



## **Deutsche Postbank Funding Trust II**

(a statutory trust formed under the Delaware Statutory Trust Act  
with its principal place of business in New York, NY, U.S.A.)

# **Financial Report**

## **For the period ended June 30, 2008**

pursuant to section 37w of the German Securities Trading Act (*Wertpapierhandelsgesetz*)

## Management Report

Deutsche Postbank Funding Trust II (the "Trust") was set up to issue Trust Preferred Securities, to issue a Trust Common Security to Deutsche Postbank AG (the "Bank") and to use all proceeds derived from such issuances to purchase Class B Preferred Securities issued by Deutsche Postbank Funding LLC II (the "Company").

The noncumulative trust preferred securities (the "Trust Preferred Securities"), liquidation preference amount €1,000 per security (the "Liquidation Preference Amount"), offered hereby represent preferred undivided beneficial ownership interest in the assets of Deutsche Postbank Funding Trust II, a statutory trust created under the laws of the State of Delaware, United States of America. One common security of the Trust will be owned by Deutsche Postbank AG. The assets of the Trust will consist solely of noncumulative Class B Preferred Securities issued by Deutsche Postbank Funding LLC II, a Delaware limited liability company which has the benefit of a support undertaking issued by Postbank. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities. The Company will invest the proceeds from the sale of the Class B Preferred Securities in subordinated debt obligations issued by Postbank

The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof. The Trust and the Company may redeem the Trust Preferred Securities and the Class B Preferred Securities, as the case may be, on the Initial Redemption Date scheduled to occur on December 23, 2009 or any Capital Payment Date, except upon the occurrence of certain tax and capital disqualification events.

Noncumulative Capital Payment will accrue on the Liquidation Preference Amount (i) from (and including) December 23, 2004 to but excluding December 23, 2009 (the Reset Date) at a fixed rate of 6.00 per cent, per annum, payable in arrears on December 23 of each year (including the Reset Date) and (ii) from and including the Reset Date, at the Floating Rate, payable annually in arrears on December 23 of each year, commencing December 23, 2010, provided that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of less than 3.75 per cent per annum or more than 10.00 per cent per annum.

Capital Payments on the Class B Preferred Securities are authorized to be declared and paid on any Capital Payment Date to the extent that:

- the Company has an amount of Operating Profits for the Capital Payment Period ending on the day immediately preceding such Capital Payment Date at least equal to the amount of such Capital Payments, and
- Postbank has Distributable Profits for the preceding fiscal year for which audited unconsolidated financial statements are available in an amount at least equal to the aggregate amount of such Capital Payments and all capital payments, dividends or other distributions on Parity Securities, if any, which Distributable Profits for the preceding fiscal year are allocated among Capital Payments and capital payments, dividends or other distributions on Parity Securities, pro rata.

The terms "Operating Profit", "Distributable Profits" and "Parity Securities" are described in detail in the Prospectus.

## Results of Operations

During the fiscal year 2008, the Company and the Bank had sufficient Operating Profit and Distributable profits, respectively to make Capital Payments at the Stated Rate and the Trust received Capital Payments from the Company at such rate and when due under the LLC Agreement. As a consequence, under the Trust Agreement the Trust made Capital Payments on the Trust Preferred Securities at such rate at the scheduled date. The Trust made no payments or other distributions on the Trust Common Security.

Under the Services Agreement, the Bank is obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust, to maintain compliance with all applicable U. S. and German local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the Trust. The fees and expenses of the Trust and all other obligations of the Trust will be paid by the Bank. During the first halfyear 2008 the Trust received all such services and the Bank paid such fees, expenses and obligations as provided in the Services Agreement.

Net income in fiscal year 2008 was 18 euro.

## Risk Report

The Trust is affected mainly by market price, credit and liquidity risk. Market price, credit and liquidity risks are managed by Postbank Group

### *Market risk*

Market risk denotes the potential risk that may lead to losses in financial transactions due to changes in interest rates, spreads, volatilities, commodity prices, exchange rates, and equity prices.

The market risk in form of interest rate risk is compensating between the asset and liability side. Therefore, the implementation of a sensitivity analysis is not economically.

#### *Liquidity risk*

Liquidity risk is defined as the risk of being unable to meet its current or future payment obligations, either in the full amount due, or as they fall due.

