2013

DEUTSCHE POSTBANK AG, BONN
ANNUAL FINANCIAL STATEMENTS (HGB)
AS OF DECEMBER 31, 2013

Postbank

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ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2013
AND MANAGEMENT REPORT FOR FISCAL YEAR 2013

POSTBANK MANAGEMENT REPORT

BUSINESS AND ENVIRONMENT

Corporate profile

Business model of Postbank

Deutsche Postbank AG (Postbank) provides financial services for retail and corporate customers as well as for other financial service providers primarily in Germany. The focus of its business activities is on retail banking and corporate banking (payment transactions and financing). The Bank's work is rounded out by settlement services (transaction banking) as well as money market and capital market activities. On December 3, 2010, the Postbank Group became part of the basis of consolidation of Deutsche Bank AG, Frankfurt am Main, which directly and indirectly holds more than 90 % of the shares in Postbank.

With its business activities, Postbank plays a significant role in the Private & Business Clients (PBC) corporate division at Deutsche Bank. It acts as a supporting pillar of the business with private and corporate customers, and makes a substantial contribution to the implementation and execution of Deutsche Bank's strategy to intensify its activities on the domestic market. Postbank views itself as a financial services provider that is oriented to the needs of a broad base of customers thanks to its simple, standardized products. With its IT and operational units, Postbank is also realizing a large portion of the joint retail target platform (RTP) for Postbank and Deutsche Bank.

Key locations

The head office of Postbank is located in Bonn. In addition, Postbank operates a national network of branches that had 1,092 locations in Germany at the end of 2013. The subsidiary BHW Bausparkasse Aktiengesellschaft is domiciled in Hameln.

In addition, Postbank also maintains subsidiaries in Luxembourg. PB (USA) Holdings, Inc. and its subsidiaries, to which PB Capital Corporation, Wilmington, Delaware, also belonged, were sold within the Deutsche Bank Group as of the end of December 31, 2012 and effective January 1, 2013.

Fundamental sales markets and competitive position

In retail banking, Postbank conducts its business almost exclusively in Germany and is the largest single-entity institution in terms of the number of customers. Its major product fields are savings, checking accounts, private mortgage lending and home savings. Postbank is among the leaders in Germany in each of these areas, based on balance-sheet volumes. Private retirement provision solutions, personal loans and the securities business round out the product range for retail customers. In these areas, Postbank offers some products and services as part of partnerships with other banks and insurance companies. One key aspect of this activity is the close collaboration with Deutsche Bank AG that is continuously being intensified. Postbank's major competitors in the retail banking business in Germany are providers from the sector of savings banks and cooperative banks as well as several major banks.

In addition to retail banking, Postbank is involved in the corporate banking business. As a mid-sized market player in this area, it focuses particularly on German SMEs. With its subsidiary Betriebs-Center für Banken AG, Frankfurt am Main (BCB), Postbank is currently one of the largest providers of payment transaction services in the German market. On behalf of Postbank and three other clients, including Deutsche Bank AG, BCB processed around 7.6 billion transactions during the reporting year.

Management at Postbank

Postbank is responsible for the management of the entire Postbank subgroup.

The management within Postbank is based on an integrated and consistent system of key performance indicators that is uniform Group-wide. The system links targets, planning, operational management, performance measurement and remuneration. The objective of this management approach is to optimize profitability and efficiency.

The central profitability target for the capital market-oriented management of Postbank is the expectation of returns on equity in accordance with IFRSs, as measured by return on equity (RoE) before and after tax. The quantity is calculated on the basis of profit before tax and after tax divided by the average time-weighted equity in the reporting period.

Efficiency is measured by the cost/income ratio (CIR), the ratio between administrative expenses and total income (excluding other income) before the allowance for losses on loans and advances – the central metric for income and productivity management.

As the most important metric used to judge and manage income power, total income includes net interest income and net fee and commission income in particular as the key income indicators in the Postbank customer business.

On the segment level, Postbank directs its activities on the basis of a management information system whose core component is management accounting by business division. In general, management is performed much the way it is on the Postbank Group level, in which expectations for returns are measured on the basis of RoE before tax. The allocation of equity to the segments is based on their risk capital requirements.

The above-mentioned indicators serve as operational management parameters on the segment level. In the core business, the income drivers of volume, margins and risk as well as the contribution margins are also taken into account in management.

For operational management, the strategic and operational targets are further defined as key performance indicators (KPIs) and subjected to regular reviews. This assures that all business activities are focused on achieving company objectives.

At the moment, the process used to conduct these regular reviews is being revised. The primary reasons for these revisions are the modified schedule of responsibilities of the Management Board introduced at the end of 2012 and the expanded committee structure at Postbank that was introduced as part of the Bank's integration into the Deutsche Bank Group.

In addition to the established management parameters mentioned above, Postbank uses return indicators in internal management based on the underlying total assets (return on assets – ROA) as well as on the risk capital employed. Similar to RoE, the return is calculated on the basis of regulatory capital and capital requirements (in particular return on regulatory capital – RoReC – and return on total capital demand – RoTCD) and forms an important basis for decision-making on the individual transaction level and the aggregate level. Furthermore, management of the return is conducted at the overall bank, segment and management portfolio levels on the basis of economic capital (return on risk-adjusted capital – RoRaC). The need for economic capital is determined through the use of relevant types of risk depending on the management level (e.g., credit risk, market risk, operational risk). Both resources – regulatory capital and economic capital – are expected to yield an appropriate return in the form of hurdle rates, which are derived from the return expectations of the capital market and are to be generated by both the Postbank as a whole and the individual business units.

The variable remuneration of Management Board members, executives and employees at Postbank is closely linked to this management system. It is based on individual targets, divisional targets and Postbank Group targets as expressed in profit/loss before tax and CIR. As a result of regulatory requirements and the company goal of sustainable success, a sustainability factor is used to calculate the long-term portion of the variable remuneration of our executives, risk takers and the Management Board (long-term component).

The sustainability factor is based on the concept of Economic Value Added and anchors value-focused, sustainability thinking in the incentive system of Postbank.

DISCLOSURES IN ACCORDANCE WITH SECTION 289(4) OF THE *HANDELSGESETZBUCH* (HGB – GERMAN COMMERCIAL CODE) AND EXPLANATORY REPORT

Composition of issued capital
Postbank's share capital amounted to €547,000,000 as of December 31, 2013, and is composed of 218,800,000 no-par value registered shares. Each share conveys the same statutory rights and obligations and grants the holder one vote at the Annual General Meeting.

Restrictions that affect voting rights or the transfer of shares
Article 17 of the Articles of Association determines the requirements that must be met to attend the Annual General Meeting and exercise the right to vote as a shareholder. The Company only regards as shareholders those persons entered as such in the share register. Voting rights that arise from the shares in question are excluded by law in those cases described in section 136 of the *Aktiengesetz* (AktG – German Stock Corporation Act). According to section 71b of the AktG, companies derive no rights that may be exercised from the holding of own shares. The Management Board is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

Equity interests in excess of 10 % of voting rights
Deutsche Bank AG, Frankfurt am Main, held directly and indirectly, primarily through DB Finanz-Holding GmbH, approximately 94.1 % of Postbank shares on December 31, 2013. As a result, the free float tradable on stock exchanges amounts to around 5.9 % of Postbank's share capital.

Shareholders with special rights
No shares with special rights conveying powers of control were issued.

Type of voting rights control when employees with equity interests do not exercise their control rights directly
Employees who hold shares of Postbank exercise their rights of control like other shareholders in accordance with statutory provisions and the Articles of Association.

Provisions concerning the appointment and dismissal of Management Board members and amendments to the Articles of Association
The members of the Company's Management Board are appointed by the Supervisory Board for a maximum term of five years in accordance with section 84 of the AktG and section 31 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). According to statutory provisions, members may be reappointed or their term extended, in each case for a maximum of five years. Under Article 5 of the Company's Articles of Association, the Management Board consists of at least two members. Otherwise, the Supervisory Board determines the number of members of the Management Board and can also appoint a Chairperson of the Management Board and a Deputy Chairperson of the Management Board as well as deputy members.

Under section 24(1) no. 1 and section 33(2) of the *Kreditwesengesetz* (KWG – German Banking Act), the Bank must demonstrate to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) and the Deutsche Bundesbank that the proposed members of the Management Board have sufficient theoretical and practical knowledge of the Bank's business as well as managerial experience before the intended appointment to said board.

The Supervisory Board, under section 84(3) of the AktG, is entitled to revoke the appointment of Management Board members or the appointment of a chairperson of the Management Board if there is good cause.

Pursuant to section 45c(1) to (3) of the KWG, BaFin may appoint a special representative and entrust him/her with the tasks and powers of one or more members of the Management Board if such members are untrustworthy or lack the requisite professional expertise or if the lending institution no longer has the requisite number of Management Board members. If members of the Management Board are not trustworthy or lack the requisite knowledge, or if violations of the principles of the proper conduct of business remain concealed from them or if they have failed to eliminate the ascertained infringements, BaFin can also transfer the tasks and powers of the Management Board as a whole to the special representative. In all these cases, the tasks and powers of the Management Board or the Management Board member concerned are suspended.

If a lending institution is in danger of failing to discharge its obligations to its creditors or there are grounds for suspecting that effective supervision of the bank is not possible, BaFin can take provisional steps to avert the danger pursuant to section 46(1) of the KWG. In the exercise of this duty, it can also prohibit or limit Management Board members from performing their office. In this case, their function can be fulfilled by the special representative pursuant to section 45c of the KWG.

The Articles of Association of Deutsche Postbank AG may be amended in accordance with the provisions of section 119(1) no. 5 and section 179 of the AktG. Under these provisions, amendments to the Articles of Association require a resolution by the Annual General Meeting. Moreover, under Article 19(3) of the Articles of Association, the Supervisory Board is permitted to make amendments to the Articles of Association that relate exclusively to their wording. Under Article 19(2), the resolutions by the Annual General Meeting are passed by a simple majority of the votes cast, in the absence of binding legal requirements to the contrary. Where the law prescribes a shareholding majority in addition to a voting majority, resolutions are passed by a simple majority of the share capital represented during the vote. Amendments to the Articles of Association enter into force upon entry in the commercial register (section 181(3) of the AktG).

In 2013, the following Amendments to the Articles of Association were entered into the commercial register and became effective:

The Annual General Meeting, on May 28, 2013, passed a resolution on a revision of Article 4(6) (Authorized Capital I) and the introduction of a new Article 4(7) (Authorized Capital II) into the Articles of Association. The following paragraph was renumbered accordingly. The resolution entered into force on June 26, 2013, upon entry in the commercial register.

By resolution of the Supervisory Board on May 27, 2013, an amendment in Article 3(1) (Announcements and Information) of the Articles of Association was decided and entered into force upon entry in the commercial register on August 7, 2013.

Powers of the Management Board to issue or repurchase shares

Pursuant to a resolution of the Annual General Meeting on May 28, 2013, the Management Board, with the consent of the Supervisory Board, is authorized to increase the share capital on one or more occasions in whole or in part by up to €218.8 million in the period up to May 27, 2018, by issuing new no-par value registered shares against cash and/or non-cash contribution, including mixed non-cash contributions (Authorized Capital I). The shareholders are generally granted pre-emptive rights.

Pursuant to a resolution of the Annual General Meeting on May 28, 2013, the Management Board, with the consent of the Supervisory Board, is also authorized to increase the share capital on one or more occasions in whole or in part by up to a total of €54.7 million in the period up to May 27, 2018, by issuing new no-par value registered shares against cash contributions (Authorized Capital II). The shareholders are generally granted pre-emptive rights. The resolution provides the opportunity for simplified disapplication of pre-emptive rights in accordance with section 186(3) sentence 4 of the AktG.

Additional details on Authorized Capital I and II can be found in Article 4(6) and (7) of the Articles of Association.

The share capital has been contingently increased by up to €273.5 million by the issuing of up to 109.4 million new no-par value registered shares (Contingent Capital). The purpose of the contingent capital increase is to grant no-par value registered shares to owners or creditors of convertible bonds and/or bonds with warrants, participating bonds and/or profit participation certificates (or a combination of these instruments), which are issued or guaranteed until April 28, 2015, by the Company or an enterprise it controls or an enterprise in which the Company holds a majority interest and which provide for conversion or option rights for new no-par value registered shares of the Company, or establish a conversion requirement. The authorization of the Annual General Meeting on April 29, 2010, in the aggregate principal amount of up to €3 billion provides the basis for the issue and guarantee. The Contingent Capital increase is to be carried out only to the extent that option or conversion rights are exercised or the owners or creditors fulfill their conversion obligations and provided that own shares are not used for this purpose. Additional details on Contingent Capital can be found in Article 4(8) of the Articles of Association.

The Company was authorized pursuant to a resolution of the Annual General Meeting on April 29, 2010, to purchase and to sell own shares for the purpose of securities trading, in accordance with section 71(1) no. 7 of the AktG. The volume of shares to be acquired for this purpose may not exceed 5 % of the relevant share capital of the Company at the end of any given day. Furthermore, the shares acquired on the basis of this authorization, together with other Company shares that the Company has acquired and still holds, may at no time account for more than 10 % of the share capital. The authorization may be exercised on one or more occasions in whole or in part in the period up to April 28, 2015. The acquisition price (excluding incidental costs of acquisition) may not exceed, or fall short of, the arithmetic average of the share price (closing price of Deutsche Postbank AG shares in the Xetra trading system or a comparable successor system) at the Frankfurt/Main Stock Exchange during the last five consecutive trading days before the acquisition or the assumption of an obligation to purchase by no more than 10 %.

Furthermore, the Management Board was authorized by way of a resolution of the Annual General Meeting on April 29, 2010, to acquire own shares up to a total of 10 % of the existing share capital at the time of resolution, pursuant to section 71(1) no. 8 of the AktG. The shares acquired on the basis of this authorization together with other Company shares that the Company has already acquired and still holds may not account for more than 10 % of share capital at any time. The authorization may also be exercised by dependent companies or companies in which the Company holds a majority interest or by third parties for account of the Company or dependent companies or companies in which the Company holds a majority interest. The authorization can be exercised on one or more occasions in whole or in part in the period up to April 28, 2015.

The shares may be acquired on the stock exchange or by means of a public offer. The authorization contains provisions regarding the acquisition price and the procedure in cases of an oversubscription of a public purchase offer.

The authorization may be exercised for any lawful purpose, but especially for the pursuit of one or more of the following purposes.

Under section 71(1) no. 8 of the AktG, the Management Board, with the consent of the Supervisory Board, is authorized on the basis of this or an earlier authorization, to redeem the own shares without further resolution of the Annual General Meeting. The redemption may be limited to a portion of the acquired shares. Multiple use of the redemption option may be made. The redemption generally leads to a reduction in share capital. Notwithstanding the preceding, the Management Board may determine that the share capital shall remain unchanged and instead that the redemption lead to an increase in the proportion of remaining shares in the share capital pursuant to section 8(3) of the AktG. The Management Board shall in this case be authorized to modify the statement of the number of shares in the Articles of Association.

Under section 71(1) no. 8 of the AktG, the Management Board, with the consent of the Supervisory Board, is authorized on the basis of this or an earlier authorization to use own shares acquired in a different manner than through sale on the stock exchange or an offer to all shareholders excluding shareholders' pre-emptive rights as follows: (i) the sale of the shares against a non-cash contribution for the purpose of acquiring companies, parts of companies, investments in companies or other contributable assets, or for implementing business combinations; or (ii) the sale of the shares for cash and at a price that is not materially lower than the quoted market price of the Company's shares at the time of sale (simplified exclusion of pre-emptive rights pursuant to section 186(3) sentence 4 and section 71(1) no. 8 sentence 5, second half of the sentence, AktG). This authorization is limited to an aggregate of no more than 10 % of the current share capital of the Company, or if this figure is lower, 10 % of the share capital existing at the time of exercise of this authorization, including other shares issued since the resolution on this authorization under exclusion of the shareholders' pre-emptive rights in direct or corresponding application of section 186(3) sentence 4 of the AktG; or (iii) to meet the Company's obligations arising from conversion and option rights or conversion obligations resulting from convertible bonds or bonds with warrants, profit participation certificates or participating bonds (or combinations of such instruments) that grant conversion or option rights or create a conversion obligation and which are issued by the Company, or dependent companies or companies in which the Company holds a majority interest. The authorizations contained in i) to iii) may also be exercised by the dependent companies or companies in which the Company holds a majority interest or by third parties for the Company's account or for dependent companies or companies in which the Company holds a majority interest.

In the year under review, the Bank made no use of its authorization to purchase own shares. At the balance sheet date, Postbank did not hold any treasury shares.

Material agreements that take effect in the event of a change of control following a takeover bid

No material agreements that take effect in the event of a change of control following a takeover bid have been concluded.

Compensation agreements in cases of a change of control

No company compensation agreements in the case of a takeover bid have been concluded with members of the Management Board or employees.

Section 289a of the HGB: Corporate Governance Statement

The Corporate Governance Statement can be found on our home page at https://www.postbank.de/postbank/wu_corporate_governance_unternehmensfuehrung.html.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Structure of the remuneration of the Management Board in fiscal year 2013

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by Postbank's Supervisory Board.

No adjustments were made to the Management Board remuneration system in the year under review.

The Supervisory Board has resolved to review and, where necessary, adapt the remuneration system in 2014, in particular with respect to the deferral system.

The Supervisory Board resolves the appropriateness of the remuneration of the members of Postbank's Management Board on the basis of recommendations by the Executive Committee, taking into account the Company's performance, the sector, and the outlook for the future.

As well as appropriateness and sustainability, the core criterion for the structure and amount of Management Board remuneration is to ensure that incentives for taking disproportionately high risks are avoided. Therefore, an upper limit has been set for the ratio of fixed to variable remuneration. Furthermore, the level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial position, and the tasks of the Management Board members in question. Remuneration is calculated so that it is appropriate and competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. The level of remuneration is performance-linked and designed so as to motivate members of the Management Board to achieve the Bank's strategic aims and thus contribute to the Company's sustainable growth. The Supervisory Board also took into account the remuneration of the two management levels below the Management Board when assessing the amount of remuneration, as part of its vertical comparison of remuneration.

Overall remuneration consists of fixed and performance-related components.

The base pay (fixed component), fringe benefits and pension commitments are not performance-linked. The base pay is paid out in cash as a monthly salary in twelve equal installments.

The performance-related component is the variable remuneration. The variable remuneration awarded to the members of the Management Board is based on their achieving quantitative and qualitative Group, board department, and individual goals, based on earnings targets, for example. These goals are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on the predetermined targets set out in the agreement being met and is subject to a cap set out in the individual agreements.

The variable remuneration is split into a short-term component (40 %) and a long-term component (60 %). It is not fully paid out in cash, even if the agreed targets are met.

Half of the short-term component is immediately paid out in cash in the following year after it has been determined that the targets have been reached (short-term component I). The second half of the short-term component (short-term component II) is converted into phantom shares of Deutsche Bank AG. For this purpose, the euro amount of short-term component II is divided by the average of the Xetra closing prices for Deutsche Bank AG shares on the last ten trading days before the date on which the Supervisory Board determined that the targets were met or the date the lock-up period ended. After a one-year lock-up period, the phantom shares are converted based on the then current share price and paid out. During the lock-up period, the phantom shares attract a dividend equivalent to the actual dividend paid.

The long-term component depends on the Postbank Group's sustainable performance, which is determined based on the satisfaction of a sustainability criterion during the subsequent three-year assessment period (three calendar years following the base year). In the year immediately following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met for that fiscal year and the Supervisory Board stipulates the sustainability criterion for the assessment period. This is known as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion are achieved if the value of the APACC equates to, or exceeds, or at the end of the sustainability phase cumulatively exceeds, the value of the APACC in the base year.

In line with the three-year sustainability phase, the long-term component is divided into three equal tranches. Again, half of each tranche is paid out in cash (long-term component I) and half is converted into phantom shares (long-term component II). The conversion and valuation of the phantom shares is carried out following the procedure outlined above.

If the Supervisory Board determines that the sustainability criterion has been met at the end of each of the years in the three-year assessment period, the proportionate cash component (long-term component I) is paid out immediately, and the remainder converted into phantom shares (long-term component II).

If the sustainability criterion is not met for a particular year in the assessment period, payment of the corresponding tranches of the long-term component is deferred to the following year for a renewed examination based on the sustainability criterion to be performed. If the sustainability criterion has not been met at the end of the assessment period, the payment of all deferred long-term components lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (negative bonus system). Under an additional negative bonus system, payment for outstanding tranches can be reduced retroactively or canceled completely based on the overall performance of the Management Board member concerned during the assessment period. The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or remove the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award an appropriate special bonus for exceptional performance. Its size is effectively limited by the upper limit set by the Supervisory Board for the proportion of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, Postbank will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base payments plus a maximum of 40 % of twice the maximum variable remuneration (severance payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration is paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

Remuneration of the Supervisory Board in 2013
Postbank's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004. The remuneration system is laid down in Article 15 of the Articles of Association of Postbank. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of a fixed and an annual performance-related component, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Postbank. The positions of Chairman and Deputy Chairman as well as the membership of committees are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board who is not a member of a committee is as follows: The fixed annual component amounts to €15,000, while the performance-related annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1 % by which the consolidated net profit per share for the second fiscal year following the fiscal year under review exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review.

In the opinion of the Management Board and the Supervisory Board, the performance-related remuneration that is determined on the basis of consolidated net profit per share for the respective fiscal year – when considered in isolation – is not oriented on sustainable corporate development, pursuant to the guidelines of section 5.4.6(2) of the German Corporate Governance Code (DCGK). For that reason Postbank's Management Board and Supervisory Board have decided as a precaution to make a declaration of deviation from section 5.4.6(2) of the DCGK.

The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one and a half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee.

For further information on and explanations of the remuneration of the Management Board and Supervisory Board, please see the Corporate Governance Report or the Notes.

EMPLOYEES

At the end of 2013, Postbank employed 2,883 full-time equivalents, 1,209 fewer than on December 31, 2012. Transfers within the Group – in particular to the newly founded PB Service GmbH and Kreditservice GmbH were the main reason for the significant reduction. Around 22 % of the total figure is made up of actively employed civil servants. About 14.4 % of our employees work part time.

Our external turnover in 2013 was about 3.5 %, well below the prior-year figure of approximately 8.3 %. This is mainly attributable to fewer terminations and early retirement agreements in fiscal year 2013.

The average length of a person's employment at the Company is approximately 20.2 years. Postbank remunerates almost all of its employees on the basis of performance and profit-related criteria that flow into a variable remuneration component.

SIGNIFICANT EVENTS AT POSTBANK IN 2013

January 1, 2013: As of the end of December 31, 2012 and effective January 1, 2013, the following were sold to Deutsche Bank: PB (USA) Holdings, Inc. Group and the share capital of the U.S. subsidiaries Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A., Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A., Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A., Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A. and Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A., Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A., Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A., and Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.

May 28, 2013: The Annual General Meeting of Postbank provided nearly unanimous approval to all motions.

MACROECONOMIC ENVIRONMENT IN 2013

Global economy continues to expand slowly

Growth generated by the world economy in 2013 was very modest. Growth rates produced both by industrialized countries and emerging markets lagged behind the small gains produced during the previous year. The key reasons for this sluggishness were the unfavorable economic situation at the turn of the year as well as weak growth at the beginning of 2013. Subsequently, however, the economy rebounded. In particular, economic momentum picked up markedly in some industrialized countries as the year progressed. Overall, the International Monetary Fund (IMF) reported that the global economy grew in 2013 by only 3.0 % compared with an increase of 3.1 % in the previous year. This performance contrasts with the 3.5 % rate that the IMF forecast at the beginning of the year.

In the United States, the economy was jolted at the beginning of 2013 by automatic spending cuts and tax increases. However, these changes did not deal as strong a blow to the country as had been expected. Once spring arrived, the economy picked up considerable momentum. In the process, private consumption, fueled by markedly reduced unemployment rates, steadily increased. Gross capital expenditures began to rise once again after dipping at the beginning of the year. Strong momentum was generated by residential construction which again produced double-digit percentage growth in 2013. Foreign trade failed to serve as any significant driving force of growth. By contrast, the sharp drop in government spending had a major negative impact on growth. The country's gross domestic product (GDP) rose by 1.9 %, well below the previous year's level, as expected.

In spite of the lull in growth seen at the beginning of the year, GDP expansion in the emerging countries of Asia totaled 6.5 %, roughly the level produced in the previous year. In China, GDP growth remained constant at 7.7 %. During the year, the growth of exports remained at the same level of 7.9 % generated in the previous year. Thanks to expansionary monetary and fiscal policies, the Japanese economy produced strong growth rates in the first half of the year. The tempo eased as the year progressed. Increased private consumption, rising government spending and growing capital expenditures significantly fed domestic demand in 2013. By contrast, exports rose only slightly in terms of the annual average. Despite the strong upsurge, GDP in Japan increased by only 1.5 % as a result of its low starting point. Nonetheless, this was much stronger than we expected at the beginning of the year.

In the eurozone, the economy contracted during the year under review once again. GDP slipped by 0.4 % following a decline of 0.7 % during the previous year. As the year began, the economy continued to be weighed down by the sovereign debt crisis. The necessary consolidation measures undertaken by some countries hurt both government and private consumption. This fell by 0.6 % in terms of the annual average. Gross capital expenditures dropped by 3.5 %. Overall, domestic demand decreased by 0.9 %. Exports expanded only moderately at 1.6 % while imports grew at an even slower rate. For this reason, foreign trade mitigated the drop in GDP by 0.5 percentage points. In spite of the negative outcome for the year, the economic position of the eurozone improved as the year wore on. Beginning in the second quarter, positive growth rates were generated once again in the eurozone's GDP in a quarterly comparison. As a result, the zone was able to leave the recession behind it. Just about every crisis country accomplished this feat. However, this was not enough to improve the job market. The unemployment rate hit a record level of more than 12 % in 2013.

Economic performance in Europe was largely in line with our expectations even though the decline in GDP was somewhat greater than we foresaw at the beginning of the year.

Economic rebound in Germany during the year

The German economy picked up speed in 2013 following a slow start. Due to an unfavorable position at the beginning of the year and stagnation in the first quarter, GDP rose by only 0.4 % compared with 0.7 % in the previous year. Foreign trade was one of the main problems. Demand from the eurozone was anemic. Furthermore, exports into other regions grew only moderately. For this reason, exports inched up by only 0.6 % while imports rose at more than twice this rate. Gross capital expenditures climbed during the year in response to improved global conditions, but fell by 0.8 % in terms of the annual average. Investments in machinery and equipment dropped more steeply than investments in construction did. The decline of investments in construction resulted from the sharp fall in commercial construction investments while investments in residential construction rose slightly and public-sector construction investments increased markedly. Private consumption acted as a growth stimulator. At 0.9 %, it rose at a slightly higher rate than it did during the previous year. The rise of disposable income slowed, but the inflation rate dropped as well, falling from 2.0 % to 1.5 % and giving extra breathing room to private households' budgets. In addition, the household savings rate fell in a trend that spurred consumption. The German job market remained stable in spite of the weak growth rate. In terms of the annual average, the number of jobless people rose by 53,000 to 2.95 million. The unemployment rate increased slightly from 6.8 % to 6.9 %. At the same time, the number of people in the workforce rose by 233,000 to 41.84 million.

In summary, macroeconomic performance in 2013 was somewhat weaker than we had expected at the time of our last annual report.

Market developments

In the first three months of 2013, the weak global economy and the ongoing sovereign debt crisis in the eurozone created a drag on global markets. Uncertainty was also created by the announcement of the U.S. Federal Reserve that it might begin in 2013 to reduce its bond purchasing program, depending on economic developments. However, the improving outlook for global growth, the stabilization of the eurozone's economy and the cuts in the key interest rate by the European Central Bank (ECB) helped lift investors' spirits as the year progressed and triggered a sharp rise in stock prices.

After moving sideways at the beginning of the year, the German stock market began to climb steeply in the spring. In the wake of the U.S. Federal Reserve's announcement that it might taper its bond purchasing program in 2013, the market gave back a large share of these gains in June. As the year proceeded, stock prices jumped once again, fueled by the prospect of economic improvements and a sustained period of very low key interest rates. During 2013, the DAX rose by 25.5 %. The EURO STOXX 50 did not perform quite as strongly and finished the year with a gain of 17.9 %. Stock prices climbed even more steeply in the United States. The S&P 500 rose 29.6 % during the year. Corporate bonds were also lifted by improving economic expectations. The risk premiums attached to bonds with low ratings fell sharply in the second half of 2013, while the spreads for highly rated bonds remained at a moderate level throughout the year.

The turbulence rocking the government bonds issued by members of the European Monetary Union continued during the first half of 2013. After yield spreads over Bunds fell markedly at the beginning of the year, they subsequently rose once again in the wake of the banking and sovereign debt crisis in Cyprus. Following debt reduction measures in Cyprus, in which customers with deposits of more than €100,000 were ordered to participate, spreads then markedly decreased again, falling at times below the level reached at the beginning of the year. A key factor in this change was the prospect that the ECB would take an even more expansionary direction in its monetary policy. In mid-2013, spreads expanded once again as concerns about an increasingly tighter U.S. monetary policy weighed down all classes of bonds to which increased risk was attached. In Portugal, an impending government crisis caused yields to jump precipitously as the year entered its second half. But as 2013 proceeded, economic stabilization combined with an even more expansionary monetary policy introduced by the ECB significantly eased worries. On balance, the yield spreads for bonds issued by Italy, Spain, Ireland, Portugal and Greece over Bunds fell sharply during 2013.

The ECB pursued an even more expansionary monetary policy during the 12-month period under review. In response to continued economic weakness, low inflation and a reduced level of private-sector lending, the ECB lowered the rate of its main refinancing operations from 0.75 % to 0.50 %. In July, it announced for the first time that its key interest rate would remain at the current or an even lower level for an extended period of time. In November, it reduced its key interest rate to a record low level of 0.25 % following another sharp drop in the inflation rate. In addition, it reiterated its forward guidance issued in July based on the new level of rates. Once again, the ECB also pointed out that it had a number of other instruments at its disposal to fight a continued drop in the inflation rate or an economic downturn, which it would use if necessary. Throughout the year, the ECB kept the deposit facility rate at 0.00 %. For this reason, the ECB's policy hardly affected money market rates. At the end of 2013, the three-month Euribor was 0.29 %, 0.10 percentage points above the previous year's level. The primary reason for this was a decrease in surplus liquidity in the banking sector.

