2012

POSTBANK GROUP ANNUAL REPORT

Postbank

POSTBANK GROUP IN FIGURES 2012

		Jan. 1 – Dec. 31, 2012	Jan. 1 – Dec. 31, 2011
Consolidated income statement			
Total income	€m	3,739	3,672
Administrative expenses	€m	−2,999	−3,204
Profit before tax	€m	386	78
Consolidated net profit	€m	279	111
Total cost/income ratio	%	80.2	87.3
Return on equity			
before tax	%	6.4	1.3
after tax	%	4.6	1.9
Earnings per share[1]	€	1.28	0.51

		Dec. 31, 2012	Dec. 31, 2011
Information on Postbank shares			
Share price at the balance sheet date	€	31.80	24.14
Share price (Jan. 1 – Dec. 31)	high €	32.15	24.40
	low €	23.75	19.81
Market capitalization on December 31	€m	6,958	5,282
Number of shares	million	218.8	218.8

[1] Based on 218.8 million shares

KEY FIGURES 2012

		Dec. 31, 2012	Dec. 31, 2011
Consolidated balance sheet			
Total assets[1]	€m	193,822	191,935
Customer deposits	€m	111,508	112,961
Customer loans	€m	106,495	108,896
Allowance for losses on loans and advances	€m	1,745	1,826
Equity[1]	€m	6,309	5,657
Tier 1 ratio	%	12.0	10.8
Headcount (FTEs)	thousand	18.60	19.23
Long-term ratings			
Moody's		A2/outlook stable	A1/outlook negative
Standard & Poor's[2]		A+/outlook negative	A/outlook negative
Fitch		A+/outlook stable	A+/outlook stable

[1]Figures adjusted (see Note 6)
[2]The S&P rating was discontinued as of December 31, 2012.

momentum

POSTBANK JOURNAL

In motion:
Off on a new course

Inspired:
Motivated by customers

Intent:
Impress as employer

Postbank

Frank Strauss on goals and paths forward 2013+

"Where is Postb

> *"Accelerate growth and improve quality, safeguard earnings, generate momentum for future developments, expedite integration and not least strengthen our identity."*

Mr. Strauss, you have been at Postbank since mid-2011 and Chairman of the Management Board since July of 2012. What's your provisional assessment of that time period?

Frank Strauss: It was an exciting, challenging and overall successful year. The change in leadership in July with Stefan Jütte went smoothly and evinced a real sense of partnership. Ever since I took on my new responsibilities there has been nothing but outstanding support from all sides. I am very grateful for that. Together we have set a lot of things in motion at Postbank in the last few months and are now well prepared for the future. Business is developing satisfactorily and most notably Postbank has succeeded in uniting growth with integration. In that sense, my assessment would be a positive one. We have accomplished a great deal and we are on a good path.

How would you size up the current environment?

Frank Strauss: Like all banks, Postbank is working in an environment that is currently subject to rapid change, and the challenges are constantly mounting. From the economic environment – where the keywords are crisis in Europe, but also low interest rate levels – through heightened regulatory requirements, the on-going changes in customer behavior to integration into the Deutsche Bank Group, there are enormous challenges that we had to and have to overcome. In all these issues, Postbank has demonstrated what it is capable of and faced the change with its own strong willingness to adapt.

How are you addressing the challenges?

Frank Strauss: We have re-set our strategic orientation. The priorities for the next 24 months are clearly defined in our "Postbank Agenda": Accelerate growth and improve quality, safeguard earnings, generate momentum for future developments, expedite integration and not least strengthen our identity. We have assembled a new management team and are tackling our priorities in a focused fashion. We have already made a good bit of progress here.

What is important to me is that our strategy wasn't created on a drawing board but that we have put this process on a broad basis. I have spent a lot of time speaking with and listening to employees and managers at every level and at different locations. The results of these dialogs have been integrated into our strategic orientation. Our internal motto is this: "Postbank Agenda – we're accomplishing that together".

Let's talk about something else fundamental: the business model. What does it look like today against the backdrop of the strategic re-alignment?

Frank Strauss: Our business model is an important key to success. Postbank has a simple, impressive and irreproducible business model that makes us unique on the market:

ank Headed?