Since are the terms of the assets and liabilities equal, the liquidity risk is compensating between the asset and liability side

#### *Credit risk*

The risk of possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating.

Credit risk is entirely indirectly LLC II opposite of the Postbank AG. The Postbank AG has investment grade rating. A default of Postbank AG is not expected.

#### **Outlook**

The source of Capital Payments by the Trust is payments by the Company on the Class B Preferred Securities. The Company has invested substantially all the proceeds from the issuance of its securities in the Initial Obligation issued by the Bank. Under the Initial Obligations, interest is paid at the Reference plus 0.01 per cent per annum and at the same dates as Capital Payments are scheduled under the Class B Preferred Securities. The Company is also a party to the Services Agreement with the Bank and receives similar services and payment of fees, expenses and obligations as the Trust. The Trust expects that the Company and the Bank will continue to meet their respective obligations under the Class B Preferred Securities, the Initial Obligation, the Services Agreement and the other agreements made in connection with the Trust Preferred Securities. For 2009 the Trust is expected a similar net profit as in 2008.

## Deutsche Postbank Funding Trust II

### Balance Sheet

Period ended June 30, 2008

<b>Assets</b>	2008.06.30	2007.12.31
	€	€
Cash reserve	905	60,939
Investment securities	500,001,000	500,001,000
Other assets	15,666,698	666,668
<b>Total Assets</b>	<b>515,668,603</b>	<b>500,728,607</b>
<b>Liabilities and Stockholders' Equity</b>		
Securitized liabilities	500,000,000	500,000,000
Accrued interest payable	15,666,667	666,667
Other Liabilities	922	60,862
<b>Total Liabilities</b>	<b>515,667,589</b>	<b>500,727,529</b>
<b>Stockholders' Equity</b>		
Common Stock, €1,000 stated value per share. Authorized, issued, and outstanding 1 share	1,000	1,000
Retained earnings	14	78
<b>Total liabilities and stockholders' equity</b>	<b>515,668,603</b>	<b>500,728,607</b>

See accompanying notes to financial statements

## Deutsche Postbank Funding Trust II

### Income Statement

Period ended June 30, 2008

	2008.06.30	2007.12.31
	€	€
Interest income	15,000,030	30,000,060
Interest expense	(15,000,086)	(30,000,033)
Net interest income	(56)	27
Other administrative expenses	(8)	(9)
Net income	(64)	18

See accompanying notes to financial statements

**Deutsche Postbank Funding Trust II**

Statement of Changes in Equity

Period ended June 30, 2008

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2007	€ 1,000	78	1,078
Net Income		(64)	(64)
Balance at June 30, 2008	€ 1,000	14	1,014

See accompanying notes to financial statements

**Deutsche Postbank Funding Trust II**

Statement of Cash Flows

Period ended June 30, 2008

	2008.06.30	2007.12.31
	€	€
Cash flows from operating activities		
Net income	(64)	18
Changes in working capital after adjustment for non-cash components	(59,970)	34,301
Net cash used in operating activities	<u>(60,034)</u>	<u>34,319</u>
Cash and cash equivalents, beginning of period	60,939	26,620
Cash and cash equivalents, end of year	<u>905</u>	<u>60,939</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>86</u>	<u>30,000,033</u>
Cash received during the period for:		
Interest	<u>0</u>	<u>30,000,060</u>

See accompanying notes to financial statements

## Deutsche Postbank Funding Trust II

Notes to Financial Statements

Period ended June 30, 2008

### (1) Organization

Deutsche Postbank Funding Trust II (the "Trust") is a statutory business trust created on December 23, 2004 under the laws of the State of Delaware. The Trust was incorporated for the sole purpose of issuing EUR 500,000,000 of Trust Preferred Securities to investors and EUR 1,000 Trust Common Security to Deutsche Postbank AG. The proceeds from the issuance of the Trust Preferred Securities were used to purchase the capital stock from Deutsche Postbank Funding LLC II (the "Company"). The Trust does not engage in any business other than receiving and holding the capital stock, issuing the related Trust Preferred Securities, collecting dividends paid with respect to the capital stock, paying interest to the holders of the Trust Preferred Securities, and performing other obligations. The financial statements and all transactions entered into by the Trust and the Company are denominated in Euros.