The U.S. Federal Reserve kept its federal funds rate steady in a range of 0% to 0.25%. Since the beginning of 2013, the Fed had bought a total of US$85 billion in bonds each month as part of its quantitative easing policy. In June, it indicated that it could begin to reduce the volume of bonds purchased during the year, depending on economic developments. In December, it decided to cut the purchases by US$10 billion to US$75 billion effective January 2014. This decision represented the Fed's first step aimed at gradually tightening monetary policy.

During the first months of 2013, European bond markets were dominated by the impact of general economic weakness and the sovereign debt crisis in the eurozone. Through May, the yield of 10-year Bunds fell to a yearly low of 1.17 %. In spite of the key interest rate cuts by the ECB, capital market rates rose as the year proceeded, lifted by an improved economic outlook. As the year ended, Bunds were yielding 1.93 % (previous year: 1.32 %). As money market rates increased slightly, the yield curve in Germany became significantly steeper during 2013. The yields of 10-year U.S. Treasuries also slipped slightly at first. The strengthening U.S. economy and the prospect of a gradual reduction of the bond purchasing program by the Fed subsequently caused yields to jump. By the end of the year, yields had reached 3.03 %, a rise of 1.27 percentage points above the previous year's level. As money market rates slipped once again, the U.S. yield curve steepened markedly.

At the beginning of the year, the exchange rate of the euro was also shaped by the sovereign debt crisis in Europe. As the crisis spread to Cyprus and the eurozone's economy remained weak, the euro weakened through March, hitting its lowest level of the year, nearly US$1.28. The eurozone's economy showed fresh signs of life, easing fears that the sovereign debt crisis would take another turn for the worse. This development gave a boost to the euro, even though the ECB lowered its key interest rate once again and the Fed took its first step toward gradually tightening its monetary policies. By the end of the year, the rate of the euro had climbed above US$1.37. This represented a rise of 4.2 % over the end of the previous year.

These market trends fell in line with most of the expectations we had expressed in our last annual report. We had assumed that capital market interest rates would rise moderately in Germany during 2013. For money market rates, we had expected a sideways trend. In terms of the yield curve, we foresaw a slight steepening. However, we did not expect a further drop in rates for the ECB's main refinancing operations.

Sector situation

The issue that dominated the news during the first half of 2013 was the banking crisis in Cyprus and Spain. The focus shifted during the second half of the year to the continuing development of regulatory measures for the banking industry.

In mid-October 2013, EU finance ministers decided to put significant banks in participating countries under the direct supervision of the ECB (Single Supervisory Mechanism, SSM). The SSM Regulation took effect on November 3, 2013. The ECB is scheduled to assume full responsibility for banking supervision on November 4, 2014. All eurozone countries will automatically become part of the single supervisory mechanism. EU member countries that are not part of the eurozone have the option of joining the new system as well. Once the system has been fully put into place, key financial institutions – presumably 124 (which hold nearly 85 % of banking assets in the eurozone) – will fall under the direct supervision of the ECB. Before taking up its supervisory responsibilities in November, the ECB will subject the banks to a comprehensive assessment consisting of a risk assessment, a balance sheet assessment (asset quality review, AQR) and a subsequent stress test. The results are to be released by October 2014. The ECB will also work closely with national supervisory authorities in order to monitor all other banks as part of its overall supervision.

In mid-December 2013, EU finance ministers reached a compromise on creating a single resolution mechanism (SRM) for banks in the eurozone. All other EU countries will also have the option of becoming part of the SRM. Beginning in 2016, banks will pool money to create a single resolution fund (SRF). The aim will be to create a fund that will total 1 % of covered deposits by 2026. The initial task is to create national SRFs that may be used only when domestic banks are subject to resolution. It remains to be seen how much from the bank levy in Germany will be paid into the SRF. In addition, the EU Council and EU Parliament still must approve the compromise reached by the EU finance ministers. Because parts of the resolution directive will take effect in 2015, the directive is expected to be submitted to both chambers sometime this year.

Also in mid-December 2013, representatives of the EU Parliament, EU Commission and the Lithuanian Presidency of the EU Council reached an agreement on harmonizing national deposit protection systems. Under the key element of the proposed regulation, deposits of less than €100,000 would not be subject to a bail-in when a bank is restructured or subject to resolution. Banks in all EU member countries would be required to pay into national deposit insurance funds, which are to contain the equivalent of 0.8 % of each country's insured deposits in ten years.

In the fourth quarter of 2013, the European Banking Authority (EBA) conducted a transparency exercise at 64 banks in 21 European countries. The EBA's findings were positive. The surveyed banks have significantly raised their level of core Tier 1 capital and cut their risk assets at the same time. The amount of core Tier 1 capital has risen by 170 basis points to 11.7 %, according to the EBA.

On January 12, 2014, the Basel Committee on Banking Supervision made some technical adjustments related to the leverage ratio in its Basel III regulatory accords. These changes are designed to eliminate or lessen accounting-related competitive differences between European and U.S. banks. In particular, the increased netting permitted in repurchase agreements and derivative transactions is aimed at lowering capital needs. The leverage ratio benchmark will remain unchanged at 3 %.

The volume of loans issued to domestic companies and private individuals in Germany fell by 3.4 % to €2,352 billion in the first three quarters of 2013. Adjusted for changes in statistical classification, a slight rise of 0.4 % was seen. As a result, growth in lending fell sharply from the previous year's level. The volume of loans issued to companies, also adjusted for changes in statistical classification, decreased by 0.3 % to €894 billion. Loans to self-employed private individuals rose marginally by 0.1 % to €389 billion. As a result, both of these market segments lagged behind their levels in the previous year. Loans issued to non-self-employed persons and other private individuals grew by 1.1 % to €1,056 billion in the first three quarters, a total that was somewhat higher than the growth rate produced in the previous year. In this category, residential construction loans increased by 1.5 % to €833 billion. New business with residential construction loans for private customers climbed by 2.8 % in the first 11 months of 2013. No clear, direct impact of the European sovereign debt crisis on the lending business with companies and private individuals in Germany can be seen here. But the economic downturn triggered by the crisis may have slowed the growth rate.

In the period from January through October 2013, the number of bankruptcies in Germany fell sharply by 6.2 % compared with the same period of the previous year. The number of business bankruptcies dropped by 7.6 %. As a result, the positive trend seen in the three previous years accelerated during the year. The economic recovery during the year and the very low level of interest rates may have played a role in this improvement. The number of consumer bankruptcies (including the bankruptcies of formerly self-employed individuals and other bankruptcies) fell by 5.9 %, following a similarly sharp decrease in the previous year. The continued rise in employment may have had a positive effect here once again. The 2013 reform of Germany's bankruptcy laws that apply to private individuals, a change that will take effect on July 1, 2014, may have prompted consumers with extensive debts to delay their application for private bankruptcy. As a result, the number of bankruptcy cases may be distorted downward.

The German banking landscape continues to feature a three-pillar structure consisting of private, public and cooperative banks. With the exception of mergers within the individual pillars during 2013, there were no significant developments to report.

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard and Postbank, as we have done in the past. We compared the banks' results for the period of January through September 2013 with those of the previous year's levels. All four banks generated net income both before and after taxes. However, just one bank was able to increase net income before tax and after tax, respectively, as compared with the previous year's level. The majority of the banks we took into consideration experienced a decrease in their net interest income as well as net fee and commission income.

Half of them reported growth in net trading income. Only one bank reported a drop in administrative expenses. Just one bank was able to lower its cost/income ratio. Return on equity after tax fell at all three banks that reported on this metric.

During 2013, the DAX climbed by 25.5 %. Both banks listed in the DAX also saw their stock prices rise during the year. However, both stocks failed to match the performance of Germany's blue-chip index. Furthermore, the stocks of both banks have been unable to reach the levels they had obtained before the financial crisis began in mid-2007.

Postbank's investment focus in 2013

Postbank's investments are broken down into the categories of legal requirements, lifecycle, business development and – in regard to the Bank's integration into the Deutsche Bank Group – Magellan (which was previously known as RTP – retail target platform).

In 2013, investments related in particular to legal requirements were a focal point at the Bank. These investments focused on such areas as SEPA capabilities (Single Euro Payments Area), the fulfillment of regulatory requirements including those related to Basel III, liquidity requirements and amendments to the *Pfandbriefgesetz* (PfandBG – German *Pfandbrief* Act).

The lifecycle investments made during 2013 primarily involved efforts to optimize and standardize Postbank's existing system landscape and the technical processes related to it.

During the year under review, business development investments were directed in particular at projects designed to optimize sales channels and to create innovative technology for the expansion of a flexible cash withdrawal system, including collaborative efforts with business partners, and the continuation of partnerships in the Bank's home loan and savings business.

REPORT ON ECONOMIC POSITION

Despite the difficult market conditions in fiscal year 2013, Postbank generated a profit of €151 million before the transfer of profits, compared with the break-even result seen in the previous year.

In accordance with the control and profit and loss transfer agreement, Postbank will transfer the profit to DB Finanz-Holding GmbH in full.

Profit before tax amounted to €84 million before profit transfer, representing a decline of €362 million on the prior-year figure of €446 million. This reduction is attributable both to lower net interest income and to higher administrative expenses, along with a significant improvement in net measurement gains.

Due to the ongoing historically low level of interest rates, net interest income declined year-on-year, as we had expected. Non-recurring effects reflected in interest were significantly lower than in the previous year.

The anticipated rise in other administrative expenses was primarily attributable to payments for services to affiliated companies.

The net gains on the measurement of securities in the liquidity reserve improved thanks to the ongoing low interest rates.

Retail and business customer lending was buoyed by the good economic environment in Germany. This was supported by the continued very healthy labor market situation, property price trends, and the development of German industry. The measures taken by the Bank to reduce risk for the long term also had a positive effect on the allowance for losses on loans and advances, particularly in the private mortgage lending business segment.

Income statement

Individual items

Net interest income

At €2,452 million in fiscal year 2013, net interest income (including current income and income from profit and loss transfer agreements) was down 16.7 % year-on-year, as expected. The prior-year figure was pushed up by significant positive non-recurring effects. Given the prevailing market conditions with historically low interest rates, net interest income declined as anticipated. The market situation continues to represent a particular challenge for banks with high levels of deposits and liquidity, such as Postbank. In addition, our continued strategy of consistently reducing capital market positions and risks negatively impacted net interest income. The repurchase of own bonds led to a non-recurring effect of €–22 million.

Net interest income from securities declined by €157 million as a result of the systematic reduction of our holdings of investment securities and the low interest rates.

An interest expense of €4 million was generated by closing out derivatives (previous year: interest income of €279 million).

Net interest income from swap transactions improved by a significant €88 million year-on-year to €–8 million in the reporting period. This is mainly due to the systematic reduction in derivative transactions.

Net interest income from trading operations declined by €62 million to €2 million in the reporting period. Trading activities were scaled back considerably in the year under review.

Current income in the amount of €200 million (previous year: €546 million) largely relates to the distributions by the special funds (€80 million), and the profit distributions of our Deutsche Postbank International S.A. (€76 million), Betriebs-Center für Banken AG (€20 million), and BHW Holding AG (€15 million) subsidiaries. The decline is attributable to the considerably lower distributions by the special funds compared with the previous year.

The income from profit and loss transfer agreements amounted to €202 million (previous year: €185 million) and primarily relates to Postbank Filialvertrieb AG (€109 million), PB Factoring GmbH (€43 million), Postbank Beteiligungen GmbH (€37 million), and Postbank Systems AG (€9 million).

Net fee and commission income
In fiscal year 2013, net fee and commission income amounted to €438 million (previous year: €421 million).

As expected, net fee and commission income rose slightly, despite the adjustment of the fee structure for our lending business.

The decline in net fee and commission income from the lending and securities businesses was more than offset by the increase in fee and commission income from payment transactions and higher net fee and commission income from brokerage fees.

Net expense from the trading portfolio
In fiscal year 2013, Postbank reported a net expense from its trading portfolio of €12 million (previous year: net income of €28 million).

This was largely due to the systematic reduction of our trading activities and trading positions as part of the de-risking strategy. Interest rate derivatives held in the trading portfolio had a negative impact of €9 million on net income (previous year: negative impact of €1 million). A risk discount on derivatives due to changes in credit ratings had a negative effect of €2 million.

The liquidation of money market positions resulted in a loss of €4 million in fiscal year 2013 (previous year: loss of €5 million).

The Bank's foreign currency exposures had a largely neutral impact on net income (previous year: positive effect of €30 million).

The risk discount for the trading portfolio declined by a total of €3 million following risk-adjusted marking to market as of December 31, 2013.

Administrative expenses
As expected, administrative expenses (including depreciation and amortization of property and equipment, and intangible assets) increased by €196 million in the year under review to €2,665 million (previous year: €2,469 million).

Personnel expenses decreased by €33 million to €667 million, despite the staff-related provisions of €77 million recognized in the fiscal year.

At €1,997 million, the non-personnel operating expense rose by €229 million year-on-year, mainly due to the higher payments for services made to affiliated companies. The increased payments relate in particular to account management and securities settlement services provided by PB Service GmbH since 2013, as well as the use of branch counters under the amended agency agreement.

IT, telecommunication, marketing, and contribution and insurance costs moved in the opposite direction.

An impairment loss of €8 million was recognized on the goodwill of the London branch in the fiscal year.

Net measurement gains/losses
Risk provisions for securities in the liquidity reserve benefited from the historically low interest rates to reach €22 million in the fiscal year (previous year: €–324 million). The expected negative effects were offset by positive effects, with the losses on the sale of securities of €12 million more than compensated for by the gains of €38 million generated. The reversals of writedowns of fixed-income securities of €32 million and writedowns of €35 million largely balanced each other out.

Net measurement losses in the lending business amounted to €179 million in the year under review (previous year: losses of €303 million).

The positive change in the allowance for losses on loans and advances was driven in particular by the private mortgage lending business segment due to the positive economic environment in Germany and the measures taken to reduce risk for the long term.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets
Writedowns were recognized on the carrying amounts of the investments in BHW Holding AG (€202 million), DSL Holding AG i.A. (€81 million), Postbank Filialvertrieb AG (€45 million), and closed-end real estate funds (€17 million).

Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets

Income of €141 million was generated from the sale of the equity interest in PB (USA) Holdings, Inc. Group to Deutsche Bank in fiscal year 2013. The disposal of special funds led to a gain of €98 million. In addition, the carrying amount of the investment in BCB AG increased by €67 million.

Other income

Net other income and expenses (including other taxes) amounted to €335 million in the year under review (previous year: €311 million).

Other operating income primarily includes the reimbursements of personnel expenses amounting to €266 million (previous year: €239 million), rental income of €63 million (previous year: €58 million), and income of €37 million (previous year: €27 million) from the reversal of provisions.

Other operating expenses mainly relates to effects from the interest cost added back to pension provisions (unwinding) amounting to €36 million (previous year: €35 million), court and litigation costs of €49 million (previous year: €42 million), payments made to the Bundesanstalt für Post und Telekommunikation of €8 million (previous year: €9 million), and payment obligations to former shareholders of DSL Holding AG i.A. in the amount of €8 million.

Expenses from loss absorption

The profit and loss transfer agreement with BHW Holding AG resulted in an expense from loss absorption of €3 million (previous year: expense of €99 million).

Extraordinary result

At least one-fifteenth of the difference resulting from the calculation of pension provisions in accordance with the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) is being added to the provisions annually until December 31, 2024, at the latest. The addition made in fiscal year 2013, which was recognized as an extraordinary expense, amounted to €15 million (previous year: €28 million).

Profit before tax

Profit before tax and profit transfer amounted to €84 million in fiscal year 2013, after €446 million in the previous year. The forecast break-even result was exceeded thanks to the positive non-recurring effects from the sale of PB (USA) Holdings, Inc. Group to Deutsche Bank, the disposal gain from special funds, and substantial reversals of specific valuation allowances.

Taxes on income

Income taxes resulted in income of €67 million (previous year: income tax expense of €446 million). Of this amount, €4 million is attributable to current income taxes and €71 million to taxes from previous years. In the previous year, an expense of €409 million was attributable to deferred taxes that could no longer be recognized as assets because Postbank became a member of Deutsche Bank's consolidated tax group. As a member of the consolidated tax group, Postbank now only taxes its own income in the amount of the settlement payments made to external shareholders.

Net profit for the period

Following the transfer of its profit of €151 million to DB Finanz-Holding GmbH, the balance of Postbank's profit for fiscal year 2013 was reduced to zero.

CHANGES IN THE BALANCE SHEET STRUCTURE

Total assets
As of December 31, 2013, Postbank's total assets were down €15.1 billion year-on-year, from €154.8 billion to €139.7 billion.

Changes on the assets side mainly related to the reduction in trading activities, the sale of a CRE loan portfolio held by the London branch in the amount of €1.6 billion, the sale of PB (USA) Holdings, Inc. Group and the liquidation of special funds. The liabilities side declined due to maturing issues, the reduction in trading portfolios, and the decline in customer deposits.

Loans and advances to customers
Loans and advances to customers amounted to €64.7 billion at the end of 2013 and were thus €2.7 billion lower than in the previous year. The decline is primarily due to the sale of loans granted by the London branch.

Money and capital market investments
Money and capital market investments, comprising loans and advances to other banks, investments in the trading portfolio, and bonds, amounted to €65.2 billion as of the reporting date (previous year: €72.9 billion).

As part of its program to improve the risk structure and earnings quality, Postbank continued to scale back the volume of its securities held; as a result, securities were reduced by €0.7 billion to €25.7 billion.

Loans and advances to other banks rose by €1.9 billion to €33.9 billion. This was primarily attributable to term money and securities repurchase agreements.

The trading portfolio amounted to €5.7 billion as of the reporting date (previous year: €14.5 billion) and mainly comprised positive fair values of derivative financial instruments in the amount of €5.4 billion (previous year: €7.8 billion). The decline is attributable to the reduction in trading activities.

Due to customers
Amounts due to customers totaled €100.0 billion as of the reporting date and were thus €9.7 billion down on the prior year. The decline mainly relates to overnight and term money (€–5.2 billion), demand deposits (€–2.0 billion), and maturing bonds (€–1.3 billion). Savings deposits declined by €1.4 billion.

Money and capital market liabilities
Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and the trading portfolio, amounted to €28.6 billion (previous year: €32.5 billion).

This primarily resulted from the reduction in trading activity, which led to a €5.0 billion reduction in the trading portfolio from €10.5 billion to €5.5 billion.

The €3.2 billion increase in deposits from other banks to €15.9 billion was mainly attributable to securities repurchase agreements.

The portfolio of debt securities in issue declined by €2.1 billion to €7.2 billion, largely due to maturities.

Currently, the trading portfolio solely comprises negative fair values of derivative financial instruments.

Fund for general banking risks
In the reporting period, €250 million was added to the fund for general banking risks in accordance with section 340g of the HGB. Following these additions, the fund for general banking risks amounted to €2,023 million as of the end of the year.

Equity
As of December 31, 2013, equity was unchanged at €2,740 million.

Overall assessment of business performance in 2013
Postbank's net assets, financial position and results of operations continued to improve in fiscal year 2013. This encouraging overall trend is largely attributable to the sustained performance of our retail and corporate banking business which has not shown itself to be susceptible to fluctuation. The lending business continued to have the greatest influence on net assets. The customer business remained stable overall despite ongoing tough conditions. In line with our de-risking strategy, total assets were further reduced, particularly the trading portfolios.

The return on equity before taxes was 1.8 % (previous year: 9.9 %). The cost/income ratio was 91.9 %, compared with 80.4 % in the previous year. The liquidity ratio was 1.93 % (previous year: 2.17 %).

Please see the "Monitoring and managing liquidity risk" section of the Risk Report for information on the financial position.

KWG REQUIREMENTS

Postbank has prepared the relevant individual institution notifications and fulfilled its other notification requirements under the *Kreditwesengesetz* (KWG – German Banking Act).

As of December 31, 2013, the reported regulatory Tier 1 ratio was 10.5 % and the total capital ratio was 15.6 %. These ratios were determined based on the capital reported in the most recent audited annual financial statements (December 31, 2012). The Tier 1 ratio calculated based on current capital as of December 31, 2013, is 11.0 % and the total capital ratio is 16.3 %.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No reportable events occurred in the period between December 31, 2013 and the preparation of the annual financial statements by the Management Board on February 21, 2014.

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans
The historically low interest rates available today have prompted retail customers to step up their spending and reduce their level of savings. The low rates are also spurring demand for private residential mortgages. In 2013, Postbank profited from these trends, experiencing a rise in new business for consumer loans (24 %) and for residential mortgages (new business 2 %). In contrast, the volume of savings deposits at Postbank fell by 4 %. This trend caused the deposit surplus to decline and had a positive impact on the Bank's net interest income, a development that took some pressure off margins.

Decisions made by the German government could favor business
We expect that this trend will continue during 2014. However, decisions made by Germany's new government could further stimulate or deflate this trend. A ceiling on rents and the introduction of a minimum wage would make it easier for certain parts of society to plan their private spendings. This would fuel demand for consumer loans and, thus, stimulate Postbank's consumer loan business. In addition, this would help further reduce risk in this product area.

A reversal of monetary policy unlikely in the short run
A majority of market observers think that the European Central Bank is unlikely to reverse its current course and introduce a more restrictive interest rate policy. Rather, we, like the consensus of market observers, expect interest rates to rise only slightly in 2014 and that this increase will only occur for longer-term maturity ranges. But this scenario could be dramatically altered by decisions related to the future structure of the eurozone and, in particular, to the long-term refinancing of the union or its member countries. This would especially be the case if eurobonds or similar instruments were considered as an option for the collective (partial) refinancing of eurozone member countries.

Joint (partial) funding would immediately drive up interest rates for and in Germany. Over the short term, this could stimulate demand for private lending, particularly long-term residential mortgages with fixed interest rates. Uncertainty about the future direction of interest rates would result in premiums covering the interest rate risk and have a positive effect on margins in the customer business.

In addition, a reversal of European monetary policy, acting as an altered macroeconomic scenario, would cause private investors to rethink their positioning in terms of asset allocation going forward. This, in turn, would fuel fee and commission income.

The short-term opportunities for improved income and expenditures at Postbank that would be created by these developments are juxtaposed against mid- and long-term risks arising in terms of credit, interest rate and liquidity risks in particular.

Accelerated pace of integration creates opportunities
The integration of Postbank into the Deutsche Bank Group is a fundamental pillar of the Strategy 2015+ that the Group introduced in 2012 and that is designed to achieve its full potential starting in 2015. Most of the measures and investments were/are scheduled to be carried out in 2013 and 2014. Last year, savings produced in the entire Group rose well above expectations while expenses were less than anticipated.

For Postbank, this development creates opportunities to produce synergies faster and higher than set by the premises of the forecast and/or at lower integration-related costs.

Other opportunities are being created in terms of our strategy to reduce volumes and risk positions (de-risking). This process could eventually be conducted faster and with fewer negative impacts on results than planned. This will largely be determined by the continued development of the market in terms of trends in demand and the prices of relevant asset positions.

Regulatory framework remains uncertain
As a member of the Deutsche Bank Group, Postbank will be involved in the transfer of bank regulation for 124 European financial institutions to the European Central Bank in November 2014. This process will be preceded by a comprehensive balance sheet assessment and a stress test. The criteria to be used in the review and stress test will be more clearly specified in the second quarter of 2014.

Postbank expects that the Group will have to make extensive preparations for the transition to the single European banking supervisory mechanism and the implementation of regulations that have yet to be written. It is possible that the negative impact from the review process that will be conducted in 2014 as well as from the final banking supervisory regulations will be less than envisioned in our planning.

RISK REPORT

Summary overview of risk exposure

External factors affecting the risk profile
Germany saw a muted economic recovery in 2013. A weak start was followed by a trend reversal in the course of the year. This recovery was mainly fueled by consumer spending. For 2014, Deutsche Postbank AG (hereinafter referred to as "Postbank") expects the pace of growth to increase. The positive trend in sentiment indicators seen in the last quarter of the year under review suggests a sound start to the new year. However, the volatility seen in manufacturing and order intake figures in recent months also reveals how vulnerable growth is to disruptions. Domestic demand will continue to boost moderate growth prospects in the medium term. In other words, domestic economic growth forecasts are also a consequence of the very sound German labor market situation. A further increase in employment can be expected in the course of 2014. In Postbank's opinion, the key macroeconomic risks for 2014 are located outside Germany. From a German perspective, continued fiscal consolidation in the majority of eurozone states, even if significantly less strict than before, implies a phase of relative weak export demand. However, as Postbank expected, the peripheral eurozone states in particular bottomed out in 2013. Growth is to be expected in the course of 2014 both for the eurozone as a whole and for most individual countries within it. The positive economic forecasts are also reflected in the trends in bond yields for the crisis countries. Moreover, at the end of December, Ireland became the first country to exit the eurozone's rescue fund when it placed an initial bond. Given the sustained low interest rate policy, high levels of liquidity, and the economic revival, Postbank does not expect the debt crisis to flare up again in the short term. However, fundamental weaknesses such as high government debt levels and their underlying causes persist. As a result, the situation remains vulnerable to market turbulence. The position of the European banks should improve slightly in 2014. They are back in the black, even though to date this has been due more to lower levels of non-recurring charges rather than improvements in earnings or expenditure. The pressure to increase capital ratios is likely to ease thanks to the substantial progress made in the past two years. Nevertheless, banks are still shrinking significantly at present – a development that will stand in the way of a rapid eurozone recovery in 2014.

Changes in banking supervision regulations in 2013 cover a wide variety of topics such as SEPA, recovery and resolution, etc. These not only mean that the banks' previous supervisory framework has become tougher; they also pose major implementation challenges. At Postbank as elsewhere, 2013 was dominated by preparations for implementing the Basel III framework, by the implementation of the revised version of the Minimum Requirements for Risk Management (MaRisk) that was published in December 2012, and by other new supervisory law requirements. In addition, the task of integrating Postbank's risk management processes with those at Deutsche Bank Group (hereinafter referred to as "Deutsche Bank") continued.

Postbank is being integrated with Deutsche Bank's risk management activities by way of the established structural links between the relevant bodies and the functional reporting lines between Postbank and Deutsche Bank. Postbank submits regular risk reports to Deutsche Bank, ensuring that risks are comprehensively captured and managed. A joint reporting system has been drawn up for the key management reports and core ratios.

Overall bank risk
Taking risks in order to generate earnings is a core function of Postbank's business activities. Risks entered into are regularly identified, measured, monitored, and allocated limits using the ICAAP (Internal Capital Adequacy Assessment Process), and are incorporated in the overall management of the Bank via the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in 2013. Calculation of the risk-bearing capacity occurs at the Postbank Group level and therefore includes Deutsche Postbank AG. Postbank's risk-bearing capacity was ensured at all times. In the course of the period under review, Postbank continued to reduce its risk positions and sell subportfolios, thus reducing the risk capital authorized to cover its risks.

Compared with the previous year, the focus of Postbank's risk profile is on its customer business. Overall, Postbank's risk appetite is substantially smaller than in previous years. Market risk reported at the 2013 year-end closing date was down tangibly on the prior-year figure due to the reduction in holdings of investment securities and a further decrease in spread volatilities on the European bond markets. Retail and business customer lending was spurred by the year-on-year improvement in the economic environment in Germany, which was mainly buoyed up by the continuing highly positive labor market situation, the real estate price trend, and the performance by German industry. The measures taken by the Bank to permanently reduce risk also contributed to a positive trend in the allowance for losses on loans and advances.

No risks that could impair the development of Postbank, or that could even jeopardize its existence as a going concern, are discernible at present. However, significant downside variance in our current assumptions as to how the European sovereign debt crisis will develop, coupled with a tangible downturn in macroeconomic conditions, could impact the performance of the banking sector as a whole, and hence Postbank's performance as well.

Credit risk
Postbank is monitoring its exposure to the GIIPS states (Greece, Ireland, Italy, Portugal, and Spain) extremely closely in view of the current debt situation in these countries.

For 2014, we are expecting a stable trend in the risk situation together with a positive overall macroeconomic environment.

Market risk
As in the previous year, Postbank's market risk in 2013 was dominated in particular by interest rate trends and credit spread risks on the European bond markets. Although Postbank continued to reduce its holdings of investment securities in the year under review, its capital market portfolios are still exposed to the risk of fair value volatility, which may result in potential changes in their present value and to correspondingly higher levels of risk being reported. Value at risk (VaR) declined steadily in the year under review due to the lower spread risk.

If market volatility remains unchanged, we expect risk utilization in the coming year to remain at a level comparable to that of year-end 2013.

Liquidity risk
Postbank's liquidity situation remains sound due to its stable refinancing basis in the form of customer deposits and its extensive holdings of highly liquid securities.

The following sections describe in detail Postbank's risk position and risk management, and the measures taken.

Postbank's aspirations for 2014 here will focus on the targeted utilization and associated reduction of high levels of surplus liquidity. The liquidity situation overall is expected to remain stable, in keeping with an overall positive macroeconomic environment.

Operational risk
The operational risk loss profile of Postbank primarily reflects its strategic focus as a retail bank. The focal point over the last few years has consistently been on high frequency/low impact losses, i.e. cases that individually involve only minor loss but that occur repeatedly in a year.

As a result of measures that have been initiated or already implemented to some extent, Postbank assumes that operational risk losses will gradually decline over the next few years.

New developments in risk management
The methods, systems, and processes discussed in this Annual Report, and the reporting system that builds on them, are subject to continuous review and enhancement in order to meet market, business, and regulatory requirements.

In May 2013, the Supervisory Board formed a Risk Committee in accordance with section 25d of the *Kreditwesengesetz* (KWG – German Banking Act) which advises the Supervisory Board on issues relating to risk appetite, risk profile, and risk strategy, among other things.

In 2013, the Chief Risk Officer assumed responsibility for the Operations Financial Markets unit in addition to his previous duties; this unit handles trade settlement and collateral management.

