

DZ BANK Perpetual Funding Issuer (Jersey) Limited

Directors' report and unaudited interim condensed financial statements for the period from 1 January 2020 to 30 June 2020

OCORIAN

	Page
Directors' report	2
Directors' responsibility statement	5
Unaudited interim statement of comprehensive income	6
Unaudited interim statement of financial position	7
Unaudited interim statement of changes in equity	8
Unaudited interim statement of cash flows	9
Notes to the unaudited interim condensed financial statements	10

Directors' report

The Directors present their report together with the unaudited interim condensed financial statements of DZ BANK Perpetual Funding Issuer (Jersey) Limited (the 'Company') for the period from 1 January 2020 to 30 June 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 market 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 ('Eurobor') 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. 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 was made on 24 September 2008 ('Class II'). As at the date of approving these interim condensed financial statements the Company has fully redeemed the Class X Notes and 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.

Unrecognised financial instruments

The Preferred Securities, income receivable on the Preferred Securities and the liabilities on the Notes are not recognisable as financial instruments in accordance with International Financial Reporting Standard 9 Financial Instruments ('IFRS 9').

Directors' report (continued)

Directors

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

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

Secretary

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

Results and dividends

The results for the period are shown in the interim statement of comprehensive income on page 6.

The Directors have not paid interim dividends in respect of the period ended 30 June 2020 (31 December 2019: €nil).

In the period under review, the Directors paid a final dividend amounting to €nil in respect of the year ended 31 December 2019 (2018: €nil).

The Directors do not recommend the payment of a dividend in respect of the period ended 30 June 2020 (31 December 2019: €nil).

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.

The Directors have a reasonable expectation that the Company has adequate resources and support from DZB to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the interim condensed financial statements.

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 cannot be predicted. The Directors have considered the implications of the pandemic on the activities of Company. Due to the level of uncertainties resulting from the unpredictable outcome of this disease, it is not possible to reliably estimate the financial effect (if any) of the virus on the Company's operations and reported figures as at the period end.

The Directors are of the view that COVID-19 has not yet had any significant adverse effect on the activities of the Company at the current stage, however, they will continue to monitor the implications of the virus on the activities of the Company in the foreseeable future.

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 by 2 years until 31 December 2021. This means that Euribor, until its scheduled discontinuation at the end of 2021, can continue to be used.

Whilst the Directors continue to closely monitor developments in this area, including the transition plans of the Funding Company and the determination of an alternative reference rate for its Initial Debt Securities, the Directors do not expect this transition to have a significant impact on the Company and its activities going forward.

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 period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss 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: 14/8/20

Registered office

26 New Street
St Helier
Jersey
JE2 3RA

Directors' responsibility 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 4(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 Directors' responsibility statement has been included in the interim condensed financial statements.

- To the best of their knowledge, the Directors confirm that the interim condensed financial statements for the period from 1 January 2020 to 30 June 2020, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS 34'), 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 interim condensed financial statements for the period from 1 January 2020 to 30 June 2020 include a fair review of important events that have occurred during the period from 1 January 2020 to 30 June 2020 and their impact on the interim condensed financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the year as disclosed in note 9.

Signed on behalf of the Board of Directors by:


.....
Director - Shane Michael Hollywood

Date:

14/8/20

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Unaudited Interim Statement of comprehensive income
For the period from 1 January 2020 to 30 June 2020

	1 January 2020 to 30 June 2020 €	1 January 2019 to 30 June 2019 €
Income	-	-
Profit for the period	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	-	-

The notes on pages 10 to 14 are an integral part of these interim condensed financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Unaudited Interim Statement of financial position
As at 30 June 2020

	Note	Unaudited 30 June 2020 €	Audited 31 December 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 interim condensed financial statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors on 14 Aug 2020 and were signed on its behalf by:



 Shane Michael Hollywood
 Director



 Lisa Grant
 Director

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Unaudited Interim Statement of changes in equity
For the period from 1 January 2020 to 30 June 2020

	Stated capital €	Retained earnings €	Total €
Balance as at 1 January 2019	2	-	2
Profit/Total comprehensive income for the period	-	-	-
<i>Transactions with owners</i>			
Dividend paid	-	-	-
	<u>2</u>	<u>-</u>	<u>2</u>
Balance as at 30 June 2019			
	2	-	2
Profit/Total comprehensive income for the period	-	-	-
<i>Transactions with owners</i>			
Dividend paid	-	-	-
	<u>2</u>	<u>-</u>	<u>2</u>
Balance as at 30 June 2020			

The notes on pages 10 to 14 are an integral part of these interim condensed financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Unaudited Interim Statement of cash flows
For the period from 1 January 2020 to 30 June 2020

	Note	1 January 2020 to 30 June 2020 €	1 January 2019 to 30 June 2019 €
Net cash flows generated from operating activities	8	-	-
Cash flows from financing activities			
Dividend paid		-	-
Net cash flows from financing activities		-	-
Net movement in cash and cash equivalents in the period		-	-
Cash and cash equivalents at beginning of the period		<u>2</u>	<u>2</u>
Cash and cash equivalents at the end of the period		<u>2</u>	<u>2</u>

The notes on pages 10 to 14 are an integral part of these interim condensed 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

(a) Statement of compliance

The interim condensed financial statements for the period from 1 January 2020 to 30 June 2020 on pages 6 to 14 have been prepared in accordance with IAS 34.