First, we have strong sales channels with the branches, the direct channels, mobile sales and our business with corporate and business customers. With this combination of proximity and online experience, we offer our customers a broader range of access than any other bank.

Second, with regard to our products, we focus on simple offers for everyday needs, the checking account, savings, home savings, mortgage lending, and loans. And, in addition to banking, the important business we conduct in cooperation with Deutsche Post should not be forgotten.

Third, we are linking sales and products together using a cost-efficient and high-quality platform that we are developing with Deutsche Bank.

With this stable and successful business model, we will score even more points in the future and further expand our business – in a sensible mix of growth and integration.

Does that mean the business model of Postbank has not fundamentally changed – not even with the integration into the Deutsche Bank Group?

Frank Strauss: Our business model has proven itself and remains stable at its core. That does not mean the model will no longer be developed and optimized. For example, we have focused more intensively on the customer business and divested ourselves of periphery activities.

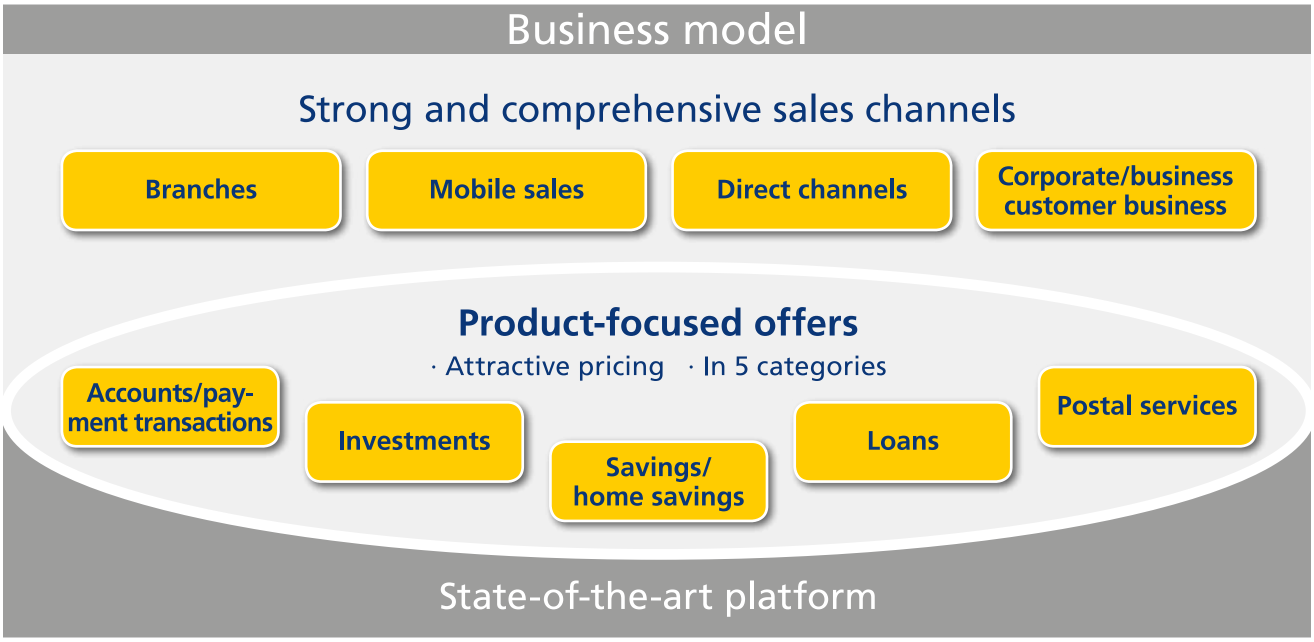
What does that mean specifically...?

Frank Strauss: We have followed the motto that in a well-organized and powerful company, there is always someone who does some things especially well. So we sold our successful asset management to DWS and thus put it in the hands of

Personal details

Frank Strauss, born 1970 in Heide/ Schleswig-Holstein, Germany, began playing ice hockey at the age of six – it was the start of an athletic career that took him to the second highest league in the nation where he played in more than 300 games.