By way of a letter dated June 13, 2013, Postbank received approval to use the Advanced Internal Ratings-Based Approach (A-IRBA) for its Corporates Germany, Banks, and Commercial Real Estate UK portfolios. Since June 30, 2013, Postbank has therefore used not only the Basic IRB Approach and the IRB Approach for its retail business to calculate its capital requirements, but also the A-IRBA. The Bank plans to start using the A-IRBA for significant parts of its commercial real estate portfolio in the first half of 2014, subject to obtaining the necessary approval from the supervisory authorities.

The requirements of the revised version of the MaRisk dated December 14, 2012 were successively implemented in line with the regulatory implementation and transition deadlines in a project launched in 2012. Work on the compliance function and funds transfer pricing will be completed in 2014, in keeping with the relevant supervisory transition provisions.

In 2011, Postbank established a liquidity risk management project designed to meet new/more specific regulatory requirements and has continued to drive it forward since then. The focus was on establishing and extending the necessary data pool and the IT infrastructure and processes for producing the report on the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) that is required as from 2014 under the Capital Requirements Regulation (CRR). In addition, the relevant management processes and reports were enhanced. The project will be completed as planned in mid-2014 with the extensive automation of the LCR/NSFR reports – to the extent that this can be done using the specifications available to date. The technical implementation is being designed for flexibility so as to enable speedy implementation of the changes that will have to be made once the final specifications are published. Equally, the final version of the regulatory requirements for the supplementary liquidity risk reports have not yet been released, despite the relevant announcements (the initial reporting date is expected to be in mid-2015). As a result, implementation work in this field will continue at least in some areas into 2015.

Integration with Deutsche Bank's risk management activities
Subject to the applicable company law and supervisory law requirements, Postbank is integrated into Deutsche Bank AG's risk management system, the aim being to guarantee uniform, appropriate, and effective risk management at the level of the Deutsche Bank Group. To this end, Postbank is integrated in a suitable system for identifying, assessing, managing, monitoring, and communicating risk that permits an end-to-end overview of the risk situation and the institutional protection system as a whole, and that allows the Bank to exert a corresponding influence. In addition, an established, uniform risk governance structure ensures a common risk culture is put into practice.

One key milestone in the integration process in the area of operational risk in the year under review was the approval by the supervisory authority of Postbank's inclusion in Deutsche Bank's AMA model. However, Postbank will continue to use its own AMA model in parallel at the level of the Postbank Group until further notice.

Risk types

The risk types that are tracked within Postbank are determined on the basis of a Bank-wide risk inventory. The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank. The risk types identified as material in the risk inventory are quantified during the risk-bearing capacity assessment and backed by risk capital. They are monitored on a regular basis.

Effective January 1, 2014, Postbank adapted its risk allocations and risk definitions, due among other things to its integration with Deutsche Bank's risk management. Among other things, reputational risk has now been assigned to business risk. Real estate risk and investment risk are components of market risk.

Postbank distinguishes between the following risk types:

- Market risk

  Market risk is the result of uncertainty regarding changes in market prices and factors determining fair value (e.g., interest rates, credit spreads, exchange rates), the correlations between them, and the specific volatilities.

  Postbank is exposed to market risk in the narrower sense of the term from its trading book and banking book positions; this also includes the market risk from its defined benefit pension plans. Postbank defines market risk in the broader sense of the word as also including:

  a) Rental default risk, risk related to writedowns to the lower current value under the going concern principle, and risk associated with losses on sales relating to properties owned by Postbank (real estate risk).

  b) Potential losses due to fluctuations in the fair value of strategic equity investments, to the extent that these are not already included in the other risk types (investment risk).

- Credit risk

  Credit risk arises in the case of transactions founding actual, contingent, or future claims against counterparties, borrowers, or debtors, including receivables intended for resale. These transactions generally relate to our traditional, non-trading lending activities (such as loans and contingent liabilities) or to direct trading activities with customers (such as OTC derivatives, currency forwards and interest rate forwards). Postbank distinguishes between three different types of credit risk:

  a) Counterparty credit risk and credit quality risk: Whereas credit quality risk measures the deterioration of a counterparty's credit quality, counterparty credit risk is the risk that counterparties will not meet their contractual obligations in respect of the above-mentioned claims.

  b) Settlement risk arises when the settlement or netting of transactions is unsuccessful. It represents potential losses arising in the case of counterparty default when cash and cash equivalents, securities, or other assets are not exchanged simultaneously.

  c) Country risk arises in the context of a variety of macroeconomic or social events as a result of unexpected default or settlement risks, accompanied by corresponding losses, in specific countries; these risks primarily impact the counterparties in the jurisdictions concerned. The risks include a deterioration in the overall macroeconomic framework, political unrest, the nationalization and appropriation of assets, the refusal by governments to honor foreign debts, or an extreme devaluation of national currencies. Country risk also includes transfer risk. This arises when debtors are unable to transfer assets to non-residents to meet their obligations due to direct state intervention.

- Liquidity risk

  When managing liquidity risk, Postbank makes a distinction between two types of funding risk: illiquidity risk and liquidity maturity transformation (LMT) risk:

  a) Illiquidity risk is the volume risk associated with being unable to meet current or future payment obligations in the full amount due or as they fall due.

  b) Liquidity maturity transformation (LMT) risk is the cost risk arising from higher refinancing costs when remedying the maturity mismatch due to an increase in the Bank's funding spreads on the swap rate.

- Operational risk

  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. Legal risk is part of operational risk. It consists among other things of the potential requirement to pay administrative or other fines, or other penalties resulting from supervisory measures or private law agreements. Legal risk can also arise as a result of changes in the legal situation following new rulings or of legislative amendments affecting transactions that have already been entered into. It does not include the costs of modifying processes to implement changes in the framework. Other risks – and in particular reputational risk and strategic risk – are not part of operational risk.

- Business risk
  Business risk covers savings and checking account risk, collective risk, reputational risk and residual business risk:

  a) Savings and checking account risk: Potential losses that can occur as a result of volume or margin changes and that are triggered by the unexpected behavior of savings and checking account customers.

  b) Reputational risk: The risk of events that damage Postbank's reputation among its stakeholders in such a way that this may result in indirect or direct financial loss for Postbank.

  c) Residual business risk: The risk of a decline in earnings due to unexpected variances in income and associated expenses compared with the original planning that are not caused by other risks.

Organization of risk management

Postbank has a risk management organization that serves as the basis for risk- and earnings-oriented management of the Bank as a whole by identifying all key risks and risk drivers, and measuring and evaluating these independently. Risks are limited and managed while strictly reflecting the Bank's risk-bearing capacity, with the aim of generating a corresponding return and exploiting market opportunities.

Risk management within the Bank is the responsibility of the units at head office and the local units networked with these.

The internal risk management system that has been established at Postbank ensures that the risks associated with the individual business segments are identified, assessed, managed, and monitored. The goal of the relevant processes is to ensure a permanent improvement in the management of earnings, capital, and risk, with continuous quality enhancements being considered a cross-divisional task. In this context, the portfolios are also subjected to a risk-return analysis as part of the Bank's overall management, so as to identify opportunities to enhance the business and risk strategy for the individual business divisions in a more risk-appropriate manner.

Responsibilities and risk strategy

The Group Management Board is responsible for the Bank's risk profile and capital profile, its risk strategy, its risk-bearing capacity concept, and the appropriate organization of risk management, as well as for monitoring the risk associated with all transactions and for risk control.

The control function is exercised by the Supervisory Board and by its Risk Committee which was established in May 2013. The Risk Committee advises the Supervisory Board in particular on issues related to risk appetite, the risk profile, and the risk strategy, and addresses topics relating to current market developments or events with significant effects on the risk profile or individual portfolios. The Management Board regularly informs the Supervisory Board and the Supervisory Board's Risk Committee of Postbank's risk profile and capital profile.

As required by MaRisk, the Bank's risk strategy is consistent with its business policies and takes into account all significant areas of business and types of risk.

The nature and extent of the risks taken, as well as the strategy for managing such risks, depend on the strategies defined by the individual business divisions in line with Postbank's risk appetite, risk profile, and target returns. They are defined and documented as part of the risk strategy that is adopted each year on the basis of the divisions' business strategies.

The objective of risk management is to safeguard earnings and to optimize the risk-return profile by improving capital allocation and by ensuring operational excellence. As part of this process, risk governance is continuously enhanced so as to establish a uniform risk culture within the Group.

Strategies adopted to avoid risk include curtailing the risk appetite of the individual business divisions, defining minimum credit quality standards for portfolios, and setting limits, while risk mitigation measures are also taken. The de-risking strategy adopted in the course of the financial markets crisis was continued in 2013 in order to further reduce concentration risks. Among other things, the structured credit portfolio (SCP) and high-yield bonds were sold.

Risk committees

The Management Board is supported in its tasks by the Bank Risk Committee (BRC), which serves as the central risk committee. As the Management Board's management and monitoring committee, the BRC has material decision-making powers. The Management Board has delegated risk management for the individual risk types to additional, subordinate risk committees. The following graphic illustrates the committees' areas of responsibility.

Tasks of the Bank Risk Committee and its subordinate risk committees

	Bank Risk Committee (BRC)	Credit Risk Committee (CRC)	Market Risk Committee (MRC)	Operational Risk Committee (ORC)	Cover Business Committee (CBC)	Model and Validation Committee (MVC)
Frequency of meetings	Monthly	Quarterly	Monthly	Half-yearly	Monthly	Quarterly
Tasks	Advise the Management Board with respect to: • Risk appetite (economic, regulatory) • Risk strategies and risk profile • Allocation of risk capital • Measures to limit and manage Bank-wide risk positions	Allocate credit risk limits Define limit system Analyze and evaluate credit risk Issue credit risk management guidelines	Allocate market risk limits Define liquidity risk profile Analyze and evaluate savings and checking account risk Manage strategic focus of the banking book Discuss the Bank's earnings and risk positions	Define minimum requirements for Group units Define operational risk parameters Allocate risk capital amounts to the business divisions	Address issues relating to the cover business register Implement regulatory requirements relating to the *Pfandbrief* business Ensure conformity with targets relating to strategic orientation and ability to access the capital markets	Monitor and validate all ratings systems and risk classification procedures Validate all models annually Modify ratings systems, risk classification procedures, and internal models

The Bank Risk Committee serves as an overarching risk committee in which the Chief Risk Officer is represented. It aggregates all risk issues and submits them to the Group Management Board. The Credit Risk Committee (CRC), the Market Risk Committee (MRC), the Operational Risk Committee (ORC), the Cover Business Committee (CBC), and the Model and Validation Committee (MVC) are headed by members of the Bank's senior management. The Cover Business Committee develops management triggers for Postbank's cover business. The Model and Validation Committee is responsible for modifications to and extensions of risk models and risk classification procedures, as well as for approving the validation reports.

Postbank has established a separate Reputational Risk Committee, on which the Management Board is also represented, in order to manage its reputational risk. Another body established in 2013 is the Non-Core Operating Unit Committee, which manages and plans Postbank's non-core portfolios and which performs its duties in close cooperation with the Bank Risk Committee and the operational management units.

Centralized risk monitoring and management

Risk Control function

The Chief Risk Officer (CRO) is responsible throughout the Bank for risk monitoring and risk management functions. He heads the Risk Control function and reports directly to the Group Management Board, the Supervisory Board's Risk Committee, and the Supervisory Board on Postbank's overall risk position.

The organizational structure of the Chief Risk Office provides the basis for active portfolio management across different risk types and serves to bundle all credit decisions. A Chief Operating Office ensures that credit processing standards are complied with and implements central project and resource management for the Chief Risk Office. The Risk Management and Credit Risk Control units ensure the management of all risk types. The Credit Office, which comprises the Credit Analysis and Credit Service Workout & Collection units, bundles all credit decisions and organizes the implementation of the Bank's business and risk strategies in close cooperation with the sales units. The Operations Financial Markets unit is responsible for trade settlement and collateral management. The following overview explains the roles of the individual CRO functions.

Risk management units and tasks	
Unit	**Tasks**
Chief Operating Office	Resource management and projects Credit framework/guidelines Credit processing Collateral management Quality assurance
Risk Management	Overall bank risk management and reporting including risk-bearing capacity and integrated stress tests Definition of risk strategy and risk profile Management and reporting of market, liquidity, business and operational risks Quality assurance of market data and fair values for risk management and financial reporting
Credit Risk Control	Responsibility for all rating and scoring procedures Portfolio management Credit risk reporting Coordination of process for allowance for losses on loans and advances and watch list Authority over risk quantification methods and models
Credit Analysis	Credit approvals, support and credit monitoring for banks, countries, corporates, and real estate finance
Credit Service Workout & Collections	Problem loan processing Workouts Collection Collateral realization Increase of recovery rate
Operations Financial Markets	Trade settlement Collateral management

The Internal Audit unit is a key element of Postbank's process-independent business monitoring system. In terms of the Bank's organizational structure, it is assigned to the member of the Management Board responsible for Resources and reports independently to the Group Management Board.

Seminars are held on an ongoing basis to ensure that Risk Management employees are appropriately qualified, flanked by Postbank's training offerings, which include measures that are dedicated solely to risk management issues (and particularly to credit risk).

Risk management by risk type

Within Postbank, responsibility for risk management at an operational level – in the sense of position-taking activities – is spread across a number of units. Chief among these are Treasury/ALM (Asset/Liability Management), the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units as well as the Retail Banking credit functions.

As a matter of principle, operational management of Postbank's market risk is performed centrally by the Treasury/ALM unit and, in the case of the non-core business, by the Chief Operating Office. In addition, Treasury/ALM performs operational liquidity risk management, focusing on ensuring solvency at all times by acting as a lender of last resort. Limit monitoring and reporting of market and liquidity risks is performed centrally by the Market Risk Management and Liquidity Risk Management teams within the Risk Management unit.

The Credit Risk Control Risk Models unit is responsible for developing, validating, and calibrating the rating models, whereas the Credit Risk Control Credit Risk Management unit performs credit risk limit monitoring, reporting, and management. The Chief Operating Office Risk Standards unit is responsible for issuing standards on the treatment of credit risk exposure.

A two-tier organizational structure with decentralized operational risk managers has been created for each unit to ensure the management of operational risk at an operational level. Operational Risk Control is responsible for central coordination and reporting. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

The individual board departments are responsible at an operational level for achieving the goals defined for them as part of the business strategy and for complying with the framework set for them, and by doing so contribute to operational income and risk management.

The Market Risk Management unit performs central risk analysis and reporting for savings and checking account risk and for residual business risk; responsibility for these business risks remains with the relevant front office units.

Postbank is not exposed to significant reputational risk in the course of its business activities. The main focus is on risk in respect of its "customer" stakeholder group. Key reputational risks are managed at Bank level by Postbank's Reputation Committee.

Overarching risk management

Risk-bearing capacity

Postbank is included in the Postbank Group's risk-bearing capacity concept both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory going concern approach). Postbank considers its risk-bearing capacity to be adequate if the risk cover amount exceeds the allocated risk capital and the current level of overall risk (VaR).

For the purposes of economic creditor protection, risk potential is calculated using a confidence level of 99.93 %. In this approach, the risk cover amount represents the economic asset value and serves above all to protect prior-ranking liabilities in a liquidation scenario.

Under the regulatory going concern perspective, the difference between Tier 1 capital for regulatory purposes (to date in accordance with Basel II, as of 2014 in accordance with Basel III) and the minimum Tier 1 capital required to satisfy the Postbank Group's risk appetite is calculated. The resulting free Tier 1 capital and the planned income represent the risk cover amount. Under this approach, risk potential is calculated using a confidence level of 95 %.

Risk capital and risk limitation

The capital from the risk cover amount that is allocated to the various units and risk types is known as risk capital. Risk capital allocation is reviewed on at least a quarterly basis by the Group Management Board and/or the BRC and adjusted as necessary. The risk committees are responsible for breaking down the risk capital allocated to the individual risk types in greater detail and, where necessary, for adjusting the individual limits for them.

Economic capital is allocated to all the risk types listed in the section entitled "Risk types" with the exception of liquidity risk and reputational risk. To prevent the risk of illiquidity, Postbank maintains a liquidity buffer consisting of highly liquid and liquid assets for a two-month survival period in a stress scenario in accordance with the MaRisk. Real estate risk and investment risk are not considered to be material.

Risk capital allocation takes into account potential fluctuations in the risk cover amount caused by the impact of the results of operations and other effects on the equity components, as well as stress scenarios affecting all risk types. To do this, a buffer is established by only allocating part of the risk cover amount available as limits for the individual risk types. When determining total risk capital requirements, diversification effects arising from correlations between risk types are calculated conservatively on the basis of Postbank-specific data; these reduce the risk capital provided. Risks associated with specific business models (operational risk, savings and checking account risk, and residual business risk) make a particular contribution to the diversification effect. Market, credit, real estate, and investment risks generally have moderate diversification effects.

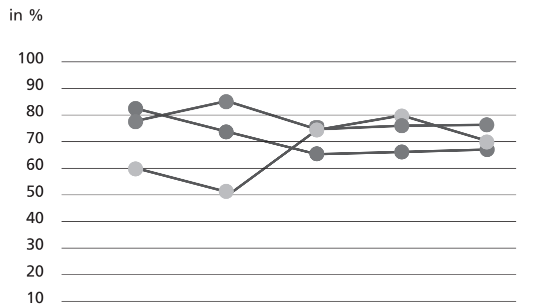
In addition to limiting the risk positions for the individual risk types on the basis of the allocated risk capital, product, volume, and sensitivity limits are used to restrict risk concentrations in individual positions or risk types above and beyond the risk positions themselves.

Market risk is managed by allocating VaR and loss limits for the relevant portfolios. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and by defining a target portfolio. The retail business volume is managed using variance analyses. In the case of operational risk, limits and warnings thresholds are defined for each segment. The other risk types are managed using Bank-wide limits.

The risk-bearing capacity is calculated at Group-level. The Postbank Group's risk-bearing capacity was ensured at all times. The limits allocated to operationally managed risk types were complied with at all times, both at Group level and at the level of Deutsche Postbank AG.

The following graphic depicts the Postbank Group's limit utilization for operationally managed risk types over time:

Development of the limit utilization for operationally managed risk types



	Dec. 31, 2011	June 30, 2012	Dec. 31, 2012	June 30, 2013	Dec. 31, 2013
● Market risk	81 %	72 %	64 %	67 %	69 %
● Credit risk	77 %	83 %	75 %	76 %	77 %
● Operational risk	60 %	53 %	73 %	80 %	70 %

Risk concentrations and stress testing

Concentrations of credit, liquidity, market, and other risks are identified and monitored using sensitivity analyses and stress tests, among other things, and are limited using risk factor or gap limits (in the area of interest rate risk and credit spread risk). Sensitivity analyses and stress scenarios are used to describe hypothetical future developments for the various portfolios, value drivers, and risk drivers. Consequently, macroeconomic scenarios for inflation, stagflation, recession, and other hypothetical or historical scenarios are calculated across all risk types.

Concentration risks are managed as part of management activities (e.g., via hedging). The holdings of European government, federal state, and bank bonds are particularly relevant in this context due to their spread risk.

In the course of credit portfolio management, risk concentrations are systematically identified and reported at the borrower unit level as well as at sector level (industries, regions, etc.) and limited using a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account. Guidelines for improving the management of risk concentrations are laid down in Postbank's organizational instructions. The focus is on specifically identified sectors – commercial real estate finance, banks, and countries – for which additional rules exist above and beyond the limit matrix applicable to corporates. Risk concentrations are closely monitored in a timely manner using the segment-specific risk assessment reports and the risk circles used in risk management.

Postbank took measures to reduce concentration risk. In this context, it continued systematically reducing its exposures to GIIPS states in 2013.

The commercial real estate portfolio is now very largely focused on Germany/Europe. A strategy designed to prevent specific regional concentration risks is being pursued.

At present, based on the economic capital, a risk concentration is discernible in particular with respect to sovereign exposures. Monthly reporting of the economic capital requirement for credit risk and of risk concentrations is a key component of Postbank's credit risk report.

Due to its business model – that of a retail bank operating primarily in Germany – Postbank is also subject to earnings risk in the sense that the earnings generated from its customer business could be lower than planned. Such earnings risk is monitored with the help of the Controlling department as part of the planning process. This involves monitoring earnings risk concentrations using sensitivity analyses and statistical techniques, and taking appropriate measures to manage it.

End-to-end risk assessment is ensured by regularly subjecting the key risk types for which operational limits are used (credit, market, business, and operational risks) to defined scenario analyses and stress tests as part of the assessment of risk-bearing capacity. Stress tests across all risk types at the level of the Bank as a whole are supplemented by inverse stress tests and risk type-specific stress tests. The stress tests are performed as required by market developments and are continuously and dynamically enhanced on the basis of Postbank's risk profile.

New products process

The risk factors for new and modified products are systematically identified in line with the MaRisk using a new products process, and are documented in a product database. The resulting risks are included in Postbank's risk measurement and monitoring system.

Risk reporting

Postbank's risk reporting focuses on risk-bearing capacity and risk utilization in the individual risk types and comprises a large number of regular and one-off reports. Above and beyond regular management reporting, rules have been established for an ad hoc early warning reporting system that is differentiated by risk type. This means that recipients can be kept informed of changes in relevant parameters in a timely manner. The following table provides an overview of the content of the key reports, their publication frequency, and their recipients, broken down by risk type.

Group-wide reporting			
Topic	**Report contents**	**Frequency**	**Addressees**
Cross-risk type	Risk-bearing capacity, individual risks, risk concentrations, performance calculated periodically and on a present value basis, stress test results	Quarterly	Supervisory Board, Risk Committee, Group Management Board, Bank Risk Committee
Market risk	Risk indicators, limit utilization, performance calculated on a present value basis, material transactions	Daily	Group Management Board, operational front office units
	Market development, trends in material market risk, limit utilization, performance calculated on a present value basis and risk indicators, stress test and scenario analyses, risk concentrations, backtesting results	Monthly	Group Management Board, Market Risk Committee, operational front and back office units
Credit risk	Counterparty limit monitoring	Daily	Group Management Board, operational front and back office units
	Economic capital (EC) reporting, key performance indicators, country risk including GIIPS reporting, trends in allowance for losses on loans and advances including variance analyses	Monthly	Operational back office units
	Portfolio development/early warning, specific portfolio analyses, key performance indicators, rating distributions, country risk including GIIPS reporting, limit utilization including EC/risk-bearing capacity trends, trends in allowance for losses on loans and advances including variance analyses, problem loans/watch list, risk concentrations, development of risk-weighted assets (RWA), expected loss (EL) trends, results of scenario analyses/stress tests, mandatory MaRisk disclosures	Quarterly	Group Management Board, Risk Committee, Bank Risk Committee, Credit Risk Committee
Liquidity risk	Liquidity status including limit utilization, cash flows, liquidity sources	Daily	Group Management Board, Market Risk Committee, Financial Markets
	Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests	Weekly	Bank Risk Committee, operational front office units
	Liquidity status, stress test, liquidity reserve, funding structure, surplus liquidity	Monthly	Group Management Board, Market Risk Committee
Operational risk	Loss events	Weekly	Fraud Committee, Operational Risk Committee
	Loss events, risk indicators, results from scenario analyses and self-assessments, utilization of VaR limits, risk assessment related to new products and the outsourcing of functions	Monthly	Group Management Board, Operational Risk Committee
Business risk	Volume growth in customer products	Daily	Group Management Board, operational front and back office units
	Risk indicators related to savings and checking account risk, stress test results related to savings and checking account risk	Monthly	Group Management Board, Market Risk Committee

There is an ad hoc escalation requirement for all decision-relevant events and developments, regardless of the risk type involved.

Regulatory requirements

Capital requirements

As of the reporting date of December 31, 2013, Postbank calculated the regulatory capital requirements for the following portfolios – grouped by exposure class in accordance with the *Solvabilitätsverordnung* (SolvV - German Solvency Regulation) – on the basis of internal ratings: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, domestic commercial real estate, purchased corporate loans, insurers), retail business (Deutsche Postbank AG mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased retail loans), equity claims (if not covered by the exception in section 338(4) of the SolvV), securitization positions, and other non-credit obligation assets.

The use of the Advanced Internal Ratings-Based Approach (A-IRBA) enables capital requirements for the risk positions to be better aligned with exposures. By way of a letter dated June 13, 2013, Postbank received approval to use the A-IRBA for its Corporates Germany, Banks, and Commercial Real Estate UK portfolios. Since June 30, 2013, Postbank has therefore used not only the Basic IRB Approach and the IRB Approach for its retail business to calculate its capital requirements, but also the A-IRBA. The Bank plans to start using the A-IRBA for significant parts of its commercial real estate portfolio in the first half of 2014, subject to obtaining the necessary approval from the supervisory authorities.

Postbank uses the Credit Risk Standardized Approach (CRSA) for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: overdrafts and collection activities in the Retail Banking segment, business from discontinued operations, and exposures to public-sector counterparties from the European Economic Area.

Postbank currently uses the supervisory Standardized Approach to calculate its capital requirements for market risk. It uses an Advanced Measurement Approach (AMA) to calculate the capital requirements for its operational risk at Group level. In the case of Deutsche Postbank AG, the Standardized Approach continues to be used for calculating the weighting required for operational risk.

Liquidity requirements

Postbank meets the regulatory liquidity requirements in accordance with section 11 of the KWG in conjunction with the *Liquiditätsverordnung* (LiqV – German Liquidity Regulation), which entered into force on January 1, 2007. Postbank calculates its liquidity ratios on the basis of the supervisory Standardized Approach in accordance with sections 2 to 7 of the LiqV. The processes for Bank-wide identification, measurement, monitoring, and management of liquidity risk are based on the requirements formulated in the "Principles for Sound Liquidity Risk Management and Supervision".

Minimum Requirements for Risk Management (MaRisk)

The requirements of the revised version of the MaRisk dated December 14, 2012 were successively implemented in line with the regulatory implementation and transition deadlines in a project launched in 2012. Work on the compliance function and funds transfer pricing will be completed in 2014, in keeping with the relevant supervisory transition provisions.

Monitoring and managing market risk

Postbank manages its market risk in the narrower sense of the word using, on the one hand, VaR limits and present-value based loss limits at Bank level and for subportfolios. On the other, sensitivity indicators and maturity structures are used as additional management indicators. The changes in value of positions exposed to market risk are derived from daily marking to market. In the case of inactive market segments, a special process has been instituted to regularly review whether the market data available still permits adequate valuations to be made. As a result, specific portfolios are marked to model. The management of market risk exposures from an earnings perspective focuses primarily on the present value. All market risk is measured using value at risk. Risks from potential changes in spreads have been taken into account in risk measurement.

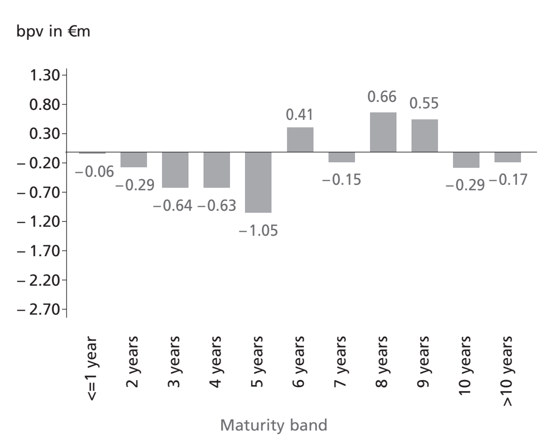
Escalation mechanisms have been defined for critical management parameters and for exogenous events so as to account for the relative significance of market risk to Postbank. These mechanisms ensure a prompt reaction to situations in which limits are approached or exceeded, or to extreme market movements impacting Postbank.

Interest rate risk management

Interest rate risk arises where there are differences in the amounts and interest rates of the interest-sensitive assets and liabilities for individual maturity bands. Specific behavioral assumptions are made on the basis of past behavioral patterns in order to quantify the interest rate risk for customer transactions involving significant implicit options. Particularly important in this connection are the variable-interest customer deposits. The assumptions and inputs used in interest rate risk modeling and management are reviewed for appropriateness on an ongoing basis. Those elements of capital made available to the Bank indefinitely are excluded when determining interest rate risk.

Interest rate risk analysis is an integral part of daily market risk measurement in the trading and banking books. The following chart presents the profile of Postbank's open interest rate positions as of December 31, 2013, in the form of a basis point value (bpv) graph.

Postbank's interest rate positions (bpv) as of December 31, 2013



Value at risk measurement, limit setting, and backtesting

Postbank uses the value at risk (VaR) concept to quantify and monitor the market risk it assumes. The VaR of a portfolio describes the potential decline in fair value that will not be exceeded in that portfolio within a certain period for a given probability. VaR is calculated consistently for all trading book and banking book positions with market risk exposures, regardless of how they are presented in the financial statements.

VaR is calculated uniformly throughout Postbank using a Monte Carlo simulation. Operational management is based on a confidence level of 99 % and a holding period of 10 days. The material risk factors taken into account when calculating VaR are interest rates and credit spread curves, share prices, exchange rates, and volatilities. No major changes to the market risk model were made in 2013.

Volatilities and correlations between the risk factors are derived from historical data. In addition to total VaR, which reflects all diversification effects for the risk factors, VaR inputs are also calculated and analyzed daily for the main subtypes of market risk (interest rate risk, credit risk, equity risk, and currency risk).

Market risk is managed using a system of risk limits. The aggregate risk capital for market risk is resolved by the Bank Risk Committee and allocated by the Market Risk Committee to the individual units and portfolios in the form of operating sublimits. In addition to limits for total VaR and for the main subtypes of market risk, loss limits are allocated for potential fair value losses in individual portfolios. End-of-day risk measurement and monitoring are used for the whole bank; in addition, intraday monitoring is performed for market risk in the trading portfolios. The limits used are dynamic outcome-based limits; any losses incurred over and above the loss limit reduce the limit, while gains replenish it, at a maximum, to the originally defined level.

In addition to the VaR limits, the Market Risk Committee has defined sensitivity limits that restrict the credit spread and interest rate sensitivities in the different segments, portfolios, and maturities.

The methods used to compute VaR are regularly validated and tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the hypothetical gains and losses arising from actual changes in fair value for the same portfolio (clean mark-to-market backtesting), among other things. As of December 31, 2013, backtesting (one-sided binomial test in accordance with the Basel traffic light approach) produced five outliers – only slightly above the statistically expected range. All backtesting results were analyzed in detail to determine their causes. Consequently, the fundamental appropriateness of the VaR methodology used can be confirmed unchanged.

