



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, 2018

pursuant to section 115 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)

Management Report

Deutsche Postbank Funding Trust II (the "Trust") was set up to issue the noncumulative trust preferred securities (the "Trust Preferred Securities"), to issue a Trust Common Security to Deutsche Postbank AG ("Postbank") and to use all proceeds derived from such issuances to purchase noncumulative Class B Preferred Securities (the "Class B Preferred Securities") issued by Deutsche Postbank Funding LLC II (the "Company"). Under the Class B Preferred Securities, the Trust is entitled to receive Capital Payments on the Liquidation Preference Amount of € 1,000 per Class B Preferred Security which are payable annually in arrears on December 23 of each year. Capital Payments payable on each Capital Payment Date will generally accrue from and including the immediately preceding Capital Payment Date up to but excluding the relevant Capital Payment Date at a rate per annum (the "Stated Rate") as described in detail in the prospectus dated December 21, 2004 (the "Prospectus").

Capital Payments on the Class B Preferred Securities are generally paid out of the Company's Operating Profits or from payments received by the Company under the Support Undertaking. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, the Trust as holder of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period. Capital Payments on the Class B Preferred Securities will only be 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 "Capital Payments", "Capital Payment Date", "Capital Payment Period", "Operating Profit", "Distributable Profits" and "Parity Securities" and other capitalized terms are described in detail in the Prospectus relating to the Trust Preferred Securities dated December 21, 2004.

During the six months ended June 30, 2018, the Company and DB Privat- und Firmenkundenbank AG (former Deutsche Postbank AG) 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, the Trust made Capital Payments on the Trust Preferred Securities at such rate at the scheduled date pursuant to the Trust Agreement. The Trust made no payments or other distributions on the Trust Common Security.

Under the Services Agreement, the Servicer 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 are paid by the Company. During the six months ended June 30, 2018, the Trust received all such services and the Company paid such fees, expenses and obligations as provided in the Services Agreement.

Outlook

Payments by the Company on the Class B Preferred Securities are the source of funds for the Capital Payments on the Trust Preferred Securities. In turn, the Company has invested substantially all proceeds from the issuance of the Class B Preferred Securities in Initial Debt Securities issued by DB Privat- und Firmenkundenbank AG. Under the Initial Debt Securities, interest is paid 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 Trust and receives similar services as the Trust. The Trust expects that the Company and DB Privat- und Firmenkundenbank AG will continue to meet their respective obligations under the Class B Preferred Securities and the Initial Obligation, the Services Agreement and the other agreements made in connection with the Trust Preferred Securities.

DEUTSCHE POSTBANK FUNDING TRUST II

Consolidated Financial Statements

UNAUDITED

June 30, 2018

DEUTSCHE POSTBANK FUNDING TRUST II

Consolidated Statement of Financial Condition

Period ended June 30, 2018

Assets

Cash	€	112,564
Subordinated note receivable		500,027,000
Accrued interest receivable		<u>10,969,867</u>
Total assets	€	<u>511,109,431</u>

Liabilities, Preferred Securities Subject to Redemption and Equity

Accrued interest payable	€	10,956,222
Accrued expenses		<u>50,771</u>
Total liabilities		<u>11,006,993</u>

Preferred securities subject to redemption 500,000,000

Equity:

Common stock, €1,000 stated value per share. Authorized, issued, and outstanding 1 share		1,000
Additional paid-in Capital		220,000
Accumulated deficit		<u>(144,562)</u>
Total stockholder's equity		<u>76,438</u>

Noncontrolling interest 26,000

Total equity 102,438

Total liabilities, preferred securities subject to redemption and equity € 511,109,431

See accompanying notes to consolidated financial statements.

DEUTSCHE POSTBANK FUNDING TRUST II

Consolidated Statement of Operations

Period January 1 - June 30, 2018

Interest income	€ 10,503,067
Interest expense	<u>(10,490,000)</u>
Net interest income	13,067
Noninterest expenses	<u>(18,839)</u>
Net income	<u>€ (5,772)</u>

See accompanying notes to consolidated financial statements.