(b) Basis of preparation

The interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2019.

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

The same accounting policies and methods of computation are followed in the interim condensed financial statements as used in the Company's annual financial statements for the year ended 31 December 2019.

(c) 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. DZB undertakes to meet all expenses of the Company.

As described in the Directors' report, the Directors have considered a wide range of information in their going concern assessment to conclude that it is appropriate to prepare the Company's interim condensed financial statements on a going concern basis.

(d) New and amended standards and interpretations

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

Standards, amendments and interpretations issued but not yet effective

The Directors have reviewed and considered all standards, amendments and interpretations issued but not yet effective as at the date the interim condensed financial statements are authorised for use. 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 interim condensed financial statements of the Company.

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 period of assessment (2019: 0%).

4 Income receivable on the Preferred Securities

The income receivable on the Preferred Securities purchased by the Company is not recognised in the statement of comprehensive income as such income is due and payable to the holders of the Notes without material delay. The following information is presented in the interim condensed financial statements in order to provide information to the reader.

		Unaudited	Unaudited
		1 January	1 January
		2020	2019
		to	to
		30 June	30 June
	Interest rates	2020	2019
		€	€
Class VI	3 month Euribor + 1.10%	158,850	179,100
Class VII	3 month Euribor + 0.80%	169,680	206,640
Class I	3 month Euribor + 1.00%	12,814	15,007
Class VIII	3 month Euribor + 0.80%	169,650	214,020
Class IX	3 month Euribor + 0.50%	19,600	38,000
		<u>530,594</u>	<u>652,767</u>

5 Preferred Securities

The Preferred Securities are not recognised in the statement of financial position. The following information is presented in the interim condensed financial statements in order to provide information to the reader and is based on the scheduled principal amount receivable at maturity. 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.

	Unaudited	Unaudited	Audited	Audited
	30 June	30 June	31 December	31 December
	2020	2020	2019	2019
	Cost	Fair value	Cost	Fair value
	€	€	€	€
Preferred Securities:				
Class VI	45,000,000	37,800,000	45,000,000	40,500,000
Class VII	84,000,000	70,560,000	84,000,000	73,080,000
Class I	4,300,000	3,526,000	4,300,000	3,652,850
Class VIII	87,000,000	73,080,000	87,000,000	75,690,000
Class IX	40,000,000	33,600,000	40,000,000	34,000,000
	<u>260,300,000</u>	<u>218,566,000</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.

5 Preferred Securities (continued)

The fair value of the Preferred Securities are derived from using quoted prices of the corresponding Notes on the last trading day of the period under review, 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 Stated capital

	Unaudited 30 June 2020 €	Audited 31 December 2019 €
Authorised:		
2 ordinary shares of €1.00 each	<u>2</u>	<u>2</u>
Issued 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

The Notes are not recognised in the statement of financial position. The following information is presented in the interim condensed 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.

		Unaudited 30 June 2020 Principal amount €	Unaudited 30 June 2020 Fair value €	Audited 31 December 2019 Principal amount €	Audited 31 December 2019 Fair value €
Class VI	9 January 2006	45,000,000	37,800,000	45,000,000	40,500,000
Class VII	13 February 2006	84,000,000	70,560,000	84,000,000	73,080,000
Class I	17 March 2006	4,300,000	3,526,000	4,300,000	3,652,850
Class VIII	4 September 2006	87,000,000	73,080,000	87,000,000	75,690,000
Class IX	16 April 2007	40,000,000	33,600,000	40,000,000	34,000,000
		<u>260,300,000</u>	<u>218,566,000</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.

7 Notes (continued)

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 period 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.

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 period under review.

8 Cash flows generated from operating activities

Reconciliation of operating profit to net cash flows generated from operating activities:

	Unaudited 1 January 2020 to 30 June 2020 €	Unaudited 1 January 2019 to 30 June 2019 €
Profit for the period	-	-
Net cash flows generated from operating activities	-	-

9 Financial risk management

Financial risk factors

In the opinion of the Directors, the Company is not exposed to market risk, credit risk, liquidity risk or fair value estimation and disclosures on financial instruments and associated risks are not necessary due to the limited recourse features of the Preferred Securities and the Notes.

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 period. The Company is not subject to externally imposed capital requirements.

10 Ultimate controlling party

The Directors consider Ocorian Trustees (Jersey) Limited, in its capacity as trustee of the DZ BANK Perpetual Funding Issuer (Jersey) Charitable Trust, as the Company's holding company and DZB as its ultimate controlling party.

Under IFRS 10, the Company is consolidated by DZB as it is deemed to be a subsidiary for financial reporting purposes.

11 Related party transactions

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. Shane Michael Hollywood is also a Director of Ocorian Limited. The Directors' fees are included in the fee expense payable to Ocorian Limited.

All relevant expenses are borne and paid by DZB on behalf of the Company and are not rechargeable to the Company.

Total fees borne by DZB on behalf of the Company and paid by DZB directly to Ocorian Limited during the period amounted to €16,475 (£19,159) (30 June 2019: €25,001 (£22,431)). No fees borne by DZB on behalf of the Company were payable to Ocorian Limited, at the period end (30 June 2019: €nil).

Legal services are provided to the Company by Bedell Cristin, from time to time.

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