Stress testing

In addition to the VaR calculations, scenario analyses and stress tests are performed at regular intervals to permit the specific analysis of the impact of extreme market movements and to identify risk concentrations. These analyses quantify the effects of extraordinary events and extreme market conditions on the relevant Postbank exposures. Scenario analyses and stress tests are performed for all material risk factors. The assumptions and inputs underlying the stress tests are regularly reviewed for appropriateness. Stress tests comprise both scenarios derived from historical changes in risk factors and hypothetical extreme scenarios. The Group Management Board, the members of the BRC and the MRC, and the Supervisory Board are kept regularly informed of the key results of the scenario analyses. The greatest risks that emerge from the regularly performed internal stress tests for market risk continue to be those in connection with interest rates and spreads. In contrast, sensitivities to changes in equity prices, currency rates, and volatilities are significantly less pronounced.

Particular attention is paid to the requirement to take risk concentrations into account when measuring market risk. This is done by regularly analyzing the effects of the stress tests per exposure class and segment and identifying existing risk concentrations using sensitivity analyses. Instruments used in this context include interest rate gap analyses, credit spread sensitivity analyses by issuer, asset class, or credit rating, and analyses of the Bank's exposure to equities and foreign currencies.

Appropriate market terms

In addition to monitoring market risk, Postbank checks trades entered into in its own name and for its own account to ensure that market prices have been applied (market conformity verification). This is monitored by internal units that are independent of the trading functions.

Risk indicators

The following VaR figures were calculated for Postbank for the period from January 1 to December 31, 2013, and for January 1 to December 31, 2012 (confidence level of 99 %, holding period of 10 days):

Value at risk, market risk Postbank								
Postbank VaR (10 days, 99 %)	**As of**		**Maximum VaR**		**Minimum VaR**		**Average VaR**	
Market risk types	**Dec. 31, 2013 €m**	**Dec. 31, 2012 €m**	**2013 €m**	**2012 €m**	**2013 €m**	**2012 €m**	**2013 €m**	**2012 €m**
Interest rate risk	40.4	47.6	89.1	109.5	19.7	35.7	58.3	64.8
Equity/stock index risk	3.5	3.2	5.9	8.5	1.7	1.4	2.5	3.1
Currency risk	4.7	27.1	36.5	37.0	3.1	3.5	7.5	14.7
Other market risk (spread)	123.7	306.5	361.4	465.4	121.0	300.6	213.3	402.8
Diversification effects	–53.6	–73.1	–134.3	–148.7	–18.8	–46.8	–85.9	–87.8
Total	118.7	311.3	366.7	463.6	114.8	299.9	195.6	397.5
thereof: trading book	0.3	4.0	3.5	20.8	0.3	2.8	0.8	11.7

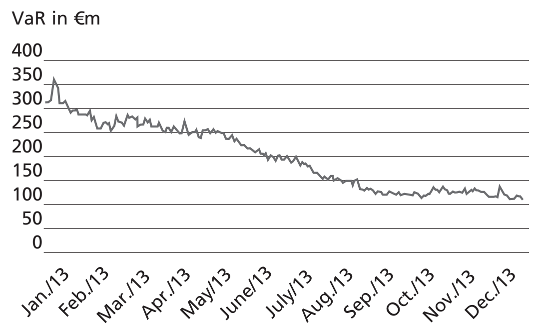
The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €119 million as of December 31, 2013 (for comparative purposes: €311 million as of December 31, 2012).

The calculation incorporates all material market risk-bearing positions in the trading and banking books, including pension obligations and the corresponding plan assets. In line with Postbank's business strategy, the level of market risk is largely determined by the interest rate risk and spread risk. The present value risks resulting from foreign currency positions are input into the daily market risk measurements and reports. Management focuses on the one hand on present value considerations, and on the other on minimizing potential risk to the income statement as a result of foreign currency positions. Equity risk, which arises among other things from managing the risk associated with customer products, is minor.

The change in risk indicators for the trading book reflects the change in Postbank's trading strategy, which entails a significant reduction in trading activity and a reduction in the risk positions. In addition, the modified trading strategy was reflected in a reduction in the limits for the trading book in 2013. The VaR for the entire trading book as of December 31, 2013 was a mere €0.3 million (for comparative purposes: €4.0 million as of December 31, 2012).

The following graphic shows the VaR for Postbank during the period under review:

VaR Postbank for the period from January 1, 2013 to December 31, 2013



VaR declined steadily in the period under review due to a decrease in spread risk caused by lower volatilities – particularly in European government bond and subsovereign/agency bond exposures – and was significantly below the prior-year figure at the end of 2013.

Real estate risk management

The properties in the Postbank portfolio are primarily owner-occupied properties used by the Bank. They are reappraised every three years in order to monitor their value on an ongoing basis.

Investment risk management

Equity investments are defined as all equity interests recognized in Postbank's annual financial statements under "equity investments" and "investments in affiliated companies", and investments in companies pursuant to section 16(2) and (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act). As of the reporting date of December 31, 2013, Deutsche Postbank AG held a total of 43 (previous year-end: 59) direct and a large number of indirect equity investments.

These holdings are predominantly strategic investments that reflect Postbank's product and service areas, and that provide internal services for Postbank. As in the past, Postbank does not have any shareholdings in other companies in the sense of a private equity/investment strategy.

Postbank has established procedures to ensure the adequate management and monitoring of key investment risks at Group level. The relevant lending departments within Postbank monitor credit-equivalent investment risks or risks serving as credit substitutes.

These also include the interests held by Postbank in special purpose entities (SPEs). In the year under review, SPEs were used in particular to issue subordinated securities and for the temporary ownership of real estate. Postbank has no interests in SPEs designed for asset outplacement. The large number of management and monitoring systems in existence, which are continually being enhanced, guarantees that Postbank is in a position to monitor and manage shareholding risks, including strategic investment risks, at all times.

Monitoring and managing credit risk

Postbank uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on retail banking, corporate customers including commercial real estate finance, banks, and countries (central and regional governments and local authorities), in addition to related risk concentrations. This target portfolio was constructed in line with the principle of a balanced risk/return profile and is used as the basis for structuring allocations to rating classes, sectors, and regions. The current portfolio of receivables is compared quarterly with the target portfolio. In the case of the Corporate Banking division, an individual profitability analysis is also performed on the basis of the ratio of the risk-adjusted net margin to the regulatory capital tied up. Due to the high degree of risk diversification in the retail business, no proportionate limit is set on this in principle when defining the target portfolio; instead, it is managed using the expected net margin less the expected risk.

Counterparty credit risk is managed and monitored, and hence the credit risk strategy implemented, on the basis of individual risks on the one hand and the entire portfolio on the other.

Managing individual risks

Credit approval procedures

Postbank's credit guidelines contain detailed targets for all lending transactions. Credit approvals are subject to an established system of approval powers, which act as a framework within which decision-making individuals or bodies are authorized to enter into lending transactions. Credit approval powers are defined on the basis of fixed upper limits per group of associated customers (see section 19(2) of the KWG), depending on the rating and amount in the case of corporate banking and the transactions in the case of Financial Markets. An important feature of the credit approval procedure is the separation of front office functions (sales/trading) and back office units in accordance with the supervisory requirements (MaRisk). A permissible exception to the strict separation of functions according to banking supervision law is the standardized credit approval process in business that is not relevant for risk purposes, which Postbank defines as loans for up to €1 million; in these cases, simplified and standardized processes are applied.

Scoring and rating

Postbank has internal rating systems that have been approved for the use of the IRB Approach under Basel II/in accordance with the SolvV. In addition to meeting the methodological and procedural/organizational requirements, these rating systems have proven their suitability in relation to the classification of existing portfolios and new business. Regardless of the size and type of the loan, individual rating or scoring is performed during the credit approval process as well as at least annually and on an as-needed basis.

The Credit Risk Control Risk Models unit is responsible for the design, methodological supervision, calibration, and validation of all rating procedures used, as well as for implementing the internal rating procedures that have been transposed into internal IT routines. In addition, a Model and Validation Committee (MVC), which was established to provide process support, is responsible together with its subordinate Model Change Policy Committee (MCPC) for ensuring that the results of the monitoring of internal ratings processes are incorporated into the internal reporting system and the Bank's management processes. Postbank's Management Board is provided with regular information on the operability of the rating systems, as well as on the results of the ratings performed as part of the management reporting process, by the bodies responsible (BRC, CRC, MVC). The Risk Standards unit, which is attached to the Chief Operating Office of the CRO function, is responsible for monitoring the processes. In addition to ongoing integration projects, the work performed by the Bank's Credit Risk Control function in 2013 focused among other things on the enhancement, ongoing validation and, where necessary, recalibration of the scoring and rating systems. Internal Audit audits the appropriateness of the internal rating systems, including adherence to the minimum requirements for use of the rating systems, on an annual basis.

In Retail Banking, loans are approved, decisions to extend them are made, and terms are defined using the results of statistical scoring models and approval guidelines. The scoring models utilized at Postbank make use of internal and external information about the borrower and employ statistical methods to individually estimate the probability of default for borrowers or loans (PD). The loss given default (LGD) is calculated to estimate the recovery rates individually, taking any eligible collateral into account, or globally, in the case of small-scale uncollateralized retail business. The credit conversion factor (CCF) is calculated to estimate the degree of utilization of open credit lines at the time of default.

Rating models, which generally comprise a statistical balance sheet rating or a simulation of expected cash flows, and which also incorporate qualitative, shorter-term information in the internal rating in the form of a heuristic component, are used to make loan decisions and define terms for customers and guarantors in the corporates, banks, and countries areas. Interrelationships between debtors are taken into account using a concept that provides for groups of connected clients.

All internal ratings and scorings are presented using a uniform master scale, which assigns each rating or scoring result to a rating class, as well as the default probability determined for that class. Postbank uses the terminology of the Standard & Poor's rating agency here.

The rating and scoring methods are validated as part of Postbank's annual model validation process and of ongoing monitoring. The model validation process is based on standard core analyses comprising the stability of the model formula/the estimated inputs and the distributions, as well as the accuracy of the rating model, and the predictive power of the models, but also takes qualitative aspects into account. During the validation process, any changes in the loss history are taken into account by adjusting the inputs.

By including model validation in Postbank's processes, it is generally possible to derive business policy and model-specific measures directly from the results of the core analyses. Electronic records are maintained of all relevant input factors and rating results, enabling a continuous rating history to be kept for each customer and transaction.

In addition to supporting the loan approval process, these ratings and scores serve among other things as a basis for calculating the expected loss, i. e., the loss that is to be expected as a statistical average over a one-year period. They are factored indirectly into margin calculations as standard risk costs (see the following section), along with other variables.

Risk/return key performance indicators

When calculating the loan losses expected for Postbank, the average standard risk costs are factored into the advance calculation on an individual loan basis. This allows all lending transactions to be evaluated 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 for exposures to corporates. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management

Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. The value of the collateral is continuously monitored on the basis of uniform standards, not only when the loan is granted but also during its term. The associated collateral processes are regularly reviewed with respect to the regulatory requirements and further enhanced. The protection instruments principally used by Postbank consist of real estate liens to secure real estate financing, guarantees and credit derivatives, financial collateral, and other physical collateral.

The back office units are responsible for collateral management (there are partial exemptions for Deutsche Postbank AG's non-risk-relevant lending transactions). This includes recognition of an instrument as collateral, its legal ranking, and regular review and measurement, as well as the administration of the eligible collateral. The exposure management systems provide electronic support for the management of immovable collateral. The amounts recognized as eligible collateral are reviewed at fixed intervals, depending on the type of protection; as a rule, this occurs annually or at shorter intervals in the case of critical exposures.

Guarantees and credit derivatives must be irrevocable and unconditional in order to qualify as credit risk mitigation instruments when calculating the minimum capital requirements for credit and counterparty risk. Only guarantees by countries (central and regional governments and local authorities), other public-sector entities, banks, supranational organizations, and legal persons with a rating of at least A- are recognized. With regard to credit derivatives, guarantors and protection sellers are subject to the same risk classification, risk limitation, and risk monitoring procedures as borrowers.

Real estate liens are taken into account when calculating the possible loss arising from default on a loan. The collateral is realized in the event that a borrower becomes more than temporarily insolvent.

Loan collateral in the Corporate Banking segment taking the form of real estate liens is reviewed regularly, and at least annually, for impairment at the level of the properties concernced. In Germany, market developments are also monitored using the fair value fluctuation concepts produced by vdpResearch GmbH (the real estate market research company belonging to the Verband deutscher Pfandbriefbanken e.V.) and, in the case of hotel properties, by Deutsche Kreditwirtschaft, while the front office and back office units perform qualitative monitoring of the relevant sectors and real estate markets on an ongoing basis. In the case of loans and property values with volumes in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified credit specialists or a new appraisal is performed by real estate experts, as appropriate.

Where it is not possible or feasible to immediately realize the collateral furnished to Postbank as security for a loan for legal or economic reasons, its liquidation can be postponed until the legal situation is clarified or until a more favorable economic situation arises, in which case it will be managed and enhanced as well as possible (active/passive retention).

In the case of Postbank, the focus remains on enhancing the existing collateral management environment.

Credit monitoring and problem loan procedures
In the case of non-standardized loans, credit risks are monitored using credit assessments performed at least once annually and whenever events occur that could affect a borrower's credit quality. The checks are made by the operational lending units in the back office in accordance with banking supervision requirements and, in the case of trading transactions, by Risk Control as well.

In the area of individual lending to corporate customers and mortgage lending in excess of €750,000 per borrower or borrowing entity, Postbank has implemented a credit monitoring process in accordance with banking regulatory requirements. The process enables higher-risk loans to be identified using defined qualitative and quantitative early warning and risk indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of early warning and risk indicators to enable advance identification of an increasing risk of default enables Postbank to take risk mitigation measures in a timely manner, to develop and implement loan restructuring plans with the borrower if necessary, or to arrange for settlement.

When a corporate loan is identified as having a higher risk, the borrower in question is placed in the monitoring category if early warning indicators are present and on the watch list (intensive care, restructuring, or workout) if risk indicators are present. In the case of hard ("rule-based") risk indicators, transfer is mandatory; if there are only soft ("principle-based") risk indicators, the decision is made at the discretion of the credit specialist responsible for the account, in cooperation with the workout specialists. The watch list is constantly updated by the various lending departments and submitted quarterly to the member of the Management Board responsible for the CRO board department and to the CRC. The largest individual exposures and loans that were approved by the Group Management Board are reported to the Group Management Board and the Supervisory Board's Risk Committee as part of the quarterly credit risk report.

Managing credit risk at portfolio level

Portfolio management
Above and beyond monitoring individual risks, Postbank calculates the necessary economic capital (EC) for all exposures subject to credit risk. The credit portfolio model used by Postbank takes account of internal and external risk inputs, concentration risks in the credit portfolio, and reinvestment effects in the case of maturities of less than one year, as well as the ability to drill down to individual debtors.

EC is the potential negative change in the present value of the total loan portfolio resulting from actual or potential credit risk losses that will not be exceeded within one year for a 99.93 % probability. Under Postbank's risk-bearing capacity concept, EC (as a measure of the unexpected loss from credit risk) must be backed by risk capital.

In contrast to EC, the expected loss is the expected amount of losses due to credit risk in the Bank portfolio over a one-year period. This is calculated approximately as the product of the default probability, the total size of exposure, and the loss rate. It depends on the counterparty/transaction rating and on the transaction term. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

EC is calculated on the basis of the migration behavior of borrower-specific creditworthiness and correlation effects within the portfolio, so as to quantify risks arising from an adverse concentration of borrowers in terms of their sector, creditworthiness, and country. The probability of a rating change (migration) is continually updated and adjusted to reflect the changes observed in the current economic environment. In calculating EC, all loans and advances are recorded together with their future cash flows and are discounted to the observation date. This allows the loan loss risk to be measured over a one-year observation period, as well as quantifying the effects on the present value of all changes in creditworthiness occurring outside the observation period. Credit risk is measured using current internal and external credit ratings as well as internally and externally calculated assumptions relating to loss rates.

External inputs used to calculate the EC include constantly updated rating agency data, migration tables derived from this data, yield curves, and a covariance matrix for the risk factors used in the correlation model. Homogeneous, granular exposures are aggregated when calculating EC and are not computed at individual transaction level. These relate in particular to retail products.

The updated portfolio and market data is used to calculate EC in the loan portfolio on a monthly basis. The calculation of EC in the loan portfolio takes diversification effects between the portfolios in the business divisions into account. The utilization of the EC limits made available to individual profit centers by the CRC and of the aggregate credit risk limit is monitored regularly.

In addition to the calculation of the EC, the loan portfolio is subject to regular stress testing and sensitivity analyses across all risk types with the aim of quantifying losses that might arise from extreme events.

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2013, compared to the end of 2012 (volumes: carrying amounts). As the EC including portfolio effects is not calculated at the level of Deutsche Postbank AG, the portfolio structure is shown at Group level in the following table.

Credit risk	Volume[1]		Expected loss		Economic capital (EC)[2]	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Retail Banking	75,999	77,057	274	236	781	987
Corporate Banking	16,541	18,546	66	32	465	350
Financial Markets	51,406	60,821	6	11	343	310
Non-Core Operating Unit	13,481	27,159	19	83	709	651
Pension funds	n/a	n/a	0	n/a	5	n/a
Total	**157,427**	**183,583**	**364**	**363**	**2,302**	**2,297**

[1]Figures as of December 31, 2012 adjusted.

[2]The underlying confidence level is 99.93 %.

The risk indicators for the expected loss and the economic capital are almost unchanged year-on-year. Effective 2013, the credit risk from pension fund investments is reported as a separate item.

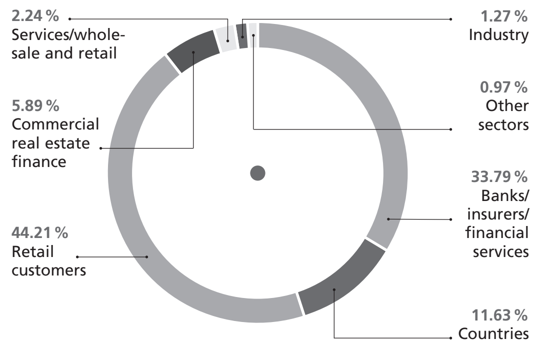
At Postbank Group level, risk-bearing assets were reduced in the Non-Core Operating Unit (NCOU) primarily by scaling back the structured credit portfolio, selling PB (USA) Holdings, Inc., and selling commercial real estate finance held by the London branch of Deutsche Postbank AG. This is reflected in a significant decline in the expected loss. The increase in economic capital in the NCOU is due in particular to a deterioration in the risk indicators for individual counterparties with high risk concentrations.

The increase in economic capital in the Corporate Banking and Financial Markets segments and the decrease in economic capital in the Retail Banking segment are mainly due to the recalibration of the credit portfolio model, which favors the Retail Banking segment and reflects the greater granularity of the portfolio. In addition, the rating model upgrades in the Corporate Banking and Retail Banking segments led to an increase in the risk indicators, especially in the case of the expected loss.

Sector structure of the loan portfolio
Overall, the sector distribution of the instruments subject to credit risk, measured in terms of volume, displays a balanced structure except for the concentrations with respect to banks and countries. The loan portfolio consists mainly of loans to retail customers with a focus on domestic private mortgage lending. It also includes loan exposures in the Corporate Banking division, predominantly in the German business customers segment and in commercial real estate finance. The holdings of investment securities primarily comprise a portfolio of mainly German and European government bonds as well as bonds issued by banks (including covered bonds and *Pfandbriefe*), insurers, and other financial services providers.

A target portfolio that has been aligned in terms of diversification has been defined as part of the credit risk strategy to manage investments in the non-retail area.

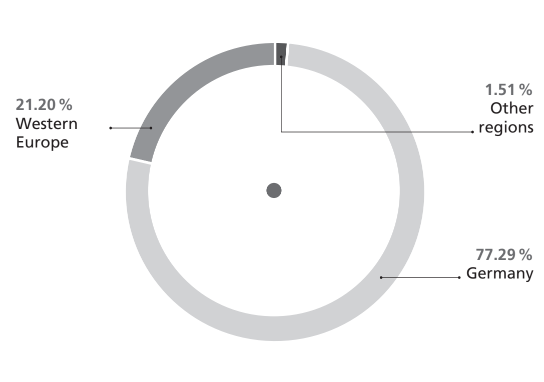
Sector structure



Regional distribution of the loan portfolio
Postbank has established country-specific limits for credit allocation in order to manage country risk. The country limits are largely determined by internal and external ratings, and by the economic strength of the particular country as measured by its gross domestic product. A central 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. The country limit system was thoroughly revised in response to the financial market crisis and supplemented by an early warning system.

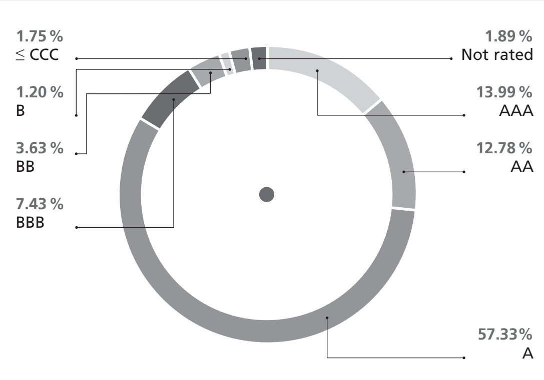
The regional distribution of the credit volume reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe.

Regional distribution



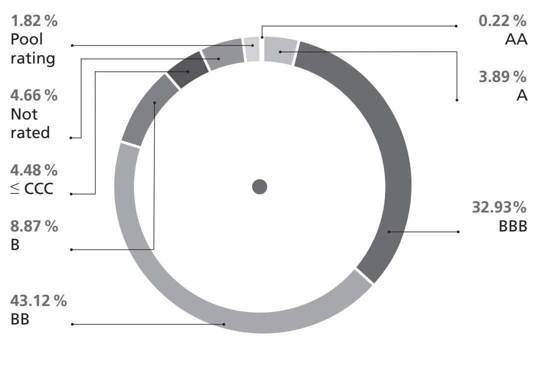
Rating structure of the loan portfolio
The distribution of ratings in the loan portfolio reflects Postbank's conservative approach. The following graphic depicts the rating structure of the loan portfolio for the non-retail business. The good rating categories classified as investment grade predominate.

Credit rating structure (non-retail)



Similarly, the following graphic illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the December 31, 2013 reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business showed a shift in its rating structure towards the less good rating categories, primarily as the result of the introduction of new portfolio models for installment loan and mortgage lending portfolios, as well as of the recalibration of existing rating models. This is due among other things to the fact that legacy portfolios were previously reported using pool ratings but are now rated on an individual basis following the introduction of the new mortgage lending portfolio rating.

Credit rating structure (retail)



Securitization positions
Securitizing financial assets (asset securitization) makes it possible to transfer the underlying credit risk to third parties. Usually, entire exposure pools consisting of two or more subclasses of risk (tranches) entailing varying degrees of risk are transferred.

Postbank acts as both investor and originator in asset securitization transactions.

Investor
In the course of credit substitution transactions, Postbank invested in structured credit products (SCPs), among other things. Following the winding up in full of the portfolios of riskier asset-backed securities (ABSs) and collateralized debt obligations (CDOs) in the first half of 2013, the portfolio currently consists of redeemed residential mortgage-backed securities (RMBSs), and impaired holdings. Securitization positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or Fitch Ratings).

Originator
In addition to being an investor, Postbank also acts as an originator. The following synthetic securitization transactions involving the securitization of residential mortgage loans in Germany not only reduced regulatory capital requirements but also lowered risk concentrations. As of the reporting date, Postbank held the PB Domicile 2006-1 transaction with a volume of €1,158 million in its portfolio. In addition, Postbank structured the Provide Domicile 2009-1 synthetic originator securitization transaction, for which no significant transfer of risks took place as of the reporting date.

Environmental risk
Postbank also takes into account environmental risk when making credit decisions. Postbank and its employees are aware of their social responsibility both in their lending policy and in individual credit decisions.

Identifying and quantifying environmental risk forms part of Postbank's standard risk assessment and management procedures in its domestic and foreign business. With regard to its customers, Postbank believes that fulfilling current environmental standards and acting responsibly towards the environment are key factors for assessing corporate governance.

As a result, Postbank meets the requirements for sustainable and future-oriented management and complies with international guidelines such as the UN Global Compact.

Monitoring and managing liquidity risk
The goal of liquidity risk management is to ensure Postbank's solvency at all times, including in certain stress situations. As a matter of principle, operational liquidity risk management is performed centrally by Deutsche Postbank AG's Chief Operating Office. Postbank serves as a lender of last resort in the case of local liquidity squeezes. In the event of a liquidity shock at the level of the Postbank Group, the Liquidity Crisis Committee has clear responsibility and authority over all portfolio managers at Postbank.

Postbank has laid down the principles for handling liquidity risk, among other things, in its overarching risk strategy.

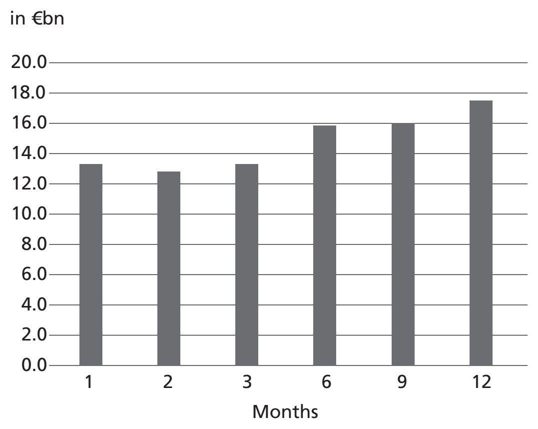
Due to its strategic focus as a retail bank, Postbank enjoys a strong refinancing base in its customer business and is therefore relatively independent of the money and capital markets. At present, no significant funding measures on the money and capital markets are planned. Concentration risk during refinancing is taken into account in the stress tests. We do not see any key concentration risks in respect of individual creditors from a liquidity perspective due to the Bank's business strategy. In the case of unexpected cash outflows, cash holdings, central bank balances, and an extensive portfolio of unencumbered, highly liquid, central bank-eligible securities can be used to obtain liquidity rapidly, including on (private) repo markets. To further diversify its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*. There are no longer any plans to issue public-sector *Pfandbriefe* under Register E in future; however, mortgage *Pfandbriefe* may be issued in future under Register D as a potential long-term financing instrument.

The management process is based on a number of pillars. The Liquidity Risk Management unit determines Postbank's liquidity status under both normal and stress conditions on each business day using funding matrices and cash flow forecasts. This is used as the basis for operational management. Furthermore, risk management is based on regular liquidity and issue planning and on a series of more far-reaching analyses and forecasts.

Risk management activities focus above all on ensuring solvency at all times, including in extreme stress situations. The scenarios cover both institution-specific and general market issues and, in the MaRisk scenario, the combination of the two. This permits changes in a variety of market factors, panic reactions by customers, and structural changes in funding resources (e.g., due to a decline in market liquidity) to be reflected. The MaRisk scenario simulates severe outflows of savings, demand and corporate banking deposits, restricted access to the uncollateralized money market, and increased haircuts on central bank-eligible securities. A requirement for all stress scenarios was to maintain customer loans at existing levels at least, even in times of stress.

The following graphic illustrates Postbank's liquidity status as of December 31, 2013. This overview presents the expected cash inflows/outflows for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management.

Liquidity status of Postbank



The expected values for cash outflows from liabilities with no fixed capital commitment period, such as savings and checking account deposits, the probability of utilization of irrevocable loan commitments, and the quality of the fungible assets available for ensuring liquidity are based in part on observed historical data and in part on estimates that are validated regularly. These show that Postbank has significant liquidity surpluses across all maturity bands, which serve as liquidity buffers for stress situations and hence underscore its adequate cash position.

The results of the stress tests in 2013 also underline Postbank's comfortable liquidity position. Even after the combined stress effects in the MaRisk scenario were taken into account, comfortable surpluses existed in the net liquidity position at all times, both during and beyond the survival period.

Postbank is integrated with Deutsche Bank's liquidity risk management process.

Monitoring and managing operational risk

The economic capital requirements for operational risk for the Bank as a whole and for the individual business divisions are determined using the internal capital model. Postbank's Advanced Measurement Approach (AMA) capital model is based on a loss distribution approach (LDA) that initially uses internal and external loss events, supplemented by scenario data, in its calculations. A scorecard is used to assess the quality of operational risk management in the business divisions so as to enable qualitative modifications to be made to the capital amounts calculated for them using Monte Carlo simulations; this also represents a material incentive to improve operational risk management.

Operational risk is fully integrated with Postbank's risk-bearing capacity concept. In the case of limit exceedances, the limit for operational risk is increased (including during the course of the year) at the expense of other risk types or of the unallocated risk cover amount. Postbank's business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter.

In addition to the regular calculation of the operational risk indicators, quarterly stress tests are performed. Their results are used to analyze how the risk indicators behave under extreme conditions. For example, the effects of a general increase in loss frequencies or an additional, "artificial" major loss are examined.

Apart from the quantification model, Postbank uses the following qualitative instruments in particular:

- Structured capture of internal losses of €1,000 or more (fraud cases starting at €0)
- Definition of risk indicators as an early warning instrument
- Half-yearly self-assessment to evaluate the internal control framework
- Definition of scenarios for evaluating specific risk situations
- IT-based central activity tracking system to reduce operational risk.

In 2013, operational risk losses rose significantly year-on-year. For example, legal actions and complaints about investment advice increased. A large proportion of these relate to advice provided and transactions entered into before 2008 in the area of closed-end funds.

The focus in the fight against fraud is still on using the FRAUD committee to communicate all material cases of fraud promptly throughout the Bank, as well as on raising the awareness of the employees involved in the relevant processes in order to ensure the systematic and widespread early identification of cases of fraud. Nevertheless, losses increased in the year under review due to the occurrence of new, previously unknown types of fraud.

Deutsche Postbank AG uses the Standardized Approach for calculating the weighting required for operational risk.

