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3. represented that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located; and
4. represented that you will not, and are not authorized to, deliver, forward or distribute the Offering Circular to any other person or reproduce it, in whole or in part, in any manner whatsoever.

The materials relating to the offering of the Securities do not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction where offers or solicitations are not permitted by law.

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€ 300,000,000 Noncumulative Trust Preferred Securities
(Liquidation Preference Amount of € 1,000 per Trust Preferred Security)

Deutsche Postbank Funding Trust III
Wilmington, Delaware, United States of America
(a wholly-owned subsidiary of Deutsche Postbank AG, Bonn, Federal Republic of Germany)

FONDS CODE: 11709; ISIN: DE000A0D24Z1; WKN: A0D24Z

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 interests in the assets of Deutsche Postbank Funding Trust III, a statutory trust created under the laws of the State of Delaware, United States of America (the “**Trust**”). One common security of the Trust will be owned by Deutsche Postbank AG (“**Postbank**”) or a wholly-owned subsidiary of Postbank. The assets of the Trust will consist solely of noncumulative Class B Preferred Securities (the “**Class B Preferred Securities**”) issued by Deutsche Postbank Funding LLC III (the “**Company**”), a Delaware limited liability company that 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, in whole, but not in part, on the Initial Redemption Date (as defined herein) scheduled to occur on June 7, 2011 (or any Capital Payment Date (as defined herein) thereafter), or at any time upon the occurrence of certain tax and capital disqualification events as more fully described herein. Noncumulative Capital Payments (as defined herein) will accrue on the Liquidation Preference Amount (i) from and including June 7, 2005 (the “**Issue Date**”) to but excluding June 7, 2008 (the “**Reset Date**”), at a fixed rate of 7.00% per annum, payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Capital Payment Period (as defined herein) commencing on or after the Reset Date, at the Reference Rate (as defined herein) for such Capital Payment Period plus 0.125% per annum, payable annually in arrears on June 7 of each year, commencing June 7, 2009, *provided* that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum. Capital Payments are subject to certain conditions, including that Postbank has an amount of Distributable Profits (as defined herein) for the preceding fiscal year at least equal to the Capital Payments. See “Offering Circular Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Capital Payments.”

The Trust Preferred Securities will be initially evidenced by one or more temporary global certificates, interests in which will be exchangeable for interests in one or more permanent global certificates not earlier than after the expiry of 40 days after the Issue Date upon certification of non-U.S. beneficial ownership by or on behalf of the holders of such interests. These global certificates will be deposited with Clearstream Banking AG, Frankfurt am Main, Federal Republic of Germany (“**Clearstream AG**”).

The Trust Preferred Securities are expected, on issue, to be assigned an “A3” rating by Moody’s Investors Service Ltd., a BBB+ rating by Standard and Poor’s (a division of The McGraw-Hill Companies, Inc.) and an “A-” rating by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by the rating agency.

An investment in the Trust Preferred Securities involves certain risks. See “Risk Factors” beginning on page 51 for a discussion of certain factors that should be considered by prospective investors.

Application has been made to list the Trust Preferred Securities on Eurolist by Euronext Amsterdam (“**Euronext Amsterdam**”). This Offering Circular constitutes a prospectus for the purposes of the listing and issuing rules of Euronext Amsterdam. Application has been made to admit the Trust Preferred Securities to the official market of the Frankfurt Stock Exchange.

Issue Price: 100% (equivalent to € 1,000 per Trust Preferred Security).

THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”).

Joint Lead Managers

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JPMorgan

Morgan Stanley

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POSTBANK, THE COMPANY AND THE TRUST ASSUME RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR (THE “OFFERING CIRCULAR”). POSTBANK, THE COMPANY AND THE TRUST, HAVING MADE REASONABLE INQUIRIES, CONFIRM THAT (I) THIS OFFERING CIRCULAR CONTAINS ALL INFORMATION WITH RESPECT TO POSTBANK, ITS AFFILIATES, ITS SUBSIDIARIES, THE TRUST PREFERRED SECURITIES, THE CLASS B PREFERRED SECURITIES AND THE DEBT SECURITIES (AS DEFINED HEREIN) THAT IS MATERIAL IN THE CONTEXT OF THE LISTING OF THE TRUST PREFERRED SECURITIES; (II) THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) THE OPINIONS AND INTENTIONS EXPRESSED IN THIS OFFERING CIRCULAR ARE HONESTLY HELD; AND (IV) THERE ARE NO OTHER FACTS THE OMISSION OF WHICH MAKES THIS OFFERING CIRCULAR AS A WHOLE OR ANY OF THE INFORMATION OR THE EXPRESSION OF ANY OF THE OPINIONS OR INTENTIONS MISLEADING IN ANY RESPECT.

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THIS OFFERING CIRCULAR IS NOT A “*VERKAUFSPROSPEKT*” WITHIN THE MEANING OF THE GERMAN SECURITIES SALES PROSPECTUS ACT (*WERTPAPIER-VERKAUFSPROSPEKTGESETZ*) AND HAS NOT BEEN APPROVED OR REVIEWED BY ANY GERMAN REGULATORY AUTHORITY.

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DEFINITIONS

“1940 Act” means the U.S. Investment Company Act of 1940, as amended.

“Additional Amounts” means any additional amounts payable by the Company or the Trust pursuant to the terms of the Class B Preferred Securities and the Trust Preferred Securities as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after deduction or withholding for or on account of any Withholding Taxes, on payments thereon and any amount payable in liquidation or on repayment upon redemption thereof, will equal the amounts that otherwise would have been received had no such deduction or withholding been required.

“Additional Interest Amounts” means any additional interest amounts payable by Postbank or another obligor pursuant to the terms of the Debt Securities as may be necessary in order that the net amounts received by the Company as a result of deduction or withholding upon payment of interest on the Debt Securities or repayment upon redemption thereof will equal the amount that otherwise would have been received had no such deduction or withholding been required.

“Administrative Action” means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt certain procedures or regulations) by any legislative body, court, governmental authority or regulatory body.

“BaFin” means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

“Board of Directors” means the board of directors of the Company.

“Business Day” means a day (other than Saturday or Sunday) on which all relevant parts of Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) are operational.

“Bylaws” means the by-laws of the Company.

“Calculation Agent” means Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany.

“Capital Payment Date” means June 7 of each year commencing on June 7, 2006.

“Capital Payment Period” means the period from and including a Capital Payment Date (or, in the case of the first Capital Payment Period, the Issue Date) to, but excluding, the next succeeding Capital Payment Date.

“Capital Payments” means the periodic distributions on the Trust Preferred Securities and the Class B Preferred Securities.

“Class A Preferred Security” means the noncumulative Class A Preferred Security evidencing a preferred ownership interest in the Company.

“Class B Preferred Securities” means the noncumulative Class B Preferred Securities evidencing preferred ownership interests in the Company.

“Clearstream AG” means Clearstream Banking AG, Frankfurt am Main, Federal Republic of Germany.

“Clearstream Luxembourg” means Clearstream Banking, *société anonyme*, Luxembourg.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Company” means Deutsche Postbank Funding LLC III, a Delaware limited liability company.

“Company Common Security” means the voting common security representing an ownership interest in the Company.

“Company Preferred Securities” means the Class A Preferred Security and the Class B Preferred Securities.

“Company Securities” means the Company Common Security and the Company Preferred Securities.

“Company Special Redemption Event” means (i) a Regulatory Event, (ii) a Tax Event or (iii) an Investment Company Act Event solely with respect to the Company but not with respect to the Trust.

“Company Successor Securities” means other securities having substantially the same terms as the Class B Preferred Securities.

“Day Count Fraction” means the number of days in the Capital Payment Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, unless (i) the last day of the Capital Payment Period is the 31st day of a month but the first day of the Capital Payment Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Capital Payment Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“Debt Redemption Date” means the date fixed for redemption of the Initial Debt Securities.

“Debt Securities” means the Initial Debt Securities and the Substitute Debt Securities.

“Delaware Trustee” means Deutsche Bank Trust Company Delaware.

“Determination Date” means, in respect of each Capital Payment Period (or Interest Payment Period, in the case of the Initial Debt Securities) commencing on or after the Reset Date, the second Business Day prior to the Capital Payment Date (or the Interest Payment Date, as the case may be) on which such Capital Payment Period (or Interest Payment Period, as the case may be) commences.

“Distributable Profits” of Postbank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of Postbank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), *plus* any profit carried forward from previous years, *minus* any loss carried forward from previous years, *plus* transfers from capital reserves and earnings reserves, *minus* allocations to earnings reserves, all as determined in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect. In determining the availability of sufficient Distributable Profits of Postbank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments, dividends or other distributions already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits.

“Enforcement Event” under the Trust Agreement with respect to the Trust Securities means the occurrence, at any time, of (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full, for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods or (ii) a default by Postbank in respect of any of its obligations under the Support Undertaking, *provided* that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

“Fixed Rate” means the fixed coupon rate of 7.00% per annum for the accrual of Capital Payments (or, in the case of the Initial Debt Securities, the minimum fixed coupon rate of 7.00% per annum for the accrual of interest) for any Capital Payment Period (or, as applicable, any Interest Payment Period) ending on or prior to the Reset Date.

“Floating Rate” means the Reference Rate for the accrual of Capital Payments plus 0.125% per annum for Capital Payment Periods commencing on or after the Reset Date *provided, however*, that no Capital Payments shall in any event accrue at a rate of more than 8.00% per annum.

“Global Certificates” means the Permanent Global Certificates together with the Temporary Global Certificates.

“Global Securities” means one or more global certificates representing the Class B Preferred Securities which the Company will use reasonable efforts to have issued and registered in the name of Clearstream AG if the

Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust.

“Independent Enforcement Director” means the independent member of the Board of Directors elected by the holders of the Class B Preferred Securities under specified circumstances.

“Initial Debt Redemption Date” means June 7, 2011, which is the first day on which the Initial Debt Securities will be redeemable, in whole but not in part, by Postbank other than upon the occurrence of a Company Special Redemption Event or in the event of replacement with Substitute Debt Securities.

“Initial Debt Securities” means subordinated notes of Postbank to be acquired by the Company using the proceeds from the issuance of the Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

“Initial Redemption Date” means June 7, 2011, which is the first day on which the Class B Preferred Securities will be redeemable, in whole but not in part, at the option of the Company, other than upon the occurrence of a Company Special Redemption Event.

“Interest Payment Date” means, in respect of the Initial Debt Securities, June 7 of each year, commencing on June 7, 2006.

“Interest Payment Period” means, in respect of the Initial Debt Securities, the period from and including an Interest Payment Date (or, in the case of the first Interest Payment Period, the Issue Date) to, but excluding, the next succeeding Interest Payment Date.

“Investment Company” means an investment company within the meaning of the 1940 Act.

“Investment Company Act Event” means the request and receipt by Postbank of an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an Investment Company as a result of (i) 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, in each case after June 3, 2005 (the date of signing of the Purchase Agreement).

“IRS” means the United States Internal Revenue Service.

“Issue Date” means June 7, 2005, the date of issue of the Trust Preferred Securities.

“Issue Price” means the initial offering price of 100% (equivalent to € 1,000 per Trust Preferred Security).

“Joint Lead Managers” means ING Belgium N.V./S.A., J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International Limited.

“Junior Distributions” means capital payments, dividends or other distributions on Junior Securities (excluding capital payments, dividends or other distributions by a subsidiary of Postbank exclusively to Postbank or a wholly-owned subsidiary of Postbank).

“Junior Securities” means (i) common stock of Postbank, (ii) each class of preference shares of Postbank ranking junior to Parity Securities of Postbank, if any, and any other instrument of Postbank ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any subsidiary of Postbank subject to any guarantee or support agreement of Postbank ranking junior to the obligations of Postbank under the Support Undertaking.

“Liquidation Preference Amount” means the Liquidation Preference Amount of € 1,000 per Trust Preferred Security.

“LLC Act” means the Delaware Limited Liability Company Act, as amended.

“LLC Agreement” means the amended and restated limited liability company agreement of the Company.

“Maturity Date” means, in respect of the Initial Debt Securities, June 7, 2035.

“Netherlands Paying Agent” means Deutsche Bank AG, Amsterdam, Netherlands.

“Offering” means the offering by Deutsche Postbank Funding Trust III of the Trust Preferred Securities.

“Operating Profits” of the Company for any Capital Payment Period means the excess of the amounts payable (whether or not paid) on the Debt Securities or, after the Maturity Date, on the Permitted Investments that the Company may then hold in accordance with the LLC Agreement during such Capital Payment Period, over any operating expenses of the Company not paid or reimbursed by Postbank or one of its branches or affiliates during such Capital Payment Period, plus any reserves.

“Original Trust Preferred Securityholder” means a person that acquires Trust Preferred Securities on their original issue at their original Issue Price.

“Parity Securities” means each class of the most senior ranking preference shares, if any, or other instruments of Postbank qualifying as Tier I regulatory capital, and Parity Subsidiary Securities.

“Parity Subsidiary Securities” means preference shares or other instruments qualifying as consolidated Tier I regulatory capital of Postbank, or any other instrument of any subsidiary of Postbank subject to any guarantee or support agreement of Postbank ranking *pari passu* with the obligations of Postbank under the Support Undertaking.

“Permanent Global Certificates” means permanent global certificates representing the Trust Preferred Securities.

“Permitted Investments” means investments by the Company in debt obligations of Postbank or one or more Qualified Subsidiaries unconditionally guaranteed by Postbank (which may in either case act through a non-German branch) on a subordinated basis or in U.S. Treasury securities; *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

“Postbank” means Deutsche Postbank AG.

“Postbank Group” means Postbank and its consolidated subsidiaries.

“Postbank Group Company” means Postbank or a Qualified Subsidiary.

“Potential Securityholder” means Postbank or a Qualified Subsidiary.

“Principal Amount” means € 300,027,000 (equal to the gross proceeds from the issuance of the Class B Preferred Securities plus certain amounts contributed by Postbank for the Class A Preferred Security and the Company Common Security).

“Principal Paying Agent” means Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany.

“Property Account” means a segregated non-interest bearing trust account in the name of and under the exclusive control of the Property Trustee.

“Property Trustee” means Deutsche Bank Trust Company Americas.

“Purchase Agreement” means the purchase agreement entered into among Postbank, the Company, the Trust and the Joint Lead Managers, pursuant to which the Trust agreed to sell to the Joint Lead Managers and the Joint Lead Managers agreed to purchase the Trust Preferred Securities.

“Qualified Subsidiary” means a subsidiary that is consolidated with Postbank for German bank regulatory purposes of which more than 50% of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) and of which more than 50% of the outstanding capital stock or other equity interest is, at the time, beneficially owned or controlled directly or indirectly by Postbank, which subsidiary meets the definition of “a company controlled by its parent company” as defined in Rule 3a-5 under the 1940 Act.

“Redemption Date” means the date of redemption of the Class B Preferred Securities.

“Redemption Notice” means notice of any redemption of the Class B Preferred Securities.

“Reference Rate” means in respect of any Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities) commencing on or after the Reset Date, “EUR-ISDA-EURIBOR Swap Rate – 11:00” (the annual Euro swap rate expressed as a percentage for Euro swap transactions with a 10-year maturity, the

“Designated Maturity”), which appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and above the caption – “11:00 AM Frankfurt” (as such headings and captions may appear from time to time) as of 11:00 a.m., Central European time (or such other page or service as may replace it for the purposes of such rate) (the **“Relevant Screen Page”**) on the relevant Determination Date.

In the event that the foregoing rate does not appear on the Relevant Screen Page on any Determination Date, the Reference Rate for the relevant Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities) will be the “Reference Banks’ Swap Rate” on such Determination Date. **“Reference Banks’ Swap Rate”** means the percentage rate determined on the basis of the quotations of the “mid-market annual swap rate” provided by five leading swap dealers in the interbank market (the **“Reference Banks”**) to the Calculation Agent at approximately 11:00 a.m., Central European time, on the Determination Date. If at least two quotations are provided, the Reference Rate for that Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities) will be the arithmetic mean of the quotations (rounded, if necessary, to the nearest one thousandth of a percentage point with 0.0005 being rounded upwards). If at least three quotations are provided, the Calculation Agent shall eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) in calculating the arithmetic mean.

The **“mid-market annual swap rate”** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on the basis of the Day Count Fraction) of a fixed-for-floating Euro interest rate swap transaction which transaction (a) has a term equal to the Designated Maturity and commencing on the first day of such Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities), (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) the floating leg of which is based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

“Regulation S” means Regulation S under the Securities Act.

“Regular Trustee” means three of the Trustees who are employees or officers of Postbank or one of its affiliates.

“Regulatory Event” means that (i) Postbank is notified by a relevant regulatory authority that, as a result of the occurrence of any amendment to, or change (including any change that has been adopted but not yet become effective) in, the applicable banking laws of the Federal Republic of Germany (or any rules, regulations, interpretations or administrative practice thereunder, including rulings of the relevant banking authorities) or the guidelines of the Basel Committee for Banking Supervision after June 3, 2005, Postbank is not, or will not be, allowed to treat either the Class B Preferred Securities or the Trust Preferred Securities as Tier I regulatory capital for capital adequacy purposes on a consolidated basis, or (ii) the BaFin notifies Postbank or otherwise announces that neither the Class B Preferred Securities nor the Trust 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.

“Relevant Jurisdiction” means the United States of America, Germany or the jurisdiction of residence of any obligor of the Debt Securities or any jurisdiction from which payments on the Trust Preferred Securities, the Class B Preferred Securities or the Debt Securities are made.

“Reset Date” means June 7, 2008.

“Restricted Period” means the period ending on the expiry of the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Servicer” means PB Capital Corporation.

“Services Agreement” means the services agreement among the Trust, the Company and the Servicer.

“Stated Rate” means (i) for each Capital Payment Period ending before the Reset Date, the Fixed Rate and (ii) for each Capital Payment Period beginning on or after the Reset Date, the Floating Rate, in each case calculated on the basis of the Day Count Fraction, *provided* that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum.

“Substitute Debt Securities” means any debt securities issued in substitution for the Initial Debt Securities.

“Successor Securities” means other securities having substantially the same terms as the Trust Securities.

“Support Undertaking” means the support agreement between Postbank and the Company as set forth in Appendix A.

“Tax Event” means the receipt by Postbank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, 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 a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any 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 the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* 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.

“Temporary Global Certificates” means temporary global certificates representing the Trust Preferred Securities.

“Trust” means Deutsche Postbank Funding Trust III, a statutory trust created under the laws of the State of Delaware, United States of America.

“Trust Act” means the Delaware Statutory Trust Act.

“Trust Agreement” means the declaration of trust among the Trustees and the Company, as sponsor, as amended and restated.

“Trust Common Security” means one common security of the Trust.

“Trust Preferred Securities” means € 300,000,000 registered noncumulative Trust Preferred Securities offered in the Offering.

“Trust Securities” means the Trust Common Security together with the Trust Preferred Securities.

“Trust Special Redemption Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

“Trustees” means the trustees of the Trust, pursuant to the Trust Agreement.

“Withholding Taxes” means any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of a Relevant Jurisdiction or any political subdivision or authority therein or thereof having the power to tax by way of withholding or deduction.

The following „Definition“ section in the German language is for convenience purposes only. The English version is binding.

DEFINITIONEN

Die nachfolgende deutsche Übersetzung des Abschnitts „Definitions“ erfolgt nur zu Informationszwecken und erhebt keinen Anspruch auf Vollständigkeit. Nur die englische Fassung des Abschnittes „Definitions“ ist bindend.

„**1940 Act**“ bedeutet der Investment Company Act von 1940 in seiner jeweils gültigen Fassung.

„**Anfänglicher Einziehungstag**“ bedeutet den 7. Juni 2011, der erste Tag, an dem die Class B-Preferred-Wertpapiere nach Wahl der Gesellschaft, ganz aber nicht teilweise, eingezogen werden können; bei Eintritt eines Gesellschafts-Sonderkündigungsfalls können die Class B-Preferred-Wertpapiere jedoch auch vor diesem Zeitpunkt eingezogen werden.

„**Anfängliche Schuldverschreibungen**“ bedeutet die von der Postbank auszugebenen nachrangigen Schuldverschreibungen, die von der Gesellschaft mit dem Emissionserlös aus der Begebung der Class B-Preferred-Wertpapiere, des Class A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils erworben werden.

„**Anfänglicher Schuldverschreibungs-Einziehungstag**“ bedeutet den 7. Juni 2011, der erste Tag, an dem die Anfänglichen Schuldverschreibungen ganz, aber nicht teilweise durch die Postbank vorzeitig zurückgezahlt werden können; bei Eintritt eines Gesellschafts-Sonderkündigungsfalls oder im Falle der Ersetzung durch Ersatz-Schuldverschreibungen können die Anfänglichen Schuldverschreibungen jedoch auch vor diesem Zeitpunkt vorzeitig zurückgezahlt werden.

„**Angebot**“ bedeutet das Angebot der Trust-Preferred-Wertpapiere durch den Deutsche Postbank Funding Trust III.

„**Aufsichtsrechtliches Ereignis**“ bedeutet, dass (i) der Postbank nach dem 3. Juni 2005 von einer zuständigen Aufsichtsbehörde mitgeteilt wird, dass es der Postbank aufgrund einer Neufassung oder Änderung (einschließlich einer Änderung, die verabschiedet wurde, aber noch nicht in Kraft getreten ist) der anwendbaren Gesetze in Bezug auf das Kreditwesen in der Bundesrepublik Deutschland (oder der Vorschriften, Verordnungen, Auslegungen oder der Verwaltungspraxis im Rahmen von diesen, einschließlich von Entscheidungen der maßgeblichen Bankaufsichtsbehörden) oder der Richtlinien des Baseler Ausschusses für Bankenaufsicht nicht gestattet ist oder sein wird, die Class B-Preferred-Wertpapiere oder die Trust-Preferred-Wertpapiere für Zwecke der angemessenen Kapitalausstattung als Kernkapital auf konsolidierter Basis zu behandeln, oder (ii) die BaFin der Postbank mitteilt oder auf sonstige Weise bekannt macht, dass weder die Class B-Preferred-Wertpapiere noch die Trust-Preferred-Wertpapiere (oder Wertpapiere, die im Wesentlichen identisch mit den Class B-Preferred-Wertpapieren oder den Trust-Preferred-Wertpapieren sind) für Zwecke der angemessenen Kapitalausstattung als Kernkapital auf konsolidierter Basis behandelt werden bzw. weiterhin behandelt werden können.

„**Ausgabepreis**“ bedeutet den Erstausgabepreis von 100 % (entspricht € 1.000 je Trust-Preferred-Wertpapier).

„**Ausschüttungen**“ bedeutet die periodischen Ausschüttungen auf die Trust-Preferred-Wertpapiere und die Class B-Preferred-Wertpapiere.

„**Ausschüttungsfähiger Gewinn**“ der Postbank für ein Geschäftsjahr ist der Bilanzgewinn zum Ende dieses Geschäftsjahres, wie im geprüften Einzelabschluss der Postbank zum Ende eines solchen Geschäftsjahres ausgewiesen. Dieser Bilanzgewinn umfasst den Jahresüberschuss oder -fehlbetrag, zuzüglich aller Gewinnvorträge aus früheren Jahren, abzüglich aller Verlustvorträge aus früheren Jahren, zuzüglich von der Postbank vorgenommener Auflösungen von Kapital- und Gewinnrücklagen, abzüglich von der Postbank vorgenommener Einstellungen in Gewinnrücklagen, jeweils gemäß den Bestimmungen des Aktiengesetzes und den deutschen allgemein anerkannten Grundsätzen ordnungsmäßiger Buchführung, wie im Handelsgesetzbuch und anderen zum jeweiligen Zeitpunkt geltenden und anwendbaren deutschen Rechtsvorschriften beschrieben. Zur Feststellung, ob ein ausreichender Ausschüttungsfähiger Gewinn der Postbank für ein Geschäftsjahr zur Verfügung steht, damit Ausschüttungen auf die Class B-Preferred-Wertpapiere festgesetzt werden dürfen, werden vom Ausschüttungsfähigen Gewinn des betreffenden Geschäftsjahres etwaige Ausschüttungen, die bereits auf die Class B-Preferred-Wertpapiere gezahlt worden sind, und etwaige Ausschüttungen, Dividenden oder sonstige Auszahlungen, die auf der Basis eines solchen Ausschüttungsfähigen Gewinns bereits auf Gleichrangige Wertpapiere gezahlt worden sind, abgezogen.

„**BaFin**“ bedeutet die Bundesanstalt für Finanzdienstleistungsaufsicht.

„**Berechnungsstelle**“ bedeutet die Deutsche Bank AG, Frankfurt am Main, Bundesrepublik Deutschland.

„**Berechnungstag**“ bedeutet für jeden Zahlungszeitraum (oder, im Fall von Anfänglichen Schuldverschreibungen, Zinszahlungszeitraum), der am oder nach einem Reset-Tag beginnt, den zweiten Geschäftstag vor dem Zahlungstag (oder, im Fall von Anfänglichen Schuldverschreibungen, Zinszahlungstag), an dem ein solcher Zahlungszeitraum (oder, im Fall von Anfänglichen Schuldverschreibungen, Zinszahlungszeitraum) beginnt.

„**Betriebsgewinn**“ der Gesellschaft bedeutet für jeden Zahlungszeitraum denjenigen Betrag, um den die auf die Schuldverschreibungen oder, nach dem Endfälligkeitstag, auf die Zulässigen Anlagen, die die Gesellschaft dann gemäß dem LLC-Vertrag in dem betreffenden Zahlungszeitraum gegebenenfalls hält, zu zahlenden Beträge (ob bereits gezahlt oder nicht) alle betrieblichen Aufwendungen der Gesellschaft in dem betreffenden Zahlungszeitraum, die nicht von der Postbank oder einer ihrer Zweigniederlassungen oder mit ihr verbundenen Unternehmen gezahlt oder erstattet wurden, übersteigen, zuzüglich von Rücklagen.

„**Board of Directors**“ bedeutet das Geschäftsführungsorgan der Gesellschaft.

„**Bylaws**“ bedeutet die Statuten der Gesellschaft.

„**Class A-Preferred-Wertpapier**“ bedeutet das Preferred-Wertpapier ohne nachzahlbare Ausschüttungsberechtigung der Gattung A der Gesellschaft, das einen Vorzugsanteil an der Gesellschaft verbrieft.

„**Class B-Preferred-Wertpapiere**“ bedeutet die Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung der Gattung B der Gesellschaft, die einen Vorzugsanteil an der Gesellschaft verbriefen.

„**Clearstream AG**“ bedeutet die Clearstream Banking AG, Frankfurt am Main, Bundesrepublik Deutschland.

„**Clearstream Luxemburg**“ bedeutet die Clearstream Banking, *société anonyme*, Luxemburg.

„**Dauerglobalurkunden**“ bedeutet die Dauerglobalurkunden, die die Trust-Preferred-Wertpapiere verbriefen.

„**Delaware Trustee**“ bedeutet die Deutsche Bank Trust Company Delaware.

„**Durchsetzungs-Ereignis**“ bedeutet gemäß dem Trust-Vertrag in Bezug auf Trust-Wertpapiere den Eintritt eines der folgenden Ereignisse zu irgendeinem Zeitpunkt: (i) die Nichtzahlung von Ausschüttungen (zuzüglich etwaiger darauf bezogener Zusätzlicher Beträge) auf die Trust-Preferred-Wertpapiere oder die Class B-Preferred-Wertpapiere zum Festgelegten Zinssatz in voller Höhe für den ersten Zahlungszeitraum oder danach für zwei aufeinanderfolgende Zahlungszeiträume oder (ii) die Nichterfüllung von Verpflichtungen der Postbank aus der Nachrangigen Patronatserklärung; gemäß dem Trust-Vertrag wird der Inhaber des Trust-Stammanteils jedoch so behandelt, als habe er so lange auf ein Durchsetzungs-Ereignis bezüglich des Trust-Stammanteils verzichtet, bis alle Durchsetzungs-Ereignisse bezüglich der Trust-Preferred-Wertpapiere entweder geheilt sind, auf diese verzichtet wird oder diese aus sonstigem Grunde nicht mehr bestehen.

„**Einziehungsmitteilung**“ bedeutet die Bekanntmachung jeder Einziehung von Class B-Preferred-Wertpapieren.

„**Einziehungstag**“ bedeutet den Tag der Einziehung der Class B-Preferred-Wertpapiere.

„**Endfälligkeitstag**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen den 7. Juni 2035.

„**Ersatz-Schuldverschreibungen**“ bedeutet die ausgegebenen Schuldverschreibungen, die die Anfänglichen Schuldverschreibungen ersetzen.

„**Erstinhaber von Trust-Preferred-Wertpapieren**“ bedeutet eine Person, die die Trust-Preferred-Wertpapiere an ihrem ursprünglichen Ausgabebetrag zum ursprünglichen Ausgabepreis erworben hat.

„**Euroclear**“ bedeutet *Euroclear Bank S.A./N.V.*, als Betreiberin des Euroclear Systems.

„**Feste Ausschüttungsrate**“ bedeutet die feste Ausschüttungsrate zu einem Satz von 7,00 % p.a., mit der Ausschüttungen (oder, im Fall der Anfänglichen Schuldverschreibungen, der feste Zinssatz von mindestens 7,00 % p.a.) für Zahlungszeiträume (bzw., soweit anwendbar, Zinszahlungszeiträume), die am oder vor dem Reset-Tag enden, auflaufen.

„**Festgelegter Zinssatz**“ bedeutet (i) für Zahlungszeiträume, die vor dem Reset-Tag enden, die Feste Ausschüttungsrate und (ii) für Zahlungszeiträume, die am oder nach dem Reset-Tag beginnen, die Variable

Ausschüttungsrate, jeweils auf der Basis des Tagesquotientens berechnet. Die Ausschüttungen werden jedoch in keinem Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zu einem höheren Satz als 8,00 % p.a. auflaufen.

„**Geschäftstag**“ bedeutet einen Tag (außer Samstag oder Sonntag), an dem alle relevanten Bereiche des Trans-European Automated Real-time Gross settlement Express Transfer System (TARGET) geöffnet sind.

„**Gesellschaft**“ bedeutet die Deutsche Postbank Funding LLC III, eine Gesellschaft mit beschränkter Haftung (*limited liability company*) nach dem Recht des Bundesstaates Delaware, Vereinigte Staaten von Amerika.

„**Gesellschafts-Nachfolge-Wertpapiere**“ bedeutet andere Wertpapiere, die im Wesentlichen identisch mit den Class-B-Preferred-Wertpapieren sind.

„**Gesellschafts-Preferred-Wertpapiere**“ bedeutet das Class A-Preferred-Wertpapier und die Class B-Preferred-Wertpapiere.

„**Gesellschafts-Sonderkündigungsfall**“ bedeutet (i) ein Aufsichtsrechtliches Ereignis, (ii) ein Steuerrechtliches Ereignis oder (iii) ein Investment Company Act Ereignis nur in Bezug auf die Gesellschaft aber nicht in Bezug auf den Trust.

„**Gesellschafts-Stammanteil**“ bedeutet den stimmberechtigten Stammanteil der Gesellschaft, der einen Eigentumsanteil an der Gesellschaft verbrieft.

„**Gesellschafts-Wertpapiere**“ bedeutet den Gesellschafts-Stammanteil und die Gesellschafts-Preferred-Wertpapiere.

„**Gleichrangige Wertpapiere**“ bedeutet jede Klasse etwaiger erstrangiger Vorzugsaktien oder sonstige Instrumente der Postbank, die als Kernkapital qualifizieren, und Gleichrangige Wertpapiere von Tochtergesellschaften.

„**Gleichrangige Wertpapiere von Tochtergesellschaften**“ bedeutet Vorzugsaktien oder sonstige Instrumente, die auf konsolidierter Basis als Kernkapital der Postbank qualifizieren, oder sonstige Instrumente von Tochtergesellschaften der Postbank, die mit einer Garantie oder einer Patronatserklärung der Postbank ausgestattet sind, die gegenüber den Verpflichtungen der Postbank aus der Nachrangigen Patronatserklärung gleichrangig sind.

„**Globale Wertpapiere**“ bedeutet eine oder mehrere Globalurkunden, die die Class B-Preferred-Wertpapiere verbriefen, für deren Ausgabe und Registrierung im Namen der Clearstream AG die Gesellschaft angemessene Anstrengungen unternehmen wird, wenn die Class B-Preferred-Wertpapiere bei einer unfreiwilligen oder freiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung des Trusts an die Inhaber der Trust-Preferred-Wertpapiere ausgekehrt werden.

„**Globalurkunden**“ bedeutet die Dauerglobalurkunden und die Vorläufigen Globalurkunden.

„**Hauptzahlstelle**“ bedeutet die Deutsche Bank AG, Frankfurt am Main, Bundesrepublik Deutschland.

„**Investment Company**“ bedeutet eine Investment Company gemäß dem 1940 Act.

„**Investment Company Act Ereignis**“ bedeutet, dass die Postbank ein Gutachten einer national anerkannten und in diesen Angelegenheiten erfahrenen Anwaltskanzlei in den Vereinigten Staaten von Amerika angefordert und erhalten hat, laut dem ein nicht unerhebliches Risiko besteht, dass die Gesellschaft oder der Trust aufgrund (i) einer Gerichtsentscheidung, Verlautbarung oder Auslegung (unabhängig davon, in welcher Weise eine solche bekanntgemacht wurde) oder (ii) der Verabschiedung oder Neufassung eines Gesetzes, einer Vorschrift oder Verordnung oder einer Mitteilung oder Bekanntmachung (einschließlich einer Mitteilung oder Bekanntmachung, dass die Verabschiedung eines solchen Gesetzes bzw. einer solchen Vorschrift oder Verordnung beabsichtigt ist) durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde in den Vereinigten Staaten von Amerika, jeweils nach dem 3. Juni 2005 (dem Datum des Abschlusses des Kaufvertrags), als eine *Investment Company* qualifiziert wird.

„**IRS**“ bedeutet die Bundessteuerbehörde (*Internal Revenue Service*) der Vereinigten Staaten von Amerika.

„**Joint Lead Managers**“ bedeutet ING Belgium N.V./S.A., J.P. Morgan Securities Ltd. und Morgan Stanley & Co. International Limited.

„**Kaufvertrag**“ bedeutet den zwischen der Postbank, der Gesellschaft, dem Trust und den Joint Lead Managers abzuschliessenden Kaufvertrag, nach dem sich der Trust verpflichten wird, die Trust-Preferred-Wertpapiere an die Joint Lead Managers zu verkaufen, und die Joint Lead Managers sich verpflichten werden, die Trust-Preferred-Wertpapiere zu kaufen.

„**Liquidationsvorzugsbetrag**“ bedeutet den Liquidationsvorzugsbetrag von €1.000 je Trust-Preferred-Wertpapier.

„**LLC Act**“ bedeutet den *Delaware Limited Liability Company Act* in seiner jeweils gültigen Fassung.

„**LLC-Vertrag**“ bedeutet das *Amended and Restated Limited Liability Company Agreement* der Gesellschaft.

„**Maßgebliche Rechtsordnung**“ bedeutet die Vereinigten Staaten von Amerika, die Bundesrepublik Deutschland oder eine Rechtsordnung, in der ein Schuldner von Schuldverschreibungen ansässig ist, oder eine Rechtsordnung, von der aus Zahlungen auf die Trust-Preferred-Wertpapiere, die Class B-Preferred-Wertpapiere oder die Schuldverschreibungen erfolgen.

„**Mögliche Inhaber von Wertpapieren**“ bedeutet die Postbank oder eine Qualifizierte Tochtergesellschaft.

„**Nachfolge-Wertpapiere**“ bedeutet andere Wertpapiere, die im Wesentlichen identisch mit den Trust-Wertpapieren sind.

„**Nachrangige Ausschüttungen**“ bedeutet Ausschüttungen, Dividenden oder sonstige Auszahlungen auf Nachrangige Wertpapiere (mit Ausnahme von Ausschüttungen, Dividenden oder sonstigen Auszahlungen von einer Tochtergesellschaft der Postbank ausschließlich an die Postbank oder eine hundertprozentige Tochtergesellschaft der Postbank).

„**Nachrangige Patronatserklärung**“ bedeutet die zwischen der Postbank und der Gesellschaft abzuschliessende Patronatserklärung wie in der englischen Sprache in Appendix A beschrieben.

„**Nachrangige Wertpapiere**“ bedeutet (i) die Stammaktien der Postbank, (ii) jede Klasse von Vorzugsaktien der Postbank, die gegenüber etwaigen Gleichrangigen Wertpapieren der Postbank nachrangig sind, und jedes andere Instrument der Postbank, das gegenüber solchen Vorzugsaktien gleichrangig oder nachrangig ist, und (iii) Vorzugsaktien oder jedes andere Instrument einer Tochtergesellschaft der Postbank, das mit einer Garantie oder einer Patronatserklärung der Postbank ausgestattet ist, die gegenüber den Verpflichtungen der Postbank aus der Nachrangigen Patronatserklärung nachrangig ist.

„**Nennbetrag**“ bedeutet €300.027.000 (entspricht den Bruttoerlösen aus der Ausgabe der Class B-Preferred-Wertpapiere zuzüglich bestimmter Beträge, die die Postbank auf das Class A-Preferred-Wertpapier und den Gesellschafts-Stammanteil einbringt).

„**Niederländische Zahlstelle**“ bedeutet die Deutsche Bank AG, Amsterdam, Niederlande.

„**Postbank**“ bedeutet die Deutsche Postbank AG.

„**Postbank-Konzern**“ bedeutet die Postbank und ihre konsolidierten Tochtergesellschaften.

„**Postbank-Konzerngesellschaft**“ bedeutet die Postbank oder eine Qualifizierte Tochtergesellschaft.

„**Property-Konto**“ bedeutet ein gesondert geführtes, zinsfreies Treuhänderkonto, das im Namen und unter der ausschließlichen Kontrolle des Property Trustee steht.

„**Property Trustee**“ bedeutet die Deutsche Bank Trust Company Americas.

„**Qualifizierte Tochtergesellschaft**“ bedeutet eine Tochtergesellschaft, die für Zwecke des deutschen Bankaufsichtsrechts mit der Postbank konsolidiert wird und bei der sich zum betreffenden Zeitpunkt über 50 % der ausgegebenen stimmberechtigten Aktien oder sonstigen Beteiligungsrechte, die bei der Wahl des Vorstands oder eines sonstigen Geschäftsführungsorgans (wie auch immer bezeichnet) gewöhnlich stimmberechtigt sind, und über 50 % des ausgegebenen Grundkapitals oder der sonstigen Beteiligungsrechte im wirtschaftlichen Eigentum der Postbank befinden oder von dieser unmittelbar oder mittelbar kontrolliert werden und der Definition einer „von ihrer Muttergesellschaft kontrollierten Gesellschaft“ („*a company controlled by its parent company*“) gemäß Rule 3a-5 unter dem 1940 Act entspricht.

„**Quellensteuern**“ bedeutet gegenwärtige oder zukünftige Steuern, Abgaben oder staatliche Gebühren gleich welcher Art, die von oder im Namen einer Maßgeblichen Rechtsordnung oder einer zur Steuererhebung durch

Einbehalt oder Abzug befugten politischen Untergliederung oder Körperschaft in oder von dieser Maßgeblichen Rechtsordnung auferlegt, erhoben, abgezogen, einbehalten oder eingezogen werden.

„Referenzsatz“ bedeutet in Bezug auf einen Zahlungszeitraum (oder, im Fall der Anfänglichen Schuldverschreibungen, einen Zinszahlungszeitraum), der am oder nach dem Reset-Tag beginnt, die „EUR-ISDA-EURIBOR Swap Rate – 11:00“ (der jährliche Euro Swapsatz, der als Prozentsatz für Euro Swap-Transaktionen mit einer 10-jährigen Laufzeit (die **„Vorgesehene Endfälligkeit“**) dargestellt wird), die auf dem Reuters Bildschirm „ISDAFIX2“ unter der Überschrift „EURIBOR BASIS“ und unter dem Untertitel „11:00 a.m. Frankfurt“ (auf dem solche Überschriften und Untertitel von Zeit zu Zeit erscheinen) um 11 Uhr vormittags mitteleuropäischer Zeit (oder auf einer sonstigen Seite oder einem sonstigen Informationsdienst, die/der diese Seite für Zwecke dieses Swapsatzes ersetzt) (die **„Relevante Bildschirmseite“**) am jeweiligen Berechnungstag erscheint.

Für den Fall, dass der vorgenannte Swapsatz an einem Berechnungstag nicht auf der Relevanten Bildschirmseite erscheint, ist der Referenzsatz für den betreffenden Zahlungszeitraum (oder, im Fall von Anfänglichen Schuldverschreibungen, Zinszahlungszeitraum) die „Reference Banks’ Swap Rate“ an einem solchen Berechnungstag. **„Reference Banks’ Swap Rate“** ist der Prozentsatz, der auf Basis der „mid-market jährlichen Swapsatz-Quotierungen“, die der Berechnungsstelle ungefähr um 11:00 Uhr vormittags mitteleuropäischer Zeit von fünf führenden Swap-Händlern im Interbankenhandel (die **„Referenzbanken“**) gestellt werden, am Berechnungstag festgelegt wird. Wenn mindestens zwei Quotierungen genannt werden, wird der Referenzsatz für diesen Zahlungszeitraum (oder, im Fall von Anfänglichen Schuldverschreibungen, Zinszahlungszeitraum) das rechnerische Mittel der Quotierungen (gerundet, wenn notwendig, zum nächsten tausendsten Prozentpunkt, wobei 0,0005 aufgerundet werden) sein. Wenn mindestens drei Quotierungen genannt werden, wird die Berechnungsstelle bei der Berechnung des rechnerischen Mittels die höchste Quotierung (bzw., für den Fall von gleich hohen Quotierungen, eine der höchsten Quotierungen) und die niedrigste Quotierung (bzw., für den Fall von gleich hohen Quotierungen, eine der niedrigsten Quotierungen) ausschließen.

Hierbei bedeutet der **„mid-market jährliche Swapsatz“** das rechnerische Mittel der nachgefragten und angebotenen Sätze für den jährlichen Festzinsszahlungsstrom (berechnet auf Basis des Tagesquotientens) einer fixed-for-floating Euro Zinsswap-Transaktion, (a) die eine Laufzeit hat, die der Vorgesehenen Endfälligkeit entspricht, und am ersten Tag eines solchen Zahlungszeitraums (oder, im Fall der Anfänglichen Schuldverschreibungen, Zinszahlungszeitraums) beginnt, (b) die auf einen Betrag lautet, der dem einer repräsentativen einzelnen Transaktion in dem relevanten Markt zur relevanten Zeit eines anerkannten Händlers mit guter Bonität im Swap-Markt entspricht, und (c) deren variabler Zahlungsstrom auf dem 6-Monats EURIBOR Satz beruht (berechnet auf einer Actual/360 Tageberechnungsbasis).

„Regular Trustee“ bedeutet drei der Trustees, die Angestellte oder Organmitglieder der Postbank oder eines mit ihr verbundenen Unternehmens sind.

„Regulation S“ bedeutet die *Regulation S* des Securities Act.

„Reset-Tag“ bedeutet den 7. Juni 2008.

„Schuldverschreibungen“ bedeutet die Anfänglichen Schuldverschreibungen und die Ersatz-Schuldverschreibungen.

„Schuldverschreibungs-Einziehungstag“ bedeutet den für die Anfänglichen Schuldverschreibungen vorgesehenen Einziehungstag.

„Securities Act“ bedeutet den *United States Securities Act* von 1933 in seiner jeweils gültigen Fassung.

„Sperrfrist“ bedeutet den Zeitraum nach dem Ablauf von 40 Tagen nach dem Valutatag oder, falls später, dem Abschluss des Angebots der Trust-Preferred-Wertpapiere.

„Staatliche Maßnahme“ bedeutet eine Gerichtsentscheidung, amtliche Verwaltungsverlautbarung, veröffentlichte Entscheidung, verbindliche Auskunft (*private ruling*), ein aufsichtsrechtliches Verfahren und eine Mitteilung oder Bekanntmachung (einschließlich einer Mitteilung oder Bekanntmachung, die die Einführung solcher Verfahren oder Regelungen beabsichtigt) durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde.

„Steuerrechtliches Ereignis“ bedeutet, dass die Postbank ein Gutachten einer national anerkannten und in diesen Angelegenheiten erfahrenen Anwaltskanzlei oder eines anderen Steuerberaters in einer Maßgeblichen Rechtsordnung erhalten hat, laut dem aufgrund (i) einer Neufassung oder Klarstellung oder Änderung

(einschließlich einer bekanntgemachten zukünftigen Änderung) der die Besteuerung betreffenden Gesetze oder Abkommen (oder der im Rahmen von diesen bekanntgegebenen Verordnungen) einer Maßgeblichen Rechtsordnung oder einer politischen Untergliederung oder Steuerbehörde in dieser oder von dieser, (ii) einer Staatlichen Maßnahme oder (iii) einer Neufassung, Klarstellung oder Änderung der offiziellen Position in Bezug auf eine solche Staatliche Maßnahme oder deren Auslegung oder einer Auslegung oder Verlautbarung, durch die in Bezug auf eine solche Staatliche Maßnahme eine Position eingenommen wird, die sich von der bis dahin allgemein anerkannten Position unterscheidet, jeweils durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde (unabhängig davon, in welcher Weise die Neufassung, Klarstellung oder Änderung bekanntgemacht wurde), wobei das In-Kraft-Treten dieser Neufassung, Klarstellung oder Änderung bzw. die Bekanntmachung dieser Verlautbarung oder Entscheidung nach dem Tag der Begebung der Gesellschafts-Wertpapiere und der Trust-Wertpapiere erfolgt, ein nicht unerhebliches Risiko besteht, dass (a) der Trust oder die Gesellschaft der Zahlung eines nicht nur geringfügigen Betrags von Steuern, Abgaben oder anderen staatlichen Gebühren unterliegen bzw. unterliegen werden, oder (b) der Trust, die Gesellschaft oder ein Schuldner der Schuldverschreibungen verpflichtet ist, Zusätzliche Beträge oder Zusätzliche Zinsbeträge zu zahlen.

„**Steuergesetz**“ bedeutet den *Internal Revenue Code* der Vereinigten Staaten von Amerika von 1986 in seiner jeweils gültigen Fassung.

„**Tagesquotient**“ bedeutet die Anzahl der Tage eines Zahlungszeitraumes, in Bezug auf den eine Zahlung vorgenommen wird, geteilt durch 360 (wobei die Anzahl der Tage auf der Basis eines Jahres mit 360 Tagen und 12 Monaten mit jeweils 30 Tagen berechnet wird, außer (i) der letzte Tag des Zahlungszeitraumes ist der 31. eines Monats aber der erste Tag des Zahlungszeitraumes ist ein anderer Tag als der 30. oder 31. eines Monats; in einem solchen Fall wird der Monat, der einen solchen letzten Tag aufweist, nicht als ein auf 30 Tage gekürzter Monat betrachtet, oder (ii) der letzte Tag des Zahlungszeitraumes ist der letzte Tag im Monat Februar; in einem solchen Fall wird der Monat Februar nicht als ein auf 30 Tage verlängerter Monat betrachtet).

„**Trust**“ bedeutet den Deutsche Postbank Funding Trust III, einen nach dem Recht des Bundesstaates Delaware, Vereinigte Staaten von Amerika, errichteten *Statutory Trust*.

„**Trust Act**“ bedeutet den *Delaware Statutory Trust Act*.

„**Trustees**“ bedeutet die gemäß dem Trust-Vertrag bestellten Treuhänder (*Trustees*) des Trusts.

„**Trust-Preferred-Wertpapiere**“ bedeutet die im Rahmen dieses Angebots angebotenen auf den Namen lautenden € 300.000.000 Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung.

„**Trust-Sonderkündigungsfall**“ bedeutet (i) ein ausschließlich auf den Trust, aber nicht auf die Gesellschaft bezogenes Steuerrechtliches Ereignis oder (ii) ein ausschließlich auf den Trust, aber nicht auf die Gesellschaft bezogenes Investment Company Act Ereignis.

„**Trust-Stammanteil**“ bedeutet einen Stammanteil des Trusts.

„**Trust-Vertrag**“ bedeutet die unter anderem zwischen den Trustees und der Gesellschaft als Sponsor abgeschlossene *Trust Declaration*, in ihrer jeweiligen geänderten und neugefassten Fassung.

„**Trust-Wertpapiere**“ bedeutet den Trust-Stammanteil und die Trust-Preferred-Wertpapiere.

„**Unabhängiger Enforcement Director**“ bedeutet das unter bestimmten Umständen von den Inhabern der Class B-Preferred-Wertpapiere ernannte unabhängige Mitglied des Board of Directors.

„**Valutatag**“ ist der 7. Juni 2005, der Tag der Begebung der Trust-Preferred-Wertpapiere.

„**Variable Ausschüttungsrate**“ bedeutet den Referenzsatz zuzüglich einer Marge von 0,125 % p.a., zu dem Ausschüttungen für Zahlungszeiträume, die am oder nach dem Reset-Tag beginnen, auflaufen. Ausschüttungen werden aber in keinem Fall zu einem höheren Satz als 8,00 % p.a. auflaufen.

„**Verwalter**“ bedeutet die PB Capital Corporation.

„**Verwaltungsvertrag**“ bedeutet den zwischen dem Trust, der Gesellschaft und dem Verwalter abgeschlossene Verwaltungsvertrag.

„**Vorläufige Globalurkunden**“ bedeutet die vorläufigen Globalurkunden, die die Trust-Preferred-Wertpapiere verbrieften.

„**Zahlungstag**“ bedeutet den 7. Juni eines jeden Jahres, erstmals den 7. Juni 2006.

„**Zahlungszeitraum**“ bedeutet den Zeitraum von einem Zahlungstag (bzw. dem Valutatag im Fall des ersten Zahlungszeitraums) (einschließlich) bis zum nächsten darauf folgenden Zahlungstag (ausschließlich).

„**Zinszahlungstag**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen den 7. Juni eines jeden Jahres, erstmals den 7. Juni 2006.

„**Zinszahlungszeitraum**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen den Zeitraum von einem Zinszahlungstag (bzw. vom Valutatag im Fall des ersten Zinszahlungszeitraums) (einschließlich) bis zum nächsten darauf folgenden Zinszahlungstag (ausschließlich).

„**Zulässige Anlagen**“ bedeutet Anlagen durch die Gesellschaft in Schuldverschreibungen der Postbank oder einer oder mehrerer Qualifizierter Tochtergesellschaften, die unwiderruflich durch die Postbank (die jeweils durch eine ausländische Zweigniederlassung handeln kann) auf einer nachrangigen Basis garantiert sind, oder in U.S. Staatsanleihen; in keinem Fall darf eine solche Anlage jedoch zu einem Gesellschafts-Sonderkündigungsfall führen.

„**Zusätzliche Beträge**“ bedeutet alle zusätzlichen Beträge, die, soweit notwendig, von der Gesellschaft oder dem Trust gemäß den Bedingungen der Class B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere nach einem Abzug oder Einbehalt wegen oder aufgrund von Quellensteuern bei Zahlungen auf die jeweiligen Wertpapiere und bei Zahlungen im Rahmen einer Liquidation oder Einziehung dieser Wertpapiere gezahlt werden, damit die Inhaber der Class B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere den Betrag erhalten, den sie ohne einen solchen Abzug oder Einbehalt erhalten hätten.

„**Zusätzliche Zinsbeträge**“ bedeutet alle zusätzlichen Zinsbeträge, die, soweit notwendig, von der Postbank oder einem sonstigen Schuldner gemäß den Bedingungen der Schuldverschreibungen nach einem Abzug oder Einbehalt bei Zinszahlungen auf die Schuldverschreibungen oder bei Rückzahlung dieser Schuldverschreibungen gezahlt werden, damit die Gesellschaft den Betrag erhält, den sie ohne einen solchen Abzug oder Einbehalt erhalten hätte.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements relating to the business, financial performance and results of operations of Postbank and to the business segments in which Postbank operates. Forward-looking statements concern future circumstances and results and other circumstances that are not historical facts, and may be identified by words such as “believes,” “expects,” “predicts,” “intends,” “projects,” “plans,” “estimates,” “aims,” “foresees,” “anticipates,” “targets,” and similar expressions. Such statements only reflect the current views of Postbank with respect to future events and are subject to risks and uncertainties. In this Offering Circular, forward-looking statements include, among others, statements relating to:

- the implementation of Postbank’s strategic initiatives and the effects of these initiatives (see “– Postbank Group – Business – Strategy”), in particular, Postbank’s assumptions and expectations with respect to establishing and expanding the Transaction Banking business segment (see also “– Postbank Group – Business – Strategy”);
- the development of aspects material to Postbank’s results of operations, in particular the interest rate level;
- Postbank’s expectations of the impact of economic, operational, legal and other risks affecting Postbank’s business, in particular risks associated with:
 - changes in interest rates and share prices;
 - the functioning of complex IT-systems; and
 - legal uncertainties relating to state aid, taxation and other legal issues; and
- other statements relating to Postbank’s future business development and economic performance and general economic trends and developments.

These forward-looking statements are based on Postbank’s current plans, estimates, projections, expectations and certain assumptions that, although reasonable at this time in Postbank’s view, may prove to be erroneous. Many factors could cause Postbank’s actual development, results or performance to be materially different from the future development, results or performance expressly or implicitly assumed in the forward-looking statements. These factors include:

- changes in general economic, business-related or legal conditions;
- changes and volatility in interest rates and share prices;
- changes in governmental policy and regulation;
- changes in Postbank’s competitive environment;
- the success of Postbank’s acquisitions (in particular of banks and loan portfolios), mergers and strategic alliances;
- Postbank’s ability to achieve cost savings and synergy effects and improve productivity;
- Postbank’s ability to successfully develop the new Transaction Banking business segment; and
- factors that are not known to Postbank at this time.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions of Postbank prove incorrect, actual outcomes may differ materially from those described in the forward-looking statements in this Offering Circular. As a result, Postbank may be prevented from achieving its financial targets and strategic objectives. Postbank does not intend, and does not assume any obligation beyond its German statutory obligation, to update forward-looking statements or industry or customer-related information set forth in this Offering Circular.

OFFERING CIRCULAR SUMMARY

This section contains a transaction overview, a summary of the terms of the Trust Preferred Securities and the Class B Preferred Securities, as well as information relating to this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Class B Preferred Securities, the Initial Debt Securities and the Support Undertaking, see "Description of the Trust Securities," "Description of the Company Securities," "Description of the Initial Debt Securities" and "Description of the Support Undertaking," as well as "Distributable Profits of Postbank." For a description of the Trust, the Company and Postbank, see "Deutsche Postbank Funding Trust III", "Deutsche Postbank Funding LLC III" and "Postbank Group."

The following summary is qualified in its entirety by the detailed information and financial data presented elsewhere in this Offering Circular. Capitalized terms used in this Offering Circular have the meanings as set forth under "Definitions." Except where specified otherwise, financial data of Postbank Group presented herein is in accordance with International Financial Reporting Standards ("IFRS").

Postbank Group

With approximately 12.1 million active customers and approximately 4.8 million checking accounts, Postbank is the largest retail bank (single institution) in the Federal Republic of Germany. In the first three months of 2005, Postbank Group generated income before taxes of € 165 million. Postbank Group has organized its operations into the following business segments:

- The **Retail Banking** business segment, which generated income before taxes of € 120 million in the first three months of 2005, offers Postbank Group's private and business customers a broad range of banking and financial services. In addition to checking and savings accounts, the product range covers credit and debit cards, real estate finance, installment loans, brokerage of home savings and loan contracts (*Bausparverträge*), securities brokerage and custody service, mutual funds and life and casualty insurance.
- The **Corporate Customers** business segment, which generated income before taxes of € 32 million in the first three months of 2005, counts approximately 40,000 large and medium-sized businesses as its customers. Through this business segment, Postbank Group provides services relating to payment transactions (processing of payment transactions and complementary products for investment of surplus liquidity on a short-term basis, credit lines to support the clearance of payments, and credit cards). In addition, this business segment offers commercial finance (especially in connection with real estate, factoring and leasing), as well as logistics finance.
- The **Financial Markets** business segment, which generated income before taxes of € 29 million in the first three months of 2005, is mainly responsible for investing Postbank Group's liquidity and the management of interest rate and market risk (particularly equity, foreign currency, credit spread risk (from corporate and high-yield bonds) and volatility risk). In addition to proprietary trading activities, this business segment is also responsible for Postbank Group's activities conducted out of Luxembourg as well as the administration and management of various Postbank Group retail mutual and institutional investment funds.
- The **Transaction Banking** business segment, which generated income before taxes of € 5 million in the first three months of 2005, offers organizational and technical services relating to the clearance and processing of domestic and cross-border payment transactions within the Postbank Group and to other banks.
- The business segment **Other**, which generated a loss before taxes of € 21 million in the first three months of 2005, includes the results of Postbank Group's own-account business and treasury activities. In addition, the historical issuance business of DSL Bank and the portion of provisions for losses on loans and advances in the Retail Banking, Corporate Customers and Financial Markets business segments that exceeds standard loan loss costs are accounted for in this segment.

In March 2005, Postbank acquired a 9.2% stake in BHW Holding AG, the parent company of the BHW Group, which, through several subsidiaries, provides various financial services, principally in the area of residential property finance, with a particular focus on Bauspar home finance. According to its 2004 annual report, the BHW Group recorded (under German GAAP) total assets of € 118,595.1 million and shareholders' equity of

€ 1,985.6 million at December 31, 2004, and net income of € 63.7 million and unappropriated surplus (*Bilanzgewinn*) of € 102.8 million for 2004.

The major shareholders of BHW Holding AG as well as those of Allgemeine Hypothekenbank Rheinboden AG (AHBR), a BHW Group company, have expressed an interest in selling their shares in BHW Holding AG and AHBR, respectively. Postbank intends to participate in any such sales processes as a potential bidder for such shares, although no decision has been taken whether to submit a binding offer. Postbank has, however, stated that it does not intend to assume any risk related to AHBR.

The group headquarters of Postbank are located at Friedrich-Ebert-Allee 114-126, D-53113 Bonn, Federal Republic of Germany.

Transaction Overview

Deutsche Postbank Funding Trust III (the “**Trust**”) exists for the sole purposes of (i) issuing the noncumulative Trust Preferred Securities and one noncumulative Trust Common Security, (ii) investing the gross proceeds thereof in the noncumulative Class B Preferred Securities issued by Deutsche Postbank Funding LLC III (the “**Company**”), and (iii) engaging in activities necessary or incidental thereto. The Trust Securities will represent all of the ownership interests in the Trust. The Trust Common Security will initially be owned by Postbank; thereafter it will be owned by a Postbank Group Company.

In addition to the Class B Preferred Securities to be acquired by the Trust, the Company will also issue the Company Common Security and the Class A Preferred Security. The Company Securities will represent all of the ownership interests in the Company. The Company Common Security and the Class A Preferred Security will initially be owned by Postbank and thereafter will be owned by a Postbank Group Company.

The Company will use the gross proceeds from the issuance of the Company Securities to acquire the Initial Debt Securities. The Initial Debt Securities will be issued by Postbank, will have a Principal Amount of € 300,027,000 and will have a Maturity Date of June 7, 2035. They will also be subordinated to the claims of other creditors of Postbank pursuant to their terms. The income received by the Company from the Initial Debt Securities and any Substitute Debt Securities will be available for distribution, as appropriate, to the holders of the Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

In accordance with the Trust Agreement (as to be amended prior to the issuance of the Trust Securities) among, *inter alia*, the Trustees, Postbank and the Company, the Trust will pass through to the holders of the Trust Preferred Securities any periodic distributions declared (or deemed declared) and paid by the Company in accordance with the LLC Agreement (as to be amended prior to the issuance of the Company Securities) between Postbank and the Trust and received by the Trust on the Class B Preferred Securities. These Capital Payments on the Trust Preferred Securities will be limited to the amount of the Capital Payments on the Class B Preferred Securities.

Pursuant to the LLC Agreement, Capital Payments on the Class B Preferred Securities shall, for any given Capital Payment Period, be paid out of the excess of (i) the amounts paid on the Initial Debt Securities and the Substitute Debt Securities by the issuer thereof, or, after the Maturity Date, on Permitted Investments that the Company may then hold or, if applicable, under the Support Undertaking over (ii) any operating expenses of the Company not paid or reimbursed by Postbank during such Capital Payment Period.

Subject to the provisions of the LLC Agreement and the Trust Agreement, Capital Payments on the Class B Preferred Securities and the Trust Preferred Securities will accrue on the respective liquidation preference amount of € 1,000 thereof (i) from (and including) the Issue Date to (but excluding) the Reset Date at 7.00% per annum and be payable annually in arrears on June 7 in each year (including on the Reset Date) and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Floating Rate and be payable annually in arrears on June 7 in each year, commencing on June 7, 2009.

For each Capital Payment Period, Capital Payments will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

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, holders 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 make a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid in respect of any future Capital Payment Period. In such a case, investors will not receive any corresponding Capital Payments on the Trust Preferred Securities in relation to such Capital Payment Period.

For a summary of the terms of the Trust Preferred Securities and the Class B Preferred Securities, see “Description of the Trust Securities” and “Description of the Company Securities – Class B Preferred Securities.”

Postbank and the Company will enter into the Support Undertaking for the benefit of the holders of the Class B Preferred Securities upon the terms set forth in Appendix A hereto. Pursuant to the Support Undertaking, Postbank undertakes to ensure, among other things, that (i) the Company shall at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed

declared) on the Class B Preferred Securities (plus Additional Amounts thereon, if any), any payments due on redemption of the Class B Preferred Securities, and (ii) in liquidation or dissolution of the Company, the Company will have sufficient funds to pay the aggregate liquidation preference amount of the Class B Preferred Securities, including accrued and unpaid Capital Payments on the Class B Preferred Securities for the then current Capital Payment Period to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any.

The Support Undertaking does not constitute a guarantee or an undertaking of any kind that the Company will at any time have sufficient assets to declare a Capital Payment on the Class B Preferred Securities or another distribution. Postbank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of Postbank, will rank at least *pari passu* with each class of the most senior ranking preference shares, if any, and other instruments of Postbank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and the common shares of Postbank.

The holders of Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. For a summary of the terms of the Support Undertaking, see "Description of the Support Undertaking."

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.

On or after the Initial Redemption Date, the Class B Preferred Securities will be redeemable at the option of the Company, in whole (but not in part), on any Capital Payment Date. The Class B Preferred Securities may also be redeemed by the Company at any time, in whole (but not in part), upon the occurrence of a Company Special Redemption Event.

Any such redemption will be at a redemption price equal to the liquidation preference amount of the Class B Preferred Securities plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the Redemption Date, plus Additional Amounts, if any.

Subject to the provisions of the Trust Agreement, upon redemption of the Class B Preferred Securities, the Trust must apply the redemption price received in connection therewith to redeem the Trust Securities.

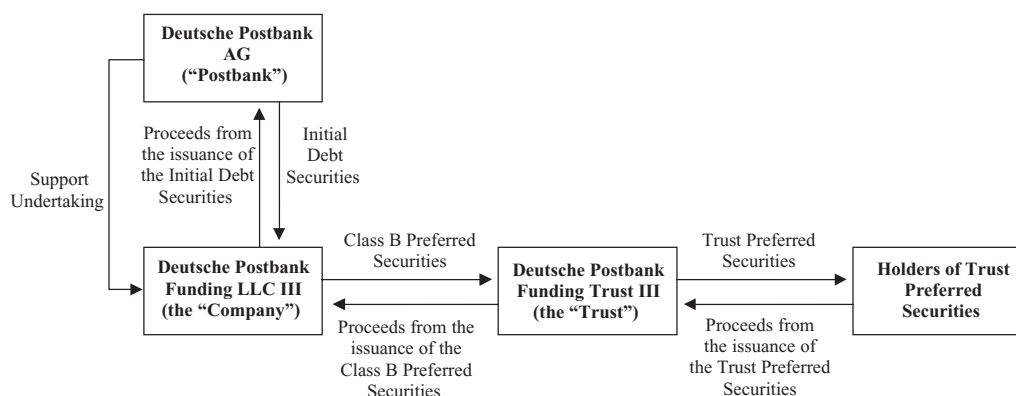
Upon the occurrence of a Trust Special Redemption Event or in the event of any dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Preferred Securities will be entitled to receive a corresponding number of the Class B Preferred Securities. See "Description of the Trust Securities – Redemption."

Since the sole assets of the Trust consist of the Class B Preferred Securities and because the holders of the Trust Preferred Securities may receive the Class B Preferred Securities in certain circumstances, prospective purchasers of the Trust Preferred Securities are also making an investment decision with respect to the Class B Preferred Securities and, accordingly, should carefully review all of the information regarding the Class B Preferred Securities. See "Description of the Company Securities – Class B Preferred Securities" and "Risk Factors – Special Redemption Risks."

Concurrently with the purchase of the Trust Preferred Securities by the Joint Lead Managers as described under "Subscription and Sale", the Company, the Trust and Postbank will engage in the following transactions: (i) the Company will issue to Postbank the Company Common Security; (ii) the Company will issue to Postbank the Class A Preferred Security; (iii) the Trust will issue to Postbank the Trust Common Security; (iv) the Trust will issue the Trust Preferred Securities, which will be registered in the name of Clearstream AG, to the Joint Lead Managers, who will sell the Trust Preferred Securities to investors; (v) the Company will issue to the Trust the Class B Preferred Securities and (vi) the Company will acquire from Postbank the Initial Debt Securities.

Postbank, as the holder of the Company Common Security, will elect the Board of Directors, which initially will consist of four directors.

The following diagram outlines the key relationships among the Company, the Trust and Postbank upon completion of the Offering.



The Offering

The Trust..... Deutsche Postbank Funding Trust III is a Delaware statutory trust formed for the purpose of holding the Class B Preferred Securities, the Capital Payments and redemption payments from which will be passed through to holders of the Trust Securities.

The Company..... Deutsche Postbank Funding LLC III, a Delaware limited liability company, is a wholly-owned subsidiary of Postbank. The sole assets of the Company will be the Debt Securities and Permitted Investments.

Subject Matter of the Offering € 300,000,000 registered noncumulative Trust Preferred Securities with a Liquidation Preference Amount of € 1,000 per Trust Preferred Security. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities. The offering consists of an international offer in the form of private placements outside the United States in reliance on Regulation S. See “Subscription and Sale.”

Issue Price 100% (equivalent to € 1,000 per Trust Preferred Security).

Use of Proceeds..... The gross proceeds from the sale of the Trust Securities will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by Postbank in return for the Class A Preferred Security and in return for the Company Common Security, to make an investment in the Initial Debt Securities. Postbank intends to treat the Class B Preferred Securities or, as the case may be, the Trust Preferred Securities, as consolidated Tier I regulatory capital. Postbank intends to use the proceeds from the sale of the Initial Debt Securities for general corporate purposes to increase financial flexibility for possible M&A transactions.

Postbank’s Support Undertaking Postbank will execute a Support Undertaking with the Company for the benefit of the Company and the holders of the Class B Preferred Securities under which it will agree that:

- (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities, plus Additional Amounts thereon, if any, and any payment due on redemption of the Class B Preferred Securities, and
- (ii) in liquidation or dissolution, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus accrued

and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any.

The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

Postbank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of Postbank, will rank at least *pari passu* with the most senior ranking preference shares, if any, and other instruments of Postbank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and the common shares of Postbank. The holders of the Class B Preferred Securities will be third party beneficiaries of the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under the Support Undertaking without prejudice to the rights of the holders of the Class B Preferred Securities thereunder.

Postbank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities

Form and

Denomination..... The Trust Preferred Securities will be issued in registered book-entry form only, in denominations of € 1,000 Liquidation Preference Amount and will be evidenced by one or more global certificates deposited with Clearstream AG (except for special circumstances, in which definitive securities will be issued; see "Description of the Trust Securities – Transfer").

Maturity 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 holders thereof. The Company may, under certain circumstances, redeem the Class B Preferred Securities in whole, but not in part. See "Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities."

Capital Payments..... Subject to the terms of the Trust Agreement and LLC Agreement, as applicable, Capital Payments will accrue on the respective liquidation preference amounts of € 1,000 per Trust Preferred Security (the "**Liquidation Preference Amount**") and € 1,000 per Class B Preferred Security (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of 7.00% per annum (the "**Fixed Rate**"), payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Reference Rate plus 0.125% per annum (the "**Floating Rate**"), payable annually in arrears on June 7 of each year, commencing June 7, 2009, *provided* that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum. For each Capital Payment Period, Capital Payments will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Declaration of Capital

Payments Capital Payments on the Class B Preferred Securities are expected to be paid out of payments with respect to interest received by the Company on the Debt Securities or Permitted Investments held by the Company from time to time.

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

- (i) 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
- (ii) 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.

In determining the availability of sufficient Distributable Profits of Postbank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments, dividends or other distributions already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits.

*Deemed Declaration
of Capital Payments ...*

Notwithstanding the foregoing, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities if Postbank or any of its subsidiaries declares or pays any capital payments, dividends or other distributions on any Parity Securities (excluding payments by subsidiaries of Postbank exclusively to Postbank or a wholly-owned subsidiary of Postbank). If such capital payment, dividend or other distribution on such Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, then Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If such capital payment, dividend or other distribution on such Parity Securities was only a partial payment of the amount so owing, the amounts of the Capital Payments deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if Postbank or any of its subsidiaries declares or pays any Junior Distributions, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay capital payments, dividends or other distributions:

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made.

- If such Junior Securities pay Junior Distributions semi-annually:
 - (i) if only one Junior Distribution was made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (ii) if two such Junior Distributions were made in such Capital Payment Period, the Capital Payments will be deemed declared for payment in the full amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made; and
- If such Junior Securities pay Junior Distributions quarterly:
 - (i) if only one Junior Distribution was made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in one quarter of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (ii) if two such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (iii) if three such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in three quarters of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (iv) if four such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made.

If Postbank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of Postbank and subject to certain exceptions set forth in “Description of the Company Securities – Class B Preferred Securities – Capital Payments”, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Prohibition of Capital

Payments Even if there are sufficient Operating Profits of the Company and sufficient Distributable Profits of Postbank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the “**BaFin**”) (or any other relevant regulatory authority) prohibiting Postbank from making any distributions of profits (including to the holders of Parity Securities, if any).

Payments of

Additional Amounts All payments on the Class B Preferred Securities and the Trust Preferred Securities, as the case may be (including any amount payable in liquidation or repayment upon redemption thereof) will be made without deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. In such event, the Company or the Trust, as the case may be, will pay, as additional Capital Payments, such additional amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after such deduction or withholding, will equal the amounts that would have been received had no such deduction or withholding been required (“**Additional Amounts**”). However, no such Additional Amounts will be payable in respect of the Class B Preferred Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of Postbank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any amounts of Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities can avoid or reduce by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another paying agent in a member state of the European Union; or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Class B Preferred Securities or the Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust

Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Redemption If the Company redeems the Class B Preferred Securities, the Trust must redeem the Trust Preferred Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on the Initial Redemption Date and on each Capital Payment Date thereafter. The Company will also have the right, at any time, to redeem the Class B Preferred Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a redemption price equal to the liquidation preference amount of the Class B Preferred Securities plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the Redemption Date, plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred Securities only if it has:

- (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date;
- (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the liquidation preference amount of the Class B Preferred Securities; and
- (iii) obtained any required regulatory approvals. See "Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities."

No redemption of the Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- the Company has sufficient funds (by reason of payments on the Debt Securities, Permitted Investments or pursuant to the Support Undertaking) to pay the redemption price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any;
- Postbank has an amount of Distributable Profits for the preceding fiscal year at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and
- no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting Postbank from making any distributions of profits (including to the holders of Parity Securities, if any).

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but, in the event of any such distribution of Class B Preferred Securities, the rights of the holder of the Trust Common Security will be subordinated to the rights of the holders of the Trust Preferred Securities. See "Description of the Trust Securities – Redemption."

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.

Liquidation In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive

a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation or dissolution of the Company, (i) the holder of the Class A Preferred Security will be entitled to receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution and (ii) each holder of the Class B Preferred Securities will be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus accrued and unpaid Capital Payments in respect of the current Capital Payment Period up to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from Postbank under the Support Undertaking. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Ranking of Trust

Securities..... Payment of Capital Payments and other distributions and amounts on redemption of the Trust Securities will be made *pro rata* among the Trust Common Security and the Trust Preferred Securities based on the liquidation preferences thereof; *provided, however*, that upon the occurrence and during the continuance of a default under the Initial Debt Securities or the Support Undertaking, no payment of Capital Payments or any other distributions or amounts on redemption will be made to the holder of the Trust Common Security, unless payment in full in cash of all accrued and unpaid Capital Payments on, and amounts on redemption of, the Trust Preferred Securities have been made or provided for, and all funds immediately available to the Property Trustee will first be applied to payment in full in cash of all Capital Payments or other amounts on redemption of, the Trust Preferred Securities then due and payable before any such funds are applied to any payment on the Trust Common Security.

