material delay. The payment of such dividends by the Funding Company is subject to the satisfaction of the Conditions to Dividends and Directors' approval. The Conditions to Dividends include, among others, satisfaction of certain financial tests relating to DZB and DZ BANK Group.

The Preferred Securities are perpetual, with no fixed maturity date and are not redeemable at any time at the option of the Company. Each class of Preferred Securities is supported by DZB through a subordinated support undertaking. However, the Directors of the Funding Company have approved the redemption of the Preferred Securities post the financial year end, as further elaborated in the Directors' report.

The fair value of the Preferred Securities are derived from using quoted prices of the corresponding Notes on the last trading day of the year, as disclosed in Note 7. The fair values of the Preferred Securities and the Notes are assessed to be the same as their risks and rewards are deemed to be identical and there is no material delay arising from the pass-through arrangements in place regarding cash flows.

6 Share capital

	2020 €	2019 €
Authorised:		
2 ordinary shares of €1.00 each	<u>2</u>	<u>2</u>
Allotted, called up and fully paid:		
2 ordinary shares of €1.00 each	<u>2</u>	<u>2</u>

There are no other share classes which would dilute the rights of the ordinary members. Amongst other rights as prescribed in the articles of association of the Company, the rights of the ordinary members include:

- the right to attend meetings of members. On a show of hands every member present in person or by proxy shall have one vote and on a poll every member shall have one vote for each share of which the member is a shareholder; and
- the right to receive dividends recommended by the Directors and declared in a general meeting.

7 Notes

As outlined in note 2(k), the Notes issued are not recognised in the statement of financial position. The following information is presented in the financial statements in order to provide information to the reader. No consideration has been given to the possibility of future losses on the Preferred Securities (and thereby on the Notes) as any such losses would have no effect on the financial position of the Company, nor on its aggregate financial performance.

	Issue date	Principal amount 2020 €	Fair value 2020 €	Principal amount 2019 €	Fair value 2019 €
Class VI	9 January 2006	45,000,000	39,150,000	45,000,000	40,500,000
Class VII	13 February 2006	84,000,000	73,080,000	84,000,000	73,080,000
Class I	17 March 2006	4,300,000	3,741,000	4,300,000	3,652,850
Class VIII	4 September 2006	87,000,000	75,690,000	87,000,000	75,690,000
Class IX	16 April 2007	40,000,000	34,800,000	40,000,000	34,000,000
		<u>260,300,000</u>	<u>226,461,000</u>	<u>260,300,000</u>	<u>226,922,850</u>

The Public Programme documentation prescribes that interest will be paid by DZB on the Initial Debt Securities held by the Funding Company. Such interest payments will, in turn, fund dividends paid by the Funding Company on the Preferred Securities held by the Company. Upon receipt, the Company has a contractual obligation to pay any cash flows received to the holders of the Notes without material delay under the terms of the relevant Notes. Each class of Notes issued by the Company is referenced to and limited in recourse to the performance of the corresponding class of Preferred Securities. The amount distributed on the Notes is referenced to and limited in recourse to the receipt of income on the corresponding class of Preferred Securities. This explains the agency role of the Company, and the need for the fair values of the assets to be equal to the fair values of the Notes.

The distributions paid on the Notes in the year are not recognised as the holders of the Notes are entitled to receive the cash flows generated from the Preferred Securities and so, through the pass-through arrangement, the Company has discharged its obligations to the holders of the Notes in accordance with IFRS 9.

Save for the above, the holders of the Notes have no legal right to participate in the profits of the Company. The holders of the Notes are unable to attend meetings of the Company and have no voting rights in the Company.

On 14 January 2021, the Directors of the Company have approved the redemption of the Notes. Refer to the Directors' report for further details.

General valuation method

The fair values of the Class VI, Class VII, Class I, Class VIII, and Class IX Notes are determined by using the quoted prices on the last trading day of the year.

The most recent trade for the Class VI Note was on 17 November 2020 (2019: 27 December 2019). The price of the trade was 87% (2019: 90%) of the nominal value of the Note with 10,000 units (2019: 20,000 units) traded.

The most recent trade for the Class VII Note was on 16 December 2020 (2019: 27 December 2019). The price of the trade was 87% (2019: 87%) of the nominal value of the Note with 15,000 units (2019: 10,000 units) traded.

The most recent trade for the Class I Note was on 4 December 2020 (2019: 30 December 2019). The price of the trade was 87% (2019: 84.95%) of the nominal value of the Note with 20,000 units (2019: 6,000 units) traded.

The most recent trade for the Class VIII Note was on 22 December 2020 (2019: 30 December 2019). The price of the trade was 87% (2019: 87%) of the nominal value of the Note with 47,000 units (2019: 2,000 units) traded.