Business segment in accordance with the SolvV	Weighting for operational risk	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Corporate finance	–	–
Trading and sales	14	13
Retail banking	340	329
Corporate banking	48	55
Payment transactions and processing	0	0
Agency services	1	1
Asset management	–	–
Retail brokerage	8	9
Total for Deutsche Postbank AG	**411**	**407**

Postbank's business continuity management (BCM) activities cover the value chain for business activities and critical Bank functions. BCM is the term used to describe the implementation of preventive and restorative measures taking the form of emergency, crisis, and test planning for all board departments. Business impact analyses and risk identification and assessment exercises (RIAs) are performed on a regular basis to assess key business processes and how critical they are. Tests are used to demonstrate that these emergency plans work.

Monitoring and managing business risk
Business risk covers savings and checking account risk, collective risk, reputational risk, and residual business risk. These risks are managed by the system of decision-making bodies at Postbank.

Managing savings and checking account risk
Theoretical scenarios are defined for customer transactions with non-deterministic interest rates and capital commitment periods (primarily savings and checking account deposits) in order to permit interest rate risk to be managed. These scenarios appropriately reflect the repricing and capital commitment behavior associated with these customer products. Over time, unexpected volume and margin fluctuations can occur as a result of unexpected customer behavior or changes in the Bank's own interest rate adjustment policy (or as a result of a lack of opportunities for interest rate adjustments in marginal areas); this could endanger the ability to generate stable net interest income in the long term and hence also impact economic capital.

Limit monitoring and reporting of savings and checking account risk is performed centrally by Market Risk Management within the Risk Management unit.

Reputational risk management
The core element of Postbank's reputational risk management is the prophylactic treatment of issues relevant to reputational risk resulting from certain customer-related transactions, business partners, or business practices. The primary responsibility for the identification, assessment, and escalation of such issues rests with the management of the relevant board departments. The principle of local management responsibility applies, with the local units being assisted in the performance of their tasks by the central infrastructure units.

The Reputation Committee (RepCo), as Postbank's escalation instance, must be consulted on issues representing a major reputational risk. This committee provides risk management support to the Group Management Board for the monitoring and management of reputational risk. The main management objective is to prevent reputational risk entirely if possible or, failing that, to minimize the effects of any reputational damage that has occurred by reacting with appropriate measures.

Managing residual business risk
The procedures for quantifying business risk have a direct and consistent relationship to the method used to determine the economic capital in Postbank's risk-bearing capacity concept. Residual business risk is calculated on the basis of historical variance analyses for the periods.

It is quantified and monitored partly on the basis of the value at risk concept and partly using scenario analyses, with the methods used being reviewed for accuracy at regular intervals. The BRC formally resolves the relevant limits.

In addition, extraordinary events are analyzed at regular intervals using both historically based and hypothetical scenario analyses and stress tests. Risk Management at Postbank is responsible for limit monitoring and reporting which must be performed at least quarterly.

Controlling and the business divisions provide an early warning system by gathering and analyzing market and competitor data on an ongoing basis in order to identify potential risks, and by developing appropriate countermeasures.

Internal control and risk management system for the financial reporting process
The following section describes the key features of the internal control and risk management system for the financial reporting process. In this respect, Deutsche Postbank AG complies with the requirement set out in section 289(5) of

the *Handelsgesetzbuch* (HGB – German Commercial Code). Deutsche Postbank AG regards information as being material within the meaning of section 289(5) of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the annual financial statements and the other components of financial reporting. Materiality cannot always be determined in general terms, but is rather established in the context of the issue at hand, and is assessed on the basis of the nature and scope of the issues involved. Postbank assesses the question of the materiality of an issue by reference to its importance with respect to the annual financial statements.

Tasks of the internal control and risk management system relevant for financial reporting

Postbank sets high standards in regard to the correct presentation of transactions in its financial reporting. One of the tasks of the internal control system is to ensure due and proper financial reporting.

Postbank's internal control and risk management system comprises rules for managing corporate activities (internal management system/risk management system) and rules for monitoring compliance with these rules (internal monitoring system).

Postbank's internal control system performs the following tasks:

- Ensuring the effectiveness and economic efficiency of business activities in line with the corporate strategy

- Ensuring the propriety and reliability of both internal and external financial reporting

- Compliance with the legal provisions applicable to the Company.

Postbank's Management Board is responsible for establishing the internal control system. Appropriate principles, procedures, and measures ensure the system's implementation.

Organization of the internal control and risk management system relevant for financial reporting

The Management Board is responsible for preparing the annual financial statements and the management report. The Management Board has assigned responsibilities for the individual components and procedural steps relating to financial reporting in the form of organizational guidelines. The Finance, CEO, Resources and Chief Risk Office board departments are the main units involved in the preparation of the guidelines.

Financial reporting is performed primarily by the departments within the Finance board department, whose main tasks are as follows:

- Monitoring of new legislation

- Preparation and maintenance of accounting policies

- Due and proper capture and processing of data/transactions relevant for financial reporting by the IT applications

- Preparation of the annual financial statements and the management report

- Provision of information for segment reporting.

In addition, certain tasks with the following main functions are performed by the CEO board department:

- Coordination of the Declaration of Compliance as defined by section 161 of the AktG

- Provision of certain disclosures relating to the notes.

With regard to the financial reporting process, the Resources board department primarily performs the following tasks:

- Creation of the conditions for recognition, measurement (best estimate), and ongoing review of the provisions for pensions and other employee benefits as well as provision of the relevant disclosures for the notes

- Provision of additional relevant disclosures relating to the notes and the risk report.

The Chief Risk Office performs the following tasks:

- Decisions on specific valuation allowances relating to domestic and foreign loans

- Provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks

- Provision of relevant disclosures relating to the notes and the risk report.

The Supervisory Board supervises the Management Board. In the area of financial reporting, it is responsible for approving Postbank's annual financial statements. The Audit Committee set up by the Supervisory Board has the following tasks:

- Advice and supervision with respect to financial reporting, the internal control system, risk management and risk control (insofar as the Risk Committee is not responsible for this), internal audit, and compliance

- Discussion of questions relating to the requirement of auditor independence

- Engagement of the auditors, determination of the areas of emphasis of the audit, and agreement of the fee.

The Audit Committee makes use of its right to demand information from the Internal Audit function when performing its duties.

In addition, Postbank's Internal Audit unit plays a process-independent monitoring role. It performs audits in all areas of the Company on behalf of the Management Board and is directly assigned to the Management Board, to which it also reports. In addition to reviewing the propriety and functional reliability of the processes and systems, it assesses the effectiveness and appropriateness of the internal control system in particular and of risk management in general.

The annual financial statements and management report must be audited by the auditor elected by the Annual General Meeting before the annual financial statements are approved.

The audit report to be prepared by the auditor must be submitted to Postbank's Supervisory Board.

Components of the internal control and risk management system relevant for financial reporting

Postbank's control environment, as a component of its internal control and risk management system relevant for financial reporting, is the framework within which the rules applicable in Postbank are introduced and applied. It is determined by management's basic attitude, problem awareness, and behavior towards the internal control system. The control environment materially influences employees' control awareness. A positive control environment is a precondition for an effective internal control system.

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank prepares its annual financial statements and management report in accordance with the provisions of German commercial law applicable to major stock corporations (sections 242 – 256a, 264 – 286, and 289 – 289a of the HGB), taking into consideration the legal-form specific requirements for German stock corporations (sections 150 – 161 of the AktG), the sector-specific requirements for credit institutions, and the requirements of the Bank's Articles of Association.

Generally applicable measurement procedures are used. The procedures used and the underlying inputs are reviewed at regular intervals and modified as necessary.

The risk of non-compliant financial statements is addressed by corresponding instructions in the guidelines. The quality of the annual financial statements is assured by the Accounting department.

The core principle behind the design of these processes is the clear separation of irreconcilable activities. The principle of dual control plays a key role here, with all transactions being processed and entered in line with it. Dual control can be exercised at the technical or organizational level, or a combination of both.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and the publication of the components of financial reporting.

The entire financial reporting process is IT-based. Both standard applications and custom software are used. Rules and procedures, which are based on Postbank's IT strategy and risk strategy, exist for program development and modifications, data backups, and access control, thus ensuring the propriety of the financial reporting.

Postbank uses SAP for account entry. In addition, end user data processing tools are used, the design of which is supervised during monitoring of end user data processing.

Integrated process controls take the form of plausibility tests within the programs and automated and manual reconciliations. The Bank regularly reconciles the general and sub-ledgers.

Internal Audit

The Internal Audit unit is a key element of Postbank's business and process-independent monitoring system. In terms of the Bank's organizational structure, it is assigned to the member of the Management Board responsible for Resources and reports independently to the Group Management Board.

Internal Audit is obliged to comply with the standards issued by the Institute of Internal Auditors (IIA) and the Deutsches Institut für Interne Revision (German Institute for Internal Auditing). It reviews the effectiveness and appropriateness of risk management in general and of the internal control system in particular in a risk-oriented and process-independent manner, in line with the MaRisk. In addition, it examines the propriety of all activities and processes.

In line with Deutsche Bank's methodology, Internal Audit's audit planning is based on a dynamic process. The inherent risks associated with the business divisions and the corresponding control measures are analyzed and assessed as part of a continuous risk assessment. This is used to draw up the risk-based audit plan for the fiscal year, which the Management Board commissions Internal Audit to implement.

In addition to its regular audits, Internal Audit performs special examinations in certain circumstances, and provides audit and consulting services relating to the introduction and implementation of material projects. Audit concepts are continuously adapted to reflect the findings of the risk assessments. For instance, new products, changes in the internal control system, or organizational changes in the way audits are performed are all taken into account, as are any changes in the legal framework.

Remuneration systems

The *Verordnung über die aufsichtsrechtlichen Anforderungen an Vergütungssysteme von Instituten* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) dated October 6, 2010 was replaced by a new version on December 16, 2013, which came into effect as of January 1, 2014. The structural requirements for establishing a Compensation Control Committee (Supervisory Board committee) and the function of a remuneration officer have already been resolved by the responsible bodies. Postbank will implement the remaining changes to the InstitutsVergV in good time.

Postbank's remuneration systems comply with the general and specific requirements of the InstitutsVergV. They are in keeping with the goals laid down in the strategies and are designed in such a way that negative incentives are avoided. Employees are remunerated appropriately for their tasks and responsibilities; the remuneration systems are reviewed annually for appropriateness.

With respect to the specific requirements to be met by the remuneration systems for managing directors and employees whose activities have a material influence on the overall risk profile, the remuneration systems were designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. The remuneration systems comply with the requirements of the InstitutsVergV. Following a review in accordance with section 10 of the InstitutsVergV, the necessary changes were implemented in the relevant employment contracts insofar as this was possible under civil, employment, and company laws.

OUTLOOK

Global economy

At the beginning of 2014, the global economy finds itself in a period of accelerating growth. Developed economies in particular are expected to provide momentum. Many industrialized countries should already have overcome their weak growth, with their business activity undergirded by persistently expansive monetary policies. In addition, the pressure toward fiscal consolidation has eased. The impact of consolidation policies, which have acted as a substantial drag on growth over the last few years, should now begin to wane. The upturn in industrial countries should also benefit emerging countries in particular whose export sector is strong. Risks to global growth could be posed first and foremost by turbulence on financial markets if the emergent upturn leads these markets to factor in interest rate hikes by central banks prematurely. A rekindling of the sovereign debt crisis in the eurozone could also put a substantial curb on growth. On the other hand, global expansionary forces could develop a stronger inherent dynamism than is currently anticipated. For 2014, the IMF expects growth in world economic output of 3.6 %, compared with the 2.9 % rise in 2013.

The U.S. economy could see higher demand across a broad front in 2014. The marked upward trend on the labor market should give a strong boost to private consumption. Investments in construction will probably be expanded quite robustly once again. Corporate investments are also expected to provide appreciable momentum. Public sector spending, given the pending agreement on a regular budget, will probably no longer create the economic headwind it has produced in previous years. Exports and imports should experience a marked revival. On balance, however, foreign trade is not expected to result in stronger growth effects. Gross domestic product (GDP) is expected to noticeably accelerate overall. For 2014, we expect GDP growth of 3.5 %.

The economy of Japan is experiencing a stable upswing. Thanks to the global acceleration of economic growth, exports should rise markedly enough for foreign trade to generate positive growth momentum. Domestic demand too in keeping with the trend should further revive. The most notable source of impetus should come from corporate investments. However, the major increase in value-added tax that is planned is likely to put a noticeable but temporary strain on private consumption. GDP, as a result, is expected to expand markedly less than in the prior year, with 0.7 %.

The gradual recovery of the economy in the eurozone may persist in 2014 and moderately intensify over the course of the year. The improvement of the global environment should stimulate an expansion of exports. Since imports are also likely to experience greater growth, foreign trade will probably make a smaller contribution to growth than it did in previous years. Member states may indeed continue their consolidation efforts, but to a degree that is markedly attenuated. The strain on private households caused by tax and duty hikes should significantly ease and together with a stabilization of labor markets facilitate a slight rise in private consumption. A simultaneous revival of world economic activity and a further ebbing of the sovereign debt crisis should make it possible for gross capital expenditures to recover from a very low level. All in all, economic momentum is likely to remain subdued and lead only to modest GDP growth of 1.0 % in 2014.

Economic outlook for Germany
At the turn of the year, the German economy was in a state of transition from economic recovery to economic upswing. A noticeable upturn is expected for exports, which should benefit from accelerating global growth and stabilizing demand in the eurozone. As imports rise markedly at the same time, foreign trade is likely to make only a slight contribution to the expansion of GDP. The improvement of the global economic environment will reduce uncertainty for companies and should lead them to relinquish their investment restraint. As a consequence, investments in machinery and equipment could climb markedly. Signs of growth are also emerging in construction investments, primarily as a result of residential construction. Brisker investment activity will probably give another hefty boost to the workforce, with unemployment expected to drop during the year. This will create favorable conditions for income gains for private households and, provided inflation rates remain on the bottom, for a sustained upsurge in private consumption as well. Consequently GDP growth may expand markedly to 1.5 % in 2014.

Markets
The strain put on global markets by the sovereign debt crisis in the eurozone should continue to abate in 2014. The risks associated with it, however, will not disappear. Should the eurozone's economy against our expectations fail to recover further, the crisis could flare up again. The same applies to political turbulence. Against this background and first and foremost because of the anemic economic recovery and weak inflation in the eurozone, the monetary policy of the European Central Bank (ECB) is likely to remain very expansive. We believe that the ECB will maintain its key interest rate at 0.25 % in 2014, with increases in that rate coming no earlier than late 2015. We also think the ECB will remain committed to non-standard measures in 2014 such as the full allotment of its refinancing operations. A further reduction of the key interest rate cannot be ruled out if indeed the economy should once again relapse into recession or the inflation rate drops again. Even under these conditions, however, we think it is unlikely that the deposit rate will be lowered below zero. The ECB is more likely to take additional non-standard measures if necessary, such as new longer-term refinancing operations or the buying of bonds in secondary government bond markets. We are not proceeding on the assumption, however, that the European Central Bank will activate the outright monetary transactions (OMT) program since no member country in the eurozone currently meets the relevant requirements. The U.S. Federal Reserve is likely to leave its federal funds rate at 0 % to 0.25 % in 2014. It should terminate its bond-purchasing program during the year, the speed of which is likely to depend to a large degree on economic developments.

Normalization of conditions on the bond market should continue in 2014. Should the sovereign debt crisis in the eurozone continue to subside, the role of German bunds as a "safe haven" would drop even further in significance. In the U.S.A., the Fed's tapering of the extremely expansive monetary policy may lead to tendentially rising yields on government bonds, an effect that should spread to the German market. The improving economic situation in the eurozone is also indicative of rising capital market interest rates. The potential for increase should continue to be limited by the ECB's expansive monetary policy and persistently low inflation in the eurozone. For this reason, we expect a slight increase in the yields of 10-year German bunds to reach 2.25 % in 2014. With key interest rates at a constantly low level the yield curve may become somewhat steeper.

The prospects for corporate bonds are divided. On the one hand, they should benefit in principle from the expected economic upturn. Since spreads are already low, we see – on balance – only slight potential for further narrowing. The U.S. Federal Reserve's tapering also carries risks. In particular, if market participants should begin to factor in hikes in the federal funds rate prematurely, yield spreads could widen. Bonds with low ratings would presumably suffer the most from such a development.

In light of the risk premiums demanded for the government bonds of the so-called peripheral eurozone countries, we think a further reduction is possible, provided that budget deficits are reduced long term and the economic recovery in the eurozone continues as expected. In most cases, however, risk premiums have already fallen so much that one can no longer speak of a massive exaggeration. For this reason, the leeway for a further narrowing of spreads has become very limited in the meantime. Government bond markets, at the same time, may remain vulnerable to setbacks if there is a resurgence of the crisis.

Sector situation
German banks will likely continue to face two key issues until the end of 2014: A clear and long-term improvement of the operating business and the implementation of new regulatory requirements. In this connection the on-going comprehensive assessment performed by the ECB and the ECB's full assumption of supervision duties of the eurozone's most significant lending institutions starting November 4, 2014, is likely to be of special significance.

The sustained low level of interest rates is likely to make improvements in the operating business of German banks more difficult. We do not expect to see a significant increase in rates until the end of 2014. As a result, interest margin increases may be possible only to a limited extent, especially since tough competition in the German retail banking and SME segment puts a strain on both net fee and commission income and the interest margin. What's more, only moderate growth is to be expected for the lending business with these customer groups. Substantial increases in net fee and commission income and net interest income should therefore be difficult to achieve. Low financing costs could stimulate the issuing business with bonds and equities as well as the M&A activities of companies. This would have a positive impact on income from investment banking. As a result of the persistently difficult conditions on the income side, numerous institutions are likely to have additional cost optimizations on the agenda in 2014 as well.

We believe that the three-pillar structure of private, public and cooperative banks is unlikely to change by the end of 2014. Mergers and/or acquisitions should primarily take place within the individual banking groups. Noteworthy changes of the market position and/or competitive position of individual banks will likely be limited to the *Landesbanken*.

Legal disputes may also have a negative impact on the reputation and the business performance of the German banking industry.

Postbank's investment focuses
In 2014, both Postbank and Deutsche Bank will continue to pursue the Magellan program, which aims at creating a joint retail platform for both institutions and is designed to generate synergies through the standardization of systems. It will also have the highest priority in Postbank's investment portfolio in years to come, alongside investments to address compliance and realignment issues related to regulatory matters. The latter include the fulfillment of liquidity and capital requirements as well as accounting standards, SEPA, Basel III, and various consumer protection issues. Lifecycle investments will be made in 2014 to the extent they are technically necessary. But they will be avoided if possible as long as they are no longer needed with the introduction of Magellan.

Implementation of Basel III
On January 1, 2014, as part of the implementation of standards from the Basel III framework of the Basel Committee on Banking Supervision, the new regulations CRD IV and CRR entered into force. These regulations involve both increased requirements regarding the quality and quantity of regulatory capital as well as higher capital charges for the assets to be backed by capital. Banks will also face minimum standards for their liquidity base and their leverage ratio will be monitored.

The changeover to the new Basel III rules will tend to lead to a reduction in banks' regulatory capital and an increase in their risk-weighted assets. This will also be the case for Postbank. However, the new rules will be phased in over a transition period running through 2022 to give banks the time they will need to adapt to the tougher regime. At the same time, the minimum capital adequacy ratios will be increased gradually through 2018, and banks will have to create an additional capital conservation buffer and possibly an combined capital buffer.

Since 2012 Postbank has undertaken relevant project activities to expedite implementation of CRD IV and CRR requirements in their systems and processes. In 2014, supplements from the so-called technical standards will also be implemented. The plan is for these to be published successively into the third quarter of 2014.

In recent years, Postbank has already significantly expanded its capital base. As a result, it is well prepared for the implementation of Basel III. In addition, Postbank's de-risking strategy has also helped markedly reduce its leverage ratio, which is only being monitored but not limited by supervisory authorities at the moment.

OUTLOOK

Expected development of the earnings situation of Postbank
The following assessment of the presumed direction of business at Postbank in 2014 is based on the economic assumptions and expectations contained in this Management Report. A renewed intensification of the sovereign debt crisis and/or possible setbacks and disruptions on international capital and real estate markets could have a negative impact on this scenario. The continuing discussion about stricter regulation of the banking industry could also have a significant effect on the financial position, net assets and results of operations at Postbank that was not taken into consideration in the following base scenario.

We expect the progressive integration of the Postbank Group into the Deutsche Bank Group to produce significant synergies. These synergies should positively affect the short-, mid- and long-term earnings situation of Postbank and its business divisions. The measures to generate these synergies, however, will result in short- and mid-term non-recurring charges from such activities as the development of the joint IT platform. The income and cost synergies currently expected from the integration are considered in this outlook.

The foundation of future earnings performance at Postbank remains the solid income streams generated by its retail, business and corporate customers. Among other things the Bank will focus on improving its cost base, adjusted for integration-related expenses. Here the integration into the Deutsche Bank Group will generate greater potential for efficiency.

In addition to the continuation of our de-risking strategy, we have set ourselves the goal of further reducing the balance sheet volume in order to proactively address pending regulatory requirements (in particular the leverage ratio). In this context, we will also accept potential losses recognized in the income statement. To a certain extent, they are part of the plan for 2014. Should efforts to reduce risk positions and the balance sheet volume exceed current planning, it could lead to deviations from the outlook below.

In particular we expect that net interest income in 2014, despite sustained low interest rate levels, will as a whole be around the same level as 2013. Net interest income is likely to improve as a result of maturing high-interest instruments on the liabilities side in particular. We also expect a stable performance in the operating core business, with increasing income in the lending business that should compensate for income declines in the deposit business. Negative one-time effects from our planned active reduction of the balance sheet volume are also anticipated.

Net fee and commission income should increase slightly in 2014 thanks in particular to higher income from securities and checking products.

We are forecasting slightly negative net income from the trading portfolio in 2014, similar to in 2013.

We expect the allowance for losses on loans and advances to increase appreciably, mainly due to growth in the core business, especially as a result of the planned business expansion. The increase is expected to be partially offset by systematic de-risking.

The interest rate rise forecast for 2014 will significantly impact risk provisions for securities by an amount in the low three-digit million range, following a slightly positive figure in 2013.

For administrative expenses, we expect to see a slight upward trend in 2014, largely due to higher integration-related costs and an increase in payments for services made to affiliated companies.

Overall, we are expecting a result before taxes of almost zero, mainly because of the negative trend in risk provisions for securities as a result of the expected rise in interest rates.

The outlook is based on the most recently adopted medium-term planning. At the end of 2013, Postbank's executive bodies agreed to concentrate service companies in a holding company within the Deutsche Bank Group provided certain conditions are met. The effects of this move are not yet reflected in Postbank's result due to the need for the conditions to be met. Postbank would hold a significant interest in this holding company. The implementation of these measures, which is expected to happen over the course of 2014, will have a positive impact on net income from equity investments. Including this transaction, we are expecting a slightly positive result before taxes in 2014.

There is also a possibility that the operating business of our Deutsche Postbank International S.A. subsidiary in Luxembourg will be run by a new Postbank branch in Luxembourg in the future. If this is implemented, it is expected to have a positive impact on the current outlook.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Postbank, and the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Bonn, February 21, 2014

Deutsche Postbank AG

The Management Board

Frank Strauss

Marc Hess   Hans-Peter Schmid

Ralf Stemmer   Hanns-Peter Storr

BALANCE SHEET AS OF DECEMBER 31, 2013 – DEUTSCHE POSTBANK AG, BONN

Assets	€	Previous year €m	€	€	Dec. 31, 2013 €	Previous year €m
1. Cash reserve						
a) Cash balance				897,189,622.92		955
b) Balances with central banks				93,015,245.07		843
of which: with Deutsche Bundesbank	91,248,201.77	841			990,204,867.99	
2. Loans and advances to other banks						
a) Payable on demand				2,602,817,814.11		4,065
b) Other loans and advances				31,256,616,196.46		27,910
of which:						
mortgage loans	30,084,139.76	56				
public-sector loans	20,000,000.00	20			33,859,434,010.57	
3. Loans and advances to customers						
of which:						
mortgage loans	23,503,478,848.51	25,528				
public-sector loans	3,408,362,515.27	3,729			64,723,505,021.38	67,424
4. Bonds and other fixed-income securities						
a) Money market securities						
aa) Public-sector issuers			0.00			0
of which: eligible as collateral with Deutsche Bundesbank	0.00	0				
ab) Other issuers			0.00	0.00		0
of which: eligible as collateral with Deutsche Bundesbank						
b) Bonds	0.00	0				
ba) Public-sector issuers			14,016,259,836.15			13,299
of which: eligible as collateral with Deutsche Bundesbank	14,016,259,836.15	13,203				
bb) Other issuers			11,669,998,792.12	25,686,258,628.27		13,125
of which: eligible as collateral with Deutsche Bundesbank	10,641,404,772.19	11,758				
c) Own bonds				0.00		0
Principal amount	0.00	0			25,686,258,628.27	
5. Equities and other non-fixed-income securities					13,386.70	454
5a. Trading portfolio					5,684,657,298.64	14,542
6. Equity investments						
of which:						
in other banks	1,171,593.72	1				
in financial services providers	0.00	0			24,508,535.36	15
7. Investments in affiliated companies						
of which:						
in other banks	548,278,032.46	548				
in financial services providers	12,046,461.58	12			6,295,945,625.69	9,273
8. Trust assets						
of which: trustee loans	618,813,212.91	704			630,362,222.47	757
9. Intangible assets						
a) Internally generated industrial and similar rights and assets				0.00		0
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets				32,294,789.08		38
c) Goodwill				15,360,000.04		27
d) Prepayments				0.00	47,654,789.12	0
10. Property and equipment					410,540,617.10	426
11. Other assets					1,130,647,163.08	1,540
12. Prepaid expenses						
a) From issuing and lending business				87,427,199.38		98
b) Other				36,980,652.24	124,407,851.62	44
13. Overfunded plan assets					129,673,564.96	0
Total assets					139,737,813,582.95	154,836

Equity and liabilities	€	Previous year €m	€	€	Dec. 31, 2013 €	Previous year €m
1. Deposits from other banks						
a) Payable on demand				7,763,437,762.85		1,290
b) With an agreed maturity or withdrawal notice				8,112,381,869.67		11,400
of which:						
registered mortgage *Pfandbriefe* issued	110,643,626.33	113				
registered public-sector *Pfandbriefe* issued	230,758,765.00	466				
Pfandbriefe lodged with lenders						
as collateral for loans received:						
registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0				
registered bonds (mixed cover) in accordance						
with DSL Bank Reorganization Act (DSLBUmwG)	1,098,829,127.32	1,117			15,875,819,632.52	
2. Due to customers						
a) Savings deposits						
aa) With an agreed withdrawal notice of three months			46,295,090,255.72			47,729
ab) With an agreed withdrawal notice						
of more than three months			134,271,540.73	46,429,361,796.45		144
b) Registered mortgage *Pfandbriefe* issued				1,551,761,455.63		1,515
c) Registered public-sector *Pfandbriefe* issued				198,008,595.14		225
d) Registered bonds (mixed cover) in accordance						
with DSLBUmwG				11,635,724,980.24		11,988
e) Other amounts due						
ea) Payable on demand			36,915,984,718.96			40,513
eb) With an agreed maturity or withdrawal notice			3,262,245,702.47	40,178,230,421.43		7,619
of which:						
Pfandbriefe lodged with lenders						
as collateral for loans received:						
registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0			99,993,087,248.89	
3. Debt securities in issue						
a) Bonds issued						
aa) Mortgage *Pfandbriefe*			4,500,403,754.21			6,161
ab) Public-sector *Pfandbriefe*			1,593,434,750.28			1,625
ac) Bonds (mixed cover) in accordance						
with DSLBUmwG			0.00			0
ad) Other bonds			1,090,428,392.15	7,184,266,896.64		1,511
b) Other debt securities in issue				0.00		41
of which: money market securities	0.00	41			7,184,266,896.64	
3a. Trading portfolio					5,514,063,104.96	10,482
4. Trust liabilities						
of which: trustee loans	618,813,212.91	704			630,362,222.47	757
5. Other liabilities					1,125,617,815.55	1,616
6. Deferred income						
a) From issuing and lending business				21,012,391.02		40
b) Other				16,904,397.07	37,916,788.09	23
7. Provisions						
a) Provisions for pensions and						
other employee benefits				0.00		697
b) Provisions for taxes				35,302,613.84		51
c) Other provisions				499,417,233.61	534,719,847.45	442
8. Subordinated debt					2,926,556,361.85	3,285
9. Profit participation capital						
of which: due within two years	296,000,000.00	115			1,151,500,000.00	1,167
10. Fund for general banking risks						
of which: special reserve in accordance with section 340e(4) HGB	3,146,210.79	3			2,023,458,518.28	1,773
11. Equity						
a) Issued capital				547,000,000.00		547
b) Capital contributions by typical silent partners				20,225,837.62		20
c) Share premium				1,090,499,481.11		1,090
d) Retained earnings				1,082,719,827.52		1,083
e) Net retained profit for the period				0.00	2,740,445,146.25	0
Total equity and liabilities					139,737,813,582.95	154,836

	€	Dec. 31, 2013 €	Previous year €m
1. Contingent liabilities			
a) Contingent liabilities from endorsed bills settled with customers	-.--		–
b) Liabilities from guarantees and indemnity agreements[1]	1,401,579,844.46		3,210
c) Liabilities from the provision of collateral for third-party liabilities	-.--	1,401,579,844.46	–
2. Other commitments			
a) Repurchase obligations from non-genuine securities repurchase agreements	-.--		–
b) Placement and underwriting obligations	-.--		–
c) Irrevocable loan commitments	6,428,368,572.01	6,428,368,572.01	11,747

[1]Commitments under letters of comfort are disclosed under point C.I. in the notes

INCOME STATEMENT – DEUTSCHE POSTBANK AG, BONN, FOR THE PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

Comparative figures from January 1, 2012 to December 31, 2012

Expenses	€	Previous year €m	€	€	Dec. 31, 2013 €	Previous year €m
1. Interest expense					1,784,080,176.78	2,449
2. Fee and commission expense					299,267,944.10	320
3. Net expense from the trading portfolio					11,949,997.33	0
4. General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			494,192,178.67			521
ab) Social security contributions, pensions, and other employee benefits			172,914,451.91	667,106,630.58		180
of which: for pensions	127,772,746.00	131				
b) Other administrative expenses				1,959,622,259.93	2,626,728,890.51	1,741
5. Depreciation, amortization, and writedowns of intangible assets and property and equipment					37,747,014.25	27
6. Other operating expenses					139,043,567.11	119
7. Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks					157,283,688.50	628
8. Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets					346,704,271.68	110
9. Expenses from loss absorption					3,363,595.94	99
10. Extraordinary expenses					15,252,926.32	28
11. Taxes on income of which from change in recognized deferred taxes	0.00	409			−67,430,360.49	446
12. Other taxes not reported under item 6					5,595,708.97	3
13. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements					150,863,450.00	0
14. Addition to the fund for general banking risks					250,000,000.00	5
15. Net profit for the period					0.00	0
Total expenses					5,760,450,871.00	6,675

Income	€	Previous year €m	€	€	Dec. 31, 2013 €	Previous year €m
1. Interest income from						
a) Lending and money market transactions				3,138,283,751.17		3,809
b) Fixed-income and book entry securities				695,771,694.85	3,834,055,446.02	853
2. Current income from						
a) Equities and other non-fixed-income securities				769,220.33		1
b) Equity investments				374,775.86		0
c) Investments in affiliated companies				198,540,783.74	199,684,779.93	545
3. Income from profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements					202,104,527.01	185
4. Fee and commission income					737,539,069.21	740
5. Net income from the trading portfolio of which: appropriated to special reserve in accordance with section 340e(4) HGB	0.0	–3			0.00	28
6. Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets					307,623,684.62	81
7. Other operating income					479,443,364.21	433
Total income					5,760,450,871.00	6,675

		Previous year €m			Dec. 31, 2013 €	Previous year €m
1. Net profit/loss for the period					0.00	0
2. Net retained profit/net accumulated loss for the period					0.00	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE POSTBANK AG FOR FISCAL YEAR 2013

A. GENERAL INFORMATION ON THE STRUCTURE OF THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

I. General information

The annual financial statements of Deutsche Postbank AG (Postbank) have been prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act), as well as the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Regulation); they cover the period from January 1 to December 31, 2013.

