DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED

Directors' report and audited financial statements for the year ended 31 December 2010

Bedell Trust Company Limited
PO Box 75, 26 New Street
St. Helier, Jersey
Channel Islands, JE4 8PP

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 2010.

Incorporation

The Company was incorporated as a public limited liability 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 structured Tier I capital financing programme (the 'Programme'), arranged by and for DZ BANK AG Deutsche Zentral – Genossenschaftsbank, Frankfurt am Main ('DZB'). Under the Programme, the Company issues, from time to time, Tier I perpetual limited recourse securities (the 'Notes') up to a maximum aggregate principal amount of €1,000,000,000 (or its equivalent in any other currency).

The proceeds from the issuance of the Notes are used by the Company to purchase classes of preference shares (each a 'Preferred Security', together the '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 (the 'Initial Debt Securities'). The Preferred Securities issued by the Funding Company are on terms that reflect exactly those of the Initial Debt Securities. 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 is available for distribution to the holders of the Notes.

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 transferred for security purposes the relevant classes of Preferred Securities to the Collateral Agent.

The Notes are limited recourse obligations of the Company as detailed in the Programme documentation. Holders of the Notes have the right to receive payments of principal and interest on the Notes solely from redemption payments and distributions 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 Programme. A second issuance of Notes was made on 13 February 2006 ('Class VII'), a third issuance of Notes was made on 17 March 2006 ('Class I'), a fourth issuance of Notes was made on 4 September 2006, ('Class VIII'), a fifth issuance of Notes was made on 16 April 2007 ('Class IX'), a sixth issuance of Notes was made on 4 September 2007 ('Class X') and a seventh issuance of Notes ('Class II') was made on 24 September 2008. As at the date of approving these financial statements the Company has only redeemed the Class X Notes.

Interest received by the Funding Company from DZB on the Initial Debt Securities is used to fund the dividends payable by the Funding Company on the Preferred Securities held by the Company. The payment of such dividends is subject to the satisfaction of certain financial tests (the 'Conditions to Dividends') detailed in the statement of rights (the 'Statement of Rights') for each class of Preferred Security. The Conditions to Dividends include, among others, satisfaction of certain financial tests relating to DZB and DZ BANK Group.

An amendment to the Statements of Rights of the Preferred Securities of Class I, VI, VII, VIII and IX was passed on 5 June 2009 (the 'Amendment') with respect to each payment date falling within an exceptional period from 24 June 2009 to 27 May 2010 (the 'Exceptional Period'). During the Exceptional Period and pursuant to the Amendment, the group annual profit test did not need to be fulfilled as part of the Conditions to Dividend and unless otherwise notified by DZB as holder of the relevant parent preferred security of the Funding Company, the directors of the Funding Company were entitled to declare a dividend on the Preferred Securities at their discretion if all other Conditions to Dividends have been met.

On 27 May 2010, a DZB shareholders meeting was held and the group annual profit test in relation to the financial year ended 31 December 2009 was fulfilled.

Directors

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

Shane Michael Hollywood
Alasdair James Hunter

Secretary

The Secretary of the Company during the year and subsequently, is:

Bedell Secretaries Limited

Results and dividends

The results for the year are shown in the Company's statement of comprehensive income on page 8.

The directors have paid interim dividends of €16,282,675 to the holders of the Notes in respect of the year ended 31 December 2010 (2009: €31,474,825). The directors have not paid interim dividends on the ordinary shares in respect of the year ended 31 December 2010 (2009: €nil).

The directors recommend the payment of a final dividend amounting to €1,000 in respect of the ordinary shares for the year ended 31 December 2010 (2009: €nil). The directors do not recommend the payment of a final dividend in respect of the Notes for the year ended 31 December 2010 (2009: €nil).

Independent auditor

The auditor of the 2010 financial statements, Ernst & Young LLP, has indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the next annual general meeting.

Going concern

The 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 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. After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Principal risks

As highlighted in note 11 to the financial statements, the Company is a special purpose bankruptcy remote financial vehicle therefore exposure to risk in relation to capital management is not considered significant. The financial risk management objectives and exposures of the Company to market risk, credit risk, liquidity risk and fair value estimation are also disclosed in note 11.