The most recent trade for the Class IX Note was on 9 November 2020 (2019: 30 December 2019). The price of trade was 87% (2019: 85%) of the nominal value of the Note with 7,000 units (2019: 3,000 units) traded.

8 Financial risk management

Financial risk factors

The Company is not significantly exposed to market risk, credit risk, liquidity risk or fair value estimation due to the limited recourse features of the Preferred Securities and the Notes.

The risks and rewards associated with the Preferred Securities are assumed by the Company and simultaneously passed onto the Noteholders without material delay. Similarly, the interest and credit risks on the assets are passed on to the Noteholders. Credit risk from balances with banks is managed by the Company by carrying out transactions with banks of good standing and reputation. Besides, the Company manages its exposure to liquidity risks by effectively matching the terms of its assets to that of its liabilities. The obligations of the Company in respect of the Notes are limited in recourse and the Company has the benefit of bankruptcy remoteness provisions as stipulated in the Programme documentation. Hence, the Company retains no residual risk in respect of its financial instruments.

9 Fair values of financial instruments

IFRS 13 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs to value the Company's financial instruments. The hierarchy of inputs is summarised below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of a financial instrument's assigned level.

At the reporting date, the Preferred Securities and Notes are both considered to be level 2 in the fair value hierarchy as there is a low level of market activity regarding the trading of the Notes and the fair value of the Preferred Securities is derived from the Notes.

Following the announcement from DZB to redeem all its outstanding Tier 1 instruments in 2021, the market value of all instruments have increased approximately to their par values.

10 Capital management

Capital consists of equity attributable to the equity shareholders. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

11 Immediate and ultimate controlling party

Whilst the ordinary shares of the Company are owned by DZ BANK Perpetual Funding Issuer (Jersey) Charitable Trust for which Ocorian Trustees (Jersey) Limited acts as trustee, the Directors consider DZB both as the immediate controlling party and ultimate controlling party as the Company is deemed as a subsidiary of DZB for financial reporting purposes.

12 Related party transactions

Shane Michael Hollywood and Lisa Grant are also Directors of the Funding Company.

Corporate administration services are provided to the Company by Ocorian Limited, including the provision of the Company secretary, Ocorian Secretaries (Jersey) Limited and the Directors. Shane Michael Hollywood and Lisa Grant are Directors of Ocorian Secretaries (Jersey) Limited and Ocorian Trustees (Jersey) Limited. Shane Michael Hollywood is also a Director of Ocorian Limited.

All relevant expenses are borne and paid by DZB on behalf of the Company and are not rechargeable to the Company. DZB has undertaken to indemnify the Company and its Directors and Ocorian Trustees (Jersey) Limited in respect of any liability arising from the redemption of the securities. DZB will also bear any potential dissolution costs of the Company that will arise post redemption of the securities.

12 Related party transactions (continued)

Total fees borne by DZB on behalf of the Company and paid by DZB directly to Ocorian Limited during the year, amounted to €42,700 (£37,579) (2019: €45,252 (£39,314)). No fees borne by DZB on behalf of the Company were payable to Ocorian Limited at the end of the year (2019: €nil). The combined audit fees amounting to €60,990 (£55,000) (2019: €60,260 (£51,500)) of the Company and the Funding Company are also borne by DZB.

13 Events after the reporting period

On 12 January 2021, DZB announced that it will terminate and redeem all its outstanding Tier 1 instruments issued via special purpose vehicles, which include those held by the Company as it intends to align its capital structure in full with the current regulatory requirements for Additional Tier 1 Capital. The termination of the Tier 1 issuances will not affect DZ BANK Group's CET 1 ratio, and will have only very limited impact on further capital and liquidity ratios.

On 14 January 2021, it was noted that DZB has expressed its intention to redeem all securities issued under the Programme on 9 April 2021 (with respect of the First Transaction), 13 May 2021 (with respect of the Second Transaction), 17 March 2021 (with respect of the Third Transaction), 4 March 2021 (with respect of the Fourth Transaction) and 16 April 2021 (with respect of the Fifth Transaction) (the "Redemption Dates"), being the securities issued under each of the Transactions. The securities issued under each of the Transactions will be redeemed in the following order: DZB will redeem the Initial Debt Securities first, followed by the redemption of the Preferred Securities issued by the Funding Company, and ultimately the Notes issued by the Company.

Following the redemption of the last outstanding Tier 1 instruments in 2021, the Directors intend to dissolve the Company in a period of less than one year from the date of approving these financial statements. All expenses of the Company will continue to be borne by DZB with no recourse against the Company which includes any dissolution costs.