Ranking of Company

Securities..... In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; *provided* that any payments made by Postbank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by Postbank or any of its affiliates, other than the Trust), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the provisions of the LLC Agreement. For a description of these provisions set forth in the LLC Agreement, see “Description of the Company Securities – Mergers, Consolidations and Sales.”

Further Issues The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by Postbank or

any of its affiliates), issue any additional securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company; *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the date of issue, the date as of which Capital Payments accrue, the issue price, and any other deviations required for compliance with law) so as to form a single series with the Class B Preferred Securities.

Enforcement Rights Upon the occurrence of any event causing a liquidation or dissolution of the Company or if (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods, or (ii) the Property Trustee or a holder of the Class B Preferred Securities or a holder of the Trust Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given, then a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination: (i) Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods and (ii) Postbank is in compliance with its obligations under the Support Undertaking.

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce certain rights of the holders of the Class B Preferred Securities. If the Property Trustee fails to enforce such rights under the Class B Preferred Securities, the holder of record of the Trust Preferred Securities, *i.e.* Clearstream AG, but not an investor in the Trust Preferred Securities, may directly institute legal proceedings against the Company to enforce the Property Trustee's rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity. See "Description of the Trust Securities – Enforcement Events."

Voting Rights Except as expressly required by applicable law, or except as provided for in the Trust Agreement or the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws. For more information, see "Description of the Trust Securities – Voting and Enforcement Rights."

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated in the LLC Agreement. For more information, see "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights."

Listing Application has been made to list the Trust Preferred Securities on Eurolist by Euronext Amsterdam. Application has been made to admit the Trust Preferred Securities to the official market of the Frankfurt Stock Exchange.

Clearing and Settlement Delivery of the Trust Preferred Securities will be made on or about June 7, 2005 to Clearstream AG. The Trust Preferred Securities will be delivered to investors, in book-entry form, against payment on the second business day following the Issue Date. Payment and delivery will be effected through Clearstream AG.

Paying Agent;
Calculation Agent..... Deutsche Bank AG Frankfurt am Main, Federal Republic of Germany.

Netherlands

Paying Agent Deutsche Bank AG, Amsterdam, Netherlands.

Notices For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities will be published in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in at least one daily newspaper having general circulation in the Federal Republic of Germany and admitted to carry Frankfurt Stock Exchange announcements (which is expected to be the *Börsen-Zeitung*).

Governing Law The LLC Agreement, including the terms of the Class A Preferred Security and the Class B Preferred Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Support Undertaking will be governed by the laws of the Federal Republic of Germany.

Summary of the Terms of the Class A Preferred Security

Class A Preferred

Security The Company expects the Class A Preferred Security to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Class B Preferred Securities in full on any Capital Payment Date due to insufficient Distributable Profits of Postbank or an order of the BaFin (or any other relevant regulatory authority) prohibiting Postbank from making any distributions of profits (including to the holders of Parity Securities, if any), and (ii) the Company has sufficient Operating Profits.

Summary of the Terms of the Initial Debt Securities

Maturity Date June 7, 2035.

Principal Amount..... € 300,027,000, equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus the aggregate amounts contributed by Postbank for the Class A Preferred Security and the Company Common Security, (as the same may be reduced by redemptions from time to time, the “**Principal Amount**”), *provided*, however, that the Initial Debt Securities do not include any obligation of Postbank shown as a liability on the books of a U.S. branch of Postbank.

Interest Payments Interest will accrue on the Principal Amount of the Initial Debt Securities (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of at least 7.00% per annum, payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Interest Payment Period commencing on or after the Reset Date at a rate at least 0.125% above the Reference Rate, payable annually in arrears on June 7 of each year, commencing June 7, 2009, *provided* that no Interest Payment for any Interest Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum.

For each Interest Payment Period, interest will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The rate of interest payable on the Initial Debt Securities will be at least equal to the rate at which Capital Payments will accrue on the Class B Preferred Securities and the Trust Preferred Securities.

Payment of

Additional Amounts Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes imposed by the Federal Republic of Germany or any political subdivision thereof or any other jurisdiction from which such payment is made unless such deduction or withholding is required by law. In such event, Postbank will pay as additional interest such amounts (“**Additional Interest Amounts**”) as may be necessary in order that the net amounts received by the Company, after such withholding or deduction, will equal the amounts that would have been received had no such withholding or deduction been required; *provided*, that the obligation of Postbank (or Postbank as guarantor) to pay the Additional Interest Amounts will not apply:

- (i) with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- (ii) with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) with respect to any amounts of Withholding Taxes imposed on account of any personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities; or
- (iv) with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder of the Initial Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

Ranking The obligations under the Initial Debt Securities will constitute direct, unconditional, unsecured and subordinated obligations of Postbank ranking *pari passu* with all other subordinated obligations of Postbank. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, Postbank such obligations will be subordinated to the claims of all unsubordinated creditors of Postbank so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of Postbank shall have been satisfied in full.

Redemption The Initial Debt Securities will not be redeemable prior to June 7, 2011 (the “**Initial Debt Redemption Date**”), except upon the occurrence of a Company Special Redemption Event (and the redemption of the Class B Preferred Securities) or in the event of the replacement of the Initial Debt Securities with Substitute Debt Securities. Except as set forth under “– Substitution” below, the Initial Debt Securities may not be redeemed for any reason unless the Company has the right to, and has given notice that it will, redeem the Class B Preferred Securities in an amount equal to the Principal Amount of the Initial Debt Securities, plus any accrued and unpaid interest up to, but excluding, the Debt Redemption Date, plus Additional Interest Amounts, if any.

Substitution At any time, Postbank will have the right to (i) substitute as obligor of the Debt Securities a Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities issued by Postbank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (including on behalf of a branch other than a U.S. branch), in each case, with identical terms to those of the Initial Debt Securities; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event, (b) Postbank (if it is not itself the substitute obligor) guarantees on a subordinated basis the obligations of any such Qualified Subsidiary, and (c) for this purpose, a Qualified Subsidiary does not include a

subsidiary organized under the laws of the United States of America or any of its states.

Reinvestment The LLC Agreement provides that after the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in debt obligations of one or more Qualified Subsidiaries, unconditionally guaranteed by Postbank on a subordinated basis or in U.S. Treasury securities (together, “**Permitted Investments**”); *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

Governing Law The Initial Debt Securities will be governed by the laws of the Federal Republic of Germany.

The following "Offering Circular Summary" in the German language is for convenience purposes only. The English version is binding.

ZUSAMMENFASSUNG DES PROSPEKTS

Die nachfolgende deutsche Übersetzung des Abschnitts „Offering Circular Summary“ erfolgt nur zu Informationszwecken und erhebt keinen Anspruch auf Vollständigkeit. Nur die englische Fassung des Abschnittes „Offering Circular Summary“ und die vollständige Beschreibung der Bedingungen der Trust-Preferred-Wertpapiere, der Class-B-Preferred Wertpapiere, der Anfänglichen Schuldverschreibungen und der Nachrangigen Patronatserklärung in den Abschnitten in der englischen Sprache „Description of the Trust Securities“, „Description of the Company Securities“, „Description of the Initial Debt Securities“ und „Description of the Support Undertaking“ sowie die Beschreibung des Trusts, der Gesellschaft und der Postbank in den Abschnitten in der englischen Sprache „Deutsche Postbank Funding Trust III“, „Deutsche Postbank Funding LLC III“ und „Postbank Group“ sowie der sonstigen Prospektteile des Offering Circular ist bindend. Soweit nicht anders angegeben, erfolgt die Darstellung der im Abschnitt „Zusammenfassung des Prospekts“ enthaltenen Finanzangaben gemäß den International Financial Reporting Standards („IFRS“).

Postbank-Konzern

Die Postbank ist mit rund 12,1 Mio. aktiven Kunden und rund 4,8 Mio. Girokontoverbindungen die nach Kundenzahl größte Privatkundenbank (Einzelinstitut) in der Bundesrepublik Deutschland. In den ersten drei Monaten 2005 erwirtschaftete der Postbank-Konzern ein Ergebnis vor Steuern von € 165 Mio. Der Postbank-Konzern hat seine Aktivitäten in folgende Geschäftsbereiche gegliedert:

- Im Geschäftsbereich **Retail-Banking**, der in den ersten drei Monaten 2005 ein Ergebnis vor Steuern in Höhe von € 120 Mio. erwirtschaftete, bietet der Postbank-Konzern Privat- und Geschäftskunden ein breites Spektrum von Bank- und Finanzdienstleistungen an. Die Produktpalette umfasst das Giro- und Spargeschäft, Kredit- und Debitkarten, Baufinanzierungen, Ratenkredite, die Vermittlung von Bausparverträgen, das Wertpapier- und Depotgeschäft, Investmentfonds sowie Lebens- und Unfallversicherungen.
- Im Geschäftsbereich **Firmenkunden**, der in den ersten drei Monaten 2005 ein Ergebnis vor Steuern in Höhe von € 32 Mio. erwirtschaftete, zählt der Postbank-Konzern rund 40.000 Groß- und Mittelstandsunternehmen zu seinen Kunden. In diesem Geschäftsbereich erbringt der Postbank-Konzern Dienstleistungen rund um den Zahlungsverkehr (Abwicklung des Zahlungsverkehrs sowie ergänzende Produkte für die kurzfristige Anlage von Liquiditätsüberschüssen, zahlungsverkehrsunterstützende Kreditlinien und Kreditkarten). Des Weiteren gehören gewerbliche Finanzierungen, insbesondere von Immobilien, Factoring und Leasing sowie Logistikfinanzierungen zu diesem Geschäftsbereich.
- Der Geschäftsbereich **Financial Markets**, der in den ersten drei Monaten 2005 ein Ergebnis vor Steuern in Höhe von € 29 Mio. erwirtschaftete, ist hauptsächlich verantwortlich für die Anlage der liquiden Mittel des Postbank-Konzerns sowie die Steuerung von Zinsänderungs- und Marktrisiken (insbesondere Aktien-, Devisen-, Credit Spread- (aus Unternehmensanleihen und High-Yield-Anleihen) und Volatilitätsrisiken). Diesem Geschäftsbereich sind neben den Eigenhandelsaktivitäten ferner die aus Luxemburg geführten Aktivitäten des Postbank-Konzerns sowie die Fondsverwaltung und das Fondsmanagement für verschiedene Publikumsfonds und Spezialfonds des Postbank-Konzerns zugeordnet.
- Der Geschäftsbereich **Transaction Banking**, der in den ersten drei Monaten 2005 ein Ergebnis vor Steuern in Höhe von € 5 Mio. erwirtschaftete, bietet konzernintern und für andere Banken organisatorische und technische Abwicklungs- und Bearbeitungsleistungen im Bereich des inländischen und grenzüberschreitenden Zahlungsverkehrs an.
- Im Segment **Übrige**, das in den ersten drei Monaten 2005 ein negatives Ergebnis vor Steuern in Höhe von € 21 Mio. auswies, weist der Postbank-Konzern das Ergebnis seines Eigengeschäfts und seiner Treasury-Aktivitäten aus. Daneben wird in diesem Segment unter anderem das historische Emissionsgeschäft der DSL Bank und der die Standardrisikosten übersteigende Teil der Risikoversorge aus den Geschäftsbereichen Retail-Banking, Firmenkunden und Financial Markets ausgewiesen.

Im März 2005 hat die Postbank einen Anteil von 9,2 % an der BHW Holding AG, der Muttergesellschaft des BHW Konzerns, erworben, der durch mehrere Tochtergesellschaften verschiedene Finanzdienstleistungen,

hauptsächlich im Bereich von Baufinanzierungen mit einem Schwerpunkt auf Bausparverträgen, erbringt. Gemäß seinem Geschäftsbericht 2004 hatte der BHW Konzern (nach HGB) zum 31. Dezember 2004 Gesamtaktiva in einer Höhe von € 118.595,1 Mio. und ein Eigenkapital von € 1.985,6 Mio. und im Geschäftsjahr 2004 einen Gewinn von € 63,7 Mio. und einen Bilanzgewinn von € 102,8 Mio.

Die Mehrheitseigner der BHW Holding AG sowie die Mehrheitseigner der Allgemeine Hypothekenbank Rheinboden AG (AHBR), einer Konzerngesellschaft des BHW Konzerns, haben angekündigt, ihre Anteile an der BHW Holding AG bzw. an der AHBR verkaufen zu wollen. Die Postbank beabsichtigt, sich an einem solchen Verkaufsprozess als möglicher Bieter für diese Anteile zu beteiligen. Es ist aber noch keine Entscheidung getroffen worden, ob ein bindendes Angebot abgegeben werden soll. Die Postbank hat aber mitgeteilt, dass sie nicht beabsichtigt, Risiken der AHBR zu übernehmen.

Die Konzernzentrale der Postbank hat ihren Sitz in Friedrich-Ebert-Allee 114-126, 53113 Bonn, Bundesrepublik Deutschland.

Übersicht über die Transaktion

Deutsche Postbank Funding Trust III (der „**Trust**“) besteht zu dem einzigen Zweck (i), die Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung und einen Trust-Stammanteil ohne nachzahlbare Ausschüttungsberechtigung auszugeben, (ii) die Bruttoemissionserlöse daraus in die von der Deutsche Postbank Funding LLC III (die „**Gesellschaft**“) ausgegebenen Class B-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung anzulegen, und (iii) andere Tätigkeiten, die hiermit verbunden oder hierfür erforderlich sind, auszuüben. Die Trust-Wertpapiere verbriefen alle Eigentumsrechte am Trust. Der Trust-Stammanteil wird anfangs von der Postbank und danach von einer Postbank-Konzerngesellschaft gehalten werden.

Zusätzlich zu den Class B-Preferred-Wertpapieren, die vom Trust erworben werden, gibt die Gesellschaft zudem den Gesellschafts-Stammanteil und das Class A-Preferred-Wertpapier aus. Die Gesellschafts-Wertpapiere verbriefen alle Eigentumsrechte an der Gesellschaft. Der Gesellschafts-Stammanteil und das Class A-Preferred-Wertpapier werden anfangs von der Postbank und danach von einer Postbank-Konzerngesellschaft gehalten.

Die Gesellschaft wird die Bruttoerlöse aus der Ausgabe der Gesellschafts-Wertpapiere zum Erwerb der Anfänglichen Schuldverschreibungen verwenden. Die von der Postbank ausgegebenen Anfänglichen Schuldverschreibungen haben einen Gesamtnennbetrag von € 300.027.000 und einen Endfälligkeitstag am 7. Juni 2035. Die Anfänglichen Schuldverschreibungen sind gemäß ihren Bedingungen zudem nachrangig gegenüber Ansprüchen anderer Gläubiger der Postbank. Die Erlöse, die die Gesellschaft aus den Anfänglichen Schuldverschreibungen und Ersatz-Schuldverschreibungen erzielt, werden an die Inhaber der Class B-Preferred-Wertpapiere bzw. den Inhaber des Class A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils ausgekehrt werden.

Der Trust wird festgesetzte (oder als festgesetzt geltende) periodische Ausschüttungen, die von der Gesellschaft gemäß dem zwischen der Postbank und dem Trust abgeschlossenen LLC-Vertrag (der vor der Ausgabe der Gesellschafts-Wertpapiere neu gefasst wurde) auf die Class B-Preferred-Wertpapiere gezahlt werden, und die der Trust als Inhaber der Class B-Preferred-Wertpapiere erhält, an die Inhaber der Trust-Preferred-Wertpapiere gemäß dem zwischen unter anderem den Trustees, der Postbank und der Gesellschaft abgeschlossenen Trust-Vertrag (der vor der Ausgabe der Trust-Wertpapiere neu gefasst wurde) weiterleiten. Diese Ausschüttungen auf die Trust-Preferred-Wertpapiere werden auf den Betrag der Ausschüttungen auf die Class B-Preferred-Wertpapiere beschränkt sein.

Ausschüttungen auf die Class B-Preferred-Wertpapiere werden gemäß dem LLC-Vertrag für einen Zahlungszeitraum aus den Beträgen vorgenommen, um die (i) die auf die Anfänglichen Schuldverschreibungen und die Ersatz-Schuldverschreibungen durch deren Emittenten bzw. nach dem Endfälligkeitstag auf die Zulässigen Anlagen, die die Gesellschaft dann gegebenenfalls hält, oder gemäß der Nachrangigen Patronatserklärung gezahlten Beträge (ii) die betrieblichen Aufwendungen der Gesellschaft, die nicht von der Postbank gezahlt oder erstattet werden, im betreffenden Zahlungszeitraum übersteigen.

Vorbehaltlich der Bestimmungen des LLC-Vertrags und des Trust-Vertrags laufen Ausschüttungen auf den jeweiligen Liquidationsvorzugsbetrag von € 1.000 der Class B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere (i) vom Valutatag (einschließlich) bis zum Reset-Tag (ausschließlich) zu 7,00 % p.a., zahlbar jährlich nachträglich am 7. Juni eines jeden Jahres (einschließlich des Reset-Tags), und (ii) für jeden Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zu der Variablen Ausschüttungsrate, zahlbar jährlich nachträglich am 7. Juni eines jeden Jahres, erstmals am 7. Juni 2009, auf.

Für jeden Zahlungszeitraum werden die Ausschüttungen auf Basis des Tagesquotientens berechnet, wobei der sich daraus ergebende Betrag zum nächsten Cent gerundet wird (ein halber Cent wird aufgerundet).

Falls die Gesellschaft keine Ausschüttung auf die Class B-Preferred-Wertpapiere für einen Zahlungszeitraum festsetzt (und eine solche Ausschüttung nicht als festgesetzt gilt), haben die Inhaber der Class B-Preferred-Wertpapiere keinen Anspruch auf eine Ausschüttung auf die Class B-Preferred-Wertpapiere für einen solchen Zahlungszeitraum und die Gesellschaft ist nicht verpflichtet, eine Ausschüttung auf die Class B-Preferred-Wertpapiere für einen solchen Zahlungszeitraum vorzunehmen, unabhängig davon, ob Ausschüttungen auf die Class B-Preferred-Wertpapiere für einen zukünftigen Zahlungszeitraum festgesetzt werden (oder als festgesetzt gelten) und gezahlt werden. In einem solchen Fall werden die Anleger keine entsprechenden Ausschüttungen auf die Trust-Preferred-Wertpapiere für einen solchen Zahlungszeitraum erhalten.

Eine Zusammenfassung der Bedingungen der Trust-Preferred-Wertpapiere und der Class B-Preferred-Wertpapiere findet sich in der englischen Sprache unter „Description of the Trust Securities” und „Description of the Company Securities – Class B Preferred Securities”.

Die Postbank und die Gesellschaft werden die Nachrangige Patronatserklärung, deren Bedingungen in der englischen Sprache im Appendix A zu diesem Prospekt beigefügt sind, zugunsten der Inhaber der Class B-Preferred-Wertpapiere abschliessen. Gemäß der Nachrangigen Patronatserklärung verpflichtet sich die Postbank unter anderem dazu, dass (i) die Gesellschaft jederzeit in der Lage sein wird, ihre Verpflichtungen bei jeweiliger Fälligkeit zu erfüllen, einschließlich ihrer Verpflichtung zur Zahlung der festgesetzten (oder als festgesetzt geltenden) Ausschüttungen (zuzüglich etwaiger Zusätzlicher Beträge auf diese) und fälliger Einziehungsbeträge bezüglich der Class B-Preferred-Wertpapiere, und (ii) die Gesellschaft im Fall ihrer Liquidation oder Auflösung über ausreichende Mittel verfügen wird, um die gesamten Liquidationsvorzugsbeträge der Class B-Preferred-Wertpapiere, einschließlich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) sowie etwaiger Zusätzlicher Beträge zu zahlen.

Die Nachrangige Patronatserklärung stellt keine Garantie und keine Verpflichtung irgendeiner Art dar, dass die Gesellschaft jederzeit über ein ausreichendes Vermögen verfügt, um Ausschüttungen auf die Class B-Preferred-Wertpapiere oder sonstige Auszahlungen festzusetzen. Die Verpflichtungen der Postbank aus der Nachrangigen Patronatserklärung sind gegenüber allen vorrangigen und allen nachrangigen Verpflichtungen der Postbank nachrangig, mit den höchstrangigen gegebenenfalls ausgegebenen Vorzugsaktien der Postbank und anderen Instrumenten der Postbank, die als Kernkapital qualifizieren, mindestens gleichrangig, und gegenüber allen anderen Vorzugs- und Stammaktien der Postbank vorrangig.

Die Inhaber der Class B-Preferred-Wertpapiere sind Drittbegünstigte der Nachrangigen Patronatserklärung. Eine Zusammenfassung der Bedingungen der Nachrangigen Patronatserklärung findet sich in der englischen Sprache unter „Description of the Support Undertaking”.

Die Class B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere haben keinen festgelegten Endfälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar.

Die Class B-Preferred-Wertpapiere können am oder nach dem Anfänglichen Einziehungstag nach Wahl der Gesellschaft, ganz aber nicht teilweise, an jedem Zahlungstag eingezogen werden. Ferner können die Class B-Preferred-Wertpapiere von der Gesellschaft bei Eintritt eines Gesellschafts-Sonderkündigungsfalls eingezogen werden.

Eine solche Einziehung erfolgt zum Einziehungsbetrag der Class B-Preferred-Wertpapiere, der dem Liquidationsvorzugsbetrag der Class B-Preferred-Wertpapiere zuzüglich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Einziehungstag (ausschließlich) und etwaiger Zusätzlicher Beträge entspricht.

Vorbehaltlich der Bedingungen des Trust-Vertrags ist der Trust bei der Einziehung der Class B-Preferred-Wertpapiere verpflichtet, die diesbezüglichen Einziehungserlöse dazu zu verwenden, die Trust-Wertpapiere einzuziehen.

Bei Eintritt eines Trust-Sonderkündigungsfalls oder bei der Auflösung, Liquidation, Abwicklung oder Beendigung des Trusts sind die Inhaber der Trust-Preferred-Wertpapiere berechtigt, eine entsprechende Anzahl von Class B-Preferred-Wertpapieren zu erhalten. Siehe in der englischen Sprache „Description of the Trust Securities – Redemption”.

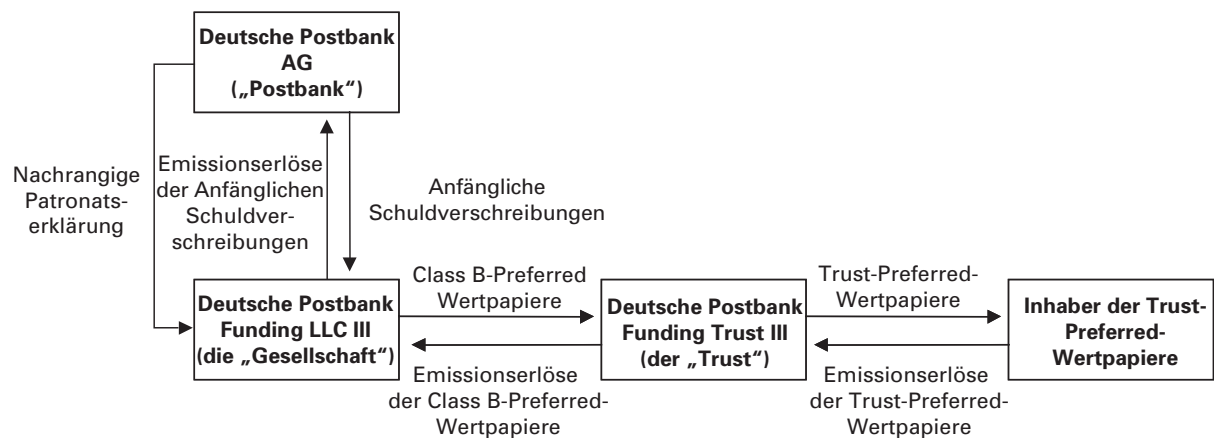
Da die Class B-Preferred-Wertpapiere die einzigen Vermögenswerte des Trusts darstellen und die Inhaber der Trust-Preferred-Wertpapiere unter bestimmten Umständen Class B-Preferred-Wertpapiere erhalten können, treffen potenzielle Käufer der Trust-Preferred-Wertpapiere auch eine Anlageentscheidung bezüglich der Class B-Preferred-Wertpapiere und sollten dementsprechend aufmerksam alle Informationen hinsichtlich der Class B-Preferred-Wertpapiere lesen. Siehe in der englischen Sprache „Description of the Company Securities – Class B Preferred Securities” und „Risk Factors – Special Redemption Risks”.

Gleichzeitig mit dem Erwerb der Trust-Preferred-Wertpapiere durch die Joint Lead Managers, wie in der englischen Sprache unter „Subscription and Sale” dargestellt, werden die Gesellschaft, der Trust und die Postbank die folgenden Transaktionen vornehmen: (i) die Gesellschaft wird an die Postbank den Gesellschafts-Stammanteil ausgeben; (ii) die Gesellschaft wird an die Postbank das Class A-Preferred-Wertpapier ausgeben;

(iii) der Trust wird an die Postbank den Trust-Stammanteil ausgeben; (iv) der Trust wird die Trust-Preferred-Wertpapiere, die im Namen der Clearstream AG registriert werden, an die Joint Lead Managers ausgeben, die die Trust-Preferred-Wertpapiere an die Anleger verkaufen werden; (v) die Gesellschaft wird an den Trust die Class B-Preferred-Wertpapiere ausgeben; und (vi) die Gesellschaft wird von der Postbank die Anfänglichen Schuldverschreibungen erwerben.

Die Postbank wird als Inhaberin des Gesellschafts-Stammanteils das Board of Directors, das anfangs aus vier *Directors* bestehen wird, ernennen.

Das folgende Schaubild zeigt die Beziehungen der Gesellschaft, des Trusts und der Postbank nach Abschluss des Angebots.



Das Angebot

- Der Trust*..... Deutsche Postbank Funding Trust III ist ein nach dem Recht des Staates Delaware errichteter *Statutory Trust*, der für das Halten der Class B-Preferred-Wertpapiere und die Weiterleitung der Ausschüttungen und der Einziehungsbeträge der Class B-Preferred-Wertpapiere an die Inhaber der Trust-Wertpapiere gegründet worden ist.
- Die Gesellschaft*..... Deutsche Postbank Funding LLC III, eine *Delaware Limited Liability Company*, ist eine hundertprozentige Tochtergesellschaft der Postbank. Die einzigen Vermögenswerte der Gesellschaft sind die Schuldverschreibungen und die Zulässigen Anlagen.
- Gegenstand des Angebots*..... € 300.000.000 auf den Namen lautende Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung mit einem Liquidationsvorzugsbetrag von € 1.000 je Trust-Preferred-Wertpapier. Die Bedingungen der Trust-Preferred-Wertpapiere sind im Wesentlichen identisch mit den Bedingungen der Class B-Preferred-Wertpapiere. Das Angebot besteht aus einer internationalen Privatplazierung außerhalb der Vereinigten Staaten von Amerika gemäß Regulation S. Siehe in der englischen Sprache „Subscription and Sale“.
- Ausgabepreis*..... 100 % (entspricht € 1.000 je Trust-Preferred-Wertpapier).
- Verwendung der Erlöse* Der Erlös aus dem Verkauf der Trust-Wertpapiere wird vom Trust in die Class B-Preferred-Wertpapiere investiert. Die Gesellschaft wird den Erlös aus dem Verkauf der Class B-Preferred-Wertpapiere, zusammen mit den in Bezug auf die Ausgabe des Class A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils von der Postbank eingebrachten Mittel für den Kauf von Anfänglichen Schuldverschreibungen verwenden. Die Postbank beabsichtigt, die Class B-Preferred-Wertpapiere bzw. die Trust-Preferred-Wertpapiere als aufsichtsrechtliches Kernkapital auf konsolidierter Basis zu behandeln. Die Postbank beabsichtigt, den Erlös aus dem Verkauf der Anfänglichen Schuldverschreibungen für allgemeine Unternehmenszwecke zu verwenden, um ihre finanzielle Flexibilität in Bezug auf Unternehmenskäufe zu erhöhen.
- Nachrangige Patronatserklärung der Postbank*..... Die Postbank wird mit der Gesellschaft eine Nachrangige Patronatserklärung zugunsten der Gesellschaft und der Inhaber der Class B-Preferred-Wertpapiere abschliessen, wonach sich die Postbank verpflichtet sicherzustellen, dass
- (i) die Gesellschaft jederzeit in der Lage sein wird, ihre Verpflichtungen bei jeweiliger Fälligkeit zu erfüllen, einschließlich festgesetzter (oder als festgesetzt geltender) Ausschüttungen auf die Class B-Preferred-Wertpapiere zuzüglich etwaiger Zusätzlicher Beträge auf diese und fälliger Einziehungsbeträge bezüglich der Class B-Preferred-Wertpapiere; und
 - (ii) die Gesellschaft im Fall ihrer Liquidation oder Auflösung über ausreichende Mittel verfügen wird, um die Liquidationsvorzugsbeträge der Class B-Preferred-Wertpapiere, einschließlich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) sowie etwaiger Zusätzlicher Beträge zu zahlen.

Die Nachrangige Patronatserklärung stellt keine Garantie irgendeiner Art dar, dass die Gesellschaft jederzeit über ausreichendes Vermögen verfügt, um Ausschüttungen oder sonstige Auszahlungen festzusetzen.

Die Verpflichtungen der Postbank aus der Nachrangigen Patronatserklärung sind gegenüber allen vorrangigen und allen nachrangigen Verpflichtungen der Postbank nachrangig, mit den höchstrangigen gegebenenfalls ausgegebenen Vorzugsaktien der Postbank und anderen Instrumenten der Postbank, die als Kernkapital qualifizieren, mindestens gleichrangig, und gegenüber allen anderen Vorzugs- und Stammaktien der Postbank vorrangig. Die Inhaber der Class B-Preferred-Wertpapiere sind Drittbegünstigte der Nachrangigen Patronatserklärung. Falls ein Inhaber von Class B-Preferred-Wertpapieren der Gesellschaft mitgeteilt hat, dass die Postbank eine Verpflichtung aus der Nachrangigen Patronatserklärung nicht erfüllt hat, und diese Nichterfüllung länger als 60 Tage nach dem Zeitpunkt der Mitteilung fort dauert, sind die Inhaber einer Mehrheit des Liquidationsvorzugsbetrags der Class B-Preferred-Wertpapiere berechtigt, den Unabhängigen Enforcement Director zu ernennen, der verpflichtet ist, die Rechte der Gesellschaft aus der Nachrangigen Patronatserklärung ohne Beeinträchtigung der Interessen der Inhaber der Class B-Preferred-Wertpapiere durchzusetzen.

Die Postbank verpflichtet sich ferner, keine Garantie oder ähnliche Versprechen in Bezug auf andere Vorzugswertpapiere oder vergleichbare Wertpapiere eines anderen verbundenen Unternehmens abzugeben oder eine andere Vereinbarung zur Sicherung solcher Vorzugswertpapiere oder vergleichbarer Wertpapiere abzuschließen, wenn eine solche Garantie, ein solches Versprechen oder eine solche Vereinbarung in irgendeiner Hinsicht gegenüber der Nachrangigen Patronatserklärung vorrangig wäre, außer wenn die Patronatserklärung so geändert wird, dass diese mit einer solchen anderen Garantie oder Vereinbarung mindestens gleichrangig ist und im Wesentlichen gleichwertige Vorrechte in Bezug auf Zahlungen enthält.

Zusammenfassung der Bedingungen der Trust-Preferred-Wertpapiere und der Class B-Preferred-Wertpapiere

<i>Verbriefung und Stückelung</i>	Die Trust-Preferred-Wertpapiere werden als Namenswertpapiere im Girosammelverfahren in einer Stückelung von € 1.000 (Liquidationsvorzugsbetrag) ausgegeben und werden durch eine oder mehrere von der Clearstream AG verwahrte Globalurkunden verbrieft (mit Ausnahme von besonderen Umständen, in denen effektive Stücke ausgegeben werden. Siehe in der englischen Sprache „Description of the Trust Securities – Transfer”).
<i>Fälligkeit</i>	Die Trust-Preferred-Wertpapiere und die Class B-Preferred-Wertpapiere haben keinen Fälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar. Die Gesellschaft kann unter bestimmten Umständen die Class B-Preferred-Wertpapiere ganz aber nicht teilweise einziehen. Siehe in der englischen Sprache „Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities”.
<i>Ausschüttungen</i>	Vorbehaltlich der Bestimmungen des Trust-Vertrags bzw. des LLC-Vertrags laufen Ausschüttungen auf den jeweiligen Liquidationsvorzugsbetrag von € 1.000 je Trust-Preferred-Wertpapier (der „ Liquidationsvorzugsbetrag “) und von € 1.000 je Class B-Preferred-Wertpapier wie folgt auf: (i) vom Valutatag (einschließlich) bis zum Reset-Tag (ausschließlich) zu einem festen Satz von 7,00 % p.a. (die „ Feste Ausschüttungsrate “), jährlich nachträglich zahlbar am 7. Juni eines jeden Jahres (einschließlich des Reset-Tags), und (ii) für jeden Zahlungszeitraum, der am oder nach dem Reset-Tag

beginnt, zum Referenzsatz zuzüglich einer Marge von 0,125 % p.a. (die „**Variable Ausschüttungsrate**“), zahlbar jährlich nachträglich am 7. Juni eines jeden Jahres, erstmals am 7. Juni 2009. Die Ausschüttungen werden jedoch für keinen Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zu einem Satz von mehr als 8,00 % p.a. auflaufen. Für jeden Zahlungszeitraum werden die Ausschüttungen auf Basis des Tagesquotientens berechnet, wobei der sich daraus ergebende Betrag zum nächsten Cent gerundet wird (ein halber Cent wird aufgerundet).

Festsetzung von

Ausschüttungen

Es wird erwartet, dass die Ausschüttungen auf die Class B-Preferred-Wertpapiere aus Zinszahlungen vorgenommen werden, die die Gesellschaft aus den Schuldverschreibungen oder den Zulässigen Anlagen, die die Gesellschaft gegebenenfalls hält, erhalten hat.

Falls die Gesellschaft für einen Zahlungszeitraum keine Ausschüttung auf die Class B-Preferred-Wertpapiere festsetzt (und eine solche Ausschüttung nicht als festgesetzt gilt), haben die Inhaber der Class B-Preferred-Wertpapiere keinen Anspruch auf eine Ausschüttung auf die Class B-Preferred-Wertpapiere für diesen Zahlungszeitraum und die Gesellschaft ist nicht verpflichtet, eine Ausschüttung für diesen Zahlungszeitraum auf die Class B-Preferred-Wertpapiere zu zahlen, unabhängig davon, ob Ausschüttungen auf die Class B-Preferred-Wertpapiere für einen zukünftigen Zahlungszeitraum festgesetzt werden (oder als festgesetzt gelten) und gezahlt werden.

Ausschüttungen auf die Class B-Preferred-Wertpapiere dürfen nur an einem Zahlungstag festgesetzt und gezahlt werden, sofern:

- (i) der Gesellschaft für den Zahlungszeitraum, der an dem Tag endet, der diesem Zahlungstag unmittelbar vorhergeht, ein Betriebsgewinn zur Verfügung steht, der mindestens dem Betrag dieser Ausschüttungen entspricht, und
- (ii) der Postbank für das vorhergehende Geschäftsjahr, für das ein geprüfter nicht konsolidierter Einzelabschluss vorliegt, ein Ausschüttungsfähiger Gewinn zur Verfügung steht, der mindestens der Summe aus dem Betrag dieser auf die Class B-Preferred-Wertpapiere zu zahlenden Ausschüttungen und den Ausschüttungen, Dividenden oder sonstigen Auszahlungen auf etwaige Gleichrangige Wertpapiere entspricht, wobei der Ausschüttungsfähige Gewinn des vorhergehenden Geschäftsjahrs anteilmäßig auf diese Ausschüttungen sowie Ausschüttungen, Dividenden oder sonstige Auszahlungen auf Gleichrangige Wertpapiere verteilt wird.

Zur Feststellung, ob ein ausreichender Ausschüttungsfähiger Gewinn der Postbank für ein Geschäftsjahr zur Verfügung steht, damit Ausschüttungen auf die Class B-Preferred-Wertpapiere festgesetzt werden dürfen, werden vom Ausschüttungsfähigen Gewinn des betreffenden Geschäftsjahres etwaige Ausschüttungen, die bereits auf die Class B-Preferred-Wertpapiere gezahlt worden sind, und etwaige Ausschüttungen, Dividenden oder sonstige Auszahlungen, die auf der Basis eines solchen Ausschüttungsfähigen Gewinns bereits auf Gleichrangige Wertpapiere gezahlt worden sind, abgezogen.

Fingierte Festsetzungen

von Ausschüttungen

Ungeachtet des Vorstehenden gilt Folgendes: Falls die Postbank oder eine ihrer Tochtergesellschaften in Bezug auf Gleichrangige Wertpapiere Ausschüttungen, Dividenden oder sonstige Auszahlungen festsetzt oder zahlt (mit Ausnahme von Zahlungen von Tochtergesellschaften der Postbank, die ausschließlich an die Postbank oder an eine hundertprozentige

Tochtergesellschaft der Postbank geleistet werden), wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class B-Preferred-Wertpapiere festgesetzt hat. Falls eine solche Ausschüttung, Dividende oder sonstige Auszahlung auf Gleichrangige Wertpapiere zum vollen festgelegten Betrag, der auf die Gleichrangigen Wertpapiere im dann laufenden Geschäftsjahr bis zum maßgeblichen Zahlungstag zahlbar ist, geleistet wurde, wird fingiert, dass die Ausschüttungen zum Festgelegten Zinssatz für das dann laufende Geschäftsjahr bis zum Zahlungstag auf die Class B-Preferred-Wertpapiere in voller Höhe festgesetzt werden. Falls eine solche Ausschüttung, Dividende oder sonstige Auszahlung auf Gleichrangige Wertpapiere nur eine Teilzahlung des so geschuldeten Betrags darstellt, wird die als festgesetzt fingierte Ausschüttung auf die Class B-Preferred-Wertpapiere proportional angepasst.

Ferner gilt ungeachtet des Vorstehenden Folgendes: Falls die Postbank oder eine Tochtergesellschaft der Postbank in Bezug auf ihre Nachrangigen Wertpapiere Nachrangige Ausschüttungen festsetzt oder zahlt, wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class B-Preferred-Wertpapiere für einen Betrag festgesetzt hat, der davon abhängt, wie oft auf die jeweiligen Nachrangigen Wertpapiere Ausschüttungen, Dividenden oder sonstige Auszahlungen gezahlt werden:

- falls die Zahlung von Nachrangigen Ausschüttungen jährlich erfolgt, in voller Höhe zum Festgelegten Zinssatz für denjenigen Zahlungstag, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt;
- falls die Zahlung von Nachrangigen Ausschüttungen halbjährlich erfolgt:
 - (i) falls nur eine Nachrangige Ausschüttung in dem dem Zahlungstag vorhergehenden Zahlungszeitraum vorgenommen wurde, gelten Ausschüttungen zu 50 % des Betrags als festgesetzt, der zum Festgelegten Zinssatz in voller Höhe für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt, oder
 - (ii) falls zwei Nachrangige Ausschüttungen in einem solchen Zahlungszeitraum vorgenommen wurden, gelten Ausschüttungen in voller Höhe zu dem Betrag als festgesetzt, der zum Festgelegten Zinssatz für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt.
- falls die Zahlung von Nachrangigen Ausschüttungen vierteljährlich erfolgt:
 - (i) falls nur eine Nachrangige Ausschüttung in dem dem Zahlungszeitraum vorhergehenden Zahlungszeitraum vorgenommen wurde, gelten Ausschüttungen zu 25 % des Betrages als festgesetzt, der zum Festgelegten Zinssatz in voller Höhe für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt, oder

- (ii) falls zwei Nachrangige Ausschüttungen in dem dem Zahlungszeitraum vorhergehenden Zahlungszeitraum vorgenommen wurden, gelten Ausschüttungen zu 50 % des Betrages als festgesetzt, der zum Festgelegten Zinssatz in voller Höhe für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt, oder
- (iii) falls drei Nachrangige Ausschüttungen in dem dem Zahlungszeitraum vorhergehenden Zahlungszeitraum vorgenommen wurden, gelten Ausschüttungen zu 75 % des Betrages als festgesetzt, der zum Festgelegten Zinssatz in voller Höhe für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt, oder
- (iv) falls vier Nachrangige Ausschüttungen in dem dem Zahlungszeitraum vorhergehenden Zahlungszeitraum vorgenommen wurden, gelten Ausschüttungen in voller Höhe zu dem Betrage festgesetzt, der zum Festgelegten Zinssatz für denjenigen Zahlungstag zahlbar wäre, der auf denselben Tag fällt wie der Tag, an dem eine solche Ausschüttung, Dividende oder sonstige Auszahlung festgesetzt oder geleistet wird, oder der unmittelbar darauf folgt.

Falls die Postbank oder eine ihrer Tochtergesellschaften Gleichrangige Wertpapiere oder Nachrangige Wertpapiere einzieht, zurückkauft oder anderweitig erwirbt, außer durch Wandlung oder Umtausch in Stammaktien der Postbank und gemäß bestimmten in der englischen Sprache unter „Description of the Company Securities – Class B-Preferred Securities – Capital Payments“ dargestellten Ausnahmen, wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class B-Preferred-Wertpapiere zum Festgelegten Zinssatz in voller Höhe für denjenigen Zahlungstag festgesetzt hat, der auf denselben Tag fällt wie der Tag, an dem eine solche Rücknahme, ein solcher Rückkauf oder ein solcher anderer Erwerb erfolgt, oder der unmittelbar darauf folgt.

Verbot von

Ausschüttungen Auch wenn ein ausreichender Betriebsgewinn der Gesellschaft und ein ausreichender Ausschüttungsfähiger Gewinn der Postbank zur Verfügung stehen, dürfen an einem Zahlungstag (oder einem für die Einziehung oder Liquidation festgesetzten Tag) keine Ausschüttungen auf die Class B-Preferred-Wertpapiere vorgenommen werden, wenn an diesem Tag eine Anweisung der Bundesanstalt für Finanzdienstleistungsaufsicht (die „BaFin“) (oder einer anderen maßgeblichen Aufsichtsbehörde) in Kraft ist, die es der Postbank untersagt, Gewinnausschüttungen (einschließlich etwaiger Gewinnausschüttungen an Inhaber von Gleichrangigen Wertpapieren) vorzunehmen.

Zahlung von

Zusätzlichen Beträgen Alle Zahlungen auf die Class B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere (einschließlich von Zahlungen im Rahmen einer Liquidation oder bei Einziehung solcher Wertpapiere) sind ohne Abzug oder Einbehalt von oder aufgrund von Quellensteuern vorzunehmen, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In letzterem Fall werden die Gesellschaft bzw. der Trust diejenigen zusätzlichen Beträge als zusätzliche Ausschüttungen zahlen, die erforderlich sind, damit die Nettobeträge, die den Inhabern der Class B-Preferred-Wertpapiere bzw. der

Trust-Preferred-Wertpapiere nach diesem Abzug oder Einbehalt zufließen, jeweils den Beträgen entsprechen, die sie erhalten hätten, wenn kein solcher Abzug oder Einbehalt erforderlich gewesen wäre („**Zusätzliche Beträge**“). Die Verpflichtung zur Zahlung solcher zusätzlicher Beträge auf die Class B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere besteht jedoch nicht:

- falls und soweit die Gesellschaft nicht in der Lage ist, solche zusätzlichen Beträge zu zahlen, weil eine solche Zahlung den ausschüttungsfähigen Gewinn der Postbank für das vorhergehende Geschäftsjahr (nach Abzug des Betrags der Ausschüttungen auf die Class B-Preferred-Wertpapiere oder etwaiger Ausschüttungen, Dividenden oder sonstiger Auszahlungen auf gleichrangige Wertpapiere, die auf der Grundlage eines solchen ausschüttungsfähigen Gewinns am oder vor dem Tag der Fälligkeit der zusätzlichen Beträge bereits vom ausschüttungsfähigen Gewinn gezahlt wurden) übersteigen würde;
- in Bezug auf jegliche Beträge von Quellensteuern, die aufgrund der Tatsache zu zahlen sind, dass der Inhaber oder wirtschaftliche Eigentümer der Class B-Preferred-Wertpapiere (mit Ausnahme des Trusts) oder der Trust-Preferred-Wertpapiere eine andere Beziehung zu einer maßgeblichen Rechtsordnung unterhält als lediglich den Besitz der Class B-Preferred-Wertpapiere bzw. Trust-Preferred-Wertpapiere;
- in Bezug auf jegliche Beträge von Quellensteuern, wenn dieser Einbehalt oder Abzug gemäß einer Richtlinie der Europäischen Union über die Besteuerung von Zinserträgen (einschließlich der beschlossenen Richtlinie vom 3. Juni 2003) erfolgt, oder gemäß einem Gesetz, das aufgrund einer solchen Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um einer solchen Richtlinie nachzukommen;
- in Bezug auf jegliche Beträge von Quellensteuern, die aufgrund einer Steuer bezüglich Erbschaft, Spareinlagen, Vermögen, persönlichen Eigentums, Verkauf oder Übertragung oder aufgrund sonstiger Steuern zahlbar sind, die anders als durch Einbehalt von Zahlungen in Bezug auf die Class B-Preferred-Wertpapiere oder die Trust-Preferred-Wertpapiere zahlbar sind;
- in Bezug auf jegliche Beträge von Quellensteuern, deren Abzug oder Einbehalt vermieden oder vermindert werden kann, indem der Inhaber oder wirtschaftliche Eigentümer der Class B-Preferred-Wertpapiere bzw. der Trust-Preferred-Wertpapiere gegenüber der maßgeblichen Steuerbehörde eine Erklärung seiner Nichtansässigkeit oder eines anderen Anspruchs auf Freistellung abgibt;
- in Bezug auf jegliche Beträge von Quellensteuern, deren Abzug oder Einbehalt vermieden oder vermindert werden kann, indem der Inhaber oder wirtschaftliche Eigentümer die jeweiligen Class B-Preferred-Wertpapiere oder Trust-Preferred-Wertpapiere einer anderen Zahlstelle in einem Mitgliedstaat der Europäischen Union vorlegt; oder
- in Bezug auf jegliche Beträge von Quellensteuern, deren Abzug oder Einbehalt dadurch hätte vermieden werden können, dass der Inhaber der Class B-Preferred-Wertpapiere oder der Trust-Preferred-Wertpapiere die jeweiligen Class B-Preferred-Wertpapiere oder Trust-Preferred-Wertpapiere zur Zahlung innerhalb von 30 Tagen seit dem Fälligkeitstag oder seit dem Tag, an dem diese zahlbar wurden, vorgelegt hätte; dies gilt nicht insoweit, als ein solcher Inhaber auf solche zusätzlichen Beträge einen Anspruch durch Vorlage solcher

Class B-Preferred-Wertpapiere oder Trust-Preferred-Wertpapiere zur Zahlung am letzten Tag einer solchen 30-Tagefrist gehabt hätte.

Einziehung Falls die Gesellschaft Class B-Preferred-Wertpapiere einzieht, muss der Trust die Trust-Preferred-Wertpapiere einziehen. Die Class B-Preferred-Wertpapiere können nach Wahl der Gesellschaft, ganz aber nicht teilweise, am Anfänglichen Einziehungstag oder an jedem Zahlungstag danach eingezogen werden. Die Gesellschaft ist zudem berechtigt, die Class B-Preferred-Wertpapiere jederzeit ganz, aber nicht teilweise bei Eintritt eines Gesellschafts-Sonderkündigungsfalls einzuziehen. Eine solche Einziehung erfolgt zum Einziehungsbetrag, der dem Liquidationsvorzugsbetrag der Class B-Preferred-Wertpapiere entspricht, zuzüglich aufgelaufener und nicht gezahlter Ausschüttungen für den jeweils laufenden Zahlungszeitraum bis zum Einziehungstag (ausschließlich), zuzüglich etwaiger Zusätzlicher Beträge. Die Gesellschaft ist nur berechtigt, ihr Recht, die Class B-Preferred-Wertpapiere einzuziehen, auszuüben, wenn sie:

- (i) mit einer Frist von mindestens 30 Tagen (oder einer längeren Frist, wenn dies von der zuständigen Aufsichtsbehörde verlangt wird) den Inhabern der Class B-Preferred-Wertpapiere ihre Absicht, die Class B-Preferred-Wertpapiere am Einziehungstag einzuziehen, bekannt gemacht hat,
- (ii) gleichzeitig von der Emittentin der Schuldverschreibungen eine Mitteilung bezüglich der Rückzahlung eines Gesamtnennbetrags von Schuldverschreibungen, der dem gesamten Liquidationsvorzugsbetrag der einzuziehenden Class B-Preferred-Wertpapieren entspricht, erhalten hat, und
- (iii) die notwendigen regulatorischen Genehmigungen erhalten hat. Siehe in der englischen Sprache „Description of the Company Securities – Class B-Preferred Securities – Redemption of the Class B-Preferred Securities”.

Eine Einziehung von Class B-Preferred-Wertpapieren gleich aus welchem Grund darf nur erfolgen, falls am Einziehungstag:

- die Gesellschaft (aufgrund von Zahlungen auf die Schuldverschreibungen, Zulässigen Anlagen oder gemäß der Nachrangigen Patronatserklärung) über ausreichende Mittel verfügt, um den Einziehungsbetrag zu zahlen und einen Betrag in voller Höhe zu zahlen, der den bis zum Einziehungstag aufgelaufenen und nicht gezahlten Ausschüttungen zuzüglich etwaiger Zusätzlicher Beträge entspricht;
- der Postbank für das vorhergehende Geschäftsjahr ein Ausschüttungsfähiger Gewinn zur Verfügung steht, der mindestens der Summe aus dem Betrag der bis zum Einziehungstag angefallenen und nicht gezahlten Ausschüttungen auf die Class B-Preferred-Wertpapiere zuzüglich etwaiger Zusätzlicher Beträge entspricht; und
- keine Anweisung der BaFin (oder einer anderen zuständigen Aufsichtsbehörde) in Kraft ist, die es der Postbank untersagt, Gewinnausschüttungen (einschließlich etwaiger Gewinnausschüttungen an die Inhaber von Gleichrangigen Wertpapieren) vorzunehmen.

Bei Eintritt eines Trust-Sonderkündigungsfalls oder im Fall einer freiwilligen oder unfreiwilligen Auflösung, Liquidation, Abwicklung oder Beendigung des Trusts werden die Inhaber der Trust-Wertpapiere berechtigt sein, in proportionaler Höhe Class B-Preferred-Wertpapiere zu erhalten, wobei im Fall einer solchen Auskehrung von Class B-Preferred-Wertpapieren die

Rechte des Inhabers des Trust-Stammanteils gegenüber den Rechten der Inhaber der Trust-Preferred-Wertpapiere nachrangig sein werden. Siehe in der englischen Sprache „Description of the Trust Securities – Redemption”.

Die Trust-Preferred-Wertpapiere und die Class B-Preferred-Wertpapiere haben keinen festgelegten Endfälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar.

Liquidation..... Bei einer freiwilligen oder unfreiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung des Trusts sind die Inhaber der Trust-Wertpapiere berechtigt, in proportionaler Höhe Class B-Preferred-Wertpapiere zu erhalten. Die Inhaber der Trust-Preferred-Wertpapiere haben in Bezug auf Ausschüttungen aufgrund der Liquidation des Trusts effektiv einen Vorrang vor dem Inhaber des Trust-Stammanteils.

Bei einer Liquidation oder Auflösung der Gesellschaft, hat (i) der Inhaber des Class A-Preferred-Wertpapiers einen Anspruch auf Erhalt der Schuldverschreibungen oder der Zulässigen Anlagen (einschließlich aller darauf aufgelaufenen und nicht gezahlten Zinsen) als seine Liquidationsausschüttung und (ii) jeder Inhaber der Class B-Preferred-Wertpapiere einen Anspruch auf Erhalt des Liquidationsvorzugsbetrags der Class B-Preferred-Wertpapiere, zuzüglich der jeweils aufgelaufenen und nicht gezahlten Ausschüttungen für den laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) und zuzüglich etwaiger Zusätzlicher Beträge. Die Gesellschaft geht davon aus, dass die Liquidationsausschüttung an die Inhaber der Class B-Preferred-Wertpapiere aus den gemäß der Nachrangigen Patronatserklärung von der Postbank erhaltenen Mitteln gezahlt wird. Gemäß den Bestimmungen des LLC-Vertrags und soweit nach anwendbarem Recht zulässig, wird die Gesellschaft so lange nicht aufgelöst, bis alle Verpflichtungen der Nachrangigen Patronatserklärung vollständig gemäß ihren Bedingungen erfüllt worden sind.

Rang der

Trust-Wertpapiere..... Die Vornahme von Ausschüttungen und sonstigen Auszahlungen auf die Trust-Wertpapiere und die Zahlung von Beträgen bei deren Einziehung erfolgen anteilig zwischen dem Trust-Stammanteil und den Trust-Preferred-Wertpapieren auf der Grundlage ihres Liquidationsvorzugs; bei Eintritt und Fortbestehen der Nichterfüllung einer Verpflichtung aus den Anfänglichen Schuldverschreibungen oder einer Verpflichtung aus der Nachrangigen Patronatserklärung werden jedoch keine Ausschüttungen oder sonstige Auszahlungen vorgenommen oder Einziehungsbeträge an den Inhaber des Trust-Stammanteils geleistet, solange nicht alle aufgelaufenen und nicht gezahlten Ausschüttungen auf die Trust-Preferred-Wertpapiere und Einziehungsbeträge bezüglich der Trust-Preferred-Wertpapiere gezahlt worden sind oder für deren Zahlung gesorgt worden ist, und alle Mittel, die dem Property Trustee unmittelbar zur Verfügung stehen, werden zunächst zur Vornahme der Leistung von fälligen Ausschüttungen auf die Trust-Preferred-Wertpapiere bzw. fälligen Einziehungsbeträgen bezüglich der Trust-Preferred-Wertpapiere verwendet, bevor solche Mittel verwendet werden, um Zahlungen auf den Trust-Stammanteil vorzunehmen.

*Rang der Gesellschafts-
Wertpapiere*

Bei einer freiwilligen oder unfreiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung der Gesellschaft sind die Class B-Preferred-Wertpapiere nachrangig gegenüber dem Class A-Preferred-Wertpapier und vorrangig gegenüber dem Gesellschafts-Stammanteil; jedoch werden Zahlungen der Postbank gemäß der Nachrangigen Patronatserklärung von der Gesellschaft nur an die Inhaber der Class B-Preferred-Wertpapiere gezahlt.

Solange Class B-Preferred-Wertpapiere ausstehen, wird die Gesellschaft nicht ohne die Zustimmung der Inhaber von mindestens 66% % des gesamten

Liquidationsvorzugsbetrags der Class B-Preferred-Wertpapiere, die gesondert als eine Klasse abstimmen (mit Ausnahme von Class B-Preferred-Wertpapieren, die von der Postbank oder einem mit ihr verbundenen Unternehmen (mit Ausnahme des Trusts) gehalten werden), (i) eine Bestimmung des LLC-Vertrags (einschließlich der Bedingungen der Class B-Preferred-Wertpapiere) ergänzen, neu fassen, aufheben oder ändern, falls eine solche Ergänzung, Neufassung, Aufhebung oder Änderung die Rechte, Vorzugsrechte, Befugnisse oder Vorrechte der Class B-Preferred-Wertpapiere beeinträchtigen würde; (ii) vereinbaren, eine Bestimmung der Schuldverschreibungen in einer Weise zu ändern oder zu ergänzen oder auf die Rechte aus einer Vertragsverletzung in Bezug auf die Zahlung eines Betrags aus den Schuldverschreibungen zu verzichten, die die Interessen der Inhaber der Class B-Preferred-Wertpapiere nachhaltig beeinträchtigen würde; oder (iii) eine Verschmelzung (durch Aufnahme oder Neugründung) oder einen Zusammenschluss unter Beteiligung der Gesellschaft oder den Verkauf aller oder eines wesentlichen Teils der Vermögenswerte der Gesellschaft durchführen, wobei eine solche Verschmelzung (durch Aufnahme oder Neugründung) oder ein solcher Zusammenschluss unter Beteiligung der Gesellschaft oder Verkauf aller oder eines wesentlichen Teils der Vermögenswerte der Gesellschaft in Übereinstimmung mit den Bestimmungen des LLC-Vertrags stehen muss. Für eine Beschreibung dieser Bestimmungen des LLC-Vertrags siehe in der englischen Sprache „Description of the Company Securities – Mergers, Consolidation and Sales“.

Weitere Emissionen Die Gesellschaft wird nicht ohne Zustimmung aller Inhaber von Class B-Preferred-Wertpapieren (ohne Berücksichtigung von Class B-Preferred-Wertpapieren, die von der Postbank oder einem ihrer verbundenen Unternehmen gehalten werden) weitere Wertpapiere ausgeben, die gegenüber den Class B-Preferred-Wertpapieren in Bezug auf periodische Ausschüttungsrechte oder Rechte bei Liquidation oder Auflösung der Gesellschaft vorrangig oder mit diesen gleichrangig sind. Die Gesellschaft kann jedoch von Zeit zu Zeit ohne die Zustimmung der Inhaber der Class B-Preferred-Wertpapiere weitere Class B-Preferred-Wertpapiere mit identischen Bedingungen (bzw. in allen Punkten identischen Bedingungen bis auf den Ausgabebetrag, den Tag, ab dem Ausschüttungen auf die Class B-Preferred-Wertpapiere auflaufen, den Ausgabepreis und andere Abweichungen, soweit nach anwendbarem Recht notwendig) in einer Weise ausgeben, dass diese Class B-Preferred-Wertpapiere eine einheitliche Serie bilden.

Durchsetzungsrechte Bei Eintritt eines Ereignisses, das zur Liquidation oder Auflösung der Gesellschaft führt, oder (i) wenn die Gesellschaft Ausschüttungen (zuzüglich etwaiger darauf bezogener Zusätzlicher Beträge) auf die Class B-Preferred-Wertpapiere zum Festgelegten Zinssatz nicht in voller Höhe für den ersten Zahlungszeitraum oder danach für zwei aufeinanderfolgende Zahlungszeiträume leistet, oder (ii) dem Fortbestehen der Nichterfüllung einer Verpflichtung der Postbank aus der Nachrangigen Patronatserklärung mehr als 60 Tage nach dem Zeitpunkt, zu dem diese Nichterfüllung der Gesellschaft vom Property Trustee oder von einem Inhaber der Class B-Preferred-Wertpapiere oder von einem Inhaber der Trust-Preferred-Wertpapiere angezeigt wurde, sind die Inhaber einer Mehrheit des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere berechtigt, einen Unabhängigen Enforcement Director zu ernennen. Ein Unabhängiger Enforcement Director wird sein Amt niederlegen, sobald nach alleinigem Ermessen des Unabhängigen Enforcement Director: (i) die Ausschüttungen auf die Class B-Preferred-Wertpapiere (zuzüglich etwaiger darauf bezogener Zusätzlicher Beträge) zum Festgelegten Zinssatz in voller Höhe für zwei aufeinanderfolgende Zahlungszeiträume von der Gesellschaft gezahlt wurden

und (ii) die Postbank alle ihre Verpflichtungen aus der Nachrangigen Patronatserklärung erfüllt.

Bei Eintritt eines Durchsetzungs-Ereignisses ist der Property Trustee berechtigt, bestimmte Rechte der Inhaber der Class B-Preferred-Wertpapiere durchzusetzen. Falls der Property Trustee diese Rechte aus den Class B-Preferred-Wertpapieren nicht durchsetzt, ist der eingetragene Inhaber der Trust-Preferred-Wertpapiere, also die Clearstream AG, nicht aber ein Anleger der Trust-Preferred-Wertpapiere, berechtigt, rechtliche Schritte unmittelbar gegen die Gesellschaft einzuleiten, um die Rechte des Property Trustee aus den Class B-Preferred-Wertpapieren durchzusetzen, ohne erst rechtliche Schritte gegen den Property Trustee, den Trust oder sonstige Personen oder Unternehmen einleiten zu müssen. Siehe in der englischen Sprache „Description of the Trust Securities – Enforcement Events”.

Stimmrechte Außer soweit ausdrücklich gemäß anwendbarem Recht vorgeschrieben oder im Trust-Vertrag oder LLC-Vertrag bestimmt, sind die Inhaber der Trust-Preferred-Wertpapiere in Angelegenheiten des Trusts oder der Gesellschaft nicht stimmberechtigt. Solange der Trust Class B-Preferred-Wertpapiere hält, sind die Inhaber der Trust-Preferred-Wertpapiere berechtigt, den Property Trustee anzuweisen, die mit den Class B-Preferred-Wertpapieren verbundenen Stimmrechte auszuüben. Die Inhaber der Trust-Preferred-Wertpapiere können durch schriftliche Mitteilung an den Property Trustee und im Einklang mit anwendbarem Recht auf diese Stimmrechte verzichten. Für weitere Informationen siehe in der englischen Sprache „Description of the Trust Securities – Voting and Enforcement Rights”.

Außer soweit ausdrücklich gemäß anwendbarem Recht vorgeschrieben oder im LLC-Vertrag bestimmt, haben die Class B-Preferred-Wertpapiere keine Stimmrechte. Für weitere Informationen siehe in der englischen Sprache „Description of the Company Securities – Class B-Preferred Securities – Voting and Enforcement Rights”.

Notierung Die Zulassung der Trust-Preferred-Wertpapiere zur Eurolist von Euronext Amsterdam und zum amtlichen Markt an der Frankfurter Wertpapierbörse ist beantragt worden.

Clearing und Abwicklung Die Trust-Preferred-Wertpapiere werden am oder um den 7. Juni 2005 bei der Clearstream AG eingeliefert. Die Trust-Preferred-Wertpapiere werden Anlegern gegen Zahlung am 2. Tag nach dem Valutatag durch Buchung gutgeschrieben werden. Die Zahlung und Gutschrift erfolgen über die Clearstream AG.

Hauptzahlstelle; Berechnungsstelle Deutsche Bank AG, Frankfurt am Main, Bundesrepublik Deutschland.

Niederländische Zahlstelle Deutsche Bank AG, Amsterdam, Niederlande.

Bekanntmachungen Solange Trust-Preferred-Wertpapiere an der Euronext Amsterdam notiert sind und die Richtlinien dieser Börse dies erfordern, werden Bekanntmachungen an die Inhaber der Trust-Preferred-Wertpapiere in einer Tageszeitung mit allgemeiner Auflage in den Niederlanden veröffentlicht werden (voraussichtlich die *Het Financieele Dagblad*), die Euronext Amsterdam hiervon benachrichtigt werden und eine Veröffentlichung in der *Officiële Prijscourant* erfolgt.

Solange Trust-Preferred-Wertpapiere an der Frankfurter Wertpapierbörse notiert sind, werden alle Bekanntmachungen bezüglich der Trust-Preferred-Wertpapiere in mindestens einer Zeitung mit allgemeiner Auflage in der Bundesrepublik Deutschland, die ein Börsenpflichtblatt der Frankfurter Wertpapierbörse ist (voraussichtlich der Börsen-Zeitung), veröffentlicht.

Anwendbares Recht Der LLC-Vertrag, einschließlich der Bedingungen des Class A-Preferred-Wertpapiers und der Class B-Preferred-Wertpapiere, und der Trust-Vertrag, einschließlich der Bedingungen der Trust-Wertpapiere, unterliegen dem Recht von Delaware. Die Nachrangige Patronatserklärung unterliegt dem Recht der Bundesrepublik Deutschland.

Zusammenfassung der Bedingungen des Class A-Preferred-Wertpapiers

Class A-Preferred-Wertpapier Die Gesellschaft erwartet, dass das Class A-Preferred-Wertpapier nur insoweit Ausschüttungen erhält, als (i) Ausschüttungen auf die Class B-Preferred-Wertpapiere an einem Zahlungstag in voller Höhe nicht gezahlt werden dürfen, da kein ausreichender Ausschüttungsfähiger Gewinn der Postbank vorhanden ist oder an diesem Tag eine Anweisung der BaFin (oder einer anderen zuständigen Aufsichtsbehörde) in Kraft ist, die es der Postbank untersagt, Gewinnausschüttungen vorzunehmen (einschließlich Gewinnausschüttungen an etwaige Inhaber von Gleichrangigen Wertpapieren), und (ii) die Gesellschaft über einen ausreichenden Betriebsgewinn verfügt.

Zusammenfassung der Bedingungen der Anfänglichen Schuldverschreibungen

Endfälligkeit..... 7. Juni 2035.

Nennbetrag..... € 300.027.000, was dem Betrag der Bruttoerlöse aus dem Angebot und dem Verkauf der Trust-Wertpapiere und aus der entsprechenden Ausgabe von Class B-Preferred-Wertpapieren zuzüglich der Gesamtbeträge, die von der Postbank gegen Ausgabe des Class A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils eingebracht werden (in der von Zeit zu Zeit durch Rückzahlungen verringerten Höhe, der „**Nennbetrag**“) entspricht. Die Anfänglichen Schuldverschreibungen umfassen jedoch keine Verbindlichkeiten der Postbank, die als Verbindlichkeiten in den Büchern einer Niederlassung der Postbank in den Vereinigten Staaten von Amerika geführt werden.

Zinszahlungen Die Anfänglichen Schuldverschreibungen werden auf ihren Nennbetrag verzinst, und zwar (i) vom Valutatag (einschließlich) bis zum Reset-Tag (ausschließlich) mit einem festen Zinssatz von mindestens 7,00 % p.a., zahlbar jährlich nachträglich am 7. Juni eines jeden Jahres (einschließlich des Reset-Tags) und (ii) für jeden am oder nach dem Reset-Tag beginnenden Zinszahlungszeitraum mit einem Zinssatz von mindestens 0,125 % p.a. über dem Referenzsatz für diesen Zinszahlungszeitraum, zahlbar nachträglich jährlich am 7. Juni eines jeden Jahres, erstmals am 7. Juni 2009; die Zinszahlungen werden jedoch für keinen Zinszahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zu einem Satz von mehr als 8,00 % p. a. auflaufen.

Für jeden Zinszahlungszeitraum werden die Zinsen auf der Basis des Tagesquotientens berechnet, wobei der sich daraus ergebende Betrag zum nächsten Cent gerundet wird (ein halber Cent wird aufgerundet).

Der auf die Anfänglichen Schuldverschreibungen zahlbare Zinssatz wird mindestens dem Zinssatz entsprechen, mit dem Ausschüttungen auf die Class B Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere auflaufen werden.

Zahlung Zusätzlicher Beträge..... Zinszahlungen auf die Anfänglichen Schuldverschreibungen und deren Rückzahlung werden frei von und ohne Abzug oder Einbehalt aufgrund von Quellensteuern, die in der Bundesrepublik Deutschland oder einer politischen Untergliederung davon oder einer sonstigen Rechtsordnung, von

der aus eine solche Zahlung erfolgt, auferlegt werden, vorgenommen, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich erforderlich. In diesem Fall wird die Postbank als zusätzliche Zinsen zusätzliche Beträge („**Zusätzliche Zinsbeträge**“) zahlen, die erforderlich sind, damit die Nettobeträge, die die Gesellschaft nach diesem Abzug oder Einbehalt auf die Anfänglichen Schuldverschreibungen erhält, jeweils den Beträgen entsprechen, die sie erhalten hätte, wenn kein solcher Abzug oder Einbehalt aufgrund von Quellensteuern erforderlich gewesen wäre. Solche Zusätzlichen Zinsbeträge sind von der Postbank (oder der Postbank als Garantiegeber) jedoch nicht zu zahlen:

- (i) in Bezug auf jegliche Beträge von Quellensteuern, die aufgrund der Tatsache zu zahlen sind, dass der Inhaber der Anfänglichen Schuldverschreibungen eine andere Beziehung zu einer Maßgeblichen Rechtsordnung unterhält als lediglich den Besitz der Anfänglichen Schuldverschreibungen;
- (ii) in Bezug auf jegliche Beträge von Quellensteuern, wenn dieser Einbehalt oder Abzug gemäß einer Richtlinie der Europäischen Union über die Besteuerung von Zinserträgen (einschließlich der beschlossenen Richtlinie vom 3. Juni 2003) erfolgt, oder gemäß einem Gesetz, das aufgrund einer solchen Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um einer solchen Richtlinie nachzukommen;
- (iii) in Bezug auf jegliche Beträge von Quellensteuern, die aufgrund einer Steuer bezüglich persönlichen Eigentums, Verkauf oder Übertragung oder aufgrund sonstiger Steuern zu zahlen sind, die anders als durch Einbehalt von Zahlungen in Bezug auf die Anfänglichen Schuldverschreibungen zahlbar sind; oder
- (iv) in Bezug auf jegliche Beträge von Quellensteuern, deren Abzug oder Einbehalt vermieden oder vermindert werden kann, indem der Inhaber der Anfänglichen Schuldverschreibungen gegenüber der maßgeblichen Steuerbehörde eine Erklärung seiner Nichtansässigkeit oder eines anderen Anspruchs auf Freistellung abgibt.

Rang Die Anfänglichen Schuldverschreibungen begründen unmittelbare, unbedingte, unbesicherte und nachrangige Verpflichtungen der Postbank, die mit allen anderen nachrangigen Verpflichtungen der Postbank gleichrangig sind. Im Fall der Auflösung, der Liquidation oder eines Insolvenzverfahrens über das Vermögen der Postbank, oder eines Vergleichs oder eines anderen der Abwendung des Insolvenzverfahrens der Postbank dienenden Verfahrens, gehen diese Verbindlichkeiten den Ansprüchen aller nicht nachrangiger Gläubiger der Postbank im Rang nach, so dass Zahlungen auf diese Verbindlichkeiten solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen Gläubiger der Postbank nicht voll befriedigt sind.

Rückzahlung Die Anfänglichen Schuldverschreibungen können außer bei Eintritt eines Gesellschafts-Sonderkündigungsfalls (und der Einziehung der Class B-Preferred-Wertpapiere) oder bei einer Ersetzung der Anfänglichen Schuldverschreibungen durch Ersatz-Schuldverschreibungen nicht vor dem 7. Juni 2011 (der „**Anfängliche Schuldverschreibungs-Einziehungstag**“) vorzeitig zurückgezahlt werden. Die Anfänglichen Schuldverschreibungen können, außer wie unter „– Ersetzung“ unten dargestellt, aus keinem Grund zurückgezahlt werden, soweit die Gesellschaft nicht das Recht hat und bekannt gemacht hat, dass sie Class B-Preferred-Wertpapiere zu einem Betrag, der dem Nennbetrag der Anfänglichen Schuldverschreibungen entspricht, zuzüglich aufgelaufener und nicht gezahlter Zinsen bis zum Einziehungstag (ausschließlich) und etwaiger Zusätzlicher Beträge, zurückzahlen wird.

<i>Ersetzung</i>	Die Postbank hat jederzeit das Recht, (i) als Schuldner der Schuldverschreibungen eine Qualifizierte Tochtergesellschaft einzusetzen oder (ii) die Schuldverschreibungen gegen von der Postbank (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika)) oder von einer Qualifizierten Tochtergesellschaft (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika)) ausgegebene Ersatz-Schuldverschreibungen, deren Bedingungen jeweils mit denen der Anfänglichen Schuldverschreibungen identisch sind, zu ersetzen; vorausgesetzt jedoch, dass (a) diese Ersetzung oder dieser Austausch nicht zu einem Gesellschafts-Sonderkündigungsfall führt; (b) die Postbank (falls sie nicht selbst der Ersatzschuldner ist) die Verbindlichkeiten einer Qualifizierten Tochtergesellschaft auf nachrangiger Basis garantiert; und (c) bei einer solchen Ersetzung die Qualifizierte Tochtergesellschaft weder nach den Gesetzen der Vereinigten Staaten von Amerika noch eines ihrer Bundesstaaten errichtet worden ist.
<i>Wiederanlage</i>	Der LLC-Vertrag bestimmt, dass nach dem Endfälligkeitstag, soweit die Class-B-Preferred-Wertpapiere nicht eingezogen worden sind, die Gesellschaft in Schuldverschreibungen einer oder mehrerer Qualifizierter Tochtergesellschaften, die durch die Postbank unbedingt auf nachrangiger Basis garantiert werden, oder in U.S. Staatsanleihen (zusammen „ Zulässige Anlagen “) anlegen wird; dies gilt jedoch nur, wenn eine solche Anlage nicht zu einem Gesellschafts-Sonderkündigungsfall führt.
<i>Anwendbares Recht</i>	Die Anfänglichen Schuldverschreibungen unterliegen dem Recht der Bundesrepublik Deutschland.