Deutsche Postbank AG is the parent entity of the Trust. The Trust is included in the consolidated financial statements of the Postbank Group. The ultimate controlling party of the Trust is Deutsche Post AG.

### (2) Basis of Accounting

The financial statements constitute an annual financial report within the meaning of the Transparenzrichtlinie-Umsetzungsgesetz (TUG - Transparency Directive Implementing Act (section 37w of the WpHG - Securities Trading Act)) as of January 5, 2007.

Interest income represents the payments received or receivable from the subordinated note receivable from Deutsche Postbank AG and interest expense represents payments paid or payable from the issuance of preferred securities subject to mandatory redemption

The Trust is a grantor trust and, as such, is a simple trust. Simple trusts must pass through all items of income and deductions to the grantor. Therefore, the Trust has no taxable income and no requirement to record a tax expense.

The disclosures on risks from financial instruments (in accordance with IFRS 7) are presented in the Risk Report contained in the Management Report.

The Trust comprises only one segment that is why it waived the segment reporting in accordance with IAS 14.

## Deutsche Postbank Funding Trust II

Notes to Financial Statements



**(3) Summary of Significant Accounting Policies**

All assumptions, estimates and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective Standards, are regularly reassessed and based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances.

**(a) Investment securities**

The investment securities are classified as loans and receivables (LaR) in accordance with IAS 39.

Loans and receivables (LaR) portfolios are recognized at amortized cost in the balance sheet.

For the investment securities regarding the Fair Value disclosures present value estimates were used as they are not traded at an active market.

**(b) Liabilities**

Pursuant International Accounting Standards (IAS) 32, *Financial Instruments: Disclosure and Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*, the Trust Preferred Securities have been classified as liabilities and are described as "Preferred Securities Subject to Mandatory Redemption."

Liabilities debts are carried at amortized cost (IAS 39.47).

**(4) Preferred Securities Subject to Mandatory Redemption**

On December 23, 2004, the Trust issued EUR 500 Million of Trust Preferred Securities. The Trust Preferred Securities have no stated maturity, but are redeemable, in whole or in part, at the option of the Trust on December 23, 2009 (the "Initial Redemption Date") or after the Initial Redemption Date. Payment Dates occur on December 23 of each year. Holders of the Trust Preferred Securities will receive interest payments, on a noncumulative basis, accrue on the Liquidation Preference Amount (i) from (and including) December 23, 2004 to but excluding December 23, 2009 (the Reset Date) at a fixed rate of 6.00 per cent, per annum, payable in arrears on December 23 of each year (including the Reset Date) and (ii) from and including the Reset Date, at the Floating Rate, payable annually in arrears on December 23 of each year, commencing December 23, 2010, provided that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date.

## Deutsche Postbank Funding Trust II

Notes to Financial Statements

Period ended June 30, 2008

### (5) Related Party Transactions

Related party transactions consist of the Class B Preferred Securities dated December 23, 2004, which is with Deutsche Postbank Funding LLC II (the "Company"), an affiliated entity. The Securities is in the amount of €500,001,000. The Securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof. The Trust and the Company may redeem the Trust Preferred Securities and the Class B Preferred Securities, as the case may be, on the Initial Redemption Date scheduled to occur on December 23, 2009 or any Capital Payment Date, except upon the occurrence of certain tax and capital disqualification events.

The Securities bears interest (i) from (and including) December 23, 2004 to but excluding December 23, 2009 (the Reset Date) at a fixed rate of 6.00 per cent, per annum, payable in arrears on December 23 of each year (including the Reset Date) and (ii) from and including the Reset Date, at the Floating Rate, payable annually in arrears on December 23 of each year, commencing December 23, 2010, provided that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date.

All interest earned on the Securities is passed through to the holders of the Trust Preferred Securities in the form of interest payments.