In 1989 Frank Strauss began training as a banking professional at Deutsche Bank in Iserlohn, where he later spent his first professional years. Between 1995 and 2010 he served in managerial positions in the Private & Business Clients corporate division of Deutsche Bank, working in such locations as Frankfurt am Main, Mumbai and Beijing. In July of 2011, he joined the Postbank Management Board and a year later became its Chairman.



one of the largest and most successful asset managers in Germany. That is good for customers and good for the business performance. We also divested ourselves of our commercial real estate activities in New York and our investment advice services. When you look at our focus on our core business with simple products, that just makes good sense.

At the same time we will continue to consistently scale back risk and then accelerate this process using the newly created Non-Core segment.

...and what does that mean for the customer business?

Frank Strauss: We integrated the norisbank branch business into our own during the middle of 2012. With that we are concentrating on our strengths, because Postbank – with its 6,500 branches and advisory centers and a total of 22,000 contact points – undeniably has considerable advantages on the market when it comes to accessibility for customers. On top of that, the 350 norisbank advisors with their competencies in the branch business can complement what we have to offer and ideally enhance our team.

In addition, we also extended the cooperation agreement with Deutsche Post DHL ahead of schedule and kept it in place for

the long term. There is still a lot of growth potential in that cooperation for both partners. As a result, we have taken an enormously important step for our customer business that gives us the long-term planning security we need.

Keyword customers: The financial market crisis has not made the banking business easier...

Frank Strauss: That's very true. Customer behavior has changed dramatically. Customers have become more skeptical of banks. We all have to adjust to that. Even if we as Postbank still have high levels of customer satisfaction, thank goodness, we too still have to respond.

How?

Frank Strauss: Customers have sent us a clear signal, for example, that we should concentrate on our strengths, particularly on simple products. That's why for instance we removed closed-end funds from our sales channels and shut down our investment advice services, as I already mentioned. In addition, we have improved our complaints management and specifically set up a reputation committee whose primary job is to intensively address customer issues. But there are also quite a number of everyday issues that we must and will address, like waiting times in the branches. We have to improve quality at every level. Customers expect that from us – and rightly so. Customer satisfaction is so important to us that we Management Board members of course want to have ourselves measured against it as a standard.

Are there any prospects for growth whatsoever in this environment?

Frank Strauss: For me, growth goes hand-in-hand with quality. For example in real estate finance. When I look at the current market environment, owning a home has become a megatrend because financing is cheaper than it's ever been, whereas rent continues to rise. By concentrating our mobile sales on mortgage lending and home savings, and with the strengths of BHW and our DSL Bank as well as the intensive integration of the branches into this business activity, we want to send a clear signal to customers that we are there for them here as well.

Or in the area of direct banking. We want to expand our online activities to serve as an engine of growth and innovation. Even if I am firmly convinced that our virtual branches cannot replace the physical ones, I believe we will see disproportional growth in this segment in the next few years.

You have a lot of things on your plate. What would you like to be able to say at this same time next year?

Frank Strauss: Very simple: that we have made significant progress toward becoming the leading German bank for retail, business and corporate customers. And that we have managed to unite the issues of growth and integration into the Deutsche Bank Group in such a way that everyone gets something out of it: First our customers, who are even more satisfied and have obtained a real advantage thanks to our services. Next our employees, who go to work happy and motivated, and have attractive jobs that are as secure as possible, and who feel invested and are actively involved. And last but not least our owners, who continue to view Postbank as gain and to whose added value we can contribute.

> *"We have to improve quality at every level. Customers expect that from us – and rightly so."*


Easy access to cash
Reasonable product range
Advising at home
Online banking 24/7
Comprehensible products

Just Imagine ...

Prime movers: What customers want from their bank

RETAIL CUSTOMERS

Bank customers have become more demanding. Not only because of competition, which traditionally is much tougher in the German banking business than it is in many other countries. But also because of the uncertainty caused by the financial and sovereign debt crisis, the loss of confidence associated with it, and the high level of transparency brought about by fast technological change. The time of "blind trust" is past. Today's customers seek out information from comparison portals and social networks and examine offers made by their banks more critically than before. At the same time, banking services with increasing flexibility across a variety of channels are in demand.