RISK FACTORS

An investment in the Trust Preferred Securities involves certain risks. An investor should carefully consider the following discussion, in conjunction with the other information contained in this Offering Circular, before deciding whether an investment in the Trust Preferred Securities is suitable.

Risks associated with the financial condition of Postbank and its affiliates

If the financial condition of Postbank or its affiliates were to deteriorate, then it could result in: (i) Postbank having insufficient Distributable Profits for the Company to declare and pay Capital Payments on the Class B Preferred Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from Postbank under the Initial Debt Securities or the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Class B Preferred Securities, which, in turn, would reduce the amounts available to the Trust for periodic distributions to holders of the Trust Preferred Securities. In addition, if a voluntary or involuntary liquidation, dissolution or winding up of Postbank were to occur, holders of the Trust Securities may lose part or all of their investment.

The Company is not required to make Capital Payments

The declaration of Capital Payments by the Company on the Class B Preferred Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. Although it is the policy of the Company to distribute the full amount of Operating Profits for each Capital Payment Period as Capital Payments to the holders of the Class B Preferred Securities if Postbank has sufficient Distributable Profits, the Board of Directors of the Company has discretion in declaring and making Capital Payments (except with respect to deemed declarations which are mandatory). Notwithstanding the foregoing, however, the Company will be deemed to have authorized Capital Payments on the Class B Preferred Securities under certain circumstances involving payments made in respect of Parity Securities or Junior Securities. See “Description of Company Securities – Class B Preferred Securities – Capital Payments.”

In addition, even if Postbank has sufficient Distributable Profits and the Company has sufficient Operating Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date if on such date there is in effect an order of the BaFin or any other relevant regulatory authority prohibiting Postbank from making any distributions of profits (including to the holders of Parity Securities, if any). To the extent the Company is not permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date, this will reduce the amount available to the Trust to make Capital Payments on the Trust Preferred Securities. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments” and “Description of the Trust Securities.”

Capital Payments are noncumulative

The right of the holders of the Trust Preferred Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders of the Trust Preferred Securities will have no right to receive a Capital Payment in respect of such Capital Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

No voting rights; relationships with Postbank and its affiliates; certain conflicts of interest

Postbank will control the Company through the Postbank Group Company’s power, as holder of the Company Common Security, to elect a majority of the Board of Directors. Generally, the Trust, to the extent that it is the holder of the Class B Preferred Securities, will have no right to vote to elect members of the Board of Directors. The only exception is that it will have the right to elect one independent member to the Board of Directors, the Independent Enforcement Director, upon the occurrence of any event causing a liquidation or dissolution of the Company or if (i) the Company fails to make Capital Payments (and any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given.

Special redemption risk

Redemption upon occurrence of a Company Special Redemption Event. The Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a redemption price equal to the liquidation preference amount of the Class B Preferred Securities plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the Redemption Date, plus Additional Amounts, if any. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are: (i) changes in the tax status of the Company or the Trust, (ii) Additional Amounts or Additional Interest Amounts, as the case may be, become applicable to payments on the Class B Preferred Securities, the Trust Securities or the Debt Securities, (iii) Postbank is permitted to treat neither the Class B Preferred Securities nor, as the case may be, the Trust Preferred Securities, as Tier I regulatory capital on a consolidated basis or (iv) the Company will be considered an “investment company” within the meaning of the 1940 Act. See “Description of the Trust Securities – Redemption.”

Liquidation of the Trust upon occurrence of a Trust Special Redemption Event. If there has occurred a Tax Event or an Investment Company Act Event, each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Preferred Securities would receive as its liquidation distribution a corresponding number of the Class B Preferred Securities. Upon such distribution, the Class B Preferred Securities might never be listed on any securities exchange or eligible for trading through Euroclear, Clearstream Luxembourg or Clearstream AG, and holders of the Class B Preferred Securities and their nominees would become subject to Form K-1 and nominee reporting requirements under the Code. Accordingly, the Class B Preferred Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

The Support Undertaking is not a guarantee that Capital Payments will be made

Postbank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Class B Preferred Securities. However, the Support Undertaking does not represent a guarantee (*Garantie*) from Postbank that the Company will be authorized to declare and make a Capital Payment for any Capital Payment Period. Furthermore, the obligations of Postbank under the Support Undertaking rank junior to all indebtedness of Postbank with the effect that, if Postbank (and therefore the Company) were liquidated, holders of the Trust Preferred Securities would have the right to receive, if any, payments equal to the Liquidation Preference Amount, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the date of liquidation, and Additional Amounts, if any, pursuant to the Support Undertaking *pari passu* with amounts payable to the holders of the most senior preference shares of Postbank. See “Description of the Support Undertaking.”

No prior public market

There was no prior public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on Euronext Amsterdam. Application is expected to be made to admit the Trust Preferred Securities to official quotation on the official market of the Frankfurt Stock Exchange. Listing on Euronext Amsterdam is expected to occur shortly after closing. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of Postbank and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

Capital Payments accruing for any Capital Payment Period after the Reset Date are limited to a maximum amount

Capital Payments on the Liquidation Preference Amount of the Trust Preferred Securities for the Capital Payment Periods until the Reset Date will accrue at the Fixed Rate as further specified herein. For Capital Payment Periods commencing on or after the Reset Date, Capital Payments will accrue at the Floating Rate. The Floating Rate will be calculated for each Capital Payment Period as the sum of the Reference Rate and a margin thereon as further specified herein. However, the maximum rate at which Capital Payments will accrue is limited to 8.00% per

annum. Therefore, if interest rates rise after the Reset Date, thereby increasing the applicable Reference Rate, the rate at which Capital Payments will accrue may be less than the sum of the Reference Rate and the margin or even lower than the Reference Rate. Investors will therefore be exposed to the risk that the yield on their investment will not correspond to then-current interest rates. As the Trust Preferred Securities will not be redeemable at any time at the option of the holder thereof, investors may therefore continue to be exposed to such risk in the long term. See “Offering Circular Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Capital Payments” and “Description of the Trust Securities – Capital Payments.”

Regulatory restrictions on the Company’s operations

The Company is a subsidiary of Postbank. German bank regulatory authorities could make determinations in the future with respect to Postbank that could adversely affect the Company’s ability to make Capital Payments in respect of the Class B Preferred Securities. In addition, German and European Union regulatory authorities and regulatory authorities in other countries have regulatory authority over Postbank and/or Postbank’s subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to Postbank and/or any of Postbank’s subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of any of them to, among other things, make distributions to their respective securityholders, engage in transactions with affiliates, purchase or transfer assets, pay their respective obligations or make any redemption or liquidation payments to their securityholders.

No fixed maturity date

There is no fixed maturity date for the Class B Preferred Securities and, hence, for the Trust Preferred Securities. Neither the Class B Securities nor the Trust Preferred Securities will be redeemable at the option of the holder thereof. Even though the Class B Preferred Securities and the Trust Preferred Securities may be redeemed on the Initial Redemption Date, there can be no assurance that the Company will opt to redeem the Class B Preferred Securities on the Initial Redemption Date.

Whether or not the Company decides to redeem the Class B Preferred Securities will depend on a number of factors (most of which are outside the control of Postbank and the Company) including, for example:

- the regulatory capital position/requirements and the refinancing options of Postbank at such time;
- the regulatory assessment of the Class B Preferred Securities, the Debt Securities and/or the Trust Preferred Securities;
- whether the required prior consent of the BaFin has been obtained; and
- the interest rate and credit spread environment for hybrid capital instruments and general capital market conditions.

Postbank Group is exposed to market risks and credit risks

The amount of the customer deposits of Postbank Group considerably exceeds the volume of its lending business. This liquidity surplus is predominantly invested on the money markets and capital markets in interest-bearing instruments such as bonds and certificates of indebtedness (*Schuldscheindarlehen*) and other interest-bearing investments mostly with short and medium terms. Due to this balance sheet structure and the accompanying large portfolio of securities and derivatives, Postbank Group is especially exposed to market risks (in particular interest rate risks). Postbank Group is also susceptible to market-related risks with regard to the holdings in its bank and trading book that are not associated with the investment of liquidity surplus. These holdings primarily include fixed-income securities, stocks, foreign currency and financial derivatives.

Despite its risk management measures, Postbank Group’s trading income and income from investment securities are influenced by a number of factors beyond Postbank’s control, in particular the development of interest rate levels and the stock market. Postbank Group’s trading income and income from investment securities, just as for other banks in the Federal Republic of Germany and the rest of Europe in general, have fluctuated significantly in the past few years due to the volatility of the markets. Adverse changes in general market conditions, downward developments on the stock, bond or currency markets and the materialization of other market risks could have material adverse effects on Postbank Group’s trading income, income from investment securities and shareholders’ equity (revaluation reserve).

Although Postbank Group's credit volume is relatively low as compared to other large German banks, it is exposed to credit risks as a result of engaging in lending. Postbank plans to expand its lending activities. In the future, an emphasis is expected to be placed on the original extension of private real estate finance and selective commercial financing. However, growth by means of acquisitions of credit portfolios or other retail banks is also conceivable. An expansion of the lending business will lead to additional risks of loan losses which – despite Postbank's conservative risk policy and the measures taken to manage risks – may result in substantial losses. Generally, additional loan default risks are also reflected in an increase in provisions for losses on loans and advances.

The reliability and accuracy of Postbank Group's risk management is subject to high demands. This is primarily due to the large volume of securities held by Postbank Group as a result of investing its liquidity surplus, but also to the holdings in its bank and trading book that are not associated with the investment of the liquidity surplus. See "Postbank Group – Risk Management." Although Postbank Group invests considerably in the development of risk management strategies and technologies and updates its risk management on an ongoing basis, in view of the complexity and volume of the business activities of Postbank Group and the volatility of the markets, it cannot be excluded that individual market risks may not, or may not completely, be taken into account, assessed and hedged against, or that risk management systems under certain circumstances may fail, in particular in the case of risks that Postbank fails to recognize or anticipate.

Based on a decision by the European Commission, uncertainty exists as to whether the financing by the Federal Republic of Germany of the majority of the pension benefits of civil servants employed by Postbank constitutes prohibited state aid

As a result of the privatization of Deutsche Bundespost, civil servants of the partial special asset (*Teilsondervermögen*) Deutsche Bundespost POSTBANK were transferred to Postbank with effect as of January 1, 1995. By law, the Federal Republic of Germany continued to be responsible for the pensions due to the transferred civil servants. The pension claims of civil servants employed by Postbank therefore continue to be directed toward the Federal Republic of Germany. In connection with the privatization, a cost sharing arrangement between the Federal Republic of Germany and the private successor companies of Deutsche Bundespost with regard to the pensions of civil servants was sought. In this regard, particular consideration was given to the fact that pension obligations due to civil servants typically involve additional costs that could not be imposed in full on its private successors, as competitors do not bear any comparable costs. It was also taken into account that many of the eligible civil servants had retired or served as civil servants prior to the privatization, and that the resulting pension obligations should be allocated to the Federal Republic of Germany and not to Postbank. At the same time, costs had to be shared in such a way so as to avoid granting competitive advantages to the successor companies. The cost sharing arrangement provided for in the privatization laws requires Postbank to contribute to the special pension fund from which the pension payments of civil servants are drawn. Therefore, an amount corresponding to 33% of the gross salaries of active civil servants and the notional gross salaries of civil servants eligible for pensions who are on leave is contributed by Postbank to the pensions of its civil servants. The Federal Republic of Germany must pay for any differences between current payment obligations and current income or earnings from other assets of the special pension fund. The Federal Republic of Germany warrants that the special pension fund will be in a position to meet its obligations at all times. A duty of Postbank to reimburse the Federal Republic of Germany for such payments into the special pension fund does not exist under the provisions of the law. The average annual cost the special pension fund had to bear for civil servants of Postbank in 2001 through 2003 was € 271 million per year. For the years 2001 through 2003, Postbank contributed amounts of € 79 million, € 75 million and € 65 million, respectively. The gap in coverage was financed by the Federal Republic of Germany.

The European Commission has not objected to state financing of pension obligations as prohibited state aid in its decisions in comparable cases thus far (Deutsche Post AG, Poste Italiane, La Poste Belgien, Deutsche Lufthansa AG). In its decision of June 19, 2002 concerning the proceeding against Deutsche Post AG, the Commission conducted a detailed investigation of the regulations and provisions on the financing of the special pension fund. However, after investigating these provisions for several years and, as opposed to other aspects of the matter it was investigating, it did not find these provisions to constitute prohibited state aid required to be repaid nor did it subsequently revisit this matter. The provisions on the financing of the special pension fund by Deutsche Post AG are based on the same laws applicable to the financing of the special pension fund by Postbank. Postbank is therefore of the view that the financing of the special pension fund is not to be viewed as prohibited state aid. No court or authority has issued a decision to the contrary thus far.

Against this background it is unclear how a decision of the European Commission of January 21, 2004 should be assessed. This decision concerns the contractual assumption of pension claims of civil servants of the Belgian telecommunications company Belgacom S.A./N.V. (“**Belgacom**”) by the Belgian State. In its decision, the Commission determined that transferring the obligations of the retired civil servants to the Belgian State did not constitute state aid because Belgacom had paid compensation to the Belgian State in an amount corresponding to the discounted cash value of these obligations. In the press, this decision was partially interpreted in such a manner that it could also be understood as a precedent for the financing of the special pension fund by Deutsche Post AG. In the view of Postbank, the Belgacom case differs from the situation of Postbank described here in one decisive respect. After Belgacom had been converted from a state enterprise into a stock corporation in 1992, the pension obligations that were the subject of the Commission’s decision were explicitly transferred to Belgacom. Belgacom established a pension fund to finance these pension obligations, the assets and liabilities of which were then transferred back to the Belgian State. In this respect, the Belgacom decision concerns an obligation initially expressly allocated to the company that was transferred back to the state, while the pension payment obligation to the civil servants of the predecessor of Postbank constitutes an original obligation of the Federal Republic of Germany. Therefore, Postbank presumes that the provisions for financing the special pension fund, in keeping with the Commission’s previous decisions, do not represent state aid by the Federal Republic of Germany. Nonetheless, it cannot be excluded that the Commission may conclude that the criteria for state aid requiring authorization to have been met. Whether, and the extent to which, the Belgacom decision is applicable to the situation of Postbank, and whether payments or other expenses incurred by Postbank will result therefrom, cannot be determined at present. If prohibited state aid were found to have been provided, this would have material adverse effects on the financial situation and results of operations of Postbank.

Compensation paid by Postbank for the use of the Deutsche Post AG branch outlet network may constitute prohibited state aid

In December 2003, the German Monopolies Commission issued a special report on “*Telekommunikation und Post 2003: Wettbewerbsintensivierung in der Telekommunikation – Zementierung des Postmonopols*” (Telecommunications and the Postal Service 2003: Intensifying Competition in the Telecommunications Industry – Cementing the Postal Service Monopoly). In the report, it stated that the compensation paid by Postbank to Deutsche Post AG for the use of the branch outlet network of Deutsche Post AG represents prohibited state aid within the meaning of European state aid law. As a rationale for this view, the Monopolies Commission stated that Postbank is cross-subsidized by Deutsche Post AG from the income derived from the postal service (operated on the basis of an exclusive license). The Monopolies Commission based its allegation on the fact that the compensation under the Cooperation Agreement does not meet the “market compensation” test called for by the case law of the European Court of Justice. According to a press release of EP EuroPost AG & Co. KG dated June 16, 2004, based on the special opinion of the German Monopolies Commission, EP EuroPost AG & Co. KG has filed an unfair competition complaint against Deutsche Post AG and Postbank with the European Commission.. In this context, the European Commission has requested further information from the Federal Republic of Germany regarding the use of the branch outlet network of Deutsche Post AG by Postbank.

In the view of Postbank, the allegation of prohibited state aid by Deutsche Post AG to Postbank is unfounded. The European Court of Justice has now proceeded to clarify its earlier decisions calling for “market compensation” in its “Chronopost” decision of July 3, 2003. In this judgment, the European Court of Justice stressed that compensation for the use of postal infrastructures that are established to meet basic public needs and the size of which is geared toward their role in public service does not constitute state aid, if the compensation covers the variable additional costs, an appropriate contribution to the fixed costs of the networks being used and appropriate compensation for the allocated equity capital. Postbank believes that the compensation paid by Postbank for the use of the branch outlet network of Deutsche Post AG meets these requirements under European state aid rules. Therefore, the prerequisites of the criteria for state aid under the provisions of EU law have not been met in the view of Postbank.

Nonetheless, it cannot be excluded that the European Commission or European courts could alter, develop or interpret the “Chronopost” decision in a way that is detrimental to Postbank, and could deem the arrangement between Postbank and Deutsche Post AG concerning compensation to constitute prohibited state aid. Any potential resultant repayments due with regard to state aid granted in the past and/or higher compensation in the future could result in a large one-time payment to Deutsche Post AG and considerably higher expenses for Postbank for the services to be rendered under the Cooperation Agreement in the future, with the scope of services remaining unchanged. At present, it is not possible to assess the amount of any such expenses.

The use of tax loss carryforwards of Postbank may be jeopardized

As of January 1, 1999, Postbank had tax loss carryforwards in the amount of approximately € 1.6 billion for corporate income tax and trade tax purposes. These were subsequently partly offset against Postbank's taxable income. The tax loss carryforwards are still subject to audit by the tax authorities.

Under current law, one prerequisite for using Postbank's tax loss carryforwards is that Postbank is legally and economically identical to the company which sustained the losses. Economic identity no longer exists in particular if over half of the shares of the Company has been transferred and the Company continues its business operations with predominantly new assets.

With effect as of January 1, 1999, over half of the shares of Postbank were transferred as a result of the sale of Postbank to Deutsche Post AG.

The use of the tax loss carryforwards depends on whether Postbank continues its business operations with predominantly new assets. According to the German tax authorities, economic identity generally is only lost if predominantly new assets are infused within a period of five years following the transfer of the shares. The use of the tax loss carryforwards of Postbank may therefore generally only be denied if predominantly new assets have been infused to Postbank during the five-year period applied by the tax authorities (through December 31, 2003).

Taking the special features of the banking business into account, Postbank does not believe that predominantly new assets were infused to Postbank during this period. In Postbank's view, this also applies to the merger of DSL Bank with Postbank as of January 1, 2000. However, a reliable assessment is not possible because there is considerable uncertainty regarding the interpretation of the prerequisite "infusion of new assets."

The five-year period referred to above has not yet been the subject of a tax audit. Therefore, it cannot be ruled out that the tax authorities will assess the substantive issues related to the infusion of new assets differently from the view of Postbank. This would on the one hand result in a release of the deferred tax assets that are based on the tax loss carryforwards with effect on the profit and loss statement. On the other hand, back taxes would be due for corporate income tax and trade tax on the income of Postbank generated in periods after the loss of economic identity. Postbank's taxable income would therefore be subject to income taxation. For the 1999 and 2000 assessment periods under the German tax imputation system (*Anrechnungsverfahren*), an average rate of taxation of Postbank of 44.2% applies. Under the half-income system (*Halbeinkünfteverfahren*), an average tax rate of 39.9% applies to Postbank for the 2001 and subsequent assessment periods. Exclusively for the 2003 assessment period a tax rate of 41.6% applies. The above-mentioned tax rates are comprised of the average trade tax rates and of the corresponding corporate income tax rates after deduction of trade tax as an operating expense. Any back taxes due for corporate income tax and trade tax are currently subject to a monthly interest rate of 0.5%. In this regard, the interest begins to accrue 15 months after the end of the calendar year in which the tax arises.

In light of potential procedural defects of the legislative process, doubts exist as to whether the provision jeopardizing the tax loss carryforwards was enacted in accordance with constitutional requirements. In a proceeding pending with regard to a different rule enacted in the same legislative process, the German Constitutional Court (*Bundesverfassungsgericht*) may hold that the legislative process was unconstitutional. If it does so, the legal basis for the law which is relevant in this case could be rescinded.

CAPITALIZATION OF THE COMPANY AND THE TRUST

The following tables set forth the capitalization of the Company and the Trust, in each case as of the date hereof and as adjusted to reflect the consummation of the sale of the Trust Preferred Securities and the use of the proceeds therefrom as described under “Use of Proceeds.”

Capitalization of the Company

	June 7, 2005	
	Actual	As Adjusted
	(€ in thousands)	
Debt		
Total long-term debt	0	0
Securityholders' equity		
Class B Preferred Securities; none issued and outstanding, actual; and 300,001 Class B Preferred Securities authorized, 300,001 Class B Preferred Securities issued and outstanding, as adjusted	0	300,001
Class A Preferred Security; none issued and outstanding, actual; and 1 Class A Preferred Security authorized, 1 Class A Preferred Security issued and outstanding, as adjusted.....	0	1
Company Common Security, none issued and outstanding, actual; and 1 Company Common Security authorized, 1 Company Common Security issued and outstanding, as adjusted	0	25
Total securityholders' interests	0	300,027
Total capitalization ⁽¹⁾	0	300,027

Capitalization of the Trust

	June 7, 2005	
	Actual	As Adjusted
	(€ in thousands)	
Debt		
Total debt	0	0
Securityholders' interests	0	300,000
Trust Preferred Securities; none issued and outstanding, actual; and 300,000 securities authorized, 300,000 securities issued and outstanding, as adjusted.....	0	0
Trust Common Security; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common Security issued and outstanding, as adjusted	0	1
Total securityholders' interests	0	300,001
Total capitalization⁽²⁾	0	300,001

(1) There has been no material change in the capitalization of the Company since its formation, except as disclosed in the above table.

(2) There has been no material change in the capitalization of the Trust since its creation, except as disclosed in the above table.

DEUTSCHE POSTBANK FUNDING TRUST III

The Trust is a statutory trust formed under the Trust Act, pursuant to the declaration of trust executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on April 20, 2005. Such declaration of trust will be amended and restated in its entirety prior to the issuance of the Trust Preferred Securities to reflect the terms of the Trust Preferred Securities (as so amended and restated, the “**Trust Agreement**”).

The Trust Common Security will rank *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that in liquidation and in certain circumstances described under “Description of the Trust Securities – Ranking of the Trust Common Security,” the rights of the holder of the Trust Common Security to periodic distributions and to payments and distributions upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Trust Preferred Securities.

The Trust will use the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists for the sole purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the Class B Preferred Securities, (ii) investing the proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities, *provided* it receives from the Company an equal number of additional Class B Preferred Securities.

Pursuant to the Trust Agreement, there will be five trustees (the “**Trustees**”) of the Trust. Three of the Trustees will be individuals who are employees or officers of Postbank or one of its affiliates (the “**Regular Trustees**”). The fourth Trustee, the “**Property Trustee**”, will be a financial institution that is unaffiliated with Postbank. The fifth Trustee will be the “**Delaware Trustee**.” Deutsche Bank Trust Company Americas, a New York banking corporation, will act as Property Trustee, and Deutsche Bank Trust Company Delaware, a Delaware banking corporation, will act as Delaware Trustee, until, in each case, removed or replaced by the holder of the Trust Common Security.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of the Property Account to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities. A Postbank Group Company, as the holder of the Trust Common Security, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, *provided* that at least one Trustee will be the Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be a Regular Trustee.

For so long as the Trust Preferred Securities remain outstanding, Postbank will covenant (i) that the Trust Common Security will be held by a Postbank Group Company, (ii) to cause the Trust to remain a statutory trust, (iii) to use its commercially reasonable efforts to ensure that the Trust will not be classified as other than a grantor trust for U.S. federal income tax purposes and (iv) to the fullest extent permitted by law, not to permit the dissolution, liquidation, termination or winding-up of the Trust, unless a Trust Special Redemption Event or a Company Special Redemption Event occurs, or the Company is itself in liquidation and the regulatory approvals necessary therefor have been obtained.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See “Description of the Trust Securities.”

Under the services agreement among the Trust, the Company and the Servicer (the “**Services Agreement**”), the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

The Trust is not currently and has not been since its formation the subject of any legal proceedings, which might have an impact on the Trust’s financial situation for the future.

The initial Regular Trustees will be Thomas J. Leissl, Martha Rebecca Robertson and Coleman Gregory. The address of all Regular Trustees is the principal executive office of the Trust, c/o PB Capital Corporation, 230 Park Avenue, 19th and 20th Floors, New York, New York 10169, United States of America.

The location of the offices of the Property Trustee is Deutsche Bank Trust Company Americas, 60 Wall Street – MSNYC60-2710, New York, New York 10005, United States of America. The location of the offices of the Delaware Trustee is Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America.

The financial year of the Trust corresponds to the calendar year. Unless required by applicable law or regulations, the accounts of the Trust will not be audited.

DEUTSCHE POSTBANK FUNDING LLC III

The Company is a limited liability company that was formed under the LLC Act on April 20, 2005 pursuant to an initial limited liability company agreement (as subsequently amended and restated, the “**LLC Agreement**”) and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100% of the issued and outstanding Class B Preferred Securities. A Postbank Group Company will hold the issued and outstanding Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by Postbank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (other than a U.S. Qualified Subsidiary) (including on behalf of a branch other than a U.S. branch) in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

For so long as the Class B Preferred Securities remain outstanding, the LLC Agreement provides that: (i) the Company will remain a limited liability company and, to the fullest extent permitted by law, will not voluntarily or involuntarily liquidate, dissolve, wind up or be terminated, except as permitted by the LLC Agreement; (ii) Postbank and the Company will use commercially reasonable efforts to ensure that the Company will not be an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes; (iii) Postbank undertakes that a Postbank Group Company will maintain sole ownership of the Company Common Security and the Class A Preferred Security; and (iv) a Postbank Group Company may transfer the Company Common Security or the Class A Preferred Security only to another Postbank Group Company, *provided* that prior to such transfer it has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that (A) the Company will continue to be treated as a partnership, and not as an association or publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes, (B) such transfer will not cause the Company to be required to register under the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the Class B Preferred Securities.

The rights of the holders of the Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the Company Securities – Class B Preferred Securities.”

The Company’s business and affairs will be conducted by its Board of Directors, which initially will consist of four members, elected by Postbank as initial holder of the Company Common Security. However, in the event that:

- any event causing a liquidation or dissolution of the Company has occurred, or

- the Company fails to pay Capital Payments (including any Additional Amounts thereon, if any) as and when due on the Class B Preferred Securities at the Stated Rate in full for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods; or
- a holder of the Class B Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. The Independent Enforcement Director's term will end if, in such Independent Enforcement Director's sole determination, Capital Payments have been made on the Class B Preferred Securities at the Stated Rate in full for two consecutive Capital Payment Periods after the first Capital Payment Period and Postbank is in compliance with its obligations under the Support Undertaking.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by Postbank or any of its affiliates, other than the Trust), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities, or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under "Description of the Company Securities – Mergers, Consolidations and Sales."

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by Postbank or any of its affiliates), issue any additional securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company, *provided, however*, that the Company may, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

After the Maturity Date of the Initial Debt Securities, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will select for purchase Permitted Investments on terms that are the best available in relation to providing funds for the payment of Capital Payments, any Additional Amounts and the redemption price of the Class B Preferred Securities:

- debt obligations of one or more Qualified Subsidiaries of Postbank, unconditionally guaranteed by Postbank on a subordinated basis that rank at least *pari passu* with the Initial Debt Securities, or
- United States Treasury securities,

provided, in each case, that such investment does not result in a Company Special Redemption Event.

The Company will also enter into the Services Agreement with the Trust and the Servicer, under which the Servicer will be obligated, among other things, to provide tax and other administrative services to the Company and the Trust. The fees and expenses of the Trust and the Company, including any taxes, duties, assessments or governmental charges of whatever nature (other than Withholding Taxes) imposed by the Federal Republic of Germany, the United States of America or any other taxing authority upon the Company or the Trust, the fees and expenses of the Servicer, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Company.

The holders of the Class B Preferred Securities are third-party beneficiaries of the Support Undertaking between Postbank and the Company. See "Description of the Support Undertaking."

The Company is not currently and has not been since its formation the subject of any legal proceedings, which might have an impact on the Company's financial position for the future.

The initial directors of the Company will be Thomas J. Leissl, Martha Rebecca Robertson, Coleman Gregory and Jeffrey Frost. The initial officers of the Company will be Thomas J. Leissl, Martha Rebecca Robertson, Coleman Gregory and Jeffrey Frost. The location of the principal executive offices of the Company is c/o PB Capital Corporation, 230 Park Avenue, 19th and 20th Floors, New York, New York 10169, United States of America.

The financial year of the Company corresponds to the calendar year.

USE OF PROCEEDS

The gross proceeds from the sale of the Trust Securities (aggregating € 300,001,000 including the € 1,000 proceeds from the sale of the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with certain funds contributed by Postbank in return for the Class A Preferred Security and the Company Common Security, to make an investment in the Initial Debt Securities.

Postbank intends to treat the Class B Preferred Securities or, as the case may be, the Trust Preferred Securities, as consolidated Tier I regulatory capital. Postbank intends to use the gross proceeds from the sale of the Initial Debt Securities for general corporate purposes to increase financial flexibility for possible M&A transactions.

Postbank will pay certain commissions to the Joint Lead Managers and reimburse the Joint Lead Managers for certain expenses in connection with the Offering. See “Subscription and Sale.” The net proceeds to the Postbank Group are expected to amount to approximately € 294,000,000.

DISTRIBUTABLE PROFITS OF POSTBANK

The Company's authority to declare Capital Payments on the Class B Preferred Securities for any Capital Payment Period depends, among other things, on the Distributable Profits of Postbank for the preceding fiscal year.

Distributable Profits of Postbank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of Postbank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), *plus* any profit carried forward from previous years, *minus* any loss carried forward from previous years, *plus* transfers from capital reserves and earnings reserves, *minus* allocations to earnings reserves, all as determined in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

The following table sets forth, as of December 31, 2004, 2003, and 2002, the items derived from Postbank's audited unconsolidated balance sheet that affect the calculation of Postbank's Distributable Profits:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Annual Profit After Allocations to Retained Earnings	99	589	455
Other Revenue Reserves	265	265	265
Additional Paid-in Capital and Legal Reserve available to offset a loss	1,159	1,159	1,159
	1,523	2,013	1,879

Postbank has achieved Distributable Profits in respect of each of its past three fiscal years.

Postbank paid total dividends on its ordinary shares of € 205 million, € 589 million and € 99 million in respect of the years ended December 31, 2004, 2003 and 2002, respectively.

DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary sets forth the material terms and provisions of the Trust Securities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Trust Agreement and the Trust Act.

General

The Trust Securities will be issued in fully registered form without coupons. The Trust Securities will not be issued in bearer form.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust, which consist solely of Class B Preferred Securities. Title to the Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders and beneficial owners of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Class B Preferred Securities, issue any securities other than the Trust Securities or incur any indebtedness, *provided that*, as the Company may, from time to time and without the consent of the Trust as the holder of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms as the Class B Preferred Securities so as to form a single series with the Class B Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law), the Trust, accordingly, may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for receipt of additional Class B Preferred Securities equal to the aggregate Liquidation Preference Amount of such Trust Preferred Securities.

Capital Payments

Subject to the terms of the Trust Agreement, Capital Payments will accrue on the Liquidation Preference Amount of each Trust Preferred Security (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of 7.00% per annum (the “**Fixed Rate**”), payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Reference Rate plus 0.125% per annum (the “**Floating Rate**”), payable annually in arrears on June 7 in each year, commencing on June 7, 2009, *provided that* no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum. For each Capital Payment Period, Capital Payments will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Capital Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof.

Capital Payments on the Trust Preferred Securities are expected to be paid out of Capital Payments received by the Trust with respect to the Class B Preferred Securities. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments.” 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, holders 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 be declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Capital Payment Period.

Each declared Capital Payment will be payable to the holders of record of the Trust Preferred Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The holder of record will be Clearstream AG, in whose name the Global Certificates will be registered. See “Form, Clearing and Settlement, Certifications by Holders.” The record dates for the Trust Preferred Securities will be (i) so long

as the Trust Preferred Securities remain in book-entry form, one Business Day prior to the relevant Capital Payment Date, and (ii) in all other cases, 15 calendar days prior to the relevant Capital Payment Date.

Such Capital Payments will be paid through the Property Trustee who will hold amounts received in respect of the Class B Preferred Securities in the Property Account for the benefit of the holders of the Trust Preferred Securities, subject to any applicable laws and regulations and the provisions of the Trust Agreement.

The right of the holders of the Trust Preferred Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders will have no right to receive a Capital Payment in respect of such Capital Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

Except as described under “– Subordination of Trust Common Security” below, all Capital Payments and other payments to holders of the Trust Securities will be distributed among holders of record *pro rata*, based on the proportion that the aggregate liquidation amount of the Trust Securities held by each holder bears to the aggregate liquidation amount of all Trust Securities.

Payments of Additional Amounts

All payments on the Trust Preferred Securities by the Trust (including any amount payable in liquidation or upon redemption thereof) will be made without deduction or withholding for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Class B Preferred Securities because such payment would exceed the Distributable Profits of Postbank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of the Capital Payments on the Class B Preferred Securities and capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Trust Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Trust Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any amounts of Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities can avoid or reduce by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another paying agent in a member state of the European Union; or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Class B Preferred Securities or the Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have

been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Enforcement Events

The occurrence, at any time, of (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full as and when due, for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods or (ii) a default by Postbank in respect of any of its obligations under the Support Undertaking will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (an “**Enforcement Event**”); *provided* that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement. In the case of non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities referred to in clause (i) above or the continuation of a failure by Postbank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Trust Preferred Securities or any holder of the Class B Preferred Securities, holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. See “Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights.”

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce the rights of the holders of the Class B Preferred Securities, including: (i) claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) (plus Additional Amounts thereon, if any) on the Class B Preferred Securities; (ii) appointment of an Independent Enforcement Director (to the extent that such Enforcement Event results from non-payment of Capital Payments on the Class B Preferred Securities for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods or the continuation of a failure by Postbank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Trust Preferred Securities or any holder of the Class B Preferred Securities); and (iii) assertion of the rights under the Support Undertaking as it relates thereto.

If the Property Trustee fails to enforce its rights under the Class B Preferred Securities after a holder of record of the Trust Preferred Securities has made a written request, such holder of record of the Trust Preferred Securities may directly institute a legal proceeding against the Company to enforce the Property Trustee’s rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity. The holder of record will be Clearstream AG, in whose name the Global Certificates will be registered. See “– Form, Clearing and Settlement; Certifications by Holders.”

Redemption

If the Company redeems the Class B Preferred Securities, the Trust must redeem the Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on any Capital Payment Date falling on or after the Initial Redemption Date. The Company will also have the right at any time to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a redemption price equal to the liquidation preference amount of the Class B Preferred Securities plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the Redemption Date, plus Additional Amounts, if any.

The Company may exercise its right to redeem the Class B Preferred Securities only if it has (i) given at least 30 days’ prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date, (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the aggregate liquidation preference amount of the Class B Preferred Securities, and (iii) obtained any required regulatory approvals.

The Trust Agreement will provide that the Property Trustee will promptly give notice to the holders of the Trust Securities of the Company’s intention to redeem the Class B Preferred Securities on the Redemption Date. Notice

of any redemption shall be given to holders of the Trust Preferred Securities in the manner described below under “– Notices.”

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. Upon any redemption of the Class B Preferred Securities, the proceeds of such redemption will simultaneously be applied to redeem the Trust Preferred Securities. All Class B Preferred Securities or Trust Preferred Securities that are redeemed will be cancelled, and not reissued, following their redemption.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but, in the event of any such distribution of Class B Preferred Securities, the rights of the holder of the Trust Common Security will be subordinated to the rights of the holders of the Trust Preferred Securities.

If, at any time, a Trust Special Redemption Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of such Trust Special Redemption Event, dissolve the Trust upon not less than 30 nor more than 60 days’ notice to the holders of the Trust Securities and upon not less than 30 nor more than 60 days’ notice to, and consultation with the Principal Paying Agent, Registrar/Transfer Agent, Property Trustee and Clearstream AG, with the result that, after satisfaction of the claims of creditors of the Trust, if any, Class B Preferred Securities would be distributed 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, *provided, however*, that, if, at such time, the Trust has the opportunity to eliminate, within such 90-day period, the Trust Special Redemption Event by taking some ministerial action, such as filing a form or making an election, or some other similar reasonable measures, which in the sole judgment of Postbank will cause no adverse effect on the Company, the Trust, Postbank or the holders of the Trust Securities and will involve no material costs, then the Trust will pursue any such measure in lieu of dissolution.

On the date fixed for any distribution of the Class B Preferred Securities, upon dissolution of the Trust, (i) the Trust Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent Class B Preferred Securities having a liquidation preference amount equal to the Liquidation Preference Amount of, and bearing accrued and unpaid Capital Payments equal to accrued and unpaid Capital Payments on, the Trust Preferred Securities and the liquidation amount of the Trust Common Security until such certificates are presented to the Company or its agent for transfer or reissuance.

If the Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, Postbank will use its commercially reasonable efforts to cause the Class B Preferred Securities (i) to be eligible for clearing and settlement through Clearstream AG or a successor clearing agent and (ii) to be listed on Euronext Amsterdam and the Frankfurt Stock Exchange or such other securities exchange or other organization on which the Trust Preferred Securities are then listed.

Redemption Procedures

On the date specified for redemption of the Trust Preferred Securities in a notice of redemption issued by the Trust in respect of the Trust Preferred Securities (which notice shall be irrevocable and given at least 30 calendar days prior to the Redemption Date), if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Class B Preferred Securities, then, by 9:00 a.m., Central European time, the Trust will irrevocably deposit with the Principal Paying Agent funds sufficient to pay the amount payable on redemption of the Trust Preferred Securities. If notice of redemption will have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of the Trust Preferred Securities will cease, except the right of the holders of the Trust Preferred Securities to receive the redemption price, but without interest on such redemption price.

If any Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the first following Business Day without adjustment, interest or further payment as a result thereof.

Purchases of the Trust Preferred Securities

Subject to applicable law (including, without limitation, applicable securities laws and the regulations of any stock exchange and the BaFin), Postbank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the secondary market or by private agreement.

Ranking of the Trust Common Security

Payment of Capital Payments and other distributions on, and amounts on redemption of, the Trust Securities will generally be made *pro rata* based on the liquidation amount of the Trust Securities. However, upon the liquidation of the Trust and upon the occurrence and during the continuance of a default under the Debt Securities or a failure by Postbank to perform any obligation under the Support Undertaking, holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to payments of Capital Payments and other distributions and amounts upon redemption or liquidation of the Trust, as no such payments on the Trust Common Security shall be made to the holder thereof unless payment in full has been made on the Trust Preferred Securities to the holders thereof.

In the case of any Enforcement Event, the holder of the Trust Common Security will be deemed to have waived any and all Enforcement Events until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Security, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Liquidation Distribution upon Dissolution

Pursuant to the Trust Agreement, the Trust will dissolve (i) upon the insolvency, liquidation or dissolution of Postbank, (ii) upon the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to dissolve the Trust, (iii) upon the distribution of all of the Class B Preferred Securities upon the occurrence of a Trust Special Redemption Event, (iv) upon the entry of a decree of a judicial dissolution of the Company or the Trust, or (v) upon the redemption of all of the Trust Securities; *provided* that, if a claim has been made under the Support Undertaking, the Trust shall not, to the fullest extent permitted by law, dissolve until (a) such claim has been satisfied and the proceeds therefrom have been distributed to the holders of the Trust Securities or (b) the Class B Preferred Securities have been distributed to the holders of the Trust Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Statute of Limitations

The prescription period for claims for the payment of Capital Payments, Additional Amounts and any redemption price payable on the Trust Preferred Securities is three years after the date on which the respective payment becomes due and payable.

Voting and Enforcement Rights

Except as expressly required by applicable law, or except as provided for in the Trust Agreement or the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority in liquidation amount of the Trust Securities (excluding Trust Preferred Securities held by Postbank or its affiliates) have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, and to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Class B Preferred Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the Class B Preferred Securities, and (ii) consent to any amendment, modification or termination of the LLC Agreement or the Class B Preferred Securities where such consent will be required; *provided, however*, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority in liquidation preference amount of the Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate liquidation amount of the Trust Securities outstanding which is at least equal to the percentage of the liquidation preference amount of the Class B Preferred Securities

required to so consent or act under the LLC Agreement, may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See “Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights.” Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee will be under no obligation to take any of the actions described in clause (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U.S. federal income tax purposes and that after such action each holder of the Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Class B Preferred Securities.

Any required approval or direction of holders of the Trust Securities may be given at a separate meeting of holders of the Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of the Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of the Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be made in the manner described below under “– Notices.” Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Class B Preferred Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Securities that are beneficially owned at such time by Postbank or any entity directly or indirectly controlled by, or under direct or indirect common control with, Postbank will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Trust Securities purchased or acquired by Postbank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of Postbank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Trust Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of Postbank), excluding the Trust, to whom Postbank or any of its subsidiaries or affiliates have pledged Trust Securities may vote or consent with respect to such pledged Trust Securities to the extent permitted by the terms of such pledge.

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the Postbank Group Company, as the holder of the Trust Common Security.

Meetings of Holders

Meetings of the holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which holders of such class of Trust Securities are entitled to act under the terms of the Trust Agreement, the terms of the Trust Securities, the LLC Agreement, the rules of any stock exchange on which Trust Preferred Securities are listed or admitted for trading, the Trust Act or other applicable law. The Regular Trustees shall call a meeting of the holders of such class if directed to do so by the holders of at least 10% in liquidation amount of the Trust Securities of such class outstanding. Such direction shall be given by delivering to the Regular Trustees one or more notices in writing stating that the signing holders of the Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any holders of the Trust Securities calling a meeting shall specify in writing number and class of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

Merger, Consolidation or Amalgamation of the Trust

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States of America; *provided* that:

- (i) if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust to the holders of the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Preferred Securities (the “**Successor Securities**”) and the Trust Common Security, so long as the Successor Securities rank the same as the Trust Preferred Securities with respect to Capital Payments, other distributions and rights upon liquidation, redemption or otherwise,
- (ii) the Company expressly acknowledges a trustee or another representative of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Class B Preferred Securities,
- (iii) the Successor Securities are listed or any Successor Securities will be listed upon notification of issuance, on any securities exchange or any other organization on which the Trust Preferred Securities are then listed or quoted,
- (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including the Successor Securities) to be downgraded by any statistical rating organization nationally recognized in the United States of America,
- (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect,
- (vi) such successor entity has purposes substantially identical to that of the Trust,
- (vii) the obligations of Postbank pursuant to the Support Undertaking will continue in full force and effect, and
- (viii) prior to such merger, consolidation, amalgamation or replacement, Postbank has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including the Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register under the 1940 Act, (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor entity) will be classified as a grantor trust for U.S. federal income tax purposes and (D) following such merger, consolidation, amalgamation or replacement, the Company will not be classified as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

Notwithstanding the foregoing, the Trust will not, except with the consent of holders of 100% in Liquidation Preference Amount of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by Postbank and its affiliates), consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity not to be classified as a grantor trust for U.S. federal income tax purposes.

Modification of the Trust Agreement

The Trust Agreement may only be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided* that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the liquidation, dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least a majority in liquidation amount of the outstanding Trust Securities affected thereby (excluding Trust Securities held by Postbank and its affiliates); *provided further* that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Security, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of a majority of such class of the Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of Postbank, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder, (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; *provided* in each case that no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or (vi) accomplish the issuance, from time to time and without the consent of the holders of the Trust Preferred Securities, of additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of Class B Preferred Securities equal to the aggregate Liquidation Preference Amount of such additional Trust Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for U.S. federal income tax purposes, (ii) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee or (iv) cause the Trust or the Company to be required to register under the 1940 Act.

Form, Clearing and Settlement; Certifications by Holders

The Trust Preferred Securities will be issued in fully registered form without coupons, in denominations of € 1,000. The Trust Preferred Securities will be initially evidenced by one or more Temporary Global Certificates, in fully registered form, interests in which will be exchangeable, upon certification as described below, for interests in one or more Permanent Global Certificates, in fully registered form, no earlier than after the expiry of the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities (the “**Restricted Period**”). The Global Certificates will be deposited upon issuance with, and registered in the name of Clearstream AG. Definitive certificates representing individual Trust Preferred Securities and coupons shall not be issued except in the limited circumstances described under “– Transfer” below. Copies of the Temporary Global Certificates and the Permanent Global Certificates are available free of charge at the specified offices of the paying agents. Beneficial interests in the Global Certificates may not be exchanged for Trust Preferred Securities in certificated form except as set forth below.

On or after the expiration of the Restricted Period, a certificate must be provided by or on behalf of each holder of a beneficial interest in a Temporary Global Certificate to the Principal Paying Agent, certifying that the beneficial owner of the interest in such Temporary Global Certificate is not a U.S. Person. Unless such certificate is *provided*, (i) the holder of such beneficial interest will not receive any payments of Capital Payments, redemption price or any other payment with respect to such holder’s beneficial interest in the Temporary Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a Permanent Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended.

Transfer

Beneficial interests in the Trust Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Clearstream AG and its participants and, except in the limited circumstances described below, Trust Preferred Securities in certificated form will not be issued. Holders of beneficial interests in the Global Certificates must rely upon the procedures of Clearstream AG and (if applicable) its participants to exercise any rights of a holder under the Global Certificates. None of Postbank, the Company and the Trust will have any responsibility or liability for any aspect of the records relating to the payments made on account of beneficial interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

A Permanent Global Certificate will cease to represent the Trust Preferred Securities, and Trust Preferred Securities in definitive registered form will be exchangeable therefor only if (i) Clearstream AG notifies the Trust that it is unwilling or unable to continue as depositary for such Permanent Global Certificate and no successor depositary shall have been appointed within 90 days or (ii) the Trust determines in its sole discretion that such Permanent Global Certificate shall be so exchangeable. Such definitive Trust Preferred Securities will be in denominations of € 1,000 and will be registered in such names as Clearstream AG shall direct and payments with respect thereto will be made at the offices described below. In addition, in all cases where the Trust Preferred Securities are issued in definitive form, the record dates for Capital Payments thereon will be 15 days prior to the

relevant Capital Payment Date (whether or not such date is a Business Day). Except as set forth in this paragraph, no definitive securities will be issued.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the Code, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

Payment

Payments in respect of the Trust Preferred Securities will be made to Clearstream AG as the registered holder of the Global Certificate representing the Trust Preferred Securities. Payments made to Clearstream AG shall be made by wire transfer, and Clearstream AG will credit the relevant accounts of their participants on the applicable dates.

All payments on the Trust Preferred Securities by the Trust, and any amount payable in liquidation or upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order for the net amounts received by holders of the Trust Preferred Securities to equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities under certain circumstances described in “– Payments of Additional Amounts.”

Registrar, Transfer Agent and Paying Agents

Deutsche Bank AG, Frankfurt am Main, will act as registrar and principal transfer agent (the “**Registrar/Transfer Agent**”) and principal paying agent (the “**Principal Paying Agent**”). Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Registrar/Transfer Agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Trust Preferred Securities have been called for redemption, the Registrar/Transfer Agent will not be required to register or cause to be registered the transfer of such Trust Preferred Securities.

For as long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of Euronext Amsterdam so require, the Trust will maintain a paying agent in Amsterdam, Netherlands (the “**Netherlands Paying Agent**”). The initial Netherlands Paying Agent will be Deutsche Bank AG, Amsterdam, Netherlands.

For as long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of the Frankfurt Stock Exchange so require, the Trust will maintain a paying and transfer agent in Frankfurt am Main, Federal Republic of Germany. The initial paying and transfer agent in Frankfurt am Main will be Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of any Enforcement Event, and after the curing or waiver of all Enforcement Events that may have occurred, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after the occurrence of any Enforcement Event, will exercise the same degree of care as a prudent person would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of the Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following an Enforcement Event.

Notices

All notices or communications to a holder of the Trust Preferred Securities will be delivered, telecopied or mailed by first-class, registered or certified mail to such holder’s address as shown on the books and records of the Trust.

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities shall be deemed to have been given upon publication

in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in at least one daily newspaper having general circulation in the Federal Republic of Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*).

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the laws of the State of Delaware, United States of America.

Miscellaneous

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act and will not be characterized as other than a grantor trust for U.S. federal income tax purposes.

DESCRIPTION OF THE COMPANY SECURITIES

The following summary sets forth the material terms and provisions of the limited liability company interests of the Company, including the Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.

Upon the execution of the LLC Agreement, the Company will issue limited liability company interests consisting of the Company Common Security, the Class A Preferred Security and the Class B Preferred Securities. The Company Common Security and the Class A Preferred Security will initially be owned by Postbank and thereafter will be owned by a Postbank Group Company. All of the Class B Preferred Securities will be owned by the Trust. Postbank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Company Common Security

Subject to the rights of the holders of the Class B Preferred Securities to appoint the Independent Enforcement Director, all voting rights are vested in the Company Common Security. The Company Common Security is entitled to one vote per security. The Company Common Security, upon consummation of the Offering, will be held by a Postbank Group Company.

Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Capital Payment Period have been declared and paid. The Company does not expect to pay dividends on the Company Common Security.

In the event of the voluntary or involuntary liquidation, dissolution, termination or winding up of the Company, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Preferred Securities the full preferential amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to share equally and *pro rata* in any remaining assets.

Class A Preferred Security

The Class A Preferred Security of the Company will be non-voting. Capital payments on the Class A Preferred Security will be payable when, as and if declared by the Board of Directors; such a declaration will occur only to the extent the Board of Directors does not declare Capital Payments on the Class B Preferred Securities at the Stated Rate in full on any Capital Payment Date. The Company expects that the holder of the Class A Preferred Security will receive capital payments only to the extent that:

- (i) Capital Payments are not permitted to be declared on the Class B Preferred Securities on any Capital Payment Date at the Stated Rate in full due to insufficient Distributable Profits of Postbank for the fiscal year preceding such Capital Payment Period or an order of the BaFin (or any other relevant regulatory authority) prohibiting Postbank from making any distribution of profits (including to the holders of Parity Securities, if any), and
- (ii) the Company has sufficient Operating Profits.

The Company currently does not intend to pay capital payments on the Class A Preferred Security. The payment of capital payments on the Class A Preferred Security is not a condition to the payment of Capital Payments on the Class B Preferred Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; *provided* that any payments made by Postbank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. Accordingly, upon any liquidation, the holder of the Class A Preferred Security will be entitled to receive a liquidation distribution of the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon). In the event of the liquidation of the Company, the Independent Enforcement Director will enforce the Support Undertaking solely for the benefit of the holders of the Class B Preferred Securities and, with respect to the Company's rights under the Support Undertaking, the Class B Preferred Securities will rank senior to the Class A Preferred Security and payments thereunder will be distributed by the Company solely to the holders of the Class B Preferred Securities. For a description of the circumstances under

which an Independent Enforcement Director may be elected, see “– Class B Preferred Securities – Voting and Enforcement Rights.”

Class B Preferred Securities

General

When issued, the Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the Company. The Class B Preferred Securities will not have any scheduled maturity date, will not be redeemable at any time at the option of the holders thereof, will not be convertible into any other securities of the Company and will not be subject to any sinking fund or other obligation of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by Postbank or any of its affiliates), from issuing any debt securities or any further class or series of equity securities ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights upon liquidation or dissolution of the Company, *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Capital Payments

Subject to the terms of the Trust Agreement and LLC Agreement, as applicable, Capital Payments will accrue on the liquidation preference amount of € 1,000 per Class B Preferred Security (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of 7.00% per annum (the “**Fixed Rate**”), payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Reference Rate plus 0.125% per annum (the “**Floating Rate**”), payable annually in arrears on June 7 of each year, commencing on June 7, 2009, *provided* that no Capital Payment for any Capital Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum. For each Capital Payment Period, Capital Payments will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Capital Payment Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof.

Capital Payments on the Class B Preferred Securities are expected to be paid out of the Company’s Operating Profits or from payments received under the Support Undertaking. The right of the holders of the Class B Preferred Securities to receive Capital Payments is noncumulative. 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, holders 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:

- (i) 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
- (ii) Postbank has an amount of Distributable Profits for the preceding fiscal year for which audited unconsolidated financial statements are available at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments, dividends or other distributions on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

Notwithstanding the foregoing, if Postbank or any of its subsidiaries declares or pays any capital payments, dividends or other distributions on any Parity Securities (excluding capital payments, dividends or other distributions by a subsidiary of Postbank exclusively to Postbank or a wholly-owned subsidiary of Postbank), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities on the first Capital Payment Date falling contemporaneously with or immediately after the date on which such capital payment, dividend or other distribution was declared or made. If such capital payment, dividend or other distribution on such Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, then Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If such capital payment, dividend or other distribution on such Parity Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if Postbank or any of its subsidiaries declares or pays Junior Distributions, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay capital payments, dividends or other distributions.

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with or immediately following the date on which such capital payment, dividend or other distribution was declared or made.
- if such Junior Securities pay Junior Distributions semi-annually
 - (i) if only one Junior Distribution was made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (ii) if two such Junior Distributions were made in such Capital Payment Period, the Capital Payments will be deemed declared for payment in the full amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made; and
- if such Junior Securities pay Junior Distributions quarterly:
 - (i) if only one Junior Distribution was made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in one quarter of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (ii) if two such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (iii) if three such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment in three quarters of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made, or
 - (iv) if four such Junior Distribution were made in the Capital Payment Period preceding the Capital Payment Date, the Capital Payments will be deemed to have been declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was declared or made.

If Postbank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of Postbank (other than (i) in connection with transactions effected by or for the account of customers of Postbank or any of its subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, (ii) in connection with the satisfaction by Postbank or any of its subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (iii) as a result of a reclassification of the capital stock of Postbank or any of its subsidiaries or the exchange or conversion of one class or series of such capital stock for another class or series of such capital stock or (iv) the purchase of fractional interests in shares of the capital stock of Postbank or any of its subsidiaries pursuant to the provisions of any security being converted into or exchanged for such capital stock), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of Postbank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the BaFin (or any other relevant regulatory authority) prohibiting Postbank from making any distribution of profits (including to the holders of Parity Securities, if any). The Company will have no obligation to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company, insufficient Distributable Profits of Postbank or an order of the BaFin (or any other relevant regulatory authority).

In determining the availability of sufficient Distributable Profits of Postbank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments, dividends or other distributions already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits. Each Capital Payment declared (or deemed to be declared) on the Class B Preferred Securities will be payable to the holders of record as they appear on the books and records of the Company at the close of business on the corresponding record date. The record dates for the Class B Preferred Securities will be:

- for those Class B Preferred Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Class B Preferred Securities held in book-entry form, one Business Day prior to the relevant Capital Payment Date, and
- in all other cases, 15 calendar days prior to the relevant Capital Payment Date.

Payments of Additional Amounts

All payments on the Class B Preferred Securities (including any amount payable in liquidation and any repayment upon redemption thereof) will be made without any deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. The Company will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after any deduction or withholding for or on account of Withholding Taxes, will equal the amounts that would otherwise have been received in respect of the Class B Preferred Securities and the Trust Preferred Securities, respectively, in the absence of such withholding or deduction. No such Additional Amounts, however, will be payable in respect of the Class B Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of Postbank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and any capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with the Relevant Jurisdiction other than by reason only of the mere holding of the Trust Preferred Securities;

- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any amounts of Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or the Trust Preferred Securities can avoid or reduce by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another paying agent in a member state of the European Union; or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Class B Preferred Securities or Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Voting and Enforcement Rights

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated below. In the event the holders of the Class B Preferred Securities are entitled to vote as indicated below, each Class B Preferred Security shall be entitled to one vote on matters on which holders of the Class B Preferred Securities are entitled to vote. In the event that:

- (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full as and when due for the first Capital Payment Period or subsequently for two consecutive Capital Payment Periods; or
- (ii) a holder of the Class B Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. The Independent Enforcement Director will be appointed by resolution passed by a majority in liquidation preference amount of the holders of the Class B Preferred Securities entitled to vote thereon, as described in the LLC Agreement, present in person or by proxy at a separate general meeting of the holders of the Class B Preferred Securities convened for that purpose (which will be called at the request of any holder of a Class B Preferred Security entitled to vote thereon) or by a consent in writing adopted by a majority in liquidation preference amount of the holders of the Class B Preferred Securities entitled to vote thereon. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination:

- (i) the Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods; and
- (ii) Postbank is in compliance with its obligations under the Support Undertaking.

Any such Independent Enforcement Director may be removed at any time, with or without cause by (and will not be removed except by) the vote of a majority in liquidation preference amount of the holders of the outstanding Class B Preferred Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Class B Preferred Securities entitled to vote thereon, called for that purpose. If the office of the Independent Enforcement Director becomes vacant at any time during which the holders of a majority in liquidation

preference amount of the Class B Preferred Securities are entitled to appoint an Independent Enforcement Director, the holders of a majority in liquidation preference amount of the Class B Preferred Securities will appoint an Independent Enforcement Director as provided above.

The Independent Enforcement Director will be an additional member of the Board of Directors referred to above and will have the sole authority, right and power to enforce and settle any claim of the Company under the Support Undertaking. However, the Independent Enforcement Director will have no right, power or authority to participate in the management of the business and affairs of the Company by the Board of Directors except for:

- actions related to the enforcement of the Support Undertaking on behalf of the holders of the Class B Preferred Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Class B Preferred Securities.

No director, including the Independent Enforcement Director, will be a resident of, or have his customary place of abode in, the Federal Republic of Germany.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of the holders of at least 66⅔% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by Postbank or any of its affiliates, other than the Trust),

- (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities,
- (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities, or
- (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under “– Mergers, Consolidations and Sales.”

The Company will not, without the unanimous consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by Postbank or any of its affiliates), issue any additional equity securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Notwithstanding that holders of the Class B Preferred Securities may become entitled to vote or consent under any of the circumstances described in the LLC Agreement or in the by-laws of the Company (the “**Bylaws**”), any of the Class B Preferred Securities that are owned by Postbank, the Company or any of their respective affiliates (other than the Trust), either directly or indirectly, will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Class B Preferred Securities purchased or acquired by Postbank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of Postbank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Class B Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of Postbank), excluding the Trust, to whom Postbank or any of its subsidiaries or affiliates have pledged Class B Preferred Securities may vote or consent with respect to such pledged Class B Preferred Securities to the extent permitted by the terms of such pledge.

Redemption of the Class B Preferred Securities

The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on any Capital Payment Date falling on or after the Initial Redemption Date. The Company will also have the right, at any time, to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a redemption price equal to the liquidation preference amount of the Class B Preferred Securities plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the Redemption Date, plus Additional Amounts, if any.

No redemption of the Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- (i) the Company has sufficient funds (by reason of the Debt Securities, Permitted Investments or the Support Undertaking) to pay the redemption price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any;
- (ii) the Debt Securities have been redeemed;
- (iii) Postbank has an amount of Distributable Profits at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and
- (iv) no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting Postbank from making any distributions (including to the holders of Parity Securities, if any).

In the event that payment of the redemption price in respect of any Class B Preferred Securities, is improperly withheld or refused and not paid, Capital Payments on such Class B Preferred Securities will continue to accrue from the Redemption Date to the date of actual payment of such redemption price.

Any redemption of the Class B Preferred Securities, whether on a Capital Payment Date on or after the Initial Redemption Date or upon the occurrence of a Company Special Redemption Event, will not require the vote or consent of any of the holders of the Class B Preferred Securities.

Redemption Procedures

Notice of any redemption of the Class B Preferred Securities (a “**Redemption Notice**”) will be given by the Board of Directors on behalf of the Company by mail to the record holder of each Class B Preferred Security to be redeemed not fewer than 30 days before the date fixed for redemption, or such other time period as may be required by the relevant regulatory authorities. For purposes of the calculation of the Redemption Date and the dates on which notices are given pursuant to the LLC Agreement, a Redemption Notice will be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to holders of the Class B Preferred Securities. Each Redemption Notice will be addressed to the holders of the Class B Preferred Securities at the address of each such holder appearing in the books and records of the Company. No defect in the Redemption Notice or in the mailing thereof with respect to any holder will affect the validity of the redemption proceedings with respect to any other holder.

If the Company gives a Redemption Notice (which notice shall be irrevocable) by 9:00 a.m., Central European time, on the Redemption Date, the Company, if the Class B Preferred Securities are in book-entry only form, will deposit irrevocably with the Principal Paying Agent funds sufficient to pay the redemption price and will give the Principal Paying Agent irrevocable instructions and authority to pay the redemption price in respect of the Class B Preferred Securities held through Clearstream AG, or if the Class B Preferred Securities are held in definitive form, will deposit with the Principal Paying Agent funds sufficient to pay the applicable redemption price and will give to the Principal Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities, upon surrender of their certificates, by check, mailed to the address of the relevant holder of the Class B Preferred Securities appearing on the books and records of the Company on the Redemption Date.

However, for so long as the Property Trustee holds the Class B Preferred Securities, payment will be made by wire in same day funds to the holder of the Class B Preferred Securities by 9:00 a.m., Central European time, on the Redemption Date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of payment, all rights of the holders of the Class B Preferred Securities so called for redemption will cease, except the right of the holders to receive the redemption price, but without interest on the

redemption price, and from and after the date fixed for redemption, such Class B Preferred Securities will not accrue Capital Payments or bear interest.

If any Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the first following Business Day without adjustment, interest or further payment as a result thereof.

Repurchase of Class B Preferred Securities.

The Company may, subject to the LLC Act, from time to time repurchase or otherwise receive for cancellation outstanding Class B Preferred Securities from the Trust on such terms as an officer designated by the Board of Directors determines; *provided* that (i) so long as Trust Preferred Securities of the Trust are outstanding, the Trust has repurchased or otherwise received for cancellation Trust Preferred Securities in a like aggregate Liquidation Preference Amount, on the same terms (including payment of Capital Payments at the Stated Rate through the same date) as the Class B Preferred Securities being repurchased, (ii) Postbank has repurchased or otherwise cancelled an aggregate principal amount of the Initial Debt Securities equal to the aggregate liquidation preference amount of the Class B Preferred Securities being repurchased or cancelled on the same terms (including payment of accrued interest on the Initial Debt Securities through the same date), as the repurchase or cancellation of the Class B Preferred Securities and (iii) Postbank, the Trust and the Company have received all governmental authorizations required in connection with such transactions. All Class B Preferred Securities so repurchased or otherwise received will be cancelled and no longer deemed to be outstanding.

Liquidation Distribution

Upon liquidation of the Company, the holder of the Class A Preferred Security has a claim senior to that of the holders of the Class B Preferred Securities, and the holders of the Class B Preferred Securities have a claim senior to that of the holder of the Company Common Security; *provided* that any payments made by Postbank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. The holder of the Class A Preferred Security will be entitled to receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Class B Preferred Securities will, subject to the limitations described below, be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus, in each case, accrued and unpaid Capital Payments in respect of the current Capital Payment Period to, but excluding the date of liquidation, dissolution or winding up, and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Support Undertaking. The holders of the Class B Preferred Securities will be entitled to receive their liquidation distribution before any distribution of assets is made to the holder of the Company Common Security. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Mergers, Consolidations and Sales

The Company may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Company may, with the consent of the holders of the Class B Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, *provided* that:

- such successor entity either expressly assumes all of the obligations of the Company under the Class B Preferred Securities or substitutes for the Class B Preferred Securities other securities having substantially the same terms as the Class B Preferred Securities (the “**Company Successor Securities**”) so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Class A Preferred Security or any successor Class A Preferred Security to the same extent that the Class B Preferred Securities rank junior to the Class A Preferred Security;

- Postbank expressly acknowledges such successor entity as the holder of the Debt Securities and holds, directly or indirectly, all of the voting securities (within the meaning of Rule 3a-5 under the 1940 Act) of such successor entity;
- such consolidation, amalgamation, merger or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Class B Preferred Securities (including any Company Successor Securities) in any material respect;
- such successor entity has a purpose substantially identical to that of the Company;
- prior to such consolidation, amalgamation, merger or replacement, the Company has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that:
 - such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes,
 - such consolidation, amalgamation, merger or replacement would not cause the Trust to be classified as other than a grantor trust for U.S. federal income tax purposes,
 - following such consolidation, amalgamation, merger or replacement, such successor entity will not be required to register under the 1940 Act, and
 - such consolidation, amalgamation, merger or replacement will not adversely affect the limited liability of the holders of the Class B Preferred Securities; and
- Postbank provides an undertaking to the successor entity under the Company Successor Securities equivalent to that provided by the Support Undertaking with respect to the Class B Preferred Securities.

Book-entry and Settlement

If the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust, the Company and Postbank will use reasonable efforts to arrange for the Class B Preferred Securities to be issued in the form of one or more global certificates (each a “**Global Security**”) registered in the name of Clearstream AG. As of the date of this Offering Circular, the description herein of Clearstream AG’s book-entry system and practices as they relate to purchases, transfers, notices and payments with respect to the Trust Preferred Securities will apply in all material respects to any Class B Preferred Securities represented by one or more Global Securities.

Registrar and Transfer Agent

Postbank will also act as the registrar and transfer agent for the Class B Preferred Securities. Registration of transfers of the Class B Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the transfer agent for the Class B Preferred Securities may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Class B Preferred Securities have been called for redemption, the transfer agent for the Class B Preferred Securities will not be required to register or cause to be registered the transfer of the Class B Preferred Securities.

Governing Law

The LLC Agreement and the Class B Preferred Securities will be governed by, and construed in accordance with, the laws of the State of Delaware, United States of America.

Miscellaneous

The Board of Directors is authorized and directed to conduct the affairs of the Company in such a way that (i) the Company will not be deemed to be required to register under the 1940 Act, and (ii) the Company will not be treated as an “association” or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for U.S. federal income tax purposes. In this connection, the Board of Directors is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board of

Directors determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Class B Preferred Securities.

The Class B Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the Code, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

DESCRIPTION OF THE SUPPORT UNDERTAKING

The following summary sets forth the material terms and provisions of the Support Undertaking. This summary is qualified in its entirety by reference to the terms and provisions of such agreement, which is included herein as Appendix A.

Postbank and the Company will enter into the Support Undertaking prior to the issuance of the Class B Preferred Securities, pursuant to which Postbank will undertake that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities (plus Additional Amounts thereon, if any) and any payment due on redemption of the Class B Preferred Securities and (ii) in liquidation or dissolution of the Company, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the date of liquidation or dissolution, and Additional Amounts, if any. Postbank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar instruments of any other affiliated entity that would rank senior in any regard to the Support Undertaking, unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement. So long as any Class B Preferred Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Class B Preferred Securities except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities. **The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.**

Postbank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of Postbank (including profit participation rights (*Genussrechte*)), will rank at least *pari passu* with each class of the most senior ranking preference shares, if any, and other instruments of Postbank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and the common shares of Postbank.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Class B Preferred Securities for the benefit of the holders of the Trust Securities, the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that Postbank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities (and, accordingly, the holders of the Trust Preferred Securities representing Class B Preferred Securities acting through the Property Trustee) will have the right to appoint the Independent Enforcement Director, who will be required to enforce the rights of the Company under the Support Undertaking.

All payments under the Support Undertaking will be distributed by the Company *pro rata* to holders of the Class B Preferred Securities until the holders of the Class B Preferred Securities receive the full amount payable under the Class B Preferred Securities. So long as the Trust holds Class B Preferred Securities, the Property Trustee will distribute such payments received by the Trust to the holders of the Trust Preferred Securities *pro rata*.

The Support Undertaking will be governed by the laws of the Federal Republic of Germany.

DESCRIPTION OF THE INITIAL DEBT SECURITIES

The following summary sets forth the material terms and provisions of the Initial Debt Securities. This summary is qualified in its entirety by reference to the terms and provisions of the Initial Debt Securities.

General

The Principal Amount of the Initial Debt Securities will be € 300,027,000 and will be equal to the sum of the aggregate liquidation preference amount of the Class B Preferred Securities plus certain amounts contributed by Postbank in return for the Class A Preferred Security and the Company Common Security. The proceeds from the issuance of the Class B Preferred Securities, together with the € 1,000 contributed by Postbank in return for the Class A Preferred Security and € 25,000 contributed by Postbank for the Company Common Security, will be used by the Company to purchase the Initial Debt Securities. The purchase of the Initial Debt Securities will occur contemporaneously with the issuance of the Class B Preferred Securities. The Initial Debt Securities will not be listed on any stock exchange.

The Initial Debt Securities will consist of an issue of subordinated notes issued by Postbank, which will mature on June 7, 2035 (the “**Maturity Date**”); *provided, however*, that the Initial Debt Securities will not include any obligation of Postbank shown as a liability on the books of a U.S. branch of Postbank.

Interest will accrue on the Principal Amount of the Initial Debt Securities (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of at least 7.00% per annum, payable annually in arrears on June 7 of each year (including on the Reset Date) and (ii) for each Interest Payment Period commencing on or after the Reset Date at a rate at least 0.125% above the Reference Rate, payable annually in arrears on June 7 of each year, commencing on June 7, 2009, *provided* that no interest payment for any Interest Payment Period commencing on or after the Reset Date shall accrue at a rate of more than 8.00% per annum. For each Interest Payment Period, interest will be calculated on the basis of the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Interest Payment Date or any Debt Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof.

Payment of interest on the Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes imposed by the Federal Republic of Germany or the jurisdiction of residence of any obligor of the Debt Securities or any other jurisdiction from which such payment is made or, in each case, any political subdivision or authority therein or thereof unless such deduction or withholding is required by law. In such event, Postbank or any other obligor will pay as additional interest such amounts (“**Additional Interest Amounts**”) as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided* that the obligation of Postbank or such obligor to pay such Additional Interest Amounts will not apply:

- with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Debt Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any amounts of Withholding Taxes imposed on account of any personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Debt Securities; or
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder of the Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

The Initial Debt Securities will not be redeemable prior to June 7, 2011, except as set forth below. Subject to having obtained any required regulatory approvals, Postbank may cause the redemption of the Initial Debt Securities in whole but not in part prior to June 7, 2011, upon: (i) the occurrence of a Company Special Redemption Event and the election of the Company to redeem the Class B Preferred Securities and (ii) at least 30 days' prior notice.

Subject to having obtained any required regulatory approvals, Postbank may also, at its option, redeem the Initial Debt Securities, in whole but not in part, on any Interest Payment Date on or after the Initial Debt Redemption Date, upon at least 30 days' prior notice, *provided* that the Company is permitted under the LLC Agreement and has elected to redeem the Class B Preferred Securities.

Any redemption of the Initial Debt Securities will be at a redemption price at least equal to the Principal Amount plus any accrued and unpaid interest up to, but excluding, the Debt Redemption Date and Additional Interest Amounts, if any.

In the event of any default in payment or the default in performance of any other covenant of Postbank on the Initial Debt Securities, the Company will enforce its rights for payment of any overdue amounts, but will not be able to accelerate the maturity of the Initial Debt Securities.

Subordination

The Initial Debt Securities constitute direct, unconditional, unsecured and subordinated obligations of Postbank ranking *pari passu* with all other subordinated obligations of Postbank. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, Postbank, such obligations will be subordinated to the claims of all unsubordinated creditors of Postbank so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of Postbank shall have been satisfied in full.

The Company, as the holder of the Initial Debt Securities, will also agree by its acceptance thereof that it waives any rights it may have to set off claims under the Initial Debt Securities against claims Postbank may have against it. Pursuant to § 10, subparagraph (5a) of the German Banking Act (*Kreditwesengesetz*), if Postbank repurchases or repays the Initial Debt Securities prior to a date on which such repurchase or repayment is permitted under the terms thereof, notwithstanding any agreements to the contrary, any amounts so paid to a holder of the Initial Debt Securities must be returned to Postbank unless the Principal Amount is replaced with at least equivalent own funds (*haftendes Eigenkapital*) or prior approval of the BaFin applies.

The obligations of Postbank under the Initial Debt Securities may not be secured by any lien, security interest or other encumbrance on any property of Postbank or any other person and, except as permitted by applicable law, Postbank will not, directly or indirectly, acquire for its own account, finance for the account of any other person the acquisition of, or accept as security for any obligation owed to it, any of the Initial Debt Securities. Postbank is also prohibited from amending the terms of the Initial Debt Securities to limit the subordination provisions or change the Initial Redemption Date to an earlier date.

Substitution

At any time, Postbank will have the right to (i) substitute as obligor of the Debt Securities any Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities issued by Postbank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (including on behalf of a branch other than a U.S. branch), in each case, with identical terms to those of the Initial Debt Securities; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event, (b) Postbank, unless it itself is the substitute obligor, guarantees on a subordinated basis that ranks at least *pari passu* with the Initial Debt Securities the obligations of the substitute obligor (as provided below), and (c) for this purpose, a Qualified Subsidiary does not include a subsidiary organized under the laws of the United States of America or any of its states.

