

DZ BANK Perpetual Funding Issuer (Jersey) Limited

**Annual Report and Financial Statements for the year
ended 31 December 2019**

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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 2019.

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 ('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 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.

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.

Directors' report (continued)

Principal activities (continued)

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.

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
Richard Charles Germain

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 11.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: €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 has previously been appointed and has expressed willingness to continue in office. A resolution to reappoint Ernst & Young LLP as auditor will be proposed at the next annual general meeting.

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. After making enquires, 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 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.

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 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;
- specify the generally accepted accounting principles that have been adopted in their preparation; 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: 31 January 2020

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 Richard Charles Germain.

- 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 2019 include a fair review of important events that have occurred during the year ended 31 December 2019 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 gives a true and fair view 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 Michael Hollywood

Date: 31 January 2020

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 2019 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 12, 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 2019 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Overview of our audit approach

Key audit matter	<ul style="list-style-type: none"> The application of derecognition principles may be inappropriate.
Materiality	<ul style="list-style-type: none"> Overall materiality of €1,134.614 which represents 0.5% of total assets before derecognition.

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 (€226,922,850, 2018: €222,935,000), and Notes (€226,922,850, 2018: €222,935,000)</p> <p><i>Refer to the Accounting policies (pages 15-16); and Notes 5 and 7 of the Financial Statements (pages 17-19)</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)**

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.

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 €1,134,614 (2018: €1,114,675), which is 0.5% (2018: 0.5%) of the total assets before derecognition. We believe that the total assets provides 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% (2018: 75%) of our planning materiality, namely €850,961 (2017: €836,006). We have set performance materiality at this percentage due to the low level of audit differences 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 €56,731 (2018: €56,733), 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 1 to 4 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

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 statement of directors' responsibilities set out on page 5, 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.

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.

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

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
31 January 2020

Notes:

1. The maintenance and integrity of the DZ BANK AG website, in which all information regarding the Company is housed, is the responsibility of the directors of DZ BANK Perpetual Funding Issuer (Jersey) Limited; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of comprehensive income
For the year ended 31 December 2019

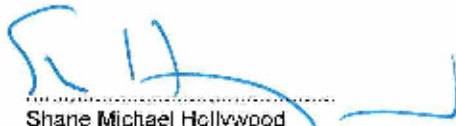
	2019 €	2018 €
Income	-	-
Profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-

The notes on pages 15 to 20 are an integral part of these financial statements

DZ BANK Perpetual Funding Issuer (Jersey) Limited
Statement of financial position
As at 31 December 2019

	Note	2019 €	2018 €
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 11 to 20 were approved and authorised for issue by the Board of Directors on 31 January 2020, and were signed on its behalf by:


Shane Michael Hollywood
Director

The notes on pages 15 to 20 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 2019

	Stated capital €	Retained earnings €	Total €
Balance as at 1 January 2018	2	-	2
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners	-	-	-
Balance as at 31 December 2018	<u>2</u>	<u>-</u>	<u>2</u>

	Stated capital €	Retained earnings €	Total €
Balance as at 1 January 2019	2	-	2
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners	-	-	-
Balance as at 31 December 2019	<u>2</u>	<u>-</u>	<u>2</u>

The notes on pages 15 to 20 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 2019

	31 December 2019	31 December 2018
Note	€	€
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 15 to 20 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 2019 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 under the historical cost convention.

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

(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.

After making enquires, 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 financial statements.

(d) 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 2019.

None of these standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 had a material effect on the financial statements of the Company.

(ii) New 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 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 financial statements of the Company.

(e) Cash and cash equivalents

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

(f) 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.

2 Accounting policies (continued)

(g) Expenses

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

(h) Income

Dividend income to the Company is used to finance amounts payable to the Noteholders.

(i) 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.

(j) Critical accounting estimates and judgements

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 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 or derecognition of its financial instruments. In the opinion of the Directors, the Company is required by IFRS 9 not to recognise its principal financial 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 in a principal capacity. 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. 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 (2018: 0%).