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, as amended, 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 prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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, as amended. 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 - Bedell Secretaries Limited

.........2 8 MAR 2011...
Date

Registered Office

26 New Street
St Helier
Jersey
JE2 3RA

The directors' responsibility statement has been included in the financial statements pursuant to the requirements of Article 3(2)(c) of the Luxembourg law of 11 January 2008 relating to the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

To the best of their knowledge, the directors confirm that the financial statements for the year ended 31 December 2010, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

To the best of their knowledge, the directors confirm that the financial statements for the year ended 31 December 2010 include a fair review of important events that have occurred during the year ended 31 December 2010 and their impact on the financial statements, together with a description of the principal risks and uncertainties for the year as disclosed in note 11.

Signed on behalf of the board of directors by:

....
Director

Date: 28-03-2011.

ERNST & YOUNG

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

We have audited the financial statements of DZ Bank Perpetual Funding Issuer (Jersey) Limited for the year ended 31 December 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

ERNST & YOUNG

Matters on which we are required to report by exception

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

- proper accounting records have not been kept, 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 accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

G. Davies

Geraint Davies, ACA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
Date: 29 March 2011

	Notes	2010 €	2009 €
Income			
Income receivable on the Preferred Securities	4	**16,282,675**	31,474,825
Foreign exchange gain		**147**	296
Profit for the year		**16,282,822**	31,475,121
Other comprehensive income			
Increase in the fair value of the Preferred Securities	9	**18,200,000**	104,050,000
Total comprehensive income for the year		**34,482,822**	135,525,121

The notes on pages 12 to 21 are an integral part of these financial statements.

	Notes	2010 €	2009 €
ASSETS			
Non-current assets			
Preferred Securities	6	**463,150,000**	444,950,000
Current assets			
Cash and cash equivalents		**4,030**	3,883
Total assets		**463,154,030**	444,953,883
EQUITY			
Share capital	7	**2**	2
Notes	8	**560,000,000**	560,000,000
Revaluation reserve	9	**(96,850,000)**	(115,050,000)
Retained earnings		**4,028**	3,881
Total equity		**463,154,030**	444,953,883

The financial statements on pages 8 to 21 were approved by the board of directors and authorised for issue on 28 March 2011, and signed on its behalf by:

....
Director - Shane Michael Hollywood

....
Director - Alasdair James Hunter

The notes on pages 12 to 21 are an integral part of these financial statements.

	Share capital	Retained earnings	Revaluation reserve	Notes	Total
	€	€	€	€	€
Balance at 1 January 2009	2	3,585	(219,100,000)	560,000,000	340,903,587
Profit for the year	-	31,475,121	-	-	31,475,121
Other comprehensive income					
Increase in the fair value of the Preferred Securities	-	-	104,050,000	-	104,050,000
Total comprehensive income for the year ended 31 December 2009	-	31,475,121	104,050,000	-	135,525,121
Transactions with owners:					
Distributions paid on the Notes	-	(31,474,825)	-	-	(31,474,825)
Balance at 31 December 2009	2	3,881	(115,050,000)	560,000,000	444,953,883

	Share capital	Retained earnings	Revaluation reserve	Notes	Total
Balance at 1 January 2010	2	3,881	(115,050,000)	560,000,000	444,953,883
Profit for the year	-	16,282,822	-	-	16,282,822
Other comprehensive income:					
Increase in the fair value of the Preferred Securities	-	-	18,200,000	-	18,200,000
Total comprehensive income for the year ended 31 December 2010	-	16,282,822	18,200,000	-	34,482,822
Transactions with owners:					
Distributions paid on the Notes	-	(16,282,675)	-	-	(16,282,675)
Balance at 31 December 2010	2	4,028	(96,850,000)	560,000,000	463,154,030

The notes on pages 12 to 21 are an integral part of these financial statements.

	Notes	**2010 €**	2009 €
Cash flows generated from operating activities	10	**147**	296
Cash flows from investing activities			
Income received on the Preferred Securities	4	**16,282,675**	31,474,825
Net cash flows generated from investing activities		**16,282,675**	31,474,825
Cash flows from financing activities			
Distributions paid on the Notes	5	**(16,282,675)**	(31,474,825)
Net cash flows used in financing activities		**(16,282,675)**	(31,474,825)
Net increase in cash and cash equivalents		**147**	296
Cash and cash equivalents at start of the year		**3,883**	3,587
Cash and cash equivalents at end of the year		**4,030**	3,883

The notes on pages 12 to 21 are an integral part of these financial statements.