Instead of viewing these developments as a threat, Postbank considers them an opportunity to reach out to their customers even more. In order to do that, first and foremost we have to understand customers – their wants and needs – and change wherever necessary. But what do customers really want from their bank? Thanks to surveys and analyses, the daily interaction at the branches, telephone calls and postings on Facebook, as well as the work of the Postbank Customer Advisory Board, we know that the core requirements of our customers are mostly identical. First of all, they expect a broad range of options for accessing banking services, quality advising and comprehensible products in addition to "fundamentals" like data security and properly conducted business.

Meeting these requirements is a part of our mission. But it is also true that banks must continually develop and change in order to stay on top. To master that task we rely on our strengths, the vital foundation that we are continually expanding in line with customer needs and growing technological possibilities.

What customers want first and foremost is flexible access to their bank. And we have the optimal response thanks to our multi-channel strategy. With more than 1,100 branch offices, we offer the largest branch network in the German banking landscape. Added to that are more than 4,500 Deutsche Post partner outlets offering selected Postbank financial services and 900 Postbank Finanzberatung Advisory Centers. Not only are we open longer on weekdays for our customers than every other bank in Germany, but we are also the only German bank that opens its doors on Saturday. What's more, we built up early-on a network of around 3,000 mobile advisors who offer the convenient service of calling on customers and developing solutions together with them at their homes, particularly in the area of mortgage lending and retirement provisions.

Postbank also offers around-the-clock information and services by telephone, mobile devices or on the Internet. The Postbank website and our online banking service have received numerous awards for their clarity and ease of use. In terms of service, we offer an impressive ATM network, the largest of any bank in Germany – and thanks to our cooperation

Important aspects of the customer-bank relationship

1. Protection of personal data and properly conducted business
2. Advising quality
3. Advising and service infrastructure
4. Prices & terms
5. Personal contact partner

Source: TNS Infratest benchmark study of banks 2012; Postbank studies

with Shell, cash-points can be found even outside of downtown, next to adjoining parking areas. In this way we reach even those customers who find it sometimes difficult or inconvenient to travel longer distances to pick up cash.

Quality advising and comprehensible products, for us, are two sides of the same coin. Good advising begins with a detailed analysis of the customer's situation and needs. To ensure that quality and provide an optimal recommendation at the end of the advising session, we utilize state-of-the-art IT systems and qualified advisors. It is very important to us that our customers completely understand their investment or their financing. That is the only way a discussion on equal footing – the foundation of trust – can take place. For that reason we focus our offers on a limited number of simple and easy-to-understand products. This approach nevertheless offers enough leeway for customer-oriented innovations like the new Postbank "Goldsparen" product, which allows investors to take part in the development of gold prices without any risk.

The language we use to describe products and services and explain their backgrounds and contexts is also vital to clear understanding. Here the banking industry has a tendency to use complex formulations in some cases, often to take the sheer breadth of legal provisions into account. That is why Postbank, with the support of the Customer Advisory Board, revised the majority of its customer communications and substantially improved their clarity in 2012.

Regarding the home

When the time comes to finance their own dream home – whether building, purchasing or modernizing a piece of real estate – customers are also placing increasingly higher demands on their financing partners. Today, price and customer-friendly advice alone are not the only things that count. An ever-larger role is currently being played by the speed of loan authorization and the service quality experienced during the loan application process. By using automated credit processing, we are able to offer customers what they want and need without having to sacrifice a healthy cost/income relationship.

The key lies in a high performance software program whose advantages can be immediately experienced by customers. Advisors can enter the information for the borrowing request into the program right during the session itself, and the program automatically accesses any other relevant customer and property data as well as information from the credit reference service Schufa. Once this process is complete, the parameters for a loan decision are immediately checked against the lending guidelines stored in the system – without another employee having to do a thing. After a positive check, the system immediately delivers a fully print-ready loan agreement, including any annexes that are required. In this way customers can receive a signature-ready contract during the advisory session and the guarantee of a final credit decision from the credit center within 24 hours.