In the event that Postbank is not the substitute obligor, Postbank shall guarantee the principal of and interest on the Substitute Debt Securities. The obligations of Postbank under such guarantee will be subordinated in the event of liquidation of Postbank to all obligations of Postbank that are not subordinated. All payments by Postbank under such guarantee will be made by Postbank without withholding or deduction for Withholding Taxes unless such deduction or withholding is required by law. In such event, Postbank or any other obligor will pay Additional Interest Amounts as may be necessary in order that the net amounts received by the Company will

equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided* that the obligation of Postbank or such obligor to pay such Additional Interest Amounts shall not apply:

- with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Substitute Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Substitute Debt Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Substitute Debt Securities; or
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder of the Substitute Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

Redemption and Reinvesting of Proceeds

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest the net proceeds from the repayment of the Debt Securities in Permitted Investments. The Company will attempt to purchase Permitted Investments on terms that are the best available in relation to providing funds for the payment of Capital Payments and the redemption of the Class B Preferred Securities:

- debt obligations of one or more Qualified Subsidiaries, unconditionally guaranteed by Postbank (which may act through a non-German branch), on a basis that ranks at least *pari passu* with the Initial Debt Securities or
- in United States Treasury securities.

Governing Law

The Initial Debt Securities will be governed by the laws of the Federal Republic of Germany.

TIER I CAPITAL AND CAPITAL ADEQUACY

Postbank expects to treat the Class B Preferred Securities or, as the case may be, the Trust Preferred Securities, as consolidated Tier I regulatory capital for purposes of measuring regulatory capital adequacy, subject to any volume limitations imposed by the BaFin on hybrid capital instruments (such as the Class B Preferred Securities or, as the case may be, the Trust Preferred Securities).

Regulatory capital adequacy is monitored by the Postbank Group on the basis of the German Banking Act (*Kreditwesengesetz*) and the principles on regulatory banking capital issued thereunder.

The capital ratios under the German Banking Act (*Kreditwesengesetz*) compare a bank's regulatory capital with its counterparty and market risk. Counterparty risk is measured by assets and off-balance sheet exposures weighted according to broad categories of relative credit risk. The counterparty risk of derivatives is marked to market daily.

A bank's regulatory capital is divided into three tiers (Tier I capital, Tier II capital and Tier III capital). Tier I capital consists primarily of share capital and reserves. Certain hybrid capital instruments (such as the Class B Preferred Securities) have been accepted by the BaFin as Tier I capital on a consolidated basis. Tier II capital consists primarily of participatory capital, long-term subordinated liabilities and revaluation reserves for listed securities. Tier III capital is made up mainly of short-term, subordinated liabilities. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position, and the minimum BIS core (Tier I) capital ratio is 4% of the risk position. Under the guidelines set forth by directives of the Bank for International Settlements ("**BIS**"), the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital and total Tier II capital is limited to 100% of Tier I capital.

For further information, see "Postbank Group – Regulation."

CAPITALIZATION OF POSTBANK AND POSTBANK GROUP

The following tables show the unaudited consolidated and unconsolidated capitalization of Postbank as of March 31, 2005, as well as the regulatory capital in accordance with the rules specified by the Basel Committee on Banking Regulations and Supervisory Practices at the Bank for International Settlements ("BIS"). For information on the financial condition of Postbank as of March 31, 2005, see the Consolidated Financial Statements included herein.

	As of March 31, 2005	
	Actual	As adjusted ⁽²⁾
	(€ in millions)	
Capitalization (consolidated)⁽¹⁾		
Amounts owed to other banks ⁽³⁾	7,053	7,053
Amounts owed to customers ⁽³⁾	10,351	10,351
Securitized obligations ⁽³⁾	10,547	10,547
Subordinated liabilities	2,846	3,146
Shareholders' equity:		
Share capital	410	410
Share premium	1,160	1,160
Retained earnings	3,207	3,207
Unappropriated surplus	106	106
Minority interest	1	1
Total shareholders' equity	4,884	4,884
Total capitalization	35,681	35,981
Contingent liabilities		
On guarantees and warranties	1,258	1,258
Other obligations		
Irrevocable loan commitments	13,965	13,965

(1) In accordance with IFRS.

(2) Adjusted to reflect the completion of the Offering.

(3) Total capitalization includes amounts owed to banks, amounts owed to customers and securitized obligations with remaining contractual terms of at least one year.

	As of March 31, 2005	
	Actual	As adjusted ⁽²⁾
	(€ in millions)	
Capitalization (unconsolidated)⁽¹⁾		
Amounts owed to other banks ⁽³⁾	11,115	11,115
Amounts owed to customers ⁽³⁾	10,871	10,871
Securitized obligations ⁽³⁾	6,561	6,561
Subordinated liabilities	2,249	2,549
Shareholders' equity:		
Share capital	410	410
Contributions of silent partners	36	36
Share premium	51	51
Retained earnings	1,159	1,159
Other reserves	264	264
Reserves for own shares	1	1
Profit/loss carry forward	455	455
Unappropriated surplus	84	84
Total shareholders' equity	2,459	2,459
Total capitalization	33,255	33,555
Contingent liabilities	4,179	4,179
Irrevocable loan commitments	12,950	12,950

(1) In accordance with the German Commercial Code (*HGB*).

(2) Adjusted to reflect the completion of the Offering.

(3) Total capitalization includes amounts owed to banks, amounts owed to customers and securitized obligations with remaining contractual terms of at least one year.

	As of March 31, 2005	
	Actual	As adjusted ⁽¹⁾
	(€ in millions)	
Regulatory capital of the Postbank Group pursuant to BIS		
Core capital	4,574	4,874
Paid-up capital.....	410	410
Open reserves	3,459	3,459
Hybrid capital (Trust Preferred Securities).....	800	1,100
Contributions to capital by silent partners	51	51
Deduction items	-146	-146
Supplementary capital.....	1,597	1,597
General reserves.....	40	40
Liabilities represented by profit participation rights.....	359	359
Longer-term subordinated liabilities.....	1,238	1,238
Adjustment item	-40	-40
Liable equity capital – Postbank Group.....	6,171	6,471
Tier III capital	0	0
Total regulatory capital – Postbank Group.....	6,171	6,471

(1) Adjusted to reflect the completion of the Offering.

For silent partnership agreements see “Postbank Group – Capital – Typical silent partnerships of five German insurance companies.”

POSTBANK GROUP

Business

Overview

With approximately 12.1 million active customers and approximately 4.8 million checking accounts, Postbank is the largest retail bank (single institution) in the Federal Republic of Germany. As of March 31, 2005, the sum of the amounts due to customers amounted to € 80.2 billion (December 31, 2004: € 80.5 billion; December 31, 2003: € 73.9 billion). The total credit extended to customers totaled € 49.9 billion as of March 31, 2005 (December 31, 2004: € 47.7 billion; December 31, 2003: € 43.3 billion). In the first three months of 2005, Postbank Group generated income before taxes of € 165 million (first three months of 2004: € 143 million; 2004: € 624 million; 2003: € 497 million).

Postbank Group has organized its operations into the following business segments:

- **Retail Banking:** Through its Retail Banking business segment, which generated income before taxes of € 120 million in the first three months of 2005 (first three months of 2004: € 88 million; 2004: € 480 million; 2003: € 381 million), Postbank Group offers its approximately 12.1 million private and business customers (self-employed persons and persons engaged in a trade or business with annual external revenues of up to € 2.5 million) a broad range of banking and financial services that are largely standardized and geared toward typical needs. Postbank Group's core market is the Federal Republic of Germany, which is continental Europe's largest retail banking market in terms of the volume of banking sector revenues. In addition to the checking account and savings business, in which Postbank Group traditionally has a strong position, the product range of Postbank Group covers real estate finance, installment loans, credit and debit cards, brokerage of home savings and loan contracts (*Bausparverträge*), securities brokerage and custody service, mutual funds and life and casualty insurance.
- **Corporate Customers:** Postbank Group's Corporate Customers business segment includes approximately 40,000 large and medium-sized businesses (companies with annual external revenues of at least € 2.5 million) and generated income before taxes of € 32 million in the first three months of 2005 (first three months of 2004: € 30 million; 2004: € 137 million; 2003: € 118 million). The Payment Solutions business unit provides services relating to payment transactions, offers Postbank Group customers products for the short-term investment of liquidity surplus and provides credit lines to support the clearance of payments. The business unit Selective Commercial Finance is active in the field of national and international commercial finance (in North America through the PB Capital Group and in the United Kingdom through Deutsche Postbank AG London branch) as well as in factoring and leasing, and it also provides customers with financings along the logistics value chain, such as the financing of logistics-related real estate.
- **Financial Markets:** The Financial Markets business segment, which generated income before taxes of € 29 million in the first three months of 2005 (first three months of 2004: € 27 million; 2004: € 105 million; 2003: € 95 million) is mainly responsible for managing Postbank Group's money and capital markets transactions and the associated interest rate and market risks (particularly stock, currency, credit spread (from corporate and high-yield bonds), and volatility risks) as well as liquidity risks. In addition, this business segment is also responsible for making a contribution to Postbank Group's results by engaging in so-called own-account business. Postbank regards own-account business as covering the management of the historical issuance business of the former DSL Bank, meaning the debt financing raised by DSL Bank in connection with the refinancing of its loan business, as well as proprietary trading and treasury activities typically carried on by banks. Banking business conducted out of Luxembourg as well as fund management and administration activities relating to Postbank's retail mutual funds and institutional investment funds (*Spezialfonds*) are also allocated to the Financial Markets business segment.
- **Transaction Banking:** The Transaction Banking business segment offers organizational and technical services relating to the clearance and processing of domestic and cross-border payment transactions and generated income before taxes of € 5 million in the first three months of 2005. (2004: € 9 million) In addition to the acceptance and processing of payment instructions, these services encompass clearing, the booking of entries, archiving and the handling of complaints. The

Transaction Banking business segment provides these services on an intra-group basis to other business segments. In addition, Postbank Group acquired a subsidiary of Dresdner Bank AG through which it has been handling all domestic and cross-border payment transactions for Dresdner Bank AG, as its first external customer, since May 1, 2004. In July 2004, Postbank Group also acquired a subsidiary of Deutsche Bank AG through which it handles domestic and standardized Euro-denominated payment transactions for Deutsche Bank AG.

- **Other:** The business segment Other, which generated a loss before taxes of € 21 million in the first three months of 2005 (first three months of 2004: € -2 million; 2004: € -107 million; 2003: € -97 million), includes the results of Postbank Group's own account business and treasury activities. In addition, the historical issuance business of DSL Bank and the portion of provisions for losses on loans and advances in the Retail Banking, Corporate Customers and Financial Markets business segments that exceeds standard loan loss costs are accounted for in this segment.

In addition, Postbank Group carries on the "fiduciary business" (*Treuhandgeschäft*) of former DSL Bank. This business consists of the management by Postbank Group, on the basis of agency agreements as well as administrative guidelines and instructions issued by the Federal Republic of Germany and the Federal States (*Bundesländer*), of public funds made available for disbursement in the form of development loans. These development loans primarily serve to finance measures relating to the integration of farmers who fled or were expelled from former German territories as well as to effect improvements in the structure of farming and the protection of the coastline. Postbank Group bears no credit risk in connection with these loans.

Strategy

Postbank has set itself the following goals:

- **Expansion of its market position in the retail banking business.** In the Retail Banking business segment, Postbank intends to acquire new customers primarily through its offering of checking account and savings products. By means of a series of measures, such as further improving customer advice and support, rounding off the product range and intensifying the marketing of the entire product range, Postbank wants to increase the number of products and services sold per customer and increase sales of products requiring more advice. In addition, consumer loans are to be marketed more intensively through external agents under the "DSL" brand. These measures are aimed to increase Postbank's profitability in the retail customer business. In order to further expand its retail business, especially in consumer credit, Postbank intends to continue acquiring loan portfolios. In March 2005, Postbank acquired a 9.2% stake in BHW Holding AG, the parent company of the BHW Group, which, through several subsidiaries, provides various financial services, principally in the area of residential property finance, with a particular focus on Bauspar home finance. According to its 2004 annual report, the BHW Group recorded (under German GAAP) total assets of € 118,595.1 million and shareholders' equity of € 1,985.6 million at December 31, 2004, and net income of € 63.7 million and unappropriated surplus (*Bilanzgewinn*) of € 102.8 million for 2004.

The major shareholders of BHW Holding AG as well as those of Allgemeine Hypothekbank Rheinboden AG (AHBR), a BHW Group company, have expressed an interest in selling their shares in BHW Holding AG and AHBR, respectively. Postbank intends to participate in any such sales processes as a potential bidder for such shares, although no decision has been taken whether to submit a binding offer. Postbank has, however, stated that it does not intend to assume any risks related to AHBR.

- **Selective increase of services in the corporate customers business.** In the corporate customers business, Postbank intends to continue focusing on selected banking and financial services. In the business unit Payment Solutions, Postbank wants to consolidate its leading market position, in particular by launching new products for electronic payment transfers and result-oriented support to its customers. In the business unit Selective Commercial Finance, Postbank intends to continue operating in the areas of national and international commercial finance while maintaining its current conservative risk strategy.
- **Taking over the processing of payment transactions for third parties (Transaction Banking).** Postbank intends to establish itself as a partner for banks with respect to the clearance of payment transactions. An important step toward expanding this business is the processing of payment transactions for Dresdner Bank AG and Deutsche Bank AG.

- **Retention of relatively low credit risk profile.** Postbank does not intend to change its relatively low credit risk profile in the future. Lending by the Retail Banking business segment will continue to focus on real estate finance in the future while the Corporate Customers business segment will carry on providing commercial finance on a selective basis.

Retail Banking

Products and Services

Through its Retail Banking business segment, Postbank Group offers its customers a broad range of products that are to a large extent standardized and geared towards typical needs with a focus on the traditional checking account and savings business.

- **Payment transfers.** Postbank Group is one of the Federal Republic of Germany's leading providers of domestic payment transfer services:
 - **Checking accounts:** "Giro Plus", which does not carry a fee provided that at least € 1,250 per month is paid into the account, is one of Postbank Group's most important products. "Business Giro" is a checking account that is geared towards the needs of business customers. Postbank Group grants private and business customers overdraft facilities to ensure the smooth processing of payment transfers.
 - **Credit and debit cards:** Postbank Group offers its customers bank and debit cards as well as Visa or MasterCard credit cards, both in the form of a charge card (the customer repays the amounts paid with the card to Postbank Group each month) as well as in the form of a "genuine" credit card (the customer is essentially free to choose what partial payments he will make in repaying sums paid with the card within a certain credit limit).
- **Savings and investment products:**
 - **Savings products:** Postbank Group saving products are geared toward basic customer needs relating to the accumulation of capital and to investment. Standardization as well as the IT-supported handling and management of products contribute to cost efficiency. Given its strong market position in savings products, Postbank Group was able to profit from stock market weakness over the past three years and from the resulting increase in customer needs for safe forms of investment. If stock market recovery gains momentum, this trend might, however, be reversed and result in an outflow of savings volume.
 - **Securities and funds:** Through own mutual fund companies Postbank Group manages mutual funds (retail mutual funds). In addition to these retail mutual funds of its own, Postbank Group offers its customers an extensive range of third-party funds that are managed by fund companies not affiliated with Postbank Group. Furthermore, Postbank Group offers to its customers securities custody and brokerage services.
 - **Insurance:** Since 1999, Postbank Group has been offering selected insurance products for pension planning and risk coverage purposes through two joint ventures with Talanx AG, a subsidiary of HDI Haftpflichtverband der Deutschen Industrie VVaG. The product range essentially covers life insurance, pension insurance and casualty insurance. Postbank Group is currently holding talks with Talanx AG on possible changes to this cooperation.
 - **Building savings and loan products:** The brokerage of building savings and loan contracts rounds off the product range in the field of savings and investment products.
- **Loans:**
 - **Real estate finance:** Postbank Group offers real estate finance with an emphasis on private residential property under two brands: "*DSL Baufinanzierung*" and "*Postbank Baufinanzierung*." The dual brand strategy enables Postbank Group to vary its real estate finance pricing structure depending on customer group and product complexity.
 - **Loans to retail customers:** With respect to retail customer loans, Postbank Group also offers a largely standardized installment loan under its "*DSL*" and "*Postbank*" brands through all its

distribution channels. These installment loans generally have terms of between 12 and 84 months. The average sum lent per customer is below € 15,000 with the maximum amount of any loan generally not exceeding € 50,000. These loans are largely unsecured.

Customers and Distribution

As a so-called multi-channel bank, Postbank distributes its products through various channels, that is, through branch outlets of Deutsche Post AG, call centers, the internet, mailings, mobile asset management advisors and, in the case of real estate finance and retail customer loans, in particular through agents and cooperation partners. Customers can essentially choose freely between the various distribution channels available.

- **Branch outlet network.** Postbank Group exclusively uses the Deutsche Post AG branch outlet network. Postbank Group products are currently offered in more than 9,000 branch outlets, including approximately 780 Postbank Centers. These Postbank Centers generated approximately 80% of new business in 2004 in the fixed sales channel. Postbank Group products and services are distributed through the Deutsche Post AG branch outlet network on the basis of a cooperation agreement concluded effective January 1, 2002. See “– Relationships with Related Parties.”
- **Call centers.** Postbank Group operates six call centers. For telephone call handling, the call centers employ an interactive speech recognition system and thus achieve a high degree of automation.
- **Internet.** Postbank Group administers more than 2.2 million online accounts. For the future, Postbank Group’s IT infrastructure is planned to make customer contacts via internet transparent for the branch outlet network at the same time. It is expected that the call centers will be integrated into these IT infrastructures in 2005. This technology makes it easier for customers to switch to such other distribution channels and thus supports Postbank Group’s multi-channel approach.
- **Mailings.** Postbank Group also uses mailings as a distribution channel. Mailings are standardized and take into account available customer information to draw inferences about particular customer needs.
- **DSL brand distribution.** Postbank Group offers real estate finance and retail customer loans under the “DSL” brand indirectly as a partner of financial intermediaries. The distribution is exclusively made by distribution partners, such as financial and investment advisors, real estate and insurance brokers, property developers and architects as well as cooperation partners such as banks, building societies and insurance companies. The remuneration received by the distribution partners is exclusively performance based.
- **Asset management advisory services.** In the area of asset management advice to customers, Postbank Group distributes in particular those of its products that are more advice-intensive, such as mutual funds and other tax privileged investments as well as insurance policies, through more than 370 commercial agents (*Handelsvertreter*). In addition to these mobile sales and marketing conducted through commercial agents, after the acquisition of Entrium City, Postbank Group has been operating asset management advice centers in Berlin, Dresden, Dusseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Nuremberg since January 2004.

Corporate Customers

Products and Services

- **Payment Solutions.** Postbank Group is one of the Federal Republic of Germany’s leading providers of domestic payment transfer services. Postbank Group’s most important product in the Payment Solution field is the corporate customer checking account. In 2004, Postbank Group maintained an average 51,343 checking accounts for corporate customers. As an additional feature of checking accounts, Postbank Group offers interest-bearing fixed-term investment instruments in the Federal Republic of Germany and Luxemburg for liquidity surplus, payment transfer supporting credit lines (current account loans) as well as credit cards.
- **Selective Commercial Finance.** In the Selective Commercial Finance field, Postbank Group offers national and international commercial finance as well as factoring, leasing and logistics finance products. In the area of national commercial finance, Postbank Group is active in commercial real estate finance, leasing company refinancing (real estate and movable assets) and occasionally in financing property development companies (purchase of real estate and construction projects mainly

involving residential property). The focus of such finance is on easily leasable property, such as office buildings, shopping malls and residential projects. The geographical focus of Postbank Group's activities in the field of international commercial finance is on the western and central regions of Europe. In the factoring area, Postbank Group offers its corporate customers (including Deutsche Post AG) various factoring options, which are tailored to typical customer needs and their finance requirements. In the leasing area, Postbank Group offers in cooperation with a German leasing company its commercial customers (especially sub-contractors of Deutsche Post AG) the lease finance of vehicles, machinery and other movable capital goods. Postbank Group also offers car-leasing products to its private and business customers via the internet. Since acquiring PB Capital Group in 2001, Postbank Group has been active in North America on a selective basis, primarily in the areas of real estate finance, logistics finance and syndicated loans. Before its acquisition by Postbank, PB Capital Group was involved in providing higher risk finance that has now been largely reduced in accordance with Postbank's conservative risk strategy. In order to diversify its loan portfolio and to cover the market in the United Kingdom, in particular in the greater London area, Postbank acquired the business of the London branch of ING-BHF Bank at the end of 2004. Its main activities are commercial real estate finance in the United Kingdom.

- **Loan Portfolio Management.** The Corporate Customers business segment is also responsible for operations relating to Postbank Group's management of credit risks associated with its entire loan portfolio. Investment decisions in the context of loan portfolio management are made by the Postbank credit risk committee. Such activities are thus integrated into the risk management system of Postbank Group. See "– Risk Management." To modify the structure of its loan portfolio, hedge itself against possible borrower default or transfer the risk associated with its loan portfolio to the capital market, Postbank Group uses a series of financial instruments, including asset-backed or mortgage-backed securities (instruments that securitize a share in receivables secured by mortgages) and credit derivatives (such as credit default swaps). In 2003, Postbank Group securitized, for the first time, a portfolio of residential property loans with a volume of € 2.0 billion using the so-called Provide-Platform operated by KfW and thus sold the credit risk associated with the portfolio to capital market investors in synthetic form. The loan portfolio remains on the Postbank Group balance sheet. However, it need not be taken into account in computing requirements in respect of bank regulatory own funds requirements, with the exception of that proportion of any loss contractually retained by Postbank Group (so-called "**First Loss**"), as Postbank Group has been relieved of any excess credit risk. Postbank intends to engage in further securitization transactions in the future if need be.

Distribution

With respect to corporate customers, Postbank Group's distribution activities (through PB Firmenkunden AG), which in compliance with bank regulatory requirements is organizationally separated from credit administration, is primarily directed at customers in the Federal Republic of Germany. The sales organization is supplemented by specialized distribution for factoring and leasing products. Distribution in North America is mainly conducted through the PB Capital Group and distribution in the United Kingdom through Deutsche Postbank AG London Branch.

Postbank Group has divided its corporate customers in the Federal Republic of Germany into segments according to income and business potential. This segmentation serves as the basis for varying the degree of intensity with which customer relationships are managed. The two top customer segments, to which approximately 9% of corporate customers belong, generated the vast majority of Postbank Group's total income from its checking account business in 2004. These customer segments are managed on a so-called key account management basis whereas the two remaining segments are managed on a so-called account management basis. In addition, Postbank Group has established a centralized form of "global relationship management" for handling the 10 top customers yielding the highest revenues. Account and key account management in the Federal Republic of Germany is organized on a decentralized basis and spread across 14 sites. The account manager allocated to the customer receives support from specialists in the respective product areas. In addition "global relationship management" is responsible for the acquisition and management of accounts with multinational customers for financial service products.

Financial Markets

Investing Liquidity Surplus

The Financial Markets business segment performs a special role in Postbank Group's "customer business." Postbank Group's customer business covers all assets and liabilities arising from its operations in the Retail Banking and Corporate Customers business segments. "Customer liabilities" essentially consist of the customer sight and savings deposits generated in the checking account and savings business while "customer assets" essentially comprise loans that have been extended. As a result of its strong position in the savings and checking account business and the relatively low volume of lending compared to customer deposits, the balance sheet of Postbank Group is characterized by surplus liquidity. As part of asset/liability management, the Financial Markets business segment invests this liquidity surplus on the money and capital markets. The goal is to minimize market risks arising from the investment of the liquidity surplus by the use of derivatives in compliance with the risk policy established by Postbank's management board. This relieves the customer-related business segments of market risk.

Own Account Business

In addition, the Financial Market business segment is assigned the task of making a contribution to Postbank Group's earnings by engaging in the so-called own-account business. Postbank regards own-account business as consisting of the management of the historical issuance business of former DSL Bank with its high interest expense and other own-account business, especially treasury operations and proprietary trading activities. The "historical" issuance business includes long-term borrowings by former DSL Bank that are still outstanding and was primarily used by DSL Bank prior to its merger with Postbank in 2000 to refinance real estate loans on a matching term basis. The outstanding liabilities cannot be reduced sooner because of their fixed maturities. As these liabilities were assumed at a time when interest rates were relatively high, Postbank Group is unable to earn interest income that would be commensurate with the relevant interest expense from investing the funds on the money and capital markets because interest rates are currently at a low level. Thus, the contribution to results of € -212 million made by the historical issuance business in 2004 (2003: € -192 million) was significantly negative as was the case in preceding years. Other own-account business also includes proprietary trading by means of which Postbank Group assumes market risk in the interest-, stock- and credit spread markets (corporate bonds and high-yield bonds) as well as in the related derivatives and volatility markets within the framework of its conservative risk policy, to generate additional income by exploiting short-term market fluctuations.

Other Activities

The Financial Markets business segment is responsible for the activities of Deutsche Postbank International S.A., which operates as a full-service bank with its registered office in Luxembourg and provides services to retail and corporate customers, in particular time deposits and individual and syndicated lending as well as securities business and securities custody services. The Financial Markets business segment also comprises various Postbank mutual fund companies in the Federal Republic of Germany and Luxembourg as well as an asset management company. Postbank also manages a number of institutional investment funds through which it mainly invests its own capital.

Transaction Banking

Domestic Payment Transactions

In the case of domestic payment transactions, Postbank Group offers all aspects of payment transaction processing. These services encompass the receipt of instructions (in both paper and paperless form), processing, account management (Disposition), clearing, the booking of entries, archiving and complaints investigation. In the case of paper-based payment transactions, Postbank Group offers the recording of payment documentation (digital inputting and recording of documents by means of scanners), the processing of payment documents by generating payment transaction data sets and the elimination of payment transaction differences as well as the archiving of paper documentation. In the account management field, Postbank Group offers the monitoring of customer account balances by checking incoming and outgoing payments as well as the archiving of data.

Foreign Payment Transactions

Payments related to cross-border transactions are either handled through the correspondent bank system or – in the case of a single currency zone – through the clearing and settlement systems. Postbank Group offers products

that cover the entire value chain for foreign payment transactions. Under the products offered, instructions are reviewed and allocated (including foreign currency positions), and the data sets are then relayed to the recipient bank by means of SWIFT or Eurogiro with appropriate entries booked. Postbank Group maintains clearing accounts, eliminates payment transaction differences, archives the paper documentation and correspondence, and conducts investigations if necessary.

Processing of Payment Transactions for Dresdner Bank AG

In March 2004, Postbank and Dresdner Bank AG agreed on the transfer of responsibility for the processing of all domestic and cross-border payment transactions for Dresdner Bank AG and selected companies affiliated with Dresdner Bank AG (“**Dresdner Group**”). To this end, Dresdner Bank AG sold its subsidiary Dresdner Zahlungsverkehrservice GmbH (“**Dresdner Zahlungsverkehr**”), which previously handled payment transaction processing, to Betriebs-Center für Banken Deutschland GmbH & Co. KG (“**Betriebs-Center**”), a wholly-owned subsidiary of Postbank, and concluded an outsourcing agreement with Betriebs-Center concerning payment transaction processing for the Dresdner Group. Under the terms of the outsourcing agreement, Betriebs-Center will initially provide payment transaction processing services for the Dresdner Group using the systems currently employed by Dresdner Zahlungsverkehr. Following a transitional period, Betriebs-Center intends to transfer a major part of the payment transaction processing services to a new or upgraded IT platform that can also be used to provide payment transaction processing services to other banks. The outsourcing agreement will run for several years and will be extended automatically unless terminated through the end of the original or respective subsequent term. In addition, Dresdner Bank AG may terminate the outsourcing agreement for good cause, in particular if the transfer of payment transaction processing to the new IT platform for payment transaction processing is not completed on time or if Postbank becomes an affiliated company or is being merged with a competitor of Dresdner Bank AG. In order to satisfy banking regulatory requirements, Dresdner Bank AG is also entitled to terminate the outsourcing agreement without cause upon serving nine months’ notice and paying compensation that is based on the remaining term of the agreement. The parties have agreed that the number of Dresdner Zahlungsverkehr Full Time Equivalents will be reduced by approximately 450, and the number of sites at which Dresdner Zahlungsverkehr operates will be reduced by nine. Dresdner Bank AG will bear the economic consequences of the estimated costs associated with the downsizing of the 450 Full Time Equivalents and the relevant restructuring measures.

Processing of Payment Transactions for Deutsche Bank AG

In April 2004, Postbank and Deutsche Bank AG agreed on the principal terms for the transfer of responsibility for handling domestic and standardized Euro-denominated payment transactions for Deutsche Bank AG and selected companies affiliated with Deutsche Bank (“**Deutsche Bank Group**”). Based on this agreement, on June 30, 2004, the parties entered into a sale agreement regarding DB Payments Projektgesellschaft AG (“**DB Payments**”), which has previously handled payment transaction processing for the Deutsche Bank Group, as well as an outsourcing agreement with Betriebs-Center concerning payment transactions processing. Since July 1, 2004, Betriebs-Center provides payment transaction processing services for the Deutsche Bank Group using initially the systems currently employed by DB Payments. Following a transitional period, Betriebs-Center intends to transfer a major part of the payment transaction processing services to a new or upgraded IT platform that can also be used to provide payment transaction processing services to other banks. The outsourcing agreement is to run for several years and be extended automatically unless terminated through the end of the original or respective subsequent term. Deutsche Bank AG is entitled to terminate the outsourcing agreement for good cause, especially if the transfer of payment transaction processing to the new IT platform for payment transaction processing is not completed on time, or if the agreed quality of the services provided under the agreement is repeatedly inadequate and, given such circumstances, it would be unreasonable for Deutsche Bank AG to continue performing the agreement. In the event that the agreement is terminated, Deutsche Bank AG is entitled to buy DB Payments at book value. Until the IT platform is launched, Postbank is also entitled to sell DB Payments at book value to Deutsche Bank AG except in the event of termination for good cause by Deutsche Bank. In order to satisfy mandatory regulatory requirements, Deutsche Bank AG is also entitled to terminate the outsourcing agreement without citing any grounds against the payment of compensation based on the remaining term of the agreement. Postbank assumed the financial risk associated with the restructuring of DB Payments. This risk assumption was reflected in the purchase price for DB Payments.

Trademarks, Patents

Postbank has protected or filed applications for protection under trademark law for a large number of service marks in the Federal Republic of Germany and in some foreign jurisdictions. These include, for example, the

trademarks “Postbank”, “Deutsche Postbank AG” and “Postbank Giro-3000 plus.” Moreover, Postbank has registered numerous internet domains. Postbank believes that, through these activities, it has established a sufficient basis for its internet operations, particularly in the eCommerce field. Postbank endeavors to protect its goods and services in their target markets, in particular under trademark law, to the extent economically reasonable. Postbank believes that patents, design and utility models of Postbank play a subordinate role in its business.

Investments

In 2004, 2003 and 2002, investments in tangible assets and intangible assets amounted to € 88 million, € 130 million and € 251 million, respectively. The decline in the volume of investment in 2004 is mainly a result of the consolidation phase following the introduction of the SAP platform. From 2005 onwards, investment activities will focus on IT implementation projects based on Postbank Group’s existing IT infrastructure.

Legal Proceedings

Postbank and its subsidiaries are not party to any judicial or arbitration proceedings that in the opinion of Postbank could have a significant effect on the financial condition of Postbank or that have had such effect in the last two years.

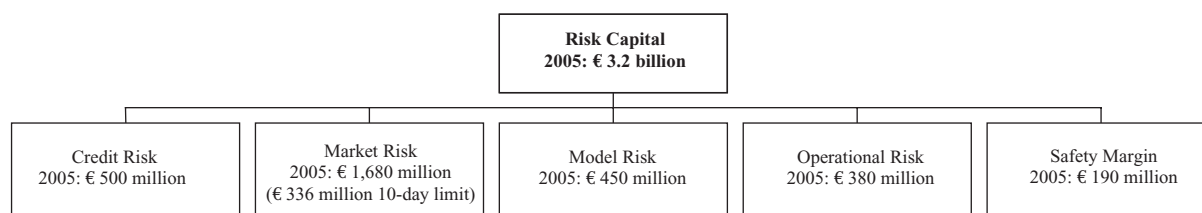
Risk Management

Introduction

Postbank Group has established a risk management system in accordance with German corporate law and bank regulatory requirements in order to analyze, measure, control and identify in a timely manner those risks that can arise in the course of conducting its business operations. The risk management system of Postbank Group is geared toward managing both individual risk (*i.e.*, the risk associated with a particular transaction) as well as overall risk exposure of Postbank Group (portfolio management), that is, its aggregated risk exposure. The aggregate risk to which Postbank Group is exposed, and consequently the risk management system, is influenced by the specific structure of its balance sheet and its substantial liquidity surplus. Postbank Group primarily invests this liquidity surplus on the money and capital markets in interest-bearing assets of varying maturities with high credit quality. The overall risk exposure of Postbank Group is thus characterized by a disproportionately high level of market risk (especially the risk associated with interest rates and with equities) compared to credit risk.

Risk Capital and Risk Limits

Postbank allocates available risk capital to individual risk categories and, by means of limits, imposes restrictions on the extent to which risk may be assumed with the aim of ensuring that Postbank Group can bear the associated cost burden also in the event of a crisis. Postbank’s management board (subject to any future changes) set the overall risk limit at € 3.2 billion with a “safety margin” of € 190 million. In addition to this specific “safety margin”, Postbank’s management board generally only assigns 20% of the overall risk limit for market risk in the form of ten-day limits. The following chart shows the allocation of risk capital as in effect since March 2005:



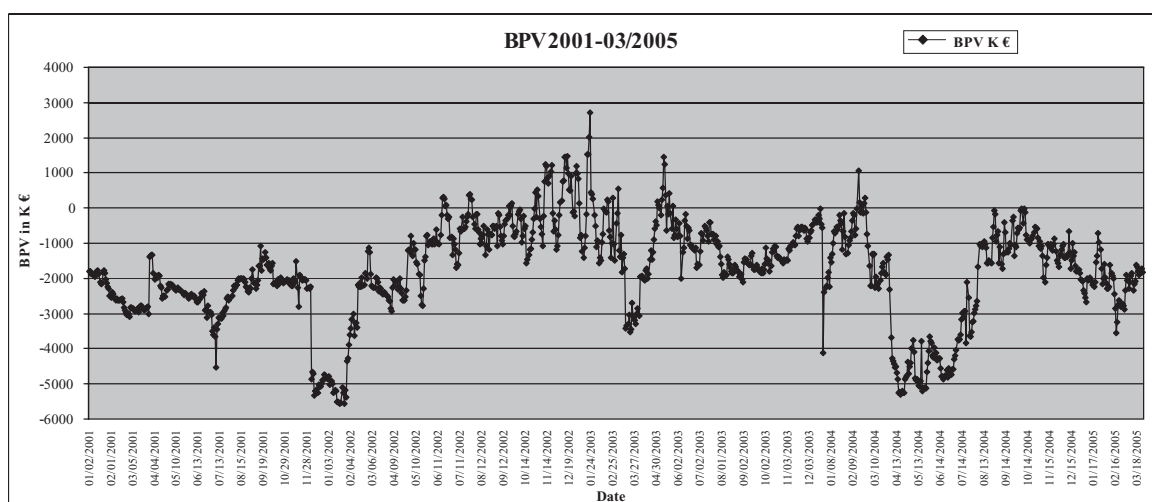
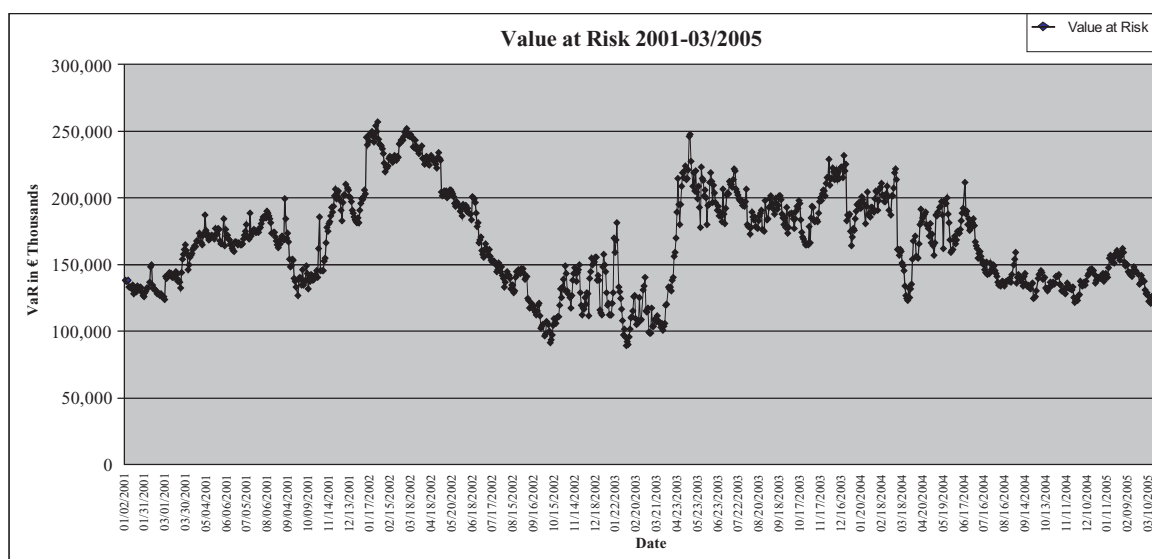
Market Risk

Market risk denotes the potential risk associated with balance sheet items and off-balance sheet transactions, including derivatives, which may lead to losses from changes in interest rates, volatilities, exchange rates and equity prices. The aim of Postbank Group’s risk policy is to invest the liquidity surplus deriving from the deposit business on the money and capital markets to ensure that the arithmetic margin for customer-related business is to a large extent hedged. In addition, Postbank Group also consciously assumes market risk to a limited extent in

order to generate additional income. For Postbank Group, market risk is more important than any other risk category.

Postbank Group mainly uses two methods to measure its market risk: the “Basis Point Value” (BPV) method and the “Value at Risk” (VaR) method. BPV measures the amount by which the present value of all interest-bearing positions changes if the market yield rises or falls by one basis point (*i.e.*, by 0.01%). By contrast, VaR is an indicator that estimates probable future losses with the help of mathematical and statistical methods. The Postbank VaR model is based on a historical observation period of 250 trading days, a holding period of ten trading days and a 99% confidence level. VaR thus shows, on the basis of historical data, the anticipated maximum losses for all Postbank Group positions with market risk exposure that will not be exceeded with a probability of 99% over a holding period of ten trading days. However, no assurance can be given that the values forecast by the VaR model will not be exceeded.

The following charts show the risk limit assigned to market risk and the development of BPV and VaR for total transactions (banking book and trading book) for the years 2001 through 2004 and for the first three months of 2005. Over the period shown in the tables, average utilization of the risk limit assigned was 50.2%.



Credit Risk

Postbank Group defines credit risk as the potential loss that may arise as a result of a change of financial standing or the inability of a business partner to discharge its payment obligations (*e.g.*, as a result of insolvency). Credit risk encompasses:

- the risk of counterparty default, that is, the potential losses that could arise as the result of a debtor being unable to discharge its payment obligations or of a deterioration in a debtor's financial standing;
- the country risk or transfer risk inherent in cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations; and
- the counterparty risk that can arise from default in the settlement of payment obligations (replacement risk) or the untimely performance of payment obligations (settlement risk).

Credit Approval Procedure

Postbank's credit guidelines contain detailed instructions concerning all Postbank Group lending transactions. Responsibility for credit approval is allocated within a set framework in which the authority to conclude lending transactions is assigned to individuals or bodies with decision-making authority. Who is responsible for credit approval generally depends on the amount involved and additionally, in the case of corporate customers and transactions in the Financial Markets business segment, on the credit rating of the respective borrower or debtor. A key feature of the credit approval procedure in the Corporate Customers and Financial Markets business segments is the segregation of distribution/trading (front office) and risk management (back office functions) in line with bank regulatory guidelines (Minimum Requirements for Credit Transactions (*Mindestanforderungen an das Kreditgeschäft (MaK)*)).

Risk Measurement and Management

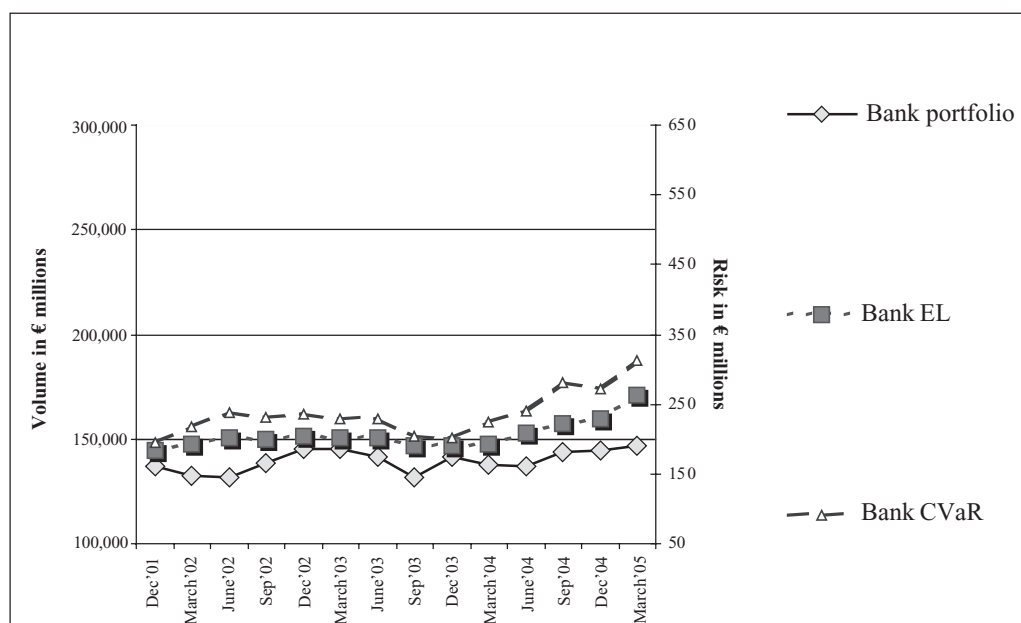
Postbank generally measures its credit risk at two levels, that is, at the level of an individual lending transaction (on the basis of rating and scoring models) and in relation to the entire loan portfolio (on the basis of a portfolio model).

- **Scoring and Rating.** In the Retail Banking business segment, the extension of loans and advances, the setting of terms and conditions and the renewal of loans are based on the results of scoring models that have been developed based on standardized statistical methods using customer data. Such models use external credit ratings, demographic customer data collected in the loan application, and, in the case of portfolio scoring models, information on the activities of the customer. The result of such models is a non-performing probability that will be translated by the use of the master scale of Postbank in a rating class following the terms of Standard & Poor's. Both internal and external credit ratings assist the process of making lending decisions and fixing terms in the lending business relating to corporate customers and financial institutions, especially banks. In the rating process, qualitative factors such as input parameters are used in addition to key financial data. The following table shows Postbank Group's credit risk volume. The allocation of a receivable to a particular rating class is based on external ratings, internal credit ratings as well as certain assumptions derived from random sampling (general ratings). An AAA credit rating constitutes the highest credit rating.

Rating class	As of December 31,		As of March 31,
	2003	2004	2005
	(€ in millions)		
AAA.....	24,247	20,885	15,611
AA	40,626	36,459	40,974
A	42,499	52,281	54,193
BBB.....	10,327	9,607	10,285
BB and lower	1,788	2,727	3,659
no rating*	21,801	22,637	22,277
Total	141,288	144,596	146,999

* Private real estate finance, overdrafts and current account loans for business customers as well as low-volume current account loans for corporate customers and commercial real estate finance that cannot be assigned a general rating either because they could not be fully rated or because the IT prerequisites for rating use within portfolio measurement had not been created yet.

- *Loan Portfolio:* Based on a proposal of the credit risk committee, the entire management board of Postbank resolved to perform the suballocation of the CvaR limits by applying correlation effects between the different profit centers. This resulted in a reduction of the overall limit requirement from € 600 million to € 500 million. Based on the correlation effect, the 1.3 multiple (€ 650 million) (long-term minimum of the correlation effect that is monitored on a permanent basis) of the CvaR limit is allocated as follows: Retail Banking € 80 million; Corporate Customers € 125 million; Financial Markets € 340 million; Other € 105 million. Postbank computes the extent to which the risk capital that has been allocated will be used on the basis of “unexpected loss,” which is also referred to as “credit value at risk” or “CvaR.” The CvaR is the potential negative change in value of the Postbank Group lending portfolio that will not be exceeded within one year with a 99% probability.
- The following table shows the evolution of credit risk volume, credit value at risk and Postbank Group’s expected loss:



“Bank portfolio” shows Postbank Group’s credit risk volume (which differs from the volume for accounting purposes). “Bank EL” shows expected loss based on historical default rates. “Bank VaR” shows the credit value at risk or unexpected loss. On March 31, 2005, use of the risk limit of € 500 million was 62%. The increase in Bank EL and Bank VaR over the preceding years reflects the strategic positioning of Postbank and the successful accumulation of loan volumes, in particular real estate financing, the loan replacement business and the selective use of attractive investment possibilities in sovereign debt and banks with longer terms and the regrouping of investments in A-rated instruments. The increase of the key risk numbers in the first quarter of 2005 is on the one hand due to a conservative adaptation and refinement of the risk measurement. The probability of a rating change (migration) was updated and adjusted to the changes observed in a difficult economic environment. In addition, for the first time, internal, Basel-II compliant rating and performing ratios were integrated in the portfolio modeling for the retail products “Dispo” and “Rate”. On the other hand, in addition to the adjustments of the risk numbers triggered by modeling, the risk increase was also business-related: expansion of the retail business (acquisition of real estate financing claims), integration of the portfolio of the London branch, increase of the investment volume of PC Capital Group and the continuing use of attractive investment possibilities by regrouping from AAA to AA and AA to A rated investments with shorter terms within the banking sector.

Credit Monitoring and Problem Loan Procedures

In the case of larger-scale lending (individual transactions), credit risk is monitored by reviewing credit worthiness at regular intervals. Risk levels are contained by means of individual lending or borrower limits and measured and controlled using group-wide data processing systems in accordance with bank regulatory requirements. In the case of individual lending transactions involving corporate customers, business customers with credit lines of more than € 25,000 and real estate finance from € 500,000 upward per borrower or borrower unit, Postbank has implemented a credit monitoring process that is consistent with banking regulatory

requirements and enables higher risk lending to be identified on the basis of hard and soft indicators defined for individual products. These indicators include industry information and microeconomic data, customer and account operation data as well as changes in ratings.

If as a result of the credit monitoring process by means of risk indicators an exposure involving a corporate customer is identified by Postbank as entailing increased risk, the borrower concerned is placed on a “watch list.” Exposures placed on the watch list are assigned to one of the following categories: intensive support (category A), restructuring (category B) or settlement (category C). Credit exposures that fall into category A (intensive support) remain managed by the employee responsible for the lending but are nevertheless subject to more intensive monitoring. If there is no improvement in borrower quality over a reasonable period of time, or if further risk indicators emerge, such as the continual overdrawing of an account, repeated lack of funds to cover debt servicing or an inability to meet payment obligations, restructuring is required (category B). With the help of restructuring specialists, the employee responsible for the lending transaction regularly and intensively works together with the borrower to develop possible solutions for borrower restructuring (*Sanierung*). If the economic position of the borrower improves in a sustainable manner as a result of the successful implementation of restructuring measures, the exposure can be upgraded to category A or removed from the watch list. If restructuring is unsuccessful or in Postbank’s view cannot be carried out on reasonable commercial terms, settlement (*Kreditabwicklung*) is initiated (category C).

Liquidity Risk

Liquidity risk is the risk that such payment obligations as are due and payable (e.g., withdrawal of customer deposits) might exceed the cash available to Postbank and the deposits received by it. Differences in asset- and liabilities-side capital commitment maturities are of central importance for liquidity risk. Postbank Group’s liquidity management therefore differs according to the capital commitment maturity pattern. Short-term management is handled as part of money market activities, while Treasury is responsible for ensuring medium- and long-term liquidity. To avoid liquidity problems, liquidity positions are regularly subjected to stress tests in the form of simulations. All these stress tests have shown Postbank Group’s liquidity to be adequate.

Operational Risk

According to the Basel Committee on Banking Supervision, operational risk denotes the risk of loss resulting from inadequacy or the malfunctioning of internal processes and systems or from external events and from human error. Operational risk is gaining increasing importance for Postbank Group in connection with the development of the Transaction Banking business division. The implementation of bank regulatory guidelines is the responsibility of the Risk Control department. The management of operational risk is the task of the individual units within Postbank Group. The market risk committee monitors operational risk. During the fourth quarter of 2004, Postbank transferred the responsibility for operational risk to a committee for operational risk.

Model Risk

Model risk denotes the risk that arises when information can only be presented to decision-makers for management purposes on the basis of simplified modeling and when an analytical model inadequately reflects reality. This model risk is of particular relevance to Postbank Group in connection with the correct reproduction of variable interest rate customer products (deposits and overdrafts). The model risk is backed separately by risk capital.

Strategic Risk

Strategic risk denotes the risk of earnings targets not being met as a result of a business responding insufficiently to the then current business environment, which may have changed at short notice. Strategic risk may therefore result from an inadequate strategic decision-making process, from unforeseeable market changes, or from the inappropriate implementation of the chosen strategy. It is very difficult to quantitatively measure strategic risk.

Relationships with Related Parties

General

Postbank Group has a variety of relationships with Deutsche Post AG’s corporate group, the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany. In regard to its relationships with affiliated companies, a report on its dependence (“dependence report” (*Abhängigkeitsbericht*)) must be prepared

by Postbank on an annual basis. All legal transactions of Postbank in the preceding fiscal year with the Federal Republic of Germany, as an indirect shareholder of Postbank, and Deutsche Post AG or any of their affiliated companies or at the instruction or in the interest of these companies, and all other measures taken or not taken by Postbank at the instruction or in the interest of these companies must be included in this report. With respect to transactions, the information on the mutual consideration involved in each case, and with respect to any measures taken or not taken the reasons for such measures and the benefits and detriments for Postbank, in each case, must be included. If Postbank has been compensated for detriments suffered, details of how such detriments were actually compensated for during the fiscal year or to which benefits Postbank has been granted a legal claim must be provided. At the end of the report, the management board must state whether Postbank, under the circumstances known to it at the time at which the transaction or measure was or was not effectuated or taken, received adequate compensation and was not adversely affected by taking or not taking the measure. To the extent Postbank was adversely affected, the management board must state whether Postbank has been compensated for such detriments.

The dependence report must be audited by the auditor of Postbank. The supervisory board of Postbank must review the dependence report and report to the general shareholders' meeting with regard to the results of its review and comment on the auditor's report. In the 2003 dependence report, Postbank's management board reported that Postbank, under the circumstances known at the time of the respective transactions, received adequate compensation for each transaction within the meaning of the dependence report. No measures were taken or not taken at the instruction or in the interest of Deutsche Post AG or its affiliated companies. The auditor confirmed that the factual matters listed in the 2003 dependence report are correct and that the consideration paid by Postbank with regard to transactions listed in the report was not inappropriately high.

For information on liabilities as well as profits and expenses towards affiliated companies, and companies in which an interest is owned, see Notes 52 and 53 to the audited consolidated financial statements of Postbank for the year ended December 31, 2003 included herein.

Cooperation Agreement

General

As of January 1, 2002, Postbank and Deutsche Post AG have operated under a Cooperation Agreement ("**Cooperation Agreement**"), pursuant to which Postbank performs nationwide sales of financial services and other services (in particular, deposits and withdrawals) ("cooperation services") in currently more than 9,000 branch outlets of Deutsche Post AG, approximately 780 of which are so-called Postbank Centers, in the name of and for the account of Postbank.

The Cooperation Agreement was filed by Postbank with the BaFin in compliance with regulatory banking requirements for outsourcing of key areas of business. The long-term cooperation with Deutsche Post AG provides an assurance to Postbank of access to its most important sales channel. With regard to retail and commercial customers, compensation for cooperation services related to existing customer relations (in the following, "existing business") and for new business (concluding new financial services transactions) is value- and profit-based, respectively.

Ensuring that cooperation runs smoothly in the branch outlets for the benefit of both companies is also the main reason behind the current personnel overlap between Postbank and Deutsche Post AG, including the simultaneous membership of the chairman of the management board of Postbank, Prof. Dr. von Schimmelfmann, in the management board of Deutsche Post AG.

Cooperation Services

The services rendered by Deutsche Post AG under the Cooperation Agreement may be divided into three categories:

- cooperation services for retail and commercial customers (including the distribution and sale of Postbank products, customer advice and customer service);
- cooperation services for corporate customers (including cash deposits and cash withdrawals and other services such as issuing, accepting and forwarding forms, providing information and services specific to corporate checking accounts); and
- servicing self-service installations (servicing of ATMs and account statement printers).

Services Rendered

In rendering services, Deutsche Post AG is required to use exclusively the general terms and conditions, price lists, lists of services, price catalogs, forms and advertising materials provided by Postbank, and to follow the procedural and product-related rules in Postbank's handbooks and instruction manuals. Deutsche Post AG is in particular required to ensure that the operational flows and technical systems at branch outlets conform to the state of the art of a modern stationary financial services operation in their appearance, quality and technical standard.

Audits of cooperation services are conducted by Postbank's internal auditing unit in cooperation with the internal auditing unit of Deutsche Post AG in regard to compliance with regulatory banking regulations.

With the consent of Postbank, Deutsche Post AG may use third parties to render cooperation services, for example, at the approximately 7,500 branch outlets of Deutsche Post AG that are operated by third parties. To guarantee that Postbank is able to satisfy its statutory filing and reporting obligations (*e.g.*, reporting the outsourcing of banking business under the German Banking Act), Deutsche Post AG is required to inform Postbank in such a case on a timely basis. Deutsche Post AG is also required to ensure that compliance with the pertinent legal regulations and standards of quality is safeguarded and that Postbank is granted the legally required rights of influence in the agreements concluded with third parties to render cooperation services.

Compensation for Cooperation Services

For services and sales to retail and commercial customers, the Cooperation Agreement provides for value-based compensation for existing business and profit-based compensation for new business. Deutsche Post AG also receives compensation based on the numbers of transactions for services for corporate customers, compensation for servicing the self-service installations (ATMs and account statement printers) and investment subsidies in the branch outlet network. The clauses concerning compensation apply until December 31, 2008 and are renegotiated every five calendar years. On failure to reach agreement, the existing arrangements regarding compensation will continue to apply. The new business compensation for certain products (*inter alia*, checking account, credit card and savings products) increases annually by 3%, beginning in 2009, with automatic effect on January 1 of each calendar year based on the amount of the new business compensation of the preceding year, provided that Postbank and Deutsche Post AG do not agree otherwise. This also applies to the new business compensation for the distribution of other products, provided that the parties agree to compensation based on the number of transactions relating to such products.

The total compensation paid by Postbank to Deutsche Post AG under the Cooperation Agreement on the basis of a preliminary invoice for 2004 amounted to € 496 million. Postbank and Deutsche Post AG have not yet agreed on a final invoice for the year 2004. The final total compensation for 2003 amounted to € 458 million. The preliminary invoice for 2002 amounted to € 465 million, which is the amount appearing in the consolidated financial statements for that year. Final total compensation for 2002 amounted to € 454 million.

In December 2003, the German Monopolies Commission issued a report stating that the compensation paid by Postbank to Deutsche Post AG for the use of the branch outlet network of Deutsche Post AG represents prohibited state aid within the meaning of European state aid law. See "Risk Factors – Compensation paid by Postbank for the use of the Deutsche Post AG branch outlet network may constitute prohibited state aid."

Exclusivity

With some exclusions, the Cooperation Agreement provides for mutual exclusivity in regard to rendering cooperation services for retail and commercial customers. Deutsche Post AG does not render any financial services for third parties through its distribution network, unless such services are rendered pursuant to the request of Postbank. Postbank has to use Deutsche Post AG's distribution network as its exclusive stationary distribution channel, unless Deutsche Post AG agrees otherwise. This exclusivity granted to Postbank is limited to stationary distribution and does not apply to any other distribution channels. Both Postbank and Deutsche Post AG have warranted that this mutual exclusivity is also generally complied with by their affiliated companies. Distribution of the current DSL brand products does not fall under the category of exclusivity.

Term and Termination

Although the Cooperation Agreement has an unlimited term, it may be terminated by either party as of the end of any year with a notice period of three years. Such termination may, however, not be effective prior to December 31, 2012.

If it intends to relinquish its majority shareholding in Postbank, Deutsche Post AG may require a change of the terms of the Cooperation Agreement prior to December 31, 2012. Should such a change be required but the parties be unable to reach agreement within an appropriate period of time, Deutsche Post AG may terminate the Cooperation Agreement as of the end of any given calendar month with a notice period of two years.

Regulation

Introduction

Postbank has had a full banking license since January 1, 1995, *i.e.*, it is entitled to engage in all types of banking business in the Federal Republic of Germany. Among other activities, this includes deposit-taking, lending, securities deposit business, mutual fund business, payment transfer business and e-cash business as well as underwriting business. Due to the merger with DSL Bank, Postbank is also entitled to DSL's special right to issue covered bonds (*gedeckte Schuldverschreibungen*).

The German Banking Act contains the most important supervisory regulations for banks in the Federal Republic of Germany. The German Banking Act and the regulations, directives and circulars adopted thereunder implement, *inter alia*, certain European directives applicable to banks and certain recommendations of the Basel Committee on Banking Regulations and Supervisory Practices ("**Basel Committee**") at the Bank for International Settlements ("**BIS**") relating to capital adequacy. These directives address issues such as accounting standards, regulatory capital, risk-based capital adequacy, consolidated supervision, the monitoring and control of large exposures, the establishment of branch outlets within the European Union and the creation of a single European Union-wide banking market with no internal barriers to cross-border banking services.

Bank Supervision

The BaFin is the most important supervisory authority for Postbank both on an unconsolidated basis (only Postbank) and on a consolidated basis (Postbank and its consolidated companies for bank regulatory purposes). A particular emphasis of BaFin's supervision is placed on the issuance of banking licenses and the authorization of managers, the compliance with capital adequacy and liquidity requirements, large exposure limits and the restrictions on certain business activities.

The BaFin is a public law institution (*Anstalt des öffentlichen Rechts*) under the legal and professional supervision (*Rechts- und Fachaufsicht*) of the Federal Ministry of Finance (*Bundesministerium der Finanzen*). Under the umbrella of the BaFin, the former Federal Banking Supervisory Authority (*Bundesaufsichtsamt für das Kreditwesen*), the Federal Securities Trading Supervisory Authority (*Bundesaufsichtsamt für den Wertpapierhandel*) and the Federal Insurance Supervisory Authority (*Bundesaufsichtsamt für das Versicherungswesen*) were combined to form a single financial supervisory authority with comprehensive powers as of May 1, 2002. The BaFin is authorized to issue regulations (*Verordnungen*) as well as orders (*Verfügungen*) on banks operating in the Federal Republic of Germany. The BaFin reviews its measures and decisions if legal or factual circumstances change significantly, which is common for continuing supervision.

The BaFin fulfills its banking supervisory role in close cooperation with the German Bundesbank. The most important task of the German Bundesbank is the ongoing monitoring of German banks. This monitoring includes in particular the collection and analysis of statistics and reports from German banks, as well as the conduct and analysis of supervisory reviews in the area of compliance with the capital adequacy and risk management requirements.

In connection with their supervisory role, the BaFin and the German Bundesbank require banks in the Federal Republic of Germany to submit extensive information in order to ensure compliance with the German Banking Act and other legal provisions.

Regulatory Capital Adequacy Requirements

Regulatory Significance of Capital Adequacy

From a regulatory point of view, capital adequacy serves as the basis for determining a series of restrictions under bank regulatory law. Pursuant to the German Banking Act, banks with registered offices in the Federal Republic of Germany must have sufficient capital for their ongoing business operations to satisfy their obligations towards creditors, particularly to safeguard assets entrusted to them. This capital serves in particular as a provision for covering counterparty risk (insolvency of a debtor) and the market risk associated with trading transactions. Market risks include in particular interest rate-related, share price-related and foreign exchange-related risks. Apart from these, there are several other supervisory regulations relating to capital adequacy, including the conditions for a suspension of an operating license, the limitation on large exposures and measures in the event of a threat of default.

Capital Adequacy

Capital adequacy principles of banks with registered offices in the Federal Republic of Germany are based on the principle of risk weighting. Banks are required to cover counterparty risks (*Adressenausfallrisiko*) and market price risks (*Marktrisiko*) with Tier I capital (*Kernkapital* or “**core capital**”) and Tier II capital (*Ergänzungskapital* or “**supplementary capital**”) (together, *haftendes Eigenkapital* or “**regulatory banking capital**”). They may also cover market price risk with Tier III capital (*Drittrangmittel*) and, to the extent not required to cover counterparty risk, with regulatory banking capital. The elements comprising Tier I capital and Tier II capital as well as the calculation of regulatory banking capital and Tier III capital are set forth below.

Principle I (*Grundsatz I*), in which the BaFin sets forth the principles for the capital adequacy of banks under the German Banking Act, requires all banks with registered offices in the Federal Republic of Germany to maintain a solvency ratio (*Eigenkapitalquote* or “**solvency ratio**”) of regulatory banking capital to risk-weighted assets (*gewichtete Risikoaktiva*) of at least 8%. Risk-weighted assets include loans, securities, financial swaps, financial forward transactions, options and other off-balance sheet items, as further described below. The solvency ratio rules implement the European Directives on Regulatory Banking Capital and Capital Adequacy.

For the first time in 2004, Postbank Group calculated and reported its consolidated capital adequacy ratios in direct application of the recommendations made by the Basel Committee in 1988 (“**Basel I**”) in addition to the calculation and reporting requirements in accordance with the German Banking Act. Basel I provides that banks shall maintain (on a consolidated basis) a risk-based core capital ratio of at least 4% and a risk-based regulatory banking capital ratio of at least 8%.

Whereas the solvency-calculation under the German Banking Act as well as the calculation under Basel I in the Federal Republic of Germany are based on the financial statements prepared in accordance with German GAAP, Postbank, in accordance with rules issued by the BaFin, calculates its capital ratios under Basel I based on financial statements prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

In some respects, the calculation of the capital ratios under Basel I is different from the calculation under the German Banking Act. In particular, under Basel I, the full amount of Postbank Group’s goodwill resulting from the consolidation of subsidiaries must be deducted directly from the Group’s Tier I capital, whereas under the German Banking Act, such goodwill may be amortized over ten years and only half of the yearly amortization amount must be deducted from each of Tier I capital and Tier II capital. In addition, the risk weighting of certain risk assets under Basel I is different from that under the German Banking Act. Among other things, under Basel I commercial real estate mortgage loans have a risk weighting of 100%, whereas the risk weighting of these loans is 50% under the German Banking Act. In addition, the counterparty risks related to the trading book are included in the definition of risk-weighted assets and, thus, must be covered with Tier I or Tier II capital. Under the German Banking Act, the counterparty risks related to the trading book are included in the market price risk positions and, thus, may also be covered with Tier III capital.

Regulatory Banking Capital

For a bank that is organized as a stock corporation, such as Postbank, regulatory banking capital is defined under Basel I as consisting principally of the following items:

Tier I capital:

- *Issued and fully paid ordinary shares/common stock* (not including capital paid on preferred shares with cumulative dividend rights).
- *Disclosed reserves* (created or increased by appropriations of retained earnings or other surplus, e.g. share premiums, retained profit, general reserves and legal reserves). Disclosed reserves also include certain general funds (such as a fund for general banking risks in certain EU countries).
- *Trust preferred securities* (issued and fully paid, non-cumulative, permanent, capable of absorbing losses within the bank).
- *Silent partnership interests (stille Beteiligungen)*. Silent partnership interests are assets contributed to the business of a bank by silent partners. To qualify as regulatory banking capital, such interests are subject to certain conditions, including a minimum term of ten years, non-cumulative dividends, participation in the bank's losses and subordination to the rights of all creditors in the event of insolvency or liquidation of the bank. For a description of the terms of the silent partnership interests currently outstanding, see "Capitalization of Postbank and Postbank Group."

Treasury shares, balance sheet losses, intangible assets and goodwills of subsidiaries, acquired after December 31, 1998, are subtracted from the Tier I capital calculation. In addition, the BaFin may require further deductions from a bank's Tier I capital, in particular with respect to a bank's unrealized losses. The BaFin has never requested of Postbank to make such a deduction. As of December 31, 2004, the Tier I capital of Postbank under Basel I amounted to € 4,231 million. Postbank expects to treat the Class B Preferred Securities or, as the case may be, the Trust Preferred Securities, as consolidated Tier I capital.

Tier II capital (limited to the amount of Tier I capital):

- *Certain unrealized reserves*. These may include 45% of the difference between the book value and the market value of securities listed on a stock exchange or the published redemption price of shares issued by certain securities or real estate funds. A bank may include these reserves in Tier II capital only if its Tier I capital amounts to at least 4.4% of its risk-weighted assets. These reserves may be included in Tier II capital only up to a maximum of 1.4% of the risk-weighted assets.
- *General provisions/general loan-loss reserves*. Provisions or loan-loss reserves held against presently unidentified losses are freely available to offset losses that subsequently materialize and therefore qualify for inclusion within supplementary elements. Provisions regarding identified deterioration of particular assets or known liabilities, whether individual or together, need to be excluded. In addition, general provisions/general loan-loss reserves eligible for inclusion in Tier II capital will be limited to a maximum of 1.25% of weighted risk assets.
- *Profit-participation rights (Genussrechte)*. These rights are subject to certain conditions, including a minimum term of five years, participation in the bank's losses and subordination to the rights of all non-subordinated creditors in the event of insolvency or liquidation of the bank.
- *Cumulative preferred shares*. Preferred shares with cumulative preferred rights to distributions of profits are considered Tier II capital.
- *Subordinated term debt (nachrangige Verbindlichkeiten)*. Such debt includes conventional unsecured subordinated debt capital instruments with a minimum original fixed term to maturity of over five years and limited life redeemable preference shares. During the last five years to maturity, a cumulative discount (or amortization) factor of 20% per year will be applied to reflect the diminishing value of these instruments as a continuing source of strength. Unlike cumulative preferred shares and profit participation rights, these instruments are normally not available to participate in the losses of a bank which continues trading. For this reason these instruments will be limited to a maximum of 50% of Tier I capital.

As of December 31, 2004, the Tier II capital of Postbank under Basel I amounted to € 1,862 million.

Tier III capital:

- *Short-term subordinated debt*. Such debt must meet certain criteria, including a minimum term of two years, subordination to the rights of all non-subordinated creditors in the event of insolvency or

liquidation of the bank and suspension of the payment of interest and principal if such payment would result in a breach of the own funds requirements applicable to the bank.

Short-term subordinated debt qualifies as Tier III capital only up to an amount which, together with the Tier II capital not required to cover risks arising from the investment book (as described above), does not exceed 250% of the Tier I capital not required to cover risks arising from the banking book.

As of December 31, 2004, the Tier III capital of Postbank under Basel I amounted to € 0 million.

Risk-Weighted Assets

The calculation of risk-weighted assets, the denominator of the solvency ratio, is also set forth in Principle I. Assets are assigned to one of five risk-weighting categories based on the debtor and the type of collateral, if any, securing the respective assets. Each risk-weighting category has a risk-classification multiplier (0%, 10%, 20%, 50% and 100%). The balance sheet value of each balance-sheet asset is multiplied by the risk-classification multiplier for the asset's risk-weighting category. The resulting figure is the risk-weighted value of the asset.

Off-balance sheet items, such as financial guarantees, letters of credit and certain loan commitments, are subject to a two-tier procedure. First, the value of each item is determined. This nominal value is multiplied by one of three credit conversion factors (20%, 50% and 100%) depending on the type of instrument. In the second step, the off-balance sheet item is assigned to one of the five risk-weighting categories. Selection of an appropriate risk multiplier is based on the type of counterparty or debtor and the type of collateral, if any, securing the asset. The credit equivalent amount of the off-balance sheet item is then multiplied by the risk multiplier to arrive at the risk-weighted value of the off-balance sheet item.

Derivatives such as swaps, forwards and warrants are generally subject to the mark-to-market method (*Marktbewertungsmethode*). The risk-weighted values of derivatives are arrived at by taking into account the current replacement costs of the relevant derivative transactions and applying a factor (so-called "add-on") to reflect the potential future exposure over the remaining lives of the transactions.

As of December 31, 2004, the risk-weighted assets of Postbank under Basel I amounted to € 50,043 million.

Market Price Risk

Basel I also sets forth the principles governing capital adequacy requirements for market price risk. The market price risk positions of a bank include the following:

- foreign exchange positions;
- commodities positions;
- certain trading book positions, including those involving counterparty risk, interest rate risk and share price risk; and
- options positions.

The net risk-weighted market price risk positions must be covered by own funds (*Eigenmittel*) that are not required to cover counterparty risk. The calculation of risk-weighted market price risk positions must be made in accordance with specific rules set forth under Basel I or, at the request of a bank, in whole or in part in accordance with the bank's internal risk rating models approved by the BaFin. Own funds consist of regulatory banking capital (Tier I capital plus Tier II capital) and Tier III capital.

At the close of each business day, a bank's total net risk-weighted market price risk positions must not exceed the sum of:

- the difference between the bank's regulatory banking capital and 8% of its aggregate amount of risk-weighted assets; and
- the bank's Tier III capital.

As of December 31, 2004, the net risk-weighted market price positions of Postbank under Basel I amounted to € 5,938 million.

The German Banking Act's provisions on consolidated supervision require that each group of institutions (*Institutsgruppe*) or group of financial holding companies (*Finanzholding-Gruppe*) taken as a whole meets capital adequacy requirements. Under the German Banking Act, a group of institutions consists of a bank or financial services institution, as the parent company, and all other banks, financial services institutions, financial enterprises and ancillary banking service enterprises (*Unternehmen mit bankbezogenen Hilfsdiensten*) in which the parent company holds more than 50% of the voting rights or on which the parent company can otherwise exert a controlling influence. Special rules apply to joint venture arrangements that result in the joint management of a bank, financial services institution, financial enterprise or ancillary banking service enterprise by a bank and one or more third parties.

Postbank is referring to the consolidation rules of the German Banking Act for the calculation of the capital requirements under Basel I.

Capital Adequacy Requirements under the Basel Capital Accord (Basel II)

In January 2001, the Basel Committee released a proposal to replace the 1988 capital accord with a new capital accord ("Basel II") and to revise the existing international capital adequacy standards. The two principal goals of the proposals are (i) to align capital requirements more closely with the underlying risks; and (ii) to introduce a capital cover for operational risk (comprising, among other things, risks related to certain external factors, as well as to technical errors and errors of employees). The final framework of Basel II was published by the Basel Committee in June 2004. It will be implemented in the various countries that participate in the Basel Committee partially by the end of 2006 and partially by the end of 2007. In February 2005, the BaFin and the German Bundesbank issued a discussion draft of the Minimum Requirements on Risk Management (*Mindestanforderungen an das Risikomanagement, MaRisk*) that will transpose certain elements of Basel II into German law and integrate the MaK (as described below), the MaIR (as described below) and the Minimum Requirements on Trading (*Mindestanforderungen an das Handelsgeschäft*). A final version of the MaRisk is expected to be issued by the end of 2005. Based on preliminary analyses Postbank expects its risk-weighted assets and, thus its capital requirements, to be reduced once the new rules have entered into effect and the standard Internal Ratings Based ("**IRB**") approach has been introduced. This expectation is based on the assumption that all other circumstances remain unchanged and it does not take into account capital requirements for operational risk.

Significance of Capital Adequacy

The regulatory requirements relating to appropriate capital adequacy control the amount of loans as well as other risk assets held by a bank and limit the operation of the business and the strategic planning of a bank. A bank with low capital resources may under certain circumstances not be allowed to meet the loan requests of larger clients or must limit its active business, in particular the extension of loans. The alternative, to increase its capital, presents a significant cost factor, as persons underwriting such capital generally require a higher return than banks regularly pay on deposits due to the higher risk involved in providing such capital.

Liquidity Requirements

The German Banking Act requires German banks to invest their funds so as to maintain adequate liquidity at all times. Liquidity requirements are set forth in Principle II (*Grundsatz II*) of the BaFin and are based on a comparison of the remaining terms of certain assets and liabilities. Principle II requires maintenance of a ratio (*Liquiditätskennzahl*) of liquid assets to liquid obligations expected during the month following the date on which the ratio is determined of at least one. The liquidity requirements set forth in Principle II do not apply on a consolidated basis. For further information on liquidity risk management, see "Postbank Group – Risk Management – Liquidity Risk."