1 General information

The Company is a public limited company incorporated in Jersey, Channel Islands. The principal activities of the Company are described in the directors' report.

2 Accounting policies

Statement of compliance

The financial statements for the year ended 31 December 2010 on pages 8 to 21 have been prepared in accordance with accounting principles generally accepted in the island of Jersey, incorporating IFRS adopted by the International Accounting Standards Board.

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the revaluation of the Preferred Securities.

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

A summary of the more important policies in dealing with items that are considered material to the Company are shown below:

Going concern

The 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 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. After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised standard

At the date of authorisation of these financial statements, the following standard which has been applied in these financial statements was in issue and effective:

- 2009 Improvements to IFRS (effective from 1 April 2009) (the '2009 Improvements').

The directors consider that the adoption of the 2009 Improvements has not had a significant impact upon the Company.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures (amended) (effective 1 July 2011) ('IFRS 7 (amended) 1 July 2011');
- IFRS 9 Financial Instruments (effective 1 January 2013) ('IFRS 9');
- IAS 24 Related Party Disclosures (effective 1 July 2011) ('IAS 24'); and
- 2010 Improvements to IFRS (majority effective from 1 January 2011) (the '2010 Improvements').

2 Accounting policies (continued)

Standards and interpretations in issue not yet adopted (continued)

The directors anticipate that the adoption of IFRS 7 (amended) 1 July 2011, IFRS 9, IAS 24 and the 2010 Improvements will not have a significant impact upon the results of the Company, but will impact on the disclosures of the Company.

The directors have reviewed and considered all other 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 other 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 financial statements of the Company.

Critical judgements and accounting estimates

The preparation of these financial statements requires the directors to make 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The only significant judgements relate to the fair values of financial instruments as highlighted in note 11 to the financial statements.

Financial instruments

In pursuing its objectives as a special purpose bankruptcy remote financing vehicle, the Company holds or has issued a number of financial instruments. These comprise:

- Preferred Securities;
- Cash and cash equivalents; and
- Notes.

The Preferred Securities are recognised as available-for-sale financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'). Available-for-sale financial assets are measured at fair value with fair value gains or losses recognised directly in equity. The Company has recognised the Preferred Securities as available-for-sale financial assets as the Preferred Securities are not classified as loans and receivables, held-to-maturity investments, are not held for trading and have not been designated as at fair value through profit or loss on initial recognition.

After initial measurement available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the available-for-sale financial asset is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in the statement of comprehensive income.

Due to their nature the directors consider that the fair value of the Preferred Securities approximates to the fair value of the Notes.

2 Accounting policies (continued)

Financial instruments (continued)

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Evidence of impairment may include the failure of the Funding Company to make interest payments on the Preferred Securities, notice of default or bankruptcy by DZB or other indications that DZB is unlikely to meet its obligations under the Initial Debt Securities as they fall due.

As at the date of signing these financial statements the directors are not aware of any triggers to suggest that an impairment is necessary.

The Notes issued by the Company have been recognised as equity instruments under IAS 32 Financial Instruments: Presentation. The fair value of the Notes with the exception of the Class II Notes is determined by the use of quoted market values. The Class II Notes are unlisted and their fair value is determined by the use of discounted cash flows.

Recognition and derecognition of financial assets and liabilities

The Company initially recognises financial assets and liabilities on the date at which they are originated. Purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the date on which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

Fair value

Further to the issuance of amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 January 2009) ('IFRS 7 (amended) 1 January 2009'), a hierarchal disclosure framework has been established which prioritises and ranks the level of market price observability used in measuring financial instruments at fair value.