If the system determines that other separate issues also have to be examined, the

application is forwarded to the employees in the credit center with the pertinent note. Once these matters have been clarified, the credit process continues automatically so that the loan agreement even in these cases is ready fast, usually within 48 hours. In addition, advisors can track the processing status at any time and at any point, using the system.

Postbank sales partners and customers also benefit from additional functionalities of the software, like an integrated product configurator that automatically searches for the best solution for that customer. The program not only incorporates Postbank products but also those offered by other providers. That means customer demands can be met even better – and at high speed.

The overall picture is clear: Customer proximity for Postbank means much more than just a nationwide presence. Customer proximity means thoroughly understanding what customers want and need – and then working hard to provide exactly that.

CORPORATE CUSTOMERS

The Klett Group has Europe's education in view – with its teaching and learning materials the company fosters knowledge of foreign countries and languages. The Klett Group is also internationally oriented and has a number of companies in other European countries. In the switch to the Single Euro Payments Area (SEPA), the European standard in payment transactions, this educational services provider sees both challenges and opportunities.

Trademark: The initials of Klett founder, Ernst Klett, stylized into a lily.

The mandatory conversion of national and international payment transactions to the SEPA standard is a major project for the Klett Group. The first step is to establish SEPA capabilities for the central financial accounting system (ERP) and decentralized systems of other European locations that are linked with it. "Another project is focusing on the new mandate administration for direct debits where it's also a matter of converting purely domestic payment transactions to the European standard," explains Michael Riedel, Head of Finance and Accounting at Ernst Klett AG. "A second question of enormous significance for us is how to take advantage of the opportunities that SEPA offers for optimizing our payment transactions," he emphasizes. Initially the conversion will generate more effort and expense than benefit not only for Klett but also for most of the German mid-sized companies that are mainly active domestically. Klett CFO Arthur Zimmermann explains however that "the opportunity to optimize the account structures within our Group at some point could compensate for the drawback."

During the initial phase of the SEPA migration, the banking partner primarily supplied regular information. Meanwhile they also offered technical support, including for example the provision of a transitional conversion solution. "Because of our close cooperation in the area of payment transactions, Postbank was and is one of our most important contact partners here," emphasizes Arthur Zimmermann. Hans-Jürgen Leitzbach, corporate customer advisor at PB Firmenkunden AG in Stuttgart: "We are very familiar with the payment transaction structure of the Group and can thus actively support Klett as it converts to the new European payment transaction standard." Klett and Postbank can look back on a working relationship that began in 1958. Postbank handles approximately 400,000 postings to accounts for Klett per year – up to 95% of them electronically.

"Payments received are automatically bundled into the main account of Ernst

The end of the chalk age: Arthur Zimmermann, CFO at Ernst Klett AG, displays digital teaching materials on an interactive whiteboard. Such items are just as much a part of the Klett Group's product range as school books printed on paper.

Klett AG financial holding company as part of a cash pool," explains Michael Riedel. "That way they can be centrally managed." Liquidity that is available for the short-term is placed in a Postbank cash account. The company hopes the conversion to SEPA will lead to other innovations related, for example, to the convenient and secure transmission of payment transaction data over the Internet. Kristina Novotny, payment transaction manager at PB Firmenkunden AG in Stuttgart, sees very good chances for that: "I am confident that we will also be able to offer attractive solutions in the future for the further development of payment transaction standards."

While new solutions for payment transactions arise at Postbank, Klett is driving forward with innovative solutions for the transfer of knowledge. Recently, the company introduced 25 prototypes of the "digital teaching assistant", among other things, that are designed to make digital teaching more convenient in the future. To do that, the assistant stores the entire school textbook on a CD/DVD, together with any additional materials like audio and video samples. For teachers, that opens up whole new opportunities – like, for example, the interactive whiteboard. Innovations are not only needed for European payment transactions.

The Klett Group

Klett Group customers include anyone who provides educational services, is interested in basic and continuing education – or who wants to be fit for an increasingly demanding working environment. For more than 100 years now the Klett Group has been developing an extensive assortment of media to serve these needs. In addition to school books, the company today also offers digital materials on CD, DVD and the Internet.