4 Income receivable on the Preferred Securities

As outlined in note 2(j), 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.

	2019 €	2018 €
Class VI	354,150	352,800
Class VII	397,320	404,040
Class I	29,025	29,369
Class VIII	400,200	420,210
Class IX	<u>71,200</u>	<u>70,400</u>
	<u>1,251,895</u>	<u>1,276,819</u>

5 Preferred Securities

As outlined in note 2(j), 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 2019 €	Fair value 2019 €	Principal amount 2018 €	Fair value 2018 €
Class VI	9 January 2006	45,000,000	40,500,000	45,000,000	41,400,000
Class VII	13 February 2006	84,000,000	73,080,000	84,000,000	75,600,000
Class I	17 March 2006	4,300,000	3,652,850	4,300,000	3,655,000
Class VIII	4 September 2006	87,000,000	75,690,000	87,000,000	73,080,000
Class IX	16 April 2007	<u>40,000,000</u>	<u>34,000,000</u>	<u>40,000,000</u>	<u>29,200,000</u>
		<u>260,300,000</u>	<u>226,922,850</u>	<u>260,300,000</u>	<u>222,935,000</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 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

	2019 €	2018 €
Authorised:		
2 ordinary shares of €1.00 each	2	2
Issued and fully paid:		
2 ordinary shares of €1.00 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.

7 Notes

As outlined in note 2(j), the Notes 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 2019 €	Fair value 2019 €	Principal amount 2018 €	Fair value 2018 €
Class VI	9 January 2006	45,000,000	40,500,000	45,000,000	41,400,000
Class VII	13 February 2006	84,000,000	73,080,000	84,000,000	75,600,000
Class I	17 March 2006	4,300,000	3,652,850	4,300,000	3,655,000
Class VIII	4 September 2006	87,000,000	75,690,000	87,000,000	73,080,000
Class IX	16 April 2007	40,000,000	34,000,000	40,000,000	29,200,000
		260,300,000	226,922,850	260,300,000	222,935,000

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.

7 Notes (continued)

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 year.

The most recent trade for the Class VI Note was on 27 December 2019 (2018: 28 December 2018). The price of the trade was 90% (2018: 92%) of the nominal value of the Note with 20,000 units (2018: 41,000 units) traded.

The most recent trade for the Class VII Note was on 27 December 2019 (2018: 28 December 2018). The price of the trade was 87% (2018: 90%) of the nominal value of the Note with 10,000 units (2018: 11,000 units) traded.

The most recent trade for the Class I Note was on 30 December 2019 (2018: 27 June 2018). The price of the trade was 84.95% (2018: 85%) of the nominal value of the Note with 6,000 units (2018: 35,000 units) traded.

The most recent trade for the Class VIII Note was on 30 December 2019 (2018: 28 December 2018). The price of the trade was 87% (2018: 84%) of the nominal value of the Note with 2,000 units (2018: 23,000 units) traded.

The most recent trade for the Class IX Note was on 30 December 2019 (2018: 23 November 2018). The price of trade was 85% (2018: 73%) of the nominal value of the Note with 3,000 units (2018: 119,000 units) traded.

8 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.

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.

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 Ultimate controlling party

The Company is a wholly owned subsidiary of DZ BANK AG Deutsche Zentral – Genossenschaftsbank, Frankfurt am Main ('DZB') and is consolidated for financial reporting purposes by DZB.

12 Related party transactions

Shane Michael Hollywood and Richard Charles Germain 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 Richard Charles Germain are Directors of Ocorian Secretaries (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.

Total fees borne by DZB on behalf of the Company and paid by DZB directly to Ocorian Limited during the year, amounted to €45,252 (£39,314) (2018: €29,549 (£26,581)). Audit fees amounting to €60,260 (£51,500) (2018: €58,920 (£53,000)) of the Company are also borne by DZB.