Market price observability is impacted by a number of factors, including the type of financial instrument and the characteristics specific to that type of financial instrument. Financial instruments with readily available quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I - An adjusted quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available. As required by IFRS 7 Financial Instruments: Disclosures, the Company will not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price;

- Level II - Inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies; or

- Level III - Inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

2 Accounting policies (continued)

Fair value (continued)

The fair values of the Preferred Securities (with the exception of the Class II Preferred Security) have been categorised according to the IFRS 7 (amended) 1 January 2009 fair value hierarchy as level I. The fair values of the level I Preferred Securities are based on the quoted market prices of their equivalent class of Notes, due to the economic terms of the two financial instruments being identical.

The fair value of the unlisted Class II Preferred Security is determined by the use of discounted cash flows and is categorised according to the IFRS 7 (amended) 1 January 2009 fair value hierarchy as level II. The discounted rates used for the Class II Preferred Security are imputed using inputs from the quoted market values of the listed Notes.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions. As at 31 December 2010 the Company held no cash equivalents. Cash and cash equivalents are recorded at amortised cost.

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 period in which they arise.

Revenue recognition

Income receivable on the Preferred Securities is recognised when the Company's contractual right to receive payment of the income is established.

Expenses

All expenses of the Company are borne by DZB with no recourse against the Company.

Dividends

Under IAS 10 Events after the Reporting Period ('IAS 10'), proposed dividends are not considered to be a liability until the dividends are approved and declared by the directors of a company for interim dividends or the shareholders of a company, at the annual general meeting, for final dividends. Under IAS 10 dividends are recorded in the period in which they are declared.

3 Taxation

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

4 Income receivable on the Preferred Securities

		2010 €	2009 €
Class VI	3 month Euribor + 1.10%	**927,500**	1,907,000
Class VII	3 month Euribor + 0.80%	**1,573,000**	2,966,000
Class I	3 month Euribor + 1.00%	**176,400**	276,100
Class VIII	3 month Euribor + 0.80%	**1,571,000**	2,749,000
Class IX	3 month Euribor + 0.50%	**626,000**	1,550,000
Class II	12 month Euribor +3.25%	**11,408,775**	22,026,725
		16,282,675	31,474,825

5 Distributions paid on the Notes

	2010 €	2009 €
Class VI	**927,500**	1,907,000
Class VII	**1,573,000**	2,966,000
Class I	**176,400**	276,100
Class VIII	**1,571,000**	2,749,000
Class IX	**626,000**	1,550,000
Class II	**11,408,775**	22,026,725
	16,282,675	31,474,825

The amount distributed on the Notes is referenced to and limited in recourse to the receipt of income on the corresponding series of Preferred Securities issued by the Funding Company. Such payments are non-cumulative.

6 Preferred Securities

	Cost 1 January 2010	Movement in the year €	Cost 31 December 2010 €	Fair value 31 December 2010 €	Fair value 31 December 2009 €
Level one					
Class VI	50,000,000	-	**50,000,000**	**35,000,000**	35,000,000
Class VII	100,000,000	-	**100,000,000**	**69,000,000**	62,000,000
Class I	10,000,000	-	**10,000,000**	**6,900,000**	6,200,000
Class VIII	100,000,000	-	**100,000,000**	**69,000,000**	62,000,000
Class IX	50,000,000	-	**50,000,000**	**34,500,000**	31,000,000
	310,000,000	-	**310,000,000**	**214,400,000**	196,200,000
Level two					
Class II	250,000,000	-	**250,000,000**	**248,750,000**	248,750,000
	560,000,000	-	**560,000,000**	**463,150,000**	444,950,000

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

6 Preferred Securities (continued)

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 Security is supported by DZB through a subordinated support undertaking.

Level I Preferred Securities

The fair values of the class VI, class VII, class I, class VIII and class IX Preferred Securities are determined by the use of the market values of the respective Notes.

Level II Preferred Securities

General valuation method

The fair value of the class II Preferred Security is determined by the use of the discounted cash flows calculated on the unlisted class II Notes. The discounted rates used for the class II Preferred Security are imputed using inputs from the quoted market values of the listed Notes shown in level I.

Class II

Initially the calculation of the fair value for the class II Preferred Security was determined using the average discount margin of 320 basis points ('bps') of the listed Notes shown in level I. The fair value of the class II Preferred Security was calculated until the first call on 24 September 2013 when the coupon steps up by 100 bps from 12 month Euribor + 325 bps to 12 month Euribor + 425 bps. The fair value generated by this valuation method was above par. In the opinion of DZB the fair value generated by this method was not a fair reflection of the market price as at 31 December 2010.