Limitations on Large Exposures

The German Banking Act and the Large Exposure Regulation (*Großkredit- und Millionenkreditverordnung*) limit a bank's concentration of credit risks on an unconsolidated and a consolidated basis through restrictions on large exposures (*Großkredite*).

The large exposure rules contain separate restrictions for investment book large exposures (*Anlagebuch-Großkredite*) and aggregate book large exposures (*Gesamtbuch-Großkredite*) of a bank or group of institutions.

Investment book large exposures are exposures incurred in the investment book and related to a single customer (and companies associated with it) that equal or exceed 10% of a bank's or group of institutions' regulatory banking capital. Individual investment book large exposures must not exceed 25% of the bank's or group of institutions' regulatory banking capital (20% in the case of exposures to affiliates of the bank that are not consolidated for regulatory purposes).

Aggregate book large exposures are created when the sum of exposures related to a customer (and companies associated with it) (investment book and trading book) equals or exceeds 10% of the bank's or group of institutions' own funds. Individual aggregate book large exposures may not exceed 25% of a bank's or group's own funds (20% in the case of unconsolidated affiliates). Exposures incurred in the trading book include:

- the net amount of long and short positions in financial instruments involving interest rate risk (interest net positions);
- the net amount of long and short positions in financial instruments involving equity price risk (equity net positions); and
- the counterparty risk arising from positions in the trading book.

In addition to the above limits, the total investment book large exposures must not exceed eight times the bank's or group of institutions' regulatory banking capital, and the aggregate book large exposures must not exceed in the aggregate eight times the bank's or group of institutions' own funds.

A bank or group of institutions may exceed these ceilings only with the approval of the BaFin. In such a case, the bank or group is required to support the amount of the large exposure that exceeds the ceiling with regulatory banking capital (in the case of ceilings calculated with respect to regulatory banking capital) or with own funds (in the case of ceilings calculated with respect to own funds) on a one-to-one basis.

Furthermore, total trading book exposures to a single customer (and companies associated with it) must not exceed five times the bank's or group of institutions' own funds, to the extent such own funds are not required to meet the capital adequacy cover with respect to the investment book. Total trading book exposures to a single customer (and companies associated with it) in excess of the aforementioned ceilings are not permitted.

Financial Statements and Audits

Compliance with the capital adequacy requirements is determined based on financial statements prepared in accordance with German GAAP. German GAAP for banks primarily reflects the German Commercial Code (*Handelsgesetzbuch*) and the Regulation on Accounting by Credit Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute*). The Regulation on Accounting by Credit Institutions requires a uniform format for the presentation of financial statements for all banks. German GAAP provide the basis for the calculation of the capital adequacy ratios pursuant to the German Banking Act both on an unconsolidated basis and on a consolidated basis. German GAAP differs from the International Financial Reporting Standards in many respects. For example, for purposes of the calculation of their regulatory banking capital based on German GAAP, banks may include funds for general banking risks.

Under German law, Postbank's annual financial statements must be audited by a certified public auditor (*Wirtschaftsprüfer*) or auditing company (*Wirtschaftsprüfergesellschaft*). The auditor is appointed by the shareholders' meeting. The audit committee of the supervisory board mandates and supervises the audit. The BaFin must be informed of the appointment of the auditor and may require the appointment of a different auditor.

The German Banking Act requires that a bank's auditor inform the BaFin of any facts that come to the auditor's attention which would lead it to refuse to issue an audit opinion or to qualify its audit opinion with respect to the bank's annual financial statements or which would adversely affect the financial position of the bank. The auditor is also required to notify the BaFin in the event of a material breach by the managers (members of the management board in the case of a stock corporation such as Postbank) of any applicable law or of the Articles of Association.

The auditor is required to prepare a detailed and comprehensive annual long-form audit reporting (*Prüfungsbericht*) for submission to the bank's supervisory board, the BaFin and the German Bundesbank.

Minimum Requirements for the Credit Business

In December 2002, the BaFin released a circular regarding the Minimum Requirements for the Credit Business of Banks (*Mindestanforderungen an das Kreditgeschäft* or “**MaK**”), which must be observed by all credit institutions to limit the risks of the lending business. The MaK apply to all extensions of “credit”, *i.e.*, granting of loans, acquisition of other risk assets as well as off-balance sheet transactions involving counterparty risk. The following minimum requirements are considered by the BaFin to be essential:

- The lending business may only be conducted in accordance with the framework conditions set forth in a written plan of organization and of which the relevant employees have been informed.
- Employees and their representatives to which individual processes of the lending business are assigned must have the knowledge required to assess the risks of the business; appropriate education and ongoing training shall warrant that the level of qualification corresponds to the current status of developments.
- A written concept shall be prepared prior to engaging in business with new products, business types or on new markets (including new distribution channels).
- Each credit institution shall use standard loan documentation provided this is possible and appropriate for the respective type of business.
- Consistent functional separation of the areas (including the management level) that initiate the business and which have a say on loan decisions (front office) and the areas in which loan decisions are made by a further vote independent of the market (back office); independent monitoring of risks at the portfolio level and of independent reporting must be performed outside the front office.
- Depending on type, scope, complexity and inherent risk of a loan commitment, two favorable votes of the front office and back office shall be required for a loan decision.
- Establishment of meaningful risk-classification procedures for the initial, periodic or project-related assessment of counterparty risk or, if applicable, property- or project-related risk.
- Depending on type, scope, complexity and inherent risk, procedures for early recognition of risks, for loan risk management and loan risk control shall be set up.
- A risk report on the essential structural features of the lending business shall be prepared and provided to the management by a unit independent of the front office – depending on the risk situation in the lending business – at periodic intervals, however, at least once per quarter.
- Contractual agreements in the lending business should be concluded on the basis of legally reviewed and properly documented materials.
- The lending business shall be submitted to audits by the internal auditing department at appropriate intervals.
- The auditor shall obtain an extensive overview of the lending business and its organization, the associated risks as well as the internal control systems and procedures and assess the appropriateness and effectiveness of the processes and procedures.

Irrespective of the internal delegation of responsibility, all managers share the responsibility for the proper organization of the lending business and its ongoing development as well as of the proper steering and monitoring of risks associated with the lending business. The managers are responsible for devising a risk strategy based on the ability of the credit institution to bear risk, taking into account an analysis of its underlying business situation as well as an estimate of the risks associated with the lending business. This strategy shall specify the lending business activities planned for an appropriate period of time. The MaK also include common banking standards for loan processing, loan processing control, intensive customer care, problem loan processing and risk provisions. The MaK requirements have been implemented by Postbank in a timely manner. Necessary adjustments in a bank’s IT system must be made by December 31, 2005.

Internal Auditing

The BaFin requires every German bank to have a functioning internal auditing department that is adequately staffed and has adequate resources. The internal auditing department must be adequate in size and quality and must establish appropriate procedures for monitoring and controlling the bank's activities. The internal auditing department must comply with the Minimum Requirements for the Conduct of Internal Audits of Banks (*Mindestanforderungen an die Ausgestaltung der Internen Revision der Kreditinstitute* or “**MaI**”) adopted by the BaFin in January 2002.

Enforcement of Banking Regulations; Investigations and Audits

Investigations and Audits

The BaFin conducts audits of banks on a random basis, as well as for cause. It may require banks to furnish information and documents to ensure that the bank is complying with the German Banking Act and the regulations issued on the basis of the German Banking Act.

The BaFin may also conduct investigations at a foreign subsidiary that is part of a bank's group of institutions in order to verify information on consolidation, large exposure limitations and related compulsory reports. Investigations of foreign entities are limited by the laws of the jurisdiction where the entity has its seat. The BaFin may also mandate the German Bundesbank with the performance of investigations in individual cases.

The BaFin may attend meetings of a bank's supervisory board or shareholders' meetings. It also has the authority to require that such meetings be convened. Representatives of the BaFin attend the supervisory board meetings of large German banks, including those of Postbank, on a regular basis.

Enforcement Powers Under Specific Circumstances

The BaFin has a wide range of enforcement powers in the event it discovers any irregularities. It may remove the bank's managers from office or prohibit them from exercising their current functions. If a bank's own funds are inadequate or if a bank does not meet the liquidity requirements and the bank fails to remedy the deficiency within a certain period, then the BaFin may prohibit or restrict the bank from distributing profits or extending credit. This prohibition also applies to the parent bank of a group of institutions in the event that the own funds of the group are inadequate on a consolidated basis. If a bank fails to meet the liquidity requirements, the BaFin may also prohibit the bank from making further investments in illiquid assets.

If a bank is in danger of defaulting on its obligations to creditors, the BaFin may take emergency measures to directly avert default. These emergency measures may include:

- issuing instructions relating to the management of the bank;
- prohibiting the acceptance of deposits and the extension of credit;
- prohibiting or restricting the bank's managers from carrying on their functions; and
- appointing supervisors.

To avoid the insolvency of a bank, the BaFin may prohibit disposals of assets and payments, close down the bank's customer services, and prohibit the bank from accepting any payments other than payments of debts owed to the bank. Only the BaFin may file an application for the initiation of insolvency proceedings against a bank.

If these measures are insufficient, the BaFin may revoke the bank's license to conduct banking business and render financial services and, if appropriate, order the closure of the bank.

Furthermore, the German Federal Government (*Bundesregierung*) may for the benefit of a bank, through general regulation, extend the time for payment of the obligations of one or more banks if financial difficulties of banks give rise to material risks for the economy as a whole.

Violations of certain provisions of the German Banking Act may result in criminal and administrative penalties.

General Information on Postbank

Incorporation and Seat

Postbank is incorporated under German law.

Until 1989, Postbank formed an undifferentiated part of Deutsche Bundespost, a special asset and agency (*Sondervermögen*) of the Federal Republic of Germany. In 1989, Deutsche Bundespost was reorganized into the three parts, Deutsche Bundespost POSTDIENST, Deutsche Bundespost POSTBANK and Deutsche Bundespost TELEKOM. In 1990, the Postbank of the former German Democratic Republic was integrated into Deutsche Bundespost POSTBANK. Deutsche Bundespost POSTBANK was then incorporated on December 20, 1994, as a stock corporation under the corporate name Deutsche Post AG by virtue of the “Act on the Conversion of the Enterprises of Deutsche Bundespost into a Stock Corporation” (*Gesetz zur Umwandlung der Unternehmen der Deutschen Bundespost in die Rechtsform der Aktiengesellschaft*) of September 14, 1994, and, by statutory provision, obtained a full banking license. On January 2, 1995, Postbank was registered with the commercial register of the Local Court of Bonn (*Amtsgericht Bonn*) under HRB 6793. Postbank’s registered office and business address are located at Friedrich-Ebert-Allee 114-126, 53113 Bonn, Federal Republic of Germany.

In June 1999, an agreement was concluded between Postbank, the Federal Republic of Germany, the Federal State of Berlin and the State of Bavaria concerning the sale of the shares in *Deutsche Siedlungs- und Landesrentenbank* (“**DSL Bank**”) to Postbank with effect as of January 1, 2000. By virtue of the Act on the Conversion of DSL Bank into a Stock Corporation (*Gesetz über die Umwandlung der Deutschen Siedlungs- und Landesrentenbank in eine Aktiengesellschaft*) (the “**DSL Bank Act**”) of December 16, 1999, DSL Bank was converted from a public law entity (*Anstalt des öffentlichen Rechts*) into the private law entity DSL Bank Aktiengesellschaft as of the end of December 31, 1999. DSL Bank Aktiengesellschaft was registered with the commercial register of the Local Court of Bonn (*Amtsgericht Bonn*) on January 24, 2000. Afterwards, DSL Bank Aktiengesellschaft was merged into Postbank under a merger agreement dated May 8, 2000. The merger was registered with the commercial register of Postbank of the Local Court of Bonn (*Amtsgericht Bonn*) on May 26, 2000.

Objects

Postbank is a credit institution (*Kreditinstitut*) within the meaning of Section 1(1) of the German Banking Act (*Kreditwesengesetz*). The purpose of Postbank set forth in Article 2 of its articles of association is to conduct banking transactions of all types, and to render financial and other services, including any related activities. Postbank is also entitled to conduct any other business and take any other measures that seem suitable to serve Postbank’s purpose. Postbank may also establish other companies for this purpose, acquire and participate in or manage such companies or restrict itself to the management of the participation. Postbank may spin off its operations to associated companies in part or in full and is entitled to conclude intercompany agreements.

Postbank may establish, operate and liquidate branch offices. Branch offices may also conduct business under the corporate name “DSL Bank – Ein Geschäftsbereich der Deutschen Postbank AG (DSL Bank – A business division of Deutsche Postbank AG).”

Management

Supervisory Board

Pursuant to the articles of association, the supervisory board at Postbank has twenty members. Ten members representing the shareholders are elected by the general shareholders’ meeting in accordance with the provisions of the German Stock Corporation Act. A further ten members representing employees are elected in accordance with the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*) of 1976. Of these ten supervisory board members, seven must be Postbank employees and include a senior salaried employee. The remaining supervisory board members must be representatives of the unions represented within the enterprise.

The following table shows the supervisory board members elected by Postbank's shareholders and their mandates and occupations outside Postbank.

NAME:	OCCUPATION AND MANDATES OUTSIDE POSTBANK
Dr. Klaus Zumwinkel (Chairman)	Chairman of the Management Board of Deutsche Post AG, Bonn; Chairman of the Supervisory Board, Deutsche Telekom AG, Bonn; Member of the Supervisory board, Deutsche Lufthansa AG, Cologne; Member of the Supervisory Board, KarstadtQuelle AG, Essen; Member of the Board of Directors, Morgan Stanley, Delaware
Wilfried Boysen	Management consultant
Dr. Edgar Ernst	Member of the Management Board of Deutsche Post AG, Bonn; Member of the Supervisory Board of Allianz Versicherungs AG, Munich; Member of the Investment Committees of Deutsche Post Ventures GmbH, Bonn
Dr. Peter Hoch	President Mastercard Europe, Brussels (until June 30, 2004); Member of the Supervisory Board of Giesecke & Devrient GmbH, Munich
Prof. Dr. Ralf Krüger.....	Management consultant, Professor at the University of Applied Sciences Wiesbaden; Member of the Supervisory Board Deutsche Post AG, Bonn; Chairman of the Supervisory Board of KMS AG, Kriens (Switzerland); Chairman of the Supervisory Board of MITECH AG, Oberwil (Switzerland); Member of the Advisory Board of Sireo Real Estate Management AG, Heusenstamm
Dr. Hans-Dieter Petram	Member of the Management Board of Deutsche Post AG, Bonn; Member of the Supervisory Board of HDI Industrie Versicherung AG, Hanover; Member of the Supervisory Board of HDI Privat Versicherung AG, Hanover; Member of the Supervisory Board of HDI Service AG, Hanover; Chairman of the Supervisory Board Gästehaus Petersberg GmbH, Königswinter; Chairman of the Advisory Board of Deutsche Post Bauen GmbH, Bonn; Chairman of the Advisory Board of Deutsche Post Global Mail GmbH, Bonn; Chairman of Advisory Board of Deutsche Post Immobilienentwicklung GmbH, Bonn
Dr. Bernd Pfaffenbach.....	Member of the Supervisory Board of Deutsche Bahn AG, Berlin
Dr. Klaus Schlede	Member of the Supervisory Board of Deutsche Lufthansa AG, Cologne; Member of the Supervisory Board of Deutsche Telekom AG, Bonn
Elmo von Schorlemer	Attorney-at-law, Aachen; Member of the Supervisory Board of VHV Autoversicherung AG, Hanover; Member of the Supervisory Board of VHV Beteiligungs AG, Hanover; Chairman of the Supervisory Board of Securess AG, Essen; Chairman of the Supervisory Board of IFP AG, Stuttgart
Dr. Manfred Schüler	State Secretary (ret.), Wachtberg

The following table shows the supervisory board members who were elected by Postbank's employees and their occupations outside Postbank.

NAME:	OCCUPATION AND MANDATES OUTSIDE POSTBANK
Michael Sommer (deputy chairman).....	Chairman of the German Trade Union Confederaate (<i>Deutscher Gewerkschaftsbund</i>), Berlin; Deputy Chairman of the Supervisory Board of DGB Rechtsschutz GmbH, Düsseldorf; Member of the Supervisory Board of Deutsche Telekom AG, Bonn
Marietta Auer.....	Unit head, Deutsche Postbank AG, Bonn ⁽¹⁾
Rosemarie Bolte.....	Head of the Management of the Unit I Specialist Department, ver.di trade union, Stuttgart; Member of the Supervisory Board of Karlsruher Lebensversicherung AG, Karlsruhe
Annette Harms	Deputy chairperson of the Works Council, Postbank Hamburg, Hamburg; Member of the Supervisory Board of Deutsche Post AG, Bonn
Ralf Höhmann.....	Chairman of the Works Council, Postbank Stuttgart, Stuttgart; Member of the management of the State Unit I Specialist Department of Financial Services, ver.di, Stuttgart
Elmar Kallfelz.....	Deputy Chairman of the Group Works Council of Deutsche Post AG, Bonn; Member of the Administrative Board of <i>Bundesanstalt für Post und Telekommunikation</i>
Harald Kuhlow.....	Expert at the Central Works Council of Deutsche Postbank AG, Bonn ⁽²⁾
Sabine Schwarz.....	Chairman of the Works Council of Postbank Berlin, Berlin ⁽²⁾
Christine Weiler.....	Chairman of the Works Council of Postbank Munich, Munich ⁽²⁾
Christel Zobeley.....	Trade union secretary, ver.di, Berlin

(1) Member of the supervisory board of the Deutsche Bundespost POSTBANK special asset from 1989 through 1995.

(2) No activity "external to Postbank."

The business address of the members of the supervisory board is that of the head office of Postbank.

Supervisory Board Compensation

As of March 25, 2004, the rules concerning compensation contained in Postbank's articles of association provide for an additional performance-based annual compensation component with long-term incentive character in addition to a fixed compensation component and a short-term variable compensation component. In accordance with the articles of association and in consideration of the services rendered by them, supervisory board members thus receive a fixed sum of € 15,000 as annual compensation in addition to the reimbursement of expenses and of any value-added tax incurred on the compensation and expenses as well as:

- (i) an annual fixed compensation in the amount of € 15,000;
- (ii) an annual performance-based variable compensation in the amount of € 300 for each € 0.03 by which Postbank group profits per share for a given fiscal year exceed the sum of € 2.00; and
- (iii) an annual performance-based variable compensation in the amount of € 300 for every 1% by which Postbank group profits per share for the fiscal year (= year x +2) two years after a given fiscal year (= year x) exceed the Postbank group profits per share for the fiscal year preceding the given fiscal year (= year x – 1). If these conditions are satisfied, this compensation component will be granted for the first time for the fiscal year of 2004 and will be due after conclusion of the general shareholders' meeting in the fiscal year of 2007.

The two variable compensation components may not exceed the sum of € 15,000 in each individual instance. In addition, the variable compensation components set out under (iii) may not exceed 0.5% of unappropriated net income (*Bilanzgewinn*), reduced by an amount corresponding to 4% of the total share capital.

The supervisory board chairman receives twice the amount of total compensation calculated in this way and the deputy chairman receives one-and-a-half times this amount. Compensation is increased by the same amount for chairmen of supervisory board committees and by 0.5 for any other committee member, although this rule does

not apply to the chairman of the mediation committee (the committee required under the German Co-Determination Act) and its members. The higher compensation received by the chairman and members of a committee may not amount to more than twice the total compensation (= fixed amount + variable compensation components (ii) + variable compensation components (iii)). Supervisory board members who serve on the supervisory board or its committees for only part of a fiscal year are compensated *pro rata*.

In addition, supervisory board members receive an attendance allowance of € 250 for each meeting of the supervisory board and its committees that they attend.

Before the rules governing compensation were revised, members of Postbank's supervisory board received, in addition to the reimbursement of expenses, fixed annual compensation in the amount of € 15,000 and variable compensation in the amount of € 1.00 for each basis point of the pre-tax return on equity up to a maximum amount of 10% of the fixed compensation. The supervisory board chairman received twice the amount and the deputy chairman received one-and-a-half times the amount. Members of the credit committee received an additional € 5,000 and members of the executive committee, audit committee and personnel committee received an additional € 2,500. The chairmen of these committees received twice the amount of compensation drawn by a member. Under these old rules, payments made to supervisory board members in fiscal year 2003 for their activities as supervisory board members totaled € 0.45 million (2002: € 0.43 million).

In addition, supervisory board members received emoluments from Postbank and group companies (salaries and wages of employee representatives serving on the supervisory board) totaling € 0.49 million in fiscal year 2003.

On March 31, 2005, members of the supervisory board of Postbank held 543 Shares.

Relationships with Deutsche Post AG

Dr. Zumwinkel, the supervisory board chairman of Postbank, is also the chairman of the management board of Deutsche Post AG. In addition, Postbank's supervisory board members Dr. Ernst and Dr. Petram are also members of the management board of Deutsche Post AG. As of March 31, 2005, members of the supervisory board who are simultaneously members of the management board of Deutsche Post AG held a total of 1,311,943 stock options of Deutsche Post AG. A total of 29,191 of these stock options were from a tranche issued in 2001, 468,156 from a tranche issued in 2002, 468,156 from a tranche issued in 2003 and 346,440 from a tranche issued in 2004. The exercise price for the 2001 tranche is € 23.05, for the 2002 tranche € 14.10, for the 2003 tranche € 12.40 and for the 2004 tranche € 17.00 per stock option. On their respective issue dates, the stock options granted in the 2001 tranche were valued at € 4.20, the stock options in the 2002 tranche at € 2.58, the stock options in the 2003 tranche at € 4.02 and the stock options in the 2004 tranche at € 4.47. These amounts will be allotted to the term of the respective holding period and will be included in the consolidated financial statements of Deutsche Post AG. The conditions of exercise of the stock options include being linked to attaining certain performance targets that are related to the price of the shares of Deutsche Post AG. At the discretion of Deutsche Post AG, each stock option entitles the holder to acquire one share of Deutsche Post AG at the exercise price or to a cash settlement in the amount of the difference between the exercise price and the average price of the shares of Deutsche Post AG over a period of five trading days prior to the exercise date.

On March 31, 2005, the members of Postbank's supervisory board held a total of 77,771 shares of Deutsche Post AG. The share capital of Deutsche Post AG as of this date was comprised of 1,112,800,000 no-par value shares.

Members of the supervisory board of Postbank are co-insured by the current liability insurance (D&O Insurance) of Deutsche Post AG. An appropriate deductible applies to supervisory board members. Postbank pays a *pro rata* premium for being co-insured.

Loans; Other Legal Relationships

Loans extended to supervisory board members amounted to € 204,767.81 on March 31, 2005. The loans were extended in the ordinary course of business of Postbank on the same terms on which Postbank also extends loans to employees. No other contingent liabilities were assumed.

No other material transactions or legal relationships have been entered into between Postbank and the members of the supervisory board or their spouses and relatives in the first degree.

Members of the supervisory board have not been involved in any transactions outside the scope of business of Postbank during the current and preceding fiscal years; however, members of the supervisory board with dual appointments fulfilled their respective functions at the Deutsche Post AG group (excluding Postbank). Members

of the supervisory board were not involved in any transactions that were unusual in terms of their form or substance, neither during the current and preceding fiscal years, nor during earlier years that have not yet been definitively concluded.

Management Board

According to the articles of association, the management board of Postbank is comprised of at least two members. The number of management board members is otherwise determined by the supervisory board. At present, the management board has seven members.

The members of the management board and their mandates and positions in other supervisory bodies outside Postbank are as follows:

NAME:	OCCUPATION AND MANDATES OUTSIDE POSTBANK
Prof. Dr. Wulf von Schimmelmänn.....	Member of the Supervisory Board, TCHIBO Holding AG, Hamburg; Member of the Board of Directors, Accenture Corp., Irving, Texas; Member of the Board of Directors, Altadis S.A., Madrid; Member of the Management Board of <i>Bundesverband deutscher Banken e.V.</i> , Berlin
Dirk Berensmann	Member of the Board of Directors, Eurogiro Network A/S, Taastrup (Denmark); Member of the Management Board, e-Finance Lab Universität Frankfurt/Main; Deputy Chairman of the Advisory Council, einsnull IT-Support GmbH, Bonn
Stefan Jütte.....	Member of the Supervisory Board, BVVG Bodenverwertungs – und Verwaltungsgesellschaft mbH, Berlin; Member of the Advisory Board of Sireo Real Estate Asset Management GmbH, Heusenstamm; Member of the Advisory Board of <i>Prüfungsverband Deutscher Banken e.V.</i> , Cologne
Dr. Wolfgang Klein.....	Chairman of the Supervisory Board, Comma Soft AG, Bonn; Member of the Administrative Board, VISA Deutschland e.V., Frankfurt
Loukas Rizos.....	—
Lothar Rogg	Chairman of the Supervisory Board, McPaper AG, Berlin
Ralf Stemmer	Member of the Administrative Board, Bundesanstalt für Post und Telekommunikation, Deutsche Bundespost, Bonn; Member of the Supervisory Board, Danzas Deutschland Holding GmbH, Düsseldorf; Member of the Supervisory Board, Danzas GmbH, Düsseldorf; Member of the Advisory Council, einsnull IT-Support GmbH, Bonn;

The business address of the members of the management board is that of the head office of Postbank.

Management Board Compensation

The salary of each management board member comprises a fixed component and a variable component. The variable component, which may constitute up to 50% of total compensation, is based on various criteria, including the attainment of specific financial and operational performance goals. Part of the variable compensation is based on the consolidated earnings of Deutsche Post AG, which also includes Postbank's earnings. In fiscal year 2005, 25% of the total compensation in the case of Prof. Dr. von Schimmelmänn is based on the consolidated earnings of Deutsche Post AG, while for the remaining current members, up to 12.5% of the total compensation is based on the consolidated earnings of Deutsche Post AG. Currently, there are no concrete plans to discontinue tying part of variable compensation to the consolidated earnings of Deutsche Post AG in the near future.

In fiscal year 2004, salaries received by members of the management board of Postbank totaled € 6.71 million (2003: € 4.28 million; 2002: € 4.27 million).

The compensation of Prof. Dr. von Schimmelmänn and Mr. Rogg is paid by Postbank in full. Neither receives further compensation from Deutsche Post AG, Deutsche Post Retail GmbH or from subsidiaries of Postbank. Compensation of Mr. Stemmer is being paid mainly by Postbank. The remaining members of the management board of Postbank receive their compensation in full from Postbank. They do not receive any further compensation from Deutsche Post AG or from subsidiaries of Postbank.

As of March 31, 2005, management board members held 284 Shares. Management board members do not hold rights to subscribe for shares of Postbank. No stock option plan relating to shares of Postbank is available to members of the management board at the present time, nor do any plans exist to introduce a stock option plan. Since January 1, 2005 a medium-term capital market-oriented variable compensation tied to Postbank exists for members of the management board.

Pension payments in the amount of € 1.89 million were made to former management board members who left office before fiscal year 2004. Pension provisions for this group amounted to € 20.96 million on December 31, 2004.

Relationships with Deutsche Post AG

Prof. Dr. Wulf von Schimmelfmann, chairman of Postbank's management board, is simultaneously a member of the management board of Deutsche Post AG and responsible for the Financial Services division, which includes the branch outlet network and Pension Service in addition to Postbank. Lothar Rogg, the management board member responsible for Postbank's "Retail Customers – Stationary Sales" division, is the spokesman of Deutsche Post AG's "branch outlets" divisional management board, a tier of management directly subordinate to the management board and of Deutsche Post Retail GmbH, Bonn. In addition, Ralf Stemmer, who has been head of the "Resources" division as of July 2004 as a member of the management board, is the group head of the central department of wages and salaries policy and personnel legal affairs at Deutsche Post AG.

As of March 31, 2005, the members of Postbank's management board held a total of 793,051 stock options issued by Deutsche Post AG in several tranches granting the right to subscribe for shares of Deutsche Post AG. A total of 28,639 of these stock options come from the tranche issued in 2001, 272,622 from the tranche issued in 2002, 263,268 from the tranche issued in 2003 and 228,522 from the tranche issued in 2004. For the 2001 tranche the exercise price is € 23.05, for the 2002 tranche it is € 14.10, for the 2003 tranche it is € 12.40 and for the 2004 tranche it is € 17.00 per stock option. On their respective issue dates, the stock options granted in the 2001 tranche were valued at € 4.20, the stock options in the 2002 tranche at € 2.58, the stock options in the 2003 tranche at € 4.02 and the stock options in the 2004 tranche at € 4.47. These amounts will be allotted to the term of the respective holding period and will be included in the consolidated financial statements of Deutsche Post AG.

Among other conditions, the exercise of the stock options is linked to attaining certain performance targets relating to the price of the shares of Deutsche Post AG. At the discretion of Deutsche Post AG, each stock option entitles the holder either to acquire one share of Deutsche Post AG at the exercise price or to a cash settlement in the amount of the difference between the exercise price and the average price of Deutsche Post AG share over a period of five trading days prior to the exercise date. It is intended that members of the management board as well as members of the supervisory board who are members of the management board of Deutsche Post AG will continue to be granted stock options for shares of Deutsche Post AG for their management functions.

On March 31, 2005, the members of Postbank's management board held a total of 36,736 shares of Deutsche Post AG. The share capital of Deutsche Post AG on December 31, 2004 consisted of 1,112,800,000 no-par value shares.

Members of the management board of Postbank and members of representative bodies of subsidiaries of Postbank are insured by the current liability insurance (D&O Insurance) of Deutsche Post AG. An appropriate deductible applies to management board members. Postbank pays a *pro rata* premium for being co-insured.

Loans; Other Legal Relationships

Loans extended to management board members amounted to € 186,217.13 on March 31, 2005. The loans were extended in the ordinary course of the business of Postbank on the same terms on which other employees of Postbank also receive loans. No other contingent liabilities were assumed.

No other material transactions or legal relationships have been entered into between Postbank and the members of the management board or their spouses and relatives in the first degree. Members of the management board have not been involved in any transactions outside the scope of business of Postbank during the current and preceding fiscal years; however, those members with dual appointments fulfilled their respective functions at Deutsche Post AG. Members of the management board were not involved in any transactions that were unusual in terms of their form or substance for Postbank, neither during the current and preceding fiscal years nor during earlier years that have not yet been definitively concluded.

Capital

Share Capital

The share capital of Postbank amounts to € 410,000,000 and is divided into 164,000,000 ordinary registered shares with no par value (*Stückaktien*) (the “**Shares**”), each Share representing a € 2.50 portion of Postbank’s share capital.

Currently, 66.7% of the share capital of Postbank is held by Deutsche Post AG directly or indirectly through its subsidiary Postbank Beteiligungs GmbH. To the knowledge of Postbank, no other shareholder directly or indirectly holds 10% or more of the share capital of Postbank.

In June 2004, Deutsche Post AG issued € 1,081,550,000 2.65% Senior Exchangeable Notes due 2007 (the “**Exchangeable Notes**”). Deutsche Post AG has granted each holder of the Exchangeable Notes the right to exchange the Exchangeable Notes from and including August 11, 2004, up to and including June 25, 2007, into Shares at an initial exchange price for each Share of € 39.33. Deutsche Post AG is entitled, upon exercise of the exchange right by a noteholder, to pay a cash amount in lieu of delivery of Shares. The total exchange volume amounts to approximately 16.8% of the share capital of Postbank.

Deutsche Post AG agreed with the Federal Republic of Germany to sell an interest in the share capital of Postbank of 50% plus one share until January 5, 2009, in whole or in part, only with the consent of the Federal Republic of Germany. This also applies, *inter alia*, to the issuance of additional shares of Postbank to third parties, provided that such issuance of additional shares leads to a dominating influence on Postbank by such third parties. The Federal Republic of Germany may grant its consent at any time. Other than the Exchangeable Notes, neither Postbank nor any affiliate has issued any debt securities that are exchangeable or convertible into Shares, and neither of them has issued any debt securities with warrants to acquire Shares.

Each Share confers one vote at the general shareholders’ meeting and is fully entitled to dividends.

All of the Shares have been fully paid in and are freely transferable. There are no selling restrictions or other restrictions in regard to the transferability of the Shares.

The share capital of Postbank was divided into 16,000,000 shares as of April 27, 2004. By resolution of the general shareholders’ meeting dated March 25, 2004, a share split was effected at the ratio of 1:10.25. Upon the registration of the resolution of the general shareholders’ meeting with the commercial register of Postbank on April 27, 2003, the share capital of Postbank in the amount of € 410,000,000 is divided into 164,000,000 shares.

The amount of the share capital and the classes of shares of Postbank have not changed in the past three years. Only the number of Shares has changed as a result of the share split referred to above in the past three years.

As of March 31, 2005, Postbank held no Shares for trading purposes.

Authorized Capital

The ordinary general shareholders’ meeting of Postbank held on March 25, 2004 authorized the management board, subject to the consent of the supervisory board, to increase the share capital of Postbank on or before March 24, 2009, by a total of up to € 41,000,000 (authorized capital), in whole or in part, in one or more tranches, through the issuance of new, non-voting registered shares (preference shares (*Vorzugsaktien*)) against contributions in kind. If preference shares are issued, the holders of the preference shares without voting rights will receive a preferred dividend of € 0.05 per preference share when the balance sheet profits of Postbank for the fiscal year are distributed. If the balance sheet profits for the fiscal year are not sufficient to pay a preferred dividend of € 0.05 per preference share, the deficit will subsequently be paid without interest from the balance sheet profits of the following fiscal years, once the preferred dividend for these fiscal years has been distributed and prior to the distribution of a share in the profits on the ordinary shares.

The subscription rights of shareholders have been excluded. Subject to the consent of the supervisory board, the management board has been authorized to determine all additional rights attached to the shares, as well as the conditions governing their issuance. This authorized capital was entered in the commercial register on May 28, 2004.

Postbank will not make use of the authorization to issue new shares without the prior consent of the management board of Deutsche Post AG to ensure that the issuance of new shares does not result in a breach of Deutsche Post

AG's obligations *vis-à-vis* the Federal Republic of Germany not to issue additional Shares to third parties without the consent of the Federal Republic of Germany until January 5, 2009, if such issuance could lead to the controlling influence of a third party in Postbank.

Typical silent partnerships of five German insurance companies

Five German insurance companies (the “**Silent Partners**”) have acquired typical silent partnership interests of DSL Bank in the total amount of approximately € 51 million (€ 10 million, € 10 million, € 10 million, € 15 million and € 6 million). Following the merger of DSL Bank into Postbank, Postbank is the legal successor of DSL Bank with respect to these silent partnership agreements. The Silent Partners participate in the profits and losses of Postbank pursuant to the ratio of their silent partnership interest to shareholders' equity of Postbank. To the extent that payment of profit participations would result in, or increase the amount of an annual loss of Postbank (on an unconsolidated basis), the Silent Partners are not entitled to receive profit participations. The silent partnership interests also participate in annual losses of Postbank by corresponding reductions of their nominal amounts. In the event of a reduction of silent partnership interests, in the succeeding year as well as for three years after termination of the silent partnership, future profits will be applied to such silent partnership interests (prior to the allocation of reserves) until the silent partnership interest equals its original amount, and missed profit distributions will be made up, unless an annual loss results from such distributions or is increased thereby. The silent partnerships end on December 31, 2009 in three cases and on December 31, 2018 in two cases. In the event of Postbank's insolvency or liquidation, the silent partnership interests will be repaid only after payment of all creditors, including holders of participation rights, however prior to payment of the shareholders and holders of atypical partnership interests within the meaning of § 4 para. 1 of the DSL Bank Act. Postbank treats the contributions made with respect to the silent partnership interests as Tier I Capital (on consolidated and unconsolidated basis).

Profit Participation Rights

As of March 31, 2005, Postbank reported profit participation capital (*Genussrechtskapital*) outstanding in the amount of € 464 million. This profit participation capital outstanding comprises profit participation rights (*Genussrechte*) issued by the former DSL Bank and Postbank.

Pursuant to the authorization of the general shareholders' meeting held on May 26, 2003, the management board is authorized, in the period until May 25, 2008, in one or more tranches, to issue registered or bearer profit participation rights in an aggregate nominal amount of up to € 2,500,000,000. The terms and conditions of the profit participation rights to be issued must correspond to the requirements of the German Banking Act with respect to Tier II capital. The maximum term of the profit participation rights is up to 20 years. The management board is authorized, with the approval of the supervisory board, to determine the further details pertaining to the issuance and terms of the profit participation rights. The management board made use of this authorization between July 25, 2003, and October 20, 2003, by issuing seven tranches of registered profit participation rights with a nominal amount of € 99.5 million and placed such rights with domestic institutional investors. These profit participation rights serve to strengthen the regulatory banking capital in accordance with the provisions of the German Banking Act. The outstanding profit participation rights participate fully in Postbank's losses. Interest payments will be paid only to the extent there is a balance sheet profit. The rights of the profit participation right holders to repayment of the capital rank subordinate to those of other creditors. The outstanding profit participation rights have a 10-year term. The outstanding profit participation rights grant no subscription rights with respect to new shares of Postbank or additional profit participation rights in the case of a capital increase of Postbank.

Pursuant to the authorization of the general shareholders' meeting held on March 25, 2004, the management board is authorized, in the period until March 24, 2009, once or more than once, to issue registered or bearer profit participation rights in an aggregate nominal amount of up to € 41,000,000 or, taking into consideration the permissible aggregate nominal amount, not only in Euro but also in a legal currency of an OECD country. The management board is authorized, with the approval of the supervisory board, to exclude the shareholder's subscription rights to the extent that profit participation rights are issued against payment in kind and that this is done for the purpose of purchasing companies, parts of companies or shareholdings in companies or implementing corporate mergers. The management board is authorized, with the approval of the supervisory board, to determine further details pertaining to the issuance and terms of the profit participation rights. The management board has not yet made use of this authorization.

Earnings and Dividend Per Share

The following table shows the earnings per share and the annual dividend paid per share for the fiscal years 2002, 2003 and 2004:

	2002	2003	2004
Dividend per share in € ¹	0.60	3.59	1.25
Earnings per share in € ¹ (based on the consolidated financial statements)	0.81	2.15	2.56
Earnings per share in € ¹ (based on the non-consolidated financial statements)	0.60	3.59	1.25

1 Figures are based on the current number of outstanding Shares (164 million no-par value shares). The corresponding information in Postbank's 2002 and 2003 consolidated financial statements differs because it was calculated on the basis of the share capital (16 million no-par value shares) existing on the respective statement dates.

Shareholdings

Postbank does not have any subsidiaries with a book value representing 10% or more of the consolidated shareholders' equity of Postbank or contributing 10% or more to the consolidated net income of Postbank. A list of its shareholdings may be found in Note 57 of the Postbank 2004 consolidated financial statements contained herein.

Branch Offices

Postbank has branch offices in Berlin, Bielefeld, Bonn, Cologne, Dortmund, Dresden, Dusseldorf, Erfurt, Essen, Frankfurt am Main, Hamburg, Hanover, Karlsruhe, Leipzig, Ludwigshafen, Magdeburg, Mannheim, Munich, Nuremberg, Saarbrücken, Schwerin and Stuttgart as well as Luxembourg.

Publications

In accordance with its articles of association, all notifications to shareholders are published by Postbank in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*).

Ratings

General

Individual ratings reflect the assessment of the relevant rating agency only on the date of being assigned. Rating agencies may change their ratings any time. The outlook for a particular Postbank rating provides an indication of the rating agency's view on the anticipated further development of the rating over the medium or long-term (S&P), the medium term (Moody's) or over a period of one to two years (Fitch). A positive or negative rating outlook does not suggest that a change in the rating is inevitable. A rating of long-term or short-term liabilities or of financial strength does not constitute a rating of shares or other securities. For this reason, the ratings indicated below do not constitute a statement with regard to the shares or other securities of Postbank. A rating is not a recommendation to buy, sell or hold securities. Each rating should be taken for itself and considered independently of other ratings.

Credit Rating

Postbank is rated by three major international rating agencies with respect to its creditworthiness: Standard & Poor's ("**S&P**"), Moody's Investors Service ("**Moody's**") and FitchRatings ("**Fitch**"). As of the date of this Offering Circular, Postbank's credit ratings were as follows:

	Long-term liabilities	Short-term liabilities
S&P.....	A*	A-1
Moody's.....	A1*	P-1
Fitch.....	A*	F1

* Stable outlook

The rating agencies define the respective ratings assigned to Postbank as follows:

S&P:	A:	“An issuer rated ‘A’ is assigned to the group of debtors having a strong ability to meet their financial obligations. It is, however, somewhat more susceptible to adverse affects of changing circumstances and economic conditions than higher-rated issuers.”
	A-1:	“An issuer rated ‘A-1’ has a strong capacity to meet its financial commitments. Standard & Poor’s assigns it to the highest rating category.”
Moody’s:	A1:	“A1” debt obligations are rated in the upper third of the group of debt obligations that are considered to be securities belonging to the upper-medium grade and subject to lower credit risk.”
	P-1:	“An issuer with the rating “Prime-1” is in a superior position to repay its short term debt obligations.”
Fitch:	A:	“High credit quality. An ‘A’-Rating denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.”
	F1:	“Highest credit quality. This rating indicates the strongest capacity for timely payment of financial commitments.”

S&P’s ratings for long-term liabilities include ratings ranging from AAA (highest rating) to D (lowest rating). An A rating follows AAA and AA ratings and precedes BBB and lower ratings. An A1 rating for long-term liabilities by Moody’s is beneath an Aa3 rating and above an A2 rating and lower ratings. Fitch’s ratings for long-term liabilities include ratings ranging from AAA (highest rating) to D (lowest rating). Fitch’s A rating follows an AA rating and precedes an A and lower ratings. Postbank’s ratings for short-term liabilities are in each case in the highest rating category for short-term liabilities of each of the three above-mentioned rating agencies.

Financial Strength

Moody’s also assigned a financial strength rating to Postbank. The financial strength rating assigned to Postbank by Moody’s as of the date hereof is C+.

Moody’s financial strength rating for banks indicate its assessment of the internal security and solidity of a bank and is not related to the likelihood of timely payment. On the contrary, each financial strength rating constitutes an assessment of the probability that a bank requires support of third parties. Moody’s defines the financial strength rating of C+ as follows:

C+:	“A bank with a C+ rating is assigned to the upper end of the group of banks having sufficient financial strength. As a rule, these are institutions with a somewhat limited yet definitely valuable and efficient service structure and sales organization. These banks can exhibit an acceptable financial condition in an attractive and stable operational business environment, or a good financial condition in a less attractive and stable operational business environment.”
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Fiscal Year

Postbank’s fiscal year is the calendar year.

Independent Auditors

Independent auditors of Postbank are PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauer Strasse 19, 40227 Dusseldorf, Federal Republic of Germany (“PWC”).

PWC has audited the consolidated financial statements of Postbank for the years 2002, 2003 and 2004 and has issued in each case an unqualified opinion.

Recent Developments and Outlook

The macroeconomic situation in the United States suggests that a series of further increases in key interest rates is likely in the course of 2005. In Postbank's view, the European Central Bank might also raise its key interest rate to 2.5% by the end of the year. However, as the economic recovery will very probably remain moderate and a sustained acceleration in price increases is unlikely, the resulting spreads in the bond market should stay within narrow limits.

For Postbank Group, the first three months of 2005 marks a further step toward achieving its target for 2006: a return on equity before taxes of 15% and a cost/income ratio in traditional banking business of below 65%.

Postbank expects further growth in 2005 by further expanding its retail loan books and advisory services in its Retail Banking business segment, by continuing to focus on attractive payment transaction solutions and selective lending business in its Corporate Customers business segment and by expanding its role as an insourcer in the German market for payment transactions in its Transaction Banking business segment.

TAXATION

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE GERMAN, DUTCH AND UNITED STATES TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF TRUST PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

German Taxation

The following is a discussion of certain German tax considerations that may be relevant to a holder of Trust Preferred Securities that is a tax resident of the Federal Republic of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e. g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in the Federal Republic of Germany (a “**German Holder**”). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of Trust Preferred Securities.

Income Taxation

Capital Payments received by or, in specific cases, owed to a German Holder with respect to the Trust Preferred Securities will be subject to German personal or corporate income tax (plus a “solidarity surcharge” thereon, which is currently levied at 5.5%), and, in the case of a German Holder who is an individual, may be subject to church tax. Upon the sale or redemption of the Trust Preferred Securities, a German Holder will also be required to include in its taxable income the difference between the amount realized on such sale or redemption and the cost of acquisition (or adjusted tax base) of the Trust Preferred Securities. Income derived from the Trust Preferred Securities will also be subject to German municipal trade tax on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German trade or business.

A German Holder who is an individual and does not hold the Trust Preferred Securities as a business asset will be entitled to a standard deduction (*Werbungskosten-Pauschbetrag*) of € 51 in computing his or her investment income (including income derived from the Trust Preferred Securities) if no higher expenses are evidenced as well as an exemption (*Sparer-Freibetrag*) of € 1,370 with respect to such investment income. These amounts are doubled for couples filing a joint tax return.

German Withholding Tax

If the Trust Preferred Securities are kept in a custodial account maintained by a German Holder with a German bank or a German financial services institution, each as defined in the German Banking Act (*Kreditwesengesetz*) (including a German branch of a foreign bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution) (a “**German Disbursing Agent**”), the German Disbursing Agent will generally be required to withhold tax (*Zinsabschlagsteuer*) at a rate of 30% (plus solidarity surcharge thereon at a rate of 5.5%, resulting in an aggregate withholding rate of 31.65%) of the gross amount paid as income with respect to the Trust Preferred Securities. Upon the sale or redemption of the Trust Preferred Securities, a German Disbursing Agent will generally be required to withhold tax at an aggregate rate of 31.65% on:

- (i) the excess of the sale or redemption proceeds of the Trust Preferred Securities over the holder’s acquisition cost, if the Trust Preferred Securities have been acquired through or purchased from and have since been held in custody with such German Disbursing Agent, or
- (ii) an amount equal to 30% of the sale or redemption proceeds of the Trust Preferred Securities, if the Trust Preferred Securities have not been so held with such German Disbursing Agent.

Tax withheld by the German Disbursing Agent will be credited against the German Holder’s final liability for personal or corporate income tax or refunded if in excess of such final tax liability.

Gift and Inheritance Taxation

The gratuitous transfer of the Trust Preferred Securities by a holder as a gift or by reason of death is subject to German gift or inheritance tax, based on the market value of the Trust Preferred Securities at the time of the transfer, if the holder of the Trust Preferred Securities or the recipient is a resident, or deemed to be a resident, of the Federal Republic of Germany under German gift and inheritance tax law at the time of the transfer. If neither the holder of the Trust Preferred Securities nor the recipient is a resident, or deemed to be a resident, of the Federal Republic of Germany at the time of the transfer, no German gift or inheritance tax is levied unless the Trust Preferred Securities form part of the property of a permanent establishment or a fixed base maintained by the holder of the Trust Preferred Securities in the Federal Republic of Germany.

Other German Taxes

There are no German transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities. Net-worth tax (*Vermögensteuer*) ceased to be levied by the Federal Republic of Germany on January 1, 1997 and trade tax on capital (*Gewerbesteuer*) ceased to be levied by the Federal Republic of Germany on January 1, 1998.

European Union Savings Directive

On June 3, 2003, the Council of the European Union adopted a directive on the taxation of savings income. Pursuant to the directive, a member state of the European Union will be required to provide to the tax authorities of other member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other member states, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments, unless during such period these member states elect otherwise. Subject to certain conditions, the provisions of the directive will be effective as of July 1, 2005.

Taxation in the United States

The following is a summary of the principal U.S. federal income tax consequences relating to an investment in the Trust Preferred Securities by an investor that is a Non-U.S. Holder (as defined below). This summary does not address any U.S. tax consequences to a person who is a U.S. Holder (as defined below) or is subject to U.S. federal income tax on a net income basis. For purposes of this summary, a “**Non-U.S. Holder**” is a beneficial owner of Trust Preferred Securities other than a U.S. Holder. A “**U.S. Holder**” is a beneficial owner of Trust Preferred Securities that for U.S. federal income tax purposes is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

This summary addresses the tax consequences to a Non-U.S. Holder that acquires Trust Preferred Securities on their original issue at their Issue Price (an “**Original Trust Preferred Securityholder**”). This summary does not address all tax consequences that may be applicable to a beneficial owner of the Trust Preferred Securities and does not address the tax consequences to a Non-U.S. Holder in special circumstances (for example, the summary does not address a Non-U.S. Holder subject to U.S. federal income tax on a net income basis). This summary is based upon the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations, Internal Revenue Service (“**IRS**”) rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect).

Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to the tax treatment of the Trust Preferred Securities and no assurance can be given that the IRS will not take contrary positions. Moreover, no assurance can be given that the tax consequences described herein will not be challenged by the IRS or, if challenged, that such a challenge would not be successful.

Prospective investors are urged to consult with their tax advisors as to the U.S. federal income tax consequences of the purchase, ownership and disposition of Trust Preferred Securities, as well as the effect of any state, local or foreign tax laws.

Tax Treatment of the Trust

Assuming compliance with the terms of the Trust Agreement, the Trust will be treated as a grantor trust and will not be taxable as a corporation for U.S. federal income tax purposes.

Tax Treatment of the Company

In purchasing the Trust Preferred Securities, each Original Trust Preferred Securityholder agrees with Postbank, the Company and the Trustee that Postbank, the Company, the Trustee and the Original Preferred Securityholders will treat Original Trust Preferred Securityholders for all purposes as holders of an undivided interest in Trust assets, including the Class B Preferred Securities, and not as holders of a direct interest in Postbank or in any other person, and the following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes. Assuming full compliance with the LLC Agreement, the Company will not be taxable as a corporation and will not itself be subject to U.S. federal income tax, but will be treated as a partnership for U.S. federal income tax purposes.

Income and Withholding Tax

Assuming compliance with the terms of the LLC Agreement and the Company does not engage in activities other than those described in this Offering Circular, the Company will not be treated as engaged in the conduct of a U.S. trade or business. Moreover, the Company intends to invest through the Maturity Date in securities that will be exempt from withholding of U.S. federal income tax when income attributable to such securities is distributed or allocated to beneficial holders of Class B Preferred Securities. So long as that is the case, a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of the Trust Preferred Securities. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the Company's income unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States of America. A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities, unless in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States of America for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding

In general, a Non-U.S. Holder who holds Trust Preferred Securities through a non-United States bank or other non-United States financial institution that is a participant in Euroclear, Clearstream AG or Clearstream Luxembourg will not be required to provide certification of non-U.S. status for U.S. withholding purposes and will not be subject to the information reporting rules or backup withholding. In other contexts, however, including where a Non-U.S. Holder withdraws from the Trust and directly holds the Class B Preferred Securities, Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting requirements and backup withholding tax.

Netherlands Taxation

The following is a summary of certain Dutch tax consequences relating to the purchase, ownership, redemption and disposition of the Trust Preferred Securities or Class B Preferred Securities. This summary does not address any laws other than the tax laws of the Netherlands as currently in effect and in force and as interpreted in published case law by the courts of the Netherlands at the date hereof, and is subject to change after such date, including changes that could have retroactive effect. This section solely addresses the situation of holders of the Trust Preferred Securities or Class B Preferred Securities resident or deemed resident of the Netherlands for Dutch tax purposes, including an individual holder of Trust Preferred Securities or Class B Preferred Securities who has opted to be taxed as a resident of the Netherlands for Dutch tax purposes. This summary does not purport to be complete and, in light of the limited nature of this summary, each holder or prospective holder should avoid placing undue reliance on this summary. Each holder or prospective holder of Trust Preferred Securities or Class B Preferred Securities should consult his or her professional tax advisor with respect to the Dutch tax consequences of an investment in Trust Preferred Securities or Class B Preferred Securities.

This summary does not address the Dutch tax consequences of a Dutch resident natural person who holds a substantial interest (*aanmerkelijk belang*) in the Company within the meaning of Section 4.3 of the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of Trust Preferred Securities or Class B Preferred Securities holds a substantial interest in the Company if such holder, alone or together with his or her

partner (a statutorily defined term) or certain other related persons, directly or indirectly, holds: (i) an interest of 5 percent or more of the total issued capital of the Company or of 5 percent or more of the issued capital of a certain class of shares of the Company; (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in the Company.

For the purposes of the principal Dutch tax consequences described herein, it is assumed that Postbank, the Company and the Trust are not resident nor deemed to be resident in the Netherlands for Dutch tax purposes.

Withholding Tax

No Dutch withholding tax is due upon payments on the Trust Preferred Securities or Class B Preferred Securities.

Dutch Taxes on Income and Capital Gains

Entities

Generally, a holder of Trust Preferred Securities or Class B Preferred Securities will be subject to Dutch corporate income tax with respect to distributions or capital gains realized upon the redemption, disposal or deemed disposal of Trust Preferred Securities or Class B Preferred Securities, if the holder is a resident of, or deemed to be resident of, the Netherlands. It is thereby assumed that a holder of Trust Preferred Securities or Class B Preferred Securities does not hold, either alone or together with affiliated companies (*verbonden lichamen*), an interest of 25% or more in the Trust or the Company.

Unless tax exempt, Dutch resident entities are generally subject to corporate income tax, levied at a rate of 27% of the first € 22,689 of the taxable profits and 31.5% of the excess over this amount. These rates will be reduced to respectively 26% and 30.5% in 2006 and 25% and 30% in 2007. The Netherlands government intends to reduce the corporate income tax rates further.

Individuals

A holder of Trust Preferred Securities or Class B Preferred Securities who is a resident of the Netherlands, deemed to be a resident of the Netherlands, or who has elected to be treated as a resident of the Netherlands for Dutch tax purposes is subject to income tax in respect of income or capital gains derived from the Trust Preferred Securities or Class B Preferred Securities at the progressive rates provided in the Income Tax Act 2001 if:

- (i) the holder of the Trust Preferred Securities or Class B Preferred Securities has an enterprise or an interest in an enterprise to which the Trust Preferred Securities or Class B Preferred Securities are attributable; or
- (ii) the income or gain qualifies as income from employment as defined in Section 3.3 of the Income Tax Act 2001 or income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001.

If conditions (i) and (ii) provided above do not apply to the individual holder of the Trust Preferred Securities or Class B Preferred Securities, the holder of the Trust Preferred Securities or Class B Preferred Securities will be subject to Dutch income tax on a deemed return regardless of actual income derived from the Trust Preferred Securities or Class B Preferred Securities or gain or loss realized upon disposal or deemed disposal of the Trust Preferred Securities or Class B Preferred Securities.

The deemed return equals 4% of the average value of the holder's net assets in the relevant fiscal year (including the Trust Preferred Securities or Class B Preferred Securities). The average value of the holder's net assets in a fiscal year is equal to the sum of the value of the net assets at the beginning of the fiscal year and at the end of the fiscal year divided by two. Taxation only occurs to the extent the average value of the holder's net assets exceeds the "exempt net asset amount" (*heffingsvrij vermogen*) which is, for the year 2005, € 19,522. The deemed return is reduced by the portion of the personal allowances on annual income the holder is entitled to. As so reduced, the deemed return shall be taxed at a rate of 30%

Dutch gift, estate and inheritance tax

Dutch gift, estate or inheritance taxes will be due in the Netherlands in respect of the transfer of the Trust Preferred Securities or Class B Preferred Securities by way of gift by, or on the death of, a holder of the Trust

Preferred Securities or Class B Preferred Securities if the holder is, or is deemed to be, a resident of the Netherlands, for the purpose of the relevant provisions, at the time of the gift or his or her death.

An individual of Dutch nationality is deemed to be resident of the Netherlands for the purpose of the Dutch gift and inheritance tax if he or she has been a resident of the Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purpose of the Dutch gift tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift. Applicable tax treaties may override deemed residency.

Other Taxes

There is no Dutch registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty, other than court fees, payable in the Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of any agreement relating to the Trust Preferred Securities or Class B Preferred Securities or the performance of the Company's obligations under the Trust Preferred Securities or Class B Preferred Securities.

No Dutch value added tax will arise in respect of any payment in consideration for the issue of the Trust Preferred Securities or Class B Preferred Securities.

SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in the Purchase Agreement to be entered into among Postbank, the Company, the Trust and the Joint Lead Managers, the Trust will agree to sell to the Joint Lead Managers and the Joint Lead Managers will agree to purchase the Trust Preferred Securities at a price of 100% (equivalent to € 1,000 per Trust Preferred Security) (the “**Issue Price**”).

The Trust Preferred Securities will be delivered to investors, in book-entry form, against payment on the second business day following the Issue Date. Payment and delivery will be effected through Clearstream AG.

Pursuant to the Purchase Agreement, Postbank will (i) pay the Joint Lead Managers a combined management, underwriting and selling commission and (ii) reimburse the Joint Lead Managers for certain expenses of the Offering. Each of the Company, the Trust and Postbank has agreed to indemnify the Joint Lead Managers against certain liabilities.

The Joint Lead Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to Postbank and its affiliates, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions.

Selling Restrictions

United States of America

Each of the Joint Lead Managers has represented and agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the closing date and the completion of the distribution of the Trust Preferred Securities, and it will send to each dealer to which it sells Trust Preferred Securities during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Trust Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the Code, or any entity whose underlying assets include the assets of any such employee benefit plans, plan or arrangements.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date, will not offer or sell any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended from time to time, or any successor legislation;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended from time to time, or any successor legislation, (“**FSMA**”)) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust or the Company; and

- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

Federal Republic of Germany

Each of the Joint Lead Managers has confirmed that it is aware that no German sales prospectus (*Verkaufsprospekt*) has been or will be published in respect of the Offering; and each of the Joint Lead Managers has represented and agreed that so long as the Trust Preferred Securities have not been listed on the Frankfurt Stock Exchange it will comply with the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of the Trust Preferred Securities. In particular each Joint Lead Manager has undertaken not to engage in a public offering (*öffentliches Angebot*) in Germany with respect to any Trust Preferred Securities otherwise than in accordance with the Securities Sales Prospectus Act and any other act replacing or supplementing it and all other applicable laws and regulations.

The Netherlands

Each of the Joint Lead Managers has represented, warranted and agreed that, until such time that the competent authorities of Euronext Amsterdam have approved the Offering Circular for official listing of the Trust Preferred Securities on Euronext Amsterdam, the Trust Preferred Securities will not be offered, sold, transferred or delivered, as part of their initial distribution, or at any time thereafter, directly or indirectly, other than to individuals or legal entities in The Netherlands who or which trade or invest in securities in the conduct of a profession or trade within the meaning of Section 2 of the exemption regulation to the Netherlands Securities Market Supervision Act 1995, as amended from time to time (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*), which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner.

General

In addition to the specific restrictions set out above, each Joint Lead Manager agrees that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Trust Preferred Securities or distribute any offering material.

GENERAL INFORMATION

Subject of this Offering Circular

The subject of this Offering Circular are the € 300,000,000 noncumulative Trust Preferred Securities, Liquidation Preference Amount € 1,000 per security, which represent undivided beneficial ownership interests in the assets of Deutsche Postbank Funding Trust III, a statutory trust created under the laws of the State of Delaware, United States of America.

Responsibility

Postbank, the Company and the Trust are responsible for the Offering Circular and hereby confirm that, to the best of their knowledge, (i) the information contained in the Offering Circular is true and accurate and (ii) no information has been omitted which, if it were disclosed, would change the purport of the Offering Circular.

Clearing Codes

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear, Clearstream Luxembourg and Clearstream AG under the following clearance codes:

ISIN: DE000A0D24Z1

Common Code: 021988391

Dutch Security Code (*Fonds Code*): 11709

German Security Code (*WKN*): A0D24Z

Issue Date

The Trust Preferred Securities will be issued on June 7, 2005. The rights attached to the Trust Preferred Securities take effect as of such issue date.

Yield to Maturity

There is no explicit yield to maturity. The Trust Preferred Securities do not carry a fixed date for redemption and the Trust and the Company are not obliged, and under certain circumstances are not permitted, to make payments on the Trust Preferred Securities and Class B Preferred Securities at the full stated rate.

Listing and Documents for Inspection

Application has been made to list the Trust Preferred Securities on Eurolist by Euronext Amsterdam. Application is expected to be made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange. At the date hereof it is not intended to list the Trust Preferred Securities on any other stock exchange.

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam there will be a paying agent in the city of Amsterdam (the “**Netherlands Paying Agent**”) and Capital Payments and the redemption price, if any, shall be made payable in Euro at the offices of the Principal Paying Agent and the Netherlands Paying Agent.

At any time during the term of the Trust Preferred Securities the most recently published consolidated and non-consolidated audited annual financial statements of Postbank, and, once available, the most recently available annual accounts of the Trust and the Company, will also be available for inspection and obtainable free of charge at the offices of the Principal Paying Agent and the Netherlands Paying Agent.

Postbank does not publish non-consolidated interim financial statements. Unless required by applicable law or regulations, neither the Trust nor the Company prepares interim financial statements.

In addition the following documents will be available for inspection and obtainable, free of charge, at the offices of the Netherlands Paying Agent:

- (a) the Articles of Association (*Satzung*) of Postbank;
- (b) the Amended and Restated Limited Liability Company Agreement and Certificate of Formation of the Company;

- (c) the Amended and Restated Trust Agreement and Certificate of Trust of the Trust;
- (d) the form of the Initial Debt Securities; and
- (e) the Support Undertaking.

Copies of these documents as well as financial statements and interim financial statements are also available at the office of Deutsche Postbank AG, Friedrich-Ebert-Allee 114-126, D-53113 Bonn, Federal Republic of Germany.

Incorporation by reference

In addition to the consolidated financial statements of Postbank included in the Offering Circular, there are hereby incorporated herein by reference:

- the Articles of Association (*Satzung*) of Postbank;
- the Trust Agreement dated June 7, 2005, and the Certificate of Trust of the Trust; and
- the audited unconsolidated financial statements of Deutsche Postbank AG (German Commercial Code) for the years 2004, 2003 and 2002.

Internet Addresses

Neither the Trust nor the Company has an internet address. The internet address of Postbank is: www.postbank.de. Information included on, or linked to or from, this internet site does not form part of the Offering Circular unless the Offering Circular explicitly provides otherwise with respect to a particular document that can be downloaded from Postbank's web site.

Notices

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities shall be deemed to have been given upon publication in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in at least one daily newspaper having general circulation in the Federal Republic of Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*).

Paying Agents

Principal Paying Agent

Deutsche Bank AG

Grosse Gallusstrasse 10-14
D-60311 Frankfurt am Main
Germany

Netherlands Paying Agent

Deutsche Bank AG

Herengracht 450
Amsterdam, 1017 CA
Netherlands

No Material Change

Save as described herein, there has been no material adverse change in the financial position or prospects of Postbank since December 31, 2004 or the Trust or the Company since their formation on April 20, 2005.

Other

For so long as the Trust Preferred Securities are listed on Eurolist by Euronext Amsterdam N. V., the Trust will comply with the provisions of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N. V. (including Section 2.1.20 of Schedule B), as amended from time to time.

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APPENDIX A: FORM OF SUPPORT UNDERTAKING

This support undertaking (the “**Agreement**”), dated June 7, 2005, is entered into between Deutsche Postbank AG, a German stock corporation, (“**Postbank**”) and Deutsche Postbank Funding LLC III, a Delaware limited liability company (the “**Company**”).

WITNESSETH:

WHEREAS, Postbank owns the Company Common Security (as defined below);

WHEREAS, pursuant to the LLC Agreement (as defined below), the Company will issue the Class A Preferred Security (as defined below) to Postbank, and the Class B Preferred Securities (as defined below) to the Trust (as defined below);

WHEREAS, pursuant to the Trust Agreement (as defined below), the Trust will issue the Trust Preferred Securities (as defined below) with the same terms as, and representing corresponding amounts of, the Class B Preferred Securities;

WHEREAS, the Company intends to use the proceeds from the issuance of the Class B Preferred Securities to purchase subordinated notes of Postbank;

WHEREAS, the Company may from time to time declare Capital Payments (as defined below) on the Class B Preferred Securities pursuant to and in accordance with the LLC Agreement; and

WHEREAS, Postbank wishes to undertake for the benefit of the Company and all current and future holders of the Class B Preferred Securities that (i) so long as Class B Preferred Securities remain outstanding, Postbank will maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security, (ii) the Company will at all times be in a position to meet its obligations when due and payable, including its obligation to pay Capital Payments, plus Additional Amounts (as defined below) thereon, if any, and the Redemption Price (as defined below), and (iii) in liquidation or dissolution, the Company will have sufficient funds to pay the Liquidation Preference Amount (as defined below), including accrued and unpaid Capital Payments to, but excluding, the date of liquidation or dissolution, and Additional Amounts, if any.

NOW, THEREFORE, the parties agree as follows:

Section 1. *Certain Definitions.*

“**Additional Amounts**” has the meaning specified in the LLC Agreement.

“**Agreement**” has the meaning specified in the preamble.

“**Capital Payment Period**” has the meaning set forth in the LLC Agreement.

“**Capital Payments**” means any capital payments or other distributions at any time after the date hereof declared by the Board of Directors of the Company (or deemed declared in accordance with the LLC Agreement), but not yet paid, on the Class B Preferred Securities.

“**Class A Preferred Security**” means the class of preferred limited liability company interests in the Company designated as Class A.

“**Class B Preferred Securities**” means the class of preferred limited liability company interests in the Company designated as Class B, with a liquidation preference amount of € 1,000 per security.

“**Company**” has the meaning specified in the preamble.

“**Company Common Security**” means the common limited liability company interest of the Company.

“**Independent Enforcement Director**” means the independent member of the board of directors of the Company elected by the holders of the Class B Preferred Securities upon the occurrence of certain events in accordance with, and under the terms set forth in, the LLC Agreement.

“**Liquidation Preference Amount**” means the stated Liquidation Preference Amount of the Class B Preferred Securities and any other amounts due and payable under the LLC Agreement upon the voluntary or involuntary

liquidation, dissolution, winding up or termination of the Company to the holders of the Class B Preferred Securities.

“**LLC Agreement**” means the limited liability company agreement of the Company dated as of April 20, 2005, as amended and restated as of June 7, 2005 and as the same may be further amended from time to time in accordance with its terms.

“**Person**” means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

“**Postbank**” has the meaning specified in the preamble.

“**Redemption Price**” has the meaning specified in the LLC Agreement.

“**Trust**” means Deutsche Postbank Funding Trust III, a Delaware statutory trust established pursuant to a declaration of trust dated as of April 20, 2005, as amended and restated in the amended and restated declaration of trust dated as of June 7, 2005 and as the same may be further amended from time to time in accordance with its terms (the “**Trust Agreement**”).

“**Trust Preferred Securities**” means the noncumulative Trust Preferred Securities issued by the Trust.

Section 2. *Support Undertaking.*

- (a) Postbank undertakes to ensure that the Company shall at all times be in a position to meet its obligations if and when such obligations are due and payable, including its obligations to pay Capital Payments, including Additional Amounts thereon, if any, and the Redemption Price when due.
- (b) Postbank undertakes to ensure that in the event of any liquidation or dissolution of the Company, the Company shall have sufficient funds to pay the Liquidation Preference Amount (including accrued and unpaid Capital Payments for the then current Payment Period to, but excluding, the date of liquidation and Additional Amounts, if any).
- (c) The obligations of Postbank under this Section 2 shall be subordinated to all senior and subordinated debt obligations of Postbank (including profit participation rights (*Genussrechte*)), and will rank at least *pari passu* with the most senior ranking preference shares, if any, and other instruments of Postbank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of Postbank.
- (d) This Agreement shall not constitute a guarantee or undertaking of any kind that the Company will at any time have sufficient assets, or be authorized pursuant to the LLC Agreement, to declare a Capital Payment or other distribution.

Section 3. *Third Party Beneficiaries and Enforcement of Rights.*

- (a) The parties hereto agree that this Agreement is entered into for the benefit of the Company and all current and future holders of the Class B Preferred Securities and that the Company and any holder of any such Class B Preferred Securities may severally enforce the obligations of Postbank under Section 2.
- (b) The parties hereto acknowledge that, as provided in the LLC Agreement, if a holder of Class B Preferred Securities has notified the Company that Postbank has failed to pay any amount then due hereunder, and such failure continues for sixty (60) days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities shall have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under this Agreement.

Section 4. *No Exercise of Rights.* Postbank shall not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Class B Preferred Securities are outstanding.

Section 5. *Burden of Proof.* Any failure of the Company to pay Capital Payments, the Redemption Price or Liquidation Preference Amounts (or any part thereof), plus, in each case, Additional Amounts, if any, when due and payable, shall constitute prima facie evidence of a breach by Postbank of its obligation hereunder. Postbank shall have the burden of proof that the occurrence of such breach results neither from its negligent nor its intentional misconduct.

Section 6. *No Senior Support to Other Subsidiaries.* Postbank undertakes that it shall not give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support or payment of any amounts in respect of, any other preference shares or similar securities (or instruments ranking *pari passu* with or junior to preference shares or similar securities) of any other affiliated entity that would in any regard rank senior in right of payment to Postbank's obligations under this Agreement, *unless* the parties hereto modify this Agreement such that Postbank's obligations under this Agreement rank at least *pari passu* with, and contain substantially equivalent rights of priority as to payment as, such guarantee or support agreement.

Section 7. *Continued Ownership of the Class A Preferred Security and the Company Common Security.* Postbank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Section 8. *No dissolution of the Company.* Under the terms of the LLC Agreement and to the fullest extent permitted by law, Postbank shall not permit the Company to be dissolved until all obligations under this Agreement have been paid in full pursuant to its terms.

Section 9. *Modification and Termination.* So long as any Class B Preferred Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Class B Preferred Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

Section 10. *No Assignment.* So long as any Class B Preferred Securities remain outstanding, Postbank shall not assign its rights or obligations under this Agreement to any Person without the consent of 100% of the holders of such Class B Preferred Securities.

Section 11. *Successors.* This Agreement will be binding upon successors to the parties.

Section 12. *Severability.* Should any provision of this Agreement be found invalid, illegal or unenforceable for any reason, it is to be deemed replaced by the valid, legal and enforceable provision most closely approximating the intent of the parties, as expressed in such provision, and the validity, legality and enforceability of the remainder of this Agreement will in no way be affected or impaired thereby.

Section 13. *Governing Law and Jurisdiction.* This Agreement shall be governed by and construed in accordance with, the laws of the Federal Republic of Germany and the parties irrevocably submit to the non-exclusive jurisdiction of the district court (*Landgericht*) in Frankfurt am Main, Federal Republic of Germany.

IN WITNESS WHEREOF, Postbank and the Company have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

DEUTSCHE POSTBANK AG

By: _____

Name:

Title:

By: _____

Name:

Title:

DEUTSCHE POSTBANK FUNDING LLC III

By: _____

Name:

Title:

By: _____

Name:

Title:

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**CONSOLIDATED FINANCIAL STATEMENTS
OF DEUTSCHE POSTBANK AG (IFRS)**

Consolidated Income Statement of Deutsche Postbank AG for the Fiscal Year 2004, 2003 and 2002

For the fiscal year ending December 31				
Notes	2004	2003	2002	
€ million				
Consolidated				
Interest income.....	(8)	5,271	5,610	6,458
Interest expense.....	(8)	–3,704	–3,957	–4,606
Net interest income.....	(8)	1,567	1,653	1,852
Allowance for losses on loans and advances.....	(9)	–185	–154	–137
Net interest income after allowance for losses on loans and advances.....		1,382	1,499	1,715
Fee and commission income	(10)	706	539	517
Fee and commission expense	(10)	–94	–72	–62
Net fee and commission income	(10)	612	467	455
Net trading income	(11)	198	183	80
Net income from investment securities.....	(12)	297	75	36
Administrative expenses	(13)	–1,893	–1,809	–1,883
Other income	(14)	161	218	121
Other expenses	(15)	–133	–136	–125
Profit before tax		624	497	399
Income tax expense.....	(16)	–203	–144	–259
Profit from ordinary activities after tax		421	353	140
Minority interest.....		–1	–1	–8
Net profit for the period.....		420	352	132

Earnings per Share

The average number of shares outstanding in fiscal year 2004 was 164,000,000 (previous years: 16,000,000).

	2004	2003	2002
Basic earnings per share (€).....	2.56	2.15	8.26
Diluted earnings per share (€).....	2.56	2.15	8.26

The Annual General Meeting on March 25, 2004, resolved a share split in the ratio of 1:10.25. As a result, the number of shares increased from 16,000,000 to 164,000,000. In accordance with IAS 33.43, earnings per share for 2003 were restated using the number of shares currently outstanding.