II. Accounting policies

1. General information

The accounting policies are unchanged compared with the previous year with the exception of the inclusion of credit/debit value adjustments for derivatives and the implementation of OIS (overnight index swap) discounting.

2. Accounting policies

Current assets

The cash reserve, loans and advances to other banks and customers, other loans and advances, and other assets are carried at their principal amounts. Premiums/discounts are amortized ratably. Purchased loans and advances are recognized at cost. The registered securities and promissory note loans included in loans and advances to other banks and customers are measured at their principal amounts plus deferred interest in accordance with section 340e(2) sentence 1 of the HGB. The differences between the principal amounts and cost are reported under deferred income/prepaid expenses and reversed to profit or loss.

All discernible individual risks in the lending business as well as country risks are adequately reflected by the recognition of suitable valuation allowances and provisions. General valuation allowances are recognized for potential risks from loans and advances. A fund for general banking risks has also been set up in accordance with section 340g of the HGB.

Bonds and other fixed-income securities as well as equities and other non-fixed-income securities classified as current assets (with the exception of the trading portfolio) are recognized at historical cost, taking into account the strict principle of lower of cost or market value and the requirement to reverse writedowns (section 340e (1) sentence 2 in conjunction with section 253(4) sentence 1 of the HGB and section 253(5) sentence 1 of the HGB).

Indicative prices (arranger quotes) are used for structured credit products (SCPs) such as RMBSs. The valuation thus takes into account market inputs to the greatest possible extent. The synthetic collateralized debt obligations (CDOs) included in these assets constitute structured products as defined by IDW AcP HFA 22 and are presented separately in the balance sheet.

Hedge accounting

Postbank uses microhedges to hedge assets and liabilities against interest rate risk and applies hedge accounting to them. The goal of microhedges is to hedge interest rate fluctuations in assets and liabilities using derivatives with matching amounts, currencies, or maturities.

Hedge accounting complies with the requirements of section 254 of the HGB and with IDW AcP HFA 35. Hedging relationships end when the hedged item or hedging instrument expires or has been sold or exercised, or the requirements for hedge accounting are no longer met.

Effectiveness testing for all hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument. The changes in the fair value of the hedged item attributable to the hedged risk are compared retrospectively with the change in the fair value of the hedging instrument for each hedging relationship. If they offset each other (effective portion), the fair values of both the hedged item and the hedging instrument are reported in other assets/other liabilities (gross hedge presentation method). If they are negative, ineffective changes in the value of the hedging instrument are recognized in provisions for expected losses. Changes in the value of the hedged item that are not attributable to the hedged risk are recognized in accordance with general accounting rules.

When close-out payments received and paid on microswaps whose underlying contracts are still in the portfolio are reversed, these are offset against the carrying amount of the hedging instrument and, where necessary, against ineffective changes in value recognized in provisions for expected losses. Any remaining amounts are recognized in profit or loss. Changes in the value of the hedged item attributable to the hedged risk that are recognized during the term of the hedging relationship are reversed ratably over the remaining term of the underlying.

Postbank recognizes hedges between assets and liabilities as hedged items and interest rate swaps as hedging instruments. In the past fiscal year, the carrying amounts of hedged assets were €7,186 million and hedged liabilities were €9,647 million. At the reporting date, the changes in value attributable to the hedged risk of the hedged assets amounted to €422 million and the changes in value attributable to the hedged risk of the hedged liabilities amounted to €–454 million. These contrasted with changes in the value of the hedging instruments of €–420 million for assets and €452 million for liabilities. Changes in the value of the hedged item and hedged instrument almost completely offset each other as of the reporting date. Future interest rate-related changes in the value of the hedged item are hedged using a hedging instrument with a matching maturity until the hedged item matures.

Trading portfolio

Postbank allocates individual financial instruments to the trading portfolio on the basis of internal guidelines and processes. Postbank's criteria for including transactions in the trading book in accordance with section 1a(1) of the *Kreditwesengesetz* (KWG – German Banking Act) (previous version) and the provisions of section 340e of the HGB are applied here. The criteria used to allocate financial instruments to the trading portfolio have not changed.

Trading portfolios are presented in the "trading portfolio" balance sheet item under assets or liabilities, as appropriate. Postbank primarily presents derivatives in the trading portfolio and money market exposures under this balance sheet item.

Receivables and liabilities with matching maturities and currencies and the same depositories and counterparties are offset in the area of collateralized money market trading provided the conditions for offset are met. The net amount after offsetting is reported in the balance sheet.

Interest income and expense from non-derivative financial instruments in the trading portfolio are reported in net interest income.

If there is an active market for a financial instrument carried in the trading portfolio, fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If there is no active market, fair value is determined using recognized valuation techniques.

Observable market data is used to the greatest possible extent when determining fair values using valuation techniques. In most cases, Postbank utilizes discounted cash flow analysis, which mainly uses yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs.

Credit/debit value adjustments are used to measure the fair value of financial instruments, in addition to yield curves. The above inputs significantly influence fair value. Please refer to the tables in section VI ("Forward contracts") for information on the nature, volume, and maturities of the trading portfolio.

Any resulting measurement gains or losses are recognized in income at fair value.

As part of risk-adjusted marking-to-market as of December 31, 2013, a risk discount of €2.1 million (previous year: €5.3 million) was determined for Postbank's trading portfolio and offset against the net expense from the trading portfolio. Value at risk (ten-day holding period, 99 % confidence level, one-year historical analysis period) including the correlations between risk factors and portfolios is used as the calculation method. In addition, credit/debit value adjustments to trading derivatives (€1.6 million) and negative effects from the implementation of OIS measurement (€7.6 million) were offset against the net expense from the trading portfolio.

Derivatives in the non-trading portfolio

If derivatives (in particular interest rate swaps, interest rate futures, forward rate agreements, and equity and index derivatives) are not allocated to the trading portfolio, they are treated as executory contracts in accordance with the applicable principles.

Depending on the purpose of the derivative, gains or losses on derivatives in the non-trading portfolio are recognized in "write-downs and adjustments to loans and advances and certain securities, and additions to provisions for credit risks" or in net interest income.

If negative changes in value are established in the course of subsequent measurement, derivatives are accounted for in the balance sheet in accordance with the established accounting convention at banks (banking book measured at net realizable value).

Postbank compares the carrying amount under German GAAP with the present value according to the interest rate book when it measures net realizable value as of December 31 every year. This also takes into account interest rate derivatives entered into for interest rate risk management in the banking book. A provision is recognized if the present value is lower than the carrying amount.

Options for which Postbank is the beneficiary are initially measured in the amount of the option premium paid. They are reported in "other assets" or in "equities and other non-fixed-income securities" if they are warrants. They are subsequently measured in accordance with the general measurement rules for current assets under section 340e(1) sentence 2 of the HGB.

Paid initial margins are included in "other assets." If securities are pledged to hedge derivatives, they continue to be reported by Postbank as the legal and beneficial owner.

Securities repurchase agreements
Genuine securities repurchase agreements are entered into for both liquidity management and trading purposes. Securities purchased under repurchase agreements are not reported in the balance sheet. As of December 31, 2013, securities with a carrying amount of €6,952 million (previous year: €3,812 million) were transferred as collateral.

Fixed assets
In accordance with section 340e(1) of the HGB in conjunction with section 253(3) sentence 3 of the HGB, securities recognized as fixed assets are measured using the less strict principle of lower of cost or market value. The differences between cost and settlement amount (premiums/discounts) are amortized ratably. The assets are carried in accounts separate from the accounts for securities classified as current assets.

In accordance with section 340e(1) sentence 1 of the HGB, equity investments including investments in affiliated companies as well as operating and office equipment are measured using the rules applicable to fixed assets.

Shares in PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen (PB Spezialinvest) are reported under investments in affiliated companies and measured as current assets to ensure continuity and consistency of measurement.

Intangible assets
Purchased intangible assets are recognized at cost less amortization in accordance with the actual useful life of the assets. Writedowns are recognized where required.

A useful life of 15 years is applied for goodwill. Useful life is based on estimates of expected use.

Property and equipment
Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Writedowns are recognized where required.

Ongoing maintenance and acquisition costs of up to €150 are expensed in full as incurred in accordance with section 6(2) of the *Einkommensteuergesetz* (EStG – German Income Tax Act). Replacement part costs for property and equipment are capitalized.

Low-value assets up to €410 are immediately recognized as an expense in the year of acquisition.

Prepaid expenses and deferred income
Postbank recognizes prepaid expenses and deferred income in accordance with section 250 of the HGB. These items are reversed in line with income or expense for the reporting period.

Deferred taxes
Postbank no longer recognizes deferred taxes because it is a member of Deutsche Bank AG's consolidated tax group. No tax allocation agreement has been entered into.

Liabilities
Liabilities are carried at their settlement amount. Premiums/discounts are amortized ratably. Zero bonds issued are recognized at their issue amount plus proportionate interest up to the balance sheet date. The pro rata interest on zero bonds added to the carrying amount is amortized using the effective interest method.

Provisions
Pension obligations amounted to €729 million as of December 31, 2013.

Provisions for pensions are calculated in accordance with actuarial principles. The actuarial method used by Postbank for calculation is the projected unit credit method.

The calculation is based on the following actuarial assumptions:

	Dec. 31, 2013	Dec. 31, 2012
Discount rate	4.89 %	5.05 %
Salary growth	2.50 %	2.70 %
Pension growth	2.00 %	2.20 %
Fluctuation	4.0 % p.a.	4.0 % p.a.
Pensionable age	60 – 63 years	60 – 63 years
Mortality, disability, etc.	Heubeck tables 2005G	Heubeck tables 2005G

Provisions for pensions and other employee benefits are discounted in the aggregate at the average market interest rate for the past seven years published by the Deutsche Bundesbank that results from an assumed remaining maturity of 15 years (section 253(2) sentence 2 of the HGB).

In 2013, Postbank fully funded its pension obligations by way of a contractual trust arrangement (CTA).

As of January 1, 2010, the measurement requirements for pension provisions that entered into force under the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) on May 29, 2009, led to a difference of €66.6 million at Postbank compared with the previous legal requirements; minimum appropriations of at least one-fifteenth of this amount must be made annually to the pension provisions in the period up to 2024. As of December 31, 2013, €52.1 million had been added in the aggregate, including €15.3 million in fiscal year 2013, giving a remaining difference of €14.5 million. The amounts appropriated annually are expensed and reported in the income statement under "extraordinary expenses."

Pension obligations primarily reflect 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 duration of the employment. 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 der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

Provisions for taxes and other provisions are recognized at the settlement amount in accordance with section 253(1) sentence 2 of the HGB. Other provisions with a remaining maturity of more than one year are measured using the yield curve made available by the Deutsche Bundesbank in accordance with the *Rückstellungsabzinsungsverordnung* (German Discounting of Provisions Regulation). The time value of money resulting from interest cost is recognized as interest expense for banking provisions and as other operating expenses for non-banking provisions.

Contingent liabilities
Liabilities from guarantees and indemnity agreements are reported under contingent liabilities at the amounts to be disclosed at the balance sheet date.

Currency translation
In accordance with section 256a of the HGB, assets and liabilities denominated in foreign currency are translated into euros at the middle spot rate prevailing at the reporting date. Forward contracts still open at the balance sheet date were measured at the forward rate prevailing at the balance sheet date. In the case of foreign currency transactions in the banking book, the forward rate was split into its constituent components and the swap points were accrued.

Gains and losses on the translation of hedged balance sheet items and corresponding executory contracts are offset by recognizing adjustment items.

Balance sheet items and executory contracts denominated in foreign currency are classified as separately covered and measured in each currency because they are managed in the aggregate by Treasury and because strategic currency positions are not used (section 340h in conjunction with section 256a of the HGB). As a result, all gains and losses from currency translation were recognized in the income statement under net income or net expense from the trading portfolio. There was no requirement to eliminate any of the income because the items existing at the balance sheet date had been established recently due to the high turnover rate.

III. Information on investors and investees

On December 31, 2013, Deutsche Bank AG, Frankfurt am Main, directly and indirectly held approximately 94.1 % of Postbank's shares, primarily through DB Finanz-Holding GmbH.

As a result, the free float tradable on stock exchanges amounts to around 5.9 % of Postbank's share capital.

Postbank is consolidated in Deutsche Bank AG's consolidated financial statements.

As a publicly listed German stock corporation, Postbank has prepared its annual financial statements for the fiscal year ended December 31, 2013, in accordance with the HGB in conjunction with RechKredV requirements, as well as the relevant requirements of the AktG.

There is a control and profit and loss transfer agreement between Postbank, as the dependent company, and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), as the controlling company.

IV. Principles under the *Kreditwesengesetz* (KWG – German Banking Act)

Postbank prepares the relevant individual institution notifications and fulfills its other notification requirements under the KWG.

As of December 31, 2013, the reported regulatory Tier I ratio was 10.5 % and the overall capital ratio was 15.6 %. These ratios are based on the own funds reported in the most recent audited annual financial statements (as of December 31, 2012). Calculated on the basis of the current own funds as of December 31, 2013, the Tier I ratio was 11.0 % and the overall capital ratio was 16.3 %.

B. BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

I. Assets

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Affiliated companies		
The following items include loans and advances to affiliated companies:		
Loans and advances to other banks	15,888	13,041
Loans and advances to customers	1,620	1,011
Bonds and other fixed-income securities	4,120	4,339
Other assets	246	279
Other long-term investees and investors		
The following items include loans and advances to other long-term investees and investors:		
Loans and advances to other banks	3	7
Loans and advances to customers	41	45
Bonds and other fixed-income securities	0	0
Subordinated loans and advances		
Subordinated loans and advances are reported in the following items:		
Bonds and other fixed-income securities	0	61

The increase in loans and advances to other banks and affiliated companies was mainly due to term deposits and securities repurchase agreements with BHW Bausparkasse AG.

The reduction in bonds and other fixed-income securities relating to affiliated companies is due to the agreed repayment of several bonds with a nominal volume of €1,150 million. Bonds with a nominal volume of €950 million were acquired from Deutsche Bank AG in the year under review.

The decline in subordinated bonds and other fixed-income securities is due to early maturities and disposals.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Loans and advances to other banks		
Used as cover, with an agreed maturity or withdrawal notice	20	20
of which: four years or more	20	20

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Loans and advances to customers		
Used as cover, with an agreed maturity or withdrawal notice	16,209	18,981
of which: less than four years	203	246
of which: four years or more	16,006	18,735
Secured by mortgage charges	23,503	25,528
of which: used as cover	12,855	15,252
Public-sector loans	3,408	3,729
of which: used as cover	3,408	3,729

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities		
This item includes negotiable securities totaling:	25,686	26,424
Money market securities of public-sector issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Other issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Bonds of public-sector issuers		
listed bonds	14,016	13,265
unlisted bonds	0	34
Other issuers		
listed bonds	11,030	12,253
unlisted bonds	640	872
Own bonds		
listed own bonds	0	0
unlisted own bonds	0	0
Securities not measured at the lower of cost or market	2,712	3,737

Fixed assets include 20 securities with a carrying amount of €2,712 million (previous year: €3,661 million), for which writedowns amounting to €223 million (previous year: €385 million) would have been recognized if they had been measured at their quoted market prices at the balance sheet date. These securities include ten bank bonds (carrying amount €581 million, fair value €574 million), and ten government bonds (carrying amount €2,132 million, fair value €1,915 million) issued in the European Union.

The changes in the value of the fixed-income securities are due to interest rate and credit spreads and are not expected to be permanent.

Postbank's trading activities include trading in derivative financial instruments and money market receivables and liabilities. The trading portfolio is measured at fair value. A discount amounting to the ten-day VaR is charged on these portfolios and is reported separately together with credit/debit value adjustments to derivatives.

Trading portfolio	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Positive fair values of derivative financial instruments (trading portfolio)	5,390	7,781
Money market receivables	298	6.704
Bonds and other fixed-income securities	1	62
Equities and other non-fixed-income securities	0	0
Risk discount	−4	−5

Reverse repos amounting to €295 million (previous year: €6,691 million) are reported under money market receivables. The resulting interest (€10 million; previous year: 113 million) is recognized as interest income.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Equity investments		
This item includes negotiable investments totaling:	6	5
thereof: listed	6	5
thereof: unlisted	0	0
Investments in affiliated companies		
This item includes negotiable investments totaling:	2,976	3,655
thereof: listed	0	0
thereof: unlisted	2,976	3,655

Statement of changes in fixed assets

	Historical cost	Additions	Disposals	Changes in exchange rates/ deferred interest	Cumulative depreciation, amortization, and writedowns	Cumulative reversals of writedowns	Residual value	Depreciation, amortization, and writedowns in fiscal year	Reversals of writedowns in fiscal year
	Jan. 1, 2013 €m	€m	€m	€m	€m	€m	Dec. 31, 2013 €m	2013 €m	2013 €m
Bonds and other fixed-income securities	7,832	0	–579	–13	–6	0	7,234	0	0
Equity investments	26	26	–1	0	–28	2	25	–17	1
Investments in affiliated companies	10,153	1,139	–3,853	0	–1,533	390	6,296	–329	67
Property and equipment	859	3	–5	0	–446	0	411	–21	0
Intangible assets	97	0	0	0	–49	0	48	–17	0
Total	18,967	1,168	–4,438	–13	–2,062	392	14,014	–384	68

Disposals of bonds and other fixed-income securities mainly relate to a bullet bond with a carrying amount of €415 million. In addition, credit/debit value adjustments in the amount of €–94 million were recognized for current and terminated hedges and premiums of €–60 million were reversed to income and derecognized as a result of the application of the gross hedge presentation method.

Equity investments in closed-end funds in the amount of €17 million were acquired in the fiscal year and written off in full in the same amount.

Postbank also acquired an equity interest in Nummus Beteiligungs GmbH & Co. KG as a limited partner. It holds a share of 27.81 % (€9 million) of the limited partner capital.

Reversals of writedowns relate solely to the investment in HYPOPORT AG.

Additions to and disposals of investments in affiliated companies mainly relate to the following matters:

On January 4, 2013, Postbank acquired all PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen shares in Teilgesellschaftsvermögen PB 24 from PB Capital Corporation (€1,028 million). These shares were returned on March 27, 2013, against repayment of its share of the capital (€1,028 million). The PB 24 subpools of assets were liquidated. This led to a book gain of €2 million.

Additions to investments in affiliated companies also include the increase in the share premium of DSL Holding AG i.A. (€103 million) and at Postbank Finanzberatung AG (€7 million). The liquidation of DSL Holding AG i.A. was completed on December 13, 2013, on distribution of the final installment of the liquidation proceeds (€58 million).

As a shareholder, Postbank returned all shares in Teilgesellschaftsvermögen PB 03 to PB 07, PB 10, PB 12, PB 15 to 18, PB 20, and PB 22 against repayment of its share of the capital (€2,258 million). These subpools of assets were also liquidated. A book gain of €96 million was recognized in connection with the return of the shares.

The PB (USA) Holdings, Inc. Group, Postbank Funding LLC I to IV, and Postbank Funding Trust I to IV were sold to Deutsche Bank AG effective January 1, 2013 (€506 million). The sale resulted in gains of €141 million.

Other disposals of investments in affiliated companies relate to the quarterly repayment of the limited partner shares of DSL Portfolio GmbH & Co. KG (€2 million) and the merger of BHW Direktservice GmbH with PB Sechste Beteiligungen GmbH (€1 million).

Writedowns of investments in affiliated companies relate to BHW Holding AG (€202 million), DSL Holding AG i. A. (€81 million), Postbank Filialvertrieb AG (€45 million), and easyhyp GmbH (€1 million).

The €67 million reversal of writedowns relates solely to Betriebs-Center für Banken AG.

Property and equipment largely comprises land and buildings used in Postbank's own operations (€399 million) and operating and office equipment (€11 million). Property and equipment with a carrying amount of €2 million was sold in the fiscal year. In addition, impairment losses of €2 million were recognized on real estate.

Amortization and writedowns of intangible assets include an impairment loss of €8 million on goodwill attributable to the London branch. Intangible assets held in the portfolio mainly comprise the rights to use the Corebanking Platform acquired by Postbank Systems AG.

Investment funds

	Carrying amount	Fair value	Difference between fair value/ carrying amount	Distri-bution	Daily redemp-tion possible	Write-downs not recognized
	€m Dec. 31, 2013	€m Dec. 31, 2013	€m Dec. 31, 2013	€m 2013		€m Dec. 31, 2013
PB Spezialinvest						
TGV PB 02	467	467	0	12	Yes	0
TGV PB 03	0	0	0	0	Yes	0
TGV PB 04	0	0	0	0	Yes	0
TGV PB 05	0	0	0	0	Yes	0
TGV PB 06	0	0	0	0	Yes	0
TGV PB 07	0	0	0	0	Yes	0
TGV PB 08	475	502	27	15	Yes	0
TGV PB 09	529	531	2	14	Yes	0
TGV PB 10	0	0	0	0	Yes	0
TGV PB 11	609	610	1	15	Yes	0
TGV PB 12	0	0	0	0	Yes	0
TGV PB 13	333	336	3	9	Yes	0
TGV PB 14	333	333	0	8	Yes	0
TGV PB 15	0	0	0	0	Yes	0
TGV PB 16	0	0	0	0	Yes	0
TGV PB 17	0	0	0	0	Yes	0
TGV PB 18	0	0	0	0	Yes	0
TGV PB 20	0	0	0	0	Yes	0
TGV PB 21	193	207	14	7	Yes	0
TGV PB 22	0	0	0	0	Yes	0
Other funds						
Bond funds	0	0	0	0	Yes	0

The investment objective of the subpools of assets is to purchase corporate bonds (investment grade/high yield). The portfolios also include securities that are held to maturity.

The subpools of assets distributed a total of €80 million in fiscal year 2013. All funds permit daily redemption. No writedowns were recognized. The shares in PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen are reported as investments in affiliated companies. The subpools of assets are measured as current assets to ensure continuity and consistency of measurement.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Other assets		
This item primarily includes the following:		
Derivative hedging instruments	666	1,083
Receivables arising from non-bank business	248	282
Claims to tax reimbursement	77	74
Claims to reimbursement against PB Lebensversicherung AG (Talanx)	73	73
Adjustment item from currency translation	11	0

In connection with hedge accounting using the gross hedge presentation method, the effective positive changes in the value of the hedging instrument are reported under other assets.

Other assets include receivables from profit transfers totaling €202 million. These relate primarily to Postbank Filialvertrieb AG (€109 million), PB Factoring GmbH (€43 million), Postbank Beteiligungen GmbH (€37 million), and Postbank Systems AG (€9 million).

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Prepaid expenses		
This item includes:		
Prepaid issue costs/discounts	46	56
Prepaid premiums on loans and advances	32	30
Investment allowances	12	17

Excess of plan assets over post-employment benefit liability
The excess of plan assets over post-employment benefit liability of €130 million is due to the offsetting of pension liability insurance claims for employee entitlements and benefits in connection with pension insurance, which is managed by Deutsche Treuinvest e.V., Frankfurt am Main, in the form of fund units. The present value of the pension obligation was €744 million. The fair value of plan assets was determined using the market prices of the underlying assets as of December 31, 2013, and amounted to €859 million. The cost of the offset assets was €865 million.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Remaining maturities		
Other loans and advances to other banks	31,257	27,910
less than 3 months	15,535	17,027
3 months to 1 year	8,684	6,879
1 to 5 years	6,511	2,115
more than 5 years	527	1,889
Loans and advances to customers	64,724	67,424
less than 3 months	5,925	5,792
3 months to 1 year	6,891	7,160
1 to 5 years	22,687	24,793
more than 5 years	26,741	27,400
without fixed maturity	2,480	2,279

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities		
Amounts due in the following year	2,300	3,251

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Foreign currency assets		
Total amount of assets denominated in foreign currency	2,487	8,428

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trust assets	630	757
This item includes:		
Loans and advances to customers	619	704
Loans and advances to other banks	11	53

The traditional focus of trust activities is on financing measures aimed at enhancing infrastructure in rural areas, and specifically on promoting full-time and part-time agricultural enterprises. In eastern Germany, Postbank provides finance within the framework of government subsidy programs for the re-establishment and restructuring of agricultural enterprises by granting loans and subsidies as well as subsidized interest rates and guarantees.

Deferred tax assets
Deferred taxes have not been recognized since fiscal year 2012 as Postbank is now a member of Deutsche Bank AG's consolidated tax group.

II. Equity and liabilities

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Affiliated companies		
The following items include amounts due to affiliated companies in unsecuritized form:		
Deposits from other banks	7,152	3,545
Due to customers	247	2,343
Other liabilities	278	207
The following items include amounts due to affiliated companies in securitized form:		
Subordinated debt	1,600	1,600
Profit participation certificates outstanding	0	15
The following items include liabilities to other long-term investees and investors:		
Due to customers	3	6

The increase in deposits from other banks was due to securities repurchase agreements with Deutsche Bank AG.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Other liabilities		
This item is primarily composed of:		
Derivative hedging instrument	532	929
Liabilities arising from non-bank business	228	259
Tax liabilities	46	78
Adjustment item from currency translation	0	155

In connection with hedge accounting using the gross hedge presentation method, the effective negative changes in the value of the hedging instrument are reported under other liabilities.

Liabilities arising from non-bank business mainly relate to a liability of €151 million to DB Finanz-Holding GmbH in connection with the control and profit and loss transfer agreement, as well as liabilities arising from the service framework agreement with PB Firmenkunden AG in the amount of €35 million from commissions.

This item also includes VAT liabilities to Deutsche Bank AG in the amount of €82 million.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Deferred income		
This item includes:		
Discount accruals arising on loans and advances	17	34
Discounts from hedged securities	10	0
Issue costs/premium accruals on bonds issued	3	10

Trading portfolio	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Negative fair values of derivative financial instruments (trading portfolio)	5,478	7,945
Money market liabilities	36	2,538

The trading portfolio on the liabilities side includes the negative fair values of derivative financial instruments and trading portfolio liabilities. All trading portfolios are measured at fair value.

Money market liabilities also include securities repurchase agreements.

No repos were recognized in the balance sheet as of the reporting date as a result of netting (previous year: €239 million).

Interest of €5 million (previous year: €40 million) arising from such transactions is recognized as interest expense.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Provisions		
Other provisions include:		
Employee-related provisions	298	266
Provisions for anticipated losses on derivatives	9	9

Subordinated debt

Subordinated debt mainly comprises four issues of subordinated bonds with a nominal volume of €1,600 million. This subordinated debt is not repayable before the end of a minimum term of five years.

Information on all borrowings that exceed 10 % of total subordinated debt:

ISIN	Currency	Amount	Interest rate	Due
DE0001397081	€	500,000,000	variable	Nov. 4, 2015
XF0002431707	€	500,027,000	variable	Dec. 23, 2034
XF0002432002	€	500,076,000	5.991 %	June 29, 2037

The terms and conditions of the subordinated debt do not comply in full with the requirements of section 10(5a) of the KWG due to the short maturities; an extraordinary right of termination has not been granted to the creditor.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Expenses (including proportionate interest and premiums) incurred by subordinated debt amounted to:	124	141

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Remaining maturities		
Deposits from other banks with an agreed maturity or withdrawal notice	8,112	11,400
less than 3 months	383	2,681
3 months to 1 year	429	979
1 to 5 years	3,549	3,169
more than 5 years	3,751	4,571

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Savings deposits with an agreed withdrawal notice of more than 3 months	134	144
less than 1 year	43	49
more than 1 year to 5 years	91	95
more than 5 years	0	0
Other amounts due to customers with an agreed maturity or withdrawal notice	16,648	21,347
less than 3 months	1,024	2,462
more than 3 months to 1 year	1,525	2,882
more than 1 year to 5 years	5,113	4,431
more than 5 years	8,986	11,572

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Debt securities in issue		
Bonds issued		
Amounts due in following year	2,633	1,981
Other debt securities in issue with an agreed maturity or withdrawal notice	0	42
less than 3 months	0	0
more than 3 months to 1 year	0	42

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Foreign currency liabilities		
Total amount of liabilities denominated in foreign currency	2,471	8,317

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trust liabilities	630	757
This item includes:		
Due to customers	630	757

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Profit participation certificates outstanding	1,152	1,167
This item includes:		
Bearer profit participation certificates outstanding	560	575
Registered profit participation certificates outstanding	592	592

Fund for general banking risks

Fund for general banking risks	€m
As of January 1, 2013	1,773
Additions in acc. with section 340g HGB	250
Additions in acc. with section 340e(4) HGB	0
As of December 31, 2013	2,023

Equity

Postbank's issued capital amounts to €547 million and is composed of 218,800,000 no-par value registered shares.