DEUTSCHE POSTBANK FUNDING TRUST II

Consolidated Statement of Changes in Equity

Period ended June 30, 2018

	Common stock	Additional capital	Accumulated deficit	Total equity	Noncontrolling interest	Total equity
Balance at December 31, 2017	€ 1,000	180,000	(138,790)	42,210	26,000	68,210
Net income/Loss Jan 1 - June 30, 2018	—	40,000	(5,772)	34,228	—	34,228
Balance at June 30, 2018	€ <u>1,000</u>	<u>220,000</u>	<u>(144,562)</u>	<u>76,438</u>	<u>26,000</u>	<u>102,438</u>

See accompanying notes to consolidated financial statements.

DEUTSCHE POSTBANK FUNDING TRUST II

Consolidated Statement of Cash Flows

Period ended June 30, 2018

Cash flows from operating activities:	
Net income (Loss)	€ (5,772)
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Accrued interest receivable	(10,503,067)
Increase (decrease) in operating liabilities:	
Accrued interest payable	10,490,000
Payable to affiliate	(31,319)
Accrued expense	31,319
Net cash provided by operating activities	(18,839)
Cash flows from financing activities:	
Contributions from members	<u>40,000</u>
Net cash provided by financing activities	40,000
Cash, beginning of year	<u>91,403</u>
Cash, end of year	€ <u><u>112,564</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	€ <u><u>—</u></u>

See accompanying notes to consolidated financial statements.

DEUTSCHE POSTBANK FUNDING TRUST II

Notes to Consolidated Financial Statements

UNAUDITED

June 30, 2018

(1) Organization

Deutsche Postbank Funding Trust II is a statutory business trust created on December 8, 2004 under the laws of the State of Delaware. Deutsche Postbank Funding Trust II was created for the sole purpose of issuing €500,000,000 of preferred securities subject to redemption (the Trust Preferred Securities) to investors, and a €1,000 Trust Common Security to DB Privat- und Firmenkundenbank AG (former Deutsche Postbank AG) (DB PFK AG). DB PFK AG is a majority owned subsidiary of Deutsche Bank AG (DB AG). The proceeds from the issuance of the Trust Preferred Securities were used to purchase all of the Class B Preferred Securities from Deutsche Postbank Funding LLC II (the Company), a majority owned consolidated subsidiary of Deutsche Postbank Funding Trust II. The Company also issued a Class A Preferred Security and a Company Common Security to DB PFK AG. Deutsche Postbank Funding Trust II does not engage in any business other than holding the Class B Preferred Securities, collecting interest and other payments with respect to the Class B Preferred Securities, paying interest and other payments to the holders of the Trust Preferred Securities, and performing ancillary activities.

On November 29, 2016, the Trust Agreement was amended to allow for the appointment of new Regular Trustees other than employees or Affiliates of the Bank.

These consolidated financial statements include Deutsche Postbank Funding Trust II and the Company (together, the Trust).

The consolidated financial statements and all transactions entered into by the Trust are denominated in Euros, the Trust's functional currency. Capitalized terms herein have the same meaning as in the Amended and Restated Trust Agreement dated December 23, 2004 (the Agreement).

On April 25, 2018, Deutsche Post Bank Funding LLC II received a capital contribution of €40,000 from Deutsche Postbank AG.

During 2018, Deutsche Postbank AG sold the Trust Common Security and the Company Common Security to DB AG. The assignment and transfer of ownership was effective May 10, 2018. The terms of the Trust Preferred Securities and both the Class A and Class B Preferred Securities of the Company are not affected by the transaction.

On May 25, 2018 Deutsche Postbank AG was merged into Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft. The merged entity was named DB Privat- und Firmenkundenbank AG.

DEUTSCHE POSTBANK FUNDING TRUST II

Notes to Consolidated Financial Statements

UNAUDITED

June 30, 2018

(2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared from the separate records maintained by the Trust, and may not necessarily be indicative of the consolidated statement of financial condition and consolidated statement of operations that would have existed if the Trust had been operated as an unaffiliated entity.