The diluted earnings per share are the same as the basic earnings per share because, as in the previous year, no conversion or option rights are outstanding, and hence there is no dilutive effect.

The Management Board will propose to the Annual General Meeting that a dividend of €1.25 per share be paid.

Consolidated Balance Sheet of Deutsche Postbank AG as of December 31, 2004, 2003 and 2002

For the fiscal year ending December 31				
Notes	2004	2003	2002	
€ million				
Assets				
Cash reserve	(17)	1,125	1,623	1,307
Loans and advances to other banks	(18)	23,842	34,071	37,774
Loans and advances to customers	(19)	47,715	43,310	43,929
Allowance for losses on loans and advances.....	(21)	-667	-597	-588
Trading assets.....	(22)	9,695	12,588	11,295
Hedging derivatives	(23)	973	832	1,121
Investment securities.....	(24)	43,581	38,859	44,252
Property and equipment.....	(25)	926	960	977
Other assets	(26)	1,025	973	1,023
thereof deferred tax assets	(27)	520	564	584
Total assets		128,215	132,619	141,090
Shareholder's Equity and Liabilities				
Deposits from other banks.....	(29)	16,215	20,271	28,300
Due to customers	(30)	80,519	73,941	66,665
Securitized liabilities.....	(31)	16,490	26,267	34,797
Trading liabilities	(32)	2,702	1,647	1,001
Hedging derivatives	(33)	2,245	1,814	2,645
Provisions	(34)	1,991	1,704	1,655
a) Provisions for pensions and other employee benefits.....	(35)	584	572	563
b) Provisions for taxes	(36)	994	873	738
thereof deferred tax liabilities		957	836	706
c) Other provisions.....	(37)	413	259	354
Other liabilities.....	(38)	517	371	413
Subordinated debt.....	(39)	2,808	1,724	1,204
Minority interest.....		1	14	14
Shareholders' equity.....	(40)	4,727	4,866	4,396
a) Issued capital.....		410	410	410
b) Share premium.....		1,159	1,159	1,159
c) Retained earnings.....		2,738	2,708	2,728
d) Consolidated net profit		420	589	99
Total liabilities and shareholders' equity		128,215	132,619	141,090

Statement of Changes in Equity of Deutsche Postbank AG for the Fiscal Years 2002, 2003 and 2004

	Issued capital	Share premium	Retained earnings	Currency translation reserve	Revaluation reserve	Consolidated net profit	Total
				€ million			
Balance at January 1, 2002	410	1,159	3,206	6	-71	137	4,847
Dividend payment						-137	-137
Currency translation differences				-44			-44
Changes in unrecognized gains and losses, net of deferred taxes					-402		-402
Net profit for the period			33			99	132
Balance at December 31, 2002	410	1,159	3,239	-38	-473	99	4,396
Dividend payment						-99	-99
Currency translation differences				-56			-56
Changes in unrecognized gains and losses, net of deferred taxes					273		273
Net profit for the period			-237			589	352
Balance at December 31, 2003	410	1,159	3,002	-94	-200	589	4,886
Dividend payment						-589	-589
Currency translation differences				-26			-26
Changes in unrealized gains and losses, net of deferred taxes					56		56
Net profit for the period						420	420
Balance at December 31, 2004	410	1,159	3,002	-120	-144	420	4,727

Changes in unrecognized gains and losses, net of deferred taxes, include measurement and disposal gains and losses on available-for-sale financial instruments.

A more detailed disclosure of changes in the revaluation reserve can be found in note 40.

Postbank did not hold any treasury shares as of December 31, 2004.

Consolidated Cash Flow Statement of Deutsche Postbank AG for the Fiscal Year 2004, 2003 and 2002

	For the fiscal year ending December 31		
	2004	2003	2002
	€ million		
Consolidated cash flow statement			
Net Profit for the period	420	352	132
Non-cash items in net income for the period and reconciliation of net profit to net cash used in operating activities			
Depreciation and write-downs of property and equipment, write-downs of investment securities, loans and advances, and reversals of impairment losses on these items.....	262	246	241
Changes in provisions.....	287	49	14
Changes in other non-cash items	-177	101	93
Gains on disposal of property and equipment and investment securities	-214	-22	-200
Other adjustments (net)	-1,429	-1,705	-1,640
Subtotal	-851	-979	-1,360
Changes in working capital after adjustments for non-cash components			
Loans and advances to other banks	10,291	3,769	131
Loans and advances to customers	-4,594	380	879
Trading assets.....	3,337	-1,650	-5,980
Hedging derivatives with positive fair values	-459	-78	-140
Other operating assets.....	-52	42	899
Deposits from other banks.....	-4,107	-7,996	475
Due to customers	5,788	7,280	4,264
Securitized liabilities.....	-9,395	-8,071	-4,138
Trading liabilities.....	1,068	642	441
Hedging derivatives with negative fair values	401	-856	-48
Other liabilities.....	146	-42	-134
Interest received.....	5,247	5,918	6,420
Interest paid.....	-3,386	-3,974	-4,605
Other income.....	55	12	29
Dividends received.....	23	31	17
Other operating expenses.....	—	-19	—
Income taxes paid	-34	-24	-6
Net cash used in operating activities	3,478	-5,615	-2,856
Proceeds from the disposal of			
Investment securities.....	18,583	8,601	15,956
Investments in subsidiaries	2	40	—
Property and equipment.....	2	2	58
Intangible assets.....	—	—	1
Payments to acquire			
Investment securities.....	-22,902	-2,893	-12,864
Investments in subsidiaries	-11	-1	—
Property and equipment.....	-49	-67	-179
Intangible assets.....	-40	-63	-72
Net cash from investing activities	-4,415	5,619	2,900
Dividends paid	-590	-99	-137
Net change in cash and cash equivalents from other financing activities	1,024	399	27
Net cash used in/from financing activities	434	300	-110
Cash and cash equivalents at start of period	1,623	1,307	1,373
Net cash used in operating activities	3,478	-5,615	-2,856
Net cash from investing activities.....	-4,415	5,619	2,900
Net cash used in/from financing activities.....	434	300	-110
Effect of exchange differences.....	5	12	—
Cash and cash equivalents at end of period	1,125	1,623	1,307

Cash and cash equivalents include cash, balances with central banks, public-sector debt instruments and bills eligible for rediscounting with the central bank.

The allocation of cash flows to operating activities is based on the definition of profit from ordinary activities. The change in other non-cash items relates in particular to changes in the positive and negative fair values of derivatives.

Notes to the Consolidated Financial Statements

Basis of preparation

(1) Basis of accounting

Postbank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) and thus in accordance with internationally accepted accounting principles. The accompanying consolidated financial statements satisfy the criteria set out in section 292a (2) of the HGB (German Commercial Code) for exemption from the obligation to prepare consolidated financial statements in accordance with the provisions of the HGB. The IFRS consolidated financial statements also comply with EC Directives 83/349/EEC (Consolidated Accounts Directive) and 86/635/EEC (Bank Accounts Directive) and GAS 1 (German Accounting Standard No. 1: Exempting Consolidated Financial Statements in accordance with section 292a of the HGB), and thus satisfy the disclosure requirements of the European Union (section 292a (2) 2b) of the HGB).

The consolidated financial statements for fiscal year 2004 were prepared in compliance with the International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB) and with the Interpretations of these standards by the International Financial Reporting Committee (IFRIC) insofar as they were applicable in 2004. Annex A.1 to these consolidated financial statements provides an overview of the IFRSs applied (as of December 31, 2004); Annex A.2 lists the IFRIC Interpretations applied (as of December 31, 2004).

Accounting and measurement are based on the going concern principle. Income and expenses are accrued. They are recognized and recorded in the period to which they relate.

The consolidated financial statements comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes.

Unless otherwise indicated, all amounts are shown in millions of euros (€m).

The IFRSs do not require a specific format for the presentation of the income statement and the balance sheet. In accordance with customary international practice, the income statement and the balance sheet are presented in a summary format complying with IAS 1 and 30, and supplemented by additional disclosures in the notes. All disclosures required by the EC 4th and 7th Directives and by Directive 86/635/EEC (Bank Accounts Directive) that are not already presented on the balance sheet or the income statement are contained in the notes.

(2) Significant differences between the accounting standards applied and the accounting principles of the HGB

In accordance with section 292a (2) 4 b) of the HGB, among others, exemption from the obligation to prepare consolidated financial statements in accordance with the HGB requires an explanation of accounting, measurement and consolidation policies that differ from those under German law.

(a) Creation of hidden reserves for general banking risks in accordance with section 340f of the HGB, disclosed reserves and presentation of allowances and provisions for losses on loans and advances

IAS 30.44 prohibits the creation of hidden reserves for general banking risks; this is permitted by section 340f of the HGB.

IAS 30.44 and IAS 30.50 permit the creation of reserves for general banking risks (as outlined in section 340g of the HGB) only as appropriations of retained earnings.

The allowance for losses on loans and advances is recognized under assets on the face of the balance sheet.

(b) Loans and advances

Under the IFRSs, loans held for trading are generally carried under trading assets; these also include trading derivatives with positive fair values.

In addition, IAS 39 classifies financial assets into originated loans and purchased loans, irrespective of whether or not they are securitized.

Under the HGB, all loans and advances are carried at their principal amounts. Deferred interest is allocated directly to loans and advances and carried under the relevant balance sheet item. Discounts and premiums are carried under prepaid expenses and deferred income.

Under the IFRSs, both deferred interest and discounts/premiums are recognized directly under the corresponding balance sheet items in which the loans are carried.

In accordance with IAS 39, originated loans are carried at amortized cost unless they are held for trading purposes. By contrast, originated loans held for trading are measured at their fair values.

Money market lendings are carried at amortized cost.

In accordance with IAS 39, purchased loans are measured at amortized cost if there is a positive ability and intent to hold them to maturity and they are thus classified as held-to-maturity financial assets. By contrast, if they are held for trading or available for sale, IAS 39.69 requires them to be measured at their fair values.

Gains or losses on the remeasurement of loans held for trading are recognized directly in net profit or loss for the period. For the recognition of measurement gains or losses on purchased available-for-sale loans, IAS 39 allows a one-time option to choose between recognition in the income statement and recognition directly in the revaluation reserve in equity. Postbank has opted to recognize such gains and losses directly in equity. Gains or losses on the remeasurement of purchased available-for-sale loans are therefore reported in the revaluation reserve in equity and are not recognized in the income statement until they are sold, collected, or otherwise disposed of, or until they are determined to be impaired (change in fair value due to change in credit risk).

(c) Leases

The HGB generally requires leased assets held under both finance and operating leases to be carried under tangible assets (property and equipment) at the lessor. Depreciation charges are recognized as administrative expenses.

Under the IFRSs, the asset is allocated to and recognized at the lessor or the lessee on the basis of the risks and rewards incident to ownership.

In contrast to the HGB, this means that the lessee must recognize assets held under finance leases including an obligation for future lease payments, while the lessor must recognize a corresponding receivable.

As with the HGB, the IFRSs stipulate that lessors must carry assets leased under operating leases as property and equipment, while the lessee does not recognize an asset or an obligation.

(d) Securities

Under the HGB, securities are assigned to the liquidity reserve or the trading portfolio, or are classified as long-term investments.

Under the HGB, securities assigned to the liquidity reserve or the trading portfolio are measured using the strict principle of lower of cost or market. They must therefore be carried at the quoted or market price or the fair value if this is lower than historical cost at the balance sheet date (section 253 (3) sent. 1 and 2 of the HGB). By contrast, long-term investments must be carried using the less strict principle of lower of cost or market as set out in section 253 (2) sent. 3 of the HGB. This means that these investments are only written down to the lower of cost or their quoted/market price or fair value in the event of expected lasting impairment. In the case of temporary impairment, the investments can be carried at either the lower value at the balance sheet date or at the existing higher value. In accordance with section 280 (1) of the HGB, the requirement to reverse write-downs applies up to the original historical cost, even if the quoted/market price is higher.

In accordance with IAS 39.10, securities are classified into four categories: held-to-maturity financial instruments, financial instruments purchased directly from the issuer, available-for-sale financial instruments and financial instruments held for trading.

In accordance with IAS 39.69 in conjunction with IAS 39.73, held-to-maturity financial instruments and financial instruments purchased directly from the issuer are carried at amortized cost. Financial instruments held for trading and available-for-sale financial instruments are generally measured at their fair values.

Remeasurement gains or losses on financial instruments held for trading are recognized in income. For the recognition of measurement gains or losses on available-for-sale financial instruments, IAS 39 allows a one-time option to choose between recognition in the income statement and recognition directly in the revaluation reserve in equity. Postbank has opted to recognize such gains and losses directly in equity. Gains or losses on the remeasurement of purchased available-for-sale financial instruments are therefore reported in the revaluation reserve in equity and are not recognized in the income statement until they are sold, collected, or otherwise disposed of, or until they are determined to be impaired.

If the reasons for a write-down no longer apply, any gain from reversal should be recognized in income (IAS 39.114). In the case of financial instruments held to maturity and financial instruments purchased directly from the issuer, the amount of any reversal may not result in the carrying amount exceeding what amortized cost would have been if no impairment had been recognized.

(e) Securities lending transactions

Under the HGB, the lender derecognizes lending transactions (securities loans) at their carrying amount and instead recognizes a (loan) receivable (asset swap). The borrower capitalizes the securities and expenses a corresponding obligation to return the securities.

In contrast to the HGB, the IFRSs state that an obligation to return the securities must only be recognized by the borrower if the securities are passed on to another party. The lender continues to recognize the securities.

(f) Derivatives and hedges

There are no specific rules in the HGB at present governing the measurement of derivatives, and the general valuation principles of sections 252ff. of the HGB are used. If a derivative has been purchased for trading purposes, measurement losses are recognized in income by setting up a provision (provision for anticipated losses) or by charging a write-down, while unrealized gains are not recognized. Unrealized measurement gains and losses on trading portfolios are offset. Remaining measurement losses on such portfolios are recognized in income by setting up a provision (provision for anticipated losses), while unrealized gains are not recognized.

By contrast, the HGB does not generally allow gains or losses to be recognized on the measurement of hedging derivatives. Under German accounting principles, the hedged item and the hedging instrument are accounted for as a micro- or portfolio hedge. The hedged item is carried at amortized cost on the balance sheet. The hedging instrument is generally not recognized on the balance sheet.

Under the HGB, banking book interest rate derivatives are also generally not recognized.

Under IAS 39, all derivatives must be recognized at their fair values, with gains and losses on remeasurement to fair value recognized in income. Derivatives held for trading are carried under trading assets (positive fair values) or trading liabilities (negative fair values).

As a rule, a derivative held for hedging purposes can be allocated to a single hedged item or to several similar hedged items. Such hedges are generally termed micro-hedges.

IAS 39 restricts the use of hedge accounting. Under the IFRSs, only hedges that meet the conditions set out in IAS 39.142ff. qualify for hedge accounting.

If the following conditions for hedge accounting in accordance with IAS 39.142 are met, the accounting treatment makes a distinction between fair value hedges and cash flow hedges:

- At the inception of the hedge, there is formal documentation of the hedging relationship that identifies the hedged item and the hedging instrument, the nature of the risk being hedged, the way in which the company measures the effectiveness of the hedge, and that specifies the risk management objective.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flow attributable to the risk, consistent with the originally documented risk management strategy for the hedging relationship concerned. A hedge is regarded as highly effective if, throughout the life of the hedge, it can be assumed that changes in the fair value or cash flow of the hedged item will be almost fully offset by changes in the fair value or cash flow of the hedging instrument. This is verified by effectiveness testing.

- For hedges of future cash flows, it must be highly probable that the planned underlying transaction which is to be hedged will occur, and the transaction must be exposed to risks relating to cash flow fluctuations which could affect the reported net profit or loss.
- The effectiveness of the hedge can be reliably measured.
- The effectiveness of the hedge is assessed on an ongoing basis and determined to be effective.

Derivatives entered into for the purposes of balance sheet structure management and derivatives from ineffective hedging relationships do not meet the conditions set out in IAS 39.142ff., and thus are always recognized in income and disclosed at their fair value as “Banking book derivatives” under trading assets/liabilities.

The criteria set out in IAS 39.142ff. must be satisfied at each balance sheet date and for each hedging relationship.

A fair value hedge is a hedge of the exposure to changes in the fair value of assets and liabilities where these changes are based on price risks. In accordance with IAS 39.153, the gain or loss on the hedged item attributable to the hedged risk should adjust the carrying amount of the hedged item and be recognized immediately in net profit or loss. This applies both to financial instruments carried at amortized cost (originated loans and securities purchased directly from the issuer) and to hedged items measured at fair value where gains and losses on remeasurement are generally recognized directly in the revaluation reserve (available-for-sale financial instruments). Changes in the fair value of the hedged item not attributable to the hedged risk are accounted for using the rules applicable to the relevant financial asset category.

The gains and losses from the remeasurement of the hedging instrument offset the gains and losses from the hedged items attributable to the hedged risk. They are recognized directly in net profit or loss for the period.

For cash flow hedges, the designation of a hedging instrument – in contrast to fair value hedges – serves to hedge risks arising from future cash flows. If the latter arise from a recognized transaction, however, the carrying amount of this transaction is not measured at fair value; this is because the subject of the hedge is not the fair value, but future cash flows. The hedging instrument is recognized in the balance sheet at its fair value. The resulting changes in the fair value of the effective portion are taken directly to the revaluation reserve in equity. The ineffective portion of the hedge is reported in the income statement.

A hedging relationship ends when the hedged item or the hedging instrument expires, is sold or exercised, or if the hedge no longer meets the criteria for qualification for hedge accounting.

As foreign currency derivatives are recognized at fair value, the establishment of a foreign currency translation adjustment item as prescribed by the HGB is not necessary.

(g) Pension obligations

Pension obligations arise from a direct commitment by a company to grant its employees future pension benefits. These obligations are liabilities of uncertain timing and amount. Section 249 of the HGB thus generally requires provisions to be set up for obligations from direct pension commitments.

The IFRSs require provisions to be recognized for both direct and indirect pension obligations. IAS 19 requires future economic and demographic trends (e.g. salary increases and career trends, selection of a comparable market rate of interest for discounting provisions) to be factored into the measurement of pension obligations. The IFRSs require the discount rate to be based on the capital market rates of high quality corporate bonds with matching maturities. This reflects the economic and demographic trends impacting the amount of obligations entered into by the company more accurately than is the case with HGB financial statements. IFRS pension obligations are calculated using the projected unit credit method. By contrast, calculation of pension obligations for German accounting and reporting purposes uses the net present value method in accordance with section 6a of the EStG (German Income Tax Act).

IAS 19 makes a distinction between defined contribution and defined benefit pension plans. A provision is recognized only for defined benefit plans (IAS 19.49), as defined contribution plans are recognized as a liability and an expense in the period (IAS 19.44) or carried as other liabilities (accrued expenses).

(h) Other provisions

IAS 37 prohibits the recognition of certain provisions for future internal expenses required to be recognized by section 249 (1) sent. 2 of the HGB. In addition, the recognition options set out in section 249 (1) sent. 3 and section 249 (2) of the HGB do not apply under the IFRSs.

(i) Recognition of amounts due to tax rules

Write-downs, appropriations to the special tax-allowable reserve and accelerated depreciation charges taken for tax reasons in accordance with the HGB are prohibited in IFRS financial statements.

(j) Deferred taxes

In accordance with sections 274 and 306 of the HGB, deferred taxes are recognized only for timing differences between accounting profit and taxable profit that will reverse in future years (timing concept).

Section 306 of the HGB requires deferred tax assets to be recognized, while section 274 (2) of the HGB sets out a recognition option. Deferred tax assets may not be recognized for tax loss carryforwards. The HGB allows deferred tax assets and liabilities to be offset.

By contrast, IAS 12 (revised 2000) uses the balance sheet liability method, under which all temporary differences between the carrying amounts in the tax base and the carrying amounts in the IFRS financial statements resulting in future benefits or expenses are recognized in the computation of deferred tax assets and liabilities.

Under the IFRSs, deferred tax assets and liabilities must be recognized, irrespective of whether the differing carrying amounts in the IFRS financial statements and the tax base have affected net profit or loss. The calculation of deferred tax assets and liabilities using the balance sheet liability method uses the future enacted local tax rates.

The IFRSs only permit deferred tax assets and deferred tax liabilities to be offset where the company has a legally enforceable right to set off tax assets against tax liabilities and the criteria set out in IAS 12.74 have been satisfied.

In addition, IAS 12 requires deferred tax assets to be recognized for tax loss carryforwards where their utilization is probable in future periods. Under the IFRSs, exceptions to the recognition of deferred taxes relate to permanent differences, undistributed profits of individual group companies, goodwill from capital consolidation and differences from the initial recognition of assets and liabilities.

(k) Trust activities

In accordance with IAS 30.55, trust transactions are not recognized on the balance sheet (as is the case with the HGB), but are disclosed in the notes.

(l) Minority interest

Under the HGB, minority interests in equity are reported under equity; under the IFRSs, they are reported in a separate line item between liabilities and shareholders' equity.

(m) Goodwill

Under the HGB, goodwill acquired in the course of a company acquisition must be capitalized and reported under goodwill. In accordance with section 309 (1) of the HGB, this goodwill may then be amortized by at least one-quarter in each subsequent fiscal year, amortized over the expected useful life, or offset against reserves on the face of the balance sheet.

In accordance with the IFRSs, goodwill must also be recognized as an intangible asset. With regard to the amortization and subsequent measurement of goodwill, a distinction must be made for fiscal year 2004 between companies that were acquired prior to or after March 31, 2004, with IAS 22 or IFRS 3 being applied accordingly. Goodwill arising from acquisitions effected prior to March 31, 2004 is amortized over the expected economic life in accordance with IAS 22 for the last time in fiscal year 2004. By contrast, amortization is no longer charged on goodwill arising from acquisitions effected after March 31, 2004, which is instead subject to IFRS 3. Goodwill must be tested annually for impairment to determine whether its carrying amount is recoverable. The recoverable

amount of goodwill is compared with its carrying amount, and an impairment loss is charged if the carrying amount exceeds the recoverable amount.

Under the HGB, negative goodwill is recognized as a liability and may only be reversed to income if a negative development in the results of operations expected at the acquisition date has occurred or it is clear at the balance sheet date that the negative goodwill represents a realized gain.

Under the IFRSs, a further distinction must be made between negative goodwill arising from acquisitions before and after March 31, 2004, with IAS 22 or IFRS 3 being applied accordingly.

For acquisitions prior to March 31, 2004, IAS 22 requires a distinction to be made depending on whether the negative goodwill can be attributed to expected future losses and expenses or not. In the first case, the income from the reversal of the negative goodwill must be recognized when the expected future losses and expenses are recognized. If the expected future losses cannot be specified, IAS 22.62 states that the corresponding income should be partly reversed over the remaining useful life of the asset and partly recognized as income immediately.

In accordance with IFRS 3.56 (b), any excess of the acquirer's interest in the net fair value of net identifiable assets over the cost of the business combinations after March 31, 2004 must be recognized as income immediately.

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, Bonn, 33 (previous year: 22) subsidiaries and two (previous year: two) joint ventures, all of which are presented in the list of shareholdings (note 57), are included in the consolidated financial statements as of December 31, 2004.

The Annual General Meeting on September 26, 2003 resolved to change the name of PB Erste Beteiligungen AG to PB Firmenkunden AG. The change in name took effect upon registration in the commercial register on February 3, 2004. The sales activities of Postbank's Corporate Banking business segment were outsourced to this company.

By way of a shareholder resolution on October 16, 2003, easytrade services Köln GmbH was renamed Betriebs-Center für Banken Frankfurt am Main GmbH. By way of a shareholder resolution on the same date, PB Zweite Beteiligungen GmbH was renamed Betriebs-Center für Banken Berlin GmbH. Both name changes took effect upon registration in the commercial register on November 24 and November 12, 2003 respectively.

Betriebs-Center für Banken Verwaltungs GmbH and Betriebs-Center für Banken Deutschland GmbH & Co. KG were established on December 19, 2003. On conclusion of the sale and transfer agreement dated December 19, 2003, Betriebs-Center für Banken Berlin GmbH and Betriebs-Center für Banken Frankfurt am Main GmbH were transferred by the sole shareholder Deutsche Postbank AG to Betriebs-Center für Banken Deutschland GmbH & Co. KG effective January 1, 2004.

Effective May 1, 2004, Betriebs-Center für Banken Deutschland GmbH & Co. KG acquired all shares of Dresdner Zahlungsverkehrsservice GmbH from Dresdner Bank.

Effective July 1, 2004, Betriebs-Center für Banken Deutschland GmbH & Co. KG acquired all shares of DB Payments Projektgesellschaft AG from DB New Ventures AG (Deutsche Bank Group). DB Payments Projektgesellschaft AG was renamed Betriebs-Center für Banken Payments AG in August 2004.

The respective parties have agreed not to disclose the purchase prices for Dresdner Zahlungsverkehrsservice GmbH and Betriebs-Center für Banken Payments AG.

The resolution adopted by the General Meeting of DSL Holding AG i.A. to transfer the shares held by the minority shareholders to the main shareholder, Deutsche Postbank AG, was entered in the commercial register on October 4, 2004. The entry of this resolution means that all the shares held by the minority shareholders have been transferred to Deutsche Postbank AG, which therefore holds 100% of the shares of DSL Holding AG i.A.

In conjunction with two issues of securities, four companies domiciled in Wilmington (State of Delaware, USA) were formed on October 18, 2004 and December 8, 2004 as wholly-owned subsidiaries of Postbank: Deutsche Postbank Funding LLC I, Deutsche Postbank Funding LLC II, Deutsche Postbank Funding Trust I and Deutsche Postbank Funding Trust II.

Accordingly, the following companies were newly included in the basis of consolidation by December 31, 2004:

- PB Firmenkunden AG, Bonn,
- Betriebs-Center für Banken Deutschland GmbH & Co. KG, Frankfurt/Main,
- Betriebs-Center für Banken Verwaltungs GmbH, Frankfurt/Main,
- Betriebs-Center für Banken Frankfurt am Main GmbH, Frankfurt/Main,
- Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main,
- Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main,
- Betriebs-Center für Banken Payments AG, Frankfurt/Main,
- Deutsche Postbank Funding LLC I, Wilmington, Delaware, USA,
- Deutsche Postbank Funding LLC II, Wilmington, Delaware, USA,
- Deutsche Postbank Funding Trust I, Wilmington, Delaware, USA,
- Deutsche Postbank Funding Trust II, Wilmington, Delaware, USA.

We have described the material effects of the initial consolidation of Dresdner Zahlungsverkehrsservice GmbH and Betriebs-Center für Banken Payments AG on Deutsche Postbank AG's consolidated financial statements in note 37. Details of additions to goodwill can be found in note 28. In conjunction with the formation of Deutsche Postbank Funding LLC I, Deutsche Postbank Funding LLC II, Deutsche Postbank Funding Trust I and Deutsche Postbank Funding Trust II, trust preferred securities with a volume of 6300 million were issued on December 2, 2004, followed by a second tranche of 6500 million on December 23, 2004. The initial consolidation of the other companies did not have any material effects.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), which requires the consolidation of special purpose entities under certain conditions, a total of 25 (previous year: 25) special funds were included as special purpose entities in the consolidated financial statements.

(4) Consolidation methods

In accordance with IAS 27.21, the consolidated financial statements of Postbank have been prepared in accordance with uniform Group accounting and measurement policies.

Consolidation of subsidiaries uses the purchase method in accordance with IAS 22.32 or, for subsidiaries acquired subsequent to March 31, 2004, the revaluation model under IFRS 3.36. The date of formation or acquisition was used as the date of initial consolidation of newly consolidated companies.

Joint ventures are proportionately consolidated in accordance with IAS 31.25.

Intercompany receivables and liabilities, as well as income and expenses from intercompany transactions, were eliminated in accordance with IAS 27.17f. Intercompany profits within the Group were eliminated in accordance with IAS 27.17f.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), special purpose entities must be consolidated under certain circumstances. At Postbank, this applies in particular to special funds.

(5) Accounting policies

(a) Cash reserve

With the exception of bills, which are carried at their fair values, all cash reserves are carried at their face value.

(b) Loans and advances

Originated loans and advances to other banks and customers are carried at amortized cost. Purchased loans in the available-for-sale portfolio are measured at their fair values, with gains and losses from remeasurement credited/charged directly to the revaluation reserve in equity. Loans and advances are recognized at the settlement date.

Impairments of loans and advances due to changes in credit risk are recognized separately in the allowance for losses on loans and advances, and deducted from assets.

The carrying amount of collateralized loans that qualify for hedge accounting is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums, discounts and transaction costs are recognized in net interest income. Deferred interest on loans and advances, as well as premiums and discounts, are carried together under the relevant items of loans and advances.

If loans have market values as defined by IAS 32.5, these are generally used as the fair value; if this is not the case, the fair value is determined using recognized valuation models.

(c) Leases

Where Postbank is the lessor of a finance lease, it discloses the receivable at its net investment value under loans and advances to other banks or loans and advances to customers. The lease installments due are recognized as interest income (interest component; recognized in income) and deducted from the receivables reported (principal redemption component; recognized in equity).

Where Postbank is the lessor of an operating lease, it carries the leased asset at amortized cost under property and equipment. The lease installments received during the respective period are reported in other operating income; write-downs on the leased asset are carried under administrative expenses.

Where Postbank is the lessee of an operating lease, it reports the lease installments paid in full as rental expense under other expenses.

(d) Allowances and provisions for losses on loans and advances, write-downs and impairment

Identifiable credit risks are covered by recognizing specific valuation allowances. General valuation allowances, whose amount is calculated on the basis of historical default rates, are also recognized for potential risks.

The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It relates to allowances for losses on loans and advances to other banks and customers.

A financial asset is impaired if its estimated recoverable amount is lower than its carrying amount, i.e. if a loan is presumed to be (partly) uncollectable. If this is the case, the loss on both assets carried at amortized cost (IAS 39.111) and assets carried at fair value (IAS 39.117) must either be recognized through an indirect write-down (loan loss allowance) or by writing down the asset directly and recognizing the loss in net profit or loss (IAS 39.111).

In accordance with IAS 39.111ff., the recoverable amount is determined using the following methods:

- The discounted present value of estimated future cash flows (interest and principal payments) from the financial asset;
- The market price, where there is an observable market price for the financial instrument, because marking-to-market reflects the greater counterparty risk (IAS 39.113).

Uncollectable loans and advances are written off directly against income in the appropriate amount; recoveries on loans previously written off are recognized in income.

Credit risk provisions are recognized for liabilities under sureties/and other guarantees involving a default risk.

(e) Trading assets

Securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the positive fair values of banking book derivatives. These transactions are recognized at the trade date.

Trading assets are measured at their fair values. Remeasurement gains and losses as well as gains or losses on the sale or disposal of trading assets are recognized in net trading income.

(f) Securities lending and repurchase agreements

Postbank enters into both securities lending and bona fide securities repurchase agreements. Securities sold under repo and sell-and-buy-back transactions (cash sales) are carried as securities in the consolidated balance sheet. Cash inflows from such transactions are carried in the balance sheet as deposits from other banks or amounts due to customers, depending on the respective counterparty. As is the case under the HGB, these cash inflows are disclosed in the amount of the purchase price received (net); prepaid expenses are recognized ratably for the repo rate to be paid. Interest payments are carried under interest expense.

Reverse repo and buy-and-sell-back transactions (cash purchases of securities) are carried as loans and advances to other banks or loans and advances to customers. The securities purchased are not carried in the balance sheet; interest arising from such transactions is carried under interest income.

(g) Hedging derivatives

The aim of asset/liability management at the Postbank Group is to manage the Bank's overall exposure in a way which minimizes risk while maximizing earnings, with a particular focus on present value risk and balance sheet related revenues under the IFRSs (the total of net interest income, net trading income and net investment securities).

The hedging strategies employed in asset/liability management aim to manage these factors in a constantly changing market and portfolio environment; fair value hedges are employed in particular.

For interest-bearing securities and noncurrent receivables, the instruments used in fair value hedges are primarily interest rate swaps. For issues, cross-currency swaps and structured swaps are also employed to convert fixed-income or structured items into variable-rate exposures. Fair value hedges are used to hedge both individual items and homogeneous subportfolios. Shares are managed using derivatives with option features.

Hedging derivatives relate to those hedging instruments that meet the requirements for hedge accounting set out in IAS 39.142ff. (note 2f). Effectiveness testing for all fair value hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument, supplemented by homogeneity testing of the subportfolios. Actual changes in the fair values of the hedged item and the hedging instrument are regularly compared retrospectively for each hedging relationship, supplemented by simulations in some cases.

Hedging derivatives are measured and carried at their fair values. Hedging derivatives are recognized at the trade date. A hedging relationship ends when the hedged item or the hedging instrument expires, is sold or exercised, or if the hedge no longer meets the criteria for qualification for hedge accounting.

The banking book derivatives entered into for the purposes of balance sheet structure management as part of asset/liability management do not satisfy the strict requirements for hedge accounting set out in IAS 39.142 ff., and are therefore disclosed as "banking book derivatives" under trading assets/liabilities. These derivatives generally relate to interest rate swaps entered into to hedge net positions of receivables and liabilities. Under the IFRSs, measurement gains and interest income from these items are recognized in net trading income.

(h) Investment securities

Investment securities are composed of bonds and other fixed-income securities, equities and other non-fixed-income securities, investments in unconsolidated subsidiaries and other equity investments.

Investment securities are measured at cost at the time of initial recognition. Available-for-sale investment securities are subsequently measured at their fair values. Changes in the fair values of available-for-sale investment securities are recognized directly in the revaluation reserve in equity and are not recognized in income

until the gain or loss is realized. If hedge accounting is used for these investment securities, gains and losses from changes in fair value attributable to the hedged risk are recognized directly in income.

Investments in unconsolidated subsidiaries and certain investments in associates are generally carried at amortized cost.

Held-to-maturity bonds and securities purchased directly from the issuer are carried at amortized cost. Premiums and discounts are allocated directly to the financial instruments and spread over the remaining maturity. Write-downs are charged in the event of permanent impairment. If hedge accounting is used for these investment securities, their carrying amount is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Write-downs are charged in the event of permanent impairment. Investment securities are recognized at the settlement date.

(i) Property and equipment

Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Determination of the useful life of an asset reflects physical wear and tear, technical obsolescence and legal and contractual restraints. Write-downs are charged in the event of additional impairment.

The carrying amount of property and equipment is reduced by straight-line depreciation over the following periods:

	Useful life (years)
Buildings	60
IT systems	4–7
Other operating and office equipment	3–20

For reasons of materiality, acquisitions of low-value assets are expensed immediately. Maintenance and repair costs for property and equipment are also expensed as incurred.

IAS 40 (Investment Property) defines investment property as property held to earn rentals and/ or for capital appreciation, rather than for supply of services or for administrative purposes or for sale in the ordinary course of business.

In the case of mixed-use property, a distinction is made between investment property and owner-occupied property by way of an assessment to determine whether the leased portion could be sold separately from the portion used for operating purposes. If this is the case, the two portions are accounted for separately: one portion as an item of property and equipment (owner-occupied property) and the other portion as investment property. A leased portion of less than 20% of the total area and less than 20% of total rental income is treated as insignificant.

IAS 40 allows an option to measure investment property at fair value or at cost. Postbank has opted to measure it at cost, and the necessary disclosures are contained in note (25).

(j) Other assets

In addition to intangible assets, prepaid expenses and all assets not allocated to other items of assets are carried under other assets.

Intangible assets are carried at amortized cost, and relate primarily to software and purchased goodwill.

The carrying amounts of intangible assets are reduced by straight-line amortization over a useful life of three to five years. Purchased goodwill is amortized over a standard useful life of 20 years. This does not apply to goodwill arising from acquisitions effected subsequent to March 31, 2004. Such goodwill is already subject to IFRS 3, which prohibits the amortization of goodwill. Impairment losses are recognized in the event of impairment or where no further economic benefits are expected to flow to the enterprise in the future.

Existing goodwill was translated in accordance with IAS 21.45 at the exchange rates applicable at the transaction date.

(k) Liabilities

Liabilities are carried at amortized cost (IAS 39.93).

The carrying amount of securitized liabilities that meet the requirements for hedge accounting is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums, discounts and issue costs are recognized ratably in net interest income.

(l) Trading liabilities

Derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the negative fair values of banking book derivatives. Remeasurement gains and losses as well as gains or losses realized on the settlement of trading liabilities are recognized in net trading income. Derivatives carried under trading liabilities are recognized at the trade date. In addition, short sales of securities are recognized at their negative fair value.

(m) Provisions

Adequate provisions have been recognized for uncertain liabilities and anticipated losses from onerous contracts at the balance sheet date.

Occupational pensions are governed by defined benefit plans and defined contribution plans. The defined benefit plans are fully funded by provisions for pensions and other employee benefits. Provisions for pension obligations for defined benefit plans correspond to the present value of pension entitlements earned at the valuation date. They reflect expected compensation increases and forecasted pension growth and are calculated on the basis of actuarial reports in accordance with IAS 19 (revised 2002). Pension obligations and pension expenses are calculated using the projected unit credit method.

The agreements that underlie the pension obligations provide for a range of benefits, depending on the beneficiaries concerned, such as:

- Old-age pensions starting at age 62 or 63, or 60 for the severely disabled;
- Invalidity pensions for total or occupational disability;
- Surviving dependents' pensions.

Postbank has assumed a direct occupational pension commitment for pensioners and employees admitted to the Bank's occupational pension plan who were previously insured with Versorgungsanstalt Post (VAP – Postal Service Institution for Supplementary Retirement Pensions).

Pension provisions are calculated using the following actuarial assumptions:

Discount rate	5.00% p.a.
Salary growth	2.5%
Pension growth	2.0%
Fluctuation	4.0% p.a.
Pensionable age	60–63 years
Disability	1998 Heubeck tables

In fiscal year 2004, the discount rate was reduced from 5.75% to 5.00% to reflect the development of capital market rates. The other actuarial assumptions remained unchanged.

In accordance with IAS 19.92, actuarial gains and losses are not recognized as income or expense until the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed 10% of the present value of the defined benefit obligation at this time.

(n) Currency translation

In accordance with IAS 21.11, all foreign currency monetary items and equities denominated in foreign currencies that are classified as non-monetary items in accordance with IAS 21.7 are translated into euros at the

middle spot rate at the balance sheet date. There were no material non-monetary items at the balance sheet date measured at (amortized) cost (in particular property and equipment, prepaid expenses and deferred income) and translated at the historical rate in accordance with IAS 21.7. Foreign currency income and expenses are generally translated at the exchange rate at the end of the month.

Exchange differences were recognized in income in accordance with the benchmark method (IAS 21.15-18).

The subgroup consolidated financial statements of the PB (USA) Holdings group prepared in US dollars were translated using the modified closing rate method (IAS 21.30). The resulting exchange difference was taken directly to equity.

(o) Income tax expense

Income taxes are recognized and measured in accordance with IAS 12 (revised 2000). Deferred taxes are generally recognized for all temporary differences between the carrying amounts in the IFRS financial statements and the carrying amounts in the tax accounts (tax base). Deferred tax assets are recognized for tax loss carryforwards in the amount of probable future utilization.

Deferred tax assets are carried under other assets; deferred tax liabilities are carried under provisions for taxes.

Deferred taxes are calculated using the expected tax rates. A tax rate of 39.9% was applied for fiscal year 2004.

Income and expenses from deferred taxes are recognized under income tax expense in net profit or loss for the period separately from current tax income and expenses. Recognition depends on the accounting treatment of the underlying item. For example, deferred taxes are recognized in net profit or loss if the balance sheet item is itself recognized in net profit or loss. Deferred taxes are credited or charged to the revaluation reserve in equity if the balance sheet item is itself credited or charged directly to equity (IAS 12.61), e. g. in the case of remeasurement of available-for-sale financial instruments.

(p) Reclassifications

To achieve a more transparent presentation and enable a comparison with the figures from the period under review, we have reclassified the previous year's figures in the item "Net fee and commission income".

(6) Effects of the IFRSs to be applied from January 1, 2005

With the "IAS 32/39" project and the "IAS Improvements Project", the IASB amended a number of IFRSs. The amended Standards must be applied from fiscal year 2005, as must the new Standards IFRS 1 to 5 (with the exception of IFRS 3, which must be applied to new acquisitions effected subsequent to March 31, 2004).

The main changes resulting from the application of the new Standards at Postbank from fiscal year 2005 relate to the following:

a) Impairment of equities

Under IAS 39.61 sent. 2 (rev. 2003), a significant or prolonged decline in the fair value of an equity instrument held by an enterprise below its cost now represents objective evidence of impairment.

The retrospective application of this revised standard entails the recognition of cumulative impairment losses on equities of approximately €408 million. This amount will be reclassified in equity from the revaluation reserve to retained earnings.

b) New definition of the asset category "Loans and Receivables"

IAS 39.9 (rev. 2003) redefines the category "Loans and Receivables" (LaR), among other things. Instead of the criterion "originated by the enterprise", the determining factor is now that the financial assets are not quoted in an active market (within the meaning of IAS 39, AG 71).

The previous classifications must be adjusted to reflect the new definition as of January 1, 2005.

c) *Amortization of goodwill*

Under IFRS 3, existing goodwill will no longer be amortized from fiscal year 2005 onwards, but is instead tested annually for impairment.

(7) *Significant events after the balance sheet date*

On December 23, 2004, Deutsche Postbank AG entered into a purchase agreement for the acquisition of the operations of ING-BHF Bank's London branch with effect from January 1, 2005. The London office employs 58 people and its activities are centered on commercial real estate finance in the United Kingdom.

Income statement disclosures

(8) *Net interest income*

	2004	2003
	€m	€m
Interest and current income		
Interest income from:		
Lending and money market transactions	2,993	3,194
Fixed-income and book-entry securities	1,971	2,115
Trading operations	222	261
Net gains on hedges	5	4
	5,191	5,574
Current income from:		
Equities and other non-fixed-income securities	77	35
Investments in associates	3	1
	80	36
	5,271	5,610
Interest expense on:		
Deposits	2,212	2,057
Securitized liabilities	934	1,348
Subordinated debt	103	85
Swaps (hedge accounting in accordance with IAS 39)	375	285
Trading operations	80	182
	3,704	3,957
Total	1,567	1,653

Interest income and expenses on swaps are reported as a net expense. The underlying transactions are hedging transactions that meet the criteria for qualification for hedge accounting in accordance with IAS 39. The interest expense on the trading portfolio includes imputed interest expenses of €80 million (previous year: €181 million).

Gains or losses from the remeasurement of fair value hedges are carried under net gains on hedges.

Net gains on hedges are composed of the following items:

	2004	2003
	€m	€m
Gains on the fair value remeasurement of hedged items	339	62
Losses on the fair value remeasurement of hedging transactions	-334	-58
Total	5	4

(9) Allowance for losses on loans and advances

	2004	2003
	€m	€m
Cost of additions:		
Specific valuation allowances	220	221
Global valuation allowances	4	—
	224	221
Cost of additions to provisions for credit risks	5	3
Direct loan write-offs	13	33
	242	257
Income from reversals:		
Specific valuation allowances	55	86
Global valuation allowances	—	7
	55	93
Income from the reversal of provisions for credit risks	1	3
Recoveries on loans previously written off	1	7
	57	103
Total	185	154

(10) Net fee and commission income

	2004	2003
	€m	€m
Money transmission and clearing business	341	321
Securities business	84	60
Lending and guarantee business	38	35
Other fee and commission income	149	51
Total	612	467

Other fee and commission income includes income from payment transaction services for third parties.

(11) Net trading income

Quoted prices are generally used to establish the fair values of trading assets and trading liabilities. The fair values of unlisted products are established using the discounted present value method or suitable option pricing models. In addition to trading income and expenses, net trading income also includes net remeasurement gains on trading assets.

	2004	2003
	€m	€m
Net income from sale of securities	67	275
Net gain on remeasurement of trading assets and liabilities		
Bonds and other fixed-income securities	5	142
Equities	—	2
	<u>5</u>	<u>144</u>
Net gain on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	2,192	1,079
Loss on derivatives	-2,077	-1,291
	<u>115</u>	<u>-212</u>
Foreign exchange gain/loss	11	-24
Total	<u>198</u>	<u>183</u>

The net gain on derivatives carried in the trading portfolio and the banking book includes an interest expense on swaps of €102 million (previous year: €436 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

	2004	2003
	€m	€m
Net income from interest rate products	67	410
Net gain on derivatives carried in the trading portfolio and the banking book	115	-212
Net income from equities	5	9
Foreign exchange gain/loss	11	-24
Total	<u>198</u>	<u>183</u>

(12) Net income from investment securities

Net income from investment securities contains net gains from the sale and remeasurement of investment securities, investments in unconsolidated subsidiaries and investments in associates.

	2004	2003
	€m	€m
Net income from securities purchased directly from issuers.....	49	-16
thereof net income from sale	49	-11
Gains on sale.....	70	60
Losses on sale	21	71
thereof net impairment loss.....	—	-5
Net income from available-for-sale investment securities	160	33
thereof net income from sale	165	35
Gains on sale.....	256	160
Losses on sale	91	125
thereof net impairment loss.....	-5	-2
Net income from loans to other banks	15	19
thereof net income from sale of originated loans	15	19
thereof net income from sale of available-for-sale loans	—	—
Net income from loans to customers	73	39
thereof net income from sale of originated loans	64	31
thereof net income from sale of available-for-sale loans	9	8
Total.....	297	75

	2004	2003
	€m	€m
Net income from bonds	173	37
Net income from promissory note loans	88	58
Net income from equities and other non-fixed-income securities	36	-19
Net income from investments in associates	—	-1
Total.....	297	75

(13) Administrative expenses

Administrative expenses are composed of staff costs, non-staff operating expenses and depreciation and write-downs of property and operating and office equipment. These expenses are composed of the following items:

	2004	2003
	€m	€m
Staff costs		
Wages and salaries	473	434
Social security contributions	45	35
Expenses for pensions and other benefits.....	104	139
	622	608
Other administrative expenses.....	1,196	1,121
Depreciation and write-downs of property and equipment.....	75	80
Total.....	1,893	1,809

€1 million of the depreciation of property and equipment relates to investment property (previous year: €1 million).

Write-downs of property and equipment in the amount of €3 million (previous year: €2 million) were charged in the year under review.

Other administrative expenses relate primarily to expenses for intragroup services received from Deutsche Post AG in the amount of €496 million (previous year: €454 million); IT costs of €259 million (previous year: €270 million); market communication costs of €65 million (previous year: €77 million); operating building and premises expenses of €45 million (previous year: €44 million); and legal, consulting and audit costs of €46 million (previous year: €28 million). €2 million of the other administrative expenses relates to investment property (previous year: €1 million).

Other administrative expenses include minimum lease expenses of €70 million (previous year: €68 million), composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

(14) Other income

	2004	2003
	€m	€m
Income from refund by the civil servants' special pension fund	34	6
Income from property and equipment	24	20
Income from uncollectable transactions	10	4
Income from the reversal of provisions	9	92
Income from the reversal of accruals	7	6
Net income from insurance business	7	11
Net income from profit transfer agreements	1	—
Income from retail outlet final settlement	—	11
Other operating income	69	68
Total	161	218

Income from property and equipment largely relates to rental income, €8 million of which relates to investment property (previous year: €9 million).

€7 million of the total other income in the amount of €161 million is attributable to proportionately consolidated joint ventures (previous year: €11 million) and corresponds to the net income from insurance business.

Other operating income contains lease income in the amount of €3 million (previous year: €2 million).

(15) Other expenses

	2004	2003
	€m	€m
Amortization and write-downs of intangible assets	47	34
Expenses for special projects	25	30
Expenses for other taxes	9	8
Expenses from property and equipment	7	7
Expenses for the Deutsche Bundespost Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	5	7
Expenses for risk compensation amounts of the Postbeamten- krankenkasse (Postal Civil Service Health Insurance Fund)	4	9
Expenses from retail outlet final settlement	4	—
Expenses from loss absorption agreements	—	1
Miscellaneous	32	40
Total	133	136

Expenses for other taxes relate primarily to land taxes amounting to €3 million (previous year: €3 million).

The miscellaneous item includes interest expense on payables to tax authorities in the amount of €1 million (previous year: €3 million).

(16) Income tax expense

Income taxes in the Group were composed of the following items:

	2004	2003
	€m	€m
Current income tax expense		
Corporate income tax and solidarity surcharge	20	18
Trade income tax	14	4
	34	22
Income/expense from prior-period income tax	-1	13
Effective income tax expense	33	35
Expense from deferred taxes		
from temporary differences	121	80
from loss carryforwards	49	29
	170	109
Total	203	144

The tax expense changed as follows:

	2004	2003
	€m	€m
Profit from ordinary activities after tax	421	353
Income tax expense	203	144
Profit before tax	624	497
Applicable tax rate	39.90%	41.20%
Expected income taxes	249	205
Tax effects		
Effect of tax rate change (German Flood Victims Act)	—	6
Effect of difference between applicable tax rates in Germany and abroad	-1	-3
Effect of tax-free foreign income	-5	-12
Effect of tax-free domestic income and non-deductible expenses	12	-14
Effect of previously unrecognized tax losses	—	-59
Effect of prior-period taxes	19	13
Effect of equities and investments resulting from section 8b KStG	-76	7
Other	5	2
	-46	-61
Income tax expense	203	144

Balance sheet disclosures

(17) Cash reserve

The cash reserve is composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Cash	623	791
Balances with central banks	502	831
Public-sector debt instruments and bills eligible for rediscounting		
with central banks	—	1
Total	1,125	1,623

€485 million (previous year: €745 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at end-December 2004 was €1,213 million (previous year: €1,214 million).

(18) Loans and advances to other banks

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Domestic banks		
Payable on demand.....	322	4,076
Other loans and advances.....	8,386	12,109
	8,708	16,185
Foreign banks		
Payable on demand.....	1,866	3,631
Other loans and advances.....	13,268	14,255
	15,134	17,886
Total.....	23,842	34,071

As of December 31, 2004, there were bona fide transactions under repurchase agreements amounting to €2.2 billion (previous year: €1.3 billion). Postbank is the lender in such transactions. Securities purchased under agreements to resell relate to listed bonds of public-sector issuers or German banks.

Loans and advances to other banks include fixed-interest loans in the amount of €21.3 billion and variable-interest loans in the amount of €2.5 billion.

In total, €67 million of loans and advances to other banks (previous year: €39 million) relates to proportionately consolidated joint ventures.

Loans and advances to other banks are classified as follows in accordance with the categories of financial instruments as defined in IAS 39:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Originated loans to other banks.....	18,570	27,390
thereof fair value hedges.....	1,928	2,246
Purchased loans to other banks (available-for-sale)	1,980	1,190
thereof fair value hedges.....	794	389
Money market lendings.....	3,292	5,491
Total	23,842	34,071

€8 million was taken to (previous year: €2 million withdrawn from) the revaluation reserve for losses on the measurement of unhedged purchased available-for sale loans to other banks. €0.2 million was taken to (previous year: €0.3 million withdrawn from) the revaluation reserve and recognized in income in the period under review from the disposal of available-for-sale loans to other banks.

(19) Loans and advances to customers

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Mortgage lending.....	22,306	17,209
Public sector	11,027	14,951
Installment credits	1,193	1,011
Other loans and advances	13,189	10,139
Total	47,715	43,310
thereof:		
Secured by mortgage charges	17,259	11,200
Public-sector loans.....	11,027	14,951

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Domestic customers.....	41,348	37,276
Foreign customers	6,367	6,034
Total	47,715	43,310

Loans and advances to customers without a fixed maturity amounted to 1.1% of total assets (previous year: 1.1%).

Loans and advances to customers include fixed-interest loans in the amount of €43.3 billion and variable-interest loans in the amount of €4.4 billion.

Loans and advances to customers relate to amounts due under finance leases in the amount of €7 million (previous year: €8 million). The respective gross investment value of these leases amounts to €33 million (previous year: €27 million). The total amount of future lease payments is €29 million (previous year: €24 million) and has the following maturity structure:

	Dec. 31, 2004
	€m
less than 1 year	7
1–5 years	14
more than 5 years.....	8
Total	29

Loans and advances to customers are classified as follows in accordance with the categories of financial instruments as defined in IAS 39:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Originated loans to customers.....	38,129	38,311
thereof fair value hedges	3,758	4,450
Purchased loans to customers (held to maturity)	638	710
Purchased loans to customers (available-for-sale)	8,948	4,289
thereof fair value hedges	1,506	1,627
Total.....	47,715	43,310

€2 million was taken to (previous year: €8 million withdrawn from) the revaluation reserve for losses on the measurement of unhedged purchased available-for-sale loans to customers. €6 million (previous year: €8 million) carried in the revaluation reserve was reversed to income in the period under review from the disposal of available-for-sale loans to customers.

Valuation allowances of €224 million were recognized in the year under review for originated loans to customers (previous year: €221 million).

(20) Total credit extended

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Loans and advances to other banks	23,842	34,071
Loans and advances to customers.....	47,715	43,310
Guarantees.....	1,110	1,254
Total.....	72,667	78,635

(21) Allowance for losses on loans and advances

The allowance for losses on loans and advances covers all identifiable credit and country risks. Global valuation allowances were recognized for the potential credit risk on the basis of historical amounts.

Risks have been provided for by an allowance for losses on loans and advances carried under assets, and by the recognition of provisions for credit risks.

The allowance for losses on loans and advances is composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Allowances for losses on loans and advances to other banks	2	3
Allowances for losses on loans and advances to customers.....	665	594
Total allowances for losses on loans and advances	667	597
Provisions for credit risks.....	9	5
Total.....	676	602

The allowance for losses on loans and advances carried under assets changed as follows in the year under review:

	Specific risks		Potential risks		Total	
	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m
Balance at Jan. 1.....	561	545	36	43	597	588
Additions						
Allowance charged to the income statement	220	221	4	—	224	221
Disposals						
Utilization.....	94	97	—	—	94	97
Allowance reversed to the income statement	55	86	—	7	55	93
Currency translation differences ..	5	22	—	—	5	22
Balance at Dec. 31.....	627	561	40	36	667	597

The total amount of loans at the balance sheet date for which no interest payments are received was €475 million (previous year: €424 million). Write-downs were charged on loans with a total volume of €988 million (previous year: €939 million). The outstanding interest receivables accounted for by these loans amounted to €84 million at December 31, 2004 (previous year: €66 million).

€13 million of loans and advances was written off directly in the year under review (previous year: €33 million). Recoveries on loans written off amounted to €1 million (previous year: €7 million).

(22) Trading assets

Group trading activities consist of trading in bonds and other fixed-income securities, equities and other non-fixed-income securities, promissory note loans and foreign currencies, as well as derivatives. All trading assets are carried at their fair values.

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
	€m	€m
Bonds and other fixed-income securities issued by		
Public-sector issuers	312	1,143
Other issuers	6,547	10,523
thereof money market instruments.....	101	483
	<u>6,859</u>	<u>11,666</u>
Equities and other non-fixed-income securities.....	82	21
Positive fair values of derivatives carried as trading assets	2,296	508
Positive fair values of banking book derivatives	458	393
Total	<u>9,695</u>	<u>12,588</u>

€1.1 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term, while €5.8 billion has a variable rate of interest (floaters).

The following amounts of bonds and other fixed-income securities, and equities and other non-fixed-income securities carried as trading assets, are negotiable and listed:

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
	€m	€m
Bonds and other fixed-income securities.....	<u>6,719</u>	<u>11,345</u>
Equities and other non-fixed-income securities.....	<u>82</u>	<u>21</u>

(23) Hedging derivatives

Hedges with positive fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Assets		
Hedging derivatives on loans to other banks		
Originated loans.....	4	5
	<u>4</u>	<u>5</u>
Hedging derivatives on loans to customers		
Originated loans.....	3	9
	<u>3</u>	<u>9</u>
Hedging derivatives on investment securities		
Bonds and other fixed-income securities.....	3	7
Equities and other non-fixed-income securities.....	1	1
	<u>4</u>	<u>8</u>
Liabilities		
Deposits from other banks	103	63
Due to customers	144	63
Securitized liabilities	438	672
Subordinated debt	277	12
	<u>962</u>	<u>810</u>
Total.....	<u>973</u>	<u>832</u>

(24) Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, investments in associates and investments in unconsolidated subsidiaries.

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Bonds and other fixed-income securities		
Public-sector issuers	13,378	14,530
thereof equalization claims against the government	12	25
Other issuers	27,084	22,853
	<u>40,462</u>	<u>37,383</u>
Equities and other non-fixed-income securities		
Equities.....	1,411	1,286
Investment fund shares	1,675	160
	<u>3,086</u>	<u>1,446</u>
Investments in associates.....	18	17
Investments in unconsolidated subsidiaries	15	13
Total.....	<u>43,581</u>	<u>38,859</u>

Bonds and other fixed-income securities contain collection documents amounting to €47 million (previous year: €44 million).

€33.6 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term, while €6.9 billion has a variable rate of interest (floaters).

€6 million of investment securities relates to proportionately consolidated joint ventures (previous year: €17 million).

Investment securities are classified as follows in accordance with the categories of financial instruments as defined in IAS 39:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Bonds and other fixed-income securities		
Purchased directly from the issuer.....	12,677	12,284
thereof fair value hedges	3,892	1,445
Held to maturity.....	2,444	2,633
Available for sale.....	25,329	22,441
thereof fair value hedges	10,274	12,441
(Originated) equalization claims against the government.....	12	25
	40,462	37,383
Equities and other non-fixed-income securities		
Available for sale.....	3,086	1,446
thereof fair value hedges	37	70
	3,086	1,446
Investments in associates (available-for-sale)	18	17
Investments in unconsolidated subsidiaries (available-for-sale).....	15	13
Total.....	43,581	38,859

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Bonds and other fixed-income securities.....	39,442	36,111
Equities and other non-fixed-income securities.....	2,314	1,284

Losses on the measurement of unhedged available-for-sale securities were charged directly to the revaluation reserve in the amount of €176 million (previous year: €328 million). €151 million (previous year: €33 million) carried in the revaluation reserve was reversed to income in the period under review from the disposal of investment securities and the recognition of impairment losses.

To enable it to enter into open market transactions, Postbank has pledged securities with an eligible value of €7 billion (previous year: €2 billion) as collateral to the European Central Bank. There were open market transactions amounting to €1 billion at the balance sheet date (previous year: €2 billion). The securities lodged as collateral are reported as investment securities.

Impairment losses totaling €5 million (previous year: €7 million) were recognized in fiscal year 2004 to reflect the economic performance of the financial instruments.

Changes in investment securities in fiscal year 2004 are presented in the following table:

	Investments in unconsolidated subsidiaries	Investments in associates	Bonds and other fixed-income securities	
			Held to maturity	Other long-term investment securities
	€m	€m	€m	€m
Historical cost				
Balance at Jan. 1, 2004	13	17	2,633	9,718
Exchange differences	—	—	—5	—
Additions	2	1	—	8,030
Disposals.....	—	—	184	10,028
Balance at Dec. 31, 2004	15	18	2,444	7,720
Write-downs/reversals of write-downs				
Balance at Jan. 1, 2004	—	—	—	—73
Current write-downs/changes.....	—	—	—	7
Reversals of write-downs.....	—	—	—	14
Balance at Dec. 31, 2004	—	—	—	—80
Carrying amounts				
Balance at Jan. 1, 2004	13	17	2,633	9,791
Balance at Dec. 31, 2004	15	18	2,444	7,800

With regard to bonds and other fixed-income securities, the statement includes only those securities which can be allocated to the IAS category “held to maturity” or, for other IAS categories, to the HGB category “fixed assets” (other long-term investment securities).

Disposals of bonds and other fixed-income securities in the IAS category “held to maturity” only occur as a result of the maturity of the relevant transactions. No securities were sold prior to maturity.

(25) Property and equipment

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Land and buildings	817	807
Operating and office equipment.....	100	131
Advance payments and assets under development	9	22
Total	926	960

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Land and buildings	Operating and office equipment	Advance payments and assets under development	Total
	€m	€m	€m	€m
Historical cost				
Opening balance at Jan. 1, 2003	1,043	466	5	1,514
Changes in basis of consolidation	—	—1	—	—1
Additions.....	1	43	23	67
Reclassifications.....	—	4	—4	—
Disposals	2	59	2	63
Exchange differences.....	—1	—	—	—1
Closing balance at Dec. 31, 2003	1,041	453	22	1,516
Changes in basis of consolidation	—	4	—	4
Additions.....	6	24	16	46
Reclassifications.....	22	6	—28	—
Disposals	3	61	1	65
Exchange differences.....	—	—	—	—
Closing balance at Dec. 31, 2004	1,066	426	9	1,501
	Land and buildings	Operating and office equipment	Advance payments and assets under development	Total
	€m	€m	€m	€m
Depreciation				
Opening balance at Jan. 1, 2003	221	316	—	537
Changes in basis of consolidation and other adjustments	—	—1	—	—1
Current depreciation	15	65	—	80
Reclassifications.....	—	—	—	—
Disposals	2	57	—	59
Exchange differences.....	—	—1	—	—1
Closing balance at Dec. 31, 2003	234	322	—	556
Changes in basis of consolidation and other adjustments	—	—	—	—
Current depreciation	18	57	—	75
Reclassifications.....	—	—	—	—
Disposals	3	53	—	56
Exchange differences.....	—	—	—	—
Closing balance at Dec. 31, 2004	249	326	—	575
Carrying amount at Dec. 31, 2003	807	131	22	960
Carrying amount at Dec. 31, 2004	817	100	9	926

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2004	Exchange differences	Additions	Disposals	Reclassifi- cations	Depreciation	Carrying amount at Dec. 31, 2004
	€m	€m	€m	€m	€m	€m	€m
Land and buildings	807	—	6	—	22	18	817
Operating and office equipment.....	131	—	28	8	6	57	100
Advance payments and assets under development.....	22	—	16	1	—28	—	9
Total	960	—	50	9	—	75	926

At the balance sheet date, assets under development include €8 million for costs that have already been incurred although the assets are still under development at the balance sheet date.

In 2004, items of property and equipment for which Postbank acts as the lessor under an operating lease consist of land and buildings; their maturity structure is as follows:

	Land and buildings
	€m
Historical cost	71
Cumulative depreciation	32
Carrying amount at Dec. 31, 2004.....	39
Minimum lease payments due	
less than 1 year	11
1-5 years	33
more than 5 years	38
Total	82

The disclosures relating to investment property for fiscal year 2004 are as follows:

	Third-party use	Rental income	Direct operating expenses	Restrictions on disposal	Disposal proceeds received	Contractual obligations
	%	€m	€m	€m	€m	€m
Investment property.....	86	8	2	—	—	—

The corresponding figures for fiscal year 2003 are as follows:

	Third-party use	Rental income	Direct operating expenses	Restrictions on disposal	Disposal proceeds received	Contractual obligations
	%	€m	€m	€m	€m	€m
Investment property.....	86	9	1	—	—	—

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Historical cost		Cumulative depreciation	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m
Investment property	198	198	59	58

The carrying amounts of investment property changed as follows in the year under review:

	Carrying amount at Jan. 1, 2004	Additions	Disposals	Reclassifications	Depreciation	Carrying amount at Dec. 31, 2004
	€m	€m	€m	€m	€m	€m
Investment property	140	—	—	—	1	139

The fair value of investment property amounts to €139 million (previous year: €140 million).

(26) Other assets

	Note	Dec. 31, 2004	Dec. 31, 2003
		€m	€m
Deferred tax assets	(27)	520	564
Intangible assets	(28)	168	168
Prepaid expenses		119	140
Receivables from tax authorities		81	24
Collection documents		1	—
Miscellaneous		136	77
Total		1,025	973

€78 million (previous year: €91 million) of the prepaid expenses relates to prepaid rent or lease expenses.

Miscellaneous other assets relate in particular to receivables from the insurance business amounting to €31 million (previous year: €19 million), trade receivables amounting to €51 million (previous year: €15 million) and advances amounting to €1 million (previous year: €4 million). Receivables from the insurance business are fully attributable to proportionately consolidated joint ventures.

(27) Deferred tax assets

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Deferred tax assets		
from temporary differences	294	289
from tax loss carryforwards	226	275
thereof domestic	220	261
foreign	6	14
Total	520	564

Deferred tax assets were recognized in connection with temporary differences relating to the following balance sheet items, and in connection with unused tax losses:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Assets		
Loans and advances	—	1
Allowance for losses on loans and advances	9	11
Trading assets	—	—
Hedging derivatives	—	—
Investment securities	1	2
Property and equipment	1	—
Other assets	128	35
Liabilities		
Amounts due to other banks and customers	409	77
Trading liabilities	404	397
Hedging derivatives	723	545
Provisions for pensions and other employee benefits	—	27
Other provisions	21	18
Other liabilities	13	5
	1,709	1,118
Tax loss carryforwards	226	275
Netted against deferred tax liabilities	1,415	830
Total	520	564

At December 31, 2004, there were no deductible temporary differences and tax loss carry-forwards for which no deferred tax assets were recognized in the balance sheet.

(28) Intangible assets

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Software.....	122	120
Purchased goodwill.....	28	21
Advance payments on intangible assets.....	18	27
Total.....	168	168

A comparison of historical cost and cumulative amortization with the prior period amounts is presented below.

	Software	Purchased goodwill	Advance payments on intangible assets	Total
	€m	€m	€m	€m
Historical cost				
Opening balance at Jan. 1, 2003.....	215	22	80	317
Changes in basis of consolidation.....	—	—	—	—
Additions.....	27	3	33	63
Reclassifications.....	86	—	—86	—
Disposals.....	42	—	—	42
Closing balance at Dec. 31, 2003.....	286	25	27	338
Changes in basis of consolidation.....	5	—	—	5
Additions.....	16	8	18	42
Reclassifications.....	27	—	—27	—
Disposals.....	5	—	—	5
Closing balance at Dec. 31, 2004.....	329	33	18	380

	Software	Purchased goodwill	Advance payments on intangible assets	Total
	€m	€m	€m	€m
Amortization				
Opening balance at Jan. 1, 2003.....	175	3	—	178
Changes in basis of consolidation and other adjustments.....	—	—	—	—
Current amortization.....	33	1	—	34
Reclassifications.....	—	—	—	—
Disposals.....	42	—	—	42
Exchange differences.....	—	—	—	—
Closing balance at Dec. 31, 2003.....	166	4	—	170
Current amortization.....	46	1	—	47
Additions.....	—	—	—	—
Reclassifications.....	—	—	—	—
Disposals.....	5	—	—	5
Closing balance at Dec. 31, 2004.....	207	5	—	212
Carrying amount at Dec. 31, 2003.....	120	21	27	168
Carrying amount at Dec. 31, 2004.....	122	28	18	168

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2004	Additions	Disposals	Reclassifications	Amortization	Carrying amount at Dec. 31, 2004
	€m	€m	€m	€m	€m	€m
Software	120	21	—	27	46	122
Purchased goodwill.....	21	8	—	—	1	28
Advance payments on intangible assets.....	27	18	—	-27	—	18
Total.....	168	47	—	—	47	168

Changes in the basis of consolidation are included in additions.

(29) Deposits from other banks

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Domestic banks		
Foreign banks.....	339	1,112
With an agreed maturity or withdrawal notice	11,884	11,317
	12,223	12,429
Foreign banks		
Payable on demand.....	577	115
With an agreed maturity or withdrawal notice	3,415	7,727
	3,992	7,842
Total.....	16,215	20,271

€2,978 million of the deposits from other banks is covered by fair value hedges (previous year: €894 million).

Deposits from other banks include fixed-interest deposits in the amount of €15.3 billion and variable-interest deposits in the amount of €0.9 billion.

As of December 31, 2004, there were bona fide securities repurchase agreements amounting to €2.3 billion (previous year: €7.1 billion). Postbank is the borrower in such transactions.

(30) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand and term deposits.

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Savings deposits		
With an agreed withdrawal notice of three months	35,838	33,363
With an agreed withdrawal notice of more than three months	320	376
	36,158	33,739
Other amounts due		
Payable on demand.....	21,255	20,227
With an agreed maturity or withdrawal notice	23,106	19,975
	44,361	40,202
Total.....	80,519	73,941
Domestic customers.....	79,516	72,768
Foreign customers.....	1,003	1,173
Total.....	80,519	73,941

€3,445 million of the amounts due to customers is covered by fair value hedges (previous year: €1,233 million).

Amounts due to customers contain fixed-interest deposits in the amount of €23.1 billion and variable-interest deposits in the amount of €57.4 billion.

(31) Securitized liabilities

Amounts reported as securitized liabilities relate to bonds, including mortgage bonds and public-sector mortgage bonds (*Pfandbriefe*), and money market instruments (e.g. Certificates of Deposit, Euro Notes, Commercial Paper).

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Mortgage bonds	181	878
Public-sector mortgage bonds (<i>Pfandbriefe</i>)	1,073	3,570
Other debt instruments	15,236	21,819
Total.....	16,490	26,267

€11,571 million of the securitized liabilities is covered by fair value hedges (previous year: €10,556 million).

Securitized liabilities include fixed-interest liabilities in the amount of €13.9 billion and variable-interest liabilities in the amount of €2.6 billion.

Repurchased own bonds amounting to €135 million (previous year: €337 million) were deducted directly from securitized liabilities.

(32) Trading liabilities

Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio and in the banking book as well as delivery obligations under securities sold short.

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Negative fair values of trading derivatives	2,111	506
Negative fair values of banking book hedging derivatives	540	1,139
Other trading assets	51	2
Total.....	2,702	1,647

(33) Hedging derivatives

Hedges with negative fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Assets		
Hedging derivatives on loans to other banks		
Originated loans	142	142
Purchased available-for-sale loans	37	34
	179	176
Hedging derivatives on loans to customers		
Originated loans	291	346
Purchased available-for-sale loans	89	109
	380	455
Hedging derivatives on investment securities		
Bonds and other fixed-income securities.....	1,253	1,062
Equities and other non-fixed-income securities.....	3	9
	1,256	1,071
Liabilities		
Deposits from other banks	—	2
Due to customers	—	2
Securitized liabilities	136	107
Subordinated debt	294	1
	430	112
Total.....	2,245	1,814

(34) Provisions

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Provisions for pensions and other employee benefits	584	572
Provisions for taxes		
for current tax liabilities.....	37	37
for deferred tax liabilities.....	957	836
	994	873
Other provisions.....	413	259
Total.....	1,991	1,704

€106 million of provisions is attributable to proportionately consolidated joint ventures (previous year: €72 million), of which €101 million (previous year: €68 million) relates to technical reserves (insurance) included in Other provisions and €2 million (previous year: €4 million) to provisions for deferred tax liabilities.

(35) Provisions for pensions and other employee benefits

The provisions for pensions and other employee benefits relate primarily to provisions for the obligations to pay occupational pensions on the basis of direct pension commitments. The nature and amount of the pension payments of those employees entitled to pension benefits are governed by the applicable pension rules (including pension guidelines and pension fund rules), which depend largely on the date of commencement of employment.

The provisions for pension obligations changed as follows:

	2004	2003
	€m	€m
Balance at January 1.....	572	563
Additions		
Current service cost.....	11	10
Interest cost.....	38	35
Asset transfer	2	4
Effects of plan curtailments and settlements.....	-32	2
Changes in basis of consolidation.....	33	—
	52	51
Utilization		
Pension benefits paid.....	40	42
Balance at December 31	584	572

Additions from asset transfers arose from the conversion of management bonus benefits to provisions for pension benefits. The expense was included in net income for the period in fiscal year 2003. In fiscal year 2004, €50 million was transferred from staff costs to provisions for pensions and recognized in the income statement (previous year: €47 million).

The provisions for pensions and other employee benefits are derived from the present value of the pension obligations:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Present value of pension obligations	714	614
Unrecognized actuarial losses	-130	-42
Provisions for pensions and other employee benefits.....	584	572

Due to adjustments to reflect the development of capital market rates, the amount of unrecognized actuarial losses is greater than 10% of the present value of the defined benefit obligation of €714 million (previous year:

€614 million). This excess amounts to €58.6 million and is amortized over an average period of 14 years in accordance with IAS 19. An amount of €2.6 million will be recognized in the income statement for the first time in 2005.

(36) Provisions for taxes

	Balance at Jan. 1, 2004	Utilization	Reversal	Additions	Balance at Dec. 31, 2004
	€m	€m	€m	€m	€m
Current taxes.....	37	7	5	12	37
Deferred taxes.....	836	—	—	121	957
Total	873	7	5	133	994

Provisions for current taxes relate to current payment obligations to the tax authorities.