By way of a resolution adopted by the Annual General Meeting on May 28, 2013, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €218.8 million up to May 27, 2018, by issuing new no-par value registered shares against cash and/or non-cash contributions including mixed non-cash contributions (Authorized Capital I).

The shareholders are generally granted pre-emptive subscription rights. The Management Board was authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

The Authorized Capital resolved by the Annual General Meeting on April 22, 2009, was canceled when the above resolution took effect.

By way of a resolution adopted by the Annual General Meeting on May 28, 2013, the Management Board was authorized, with the consent of the Supervisory Board, to increase the share capital on one or more occasions in whole or in part by up to a total of €54.7 million up to May 27, 2018, by issuing new no-par value registered shares against cash contributions (Authorized Capital II).

The shareholders are generally granted pre-emptive rights. The Management Board was authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

The Annual General Meeting on April 29, 2010, approved the contingent increase in share capital of up to €273.5 million by issuing up to 109.4 million new no-par value registered shares (Contingent Capital). The contingent capital increase serves to issue no-par value registered shares to the holders and/or creditors of convertible bonds and/or bonds with warrants, income bonds, and/or profit participation certificates (or combinations of these instruments) that are issued or guaranteed by the Company, or by a dependent or majority-held entity of the Company, in the period up to April 28, 2015, on the basis of the authorization resolved by the Annual General Meeting on April 29, 2010, and that grant a conversion or option right to new no-par value registered shares in the Company, or that establish a conversion obligation.

In addition, the Management Board was authorized at the Annual General Meeting on April 29, 2010, to purchase own shares for the purposes of securities trading in accordance with section 71(1) no. 7 of the AktG up to a total of 5 % of the relevant share capital, or for other purposes in accordance with section 71(1) no. 8 of the AktG up to a total of 10 % of the share capital. In accordance with the legal provisions, the aggregate number of own shares held may not account for more than 10 % of the share capital. The authorizations took effect at the end of the Annual General Meeting and are valid until April 28, 2015.

The authorization to purchase own shares was not exercised in the reporting period. Postbank held no treasury shares as of the balance sheet date.

Changes in equity		€m
Balance at Jan. 1, 2013		2,740
Issued capital		547
Contributions by typical silent partners		20
Share premium		1,090
Other retained earnings		
Retained earnings, balance at Jan. 1, 2013	€1,083 million	
Addition to retained earnings	€0 million	1,083
Net profit for 2013		0
Balance at Dec. 31, 2013		2,740

Postbank reduced its net profit to zero in fiscal year 2013 after transferring a profit of €151 million to DB Finanz-Holding GmbH.

No unrealized reserves within the meaning of section 10(2b) sentence 1 no. 6 or 7 of the KWG are allocated to liable capital.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Contributions by typical silent partners	20	20

Based on the principal amount of their capital contributions, the typical silent partners receive a share of profits for every fiscal year in the amount of the percentage that Postbank uses to calculate the dividend payment on its share capital, including disclosed reserves. The percentage is limited in each case by minimum and maximum rates.

III. Contingent liabilities

Postbank reports a guarantee of €5 million (previous year: €582 million) issued to PB Capital Corporation (PB Capital) under contingent liabilities. This relates to the lease of office space. The guarantee issued to PB Finance, Delaware, U.S.A., for the commercial paper program amounts to

€0 million (previous year: €1,230 million). Deutsche Bank AG has undertaken to indemnify Postbank internally from all prior and future obligations resulting from the guarantee as part of its acquisition of all equity interests in PB (USA) Holdings, Inc., Delaware, U.S.A., effective the beginning of fiscal year 2013. The decrease was attributable to the decline in business and the fact that the buyer has not conducted any new business.

Furthermore, Postbank reports a guarantee of €473 million (previous year: €345 million) issued to Deutsche Postbank International S.A., Luxembourg. This mainly serves to cover exposures in the form of risk subparticipation agreements that, among other things, exceed the large exposure limit of Deutsche Postbank International S.A., Luxembourg.

Postbank has also issued a guarantee in the amount of €12 million (previous year: €0 million) to BHW Bausparkasse AG, Luxembourg, which will be used to assume the first-loss piece of a retail credit portfolio held by BHW's Luxembourg branch.

Liabilities to third parties from indemnity agreements entered into in favor of affiliated companies were not recognized because the underlying liabilities are expected to be settled by the affiliated companies and therefore no utilization is anticipated.

In addition, the item includes a guarantee amounting to €278 million (previous year: €358 million) in favor of KfW as protection buyer under a senior guarantee as part of a securitization deal.

IV. Other commitments

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Other obligations		
This item includes:		
Irrevocable loan commitments	6,428	11,747
thereof: building loans provided	2,162	2,168

As of the balance sheet date of December 31, 2013, Postbank had credit lines amounting to €12,353 million (previous year: €12,325 million) that can be called immediately.

There were no placement or underwriting obligations as of the balance sheet date.

The method to be disclosed in accordance with section 34(2) no. 4 of the RechKredV for assessing and quantifying the reported liability or credit risk contractually entered into but not likely to be realized as well as the obligations from transactions for which Postbank has entered into an (irrevocable) agreement and will therefore be exposed to credit or liquidity risk in the future is described in the "Monitoring and managing credit risk" section of the Risk Report in Postbank's Management Report.

V. Income statement

Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks comprise net measurement losses in the lending business of €179 million (previous year: €303 million) and risk provisions for securities of €22 million (previous year: €324 million). The sale of securities generated price gains of €37 million and price losses of €12 million. Reversals of writedowns of securities amounted to €32 million and writedowns amounted to €35 million.

Other operating expenses mainly comprise effects from the interest cost added back to pension provisions (unwinding) of €36 million (previous year: €35 million), court and litigation costs of €49 million (previous year: €42 million), payments made to the Bundesanstalt für Post und Telekommunikation of €8 million (previous year: €9 million), and payment obligations to former shareholders of DSL Holding AG i.A. of €8 million.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets primarily consist of writedowns on the carrying amounts of BHW Holding AG (€202 million), DSL Holding AG i.A. (€81 million), and Postbank Filialvertrieb AG (€45 million). Writedowns of €17 million were also recognized on closed-end funds in the reporting period.

Income from reversals of writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets mainly comprise book gains of €141 million from the disposal of the PB (USA) Holdings, Inc. Group and book gains of €98 million from the disposal of the subpools of assets attributable to the PB Spezial-Investmentaktiengesellschaft companies. In addition, reversals of writedowns were recognized on the carrying amount of Betriebs-Center für Banken AG (€67 million).

Other operating income primarily includes reimbursements of personnel expenses amounting to €266 million (previous year: €239 million), rental income of €63 million (previous year: €58 million), and income of €37 million from the reversal of provisions (previous year: €27 million).

Due to the initial application of the BilMoG, Postbank recognized the difference of €–15 million (previous year: €–28 million) arising from the determination of the pension provisions in its extraordinary result in accordance with Art. 67(7) of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Law of the German Commercial Code).

The "Taxes on income" item comprises income tax income of €67 million (previous year: income tax expense of €446 million). Of this amount, €4 million was attributable to current income taxes and €71 million to prior-period taxes.

Income by geographical area

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Germany	2,849	3,316
Others	30	76
thereof: Europe	30	76
Total	2,879	3,392

The total includes the following line items reported on the face of the income statement: net interest income (including current income from equities and other non-fixed-income securities, equity investments and investments in affiliated companies, and income from profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements), net fee and commission income, and net expense or net income from the trading portfolio.

C. OTHER DISCLOSURES

I. Other financial obligations

In accordance with section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act), Deutsche Postbank AG pays an annual contribution for civil servant pensions to the relevant pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), in the amount of 33 % of the gross compensation of its active civil servants and of the notional gross compensation of its civil servants on leave of absence who are eligible for pensions. Postbank has no further obligations for benefits paid by the pension fund.

To a manageable extent, Postbank uses leases as an alternative means of financing. The main advantages for the Bank are that leases preserve liquidity. These advantages are partially offset by the risk that the lease assets may not be required over the entire term of the lease concerned.

The present value of lease obligations amounts to €85 million.

Letters of comfort
The letters of comfort issued in favor of subsidiaries and creditors of subsidiaries of Postbank primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. Postbank profits from these benefits since they have a positive impact on the enterprise value of the subsidiary concerned. These benefits are matched by the possibility of the creditors having recourse against Postbank.

Postbank ensures that, with the exception of political risk, its Deutsche Postbank International S.A. (Luxembourg), PB Factoring GmbH (Bonn), and BHW Bausparkasse AG (Hameln) subsidiaries will be able to meet their obligations. Due to the disposal of all shares in PB (USA) Holdings, Inc., Delaware, U.S.A., effective January 1, 2013, the letter of comfort in favor of PB Capital Corporation has been terminated effective May 1, 2013, for all newly established obligations. In connection with the acquisition of all shares in PB (USA) Holdings, Inc., Delaware, U.S.A., as of the beginning of January 1, 2013, Deutsche Bank AG has undertaken to indemnify Postbank internally against any previous and future obligations under the letter of comfort relating to PB Capital Corporation.

Postbank has issued subordinated letters of comfort in connection with the issuance of subordinated bonds by Deutsche Postbank Funding LLC I, Deutsche Postbank Funding LLC II, Deutsche Postbank Funding LLC III, and Deutsche Postbank Funding LLC IV, all of which are domiciled in Wilmington, Delaware, U.S.A.

Additional funding obligation
The existing additional funding obligations derive from statutory provisions, articles of association, and other arrangements.

The investment in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, results in a pro rata additional funding obligation of up to €5.4 million in accordance with the provisions of the company's Articles of Association. Postbank is also liable pro rata for the fulfillment of the additional funding obligations of other shareholders belonging to the Bundesverband deutscher Banken e.V. (Berlin) (Association of German Banks).

In all the above cases, there is a risk that the Bank has to meet the obligations concerned but this is offset by the opportunity to participate in the stabilization and development of confidence in the retail banking sector in Germany.

There are also additional funding obligations in respect of the deposit protection fund of the Bundesverband deutscher Banken e.V. in the amount laid down in its statutes, as well as in respect of the Entschädigungseinrichtung deutscher Banken – the mandatory compensation scheme for all deposit-taking institutions in Germany – on the basis of the provisions of the *Einlagensicherungs – und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act).

In addition, a retroactive contribution of €7.6 million is required for the 2013 contribution year under the bank levy in accordance with section 3(3) of the *Verordnung über die Erhebung der Beiträge zum Restrukturierungsfonds für Kreditinstitute* (RStruktFV – German Regulation on Credit Institutions' Contributions to the Restructuring Fund).

Administration and brokerage services
The Bank provides brokerage services in connection with insurance, home savings contracts, and investment fund units under cooperation agreements with HUK Coburg, the Talanx Group, and the DWS Group as well as with BHW Bausparkasse AG.

II. Employees (average headcount)

	Total 2013	Total 2012
Employees		
Full-time	2,317	2,891
Part-time	376	473
Civil servants full-time	893	1,524
Civil servants part-time	167	379
	3,753	5,267
Trainees		
Vocational trainees	186	257
Management trainees	0	0
AIS students	30	29
	216	286
Total employees	3,969	5,553

III. Equity investments and investments in affiliated companies

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
Companies in which an equity interest of at least 20 % is held			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	263,905	19,650
BHW Bausparkasse Aktiengesellschaft, Hameln	100.0	884,675	0[2]
BHW Eurofinance B.V. in liquidatie, Arnheim, Netherlands	100.0	631	– 43
BHW Financial Srl in liquidazione, Verona, Italy	100.0	754	– 128
BHW Gesellschaft für Vorsorge mbH, Hameln	100.0	242,370	0[2]
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hameln	100.0	79,190	– 3,262
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln	100.0	918,946	0[2]
BHW Holding AG, Hameln	100.0	742,156	0[2]
BHW-Immobilien GmbH, Hameln	100.0	4,088	1,180[2]
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,809	197
BHW Kreditservice GmbH, Hameln	100.0	3,688	3,064
CREDA Objektanlage- und verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[2]
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	1,201	643
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	926,965	85,104
DSL Portfolio GmbH & Co. KG, Bonn	100.0	8,837	139
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	30	4
easyhyp GmbH, Hameln	100.0	113	7
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & Co. KG, Hamburg	65.2	– 10,390	– 6,745
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg“ KG, Bad Homburg v.d.Höhe	40.7	0	– 173
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße“ KG, Bad Homburg v.d.Höhe	30.6	0	– 87
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum“ KG, Bad Homburg v.d.Höhe	74.0	0	– 185

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
Companies in which an equity interest of at least 20 % is held			
giropay GmbH, Frankfurt am Main	33.3	0	35
Nummus Beteiligungs GmbH & Co. KG, Frankfurt am Main	27.8	33,030	–31
Nummus Financial GmbH, Eppstein	27.8	34,475	3
PB Factoring GmbH, Bonn	100.0	11,546	0[2]
PB Firmenkunden AG, Bonn	100.0	1,100	0[2]
PB Sechste Beteiligungen GmbH, Bonn	100.0	53	0
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	6,376,846	278,878
Postbank Akademie und Service GmbH, Hameln	100.0	1,140	2
Postbank Beteiligungen GmbH, Bonn	100.0	310,325	0[2]
Postbank Direkt GmbH, Bonn	100.0	15,858	0[2]
Postbank Filial GmbH, Bonn	100.0	25	0[2]
Postbank Filialvertrieb AG, Bonn	100.0	55	0[2]
Postbank Finanzberatung AG, Hameln	100.0	17,104	–8,197
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	10,228	1,559
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[2]
Postbank Leasing GmbH, Bonn	100.0	500	0[2]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	10,964	–442
Postbank Service GmbH, Essen	100.0	124	–1
Postbank Systems AG, Bonn	100.0	51,591	0[2]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[2]
SAB Real Estate Verwaltungs GmbH, Hameln	100.0	35	4
SRC Security Research & Consulting GmbH, Bonn	16.9	4,107	1,429
Starpool Finanz GmbH, Berlin	50.0	259	20
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	18,165	2,988[3]
Equity interests in large corporations in which Deutsche Postbank AG holds more than 5 % of the voting rights			
BSQ Bauspar AG, Nuremberg	14.1	31,803	0
HYPOPORT AG, Berlin	9.7	34,636	–2,924
Landgesellschaft Mecklenburg-Vorpommern mit beschränkter Haftung, Leezen	11.0	39,234	1,783

[1] The data on equity and profit and loss for the year are based on the most recently adopted annual financial statements of the companies concerned.

[2] Profit and loss transfer agreement

[3] 25 % of the share capital is held in trust for Deutsche Postbank AG by the Bundes-verband Öffentlicher Banken Deutschlands e.V. (VÖB).

IV. Remuneration of the Management Board

Structure of the remuneration of the Management Board in fiscal year 2013

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by the Supervisory Board of Deutsche Postbank AG.

No adjustments were made to the Management Board remuneration system in the year under review.

The Supervisory Board has resolved to review and, where necessary, adapt the remuneration system in 2014, in particular with respect to the deferral system.

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of recommendations by the Executive Committee, taking into account the Company's performance, the sector, and the outlook for the future.

As well as appropriateness and sustainability, the core criterion for the structure and amount of Management Board remuneration is to ensure that incentives for taking disproportionately high risks are avoided. Therefore, an upper limit has been set for the ratio of fixed to variable remuneration. Furthermore, the level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial position, and the tasks of the Management Board members in question. Remuneration is calculated so that it is appropriate and competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. The level of remuneration is performance-linked and designed so as to motivate members of the Management Board to achieve the Bank's strategic aims and thus contribute to the Company's sustainable growth. The Supervisory Board also took into account the remuneration of the two management levels below the Management Board when assessing the amount of remuneration as part of its vertical comparison of remuneration.

Overall remuneration consists of fixed and performance-related components.

The base pay (fixed component) and fringe benefits are not performance-linked. The base pay is paid out in cash as a monthly salary in twelve equal installments. The fringe benefits relate primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, the fringe benefits are available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

The performance-related component is the variable remuneration. The variable remuneration awarded to the members of the Management Board is based on their achieving quantitative and qualitative Group, board department, and individual goals, based on earnings targets, for example. These goals are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on the predetermined targets set out in the agreement being met and is subject to a cap set out in the individual agreements.

The variable remuneration is split into a short-term component (40%) and a long-term component (60%). It is not fully paid out in cash, even if the agreed targets are met.

Half of the short-term component is immediately paid out in cash in the following year after it has been determined that the targets have been reached (short-term component I). The second half of the short-term component (short-term component II) is converted into phantom shares of Deutsche Bank AG. For this purpose, the euro amount of short-term component II is divided by the average of the Xetra closing prices for Deutsche Bank AG shares on the last ten trading days before the date on which the Supervisory Board determined that the targets were met or the date the lock-up period ended. After a one-year lock-up period, the phantom shares are converted based on the then current share price and paid out. During the lock-up period, the phantom shares attract a dividend equivalent to the actual dividend paid.

The long-term component depends on the Postbank Group's sustainable performance, which is determined based on the satisfaction of a sustainability criterion during the subsequent three-year assessment period (three calendar years following the base year). In the year immediately following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets and the sustainability criterion for the assessment period have been met for that fiscal year. This is known as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion are achieved if the value of the APACC equates to, or exceeds, or at the end of the sustainability phase cumulatively exceeds, the value of the APACC in the base year.

In line with the three-year sustainability phase, the long-term component is divided into three equal tranches. Again, half of each tranche is paid out in cash (long-term component I) and half is converted into phantom shares (long-term component II). The conversion and valuation of the phantom shares is carried out following the procedure outlined above.

If the Supervisory Board determines that the sustainability criterion has been met at the end of each of the years in the three-year assessment period, the proportionate cash component (long-term component I) is paid out immediately, and the remainder converted into phantom shares (long-term component II).

If the sustainability criterion is not met for a particular year in the assessment period, payment of the corresponding tranches of the long-term component is deferred to the following year for a renewed examination based on the sustainability criterion to be performed. If the sustainability criterion has not been met at the end of the assessment period, the payment of all deferred long-term components lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (negative bonus system). Under an additional negative bonus system, payment for outstanding tranches can be reduced retroactively or canceled completely based on the overall performance of the Management Board member concerned during the assessment period. The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or remove the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award an appropriate special bonus for exceptional performance. Its size is effectively limited by the upper limit set by the Supervisory Board for the proportion of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, Deutsche Postbank AG will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base payments plus a maximum of 40% of twice the maximum variable remuneration (severance payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration is paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

Fixed and potential remuneration of the Management Board for fiscal year 2013

The five members of the Management Board active in fiscal year 2013 could receive total remuneration of €6,318.5 thousand (previous year: €10,275.9 thousand) for the period under review (not including fluctuations in the share price in the case of phantom shares). The exact level of remuneration is dependent on whether the sustainability targets for the deferred components are met. €3,247.1 thousand of this total amount relates to fixed remuneration components (previous year: €5,626.6 thousand) and a total of €3,071.4 thousand to performance-related components (previous year: €4,649.3 thousand). €614.3 thousand of the performance-related remuneration relates to non-deferred performance-related components (previous year: €929.9 thousand) and €614.3 thousand to performance-related components blocked for one year (previous year: €929.9 thousand). The total amount of the deferred performance-related components with a long-term incentive effect for fiscal year 2013 is €1,842.8 thousand (previous year: €2,789.5 thousand). Payment of the components converted into phantom shares and subject to a lock-up period will be made in fiscal year 2015 for the short-term component and in fiscal years 2016 to 2018 for the long-term components if the sustainability criteria have been met; if not, the long-term components will lapse in part or in full.

The fixed component includes “other compensation” totaling €109.1 thousand (previous year €187.6 thousand). These fringe benefits relate primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, fringe benefits are available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

The remuneration disclosed covers all activities performed by members of the Management Board within the Postbank Group.

Deutsche Postbank AG does not currently have a separate share-based remuneration program. However, share-based remuneration components exist in the context of the sustainability concept, as outlined above (phantom shares).

Management Board remuneration in 2013

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term component I		Short-term component II	Possible long-term component		
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and blocked[2]	Deferred[3]		
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Frank Strauss (Chairman of the Management Board)	750.0	22.7	150.0	922.7	150.0	450.0	600.0	1,522.7
Marc Hess[9]	528.0	27.0	106.0	661.0	106.0	318.0	424.0	1,085.0
Hans-Peter Schmid	600.0	22.2	110.3	732.5	110.3	330.8	441.1	1,173.6
Ralf Stemmer	660.0	15.6	127.0	802.6	127.0	381.0	508.0	1,310.6
Hanns-Peter Storr	600.0	21.6	121.0	742.6	121.0	363.0	484.0	1,226.6
Total	3,138,0	109.1	614.3	3,861.4	614.3	1,842.8	2,457.1	6,318.5

[1] Payments relating to the targets for the base years 2010–2012 will not be reduced retrospectively due to individual negative bonus rules.

[2] Short-term component II will be converted into phantom shares of Deutsche Bank AG. To do this, the euro amount will be divided by the average of the Xetra closing prices of Deutsche Bank AG shares from March 10 to 21, 2014. After the one-year lock-up period expires on March 24, 2015, the phantom shares will be converted into the euro amount based on the then current average of the share prices from March 11 to 24, 2015, and this amount paid out immediately. In fiscal year 2013, a dividend equivalent was calculated for the phantom shares blocked on the date of the Annual General Meeting of Deutsche Bank AG, May 23, 2013, on the basis of the €0.75 dividend paid for Deutsche Bank shares. The number of phantom shares for the short-term component II for 2012, for the first tranche of the long-term component II for 2011, and for the second tranche of the long-term component II for 2010 was increased accordingly. These components will be converted back into the euro amount and paid out after the expiry of the lock-up period in fiscal year 2014.

[3] The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the average of the Xetra closing prices of Deutsche Bank AG shares for the ten trading days before the date on which the Supervisory Board determines that the sustainability criterion was met, and blocked for one year, before being converted into the euro amount based on the then current average share price and paid out. Tranches 2015, 2016, and 2017 will only be paid out/converted into phantom shares and blocked if the respective sustainability criteria are met. Otherwise, the relevant tranche is deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the long-term component lapses without compensation; in other cases the portions that were deferred are also paid out.

[4] The long-term component II of the first tranche for fiscal year 2010 was converted into phantom shares of Deutsche Bank AG and blocked for one year. After the expiry of the one-year lock-up period on March 19, 2013, the number of phantom shares was multiplied by €33.85 – the average share price from March 6 to 19, 2013 – and paid out in the amount shown.

[5] Since the sustainability criterion has been met, half of the third tranche of the long-term component for 2010 will be paid out in cash in 2014 in the amount shown. The second half will be converted into phantom shares of Deutsche Bank AG. The euro amount will be divided by the average of the Xetra closing prices of Deutsche Bank AG shares from March 10 to 21, 2014. After the one-year lock-up period expires on March 24, 2015, the phantom shares will be converted into the euro amount based on the then current average of the share prices from March 11 to 24, 2015, and this amount paid out immediately.

[6] The short-term component II for fiscal year 2011 was converted into phantom shares of Deutsche Bank AG and blocked for one year. After the expiry of the one-year lock-up period on March 19, 2013, the number of phantom shares was multiplied by €33.85 – the average share price from March 6 to 19, 2013 – and paid out in the amount shown.

[7] Since the sustainability criterion has been met, half of the second tranche of the long-term component for 2011 will be paid out in cash in 2014 in the amount shown. The second half will be dealt with as described in footnote 5.

[8] Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2012 will be paid out in cash in 2014 in the amount shown. The second half will be dealt with as described in footnote 5.

[9] Due to his position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, the fixed and variable remuneration for Marc Hess was reduced by 20 % with effect from July 1, 2012.

[10] Short- and long-term components II for Stefan Jütte continue to be converted into phantom shares of Deutsche Postbank AG.

	Payments for previous years[1]				
	Long-term component II 2010, Tranche 1	Long-term component I 2010, Tranche 3	Short-term component II 2011	Long-term component I 2011, Tranche 2	Long-term component I 2012, Tranche 1
	Phantom shares paid out in 2013[4] € thousand	Cash payment in 2014[5] € thousand	Phantom shares paid out in 2013[6] € thousand	Cash payment in 2014[7] € thousand	Cash payment in 2014[8] € thousand
Frank Strauss (Chairman of the Management Board)	0.0	0.0	59.4	26.5	61.7
Marc Hess[9]	83.0	70.0	121.0	54.0	52.0
Hans-Peter Schmid	83.0	70.0	106.4	47.5	49.9
Ralf Stemmer	83.0	70.0	112.0	50.0	54.9
Hanns-Peter Storr	0.0	0.0	93.4	41.7	52.5
Total	249.0	210.0	492.2	219.7	271.0

Remuneration of former members of the Management Board in 2013

	Payments for previous years[1]				
	Long-term component II 2010, Tranche 1	Long-term component I 2010, Tranche 3	Short-term component II 2011	Long-term component I 2011, Tranche 2	Long-term component I 2012, Tranche 1
	Phantom shares paid out in 2013[4] € thousand	Cash payment in 2014[5] € thousand	Phantom shares paid out in 2013[6] € thousand	Cash payment in 2014[7] € thousand	Cash payment in 2014[8] € thousand
Stefan Jütte (Chairman of the Management Board until June 30, 2012)[10]	102.8	89.9	143.0	62.5	32.9
Mario Daberkow	83.0	70.0	99.7	44.5	52.0
Horst Küpker	94.9	80.0	112.0	50.0	57.2
Michael Meyer	83.0	70.0	99.7	44.5	52.0
Total	363.7	309.9	454.4	201.5	194.1
Total active and former Management Board members	612.7	519.9	946.6	421.2	465.1

Management Board remuneration in 2012

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term component I		Short-term component II	Possible long-terms components		
	Fixum component € thousand	Fringe benefits € thousand	Immediate cash payment € thousand	€ thousand	Converted into phantom shares and blocked[1] € thousand	Deferred[2] € thousand	€ thousand	€ thousand
Frank Strauss (Chairman of the Management Board since July 1, 2012)	675.0	18.2	123.4	816.6	123.4	370.1	493.5	1,310.1
Stefan Jütte (Chairman of the Management Board until June 30, 2012)	450.0	12.7	65.7	528.4	65.7	197.2	262.9	791.3
Mario Daberkow	600.0	22.8	104.0	726.8	104.0	311.9	415.9	1,142.7
Marc Hess[6]	594.0	24.2	104.0	722.2	104.0	311.9	415.9	1,138.1
Horst Küpker	660.0	23.8	114.3	798.1	114.3	343.0	457.3	1,255.4
Michael Meyer	600.0	32.2	104.0	736.2	104.0	311.9	415.9	1,152.1
Hans-Peter Schmid	600.0	21.6	99.8	721.4	99.8	299.3	399.1	1,120.5
Ralf Stemmer	660.0	14.6	109.7	784.3	109.7	329.2	438.9	1,223.2
Hanns-Peter Storr	600.0	17.5	105.0	722.5	105.0	315.0	420.0	1,142.5
Total	5,439.0	187.6	929.9	6,556.5	929.9	2,789.5	3,719.4	10,275.9

	Payments for previous years		
	Short-term component II 2010	Long-term component I 2010, Tranche 2	Long-term component I 2011, Tranche 1
	Phantom shares paid out in 2012[3] € thousand	Cash payment in 2013[4] € thousand	Cash payment in 2013[5] € thousand
Frank Strauss (Chairman of the Management Board since July 1, 2012)	0.0	0.0	26.5
Stefan Jütte (Chairman of the Management Board until June 30, 2012)	250.6	89.9	62.5
Mario Daberkow	195.1	70.0	44.5
Marc Hess[6]	195.1	70.0	54.0
Horst Küpker	222.9	80.0	50.0
Michael Meyer	195.1	70.0	44.5
Hans-Peter Schmid	195.1	70.0	47.5
Ralf Stemmer	195.1	70.0	50.0
Hanns-Peter Storr	0.0	0.0	41.7
Total	1,449.0	519.9	421.2

[1]Short-term component II was converted into phantom shares of Deutsche Bank AG. To do this, the euro amount was divided by €33.57, the average of the Xetra closing prices of Deutsche Bank AG shares from March 8 to 21, 2013. After the one-year lock-up period expires on March 22, 2014, the phantom shares will be converted into the euro amount based on the then current average of the share prices from March 10 to 21, 2014, and this amount paid out immediately. No dividends were paid up to the end of the 2012 fiscal year.

[2]The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the average of the Xetra closing prices of Deutsche Bank AG shares for the ten trading days before the date on which the Supervisory Board determines that the sustainability criterion was met, and blocked for one year, before being converted into the euro amount based on the then current average share price and paid out. Tranches 2014, 2015, and 2016 will only be paid out/converted into phantom shares and blocked if the respective sustainability criteria are met. Otherwise, the relevant tranche is deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the long-term component lapses without compensation; in other cases the portions that were deferred are also paid out.

[3]The short-term component II for fiscal year 2010 was converted into phantom shares of Deutsche Postbank AG at a share price of €21 and blocked for one year. The number of phantom shares was multiplied by €29.26 – the Xetra closing price of Deutsche Postbank AG shares on March 15, 2012 – and paid out in the amount shown.

[4]Since the sustainability criterion has been met, half of the second tranche of the long-term component for 2010 was paid out in cash in 2013 at the amount shown. The second half was converted into phantom shares of Deutsche Bank AG. The euro amount was divided by €33.57, the average of the Xetra closing prices of Deutsche Bank AG shares from March 8 to 21, 2013. After the one-year lock-up period comes to an end on March 22, 2014, the phantom shares will be converted into the euro amount based on the then current average of the share prices from March 10 to 21, 2014, and this amount paid out immediately.

[5]Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2011 was paid out in cash in 2013 in the amount shown. The second half was dealt with as described in footnote 4.

[6]Due to his position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, the fixed and variable remuneration for Marc Hess was reduced by 20 % with effect from July 1, 2012.

Pension commitments
The members of the Management Board have individually agreed direct pension commitments. Because each Board member has a different career history, the precise arrangements differ.