Good Job

Employer branding in focus

> *"The expertise of Postbank employees is in particular demand during this time of integration into Deutsche Bank."*
>
> Ernst Stilla,
> Head of Executive Development

Attractiveness does not come for free. It's a matter of remaining permanently in motion. That's true for companies too in their role as employers. And what could be more helpful here than to ask the people it concerns. In 2012, the new Chairman of the Management Board, Frank Strauss, set out to do just that and extended invitations to nine events across the nation – each an open dialog forum for several thousand employees and everything that concerns them about Postbank. The pay off? More than 3,500 ideas, suggestions and critical pieces of advice from which concrete measures could be derived and in part implemented.

"The expertise of Postbank employees is in particular demand during this time of integration into Deutsche Bank," says Ernst Stilla, Head of Executive Development at Postbank. "As a retail bank with strongly developed sales power and a distinct customer orientation, we depend on our employees to execute and implement our business strategy operationally with dedication and competence. Another good reason, and not the least, why being an attractive employer for all employees is a challenge we set ourselves."

Postbank has been in a constant state of change ever since its establishment, and as a result has remained an attractive employer in the long run. "Especially now, during the integration phase, we make efforts to support and motivate our employees in their daily work and retain them on a long-term basis at the company," says Stilla. Employees feel they are being taken seriously. That sentiment was also evident in the 2012 annual employee opinion survey, which evinced high approval ratings related to identification and employee loyalty.

Challenges for HR managers do not only arise from internal developments. Demographic change, a lack of qualified specialists, the "war for talent" – the competitive pressure to find skilled employees is increasing. In North Rhine-Westphalia alone, the number of workers is expected to drop by approximately 600,000 by 2030. That is why Postbank relies on sustainable HR marketing measures, including those focused on consumer banking. With success: In numerous independent employer and employer branding studies, the Bank regularly occupies a top spot in the rankings.

- "Top Employer in Germany 2012" in an independent study of the CRF Institute (CRF – Corporate Research Foundation)
- Best placed bank in the career website ranking TEWeB – the Top Employer Web Benchmark study of the marketing research institute Potentialpark
- Top rankings in both "Career's Best Recruiters", a study of employer branding conducted by the communications agency GPK, and in the "Human Resources Benchmark" study of the business consultancy NetFederation GmbH

Postbank and students

In diverse ways, Postbank helps to foster the next generation of employees while they are still in college. Managers and specialists regularly share their practical knowledge in guest lectures, case studies and "fireside chats" with students as part of a corporate ambassadors program. Postbank also awards twelve scholarships each year. And, since 2003, the Bank has been annually giving away the largest university award in Germany in the area of banking and finance, the Postbank Finance Award.

Astrid Bergen, Head of Account Management, Postbank Service GmbH

As part of its efforts related to Corporate Social Responsibility, Postbank entered into a partnership with the children's rights organization Save the Children at the start of 2013. The goal is to improve educational opportunities in Germany long-term with the help of a joint educational project at German elementary schools.

Save the Children is the largest independent children's rights organization in the world. It has championed the rights of the children of this world since 1919 and is now active in over 120 countries. The child-parent school project called "3x1 macht stark!" developed together with Postbank is aimed at children in the first and second years of school and their parents and teachers. Postbank supports this joint project more than just monetarily: Group employees will also be able to make an active contribution. By 2016, the "3x1 macht stark!" project will reach more than 16,000 children and parents at some 100 schools in Germany.


verlässlich
Ein gutes Gefühl, immer bestens aufgehoben zu sein.
Meine Bank ist meine Bank, weil ich mich immer auf sie verlassen kann.
UNTERM STRICH ZÄHL ICH.
· www.postbank.de
· Telefon: 0228 5500 5555
· Postbank Finanzcenter
· Postbank Finanzberatung, gerne auch bei Ihnen zu Hause
Postbank

13.6 million savings accounts

1,092 branches

3,000 mobile advisors

5.8 million online banking accounts

14 million customers

1,740 service terminals

18,600 employees

5.1 million private checking accounts

2.3 million home loan and savings customers

3.8 million home loan and savings contracts

4,600 Deutsche Post partner branches

3,530 ATMs

The Postbank Group, with approximately 14 million customers and more than 18,000 employees, is one of the largest financial service providers in Germany. The core of our activities consists of our business with retail, business and corporate customers. In addition, we are also active in the fields of transaction banking and financial markets.