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Assets		
Loans and advances.....	201	262
Trading assets.....	911	234
Hedging derivatives	171	178
Investment securities.....	919	858
Property and equipment.....	29	27
Other assets	9	9
Liabilities		
Amounts due to other banks and customers.....	3	—
Trading liabilities	—	—
Hedging derivatives	—	—
Provisions for pensions and other employee benefits	16	—
Other provisions.....	—	—
Other liabilities.....	113	98
	2,372	1,666
Netted against deferred tax assets	1,415	830
Total	957	836

(37) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2004	Changes in basis of consolidation	Utilization	Reversal	Additions	Balance at Dec. 31, 2004
	€m	€m	€m	€m	€m	Mio €
Restructuring	78	97	22	—	—	153
Technical reserves (insurance)	68	—	—	—	33	101
Risk compensation amounts of the Postbeamtenkrankenkasse (Postal Civil Service Health Insurance Fund).....	88	—	1	—	5	92
Miscellaneous.....	25	30	21	10	43	67
Total	259	127	44	10	81	413

The provisions for restructuring were set up as part of the principles resolved by the Management Board for a far-reaching reform of the operating and organizational structure. The aim is to create an organizational structure that is competitive in the long term and that meets the industry-standard development criteria.

As a result of the consolidation of Dresdner Zahlungsverkehrsservice GmbH and Betriebs-Center für Banken Payments AG, additions taken directly to equity of €59 million and €68 million respectively were recognized in the Other provisions. These consist of provisions for restructuring (€97 million), provisions for jubilee benefits (€9 million) and other provisions (€21 million).

Miscellaneous other provisions include provisions for litigation costs amounting to €3 million (previous year: €2 million), provisions for year-end closing costs amounting to €3 million (previous year: €3 million) and provisions for jubilee benefits amounting to €9 million (previous year: €1 million).

(38) Other liabilities

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Trade payables	56	55
Liabilities from other taxes	147	75
Liabilities from income taxes.....	1	1
Miscellaneous liabilities.....	310	234
Deferred income.....	3	6
Total	517	371

Miscellaneous liabilities include liabilities from early termination fees amounting to €17 million (previous year: €12 million), expenses for outstanding invoices amounting to €44 million (previous year: €38 million), expenses for services performed by Deutsche Post AG amounting to €107 million (previous year: €63 million), expenses for management bonuses amounting to €21 million (previous year: €11 million) and expenses for outstanding vacation entitlements and other compensated absences amounting to €23 million (previous year: €20 million).

In total, €21 million of other liabilities relates to proportionately consolidated joint ventures (previous year: €13 million).

(39) Subordinated debt

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Subordinated liabilities	1,512	1,315
Hybrid capital instruments.....	783	—
Profit participation certificates outstanding.....	458	354
Contributions by typical silent partners	55	55
Total	2,808	1,724

Due to the current maturity structure, only €2,457 million of the items reported as subordinated debt represents liable capital in accordance with the Basel Capital Accord.

The interest expense on subordinated liabilities amounts to €74 million (previous year: €61 million). Deferred interest not yet due amounting to €25 million (previous year: €23 million) is carried as subordinated debt and allocated to subordinated liabilities.

Hybrid capital instruments represent two issues with a total nominal value of around €800 million in the form of trust preferred securities that were issued by subsidiaries established for this purpose. Trust preferred securities are issued for an unlimited term and represent Tier 1 capital for banking regulatory purposes.

Deferred interest on hybrid capital instruments not yet due amounted to €2.1 million.

Holders of profit participation certificates receive an annual profit-related distribution ranking prior to shareholders' profit rights; the distribution right is reduced if and to the extent that no distributable profit is available.

The interest expense for 2004 on profit participation certificates outstanding totals €23 million (previous year: €20 million). Deferred interest not yet due amounting to €19 million (previous year: €20 million) is allocated directly to profit participation certificates.

Due to their contractual arrangements and economic substance, contributions by typical silent partners represent debt and are reported under subordinated debt in accordance with IAS 32.

The interest expense on contributions of assets by silent partners amounts to €4 million (previous year: €4 million).

A total of €1,297 million of the subordinated debt (previous year: €620 million) is hedged against changes in fair value, of which €514 million is attributable to subordinated liabilities and €783 million to hybrid capital instruments.

€2.7 billion of subordinated debt is fixed-interest, while €0.1 billion is variable-interest.

(40) Shareholders' equity

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Issued capital.....	410	410
Share premium.....	1,159	1,159
Retained earnings.....	3,002	3,002
Foreign currency translation reserve.....	-120	-94
Revaluation reserve.....	-144	-200
Unappropriated surplus.....	420	589
Total.....	4,727	4,866

Postbank's issued capital is composed of 164,000,000 no-par value registered shares.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions by up to a total of €41 million up to March 24, 2009 by issuing new, non-voting registered shares (preference shares) against non-cash contributions (authorized capital). This authorization can be exercised in full or in part. Shareholders' pre-emptive subscription rights are disappplied. The Management Board is authorized, with the consent of the Supervisory Board, to determine all additional rights attached to the shares and the conditions governing their issuance.

The gains or losses on the measurement of available-for-sale financial instruments reported in the revaluation reserve in equity changed as follows:

	Available-for-sale financial instruments	
	2004	2003
	€m	€m
Balance at January 1.....	-200	-473
Addition (+)/disposal (-).....	224	350
Available for sale, hedged (due to changes in credit risk).....	38	32
Available for sale, unhedged.....	186	318
Reclassified to the income statement [addition (+)/disposal (-)].....	-169	-43
Available for sale due to impairment.....	5	1
thereof hedged financial instruments.....	—	—
thereof unhedged financial instruments.....	5	1
Available for sale due to disposal/hedge termination.....	-174	-44
thereof hedged financial instruments.....	-12	-3
thereof unhedged financial instruments.....	-162	-41
Deferred taxes recognized directly in equity.....	1	-34
Balance at December 31.....	-144	-200

An amount of €169 million (previous year: €43 million) carried in the revaluation reserve was reversed to income from disposals of and valuation allowances on available-for-sale financial instruments in the year under review. In addition, the revaluation reserve rose by €224 million (previous year: €350 million) due to the remeasurement

of available-for-sale financial instruments. Deferred taxes recognized directly in equity decreased by €1 million (previous year: increase of €34 million) in the fiscal year under review to a closing balance of €91 million (previous year: €92 million); the revaluation reserve fell accordingly.

Other disclosures

(41) Segment reporting

Segment reporting by business division

Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	1,623	1,539	224	206	3	—	64	72	-347	-164	1,567	1,653
Net trading income	—	—	5	4	—	—	62	50	131	129	198	183
Net income from investment securities	—	—	5	5	—	—	1	2	291	68	297	75
Balance sheet-related revenues	1,623	1,539	234	215	3	—	127	124	75	33	2,062	1,911
Net fee and commission income	324	262	92	90	201	—	57	46	-62	69	612	467
Total income	1,947	1,801	326	305	204	—	184	170	13	102	2,674	2,378
Administrative expenses	-1,347	-1,326	-148	-145	-196	—	-81	-79	-121	-259	-1,893	-1,809
Allowance for losses on loans and advances	-118	-92	-40	-40	—	—	—	4	-27	-26	-185	-154
Other income/expenses	-2	-2	-1	-2	1	—	2	—	28	86	28	82
Profit before tax	480	381	137	118	9	—	105	95	-107	-97	624	497
Cost/income ratio (CIR) ...	69.2%	73.6%	45.4%	47.5%	96.1%	—	44.0%	46.5%	—	—	70.8%	76.1%
Return on equity before taxes (RoE)	23.6%	20.7%	31.3%	28.8%	—	—	15.9%	10.5%	-7.7%	-6.6%	13.7%	10.7%
Segment assets	24,740	19,704	14,410	12,531	240	—	18,252	16,711	67,191	79,882	124,833	128,828
Segment liabilities	56,970	54,693	17,674	14,346	73	—	8,562	7,011	32,647	46,076	115,926	122,126

Calculation of profit in the management accounting system is based on state-of-the-art standards for modern performance reporting. Income comprises net interest income, net fee and commission income, net trading income, and net income from investment securities. The "Others" item contains consolidation adjustments, items not attributable to the business divisions, unallocated overhead costs and Postbank's proprietary trading result.

Since the settlement of payment transactions is not banking business in the traditional sense, we do not report return on equity in our Transaction Banking business segment.

The prior-period amounts were adjusted to reflect the organizational structures prevailing in 2004 as well as modified allocation criteria.

Segment reporting by geographical region

The allocation of segments by the domicile of the branch or Group company produces the following distribution:

	Assets		Liabilities		Income		Profit before tax	
	2004	2003	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m	€m	€m
Germany	91,551	103,110	83,707	97,299	2,508	2,235	509	417
Others	33,282	25,718	32,219	24,827	166	143	115	80
Europe	30,720	22,941	29,965	22,370	93	68	81	54
USA	2,562	2,777	2,254	2,457	73	75	34	26
Total	124,833	128,828	115,926	122,126	2,674	2,378	624	497

(42) Contingencies and other obligations

Contingent liabilities arise from past events that will lead to possible future obligations. These obligations arise from the occurrence of uncertain future events whose settlement amount cannot be estimated with sufficient reliability.

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Contingent liabilities		
on guarantees and warranties	1,110	1,254
Other obligations		
Irrevocable loan commitments	13,518	12,890
Total.....	14,628	14,144

(43) Bonds outstanding

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Bonds outstanding		
Bonds issued	14,257	16,636
Registered mortgage bonds issued as collateral	82	85
Public-sector mortgage bonds (Pfandbriefe)/municipal bonds	36	69
Cover requirement for bonds outstanding	14,375	16,790

(44) Cover for bonds outstanding

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
	€m	€m
Cover for registered securities		
Loans to other banks and customers.....	8,593	6,670
Total registered securities requiring cover	<u>3,722</u>	<u>2,124</u>
Excess cover	<u>4,871</u>	<u>4,546</u>
Mortgage bond cover		
Loans to other banks and customers (mortgage loans).....	4,294	4,914
Total mortgage bonds requiring cover.....	<u>3,159</u>	<u>4,008</u>
Excess cover	<u>1,135</u>	<u>906</u>
Municipal bond cover		
Loans to other banks and customers and substitute cover in securities.....	9,763	12,788
Total municipal bonds requiring cover.....	<u>7,375</u>	<u>10,504</u>
Excess cover	<u>2,388</u>	<u>2,284</u>
Cover for interest expenses on registered securities		
Interest expenses on registered securities.....	170	97
Interest income from cover assets.....	<u>455</u>	<u>344</u>
Excess cover	<u>285</u>	<u>247</u>
Cover for interest expenses on mortgage bonds		
Interest expenses on mortgage bonds	177	223
Interest income from cover assets.....	<u>246</u>	<u>292</u>
Excess cover	<u>69</u>	<u>69</u>
Cover for interest expenses on municipal bonds		
Interest expenses on municipal bonds	377	497
Interest income from cover assets.....	<u>466</u>	<u>669</u>
Excess cover	<u>89</u>	<u>172</u>

(45) Foreclosures and compulsory administration

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
	Number	Number
Foreclosures pending.....	1,107	961
Compulsory administration proceedings.....	617	536
Foreclosures completed	<u>211</u>	<u>212</u>

(46) Fair value of financial instruments carried at amortized cost or hedge fair value

The fair values of financial instruments carried at amortized cost or hedge fair value on the balance sheet are compared with their carrying amounts in the following table:

	Dec. 31, 2004		Dec. 31, 2003	
	Carrying amount	Full fair value	Carrying amount	Full fair value
	€m	€m	€m	€m
Assets				
Cash reserve	1,125	1,125	1,623	1,623
Loans and advances to other banks	21,862	21,994	32,881	33,068
Loans and advances to customers	38,767	39,562	39,021	39,237
Allowance for losses on loans and advances.....	-667	-667	-597	-597
Investment securities.....	15,133	15,155	14,942	14,704
	76,220	77,169	87,870	88,035
Liabilities				
Deposits from other banks.....	16,215	16,463	20,271	20,791
Due to customers	80,519	80,602	73,941	73,448
Securitized liabilities and subordinated debt	19,298	19,564	27,991	28,152
	116,032	116,629	122,203	122,391

In general, fair value is calculated for all financial instruments. The only exceptions are items payable on demand and savings deposits with an agreed withdrawal notice of one year or less.

If there is an active market for a financial instrument (e.g. a stock exchange), the fair value is expressed by the market or quoted exchange price at the balance sheet date. If there is no active market, the fair value is determined using recognized valuation models (present value method or option pricing models). The valuation models used must reflect the key factors affecting the value of the financial instruments, and their parameters are based on market conditions at the balance sheet date. The cash flows used in the present value method are based on the contractual terms of the financial instruments.

(47) Foreign currency volumes

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Foreign currency assets	7,838	9,730
Foreign currency liabilities.....	7,348	9,916

(48) Disclosures on significant concentration of business

The percentage classification of Deutsche Postbank AG's loans by sector is as follows:

	2004	2003
	%	%
Dependent employees and other private individuals.....	33.8	22.5
Other enterprises and self-employed individuals	16.0	15.1
Public sector.....	16.3	18.4
Credit institutions.....	33.9	44.0
	100.0	100.0

The percentage classification by German and foreign residents is as follows:

	2004	2003
	%	%
German residents	70.9	68.3
Foreign residents.....	29.1	31.7
	100.0	100.0

(49) Financial instruments in accordance with IAS 39 – Measurement categories

	Fair value hedges		Unhedged		Total	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Assets	23,162	23,500	102,644	106,160	125,806	129,660
Originated loans	5,686	6,696	54,317	64,521	60,003	71,217
Loans to other banks	1,928	2,246	19,934	30,635	21,862	32,881
Loans to customers	3,758	4,450	34,371	33,861	38,129	38,311
Investment securities.....	—	—	12	25	12	25
Securities purchased directly from the issuer	3,892	1,445	8,785	10,839	12,677	12,284
Investment securities.....	3,892	1,445	8,785	10,839	12,677	12,284
Available-for-sale assets	12,611	14,527	26,765	14,869	39,376	29,396
Loans to other banks	794	389	1,186	801	1,980	1,190
Loans to customers	1,506	1,627	7,442	2,662	8,948	4,289
Investment securities.....	10,311	12,511	18,137	11,406	28,448	23,917
Held-to-maturity investments	—	—	3,082	3,343	3,082	3,343
Loans to customers	—	—	638	710	638	710
Investment securities.....	—	—	2,444	2,633	2,444	2,633
Held for trading	—	—	9,695	12,588	9,695	12,588
Trading assets	—	—	9,695	12,588	9,695	12,588
Hedging derivatives	973	832	—	—	973	832
Liabilities.....	21,536	15,117	99,443	110,547	120,979	125,664
Liabilities.....	19,291	13,303	96,741	108,900	116,032	122,203
Deposits from other banks.....	2,978	894	13,237	19,377	16,215	20,271
Due to customers	3,445	1,233	77,074	72,708	80,519	73,941
Securitized liabilities	11,571	10,556	4,919	15,711	16,490	26,267
Subordinated debt	1,297	620	1,511	1,104	2,808	1,724
Held for trading	—	—	2,702	1,647	2,702	1,647
Trading liabilities.....	—	—	2,702	1,647	2,702	1,647
Hedging derivatives	2,245	1,814	—	—	2,245	1,814

(50) Derivatives

The Postbank Group uses derivatives to hedge positions as part of its asset/liability management policy. They are also entered into for trading purposes.

Derivatives on foreign currencies are mostly entered into in the form of currency forwards, currency swaps, cross-currency swaps and currency options. Interest rate derivatives relate primarily to interest rate swaps, forward rate agreements and interest rate futures and options; forward transactions in fixed-income securities are occasionally entered into. Equity derivatives are entered into in the form of equity options and equity/index futures in particular. Credit derivatives (credit default swaps) were also entered into to a limited extent.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Trading derivatives	224,044	169,185	2,754	901	2,651	1,645
Hedging derivatives	39,203	34,059	973	832	2,245	1,814
Total	263,247	203,244	3,727	1,733	4,896	3,459

The following table presents the open interest-rate and foreign currency, conditional and unconditional forward and option contracts of the Postbank Group at the balance sheet date.

	Notional amount		Fair value			
	Dec. 31, 2004	Dec. 31, 2003	Positive fair values		Negative fair values	
			Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	1,340	548	35	34	66	23
Currency swaps	12,514	7,633	561	297	469	267
Total holdings of foreign currency derivatives	13,854	8,181	596	331	535	290
Interest rate derivatives						
OTC products						
Interest rate swaps	177,429	137,917	2,123	559	2,051	1,317
Cross-currency swaps	32	191	2	—	2	11
FRAs	2,310	920	—	1	—	1
OTC interest rate options	2,460	5,452	2	—	2	13
Other interest rate contracts	186	25	1	—	—	8
Exchange-traded products						
Interest rate futures	22,954	10,602	—	—	—	—
Interest rate options	2,915	5,240	1	5	—	1
Total holdings of trading derivatives ..	208,286	160,347	2,129	565	2,055	1,351

	Notional amount		Fair value			
	Dec. 31, 2004	Dec. 31, 2003	Positive fair values		Negative fair values	
			Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Equity/index derivatives						
OTC products						
Equity options (long/short).....	733	11	4	1	47	—
Exchange-traded products						
Equity/index futures	93	12	—	—	—	—
Equity/index options.....	246	570	9	3	1	1
Total holdings of equity/index derivatives.....	1,072	593	13	4	48	1
Credit derivatives						
Credit default swaps	832	64	16	1	13	3
Total holdings of credit derivatives.....	832	64	16	1	13	3
Total holdings of trading derivatives..	224,044	169,185	2,754	901	2,651	1,645
of which banking book derivatives.....	22,957	62,375	458	393	540	1,139
Hedging derivatives						
Fair value hedges						
Interest rate swaps	36,535	30,361	949	740	2,035	1,605
Cross-currency swaps	2,284	3,311	23	87	207	184
Equity options.....	383	386	1	1	3	9
Other interest rate contracts	—	—	—	4	—	16
Total holdings of hedging derivatives from fair value hedges	39,202	34,058	973	832	2,245	1,814
Cash flow hedges						
Credit default swaps	1	1	—	—	—	—
Total holdings of hedging derivatives from cash flow hedges	1	1	—	—	—	—
Total holdings of hedging derivatives .	39,203	34,059	973	832	2,245	1,814
Total holdings of derivatives	263,247	203,244	3,727	1,733	4,896	3,459

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values Dec. 31, 2004	Negative fair values Dec. 31, 2004	Positive fair values Dec. 31, 2003	Negative fair values Dec. 31, 2003
	€m	€m	€m	€m
Remaining maturity				
less than 3 months	291	322	383	376
3 months to 1 year	60	56	19	76
1 to 5 years.....	208	784	304	788
more than 5 years.....	414	1,083	126	574
	973	2,245	832	1,814
Trading and banking book derivatives				
	Positive fair values Dec. 31, 2004	Negative fair values Dec. 31, 2004	Positive fair values Dec. 31, 2003	Negative fair values Dec. 31, 2003
	€m	€m	€m	€m
Remaining maturity				
less than 3 months	1,000	921	386	607
3 months to 1 year	279	277	259	302
1 to 5 years.....	258	317	130	420
more than 5 years.....	1,217	1,136	126	316
	2,754	2,651	901	1,645

The remaining maturity is the period between the balance sheet date and the contractual maturity of the asset or liability.

The following table presents the positive and negative fair values of derivatives by counterparty.

	Positive fair values		Negative fair values	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
	€m	€m	€m	€m
Counterparties				
Banks in OECD countries	3,681	1,710	4,774	3,429
Public institutions in OECD countries	1	—	4	—
Other counterparties in OECD countries	45	23	118	30
	3,727	1,733	4,896	3,459

(51) Risk assets and capital ratio

The Postbank Group has undertaken to fulfill the capital adequacy requirements set out in the respective framework issued by the Basel Committee on Banking Supervision. This requires credit institutions to maintain capital of at least 8% of their risk-weighted assets (capital ratio). At least 4% of risk assets must consist of Tier 1 capital (Tier 1 ratio).

The Bank's regulatory own funds consist of Tier 1, Tier 2 and Tier 3 capital. Tier 1 capital primarily consists of issued capital, reserves and hybrid capital components. Tier 2 capital is primarily composed of profit participation certificates and subordinated long-term liabilities.

The regulatory own funds of the Postbank Group in accordance with the Basel Capital Accord were as follows at December 31, 2004:

	Dec. 31, 2004	Dec. 31, 2003*
	€m	€m
Risk-weighted assets	50,043	45,820
Market risk positions.....	5,938	3,600
Positions for which capital charges are required.....	55,981	49,420
Tier 1 capital	4,231	3,819
thereof: hybrid capital instruments	635	51
Tier 2 capital	1,862	1,366
Profit participation certificates outstanding.....	359	166
Subordinated liabilities	1,247	1,164
Other components	256	36
Tier 3 capital	—	—
Eligible own funds	6,093	5,185
Tier 1 ratio (%)	8.5	8.3
Capital ratio (%).....	10.9	10.5

* according to internal calculations

(52) Maturity structure

As of December 31, 2004:

	Payable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m	€m
Loans and advances to other banks.....	2,188	5,238	7,690	7,487	1,239	23,842
Loans and advances to customers	2,003	2,702	4,105	19,041	19,864	47,715
Trading assets	—	1,425	1,248	5,276	1,746	9,695
Hedging derivatives.....	—	291	60	208	414	973
Investment securities	3	1,776	1,394	11,028	29,380	43,581
Other assets.....	205	181	95	519	25	1,025
Total	4,399	11,613	14,592	43,559	52,668	126,831
Deposits from other banks.....	916	6,449	1,798	4,790	2,262	16,215
Due to customers.....	21,255	45,690	3,222	4,614	5,738	80,519
Securitized liabilities....	216	3,658	1,595	9,119	1,902	16,490
Trading liabilities	—	921	277	544	960	2,702
Hedging derivatives.....	—	322	56	784	1,083	2,245
Provisions.....	13	17	112	1,273	576	1,991
Provisions for pensions	1	13	39	184	347	584
Tax provisions	8	—	14	959	13	994
Other provisions ...	4	4	59	130	216	413
Other liabilities.....	286	120	85	26	—	517
Subordinated debt.....	14	—	87	342	2,365	2,808
Total	22,700	57,177	7,232	21,492	14,886	123,487

The remaining maturities of derivatives are presented separately in a table in note (50).

As of December 31, 2003:

	Payable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m	€m
Loans and advances to other banks.....	7,707	10,947	3,658	5,985	5,774	34,071
Loans and advances to customers.....	1,578	1,542	3,471	18,232	18,487	43,310
Trading assets.....	—	1,204	2,288	6,726	2,370	12,588
Hedging derivatives.....	—	383	19	304	126	832
Investment securities....	1,115	1,244	1,941	19,642	14,917	38,859
Other assets.....	194	27	56	636	60	973
Total	10,594	15,347	11,433	51,525	41,734	130,633
Deposits from other banks.....	1,227	11,007	887	3,482	3,668	20,271
Due to customers.....	20,227	41,430	3,318	5,105	3,861	73,941
Securitized liabilities....	239	7,191	4,412	9,626	4,799	26,267
Trading liabilities	—	607	302	420	318	1,647
Hedging derivatives.....	—	376	76	788	574	1,814
Provisions.....	28	20	74	1,066	516	1,704
Provisions for pensions	1	15	43	159	354	572
Tax provisions	19	—	14	840	—	873
Other provisions ...	8	5	17	67	162	259
Other liabilities.....	166	131	51	15	8	371
Subordinated debt.....	—	—	214	261	1,249	1,724
Total	21,887	60,762	9,334	20,763	14,993	127,739

(53) Subordinated assets

Assets are subordinated if their recovery as receivables ranks behind other creditors in the event of liquidation or bankruptcy of the issuer.

Balance sheet assets contain the following subordinated assets:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Loans and advances to customers	—	81
Loans and advances to other banks	16	16
Investment securities.....	—	5
Total.....	16	102

(54) Other financial obligations

Commencing in 2000, Postbank pays 33% of the gross compensation of its active civil servants and the notional gross compensation of its civil servants on leave of absence to a pension fund (*Unterstützungskasse*) established for this purpose. Postbank has no further obligations for benefits paid by the pension fund, which are the responsibility of the German government.

Postbank has issued a comfort letter for its subsidiary Deutsche Postbank International S.A., Luxembourg, in which it undertakes to ensure that, with the exception of political risk, Deutsche Postbank International S.A., Luxembourg will be able to meet its obligations.

Postbank has issued a comfort letter for its subsidiary PB Capital Corp., Delaware, USA, in which it undertakes to ensure that, with the exception of political risk, PB Capital Corp. will be able to meet its obligations.

Postbank has also issued comfort letters for the companies newly formed in the course of the Tier I issues, Deutsche Postbank Funding LLC I and II.

Up to December 31, 2004, Postbank had additional funding obligations from the deposit protection fund of the *Bundesverband Öffentlicher Banken Deutschlands e.V.* (Association of German Public Sector Banks) in the amount laid down in the bylaws. Since January 1, 2005, Postbank has had additional funding obligations from the deposit protection fund of the *Bundesverband deutscher Banken e.V.* (Association of German Banks) in the amount laid down in article 5 (3) of the statutes of the deposit protection fund. Postbank also has additional funding obligations under the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act) and the corresponding regulations issued by the Federal Ministry of Finance in the amount laid down therein.

In addition, Deutsche Postbank International S.A., Luxembourg, is a member of the “*Association pour la Garantie des Dépôts Luxembourg*” (AGDL), the Luxembourg deposit guaranty and investor indemnity fund.

Financial obligations from operating leases are broken down into the categories of assets shown below and have the following maturity structures:

	Intangible assets	Land and buildings	Operating and office equipment	Total
	€m	€m	€m	€m
less than 1 year	32	16	10	58
1–5 years	99	37	32	168
more than 5 years.....	—	20	—	20
Total	131	73	42	246

(55) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Trust assets		
Loans and advances to other banks	35	41
Loans and advances to customers	1,449	1,602
	1,484	1,643
Trust liabilities		
Trust funds for transmitted loans	694	749
Special fund of the State of Mecklenburg-Western Pomerania.....	45	45
Retired farmers’ pension fund.....	11	11
Special-purpose funds	734	838
	1,484	1,643

(56) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2004	Total 2003
Full-time		
Civil servants	2,519	3,001
Salaried employees	5,729	5,222
Wage earners.....	—	88
	8,248	8,311
Part-time		
Civil servants	715	790
Salaried employees	650	640
Wage earners.....	—	6
	1,365	1,436
	9,613	9,747

(57) Related party disclosures

In addition to the consolidated subsidiaries, the Postbank Group has direct or indirect relationships with a wide range of Deutsche Post World Net companies and a small number of unconsolidated subsidiaries in the course of its ordinary business activities. In the course of these activities, all transactions for the provision of goods and services entered into with the aforementioned companies were conducted on an arm's length basis at standard market terms and conditions.

The following section provides an overview of the companies included in the Postbank Group.

Subsidiaries

Name and domicile	Equity interest (%) direct	Equity interest (%) indirect
1) Fully consolidated companies:		
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Asset Management S.A., Munsbach, Luxembourg.....	100.0	
Deutsche Postbank Capital Management S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn.....	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn.....	100.0	
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn.....		90.0
Postbank Systems AG, Bonn	100.0	
Ralos Verwaltung GmbH & Co. Vermietungs KG, Munich.....	94.0	
DSL Finance N.V., Amsterdam, Netherlands	100.0	
DSL Holding AG i.A., Bonn	100.0	
Deutsche Postbank Financial Services GmbH, Frankfurt/Main	100.0	
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		90.0
DPBI Immobilien KGaA, Munsbach, Luxembourg.....	10.0	0.1
Postbank Leasing GmbH, Bonn.....	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, USA.....	100.0	
PB Capital Corp., Wilmington, Delaware, USA.....		100.0
PB Realty Corp., New York, USA.....		94.7
PB Finance (Delaware) Inc., Wilmington, Delaware, USA		100.0
PB Factoring GmbH, Bonn.....	100.0	
Postbank Vermögensberatung AG, Bonn	100.0	
Postbank Vermögensberatung Service GmbH, Cologne.....	100.0	
PB Firmenkunden AG, Bonn.....	100.0	
Betriebs-Center für Banken Deutschland GmbH & Co. KG, Frankfurt/Main	100.0	
Betriebs-Center für Banken Verwaltungs GmbH, Frankfurt/Main.....	100.0	
Betriebs-Center für Banken Frankfurt am Main GmbH, Frankfurt/Main.....		100.0
Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main		100.0
Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main		100.0
Betriebs-Center für Banken Payments AG, Frankfurt/Main.....		100.0
Deutsche Postbank Funding LLC I, Wilmington, Delaware, USA.....	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, USA.....	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, USA	100.0	
2) Proportionately consolidated companies:		
PB Lebensversicherung AG, Hilden.....	50.0	
PB Versicherung AG, Hilden	50.0	

Intragroup and associate receivables

Receivables from unconsolidated subsidiaries and associates are presented below:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Loans and advances to customers		
Subsidiaries	84	79
Associates.....	—	45
	84	124
Other assets		
Subsidiaries	17	7
Associates.....	8	3
	25	10
Total.....	109	134

The items relate primarily to receivables from Deutsche Post AG.

Intragroup and associate payables

Payables to unconsolidated subsidiaries and associates are presented below:

	Dec. 31, 2004	Dec. 31, 2003
	€m	€m
Deposits from other banks		
Subsidiaries	15	—
Associates.....	—	—
	15	—
Amounts due to customers		
Subsidiaries	1,093	607
Associates.....	9	—
	1,102	607
Other liabilities		
Subsidiaries	119	76
Associates.....	23	—
	142	76
Total.....	1,259	683

The items relate primarily to payables to Deutsche Post AG.

Income and expense from subsidiaries and associates

	2004	2003
	€m	€m
Net interest income		
Subsidiaries	3	1
Associates	1	—
	4	1
Net fee and commission income		
Subsidiaries	21	16
Associates	18	2
	39	18
Administrative expenses		
Subsidiaries	644	627
Associates	23	3
	667	630
Other income		
Subsidiaries	40	42
Associates	2	—
	42	42
Other expenses		
Subsidiaries	5	24
Associates	—	—
	5	24

Remuneration of the Management Board

The annual remuneration of the members of the Management Board is composed of fixed and variable components. Variable components relate primarily to the annual bonuses determined by the Supervisory Board on the basis of the Company's business development.

	Fixed remuneration component*	Performance- related component	Total
	€ thousand	€ thousand	€ thousand
Wulf von Schimmelmann, Chairman	787.5	964.8	1,752.3
Dirk Berensmann	400.0	472.8	872.8
Andreas Bezold (from April 1, 2004 until July 31, 2004)	133.3	66.7	200.0
Stefan Jütte	400.0	425.5	825.5
Wolfgang Klein	400.0	422.4	822.4
Loukas Rizos	500.0	715.1	1,215.1
Lothar Rogg	300.0	328.3	628.3
Ralf Stemmer (from July 1, 2004)	150.0	248.3	398.3
Total	3,070.8	3,643.9	6,714.7

* In addition, the members of the Management Board received "Other compensation" in the amount of €97.8 thousand, consisting primarily of the use of company cars, the reimbursement of travel costs and telephone costs, and special allowances for expenses incurred abroad. This compensation is taxable by the respective member of the Management Board. In principle, it is available to all members of the Management Board equally; the amount varies depending on different personal circumstances.

The total remuneration of the members of the Management Board in fiscal year 2004 amounted to €6,714.7 thousand, compared with €4,281.4 thousand in fiscal year 2003.

The remuneration paid to former members of the Management Board amounted to €1,885.4 thousand (previous year: €1,283.0 thousand). Provisions for pensions for these individuals were set up in the amount of €20,963.4 thousand (previous year: €20,409.6 thousand).

Remuneration of the Supervisory Board

In accordance with Article 15 of the Articles of Association of Deutsche Postbank AG, the annual remuneration of the members of the Supervisory Board is composed of a fixed component, a performance related component, and a performance-related variable component with a long-term incentive effect.

The fixed component amounts to €15,000, while the variable component amounts to €300 for each €0.03 by which the consolidated net profit per share (earnings per share) for the respective fiscal year exceeds the amount of €2.00. Short-term performance-related remuneration accounted for 25.2% of the total remuneration paid to the members of the Supervisory Board in fiscal year 2004.

Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect for fiscal year 2004 in the amount of €300 for each 1% by which the consolidated net profit per share for fiscal year 2006 exceeds the consolidated net profit per share (earnings per share) for fiscal year 2003. This remuneration is payable following the end of the 2007 Annual General Meeting.

Neither of the variable components may exceed €15,000.

The Chairman of the Supervisory Board receives double the remuneration specified above, while the Deputy Chairman receives one and a half times the remuneration specified above. The chairmanship of a Supervisory Board committee is remunerated by an additional amount the same as that specified above, while members of Supervisory Board committees additionally receive half this amount for each such position held. This does not apply for the committee formed in accordance with section 27 (3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding remuneration ratably.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses incurred in the exercise of their office. Any value added tax on the Supervisory Board remuneration and on any out-of-pocket expenses is reimbursed. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €250 for each meeting of the full Supervisory Board or one of the committees.

The total remuneration paid to members of the Supervisory Board for fiscal year 2004 amounted to €695.1 thousand (previous year: €488.0 thousand). The increase relates primarily to the amendment of the performance-related remuneration components that are recommended in the German Corporate Code. This was resolved by Deutsche Postbank AG in 2004.

The total remuneration was paid to the individual members of the Supervisory Board as follows:

	Fixed remuneration	Variable remuneration*	Total	Entitlement to remuneration with long-term incentive effect
	€ thousand	€ thousand	€ thousand	€ thousand
Zumwinkel.....	52.5	21.6	74.1	19.9
Sommer.....	45.0	19.0	64.0	17.1
Auer	15.0	6.4	21.4	5.7
Bolte.....	15.0	6.4	21.4	5.7
Boysen	10.0	4.3	14.3	3.8
Büschgen.....	5.0	2.1	7.1	1.9
Ernst.....	30.0	12.8	42.8	11.4
Harms.....	15.0	6.4	21.4	5.7
Hoch.....	11.3	5.1	16.4	4.3
Höhmnn.....	15.0	6.4	21.4	5.7
Jahn	7.5	3.5	11.0	2.8
Kallfelz	45.0	20.4	65.4	17.1
Krüger	37.5	16.0	53.5	14.2
Kuhlow.....	22.5	9.9	32.4	8.5
Petram	15.0	6.1	21.1	5.7
Schlede.....	22.5	9.4	31.9	8.5
Schüler	30.0	12.8	42.8	11.4
Schwarz.....	15.0	6.4	21.4	5.7
Soltmann	7.5	3.2	10.7	2.8
Tacke.....	15.0	6.4	21.4	5.7
von Schorlemer.....	10.0	4.3	14.3	3.8
Weiler	15.0	6.4	21.4	5.7
Zobeley	30.0	13.5	43.5	11.4
Total	486.3	208.8	695.1	184.5

* incl. attendance allowances

No payments or benefits were granted in return for services provided individually, especially consulting and arrangement services, with the exception of the remuneration of employee representatives as set out in their respective employment contracts.

In accordance with section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), members of the Supervisory Board and the Board of Management are required to disclose the purchase or sale of shares of Deutsche Postbank AG or rights to these shares, to the extent that they exceed the stipulated lower limit and are not acquired as a component of remuneration. No disclosures in accordance with section 15a of the WpHG were submitted to Deutsche Postbank AG.

The aggregate shareholdings of all members of the Management Board and Supervisory Board amount to less than 1% of the shares issued by the Company.

At the balance sheet date, loans of €397.4 thousand (previous year: €530.0 thousand) had been granted to members of the Management and Supervisory Boards; no loans were granted to members of the Management Board who retired in 2004. No other contingent liabilities had been entered into.

(58) Other disclosures

Postbank's consolidated financial statements are included in the consolidated financial statements of Deutsche Post AG.

In accordance with section 2 (4) of the *Postumwandlungsgesetz* (PostUmwG – Postal Service Transformation Act), the German government guarantees settlement of all liabilities existing at the time of Deutsche Postbank AG's registration in the commercial register. The government guarantee for savings deposits expired five years after the date of registration in the commercial register.

Until December 31, 2004, Deutsche Postbank AG was a member of the deposit protection fund of the *Bundesverband Öffentlicher Banken Deutschlands e.V.* and the investor compensation scheme of the *Bundesverband Öffentlicher Banken Deutschlands GmbH*. Since January 1, 2005, Deutsche Postbank AG has been a member of the deposit protection fund of the *Bundesverband deutscher Banken e.V.* and the *Entschädigungseinrichtung deutscher Banken GmbH* investor compensation scheme.

Postbank has issued guarantee bonds for its subsidiary PB Capital Corp., Delaware, USA, in the amount of \$2,779.4 million. These include a guarantee bond for swaps (\$37.9 million), a rental guarantee for business premises in New York (\$19.6 million) and a guarantee bond for the Commercial Paper program (\$2,721.9 million).

Postbank underwrites all issues by DSL Finance N.V.

(59) Members of executive bodies

Management Board

The members of the Management Board are:

Wulf von Schimmelmann, Bonn (Chairman)

Dirk Berensmann, Unkel

Andreas Bezold, Bonn

from April 1, 2004 until July 31, 2004

Stefan Jütte, Bonn

Wolfgang Klein, Bonn

Loukas Rizos, Bonn

Lothar Rogg, Bonn

Ralf Stemmer, Königswinter

since July 1, 2004

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2004 on supervisory boards or other supervisory bodies:

Wulf von Schimmelmann

Function

Chairman of the Supervisory Board

Chairman of the Supervisory Board

Chairman of the Supervisory Board

Chairman of the Board of Directors

Chairman of the Board of Directors

Deputy Chairman of the Supervisory Board

Member of the Supervisory Board

Member of the Board of Directors

Member of the Board of Directors

(since May 24, 2004)

Company

PB Lebensversicherung AG, Hilden

PB Versicherung AG, Hilden

PB Firmenkunden AG^{*)}, Bonn

PB (USA) Holdings, Inc., Wilmington (Delaware, USA)

PB Capital Corp., Wilmington (Delaware, USA)

Deutsche Postbank Financial Services GmbH, Frankfurt/Main

TCHIBO Holding AG, Hamburg

accenture Corp., Irving (Texas, USA)

Altadis S.A., Madrid (Spain)

Offices relinquished during the year

Member of the Management Board
(until Nov. 2, 2004)

Bundesverband Öffentlicher Banken Deutschlands e.V.
(VÖB), Berlin

New office from 2005

Member of the Management Board
(since January 1, 2005)

Bundesverband deutscher Banken Deutschlands e.V., Berlin

Dirk Berensmann

Function

Chairman of the Supervisory Board
Chairman of the Supervisory Board
(since May 3, 2004)
Member of the Supervisory Board
(since May 1, 2004)
Chairman of the Supervisory Board
(since July 1, 2004)
Deputy Chairman of the Advisory Board
Member of the Board of Directors
Member of the Management Board

Company

Postbank Systems AG, Bonn
Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main

Betriebs-Center für Banken Payments AG, Frankfurt/Main

einsnull IT-Support GmbH, Bonn
Eurogiro Network A/S, Taastrup (Denmark)
e-Finance Lab Frankfurt am Main, Frankfurt University

* Operated under the name of PB Erste Beteiligungen AG until February 2, 2004

Stefan Jütte

Function

Chairman of the Supervisory Board
Chairman of the Supervisory Board
Deputy Chairman of the Supervisory Board
Member of the Board of Directors
Member of the Board of Directors
Member of the Board of Directors
Member of the Supervisory Board

Member of the Advisory Board
(since October 5, 2004)

Company

Postbank Leasing GmbH, Bonn
PB Factoring GmbH, Bonn
PB Firmenkunden AG^{*)}, Bonn
Deutsche Postbank International S.A., Luxembourg
PB (USA) Holdings, Inc., Wilmington (Delaware, USA)
PB Capital Corp., Wilmington (Delaware, USA)
BVVG Bodenverwertungs- und Verwaltungsgesellschaft
mbH, Berlin
Sireo Real Estate Asset Management GmbH, Heusenstamm

* Operated under the name of PB Erste Beteiligungen AG until February 2, 2004

Wolfgang Klein

Function

Chairman of the Supervisory Board
Chairman of the Supervisory Board
(since May 28, 2004)
Member of the Supervisory Board
Chairman of the Advisory Board

Deputy Chairman of the Board of Directors
Deputy Chairman of the Board of Directors
Deputy Chairman of the Board of Directors
Deputy Chairman of the Board of Directors

Member of the Supervisory Board
Member of the Supervisory Board
Member of the Administrative Board

Company

Postbank Vermögensberatung AG, Bonn
Comma Soft AG, Bonn

VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen
GmbH, Bonn

Deutsche Postbank International S.A., Luxembourg
Deutsche Postbank Capital Management S.A., Luxembourg
Deutsche Postbank Asset Management S.A., Luxembourg
Deutsche Postbank Vermögens-Management S.A.,
Luxembourg

PB Lebensversicherung AG, Hilden
PB Versicherung AG, Hilden
VISA Deutschland e. V., Frankfurt/Main

Offices relinquished during the year

Chairman of the Management Committee
(until April 27, 2004)

Postbank P.O.S. Transact GmbH, Schwalbach am Taunus

Loukas Rizos

Function

Chairman of the Supervisory Board

Chairman of the Supervisory Board

Chairman of the Board of Directors

Chairman of the Board of Directors

Chairman of the Board of Directors

Chairman of the Board of Directors

Member of the Supervisory Board

Member of the Supervisory Board

Company

Deutsche Postbank Privat Investment Kapitalanlage-
gesellschaft mbH, Bonn

Deutsche Postbank Financial Services GmbH, Frankfurt/Main

Deutsche Postbank International S.A., Luxembourg

Deutsche Postbank Capital Management S.A., Luxembourg

Deutsche Postbank Asset Management S.A., Luxembourg

Deutsche Postbank Vermögens-Management S.A.,
Luxembourg

PB Firmenkunden AG^{*)}, Bonn

Postbank Vermögensberatung AG, Bonn

* Operated under the name of PB Erste Beteiligungen AG until February 2, 2004

Lothar Rogg

Function

Chairman of the Supervisory Board

Deputy Chairman of the Supervisory Board

Member of the Supervisory Board

Member of the Supervisory Board

Member of the Supervisory Board

Company

McPaper AG, Berlin

Postbank Vermögensberatung AG, Bonn

Deutsche Postbank Privat Investment Kapitalanlage-
gesellschaft mbH, Bonn

PB Lebensversicherung AG, Hilden

PB Versicherung AG, Hilden

Ralf Stemmer

Function

Chairman of the Supervisory Board

Chairman of the Advisory Board

Deputy Chairman of the Supervisory Board

Deputy Chairman of the Supervisory Board

Member of the Supervisory Board

Member of the Supervisory Board

Member of the Supervisory Board

Member of the Administrative Board

Member of the Advisory Board

Company

Postbank Immobilien und Baumanagement GmbH, Bonn

CREDA Objektanlage- und Verwaltungsgesellschaft mbH,
Bonn

Postbank Systems AG, Bonn

Deutsche Postbank Privat Investment Kapitalanlage-
gesellschaft mbH, Bonn

PB Pensionsfonds AG, Hilden

Danzas Deutschland Holding GmbH, Düsseldorf

Danzas GmbH, Düsseldorf

Bundesanstalt für Post und Telekommunikation Deutsche
Bundespost, Bonn

einsnull IT-Support GmbH, Bonn

Offices relinquished during the year

Chairman of the Advisory Board
(until July 1, 2004)

Einlagensicherungsfonds des Bundesverbands Öffentlicher
Banken Deutschlands e.V., Berlin

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives

Dr. Klaus Zumwinkel, Chairman of the Board of Management of Deutsche Post AG,
Bonn (Chairman) Wilfried Boysen, Hamburg

since May 12, 2004

Prof. Dr. Hans-E. Büschgen, Professor emeritus, Director of Forschungsinstitut
für Leasing, Cologne

until April 30, 2004

Dr. Edgar Ernst, Member of the Board of Management of Deutsche Post AG, Bonn
 Dr. Peter Hoch, Munich since July 1, 2004
 Dietrich Jahn, Deputy Head of Department, Federal Ministry of Finance, Berlin until April 30, 2004
 Prof. Dr. Ralf Krüger, management consultant, Professor at the Fachhochschule
 Wiesbaden, Kronberg
 Dr. Hans-Dieter Petram, Member of the Board of Management of Deutsche Post AG, Bonn
 Dr. Klaus Schlede, previously Deputy Chairman of the Management Board of
 Deutsche Lufthansa AG, Cologne
 Elmo von Schorlemer, lawyer, Aachen since May 12, 2004
 Dr. Manfred Schüler, State Secretary (retd.), Wachtberg
 Dr.-Ing. Dieter Soltmann, previously General Partner of Spaten–
 Franziskaner–Bräu KGaA, Munich until April 30, 2004
 Dr. Alfred Tacke, State Secretary, Federal Ministry of Economics and Labor, Berlin until December 31, 2004

2. Employee representatives

Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)
 Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Bonn
 Rosemarie Bolte, *Fachbereichsleiterin* of the ver.di trade union, Stuttgart
 Annette Harms, Member of Deutsche Postbank AG's Works Council, Hamburg Branch, Hamburg
 Ralf Höhmann, Member of Deutsche Postbank AG's Works Council, Stuttgart Branch, Stuttgart
 Elmar Kallfelz, Member of Deutsche Post AG's Group Works Council, Bonn
 Harald Kuhlow, expert advisor to the Works Council of Deutsche Postbank AG, Bonn
 Sabine Schwarz, Chair of Deutsche Postbank AG's Works Council, Berlin Branch, Berlin
 Christine Weiler, Chair of Deutsche Postbank AG's Works Council, Munich Branch, Munich
 Christel Zobeley, trade union official, Vereinte Dienstleistungsgewerkschaft (ver.di), Berlin

Offices held by members of the Supervisory Board of Deutsche Postbank AG as of December 31, 2004 on
 supervisory boards or other supervisory bodies:

Shareholder representatives

Dr. Klaus Zumwinkel

Function

Chairman of the Supervisory Board
 Member of the Supervisory Board
 Member of the Supervisory Board
 Member of the Board of Directors
 (since January 7, 2004)

Company

Deutsche Telekom AG, Bonn
 Deutsche Lufthansa AG, Cologne
 KarstadtQuelle AG, Essen
 Morgan Stanley, Delaware, USA

Dr. Edgar Ernst

Function

Member of the Supervisory Board
 Member of the Investment Committee

Company

Allianz Versicherungs-AG, Munich
 Deutsche Post Ventures GmbH, Bonn

Dr. Peter Hoch

Function

President (until June 30, 2004)
 Member of the Supervisory Board

Company

Mastercard Europe
 Giesecke & Devrient GmbH, Munich

Dr. Ralf Krüger**Function**

Chairman of the Supervisory Board
(since February 20, 2004)

Chairman of the Supervisory Board
Member of the Supervisory Board
Member of the Advisory Board
(since October 5, 2004)

Company

KMS AG

MITECH AG

Deutsche Post AG, Bonn

Sireo Real Estate Asset Management GmbH

Dr. Hans-Dieter Petram**Function**

Chairman of the Supervisory Board
(until December 31, 2004)

Chairman of the Advisory Board
Chairman of the Advisory Board
Chairman of the Advisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board

Company

Gästehaus Petersberg GmbH

Deutsche Post Bauen GmbH

Deutsche Post Global Mail GmbH

Deutsche Post Immobilienentwicklung GmbH

HDI Industrie Versicherung AG, Hanover

HDI Privat Versicherung AG, Hanover

HDI Service AG, Hanover

Dr. Klaus Schlede**Function**

Member of the Supervisory Board
Member of the Supervisory Board

Company

Deutsche Lufthansa AG, Cologne

Deutsche Telekom AG, Bonn

Elmo von Schorlemer**Function**

Chairman of the Supervisory Board
Chairman of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board

Company

IFP AG, Stuttgart

Securess AG Die Versicherungsmakler, Essen

VHV Autoversicherungs AG, Hanover

VHV Beteiligungs AG, Hanover

Dr. Alfred Tacke**Function**

Member of the Supervisory Board
Member of the Advisory Group

Company

Deutsche Bahn AG, Berlin

IKB Deutsche Industriebank AG, Düsseldorf

Employee representatives**Michael Sommer****Function**

Deputy Chairman of the Supervisory Board
Member of the Supervisory Board

Company

DGB Rechtsschutz GmbH, Düsseldorf

Deutsche Telekom AG, Bonn

Rosemarie Bolte**Function**

Member of the Supervisory Board

Company

Karlsruher Lebensversicherung AG

Annette Harms

Function

Member of the Supervisory Board

Company

Deutsche Post AG, Bonn

Elmar Kallfelz

Function

Member of the Administrative Board

Company

Bundesanstalt für Post und Telekommunikation, Bonn

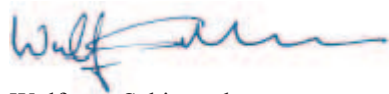
(60) Declaration of Compliance with the German Corporate Governance Code

On May 27, 2004, the Management Board and the Supervisory Board of Deutsche Postbank AG together published the declaration of compliance with the German Corporate Governance Code for fiscal year 2004 required by section 161 of the *Aktiengesetz* (German Stock Corporation Act). The declaration of conformity can be accessed on the Internet on our homepage at **www.postbank.de**.

Bonn, February 28, 2005

Deutsche Postbank Aktiengesellschaft

Management Board



Wulf von Schimmelmann



Dirk Berensmann



Stefan Jütte



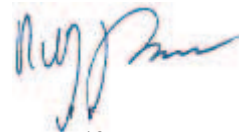
Wolfgang Klein



Loukas Rizos



Lothar Rogg



Ralf Stemmer

The group management report was prepared together with the consolidated financial statements for the fiscal year of 2004 and, naturally, only reflects circumstances known at such time. The group management report should therefore only be read together with the Sections "Postbank Group" and "Recent Developments and Outlook", which reflect the current information as of the date of this Offering Circular.

Group Management Report of Deutsche Postbank AG for the Fiscal Year of 2004

Macroeconomic environment

In 2004, the global economy grew more strongly than it has in almost 30 years. The US economy in particular regained its past strength and expanded in real terms by 4.4% year-on-year. The economic recovery was much weaker in the euro zone and Germany, which recorded growth rates of 1.8% and 1.7% respectively. Exports were the main growth driver in Germany, where domestic demand remained extremely muted in contrast to the USA. In the past year, Japan also profited substantially from the expansion in global trade and the considerable growth rates achieved by its key Asian trading partners.

The past year saw a global increase in inflation rates, primarily due to rocketing commodity and energy prices. However, these price increases were much broader-based in the USA in particular, thus driving up the US core inflation rate, which excludes energy and food. There are signs of a slight improvement at present, particularly as the price of major energy sources has not increased further.

In the light of robust economic growth and increasing inflation rates, the US Federal Reserve began progressively increasing its key rate in mid-2004. In contrast, the European Central Bank is hesitating to begin reversing its monetary policy, given the strong appreciation of the euro and the related negative effects on the economy and inflation. It was primarily the economic risks for the euro zone caused by exchange rates that led to lower returns in the second half of 2004 – in particular for medium- and long-term instruments. The euro yield curve has leveled off year-on-year on the back of largely unchanged money market rates.

Significant events in the year under review

PB Firmenkunden AG began operating at the start of the year under review. It specializes in serving the Bank's corporate customers by using the Group's service offerings and payment transactions expertise.

Postbank's new Transaction Banking business division took over the payment transaction activities of Dresdner Bank AG on May 1, 2004, and those of Deutsche Bank AG as of July 1, 2004.

June 23, 2004 was the highlight of the year for Postbank. Our shares were traded on the stock exchange for the first time on this day. 54,499,999 registered shares were directly issued at a price of €28.50, which meant that the proportion of free-float shares was 33.23%. At the same time, Deutsche Post issued a three-year exchangeable bond that will lead to a free float of 81,999,999 shares or 50.0% minus one share when the bond is exercised in full. Since September 20, 2004, Postbank's shares have been a member of the MDAX[®], the Dow Jones STOXX[®] 600 index and other indices.

We took over the activities of ING BHF Bank's London branch as of January 1, 2005.

Income statement

Postbank again generated record results in 2004. We substantially increased income by 12.4% to €2,674 million, while administrative expenses grew by only 4.6% to €1,893 million. The profit before tax rose by 25.6% to €624 million. With a slight increase in the tax rate, this meant that our net profit for the period improved by 19.3% to €420 million. We reduced the cost/ income ratio from 76.1% in 2003 to 70.8%. The cost/income ratio in the traditional banking business, i.e. excluding Transaction Banking, decreased to 68.7%. We improved our return on equity before taxes by three percentage points to 13.7%, compared with 10.7% in 2003.

Balance sheet-related revenues

We were able to increase income from the integrated management of our balance sheet (net interest income, net trading income and net income from investment securities) by 7.9% to €2,062 million. The level of interest rates again dropped substantially year-on-year – for example, ten-year bunds bore interest of only 3.68% at the end of 2004, compared with 4.29% at the end of 2003. As expected, this development led to some shifts in the structure:

- ***Net interest income***

Pressure on the Bank's net interest income due to falling interest rates was offset by the sharp increase in customer deposits and customer loans. This is illustrated by our quarterly figures, which improved continually as the year progressed (decrease of 5.2% to €1,567 million for the year as a whole).

- ***Net trading income***

Net trading income grew slightly by 8.2% to €198 million. Postbank's proprietary trading, which is governed by highly restrictive rules regarding risk, contributed €62 million to this compared with €50 million in the previous year.

- ***Net income from investment securities***

A fall in capital market rates is accompanied by an increase in fair values in our bond portfolio. In 2004, we pressed ahead with our concept of integrated management of Balance sheet-related revenues. This was therefore generated to a greater extent by net income from investment securities, which increased by €222 million to €297 million.

Net fee and commission income

The development of net fee and commission income was particularly encouraging, increasing significantly by 31.1% to €612 million. This particularly encouraging development is due to our continued success in selling products requiring substantial advisory services and our money transmission and clearing business, as well as to the insourcing activities of our new Transaction Banking business division. Having generated initial income in the second quarter from our acquisition of the respective Dresdner Bank units as of May 1, 2004, we also recorded income in the second half of the year from the settlement of payment transactions for Deutsche Bank, which we took over as of July 1, 2004.

Allowance for losses on loans and advances

The rise in the allowance for losses on loans and advances by 20.1% to €185 million reflects the strong increase in the volume of our customer loan business. The comparatively good risk structure of our portfolio is reflected by the fact that additions to write-downs increased only slightly on the previous year. Postbank will continue its efforts to pursue a conservative policy with regard to its allowance for losses on loans and advances – in particular given the difficult economic environment. In 2004, we therefore significantly reduced the reversal of write-downs from €93 million in the previous year to €55 million.

Administrative expenses

Administrative expenses increased by 4.6% year-on-year to €1,893 million. Continued efficiency gains are contrasted here by the additional costs incurred from the acquisition of Dresdner Bank's and Deutsche Bank's payment transaction units at our new Transaction Banking business division. Fees for intragroup services paid to Deutsche Post AG also rose from €454 million in 2003 to €496 million in the year under review, as a result of the sales success recorded by retail outlets.

Other income and expenses

The balance of other income and expenses fell from €82 million in 2003 to €28 million in the period under review. The high figure from the previous year is due in particular to extraordinary factors relating to the sale of subsidiaries.

Profit before tax

The profit before tax rose by 25.6% to €624 million. Retail Banking contributed €480 million to this, compared with €381 million in 2003; Corporate Banking €137 million as against €118 million; the Transaction Banking segment established in 2004 contributed €9 million; Financial Markets €105 million compared with €95 million; and the Others segment €-107 million compared with €-97 million in the previous year.

Net profit for the period

After the deduction of income taxes amounting to €203 million, which corresponds to a tax rate of around 33%, the profit from ordinary activities after tax is €421 million in the year under review, compared with €353 million in 2003. Minority interest amounts to €1 million, producing net profit for the period of €420 million – up 19.3% year-on-year.

Earnings per share based on 164 million registered shares rose from €2.15 in the previous year to €2.56 in 2004.

The Management Board intends to propose a dividend of €1.25 per share to the Annual General Meeting, corresponding to a total dividend of €205 million.

Segment reporting

Retail Banking

The performance of our core business division impressively reflects the success of our private customer strategy: we improved the segment's profit before tax by 26% from €381 million in 2003 to €480 million in the year under review. Total income increased by 8.1% from €1,801 million to €1,947 million. Net interest income rose by 5.5% to €1,623 million due to further substantial volume increases in deposits and the customer loan business in particular. For example, the volume of private mortgage lending grew by 29.6% to €22.306 billion. Our efforts to increase Postbank's consulting expertise are also paying off – as clearly shown by the encouraging increase in net fee and commission income. We were able to lift this item by 23.7% to €324 million due to considerable growth in our securities and money transmission and clearing business, as well as the strong services offered by our mobile sales arm that is currently being expanded. We achieved all this on the back of a comparatively low increase in costs. Administrative expenses remained almost unchanged, up only slightly by 1.6% to €1,347 million. The increase in the allowance for losses on loans and advances due to the substantial growth in the credit volume of €26 million to €118 million reflects Postbank's cautious policy in an economic environment that remains difficult. The cost/income ratio improved substantially by 4.4 percentage points to 69.2%, with the return on equity before taxes amounting to 23.6% compared with 20.7% in the previous year.

Corporate Banking

Our Corporate Banking business also developed encouragingly in 2004 by focusing on payment transaction solutions and selective lending. The profit before tax improved by 16.1% in the year under review to €137 million, compared with €118 million in 2003. This segment was also able to lift its income by 6.9% to €326 million, helped by virtually unchanged administrative expenses that grew only marginally by 2.1% to €148 million. At €40 million, the allowance for losses on loans and advances remained stable and on a par with the previous year. As a result, this segment also significantly reduced its cost/income ratio by 2.1 percentage points to 45.4%, while its return on equity before taxes again improved from 28.8% in the previous year to 31.3% in the year under review.

Transaction Banking

The new Transaction Banking business division was launched successfully, contributing €9 million to our pre-tax profit. Income from payment transaction settlement activities in the amount of €205 million was offset by administrative expenses totaling €196 million. The cost/income ratio – which is usually higher than the comparative figures for traditional banking business due to our business structure – amounted to 96.1%.

Financial Markets

The Financial Markets segment also increased its pre-tax profit in the year under review by 10.5%, from €95 million in 2003 to €105 million. Its 8.2% income growth relates firstly to the contribution made by proprietary trading, which increased by 24% to €62 million due to the adherence to strict risk limits; secondly, it reflects the success of the fund products launched by Postbank. Net fee and commission income grew by 23.9% to €57 million. This segment was also able to keep its increase in administrative expenses within narrow limits. These rose by only 2.5% to €81 million, which resulted in an overall improvement in the cost/ income ratio from 46.5% in the previous year to 44.0%, and in an increase in the return on equity before taxes from 10.5% in 2003 to 15.9%.

Others

The Others segment closed 2004 with a loss that was on a par with the previous year. The loss before tax was €107 million, compared with €97 million in 2003. Here, too, the composition of Balance sheet-related revenues reflects the decline in interest rates. Although net interest income fell substantially by €183 million to €347 million, net trading income and net income from investment securities made a positive contribution. As a result, Balance sheet-related revenues improved by an impressive €42 million to €75 million.

The significant changes in administrative expenses and net fee and commission income are mainly due to the launch of the new Transaction Banking segment and the corresponding consolidation measures, as well as to the sale of subsidiaries.

Balance sheet

As planned, Postbank continued its policy of reducing its total assets in the period under review, which fell by €4.4 billion from €132.6 billion at the end of 2003 to €128.2 billion, while substantially improving its balance sheet structure. On the one hand, our successful business model enabled us to significantly expand loans and advances to customers and amounts due to customers. On the other hand, we have considerably reduced low-interest loans and advances to other banks, as well as comparatively expensive refinancing instruments such as securitized liabilities.

Loans and advances to customers

Overall, we increased loans and advances to customers by around €4.4 billion in the year under review. The success of our efforts is illustrated in particular by the fact that we simultaneously reduced the lower-margin public sector receivables included in this item by around €3.9 billion to €11.0 billion. On the other hand, we have significantly expanded private mortgage lending by €5.1 billion to €22.3 billion, for example. Our successful customer business contributed to this, as did increased purchases of loan portfolios.

Money and capital market investments

As planned, we substantially reduced loans and advances to other banks by around €10.2 billion to €23.8 billion. We also decreased trading assets by almost €2.9 billion, while investment securities rose by €4.7 billion to €43.6 billion.

Amounts due to customers

In 2004, we continued our growth trend in amounts due to customers, which increased by €6.6 billion compared with the end of 2003. For example, in this period we generated an additional savings volume of €1.8 billion – comprising savings deposits, “Kapital Plus” savings products and savings bonds. The increase in amounts with an agreed maturity or withdrawal notice is mainly due to higher term deposits by corporate customers.

Money and capital market liabilities

In the course of 2004, we continually reduced refinancing using securitized liabilities – which is comparatively expensive for Postbank – by almost €9.8 billion according to the maturity structure of the liabilities. We also decreased deposits from other banks by €4.1 billion.

Equity

At the end of 2004, equity carried in Postbank’s balance sheet was €4.727 billion, a year-on-year decline of €139 million due to the dividend paid.

For the first time, we have officially applied the standards issued by the Bank for International Settlements (BIS) to calculate our tier 1 ratio. The figure determined using this method is 8.5% for 2004, compared with 8.3% for the previous year based on adjusted internal calculations.

Outlook

Economy and interest rates

The signs are that the upturn in the global economy will continue in 2005 at a slightly slower pace. In real terms, gross domestic product is expected to increase by 3.4% in the USA and by 1.8% in the euro zone. In contrast, the German economy is likely to expand by only around 1.2%. If the euro continues to appreciate, it could put a major damper on the economic upturn – especially as investment and private consumption are not yet growing strongly enough to fully offset the negative effects of foreign trade.

In the USA, the devaluation of the dollar could result in a risk of inflation. Even if commodity prices stop rising, cost increases at upstream stages of production will continue a while longer and lead to an increase in the core inflation rate. There are signs of a slowdown in productivity growth in the USA, which could fuel inflation if wages continue to increase sharply. In the euro zone, the consequences of commodity price hikes will be cushioned to a certain extent by the strong appreciation of the euro. Inflation risks will therefore be limited – particularly as price pressure is not increasing noticeably given moderate wage increases and generally weak domestic demand.

Reflecting inflation risks and robust economic data, the Federal Reserve will continue the strategy it started in mid-2004 of progressively increasing key rates. By the end of 2005, the key US rate should have reached an almost neutral level of around 3.75%. However, the European Central Bank (ECB) is expected to continue taking its time over key rate increases. The economic data for the euro zone is extremely varied at present – not least due to the impact of the currency's appreciation. As a result, it is highly likely that the ECB will not increase its key rate until the euro has permanently come down from its highs and an improvement in economic data is apparent. This should be the case by around the middle of the year at the earliest. Key rates in the euro zone may reach 2.50% by the end of 2005.

In the light of economic developments and the key rate increases forecast for 2005, the returns on long-term US government bonds are at an exceptionally low level. An upward adjustment is extremely likely in the course of the year, with the returns on German government bonds set to follow the US trend.

Postbank

We intend to continue our successful progress in customer business in 2005.

In Retail Banking, we will further expand our business involving substantial advisory services, with a particular focus on our consumer credit business and mortgage lending. If interest rates remain low, the growth rates in our deposit business are likely to level off. Our priorities are income growth and strict cost control.

In Corporate Banking, we will continue to focus on attractive payment transaction solutions and selective lending business. This segment will continue to generate moderate growth as a result of its risk-conscious lending policy.

In Transaction Banking, we intend to expand our role as an insourcer on the German market, and aim to take over the settlement of payment transactions for another German bank.

The number of employees in the Postbank Group will fall as a result of the planned reduction in our Transaction Banking segment. Postbank will remain focused on systematic cost management.

Postbank remains committed to its goals of achieving a return on equity before taxes of 15% in 2006, and reducing its cost/income ratio in the traditional banking business to below 65%. We aim to take a major step towards achieving these goals in 2005.

Risk Report

Risk management strategy and objectives in the Group

The Postbank Group defines risk management as a feedback system that enables a systematic, permanent process across all areas of the Postbank Group, based on defined objectives. This process consists of strategy, analysis, evaluation, management and monitoring of overall bank risks.

Risk management thus forms part of the risk- and earnings-based overall management of the Group. The Postbank Group aims to ensure that risks are entered into in a controlled manner in terms of the Group strategy and the available risk capital. An effective risk management system provides the necessary stimulus for strategic and daily business decisions, and enables the responsible, earnings-driven management of risk. The Postbank Group measures this management of risk for its board departments and business divisions using the ratio of capital employed to earnings, expressed as RoE (return on equity).

Organization of risk management

The Postbank Group has created the basis for risk- and earnings-based overall Group management by organizing its risk management activities.

The Group Management Board is responsible for risk strategy, the appropriate organization of risk management, monitoring the risk content of all transactions, and risk control.

In conjunction with the Risk Committees, the Group Management Board has defined the underlying strategies for activities on the financial markets and the other business sectors of the Group. The Group Management Board takes decisions on risk capital, the limiting procedures and limit levels for all risks associated with the banking and non-bank business; it defines the products and markets in which the Postbank Group will be active.

The Market Risk Committee (MRC), made up of members of the Management Board, is responsible for the strategic management of the Group's market price risks and thus also for the allocation of the market price risk capital made available by the Management Board. It performs this management function by assessing the current market situation, economic expectations and the Group's liquidity position.

In addition to the market price risks of the trading departments, strategic management by the Market Risk Committee encompasses in particular the market price risks in the investment book and the strategic positions.

In the Credit Risk Committee (CRC), the Management Board members responsible define the framework for the Group's credit policy to be approved by the whole Management Board. In addition, the Credit Risk Committee allocates the credit risk capital made available by the Management Board to the profit centers and develops optimization strategies for the Group's lending portfolio.

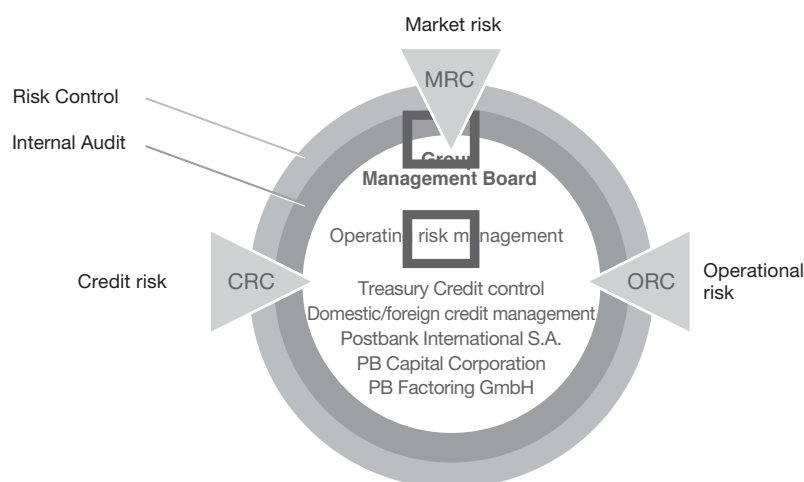
The year under review saw the establishment of the Operational Risk Committee (ORC), in which members of the Management Board are also represented. As its first task, it defined the strategies and outline conditions for the management of operational risks in the Group.

Operational responsibility for risk management is spread across several units in the Group, primarily the Treasury, Credit Control and Domestic/Foreign Credit Management departments and the credit functions of the private customer business, and, at decentralized level, the Postbank International S.A., PB Capital Corp. and PB Factoring GmbH subsidiaries.

The risk control units measure and assess Group-wide risk and ensure that limits are monitored and complied with.

Internal Audit regularly inspects the effectiveness of risk management activities in the Postbank Group, and reports the findings of its audits and recommendations directly to the Group Management Board.

Organization of risk management



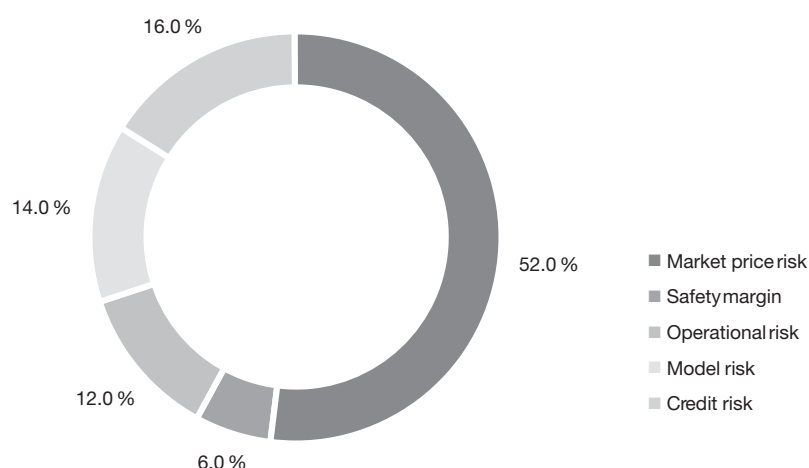
Risk capital and risk limiting

Risk capital allocation ensures that any losses which may arise can be borne by the Postbank Group; for this reason, the aggregate risk potential must at all times be lower than the available risk capital.

A critical factor here is that Postbank must be able not only to absorb probable risk scenarios, but also to survive crash scenarios. For this reason, the available risk capital is not fully allocated as a limit, but is also partly retained as a safety margin.

The following chart shows the percentage allocation of the Postbank Group's risk capital by risk category:

Percentage allocation of the Postbank Group's risk capital by risk category



Risk capital is allocated to the risk categories in the Postbank Group without factoring in any correlation effects that might mitigate risk. In the same way, no correlation effects between different portfolios are reflected in market price risk for reasons of prudence. Correlation effects are only offset against risks within individual portfolios.

Allocation takes the form of annual limits. We have opted to allocate annual limits to create a uniform basis of allocation for all risk categories to reflect the overall bank control that is built on risk capital allocation.

The annual limit for market price risks is made available to the operating units on the basis of dynamic 10-day limits; the outcome of this is that only 20 percent of the global annual limit is allocated to the operating units, and that 80 percent of the annual limit contained in the model is held back for crash scenarios and sustained periods of loss. The Market Risk Committee decides on any potential employment of risk capital not made directly available as a limit.

At Postbank, the safety margin therefore comprises the openly reported safety margin, the retained 80 percent of the annual limit for market price risk, plus correlation effects that are ignored.

Definition of risk categories and risk types

Market price risk

Market price risk denotes the potential risk that may lead to losses in financial transactions from changes in interest rates, volatilities, exchange rates and equity prices. Changes in value are derived from daily marking to market, independently of their measurement for financial accounting purposes.

Counterparty risk

Postbank defines counterparty risk as the potential loss that may be caused by changes in the creditworthiness of, or default by, a counterparty (for example, as a result of insolvency). Counterparty risk consists of the following risk types:

- credit risk, that is, the potential loss that may arise due to the inability of a debtor to discharge its payment obligations or due to a deterioration in its credit rating,
- country risk, or transfer risk, which may arise in the case of cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations, and
- counterparty risk which may arise due to default by a counterparty in the settlement of payment obligations (replacement risk) or to untimely performance of payment obligations (settlement risk).

Risks from shareholdings

Postbank defines risks from shareholdings firstly as potential losses that may arise from the provision of equity capital to third parties, and also as the liability risk resulting from the profit and loss transfer agreements entered into with a large number of subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Postbank Group will be unable to meet its current and future payment obligations in full or at the due date. Funding risk (a special form of liquidity risk) arises when the necessary liquidity cannot be obtained at the expected terms when required.

Model risk

Model risk is a collective term for the risk that arises when the only information available to decision-makers for management purposes derives from assumptions-based modeling.

Strategic risk

Postbank classifies strategic risk as the risk that earnings targets will not be achieved because of the insufficient focus of the Group on the relevant business environment (which may have changed abruptly). Strategic risk may therefore result from an inadequate strategic decision-making process, from unforeseeable discontinuities on the market, or from the inappropriate implementation of the chosen strategy.

Operational risk

Operational risk is defined by Basel II as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. Legal risks are also included here in accordance with the Basel II definition.

Monitoring and managing market price risk

Risk strategy

The objective of the Postbank Group’s market risk policy is to invest the liquidity surplus resulting from the customer business on the money and capital markets in such a way as to ensure that the expected net interest margin on customer business is substantially secured. Over and above this aim, the Postbank Group specifically takes on a limited amount of market risk in order to generate additional earnings.