The fair value of the Class II Preferred Security was instead determined using the discount margin of 326 bps, which in the opinion of DZB is in line with the average discounted margin of 320 bps of the listed Notes shown in level I. The fair value generated was 99.50%.

Impairment

Evidence of the need to impair the Preferred Securities may include the failure of the Funding Company to make dividend payments on the Preferred Securities, DZB failing to make interest payments on the Initial Debt Securities purchased by the Funding Company, notice of default or bankruptcy by DZB or other indications that DZB is unlikely to meet its obligations under the Initial Debt Securities as they fall due. As at the date of signing these financial statements the directors are unaware of any triggers to suggest that any impairments are necessary.

7 Share capital

	2010	2009
	€	€
Authorised:		
2 ordinary shares of €1 each	2	2
Issued and fully paid:		
2 ordinary shares of €1 each	2	2

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.

8 Notes

	Issue date	2010 €	2009 €
Class VI	9 January 2006	**50,000,000**	50,000,000
Class VII	13 February 2006	**100,000,000**	100,000,000
Class I	17 March 2006	**10,000,000**	10,000,000
Class VIII	4 September 2006	**100,000,000**	100,000,000
Class IX	16 April 2007	**50,000,000**	50,000,000
Class II	24 September 2008	**250,000,000**	250,000,000
		560,000,000	560,000,000

In accordance with IFRS, the Notes are classified as equity financial instruments. This classification is based on the following:

- The Notes are perpetual, with no scheduled maturity date;
- The holders of the Notes are unable to request the redemption of the Notes;
- The directors have complete discretion whether or not to make distributions on the Notes, except that, when pass-through funds are not received from the Funding Company on their payment date, the directors are contractually prevented from making distributions in accordance with the terms of the Notes; and
- The holders of the Notes can only demand settlement of the obligation in the event of the liquidation of the Company.

The 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 income paid by the Funding Company on the Preferred Securities held by the Company. Upon receipt, the Company will then be in a position to make the distribution payments 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.

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.

9 Revaluation reserve

	2010 €	2009 €
Balance at 1 January	**(115,050,000)**	(219,100,000)
Increase in the fair value of the Preferred Securities	**18,200,000**	104,050,000
Balance as at 31 December	**(96,850,000)**	(115,050,000)

10 Cash flows from operating activities

	2010	2009
	€	€
Profit for the year	**16,282,822**	31,475,121
Income received on the Preferred Securities	**(16,282,675)**	(31,474,825)
Net cash generated from operating activities	**147**	296

11 Financial instruments

In pursuing its objectives as a special purpose bankruptcy remote financing vehicle, the Company holds or has issued a number of financial instruments. These comprise:

- Preferred Securities;
- Cash and cash equivalents; and
- Notes.

The Company is exposed to the following risks in relation to the financial instruments it holds:

(a) Market risk

The Company's exposure to market risk is comprised of the following risks:

(i) Foreign Exchange risk

All assets and liabilities (with the exception of cash and cash equivalents amounting to £3,471 (2009: £3,471) are denominated in €, the same currency as the currency of the operations of the Company. In the opinion of the directors there is no material exchange rate risk to the Company therefore no currency risk sensitivity table has been prepared.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The financial instruments of the Company are susceptible to price risk arising from uncertainties about their future values.

The obligations of the Company are limited in recourse as detailed in the Programme documentation and the Company is structured so as to be bankruptcy remote. In the opinion of the directors there is no material price risk to the Company therefore no price risk sensitivity table has been prepared.

(iii) Interest rate risk

Interest rate risk can only arise on the mismatch in the interest rate profiles of the financial assets and financial liabilities of the Company. The Company has no interest bearing financial liabilities (given that the Notes are classified as equity under IFRS).

Pursuant to the Programme documentation the dividends received on the each class of Preferred Security will be passed in full to the holder of the related class of Notes. Therefore the interest rate risks are borne by the holders of the Notes, who as sophisticated investors, are aware of the inherent interest rate risk relating to the Notes. In the opinion of the directors the Company does not retain any material adverse interest rate risk therefore no sensitivity analysis has been prepared.