CONTENT

FOR OUR STAKEHOLDERS

01

Ladies and gentlemen,

The year of 2012 was a difficult one for the banking industry in Germany. Continuously low interest rates, increased regulatory requirements and the persistently strong uncertainties of customers have created complex challenges for the industry. Postbank succeeded in meeting these challenges. In 2012, we increased consolidated net profit from €111 million in the previous year to €279 million.

Last year, we saw once again that Postbank's unique business model remains exceptionally robust even in times of fast-paced change. We systematically reinforced this strength by tailoring our range of products and services to more closely meet the needs of our customers and by eliminating periphery business activities. At the same time, we gave a further boost to the selling power that makes Postbank so unique in Germany. In this regard, I am particularly happy to report that we were able to extend the cooperation agreement with Deutsche Post DHL ahead of schedule and to keep it in place for the long term. In taking this step, we have reinforced the essence of the Postbank brand, which our customers respect so highly: No other bank offers such a large range of products in its branches to complement the banking business.

Once again, we substantially reduced our risks on the capital markets. In 2012, we sold our remaining holdings of Greek government bonds and reduced our structured credit portfolio to less than half. We will continue to systematically apply our strategy to lower our capital market risks at an accelerated pace. To achieve a higher level of security, we willingly accept disposal losses that, in turn, can hurt our earnings.

In reaction to the continuing low level of interest rates, we measurably expanded our new lending business, among other steps. In installment loans, we went against the trend and generated strong growth in our new business by offering attractive terms and a flexible range of products. Mortgage lending performed in a similarly pleasing manner. We also boosted our checking account business. With 5.1 million private checking accounts at the end of 2012, we were able to expand our total number once again. As a result, Postbank remained the undisputed leader in the German market. New business in savings and securities was hurt by the very low level of interest rates and the challenging conditions in the markets. At the end of the year, the volume of savings deposits and overnight money totaled €54.3 billion, a figure that nearly reached the previous year's level.

We also moved forward with our integration into the Deutsche Bank Group. In March, the norisbank's branch business was transferred to Postbank. As a result, norisbank customers can now enjoy the large network of branches, the convenient business hours and the broader range of services offered by Postbank. In August, we sold the bulk of our asset management activities to the DWS Group. This divestment will enable us to concentrate more closely on our core business in consumer banking. We reduced our administrative expenses by 6.4 % compared with the prior-year level to a total of just under €3 billion, despite the fact that we added about 370 norisbank employees to our workforce and carried out an ambitious integration program. This reduction again underscores the disciplined approach that Postbank takes to costs. In the years to come, we will continue to keep a close eye on our administrative expenses in response to the ongoing pressure being applied to earnings.

Ladies and gentlemen, the Supervisory Board of Deutsche Postbank AG made a significant change in the Management Board team last November. Effective December 1, 2012, Susanne Klöss and Ralph Müller were appointed Executive Managers of the Bank. Susanne Klöss oversees Postbank products for all target groups. As the new Chief Operating Officer (COO), Ralph Müller directs the entire Bank's cost/resource management in particular. His areas of responsibility include information technology and back-office processes. I am very much looking forward to working with both of them in the future.

Above all, Postbank has its nearly 19,000 employees to thank for its good performance last year. They expanded the Bank's business with customers in important areas, boosted its profits and managed the additional work created by the integration process. In the name of the entire Management Board at Postbank, I would like to express my sincere thanks to our employees for their efforts. Considerable challenges lie ahead for Postbank and the entire banking industry. Thanks to our employees' extensive experience and high level of dedication, I am confident that we will successfully meet these challenges.