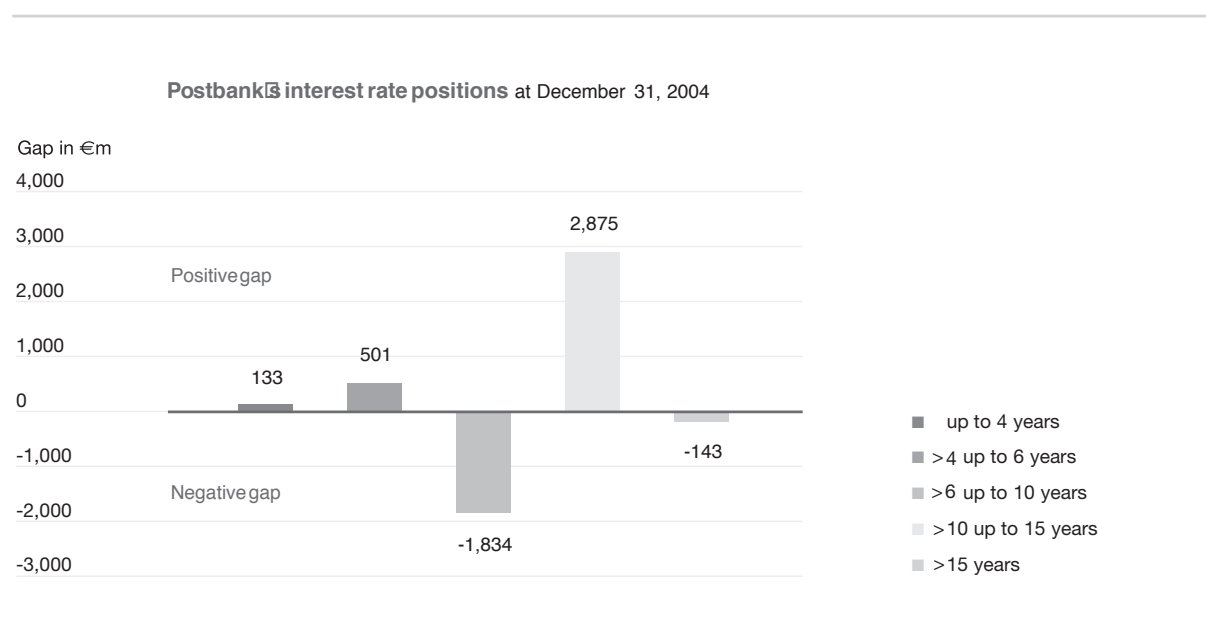
Operating risk management

Several organizational units are integrated into the Postbank Group’s market risk management: Deutsche Postbank AG, with its Financial Markets division – Treasury and proprietary trading – and central risk control, plus the subsidiaries in New York and Luxembourg. The foreign subsidiaries manage their own risk independently on the basis of separately assigned risk limits.

Treasury manages market risk for Postbank’s banking book. To safeguard against market price risk from customer transactions, there is a particular focus on the control of interest rate risks.

Interest rate risk is the term used to denote the changes in the fair value of interest-bearing financial instruments resulting from a change in market rates of interest; these changes are a result of maturity mismatches. In addition to standard models of quantifying interest rate risk used for its fixed-interest business, Postbank also employs accepted statistical models. These are required for the measurement of customer transactions bearing variable rates of interest. Special modeling rules and deposit base definitions form the basis for the risk management concept at Postbank which, as a retail bank, is primarily exposed to interest-bearing transactions.

The following chart presents Postbank’s open interest rate positions at December 31, 2004. The effects of Postbank’s hedging transactions (e. g. interest rate swaps) are contained in the exposures to interest rate changes shown below. The structure of the positive and negative gaps is the result of moderate overall risk assumption.



The positive and negative gaps are controlled using recognized and off-balance-sheet transactions, with the choice of instruments depending on the liquidity position and current market prices.

Monitoring market price risk using value at risk

The Postbank Group quantifies market price risk for monitoring purposes with the use of value at risk (VaR). Value at risk is generally established using the variance-covariance method on the basis of a historical observation period of 250 trading days, a holding period of 10 trading days and a confidence level of 99 percent. The VaR of a portfolio thus describes under normal market conditions the potential future loss in respect of fair value that will not be exceeded in a period of 10 trading days with a probability of 99 percent. The variance-covariance method is applied consistently to all portfolios, and transforms heterogeneous types of market risk into a single measure of risk, the VaR. To adequately reflect the growing importance of asymmetric risk distributions or convexity risk in the Postbank Group, an additional method of measuring VaR using Monte Carlo simulation was put into operation for the trading departments in January 2005, and it will also be available for use for the banking book during the course of 2005.

In monitoring market price risk using VaR, the trading portfolio and the banking book are included in their entirety, and there is no separate treatment of, for example, the non-trading portfolio, private equity or investment fund shares.

Backtesting

The methods used to compute VaR are regularly tested for reliability. The predictive accuracy of the estimated VaR is tested by comparison with the gains and losses arising from actual market changes, but for the same portfolio (clean backtesting). Evaluation uses the “traffic light” color code model published by the Bank for International Settlements (BIS). The Management Board is kept informed of all backtesting carried out. The backtesting results provide a significant stimulus for further developing and validating the VaR methodologies used. The back-testing conducted in 2004 did not prompt us to change the VaR methodology we use.

Stress testing

Because VaR does not adequately capture extreme market movements, scenario analyses (worst case scenarios) are performed at regular intervals. These analyses quantify the effects of extraordinary events and extreme market conditions on the Postbank Group’s asset positions. The effects of the worst case scenarios must be covered by the annual limits allocated for each risk. The scenario analysis methodology was further revised and refined during the year under review; in particular, it was extended to take specific account of risks arising from insufficient market liquidity. The Management Board is kept fully informed of the results of scenario analyses. The scenario analyses performed in the year under review indicated that the Postbank Group’s risk-bearing ability is assured even in extreme market situations.

Limiting and reporting

In the Postbank Group, market price risk is monitored using the system of risk limits based on the value at risk methodology described above. The aggregate limits are resolved by the Group Management Board and allocated by the Market Risk Committee to the individual operating units as sublimits. These are dynamic outcome-based limits; any losses incurred reduce the limit, while gains replenish it. Risk measurement and monitoring are end-of-day for the whole bank; additional intra-day monitoring is carried out for the trading portfolios.

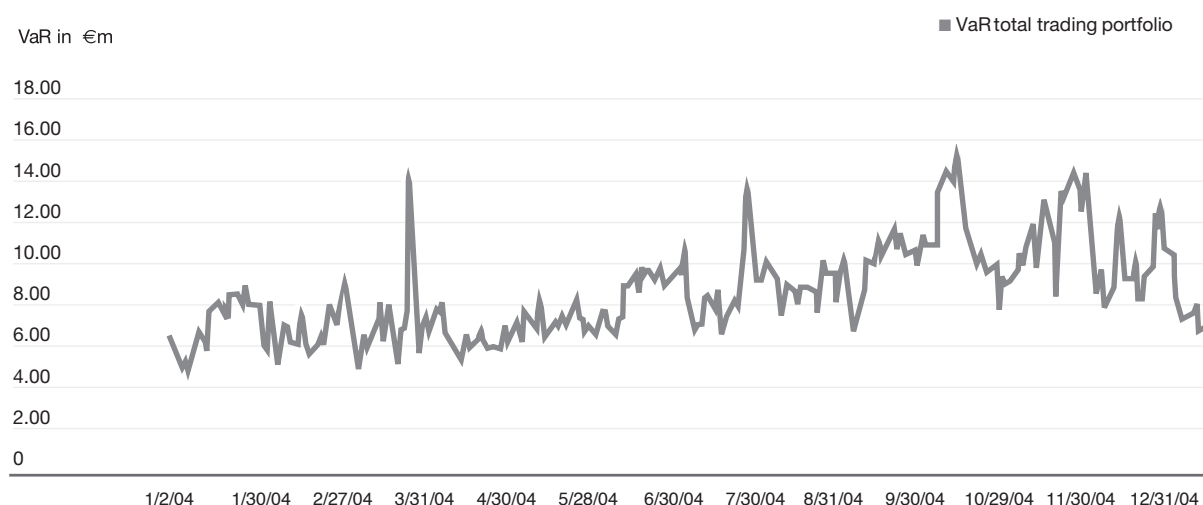
Together with the position managers, the Management Board member responsible for risk supervision and the Management Board member responsible for Financial Markets are notified daily before the start of trade about the positions entered into, limit utilization and the economic profit/loss of the positions. In addition, the Group Management Board receives a comprehensive monthly report.

The following table shows the values at risk for the Postbank Group’s trading book. The calculation assumes a holding period of ten trading days and a confidence level of 99%.

Trading Book	2004	2003
	In €m	In €m
VaR at year-end.....	6.74	6.95
Minimum VaR.....	4.43	5.32
Maximum VaR.....	16.42	19.95
Annual average VaR.....	8.69	9.78

The following chart illustrates the development of value at risk for our trading portfolios over the course of 2004.

VaR trading portfolio January 1 to December 31, 2004



For the banking book, value at risk was €133.1 million at December 31, 2004 (previous year €181.1 million). The annual average was €150.8 million (previous year €164.8 million). As with trading assets, value at risk is calculated for the banking book assuming a holding period of ten days and a confidence level of 99%. The calculation incorporates all risk-bearing holdings in the banking book inclusive of modeled customer transactions bearing variable rates of interest.

Identification for new product launches

The Postbank Group has comprehensively identified the risk factors for traded products and documented them in a product database. If new products are introduced, the risk factors are also identified and documented. The product introduction process ensures that the identified risks can be fully reproduced.

Appropriate market terms

In addition to monitoring market price risk, the Postbank Group also checks all trades at the trade date to ensure that market prices have been applied (market pricing verification). This is supervised by internal units that are independent of the trading functions.

Monitoring and managing counterparty risk

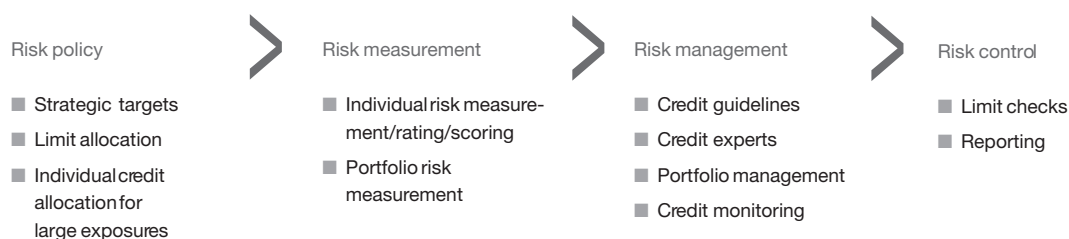
Credit risk strategy

The Postbank Group manages its credit risk on the basis of the credit risk strategy approved annually by the Management Board; the strategy is also brought to the attention of the Loan and Equity Investments Committee of the Supervisory Board. The credit risk strategy contains targets for the risk profiles of individual credit products as well as target returns, such as net interest margins and returns on equity to be achieved.

As another strategic risk management measure, the Postbank Group bases the aggregate composition of its loan portfolio on a target portfolio. This was constructed to reflect a balanced risk/return. The actual portfolio is compared quarterly with the target portfolio.

In addition to defining the risk policy, risk measurement, risk management and risk control are the elements used to manage the credit risk position of the Postbank Group.

Control elements of credit risk position



Managing individual risks

Credit approval procedures

The credit guidelines of the Postbank Group contain detailed targets for all lending transactions. Credit approvals are subject to an established system of competencies, which act as a framework within which decision-making individuals or bodies are authorized to enter into lending transactions. Responsibility for the approval of loans is dependent on their size and, for corporate customers and transactions in the Financial Markets business division, additionally on the credit rating of the specific borrower or debtor. An important feature of the credit approval procedures in the Corporate Banking and Financial Markets divisions is the separation, in accordance with banking regulatory requirements (*Mindestanforderungen an das Kreditgeschäft der Kreditinstitute, MaK* – Minimum Requirements for Credit Transactions of Credit Institutions), of sales/trading (front office) and risk management (back office). One exception to this permitted by the banking regulations is the standardized process for credit allocation in the Retail Banking and Corporate Banking business divisions for overdrafts up to €25,000, for which simplified standard procedures apply.

Risk measurement and risk management

The Postbank Group measures its credit risk at two levels, namely at the level of the individual loan (based on rating and scoring models) and in relation to the total loan portfolio (based on a portfolio model).

Scoring and rating

In the Retail Banking business division, loans are approved and terms are defined using the results of statistical scorecard methods and approval guidelines. Scorecard methods collate borrower data such as age, postcode, family status, income and external credit ratings, and the probability of loan default is estimated using statistical models.

Internal ratings use the same rating categories employed by Standard & Poor, where “AAA” is the highest level of creditworthiness, and “CCC-D” the lowest. In lending transactions with corporate customers and financial institutions, in particular with banks, the process of making a credit decision and defining terms is supported by internal and external credit-worthiness ratings.

On the basis of the rating scores, the Postbank Group calculates the “expected loss”, that is, the loss that can be expected over a one year period based on past experience of losses. The expected losses are factored into pricing and net interest margin calculations as standard risk costs by the Postbank Group.

Risk/return key performance indicators

If loan losses are expected in the Postbank Group, the average default costs are factored into the advance calculation on an individual loan basis. This system allows all lending transactions to be valued during the advance calculation.

The standard risk costs are priced in as a premium for the expected loss and are included in the profitability calculation that is determined in the form of return on equity (RoE) ratios.

Credit monitoring and problem credit procedures

In the case of larger loans (individual business), credit risk is monitored by regular assessments of creditworthiness. The risk level is limited by individual credit allocation or by limits for the borrower, and recorded and controlled by computer systems. In accordance with banking regulatory requirements, controls are carried out by the operating lending units and, in the case of trading transactions, by Risk Controlling.

In accordance with banking regulatory requirements, the Postbank Group has implemented a credit monitoring process which applies to individual lending transactions with corporate customers, business customers with credit lines over €25,000, and mortgage lending in excess of €500,000 per borrower or borrowing entity. The process enables higher risk loans to be identified by means of hard and soft risk indicators (for example, sector information, management accounting data, customer and account data, and rating changes) which are defined for the individual product. The use of risk indicators to enable the early identification of an increasing risk of default makes it easier to develop and implement loan restructuring plans with the debtor if necessary, or to arrange for settlement.

In addition, the Postbank Group conducts fortnightly reviews of its most substantial credit exposures to listed borrowers in order to identify negative trends in the development of their creditworthiness as early as possible and develop alternative strategies. These reviews are supported by a software application that estimates default probabilities on the basis of a large variety of market data.

If the credit monitoring process using risk indicators identifies a loan to a corporate customer as a higher risk, the borrower in question is placed on a watch list. In the case of hard risk indicators, the loan is transferred to the watch list immediately; if there are only soft risk indicators, a decision is made by the credit specialist. The watch list allows the timely recognition and analysis of changes in the quality of these loans; it is constantly updated by the various lending departments and submitted quarterly to the member of the Managing Board responsible for lending. Loans in excess of €2 million and loans that were approved by the Group Management Board are reported to the Group Management Board, the Credit Risk Committee and the Loan and Equity Investments Committee of the Supervisory Board as part of the credit risk report.

Managing country risk

The Postbank Group has established country specific limits for credit allocation in order to manage country risk. The levels of country limits are substantially determined by internal and external ratings, and by the economic strength of the particular country measured by gross domestic product. A Group-wide database keeps track of the limits established for each country and their current utilization, as well as the economic data used in allocating countries to risk categories.

Allowance for losses on loans and advances

The allowance for losses in the lending business comprises specific valuation allowances, consolidated valuation allowances and valuation allowances for potential risks.

A specific valuation allowance is recognized if, taking into account any collateral, the estimated recoverable amount of loans and advances is lower than their carrying amount, i.e. if a loan or advance is wholly or partly uncollectible and has therefore suffered permanent impairment. The Postbank Group determines the recoverable amount on the basis of the discounted present value of future payments on the loan or advance, or on the basis of the market value or fair value of the loan or advance, taking into account any collateral. All loans for which a specific valuation allowance has already been recognized, as well as all loans which have been placed on the watch list, are remeasured regularly, and this may sometimes give rise to a specific valuation allowance.

A consolidated valuation allowance is recognized for a portfolio of loans with similar characteristics, to the extent that there is a need for valuation allowances within the portfolio. For the measurement of consolidated specific valuation allowances, general ratios based on historical experience of recovery rates are applied. The Postbank Group recognizes consolidated specific valuation allowances in particular in the area of overdrafts and installment credits, as well as credit card loans.

Valuation allowances are also recognized as a provision for potential risks. They are measured on the basis of past experience.

Portfolio management

In addition to capturing individual risks, Postbank calculates a credit value at risk for the Group loan portfolio. The credit value at risk is the potential negative change in the value of the Group loan portfolio that will not be exceeded within a one-year horizon with a 99 percent probability. The credit value at risk (also called ‘unexpected loss’) is required to be backed by equity capital.

In contrast, the expected loss (EL) is the average default amount expected within a particular period of time (generally one year); this is calculated as a direct product of default probability, the exposure and the loss rate. The expected loss does not form part of the Bank’s overall risk, since it is known and reflected in the net interest margin.

In addition, stress scenarios are simulated with the aim of quantifying losses that might arise from extreme (and therefore unlikely) events. Stress scenarios provide information that supplements the results of the credit value at risk analysis, and serve to improve our ability to estimate the effects of any abnormal market movements.

Credit value at risk is measured using a credit risk model that allows the consistent capture of all credit risks. This rating-based model takes migration behavior and commonalities within the portfolio into account, thus enabling risks arising from an adverse concentration of counter-parties in terms of their sector, size category, creditworthiness and country to be suitably reflected. The input parameters of the credit risk model are continuously updated.

All holdings exposed to credit risk are recorded in the amount of their future cash flows and discounted to the observation date; in addition to changes in fair value, this allows not only the principal risk, but also the present value of all future loan losses to be measured.

The input factors include migration tables derived from rating agency data; sector/product default probabilities and correlations; credit spreads (risk premiums for various rating/credit-worthiness categories); and estimated recovery rates that can be entered both as fixed values and ranges in a Monte Carlo simulation. Homogeneous, granular products or business sectors are consolidated and are not computed at individual transaction level. These relate in particular to private customer products. The updated portfolio and market data are used to compute the credit value at risk of the Group loan portfolio every quarter, as well as the individual credit value at risk for particular products/business divisions. The credit value at risk in the Group loan portfolio is lower than the sum of the individual credit values at risk of the business divisions because of diversification effects. The expected loss disclosed relates to the weighted mean portfolio loss.

The following table shows the credit risks for the various profit centers:

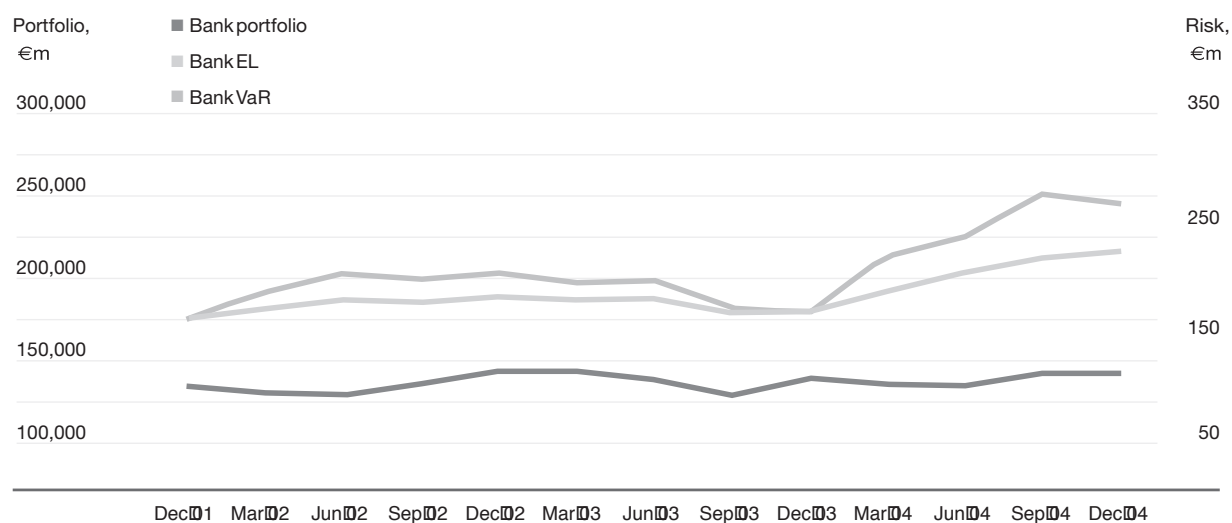
Credit risks in €m	Volume		Expected loss		Credit VaR	Credit VaR
	2004	2003	2004	2003	2004	2003 ²
Corporate Banking ¹	9,240	25,346	29	67	60	140
Private customers	23,778	18,962	109	81	60	54
Financial Markets	84,653	96,979	61	42	199	119
Others (credit substitute business/ banks/local authorities) ¹	26,924	–	30	–	120	–
Total (including portfolio effect)...	144,596	141,288	229	190	273	201

¹ As of December 31, 2003, the profit center “Others” was subsumed under the profit center “Corporate Banking”.

² The 2003 prior-year figures have been adjusted to reflect the refined risk measurement method.

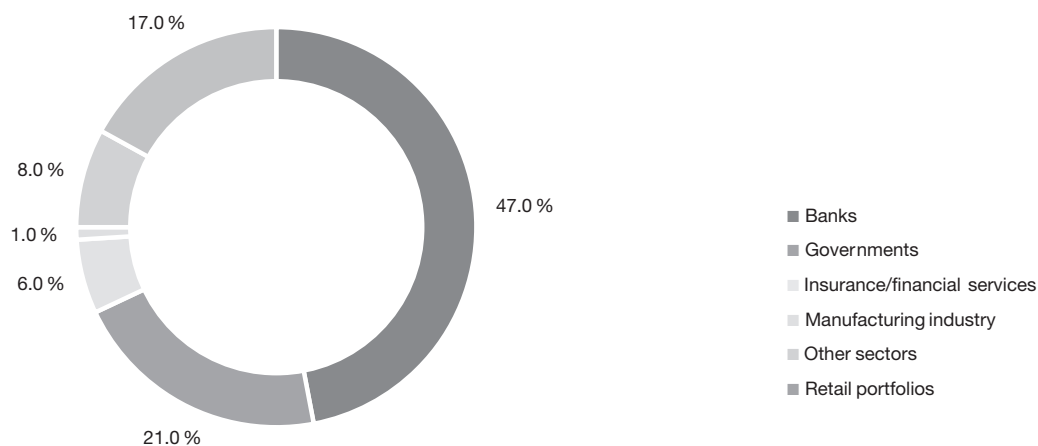
In all areas, fiscal year 2004 was marked by refinements in risk measurement techniques, allowing the more accurate assessment of risk. This included the separation of the “Others” profit center. In addition, the Postbank Group made targeted use of attractive investment opportunities in the longer maturity bonds of government and bank issuers whose ratings were reclassified from AA to A, in order to employ available risk capital more effectively. These measures necessarily increased projected risk, which has affected the risk indicators shown below and the rating structure.

Overall bank portfolio and risk development overtime



The sector distribution by volume in the credit portfolio has a balanced structure and presents a generally stable picture. The emphasis of the portfolio is on lending to banks, which consists mainly of money market transactions, and partially covered capital market transactions. The banks in question are almost all rated A or higher, as in the case of sovereign borrowers. For the small proportion of lending to companies, the strategic aim is to achieve the widest possible diversification of sector and country risk, as well as of risk categories.

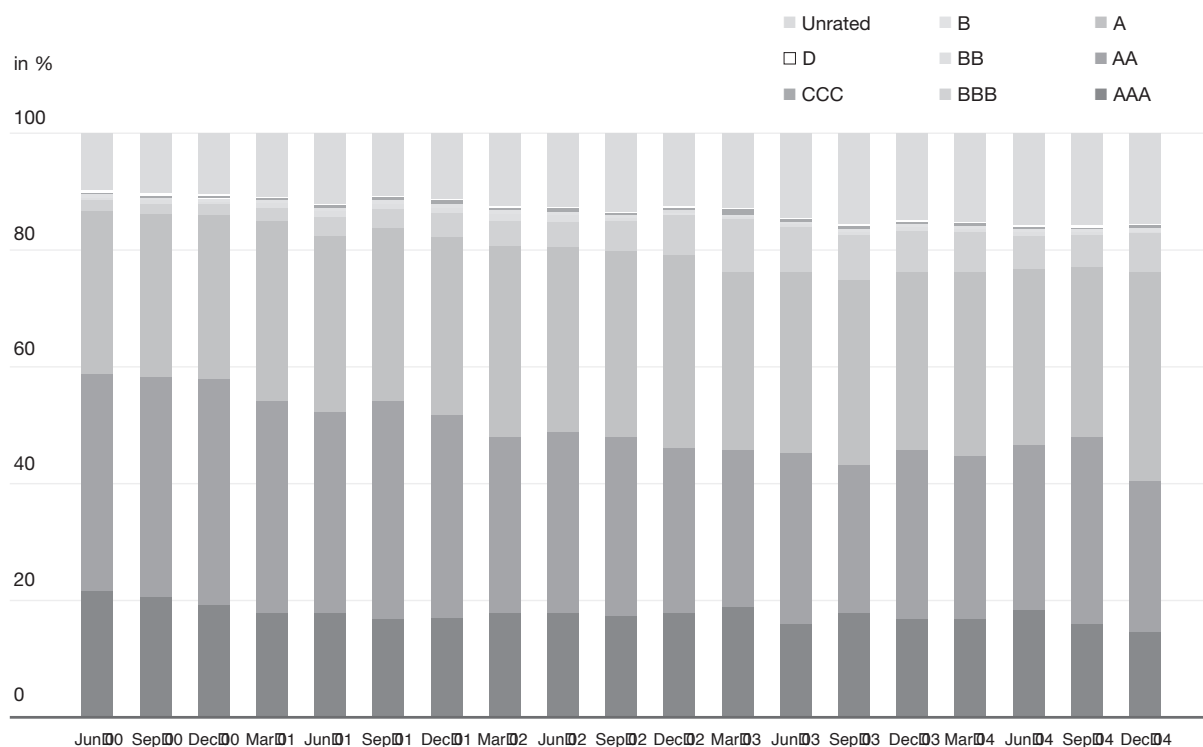
Sector distribution as % of volume



The target portfolio mentioned above serves as a guide in achieving this aim. The Postbank Group uses state-of-the-art active loan portfolio management tools for this, both at portfolio level and for individual transactions.

The distribution of rating categories in the Group loan portfolio demonstrates the conservative orientation of the Postbank Group. The following chart shows the historical development of the rating structure. The higher rating categories predominate; 97.8 percent of the rated loan portfolio is classified as investment quality. The non-rated element, principally private mortgage lending and overdrafts, is subject to credit scoring.

Change in rating structure



Reporting

The regular reporting instruments for counterparty risk in the Postbank Group are the credit monitoring report, including the watch list, for individual risks and the credit matrix for portfolio risks. Since 2004, the principal contents of these reports have been summarized in the credit risk report, together with additional information.

The credit risk report, which is submitted quarterly to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board, provides information on the default history of individual business areas, and on the composition and development of the Group's current loan portfolio. In addition to data on lending, credit risk and other matters, the report gives details of the largest exposures and the largest loans in default, as well as the utilization of risk limits.

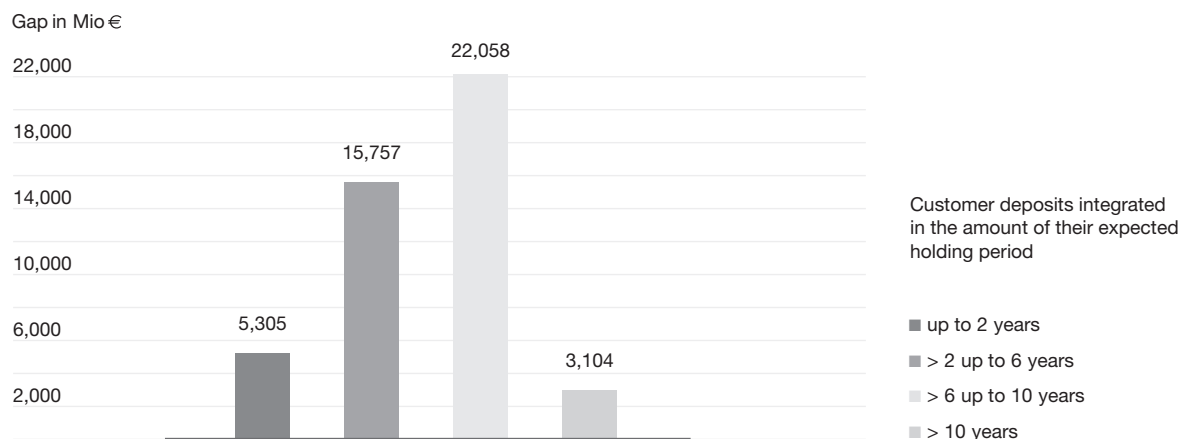
Monitoring and managing liquidity risk

The Postbank Group's liquidity management options are tied to the capital commitment maturity pattern. Short-term management is handled as part of our money market activities, while Treasury is responsible for ensuring medium- and long-term liquidity. Postbank's balance sheet structure continues to show a surplus of deposits from the retail customer business. Liquidity management measures in the year under review were characterized by equal growth in customer assets and customer liabilities. The evaluation of the maturity pattern of these customer funds uses statistical analyses and the resulting deposit base definitions. These funds are invested by Treasury for the most part in liquid securities on the money and capital markets. These assets are available as sources of funding (or alternatively repo transactions), supplemented by debt issuance or commercial paper program options.

The liquidity positions are subjected to regular stress tests to avoid liquidity squeezes. These simulated calculations reflect external changes in a variety of market factors, plus structural changes in funding resources. An appropriate amount of the liquidity reserve serves to provide for these scenarios.

The following sensitivity analysis of Postbank's cash flow presents all cash flows on a net basis and underscores our strong cash position.

Postbank cashflow sensitivity analysis as of Dec.31, 2004



The marginal lending facilities of the European Central Bank (ECB) were used in isolated instances, and open market transactions were conducted regularly. Principle II under section 11 of the KWG (German Banking Act), which is the regulatory measure for assessing solvency, was complied with at all times. No extraordinary call risks arose from the early withdrawal of large deposits.

Monitoring and managing operational risk

Operational risk denotes the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. The Postbank Group has taken over unchanged this definition by the Basel Committee on Banking Supervision as the basis for introducing a Group-wide process of controlling operational risk. The Postbank Group will apply the standard model for the identification and measurement of operational risk in good time for the introduction of the new equity capital adequacy rules. At the same time as this controlling procedure is implemented, the basis for a more risk-sensitive model (Advanced Measurement Approach) will be prepared to meet the banking regulatory requirements.

The central risk control department is responsible for the consistent implementation of regulatory requirements in the Postbank Group. The operational risk control manual describes the roles, functions and responsibilities of all parties involved in the control process. Managing operational risk is and remains the primary task of the individual units within the Group.

Postbank uses consistent methods across the whole Group for the identification of operational risk. Information on losses arising from operational risk is collected in a loss database. Risk indicators are defined as early warning instruments for specific business areas, and assessments of the current risk situation are carried out in all units as part of a qualitative self-assessment process.

In 2004, the Deutsche Postbank Group, together with other German banks, began work on the development of a data consortium for the anonymous exchange of information relating to losses arising from operational risk. It is expected that this work will be completed during 2005, so that from 2006 on the Postbank Group will fulfill a further requirement of the banking regulator, namely the ability to apply in future a more risk-sensitive approach to determining capital requirements for operational risk.

In the year under review, the main focus of the continued implementation of the controlling process within the Postbank Group was the Transaction Banking division. This important new business division was successfully integrated into the existing reporting system. The nominated decentralized risk managers received detailed preparation for their new tasks in a multistage training program. This included an introduction to the computer software package chosen for this application. Indicators have been defined for the newly integrated areas, and an extensive evaluation of the current risk situation in Transaction Banking was carried out as part of a self-assessment process. Losses attributable to operational risk were recorded in the loss database.

The data gathered is used to prepare regular reports for the managers responsible in the individual business units, both centrally and on a decentralized basis. The Operational Risk Committee (ORC) was established in

2004. As part of its work, the ORC defines a strategy for dealing with operational risk that applies across the entire Group. In addition, it establishes specific strategies in respect of operational risk for the individual business divisions of the Postbank Group.

Following successful implementation in the main back office areas, the focus for controlling operational risk in 2005 will be the customer areas of the entire Postbank Group. There are also plans to include the Financial Markets and Corporate Banking business divisions together with their subsidiaries.

By continuing the projects launched in recent years, Postbank believes that it is well on the way to implementing the new regulatory requirements.

Monitoring and managing model risk

A particular focus in managing the banking book of the Postbank Group is the measurement and planning of customer products with unknown capital commitments and variable interest rates (savings and checking accounts, and overdrafts).

Postbank uses a moving average model (replication model) to represent these products accurately. Suitable moving averages are determined using relevant earnings-related risk indicators.

The moving average model captures two aspects of products with unknown capital commitments and variable interest rates:

- the indefinite extension of the capital allocation and
- smoothing the amount and frequency of repricing compared with the money market.

The replication model makes two fundamental assumptions:

- the capital commitment assumption: based on deposit base theory, a defined volume of capital is permanently available
- the repricing assumption: for all relevant products, revolving opportunity transactions can be entered into in the money or capital markets that will generate a net interest margin that is as constant as possible.

In determining model risk, both fundamental assumptions of the replication model are monitored and quantified, the latter independently of each other for reasons of prudence.

To check the validity of the capital commitment assumption, firstly, observed past changes in capital volume are used as an indicator of future volume variations, using a historical simulation model. Secondly, expert forecasts are obtained.

This element of the model risk uses a scenario analysis to measure the hypothetical loss in market values that the Postbank Group would incur in unwinding opportunity transactions in unfavorable market conditions. The reduction in volume can be calculated with a 99 percent confidence level.

The validity of the repricing assumption is checked by forecasting movements in future net interest margins, also using a historical simulation model. This element of model risk measures the fall in the interest surplus that is unlikely to be exceeded with 99 percent probability, based on the average net interest margin over the past 10 years.

The model risk is separately backed by equity capital in the limit allocation.

Risk from shareholdings/risks from equity investments

As of December 31, 2004, Deutsche Postbank AG held a total of approximately 60 direct and indirect equity investments. Postbank sees these primarily as strategic investments that reflect the Postbank Group's product and service areas, and as a source of internal services for the Postbank Group.

Investments in this sense do not include shares in listed companies held by the Trading or Treasury departments in the trading or banking books on the basis of an existing equities limit.

Deutsche Postbank AG currently has no further shareholdings in other companies in the sense of private equity or an investment strategy.

The Group Management Board is responsible for managing the entire portfolio of shareholdings and equity investments. The ongoing monitoring and control of risks from shareholdings is carried out by various central services departments, which coordinate the supervision of the business activities of subsidiaries and other investees in keeping with the investment strategy, in particular by supporting the executive bodies. Postbank exercises influence on the business and risk policies of its equity investments in particular through shareholder and supervisory bodies, where it is usually represented by members of the Management Board.

A continuing dialog between the companies and the appropriate specialist areas of the Bank also contributes to the timely control of business and risk developments. Equity investments are allocated to the relevant Board departments for that purpose.

These control and monitoring systems ensure that Deutsche Postbank AG is kept constantly informed of the business development and strategic orientation of its equity investments.

Monitoring and managing strategic risk

In the area of strategic risk, Postbank distinguishes between internal risk, which arises from inadequate strategic procedures, and external risk, which is caused by unexpected market developments. The consequence of an event entailing strategic risk would be that the achievement of the Company's earnings targets would be jeopardized. In contrast to counterparty and market risk, however, strategic risk is difficult to quantify. It has so far proven impossible to define an informative numerical risk indicator for this type of risk.

Nevertheless, analyses of market conditions and the competitive environment are constantly in progress with the aim of identifying potential risks and developing appropriate countermeasures as an early-warning system to counter strategic risk.

All strategic decisions are the responsibility of the Group Management Board, as is the decision to take appropriate countermeasures if an event involving strategic risk occurs. The approval of the Supervisory Board may also be required, depending on the scope of the strategic decision.

Presentation of risk position

The importance of risk control has further increased against the background of a continuing phase of low interest rates and intense competition in the markets for deposits and loans, with consequent pressure on interest margins. An additional factor has been the insolvency record in the economy as a whole. The Postbank Group has continued to develop and introduce instruments and procedures for the management and control of the different categories of risk. These are constantly being developed further in response to changes in the market and the development of the Group, and also in anticipation of future banking regulatory requirements. As a result, the Postbank Group is in a position to meet the challenges it faces in the market, and to control and limit all categories of risk across all business divisions in a way that minimizes risk while maximizing earnings. The methods and procedures employed meet all current statutory and regulatory requirements.

With respect to credit risk, we maintained the low risk profile of our credit business during 2004, as well as the favorable position of having relatively low risk costs despite continuing difficult conditions in the economy as a whole. The increase in risk costs is mainly the result of the planned expansion of private customer business over recent years.

The Postbank Group will continue to pursue its risk-sensitive business policy in the future.

In the allocation of risk capital, the Postbank Group has been, and continues to be able to allow the business divisions sufficient scope to achieve business growth in line with our strategy. We have not identified any risks that could impair our development or jeopardize our continued existence.

At the end of 2003, the Monopoly Commission issued a Special Report alleging that Deutsche Post AG is in violation of the prohibition on state aid contained in the EU Treaty, because it allows Deutsche Postbank AG to use the retail outlets in return for compensation that is not calculated on an arm's length basis. The allegation is the subject of a request for information submitted to the German federal government by the

European Commission on October 11, 2004, in response to a complaint from a third party. Deutsche Post AG and Deutsche Postbank AG are of the opinion that this allegation is unfounded, and that the fee paid by Deutsche Postbank AG complies with the requirements of EU law on competition and state aid.

The request for information from the European Commission also contains questions relating to the acquisition of Deutsche Postbank AG by Deutsche Post AG. Deutsche Post AG and Deutsche Postbank AG are of the opinion that the sale was conducted in accordance with EU rules on state aid. In the course of the state aid legal proceedings concluded by the decision of June 19, 2002, the European Commission itself had already expressly concluded that the acquisition of Postbank was achieved “without any state aid whatsoever”.

The federal government submitted its answers to the questions raised in the request for information to the European Commission in due time, and is of the opinion that the allegations are unfounded. Nevertheless, for both of the allegations connected with the request for information, the possibility cannot be excluded that the European Commission will affirm that state aid was provided.

On January 21, 2004, the European Commission issued a state aid ruling on the assumption by the Belgian government of pension entitlements of employees of the Belgian telecommunications company Belgacom. According to press reports, the European Commission is examining whether the state aid principles of this ruling could be applied to the assumption of the pension obligations for civil servants employed at Deutsche Post AG. However, the European Commission has not confirmed these reports.

It is currently unclear whether the state aid principles underpinning the European Commission’s ruling can also be applied to Postbank as one of the successor companies to Deutsche Bundespost, and if so, what financial burden this could entail. Having fully considered the ruling, Deutsche Post AG and Deutsche Postbank AG are of the opinion that the case has no relevance to the legal treatment of the pension obligations of Deutsche Post AG and Deutsche Postbank AG.

Internal Audit

Internal Audit is a key element of the Postbank Group’s business monitoring system. In accordance with the Minimum Standards for Auditing Departments of Credit Institutions, it audits all areas of Deutsche Postbank AG at least once every three years. Areas that are exposed to a particular risk are audited annually. Internal Audit’s responsibilities also extend, in a scaled-down form, to the subsidiaries of the Postbank Group and the branches of Deutsche Post AG. Its activities in the subsidiaries range from control and advisory functions to full-scale Internal Audit procedures.

Audit planning and the determination of audit cycles employ appropriate tools based on a standardized procedure that has already been in operation for several years. A value at risk is calculated for each audit area, and this is used to determine the audit cycle. Risk assessments are updated on the basis of audits carried out and current developments in the relevant business area. This process produces a multiyear audit plan and the annual program for the following fiscal year, which Internal Audit is commissioned to implement by the Management Board.

Regularity audits and system examinations are conducted as part of the annual program. Internal Audit also carries out special examinations under particular circumstances, and performs audit and consulting activities for the introduction and implementation of important projects. Audit concepts are continuously adapted to reflect current changes in the Group and in the legal situation.

Internal Audit reports its audit results independently to the Group Management Board. In terms of our organizational structure, it reports directly to the Chairman of the Management Board.

Basel II

With Basel II, the Basel Committee on Banking Supervision is focusing the regulatory capital requirements for credit operations more heavily on economic risks. To that end, equity backing for loans will in future be rating-dependent. Also, for the first time, the New Capital Accord requires operational risks to be given equity backing.

The final Basel framework was published in June 2004. However, a considerable number of detailed questions remain unanswered, as the provisions of the agreement have yet to be implemented into European and national law. This process is due to be completed during 2006; the requirements of Basel II will apply from January 1, 2007.

The Postbank Group is aiming for the earliest possible approval of the Internal Ratings-Based Approach for its credit risks. The Postbank Group has established a comprehensive Basel II project in order to build up the necessary data histories and ensure that rating systems, processes and IT systems are adapted in good time. By the end of 2004, Basel II-compliant scoring and rating procedures had been developed for all areas of the credit business and integrated into the lending processes. In particular, a central rating engine capable of meeting all future demands was developed and implemented.

In addition, the Postbank Group is working to establish a central IT infrastructure for credit risk control that will allow access to all data relevant to risk control in a standardized system. In particular, during 2004 central databases for financial data and historical data were developed in partnership with SAP. We also conducted the first pilot testing of the central database and the SAP Bank Analyzer with the aim of optimizing procedures for reproducing commitments and monitoring limits on a Group-wide basis, and meeting the Basel II requirements for historical data. A major focus of future work will be further development of the Basel II risk assessment procedures and the SAP platform designed for capital adequacy calculations.

Audit Opinions for the Fiscal Years 2002, 2003 and 2004

The following auditor's reports (Bestätigungsvermerke) have been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in the German language on the German version of the consolidated financial statements of Deutsche Postbank as of and for the fiscal years ended December 31, 2002, 2003 and 2004, as a whole, each consisting of consolidated balance sheet (Konzernbilanz), consolidated income statement (Konzerngewinn- und Verlustrechnung), statement of changes in equity (Eigenkapitalveränderungsrechnung), consolidated cash flow statement (Konzernkapitalflussrechnung) and notes (Konzernanhang), and the group management report (Konzernlagebericht). The group management reports for the fiscal years 2002 and 2003 are not included in this Offering Circular.

Audit Opinion for the Fiscal Year 2002

We have audited the consolidated financial statements, comprising the balance sheet, income statement, statement and the statements of changes in equity and cash flow and the notes to the consolidated financial statements of Deutsche Postbank AG, Bonn, for the fiscal year January 1 to December 31, 2002. The preparation and content of the consolidated financial statements are the responsibility of the Company's management board. Our responsibility is to express an opinion on whether the consolidated financial statements comply with the International Accounting Standards (IAS), based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and generally accepted standards for the audit of the financial statements promulgated by the *Institut der Wirtschaftsprüfer (IDW)*, as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, defining the basis of consolidation, and assessing the accounting principles used and significant estimates by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the group for the fiscal year in accordance with IAS.

Our audit, which also extends to the group management report prepared by the company's management board for the fiscal year January 1 to December 31, 2002, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of group's position and suitably presents the risks of future development. We also confirm that the consolidated financial statements and the group management report for the fiscal year January 1 to December 31, 2002 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law. We conducted our audit of the required consistency of the group accounting with the EC 7th Directive and the EU Bank Accounts Directive for the exemption from the requirement for consolidated accounting pursuant to German commercial law on the basis of the interpretation of the Directive contained in GAS 1 issued by the German Accounting Standards Committee.

We wish to draw attention to the fact that this English version of the consolidated financial statements is a voluntary translation. Only the German version that refers to the audited financial statements is binding.

Dusseldorf, February 21, 2003

PwC Deutsche Revision
Aktiengesellschaft/Wirtschaftsprüfungsgesellschaft

(Kütter)

(Güldenber

Wirtschaftsprüfer

Wirtschaftsprüfer

(German Certified Public Accountant)

(German Certified Public Accountant)

Audit Opinion for the Fiscal Year 2003

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in equity and cash-flows and the notes to the financial statements of Deutsche Postbank AG, Bonn, for the fiscal year January 1 to December 31, 2003. The preparation and content of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB are the responsibility of the Company's management board. Our responsibility is to express an opinion as to whether the consolidated financial statements comply with the IFRS, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfung (IDW)*, as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatement are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management board as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the group for the fiscal year in accordance with IAS/IFRS.

Our audit which, in accordance with German auditing requirements, also extends to the group management report prepared by the Company's management board for the fiscal year January 1 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of group's position and suitably presents the risks of future development. We also confirm that the consolidated financial statements and the group management report for the fiscal year January 1 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law.

We wish to draw attention to the fact that this English version of the consolidated financial statements is a voluntary translation. Only the German version that refers to the audited financial statements is binding.

Dusseldorf, February 27, 2004

PwC Deutsche Revision
Aktiengesellschaft/Wirtschaftsprüfungsgesellschaft

(Kütter)

(Güldeberg)

Wirtschaftsprüfer

Wirtschaftsprüfer

(German Certified Public Accountant)

(German Certified Public Accountant)

Audit Opinion for the Fiscal Year 2004

We have audited the consolidated financial statements of Deutsche Postbank AG, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements according to the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in accordance with the International Standards on Auditing (ISAs). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS.

Our audit, which according with German auditing requirements, also extends to the Group Management Report prepared by the Company's Management Board for the business year January 1 to December 31, 2004, has not led to any reservations. In our opinion, on the whole the Group Management Report, together with the other information of the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group Management Report for the business year January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and a group management report in accordance with German accounting law.

Düsseldorf, February 28, 2005

PwC Deutsche Revision
Aktiengesellschaft/
Wirtschaftsprüfungsgesellschaft

(Eckes)
Wirtschaftsprüfer
(German Certified
Public Accountant)

(Güldenbergs)
Wirtschaftsprüfer
German Certified
Public Accountant)

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF DEUTSCHE POSTBANK AG (IFRS)**

Unaudited Interim Consolidated Income Statement of Deutsche Postbank AG for the Period Beginning January 1, 2005 and Ending March 31, 2005

		Jan. 1- March 31	
	Note	2005	2004
		€ million	
Interest income.....	(4)	1,291	1,307
Interest expense.....	(4)	-869	-943
Net interest income.....	(4)	422	364
Allowance for losses on loans and advances	(5)	-51	-41
Net interest income after allowance for losses on loans and advances		371	323
Fee and commission income	(6)	196	147
Fee and commission expense	(6)	-21	-21
Net fee and commission income.....	(6)	175	126
Net trading income	(7)	31	41
Net income from investment securities	(8)	61	88
Administrative expenses	(9)	-476	-437
Other income.....	(10)	24	22
Other expenses	(11)	-21	-20
Profit before tax		165	143
Income tax expense		-58	-50
Profit from ordinary activities after tax		107	93
Minority interest.....		-1	-1
Consolidated net profit.....		106	92

Earnings per share

The average number of shares outstanding in fiscal year 2005 was 164,000,000.

	Jan. 1- March 31	
	2005	2004
Basic earnings per share (€).....	0.65	0.56
Diluted earnings per share (€).....	0.65	0.56

The diluted earnings per share are the same as the basic earnings per share because, as in the previous year, there were no conversion or option rights outstanding at the balance sheet date, and hence there was no dilutive effect.

**Consolidated income statement:
quarterly overview**

	Q4	Q3	Q2	Q4	Q3	Q2	Q1	Jan.- March	Jan.- March
	2004			2003				2005	2004
	€ million								
Interest income.....	1,330	1,335	1,299	1,297	1,336	1,468	1,509	1,291	1,307
Interest expense.....	-911	-931	-919	-907	-948	-1,026	-1,076	-869	-943
Net interest income.....	419	404	380	390	388	442	433	422	364
Allowance for losses on loans and advances..	-59	-44	-41	-47	-37	-35	-35	-51	-41
Net interest income after allowance for losses on loans and advances.....	360	360	339	343	351	407	398	371	323
Fee and commission income.....	213	189	157	146	132	131	130	196	147
Fee and commission expense.....	-34	-20	-19	-24	-16	-16	-16	-21	-21
Net fee and commission income.....	179	169	138	122	116	115	114	175	126
Net trading income.....	12	59	86	29	74	44	36	31	41
Net income from investment securities.....	120	53	36	23	8	8	36	61	88
Administrative expenses.....	-514	-488	-454	-419	-447	-468	-475	-476	-437
Other income.....	88	28	23	163	30	15	10	24	22
Other expenses.....	-70	-21	-22	-88	-12	-18	-18	-21	-20
Profit before tax.....	175	160	146	173	120	103	101	165	143
Income tax expense.....	-46	-56	-51	-15	-47	-42	-40	-58	-50
Profit from ordinary activities after tax.....	129	104	95	158	73	61	61	107	93
Minority interest.....	—	—	—	—	—	—	-1	-1	-1
Consolidated net profit.....	129	104	95	158	73	61	60	106	92

Unaudited Interim Consolidated Balance Sheet of Deutsche Postbank AG as of March 31, 2005

	Note	March 31, 2005	Dec. 31, 2004
€ million			
Assets			
Cash reserve.....		537	1,125
Loans and advances to other banks.....	(12)	23,604	23,820
Loans and advances to customers.....	(13)	49,893	47,739
Allowance for losses on loans and advances	(15)	–711	–667
Trading assets	(16)	12,063	9,695
Hedging derivatives.....		882	973
Investment securities	(17)	40,566	43,483
Property and equipment	(18)	860	926
Other assets.....	(19)	1,096	1,025
Total assets		128,790	128,119
Shareholders' equity and liabilities			
Deposits from other banks	(20)	18,996	16,215
Due to customers.....	(21)	80,209	80,519
Securitized liabilities	(22)	15,381	16,490
Trading liabilities.....	(23)	2,250	2,702
Hedging derivatives.....		1,943	2,245
Provisions.....	(24)	1,904	1,938
Other liabilities	(25)	377	517
Subordinated debt	(26)	2,846	2,808
Shareholders' equity		4,884	4,685
a) Issued capital.....		410	410
b) Share premium		1,160	1,159
c) Retained earnings.....		3,207	2,695
d) Consolidated net profit		106	420
Minority interest		1	1
Total liabilities and shareholders' equity		128,790	128,119

Unaudited Interim Statement of Changes in Equity of Deutsche Postbank AG as of March 31, 2005

	Issued capital	Share premium	Retained earnings	Currency translation reserve	Revalua- tion reserve	Consoli- dated net profit	Total	Minority Interest	Total
	€ million								
Balance at December 31, 2003	410	1,159	3,002	-94	-200	589	4,866	14	4,880
First-time application of IAS 39 (rev. 2003)									
Cumulative impairment.....			-422		422		0		0
New designation of financial instruments.....					-141		-141		-141
Balance at January 1, 2004..	410	1,159	2,580	-94	81	589	4,725	14	4,739
First-time application of IAS 39 (rev. 2003)									
Cumulative impairment.....			11		-11		0		0
New designation of financial instruments.....					65		65		65
Dividend payment						-589	-589		-589
Currency translation differences.....				7			7		7
Changes in unrealized gains and losses, net of deferred taxes					49		49		49
Consolidated net profit Jan. 1 – March 31, 2004...						92	92		92
Total of items that change share-holders' equity in accordance with IAS 1.96c (rev. 2003)							148		148
Balance at March 31, 2004..	410	1,159	2,591	-87	184	92	4,349	14	4,363
First-time application of IAS 39 (rev. 2003)									
Cumulative impairment.....			2		-2		0		0
New designation of financial instruments.....					33		33		33
Currency translation differences.....				-33			-33		-33
Changes in unrealized gains and losses, net of deferred taxes					7		7		7
Consolidated net profit April 1 – Dec. 31, 2004....						328	328	1	329
Total of items that change share-holders' equity in accordance with IAS 1.96c (rev. 2003)							302	1	303
Other changes								-14	-14
Balance at Dec. 31, 2004.....	410	1,159	2,593	-120	222	420	4,684	1	4,685
Currency translation differences.....				13			13		13
Changes in unrealized gains and losses, net of deferred taxes					79		79		79
Consolidated net profit Jan. 1 – March 31, 2005...						106	106	1	107
Total of items that change share-holders' equity in accordance with IAS 1.96c (rev. 2003)							198	1	199
Treasury shares.....		1					1		1
Consolidated net profit 2004..			420			-420	0	-1	-1
Balance at March 31, 2005..	410	1,160	3,013	-107	301	106	4,883	1	4,884

Unaudited Interim Consolidated Cash Flow Statement of Deutsche Postbank AG for the Period Beginning January 1, 2005 and Ending March 31, 2005

	Jan. 1 - March 31	
	2005	2004
	€ million	
Cash and cash equivalents at beginning of period	1,125	1,623
Net cash from/used in operating activities	-3,667	5,881
Net cash from investing activities	3,077	-6,117
Net cash used in/from financing activities	5	-577
Effect of exchange differences	-3	—
Cash and cash equivalents at March 31	537	810

Cash and cash equivalents include cash, balances with central banks, public-sector debt instruments and bills eligible for rediscounting with the central bank.

Notes to the Unaudited Interim Consolidated Financial Statements of Deutsche Postbank AG as of March 31, 2005

(1) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	Jan.1-March 31		Jan.1-March 31		Jan.1-March 31		Jan.1-March 31		Jan.1-March 31		Jan.1-March 31	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	408	385	55	49	1	—	21	16	-63	-86	422	364
Net trading income.....	—	—	—	1	—	—	8	15	23	25	31	41
Net income from investment securities	—	—	3	1	—	—	1	1	57	86	61	88
Balance sheet-related revenues	408	385	58	51	1	—	30	32	17	25	514	493
Net fee and commission income.....	87	78	24	19	73	—	17	15	-26	14	175	126
Total income.....	495	463	82	70	74	—	47	47	-9	39	689	619
Administrative expenses.....	-339	-349	-41	-32	-68	—	-20	-21	-8	-35	-476	-437
Allowances for losses on loans and advances.....	-36	-27	-9	-8	—	—	1	1	-7	-7	-51	-41
Other income/expense.....	—	1	—	—	-1	—	1	—	3	1	3	2
Profit before tax.....	120	88	32	30	5	—	29	27	-21	-2	165	143
Cost/income ratio (CIR) ...	68.5%	75.4%	50.0%	45.7%	91.9%	—	42.6%	44.7%	—	—	69.1%	70.6%
Return on equity before taxes (RoE)	21.1%	17.6%	32.3%	27.8%	—	—	17.9%	11.5%	-6.2%	-0.8%	13.8%	11.7%
	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Segment assets	28,593	24,740	13,880	11,250	209	240	20,618	18,245	62,826	70,262	126,126	124,737
Segment liabilities	57,299	56,970	16,782	17,674	82	73	9,475	8,562	33,198	32,647	116,836	115,926

The prior-period amounts were adjusted to reflect the organizational structures prevailing in 2005 as well as modified allocation criteria.

Segment reporting by geographical region

	Assets		Liabilities		Income		Profit before tax	
	March 31 2005	Dec. 31 2004	March 31 2005	Dec. 31 2004	Jan. 1 – March 31 2005	Jan. 1 – March 31 2004	Jan. 1 – March 31 2005	Jan. 1 – March 31 2004
	€m	€m	€m	€m	€m	€m	€m	€m
Germany	91,004	91,457	83,156	83,707	640	586	134	122
Others	35,122	33,280	33,680	32,219	49	33	31	21
Europe	32,181	30,714	31,061	29,965	32	17	24	13
USA	2,941	2,566	2,619	2,254	17	16	7	8
Total	126,126	124,737	116,836	115,926	689	619	165	143

Segments are allocated by the domicile of the branch or Group company.

Basis of preparation

(2) Basis of accounting

The interim financial statements were prepared in accordance with EC Directives 83/349/EEC (Consolidated Accounts Directive) and 86/635/EEC (Bank Accounts Directive) on the basis of the International Financial Reporting Standards (IFRSs) approved and issued by the International Accounting Standards Board (IASB), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements also comply with the IAS 34 requirements for interim financial reports.

Unless outlined separately below, the same accounting policies used in preparing the 2004 consolidated financial statements were applied in preparing the interim report as of March 31, 2005.

With the “IAS 32/39” project and the “IAS Improvements Project”, the IASB revised a number of IFRSs. The revised Standards must be applied from January 1, 2005 onwards, as must the new Standards IFRS 1 to 5 with the exception of IFRS 3, which must be applied to new acquisitions effected subsequent to March 31, 2004.

The main changes resulting from the first-time application of the new Standards at Postbank relate to the following:

a) Impairment of equities

Under IAS 39.61 (rev. 2003), a significant or prolonged decline in the fair value of an equity instrument held by an enterprise below its cost now represents objective evidence of impairment. The retrospective application of this revised Standard entailed the recognition of cumulative impairment losses on equities of € 409 million on January 1, 2005. This amount was reclassified in equity from the revaluation reserve to retained earnings.

b) Reclassification – New definition of the asset category “Loans and Receivables”

IAS 39.9 (rev. 2003) redefines the category “Loans and Receivables” (LaR), among other things. Instead of the criterion “direct provision to the debtor”, the determining factor is now that the financial instruments are not quoted in an active market (within the meaning of IAS 39, AG 71).

The previous classifications were adjusted to reflect the new definition on January 1, 2005. The application of this revised Standard resulted in a cumulative amount arising on reclassification on January 1, 2005 of € -43 million. The revaluation reserve was reduced by this amount. In this context, loans and advances to other banks were adjusted downward by € 22 million, loans and advances to customers upward by € 24 million, investment securities downward by € 98 million and provisions for deferred taxes downward by € 53 million.

c) Amortization of goodwill

Under IFRS 3, existing goodwill ceases to be amortized from fiscal year 2005 onwards, but is instead tested annually for impairment.

The effects of the retrospective application of the new standard are contained in the “Statement of changes in equity”. Henceforth, this overview also contains minority interests which, under the revised IAS 1 (rev. 2003), are reported under equity, rather than as a separate item before equity as they were previously.

Unless otherwise indicated, all amounts are shown in millions of euros (€ m).

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, Bonn, 33 (December 31, 2004: 33) subsidiaries and 2 (December 31, 2004: 2) joint ventures, all of which are presented in the list of shareholdings (note 31), are included in the consolidated interim financial statements as of March 31, 2005.

The London branch is included in the figures of the parent company Deutsche Postbank AG for the first time.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), which requires the consolidation of special purpose entities under certain conditions, a total of 25 (December 31, 2004: 25) special funds were included as special purpose entities in the consolidated financial statements.

In Q1/2005, there were no changes as against December 31, 2004.

Income statement disclosures

(4) Net interest income

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Interest and current income		
Interest income from		
Lending and money market transactions	838	738
Fixed-income and book-entry securities	361	473
Trading operations	61	64
Net gains on hedges	-5	12
	1,255	1,287
Current income from		
Equities and other non-fixed-income securities.....	36	20
Investments in associates.....	—	—
	36	20
	1,291	1,307
Interest expense on		
Deposits.....	520	528
Securitized liabilities	189	273
Subordinated debt	39	24
Swaps (hedge accounting in accordance with IAS 39)	78	104
Trading operations	43	14
	869	943
Total.....	422	364

(5) Allowance for losses on loans and advances

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Cost of additions to allowance for losses on loans and advances.....	60	63
Direct loan write-offs	3	2
Income from reversals	11	24
Recoveries on loans previously written off.....	1	—
Total.....	51	41

(6) Net fee and commission income

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Money transmission and clearing business.....	83	77
Securities business	23	25
Lending and guarantee business.....	12	7
Other fee and commission income	57	17
Total.....	175	126

(7) Net trading income

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Net income from interest rate products	3	69
Net gain on derivatives carried in the trading portfolio and the banking book.....	26	–32
Net income from equities.....	1	–3
Foreign exchange income/loss	2	7
Fee and commission income – trading portfolio.....	–1	—
Total.....	31	41

(8) Net income from investment securities

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Net income from bonds and promissary note loans.....	26	90
Net income from equities and other non-fixed-income securities.....	41	–2
Impairment	–6	—
Total.....	61	88

(9) Administrative expenses

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Staff costs.....	165	142
Other administrative expenses.....	296	275
Depreciation and write-downs of property and equipment.....	15	20
Total.....	476	437

(10) Other income

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Income from property and equipment	14	7
Other operating income	10	15
Total.....	24	22

(11) Other expenses

	Jan. 1 – March 31	
	2005	2004
	€m	€m
Amortization and write-downs of intangible assets	11	10
Miscellaneous.....	10	10
Total.....	21	20

Balance sheet disclosures

(12) Loans and advances to other banks

	March 31, 2005	Dec. 31, 2004
	€m	€m
Payable on demand.....	1,744	2,188
Other loans and advances.....	21,860	21,632
Total.....	23,604	23,820

(13) Loans and advances to customers

	March 31, 2005	Dec. 31, 2004
	€m	€m
Private mortgage lending.....	26,090	22,306
Public sector.....	10,512	11,051
Installment credits.....	1,265	1,193
Other loans and advances.....	12,026	13,189
Total.....	49,893	47,739

(14) Total credit extended

	March 31, 2005	Dec. 31, 2004
	€m	€m
Loans and advances to other banks	23,604	23,820
Loans and advances to customers.....	49,893	47,739
Guarantees.....	1,258	1,110
Total.....	74,755	72,669

(15) Allowance for losses on loans and advances

The allowance for losses on loans and advances is composed of the following items:

	March 31, 2005	Dec. 31, 2004
	€m	€m
Specific valuation allowances	671	627
Global valuation allowances	40	40
Allowance for losses on loans and advances	711	667
Provisions for credit risks.....	9	9
Total.....	720	676

The allowance for losses on loans and advances carried under assets changed as follows:

	2005	2004
	€m	€m
Balance at January 1	667	597
Additions		
Allowance for losses on loans and charged to the income statement.....	60	63
Currency translation differences	1	2
Disposals		
Utilization.....	6	11
Allowance for losses on loans and advances reversed to the income statement..	11	24
Balance at March 31	711	627

(16) Trading assets

	March 31, 2005	Dec. 31, 2004
	€m	€m
Bonds and other fixed-income securities.....	9,648	6,859
Equities and other non-fixed-income securities.....	67	82
Positive fair values of derivatives carried as trading assets	2,107	2,296
Positive fair values of banking book derivatives	241	458
Total	12,063	9,695

(17) Investment securities

	March 31, 2005	Dec. 31, 2004
	€m	€m
Bonds and other fixed-income securities.....	37,037	40,364
Equities and other non-fixed-income securities.....	3,496	3,086
Investments in associates.....	18	18
Investments in unconsolidated subsidiaries	15	15
Total	40,566	43,483

(18) Property and equipment

	March 31, 2005	Dec. 31, 2004
	€m	€m
Land and buildings	757	817
Operating and office equipment.....	94	100
Advance payments and assets under development.....	9	9
Total	860	926

(19) Other assets

	March 31, 2005	Dec. 31, 2004
	€m	€m
Deferred tax assets.....	495	520
Intangible assets.....	172	168
Prepaid expenses.....	166	119
Receivables from tax authorities.....	74	81
Miscellaneous.....	189	137
Total.....	1,096	1,025

(20) Deposits from other banks

	March 31, 2005	Dec. 31, 2004
	€m	€m
Payable on demand.....	959	916
Other deposits	18,037	15,299
Total.....	18,996	16,215

(21) Due to customers

	March 31, 2005	Dec. 31, 2004
	€m	€m
Savings deposits.....	36,763	36,158
Other amounts due		
Payable on demand.....	21,775	21,255
With an agreed maturity or withdrawal notice	21,671	23,106
	43,446	44,361
Total.....	80,209	80,519

(22) Securitized liabilities

	March 31, 2005	Dec. 31, 2004
	€m	€m
Mortgage bonds	182	181
Public-sector mortgage bonds (<i>Pfandbriefe</i>)	709	1,073
Other debt instruments	14,490	15,236
Total.....	15,381	16,490

(23) Trading liabilities

	March 31, 2005	Dec. 31, 2004
	€m	€m
Negative fair values of trading derivatives.....	1,967	2,111
Negative fair values of banking book derivatives.....	248	540
Other trading assets (short sales of securities)	35	51
Total.....	2,250	2,702

(24) Provisions

	March 31, 2005	Dec. 31, 2004
	€m	€m
Provisions for pensions and other employee benefits	586	584
Provisions for taxes	942	941
Other provisions.....	376	413
Total.....	1,904	1,938

(25) Other liabilities

	March 31, 2005	Dec. 31, 2004
	€m	€m
Trade payables	44	56
Liabilities from other taxes	22	147
Liabilities from income taxes.....	—	1
Miscellaneous liabilities	301	310
Deferred income	10	3
Total.....	377	517

(26) Subordinated debt

	March 31, 2005	Dec. 31, 2004
	€m	€m
Subordinated liabilities	1,521	1,512
Hybrid capital instruments	805	783
Profit participation certificates outstanding.....	464	458
Contributions by typical silent partners.....	56	55
Total.....	2,846	2,808

Other disclosures**(27) Contingencies and obligations**

	March 31, 2005	Dec. 31, 2004
	€m	€m
Contingent liabilities		
on guarantees and warranties	1,258	1,110
Other obligations		
Irrevocable loan commitments.....	13,965	13,518
Total.....	15,223	14,628

(28) Derivatives

The Postbank Group uses derivatives to hedge positions as part of its asset/liability management policy. They are also entered into for trading purposes.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Nominal amounts		Positive fair values		Negative fair values	
	March 31, 2005	Dec. 31, 2004	March 31, 2005	Dec. 31, 2004	March 31, 2005	Dec. 31, 2004
	€m	€m	€m	€m	€m	€m
Trading derivatives.....	294,275	224,044	2,348	2,754	2,215	2,651
Hedging derivatives.....	33,623	39,203	882	973	1,943	2,245
Total	327,898	263,247	3,230	3,727	4,158	4,896

The following table presents the open interest-rate and foreign currency, conditional and unconditional forward and option contracts of the Postbank Group at the balance sheet date.

	Nominal amounts		Fair Value			
			Positive fair values		Negative fair values	
	March 31, 2005	Dec. 31, 2004	March 31, 2005	Dec. 31, 2004	March 31, 2005	Dec. 31, 2004
	€m	€m	€m	€m	€m	€m
Trading derivatives						
Foreign currency derivatives	13,861	13,854	198	596	188	535
Interest rate derivatives	278,267	206,286	2,114	2,129	1,955	2,055
Equity/index derivatives	1,440	1,072	15	13	55	48
Credit derivatives	707	832	21	16	17	13
Total holdings of trading derivatives	294,275	224,044	2,348	2,754	2,215	2,651
Hedging derivatives						
Fair value hedges	33,622	39,202	882	973	1,943	2,245
Cash flow hedges	1	1	—	—	—	—
Total holdings of hedging derivatives	33,623	39,203	882	973	1,943	2,245
Total holdings of derivatives	327,898	263,247	3,230	3,727	4,158	4,896

(29) Market price risk from trading activities

	Trading book	
	March 31, 2005	Dec. 31, 2004
	€m	€m
Value at risk.....	9.99	6.74
Minimum value at risk	5.92	4.43
Maximum value at risk.....	13.90	16.42
Average value at risk	10.20	8.69

The Postbank Group's values at risk assume a confidence level of 99% and a holding period of ten trading days.

(30) Risk assets and capital ratio

Postbank ensures the correct determination of liable capital and own funds at Group level. Its regulatory own funds in accordance with the Basel Capital Accord were as follows:

	March 31, 2005	Dec. 31, 2004
	€m	€m
Risk-weighted assets.....	53,601	50,043
Market risk positions	6,275	5,938
Positions for which capital charges are required	59,876	55,981
 Tier 1 capital.....	4,574	4,231
thereof: hybrid capital instruments	851	635
Tier 2 capital.....	1,597	1,862
Profit participation certificates outstanding.....	359	359
Subordinated liabilities	1,238	1,247
Other components	—	256
Tier 3 capital.....	—	—
Eligible own funds.....	6,171	6,093
Tier 1 ratio (%).....	8.5	8.5
Capital ratio (%).....	10.3	10.9

(31) Subsidiaries

Name and domicile	Equity interest (%) direct	Equity interest (%) indirect
1) Fully consolidated companies:		
Deutsche Postbank International S.A., Munsbach, Luxembourg.....	100.0	
Deutsche Postbank Asset Management S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Capital Management S.A., Munsbach, Luxembourg .	100.0	
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
Postbank Systems AG, Bonn.....	100.0	
Ralos Verwaltung GmbH & Co. Vermietungs KG, Munich.....	94.0	
DSL Finance N.V., Amsterdam, The Netherlands	100.0	
DSL Holding AG i.A., Bonn.....	100.0	
Deutsche Postbank Financial Services GmbH, Frankfurt/Main.....	100.0	
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		90.0
DPBI Immobilien KGaA, Munsbach, Luxembourg	10.0	0.1
Postbank Leasing GmbH, Bonn	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, USA	100.0	
PB Capital Corp., Wilmington, Delaware, USA		100.0
PB Realty Corp., New York, USA		94.7
PB Finance (Delaware) Inc., Wilmington, Delaware, USA		100.0
PB Factoring GmbH, Bonn	100.0	
Postbank Vermögensberatung AG, Bonn	100.0	
Postbank Vermögensberatung Service GmbH, Cologne	100.0	
PB Firmenkunden AG, Bonn	100.0	
Betriebs-Center für Banken Deutschland GmbH & Co. KG, Frankfurt/ Main	100.0	
Betriebs-Center für Banken Verwaltungs GmbH, Frankfurt/Main	100.0	
Betriebs-Center für Banken Frankfurt am Main GmbH, Frankfurt/Main .		100.0
Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main		100.0
Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main.....		100.0
Betriebs-Center für Banken Payments AG, Frankfurt/Main		100.0
Deutsche Postbank Funding LLC I, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding LLC II, Wilmington. Delaware, USA.....	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, USA.....	100.0	
2) Proportionately consolidated companies:		
PB Lebensversicherung AG, Hilden	50.0	
PB Versicherung AG, Hilden.....	50.0	

(32) Members of executive bodies Management Board**The members of the Management Board are:**

Wulf von Schimmelmann, Bonn (Chairman)

Dirk Berensmann, Unkel

Stefan Jütte, Bonn

Wolfgang Klein, Bonn

Loukas Rizos, Bonn

Lothar Rogg, Bonn

Ralf Stemmer, Königswinter

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives

Dr. Klaus Zumwinkel, Chairman of the Board of Management of Deutsche Post AG, Bonn (Chairman)
Wilfried Boysen, Hamburg

Dr. Edgar Ernst, Member of the Board of Management of Deutsche Post AG, Bonn

Dr. Peter Hoch, Munich

Prof. Dr. Ralf Krüger, management consultant, Professor at the Fachhochschule Wiesbaden, Kronberg

Dr. Hans-Dieter Petram, Member of the Board of Management of Deutsche Post AG, Bonn

Dr. Klaus Schlede, previously Deputy Chairman of the Management Board of Deutsche Lufthansa AG,
Cologne

Elmo von Schorlemer, lawyer, Aachen

Dr. Manfred Schüler, State Secretary (retd.), Wachtberg

Dr. Bernd Pfaffenbach, State Secretary, Federal Ministry of
Economics and Labor, Berlin

since February 16, 2005

2. Employee representatives

Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)

Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Bonn

Rosemarie Bolte, Head of Specialist Department of the ver.di Trade Union, Stuttgart

Annette Harms, Member of Deutsche Postbank AG's Works Council, Hamburg Branch, Hamburg

Ralf Höhmänn, Member of Deutsche Postbank AG's Works Council, Stuttgart Branch, Stuttgart

Elmar Kallfelz, Member of Deutsche Post AG's Group Works Council, Bonn

Harald Kuhlow, appointed expert to the General Works Council of Deutsche Postbank AG, Bonn

Sabine Schwarz, Chair of Deutsche Postbank AG's Works Council, Berlin Branch, Berlin

Christine Weiler, Chair of Deutsche Postbank AG's Works Council, Munich Branch, Munich

Christel Zobeley, trade union official, Vereinte Dienstleistungsgewerkschaft (ver.di), Berlin

Bonn, May 4, 2005

Deutsche Postbank Aktiengesellschaft

Management Board



Wulf von Schimmelmann



Dirk Berensmann



Stefan Jütte



Wolfgang Klein



Loukas Rizos



Lothar Rogg



Ralf Stemmer

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THE TRUST
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