(a) *Basis of accounting*

The Trust's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates may vary from actual results.

(b) *Principles of consolidation*

The consolidated financial statements of the Trust include the Company. The Trust consolidates entities in which it has a majority voting interest when the entity is controlled through substantive voting equity interests and the equity investors bear the residual economic risks of the entity. Accounting Standards Codification (ASC) Topic 810, *Consolidation*, requires a company to consolidate those entities that do not meet this criteria if the company has (1) the power to direct the activities of the entity that most significantly impact its economic performance, and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could be significant to the entity. The Trust has identified its investment in the Class B Preferred Securities to be variable interests and considers itself as the primary beneficiary, resulting in the consolidation of the Company. All intercompany transactions and accounts have been eliminated.

The Company Common Security and the Class A Preferred Security, which are held by DB AG, are reported as non-controlling interests.

(c) *Subordinated note receivable*

The financial assets held by the Trust include a subordinated note receivable (the Subordinated Note Receivable), which is issued by DB PFK AG. The Subordinated Note Receivable is recorded at amortized cost.

DEUTSCHE POSTBANK FUNDING TRUST II

Notes to Consolidated Financial Statements

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June 30, 2018

(d) Preferred securities subject to redemption

Pursuant to ASC Topic 480, *Distinguishing Liabilities from Equity*, preferred stocks whose redemption is outside the control of the issuer are required to be presented separately from permanent equity. The Trust will be required to redeem the Trust Preferred Securities if DB PFK AG elects to require redemption of the Subordinated Note Receivable. Accordingly, the Trust Preferred Securities are classified as outside of permanent equity and are presented as preferred securities subject to redemption in the consolidated statement of financial condition. The Trust Preferred Securities are recorded at amortized cost.

(e) Interest

Interest income represents the payments received or receivable from the Subordinated Note Receivable and interest expense represents payments paid or payable from the issuance of the Trust Preferred Securities.

(f) Income Taxes

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.

(g) Fair Value Measurement and Disclosures

The fair value hierarchy under ASC Topic 820, *Fair Value Measurement*, prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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Notes to Consolidated Financial Statements

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(3) Preferred Securities Subject to Redemption

On December 23, 2004, the Trust issued €500 million of Trust Preferred Securities which have no stated maturity. Holders of the Trust Preferred Securities receive Capital Payments, on a noncumulative basis, which accrue (i) until December 23, 2009, at a fixed rate of 6.0%, payable annually in arrears on December 23 each year and (ii) thereafter at a floating rate (4 x (EURCMS10-EURCMS2)), payable annually in arrears on December 23 each year, provided that no Capital Payment shall accrue at a rate of less than 3.75% per annum or more than 10.0% per annum. The rate accrued during the first six months of 2018 was 4.196%. Capital Payments are subject to certain conditions, including that DB PFK AG has an amount of Distributable Profits for the preceding fiscal year at least equal to the Capital Payments.

(4) Related Party Transactions

Related party transactions consist of the Subordinated Note Receivable dated December 23, 2004 issued by DB PFK AG and matures on December 23, 2034. Interest accrues on the Subordinated Note Receivable, on a noncumulative basis (i) until December 23, 2009, at a fixed rate of 6.005%, payable annually in arrears on December 23 each year and (ii) thereafter at a floating rate (4 x (EURCMS10-EURCMS2)) plus a spread of 0.005% payable annually in arrears on December 23 each year, provided that interest shall not accrue at a rate of less than 3.75% per annum or more than 10.0% per annum. The rate accrued during the first six months of 2018 was 4.201%. Interest earned on the note is passed through to the holders of the Trust Preferred Securities in the form of interest payments less a spread used to pay operational costs.

The Subordinated Note Receivable shall not be redeemable by DB PFK AG prior to the maturity date except upon the occurrence of a Special Redemption Event (see note 5). If DB PFK AG redeems the Subordinated Note Receivable, the Trust must redeem a corresponding number of Trust Preferred Securities. 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, plus any additional amounts, if any, plus any accrued and unpaid Capital Payments.