11 Financial instruments (continued)

(b) Credit risk

The primary credit risk is the Company will not receive principal and interest on the Preferred Securities from the Funding Company. The maximum credit risk exposure at 31 December 2010 is €560,004,030 (2009: €560,003,883).

As at the date of signing these financial statements DZB has confirmed that it intends to continue to fulfil its obligations under the Programme.

With respect to each class of Preferred Securities, DZB has entered into a subordinated support undertaking with the Company. Therefore holders of each class of Preferred Securities are likely to lose all or part of their investment if an insolvent liquidation, dissolution or winding up of DZB occurs.

The Programme documents are structured such that the obligations of the Company are limited in recourse as detailed in the Programme documentation and the Company has the benefit of contractual bankruptcy remoteness provisions. The credit risk is transferred to the holders of the Notes who receive a reduced amount of interest and principal amount. Accordingly in the opinion of the directors there is no residual credit risk to the Company.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company has no financial liabilities (given that the Notes are classified as equity under IFRS). The Notes are perpetual, with no scheduled maturity date and any payments on the Notes are made at the discretion of the directors of the Company.

The risk of illiquidity is reduced as the Programme documentation is structured such that the obligations of the Company are limited in recourse and the Company is structured so as to be bankruptcy remote. Therefore in the opinion of the directors, as the Notes are perpetual and the Company does not retain any liquidity risk no contractual maturity analysis has been prepared.

(d) Fair value estimation

The directors have considered the fair values of the Company's financial instruments. Due to their nature the directors consider that the fair value of the Preferred Securities approximates to the fair value of the Notes and have used the fair values of the Notes as the fair values of the Preferred Securities.

The fair value of the Notes with the exception of the Class II Notes is determined by the use of quoted market values. The Class II Notes are unlisted and their fair value is determined by the use of discounted cash flows. The discounted rates used for the Class II are imputed using inputs from the quoted market values of the listed Notes.

Underlying the definition of fair value (as defined by IAS 39) is a presumption that the Company is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value is not, therefore, the amount that the Company would receive or pay in a forced transaction, involuntary liquidation or distress sale. However, fair value reflects the credit quality of the financial assets and liabilities measured. The objective of using this valuation technique is to establish what the transaction price would have been at the balance sheet date in an arm's length exchange motivated by normal business considerations.

Given the limited recourse nature of the Programme, any differences between fair value and book value of the financial instruments would have no net effect on the net position of the Company.

	Cost 2010 €	**Fair value 2010 €**	Cost 2009 €	Fair value 2009 €
Preferred Securities	**560,000,000**	**463,150,000**	560,000,000	444,950,000
Cash and cash equivalents	**4,030**	**4,030**	3,883	3,883
Total	**560,004,030**	**463,154,030**	560,003,883	444,953,883

11 Financial instruments (continued)

(e) Capital management

Capital consists of equity attributable to the equity shareholders. The Company seeks to maintain at all times a prudent relationship between total capital and the risks of its business. 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.

12 Ultimate controlling party

The Company is owned by Bedell Trustees Limited, in its capacity as trustee of the DZ BANK Perpetual Funding Issuer (Jersey) Charitable Trust. The directors of the Company consider Bedell Trustees Limited in its capacity as trustee of the DZ BANK Perpetual Funding Issuer (Jersey) Charitable Trust to be the ultimate controlling party of the Company.

13 Related party transactions

During the year, the Company received €16,282,675 from the Funding Company by way of income on the Preferred Securities, as set out in note 4 above (2009: €31,474,825).

The directors of the Company are the Company's only key management personnel. The directors of the Company are also directors of Bedell Trustees Limited and Bedell Secretaries Limited. Shane Michael Hollywood is also a director of Bedell Trust Company Limited. During the year administration fees and costs totalling £24,748 (€28,333) were paid to Bedell Trust Company Limited, by DZB, on behalf of the Company (2009: £39,864 (€43,904)). As at the 31 December 2010 administration fees and costs totalling £899 (€1,043) were payable to Bedell Trust Company Limited, by DZB, on behalf of the Company (2009: £750 (€839)).

The directors of the Company are also directors of the Funding Company.