Pensions are paid if the member of the Management Board leaves the Company's service as a result of disability, death, or old age. As a rule, old-age pensions are paid from the age of 62.

Under the standard pension commitments valid until February 28, 2007, pension rights generally accrue after at least five years of service. Exceptions to this minimum waiting period requirement exist in some cases for disability.

The size of the pension depends on the length of service and the amount of pensionable remuneration. Only the fixed component of remuneration (base pay) is pensionable. A cap on the pensionable base pay has been specified in the cases of Management Board members Hans-Peter Schmid and Ralf Stemmer. The basic rule is that pension benefits of 50 % of the final salary accrue to members of the Management Board after five years of service. Benefits regularly accrue at a rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 % of the final salary) is generally reached after ten years of service.

In addition, the pension commitments include rules governing the payment of a transitional allowance for Management Board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

Should the Management Board contracts of Hans-Peter Schmid and Ralf Stemmer be terminated by Deutsche Postbank AG prior to the expiration of their regular contract terms, their pensions are calculated as if their contracts had been fulfilled until their regular expiration. This does not apply if Deutsche Postbank AG terminates the employment relationship for good cause.

Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

In May 2007, the Executive Committee of Deutsche Postbank AG's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed for the first time after March 31, 2007, and to replace the previous final salary-based pension system by a defined contribution plan. The pension commitments of the members of the Management Board newly appointed after that date – Marc Hess, Hanns-Peter Storr, and Frank Strauss – are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable basic pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and the entitlements from pension commitments vest immediately. The pensions have a 1 % p. a. adjustment rate.

Members of the Management Board Marc Hess, Hanns-Peter Storr, and Frank Strauss have the right to choose between regular pension payments and a lump-sum capital payment.

Pension commitments for individual members of the Management Board

Pension commitments	Percetage of final salary as of Dec. 31, 2013	Maximum percentage of final salary	Service cost for pension obligation
	%	%	€
Hans-Peter Schmid	56	60.00	349,623
Ralf Stemmer	58	60.00	126,740

	Contribution amount for 2013	Pension account balance as of Dec. 31, 2013	Service cost for pension obligation
	€	€	€
Frank Strauss	187,500	454,088	290,771
Marc Hess[1]	165,000	1,775,595	347,404
Hanns-Peter Storr	150,000	475,013	239,935

[1] Deutsche Bank AG covers 20 % of the financial cost for Management Board member Marc Hess.

The remuneration paid to former members of the Management Board and their surviving dependents amounted to €5.07 million (previous year: €3.09 million).

The defined benefit obligation (DBO) for current pensions and entitlements attributable to former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €73.01 million (previous year: €75.67 million).

V. Remuneration of the Supervisory Board

Postbank's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of a fixed and an annual performance-related component, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Postbank. The positions of Chairman and Deputy Chairman as well as the membership of committees are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board who is not a member of a committee is as follows: The fixed annual component amounts to €15,000, while the performance-related annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1% by which the consolidated net profit per share for the second fiscal year following the fiscal year under review exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review.

The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one and a half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses and any value added tax expenses incurred in the exercise of their office. In addition, each member of the Supervisory Board attending a meeting of the full Supervisory Board or of one of the committees receives an attendance allowance of €250 per meeting.

The amount of the Supervisory Board's remuneration is capped in a number of ways: Neither of the two variable components may exceed the amount of the fixed annual remuneration. Furthermore, the short-term variable component may not exceed in total 0.5 % of the Company's net retained profit less 4 % of contributions made on the lowest issue price of the shares. In addition, remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member concerned.

Supervisory Board members receive their remuneration after the Annual General Meeting. Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding pro rata amount.

In line with Deutsche Bank AG's internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. The remuneration of employee representatives for their work on the supervisory boards of Deutsche Bank Group companies remains unaffected by this.

The total remuneration paid to members of the Supervisory Board for fiscal year 2013 amounted to €728.4 thousand including attendance allowances (previous year: €784.8 thousand). The members of the Supervisory Board will not receive any annual performance-related short-term remuneration for fiscal year 2013. As a result of Postbank's sustainable performance improvement, the Supervisory Board members will receive performance-related remuneration with a long-term effect.

The total remuneration paid to the individual members of the Supervisory Board in fiscal year 2013 was as follows:

Members of the Supervisory Board	Fiscal year 2013			Fiscal year 2012		
	Fixed remuneration	Variable remuneration[1]	Total	Fixed remuneration	Variable remuneration[1]	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Rainer Neske[2]	–	–	–	–	–	–
Frank Bsirske	45.0	48.0	93.0	45.0	20.8	65.8
Wilfried Anhäuser	–	10.7	10.7	9.7	19.7	29.4
Frank Appel	–	–	–	–	17.5	17.5
Marietta Auer	–	10.7	10.7	9.6	20.2	29.8
Rolf Bauermeister	15.0	16.5	31.5	15.0	17.0	32.0
Susanne Bleidt	22.5	1.8	24.3	12.9	1.5	14.4
Wilfried Boysen	15.0	16.3	31.3	15.0	16.8	31.8
Henry B. Cordes	–	–	–	–	4.2	4.2
Edgar Ernst	30.0	33.3	63.3	30.0	34.0	64.0
Annette Harms	–	7.1	7.1	6.4	12.9	19.3
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	22.5	18.0	40.5	19.3	10.6	29.9
Tessen von Heydebreck	30.0	30.6	60.6	30.0	26.8	56.8
Peter Hoch	30.0	33.0	63.0	30.0	33.8	63.8
Elmar Kallfelz	–	14.3	14.3	12.9	27.0	39.9
Ralf Krüger	–	10.7	10.7	9.7	20.2	29.9
Hans-Jürgen Kummetat	15.0	1.3	16.3	8.6	0.8	9.4
Hans-Dieter Petram	–	2.0	2.0	–	10.4	10.4
Christian Ricken[2]	–	–	–	–	–	–
Bernd Rose	30.0	4.3	34.3	17.2	2.8	20.0
Lawrence A. Rosen	15.0	16.5	31.5	15.0	16.0	31.0
Torsten Schulte	–	–	–	–	2.5	2.5
Christian Sewing[2]	–	–	–	–	–	–
Michael Sommer	–	–	–	–	6.2	6.2
Eric Stadler	22.5	25.5	48.0	22.5	26.5	49.0
Werner Steinmüller[2]	–	–	–	–	–	–
Gerd Tausendfreund	22.5	25.3	47.8	22.5	26.3	48.8
Renate Treis	30.0	32.0	62.0	30.0	34.3	64.3
Wolfgang Zimny	22.5	3.0	25.5	12.9	1.8	14.7
Total	367.5	360.9	728.4	374.2	410.6	784.8

[1] The reported variable remuneration comprises the short- and long-term remuneration and the attendance allowance to be paid to the Supervisory Board member for the relevant fiscal year.

[2] Remuneration not paid because of Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €9.2 thousand for his Supervisory Board work at BHW Holding AG and BHW Bausparkassse Aktiengesellschaft, whereas Timo Heider received €8.7 thousand.

The employee representatives received remuneration in the amount of €610.4 thousand in fiscal year 2013 as set out in their respective employment contracts.

No further remuneration or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to their Supervisory Board activities, especially consulting and arrangement services. This does not apply to the remuneration of employee representatives as set out in their respective employment contracts.

Shareholdings of the members of the Management Board and Supervisory Board
In fiscal year 2013, the aggregate shareholdings of all members of the Management Board and Supervisory Board amounted to less than 1% of the shares issued by the Company.

As of the balance sheet date, loans of €550.5 thousand (previous year: €685.0 thousand) had been granted to members of the Management Board and members of the Supervisory Board. No other contingent liabilities were entered into.

D&O insurance
The members of the Management Board and the members of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the Corporate Governance Code, the individual Management Board and Supervisory Board members are required to pay a deductible if a claim is brought.

VI. Forward contracts
Postbank primarily uses derivatives to hedge positions as part of its asset/liability management policy. Derivatives are also entered into for trading purposes.

The volume of unsettled derivatives subject to settlement risk, and currency, interest, and/or market risk from open and (in the case of counterparty credit risk) from closed positions, amounted to €193 billion as of December 31, 2013 (previous year: €213 billion).

The current derivatives contracts broken down by their risk structure are listed on the following page (Table 1). The notional amounts are reported, in line with normal international practice. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

Tables 2, 3, and 4 on the following pages break down this information further in line with various criteria. In addition to providing information on maturity classes by risk category, they offer a breakdown by counterparty. Transactions entered into for trading purposes have been presented separately.

The notional amounts represent the gross volume of all sales and purchases. The fair values of the individual contracts were calculated using recognized valuation techniques and do not reflect any netting agreements. The relevant quoted market price is used for exchange-traded derivatives.

The derivative transactions in Postbank's trading portfolio (Table 4) are measured and recognized at fair value including credit/debit value adjustments. Credit/debit value adjustments are also taken into account for banking book derivatives.

A rise in the market interest rate by one basis point would lead to a decrease in the fair value of interest-based derivative financial instruments of approximately €0.2 million (previous year: decrease of €1.4 million).

Table 1	Derivatives – broken down by volume					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Interest rate risk						
OTC products						
Interest rate swaps	187,658	200,081	7,526	10,847	–7,639	–11,112
FRAs	0	0	0	0	0	0
Interest rate options	0	0	3	5	–10	–79
Swaptions (long)	0	480	0	66	0	–1
Swaptions (short)	20	830	0	0	0	–122
Caps, floors	1,265	1,256	7	8	–6	–5
Other interest rate forwards	0	0	0	0	0	0
Exchange-traded products						
Interest rate futures (Bund, Bobl, Schatz)	0	0	0	0	0	0
Interest rate options (Bund, Bobl, Schatz)	0	0	0	0	0	0
Subtotal	188,943	202,647	7,536	10,926	–7,655	–11,319
Currency risk						
OTC products						
Currency forwards/swaps	2,435	3,928	18	9	–8	–10
Cross-currency swaps	930	5,714	33	112	–14	–254
Currency options (long)[1]	582	224	1	0	–2	–1
Currency options (short)[1]	80	0	0	0	–1	–1
Other currency forwards	0	0	0	0	0	0
Exchange-traded products						
Currency futures	0	0	0	0	0	0
Currency options	0	0	0	0	0	0
Subtotal	4,027	9,866	52	121	–25	–266
Equity and other price risk						
OTC products						
Equity forwards	0	0	0	0	0	0
Equity/index options (long)	0	0	0	0	0	0
Equity/index options (short)	0	0	0	0	0	0
Other equity/index contracts	0	0	0	0	0	0
Exchange-traded products						
Equity/index futures	0	0	0	0	0	0
Equity/index options	46	182	1	1	0	0
Subtotal	46	182	1	1	0	0
Credit derivatives						
Calls	0	52	0	0	0	–1
Puts	0	0	0	0	0	0
Subtotal	0	52	0	0	0	–1
Total	193,016	212,747	7,589	11,048	–7,680	–11,586

[1] Including gold options, which are recognized under currency risk.

Table 2	Derivatives – broken down by residual maturities							
Notional amounts	Interest rate risk		Currency risk[1]		Equity and other price risk		Credit derivatives	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Remaining maturities								
less than 3 months	20,223	26,404	2,143	3,900	46	182	0	0
3 months to 1 year	23,362	23,342	1,075	2,277	0	0	0	10
1 year to 5 years	72,637	62,895	631	3,242	0	0	0	42
more than 5 years	72,721	90,006	178	448	0	0	0	0
Total	188,943	202,647	4,027	9,867	46	182	0	52

[1]Including gold options, which are recognized under currency risk.

Table 3	Derivatives – broken down by counterparties					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Counterparties						
Banks in OECD countries	191,699	211,267	7,542	10,956	−7,675	−11,584
Banks outside OECD countries	0	0	0	0	0	0
Other counterparties	1,317	1,480	47	92	−5	−2
Total	193,016	212,747	7,589	11,048	−7,680	−11,586

Table 4	Derivatives – held for trading					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Interest rate contracts	111,814	130,003	5,388	7,781	−5,475	−7,945
Currency contracts	1,117	187	2	0	−3	0
Equity contracts	0	0	0	0	0	0
Credit derivate contracts	0	0	0	0	0	0
Total	112,931	130,190	5,390	7,781	−5,478	−7,945

VII. Cover for bonds outstanding

- Register A and B: closed registers for old issues under the *Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten* (ÖPG – German Act on *Pfandbriefe* and Related Debt Instruments Issued by Public-Sector Credit Institutions)
- Register C: issues under the *Gesetz über die Umwandlung der Deutschen Siedlungs- und Landesrentenbank in eine Aktiengesellschaft* (DSLBUmwG – German Act on the Reorganization of Deutsche Siedlungs- und Landesrentenbank as a Stock Corporation)
- Register D and E: issues under the PfandBG

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	12	1	11
Present value	13	1	12
Public-sector *Pfandbriefe* Register B			
Principal amount	404	263	141
Present value	439	284	155
Bonds Register C (mixed cover)			
Principal amount	14,738	11,964	2,773
Present value	16,197	14,197	2,000
Mortgage *Pfandbriefe* Register D			
Principal amount	7,374	5,764	1,610
Present value	8,556	6,493	2,063
Public-sector *Pfandbriefe* Register E			
Principal amount	1,921	1,715	206
Present value	2,034	1,794	240

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2012 €m	Dec. 31, 2012 €m	Dec. 31, 2012 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	20	1	19
Present value	22	1	21
Public-sector *Pfandbriefe* Register B			
Principal amount	760	526	234
Present value	835	570	265
Bonds Register C (mixed cover)			
Principal amount	15,539	12,799	2,740
Present value	17,386	15,850	1,536
Mortgage *Pfandbriefe* Register D			
Principal amount	8,778	7,263	1,515
Present value	10,559	8,355	2,204
Public-sector *Pfandbriefe* Register E			
Principal amount	2,346	1,740	606
Present value	2,528	1,874	654

VIII. Disclosures in accordance with section 28 of the *Pfandbriefgesetz* (PfandBG – German Pfandbrief Act)

Section 28(1) no. 1 to no. 3 of the PfandBG
Mortgage *Pfandbrief* issues outstanding and associated cover assets:

	Nominal amount Dec. 31, 2013 €m	Nominal amount Dec. 31, 2012 €m	Present value Dec. 31, 2013 €m	Present value Dec. 31, 2012 €m	Present value of risk[1] Dec. 31, 2013 €m	Present value of risk[1] Dec. 31, 2012 €m
Cover assets[2]	7,373.7	8,777.9	8,556.4	10,558.8	8,135.6	9,984.3
thereof: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage *Pfandbriefe*	5,763.5	7,263.5	6,493.1	8,355.4	6,165.7	7,964.9
Excess cover in %	**27.9**	**20.9**	**31.8**	**26.4**	**32.0**	**25.4**

[1] Dynamic method
[2] Including additional cover assets in accordance with section 19(1) of the PfandBG

Public-sector *Pfandbrief* issues outstanding and associated cover assets:

	Nominal amount Dec. 31, 2013 €m	Nominal amount Dec. 31, 2012 €m	Present value Dec. 31, 2013 €m	Present value Dec. 31, 2012 €m	Present value of risk[1] Dec. 31, 2013 €m	Present value of risk[1] Dec. 31, 2012 €m
Cover assets[2]	1,921.4	2,345.9	2,034.2	2,527.6	1,988.3	2,469.9
thereof: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Public-sector *Pfandbriefe*	1,715.0	1,740.0	1,793.9	1,874.0	1,765.9	1,827.3
Excess cover in %	**12.0**	**34.8**	**13.4**	**34.9**	**12.6**	**35.2**

[1] Dynamic method
[2] Including additional cover assets in accordance with section 20(2) of the PfandBG

Maturity structure of mortgage *Pfandbrief* issues outstanding as well as fixed-interest periods of the relevant cover assets:

	Cover assets[1] Dec. 31, 2013 €m	Cover assets[1] Dec. 31, 2012 €m	Mortgage *Pfandbriefe* Dec. 31, 2013 €m	Mortgage *Pfandbriefe* Dec. 31, 2012 €m
less than 1 year	425.9	432.3	1,010.0	1,500.0
from 1 to 2 years	592.9	678.0	1,000.0	1,010.0
from 2 to 3 years	677.7	626.7	40.0	1,000.0
from 3 to 4 years	873.6	671.0	0.0	40.0
from 4 to 5 years	793.9	935.5	15.0	0.0
from 5 to 10 years	3,038.5	3,801.2	2,604.0	2,536.0
more than 10 years	971.2	1,633.2	1,094.5	1,177.5
Total	**7,373.7**	**8,777.9**	**5,763.5**	**7,263.5**

[1] Including additional cover assets in accordance with section 19(1) of the PfandBG, by fixed-interest period or remaining maturity in the case of *Pfandbrief* issues.

Maturity structure of public-sector Pfandbrief issues outstanding as well as fixed-interest periods of the relevant cover assets:

	Cover assets[1] Dec. 31, 2013 €m	Cover assets[1] Dec. 31, 2012 €m	Public-sector Pfandbriefe Dec. 31, 2013 €m	Public-sector Pfandbriefe Dec. 31, 2012 €m
less than 1 year	402.7	478.5	1,500.0	25.0
from 1 to 2 years	324.9	570.2	0.0	1,500.0
from 2 to 3 years	360.7	328.3	10.0	0.0
from 3 to 4 years	514.6	153.0	0.0	10.0
from 4 to 5 years	72.8	614.6	35.0	0.0
from 5 to 10 years	243.2	198.9	60.0	95.0
more than 10 years	2.5	2.4	110.0	110.0
Total	1,921.4	2,345.9	1,715.0	1,740.0

[1] Including additional cover assets in accordance with section 20(2) of the PfandBG, by fixed-interest period or remaining maturity in the case of *Pfandbrief* issues.

Section 28(1) no. 4 of the PfandBG
Total receivables used to cover mortgage *Pfandbrief* issues (nominal amount):

	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Total percentage of mortgage *Pfandbrief* issues outstanding
Percentage of substitute cover (section 19(1) no. 3 PfandBG)	630.9	1,226.9	11.0 %
of which cover in acc. with section 19(1) no. 2 PfandBG	465.9	641.0	8.1 %

Section 28(1) no. 4 of the PfandBG
Total receivables used to cover public-sector *Pfandbrief* issues (nominal amount):

	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Total percentage of mortgage *Pfandbrief* issues outstanding
Substitute cover in acc. with section 20(2) no. 2 PfandBG	0.0	0.0	0.0 %

Section 28(2) no. 1a of the PfandBG
Receivables used to cover mortgage *Pfandbrief* issues, by size category:

	Mortgage cover assets Dec. 31, 2013 €m	Mortgage cover assets Dec. 31, 2012 €m
up and including €300,000	6,227.2	7,080.2
€300,000 to €5 million	65.7	80.9
more than €5 million	0.0	0.0
Total	6,292.9	7,161.1

Section 28(2) no. 1b and c of the PfandBG
Receivables used to cover mortgage *Pfandbrief* issues, by region in which the mortgaged properties are located and their type of use:

Mortgage cover assets	Residential properties Dec. 31, 2013 €m	Residential properties Dec. 31, 2012 €m	Commercial properties Dec. 31, 2013 €m	Commercial properties Dec. 31, 2012 €m
Total	6,292.9	7,161.1	0.0	0.0

Mortgage cover assets	Residential properties Dec. 31, 2013 €m	Residential properties Dec. 31, 2012 €m	Commercial properties Dec. 31, 2013 €m	Commercial properties Dec. 31, 2012 €m
Germany				
Apartments	1,122.6	1,319.2	0.0	0.0
Single-family houses	4,720.3	5,305.6	0.0	0.0
Multi-family houses	450.0	536.3	0.0	0.0
Office buildings	0.0	0.0	0.0	0.0
Trade buildings	0.0	0.0	0.0	0.0
Industrial buildings	0.0	0.0	0.0	0.0
Other commercial buildings	0.0	0.0	0.0	0.0
Buildings under construction	0.0	0.0	0.0	0.0
Construction sites	0.0	0.0	0.0	0.0
Total Germany	6,292.9	7,161.1	0.0	0.0

Section 28(2) no. 2 of the PfandBG
Total amount of payment arrears on mortgage receivables, overdue at least 90 days:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Germany	0.0	0.0
Total	0.0	0.0

Section 28(2) no. 3a, b, and c of the PfandBG
Receivables used to cover mortgage *Pfandbrief* issues, by number of foreclosures and compulsory administration proceedings and foreclosed property acquisitions, as well as the total amount of late interest owed by mortgagees:

Mortgage cover assets				
	Residential properties		Commercial properties	
	Dec. 31, 2013 Number	Dec. 31, 2012 Number	Dec. 31, 2013 Number	Dec. 31, 2012 Number
Number of foreclosures pending at the balance sheet date	1	0	0	0
Number of compulsory administration proceedings pending at the balance sheet date	0	0	0	0
Number of compulsory administration proceedings including foreclosures pending at the balance sheet date	0	0	0	0
Number of foreclosures carried out during the fiscal year	0	0	0	0
Number of properties taken over during the fiscal year to prevent losses	0	0	0	0
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Total amount of outstanding interest	0.0	0.0	0.0	0.0

Section 28(3) no. 1 of the PfandBG
Receivables used to cover public-sector *Pfandbrief* issues, by type of debtor/guaranteeing unit and its registered office (country):

Public-sector cover assets	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Germany		
State	0.0	0.0
Regional authorities	971.0	717.0
Local authorities	0.0	0.0
Other debtors	682.1	1,110.6
Total Germany	1,653.1	1,827.6
Belgium		
State	0.0	250.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Belgium	0.0	250.0
France and Monaco		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total France and Monaco	0.0	0.0
EU institutions		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	43.3	43.3
Other debtors	45.0	45.0
Total **EU institutions**	88.3	88.3
Italy		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Italy	0.0	0.0
Luxembourg		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	155.0	155.0
Total Luxembourg	155.0	155.0
Netherlands		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Netherlands	0.0	0.0
Austria		
State	25.0	25.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Austria	25.0	25.0
Total	1,921.4	2,345.9

Section 28(3) no. 2 of the PfandBG
Total amount of payment arrears on public-sector receivables, overdue at least 90 days:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Germany	0.0	0.0
Belgium	0.0	0.0
France including Monaco	0.0	0.0
EU institutions	0.0	0.0
Italy	0.0	0.0
Luxembourg	0.0	0.0
Netherlands	0.0	0.0
Austria	0.0	0.0
Total	0.0	0.0

IX. Other disclosures

In accordance with section 2(4) of the *Postumwandlungsgesetz* (PostUmwG – German Postal Service Transformation Act), the German federal 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 the entry in the commercial register.

Postbank is a member of the deposit protection fund of the Bundesverband deutscher Banken e.V. and the Entschädigungseinrichtung deutscher Banken GmbH investor compensation scheme.

Please refer to the notes to the consolidated financial statements for information on auditors' fees in accordance with section 285 no. 17 of the HGB.

X. Declaration of compliance

On December 17, 2013, the Management Board and the Supervisory Board of Postbank together published the declaration of compliance with the German Corporate Governance Code for fiscal year 2013 required by section 161 of the AktG. The full wording of the declaration of compliance can be accessed on the Internet on our homepage at www.postbank.com.

D. MEMBERS OF EXECUTIVE BODIES

Management Board

The members of the Management Board of Postbank are:
Frank Strauss, Bad Nauheim (Chairman)
Marc Hess, Bonn
Hans-Peter Schmid, Baldham
Ralf Stemmer, Königswinter
Hanns-Peter Storr, Bonn

Offices held by members of the Management Board of Postbank as of December 31, 2013, on supervisory boards or other supervisory bodies:

Frank Strauss	Chairman of the Management Board
Function	**Company**
Chairman of the Supervisory Board	BHW Holding AG, Hameln
Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Chairman of the Supervisory Board	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne
Member of the Advisory Board (since March 1, 2013)	Talanx Deutschland Bancassurance, Hilden

Marc Hess	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln

Hans-Peter Schmid	
Function	**Company**
Chairman of the Supervisory Board	Bayerische Börse AG, Munich
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Member of the Supervisory Board (since February 12, 2013)	Postbank Lebensversicherung AG, Hilden
Member of the Supervisory Board (since February 12, 2013)	Postbank Versicherung AG, Hilden
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden
Member of the Exchange Council (since January 1, 2014)	Bayerische Börse AG, Munich
Member of the Economic Advisory Board (since March 1, 2013)	HUK-Coburg Versicherungsgruppe, Coburg

Ralf Stemmer	
Function	**Company**
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Chairman of the Board of Directors (since February 26, 2013) Member of the Board of Directors (since January 1, 2013)	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Deputy Chairman of the Supervisory Board	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board	BHW Holding AG, Hameln
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board (since March 18, 2013) Deputy Chairman of the Supervisory Board (until March 17, 2013)	Postbank Systems AG, Bonn
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Advisory Board (since November 1, 2013)	Verband der Sparda Banken e.V., Frankfurt am Main

Hanns-Peter Storr	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board	BHW Holding AG, Hameln
Member of the Supervisory Board	norisbank GmbH, Berlin

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives
Rainer Neske Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman)
Wilfried Boysen Businessman, Hamburg
Edgar Ernst President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn
Stefanie Heberling Cologne/Bonn/Aachen Regional Management Deutsche Bank Privat- und Geschäftskunden AG, Wuppertal
Tessen von Heydebreck Chairman of the Board of Trustees of Deutsche Bank Foundation, Berlin
Peter Hoch Munich
Christian Ricken Member of the Group Executive Committee, Chief Operating Officer PBC, Deutsche Bank AG, Bad Homburg v. d. Höhe
Lawrence A. Rosen Member of the Board of Management of Deutsche Post AG, Bonn
Christian Sewing Global Head of Group Audit, Deutsche Bank AG, Osnabrück
Werner Steinmüller Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Dreieich

2. Employee representatives
Frank Bsirske Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)
Rolf Bauermeister Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Susanne Bleidt Member of the Postbank Filialvertrieb AG's General Works Council, Bell
Timo Heider Chairman of the General Works Council of BHW Bausparkasse Aktiengesellschaft and Postbank Finanzberatung AG, Emmerthal
Hans-Jürgen Kummetat Civil servant, Cologne
Bernd Rose Member of Postbank Filialvertrieb AG/ Postbank Filial GmbH's General Works Council, Menden (Sauerland)
Eric Stadler Chairman of Betriebs-Center für Banken AG's Works Council, Markt Schwaben
Gerd Tausendfreund Trade union secretary of the ver.di Trade Union, Nidderau
Renate Treis Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl
Wolfgang Zimny Banking lawyer, Head of Department, Deutsche Postbank AG, Head Office, Bornheim

Offices held by members of the Supervisory Board of Postbank as of December 31, 2013 on supervisory boards or other supervisory bodies:

Shareholder representatives

Rainer Neske	Chairman of the Supervisory Board
Function	**Company**
Chairman of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main

Wilfried Boysen	
Function	**Company**
Chairman of the Supervisory Board	Hanse Marine-Versicherung AG, Hamburg
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Edgar Ernst	
Function	**Company**
Member of the Supervisory Board (since June 13, 2013)	Deutsche Annington Immobilien SE, Düsseldorf
Member of the Supervisory Board	DMG MORI SEIKI AG (previously Gildemeister AG, Bielefeld)
Member of the Supervisory Board (until June 21, 2013)	Österreichische Post AG, Vienna
Member of the Supervisory Board	TUI AG, Berlin and Hanover
Member of the Supervisory Board	Wincor Nixdorf AG, Paderborn

Tessen von Heydebreck	
Function	**Company**
Member of the Advisory Board	IFA Rotorion Holding GmbH, Haldensleben
Member of the Supervisory Board	Dussmann Verwaltungs AG, Frankfurt am Main
Member of the Supervisory Board	Vattenfall Europe AG, Berlin
Member of the Supervisory Board (since January 1, 2013)	CURA Vermögensverwaltung GmbH & Co KG, Hamburg
Member of the Supervisory Board (since January 1, 2013)	Deutsche Einkaufs-Center-Gesellschaft, Hamburg

Peter Hoch	
Function	**Company**
Member of the Supervisory Board (until July 31, 2013)	BHW Holding AG, Hameln
Member of the Supervisory Board (until July 31, 2013)	BHW Bausparkasse Aktiengesellschaft, Hameln

Christian Ricken	
Function	**Company**
Deputy Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board	Deutsche Bank Europe GmbH, Rotterdam
Member of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
Member of the Board of Directors	HuaXia Bank Co., Ltd., Beijing

Lawrence A. Rosen	
Function	**Company**
Member of the Supervisory Board (since June 2013)	Qiagen GmbH, Hilden

Christian Sewing	
Function	**Company**
Deputy Chairman of the Management Board	Frankfurter Institut für Risikomanagement und Regulierung (FIRM), Frankfurt am Main
Member of the Supervisory Board	BHF-BANK Aktiengesellschaft, Frankfurt am Main

Werner Steinmüller	
Function	**Company**
Chairman of the Supervisory Board	Deutsche Bank Nederland N.V., Amsterdam
Member of the Board of Directors (until December 31, 2013)	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Advisory Council	True Sale International GmbH, Frankfurt am Main

Employee representatives

Frank Bsirske	Deputy Chairman of the Supervisory Board
Function	**Company**
Deputy Chairman of the Supervisory Board (until May 6, 2013)	Deutsche Lufthansa AG, Cologne
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board (since May 23, 2013)	Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Rolf Bauermeister	
Function	**Company**
Member of the Supervisory Board	Deutsche Post AG, Bonn

Susanne Bleidt	
Function	**Company**
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

Timo Heider	
Function	**Company**
Deputy Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Deputy Chairman of the Supervisory Board	BHW Holding AG, Hameln
Deputy Chairman of the Supervisory Board	Pension fund of BHW Bausparkasse VVaG, Hameln
Member of the Supervisory Board (since May 23, 2013)	Deutsche Bank AG, Frankfurt am Main

Bernd Rose	
Function	**Company**
Deputy Chairman of the Supervisory Board	ver.di Vermögensverwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board (since May 23, 2013)	Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Gerd Tausendfreund	
Function	**Company**
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

Renate Treis	
Function	**Company**
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

Responsibility Statement

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

Bonn, February 21, 2014

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

AUDITOR'S REPORT

Auditor's Report
We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Postbank AG, Bonn, for the business year from January 1 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 24, 2014

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	Christian F. Rabeling
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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