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 Class B Preferred Securities in an aggregate stated liquidation preference amount on such Trust Preferred Securities, plus accumulated and unpaid Capital Payments thereon in respect of the related Class B Payment Period and (b) pro rata based on the respective liquidation preference amounts of the Trust Preferred Securities, any other assets of the Trust.

On September 6, 2016, the Company and Citadel SPV LLC entered into a Letter Agreement whereby Citadel SPV LLC will assist DB PFK AG providing services under the Service Agreement.

On December 23, 2004 DB PFK AG and the Company have entered into a support undertaking for the benefit of the Trust and the holders of the Class B Preferred Securities.

DEUTSCHE POSTBANK FUNDING TRUST II

Notes to Consolidated Financial Statements

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(5) Corporate Services

On December 5, 2016, the Company entered into a Corporate Services Agreement whereby Citadel SPV LLC will provide all corporate services to the Company. The Company paid € 11,756 for these services for the six month ending June 30, 2018 which are recorded in noninterest expenses.

(6) Special Redemption Events

Upon the occurrence of a Special Redemption Event with respect to the Trust, holders of the Trust Preferred Securities will be entitled to receive a corresponding number of Class B Preferred Securities. The Company will have the right to redeem the Class B Preferred Securities upon the occurrence of a Special Redemption Event with respect to the Company. Special Redemption Events include Tax Events, Regulatory Events, and Investment Company Events.

A Tax Event means the receipt by DB PFK AG 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) by any legislative body, court, governmental authority or regulatory body (an "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, after the date of issuance of the Company Securities and Trust Preferred 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 of the debt securities would be obligated to pay Additional Amounts or Additional Interest Amounts.

A Regulatory Event means that (i) DB PFK AG is notified by a relevant regulatory authority, 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 Basel Committee on Banking Supervision after December 21, 2004, DB PFK AG is not, or will not be, allowed to treat the Class B Preferred Securities or the Trust Preferred Securities as Tier 1 regulatory capital for capital adequacy purposes on a consolidated basis, or (ii) the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) notifies DB PFK AG or otherwise announces that neither the Class B Preferred Securities nor the Trust

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Preferred Securities (or securities substantially similar to the Class B Preferred Securities or the Trust Preferred Securities) may or may any longer be treated as Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

An Investment Company Event means the request and receipt by DB PFK AG of 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 (i) of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), or (ii) 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.

(7) Fair Value of Financial Instruments

The following are the estimated fair values of the Trust’s financial instruments recognized on the consolidated statement of financial condition based on independent market quotes:

	<u>June 30, 2018</u>	
	<u>Carrying amount</u>	<u>Fair Value</u>
Subordinated note receivable	€ 500,027,000	493,876,668
Preferred securities subject to redemption	€ 500,000,000	493,850,000

The Trust Preferred Securities would be classified within Level 2 of the fair value hierarchy as the Trust’s estimation of the fair value of these Trust Preferred Securities is based upon quoted prices in markets that are not considered to be active. The relevant terms of the Subordinated Note Receivable are identical to the terms of the preferred securities subject to redemption, and the Trust would be required to redeem the preferred securities subject to redemption if DB PFK AG elects to redeem the Subordinated Note Receivable. Therefore, a reasonable estimate of the fair value of the Subordinated Note Receivable is represented by the fair value of the preferred securities subject to redemption and the Subordinated Note Receivable would also be classified within Level 2 of the fair value hierarchy.

(8) Subsequent Events

The Trust has evaluated subsequent events for the period from June 30, 2018 to August 24, 2018, the date when the accompanying consolidated financial statements were issued. No such events required recognition or disclosure in the consolidated financial statements for the half year ended June 30, 2018.

Responsibility Statement by the Regular Trustees for Deutsche Postbank Funding Trust II

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

New York, New York, August 24, 2018



Mark Ferraris



Orlando Figueroa



Dewen Tarn



Robert Klein