The Securities receivable shall not be redeemable by the company prior to the maturity date except upon the occurrence of a Tax Event, a Regulatory Event or Investment Company Event (as defined in the Agreement). If the company redeems the subordinated note receivable, the Trust must redeem the Trust Preferred Securities under the redemption terms as stated in the Agreement. Any redemption of the Trust Preferred Securities, in whole or in part, will be at an amount equal to €1,000 per Trust Preferred Security and an amount equal to €1,000 per Trust Common Security, plus any additional amounts, if any, plus any accrued and unpaid Capital Payments for the then current Payment Period ending on the date of redemption (the "Redemption Price"). In the case of redemption upon the occurrence of a Trust Special Redemption Event (as defined in the Agreement), the Company Capital Securities would be distributed, after satisfaction of the claims of the creditors, if any, on a pro rata basis to the Holders of the Trust Preferred Securities and the Holder of the Trust Common Security in liquidation of such Holders' interest in the Trust.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Preferred Securities at the time outstanding shall, subject to certain limitations, be entitled to receive (a) the Company Capital Securities in an aggregate stated liquidation preference amount (as defined in the Agreement) on such Trust Securities and (b) pro rata based on the respective liquidation preference amounts of the Trust Securities, any other assets of the Trust.

A Tax Event means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in the United States or Germany, as appropriate, experienced in such matters, to the effect, that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the United States or Germany or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) ("Administrative Action") or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of issuance of the Company Securities and Trust Securities, there is more than an insubstantial risk that (a) the Trust or Company is or will be subject to more than a de minimus amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or an obligor on the Debt Securities would be obligated to pay additional amounts.

## Deutsche Postbank Funding Trust II

Notes to Financial Statements

Period ended June 30, 2008

A Regulatory Event means that, as a result of the occurrence of any amendment to, or change (including any change that has been adopted but has not yet become effective) in, the applicable banking laws of Germany (or any rules, regulations or interpretations thereunder, including rulings of the relevant banking authorities) or the guidelines of the Basle Committee for Banking Supervision, the Bank is not, or will not be, allowed to treat the Company Capital Securities as supplementary or Tier 2 regulatory capital for capital adequacy purposes on a consolidated basis.

An Investment Company Event means that the Bank will have requested and received an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than insubstantial risk that the Company or the Trust is or will be considered an "investment company" within the meaning of the Investment Company Act of 1940, as amended, as a result of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the date of the Agreement.

Deutsche Postbank Funding LLC II, an affiliated entity, pays all administrative expenses incurred by the Trust and the Company. In addition, Deutsche Postbank AG and the Company have entered into a support undertaking for the benefit of the Trust and the holders of the Trust Preferred Securities.

The common stock of the Trust is held by Deutsche Postbank AG, acting through its New York Branch. The common stock of the Company is held by Deutsche Postbank AG.

## Deutsche Postbank Funding Trust II

Notes to Financial Statements

Period ended June 30, 2008

### (6) Fair Value of Financial Instruments

International Financial Accounting Standards (IFRS) 7, *Financial Instruments: Disclosure*, requires the disclosure of fair value information about financial instruments for which it is practicable to estimate that value, whether or not the instrument is recognized in the statement of financial condition. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates of anticipated cash flows.

These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because comparisons to independent market quotes are not possible and assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated and, in many cases, these estimated fair values could not necessarily be realized in an immediate sale or settlement of the instruments.

The following are the estimated fair values of the Trust's financial instruments recognized on the statement of financial condition:

	June 30, 2008		December 31, 2007	
	Carrying amount (€)	Fair value (€)	Carrying amount (€)	Fair value (€)
Investment securities	500,001,000	298,766,133	500,001,000	308,141,639
Securitized liabilities	500,000,000	292,500,000	500,000,000	332,000,000

### (7) Related Parties


Name	Address
Deutsche Postbank AG	Friedrich-Ebert-Allee 114-126, 53113, Bonn, Germany
Deutsche Postbank Funding LLC II	230 Park Avenue, New York, NY 10169
PB Capital Corporation	230 Park Avenue, New York, NY 10169

**(8) Responsibility Statement by the Regular Trustees**

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Trust give a true and fair view of the assets, liabilities, financial position and profit or loss of Trust, and the management report of Trust includes a fair review of the development and performance of the business and the position of Trust, together with a description of the principal opportunities and risks associated with the expected development of Trust.

New York/New York, December 18, 2008

The Regular Trustees

  
\_\_\_\_\_  
Coleman Gregory

  
\_\_\_\_\_  
M. Rebecca Robertson

The Financial Report was not subject to review.