Bonn, March 26, 2013

Best regards,

Frank Strauss
Chairman of the Management Board

MANAGEMENT BOARD OF DEUTSCHE POSTBANK AG

Marc Hess CFO

Hanns-Peter Storr CRO

Ralf Stemmer Resources, CAO

Hans-Peter Schmid Branch Sales

Frank Strauss CEO

Ralph Müller COO, Executive Manager

Susanne Klöss Products, Executive Manager

DEVELOPMENTS IN OUR BUSINESS DIVISIONS

BUSINESS WITH NEW RETAIL CUSTOMERS STAYS ON COURSE

Bucking the market trend, Postbank was once again able to significantly expand its installment loan business in 2012 thanks to attractive terms and a flexible product range. We were also successful in our checking account business with expanded book volumes and even higher quality. In contrast, the very low level of interest rates and the difficult situation on the markets put a curb on new business in savings and securities.

Checking accounts and demand deposits continue to grow

With 5.1 million private checking accounts at the end of 2012, Postbank was once again able to expand its book compared with the prior year. As a result the Bank remained unchallenged as the largest provider on the German market. With more than 493,000 new accounts, Postbank once again demonstrated its selling power.

The positive development of the book was not only driven by our sales success, but also by the drop in the account closure rate. This reflects both the attractiveness of the offer as well the effectiveness of our efforts to improve quality in new business. The volume of demand deposits held in retail and business customer accounts was up more than 11 % compared with the end of the previous year, reaching €22.9 billion.

Savings business shows stability

The savings and overnight money business at the end of 2012, at €54.3 billion, maintained volumes at nearly the same level as the previous year. The task of attracting new volumes was made difficult by the sustained low level of interest rates in the year under review.

The beginning of 2012 saw a strategic switch of focal products in the savings business. The sales spotlight was shifted from the “Postbank Aktiv-Sparen” to “Postbank Gewinn-Sparen”, a traditional savings product with a base interest rate and a bonus component, introduced in cooperation with the German charity lottery Aktion Mensch e.V. Thanks to the extra savings money campaigns at the start of the year, this product provided a substantial boost to new business; overall it helped generate more than €2.4 billion in new volumes.

“Gold-Sparen” was also introduced in the second half of 2012 as a product that allows account holders to participate in the positive development of gold prices. This new type of offer, which seizes on the current trend toward gold and tangible assets and yet is a traditional savings account, provided additional momentum for new business.

New business in installment loans continues to show strong growth

The new installment loans business in 2012 as a whole had a very satisfying performance – volumes grew by almost 13 % year-on-year to approximately €1.7 billion. The most successful sales channel here was once again the Internet, generating more than a third of new business volumes. Our lending business under the Postbank and DSL Bank brands put on an impressive performance in our view, all the more so in light of the fact that the Bank’s growth in this area ran counter to the market trend: Deutsche Bundesbank registered a drop in new loan business in 2012 of more than 5 %. The installment loan book also rose further and by December 31, 2012, was up approximately €260 million on the corresponding prior-year figure to reach €4.4 billion.

Postbank's lending offer once again won high accolades in independent comparative tests. The German television news channel n-tv as well as FMH Finanzberatung declared the Postbank installment loan as the "TOP Installment Loan". Börse Online designated Postbank as the "Best Supraregional Branch Bank 2012" in the installment loan category, and "Euro am Sonntag" rated the Postbank's advisory services in that same category as "very good".

Home savings deposits rise alongside uneven new business

In the home savings business that we operate under the BHW brand, total home savings written dropped to approximately €11.0 billion compared with €13.0 billion from the previous year, which had been influenced positively by a product change.

New business developed differently in the three main sales channels. While the volume of new business generated in the Postbank branches, at nearly €1.7 billion, markedly exceeded the prior-year level, Postbank Finanzberatung and the cooperation partners – at approximately €7.2 billion and around €1.5 billion respectively – were unable to reach the levels achieved in the prior year.

Home savings deposits grew approximately 2.3 % since the end of 2011 to reach some €18.1 billion. By the end of 2012, the market share of new home savings written was 9.8 %, while the home savings deposit portfolio had a share of around 12.9 % of the market.

Mortgage lending offers satisfying performance

Including paid home savings loans, our customers borrowed some €8.7 billion in financial resources for private construction projects by the end of 2012, some 6.1 % more than the previous year. New business acquired under the BHW brand, with volumes of around €3.0 billion, was down slightly compared with the previous year. In the brokerage business, in which we are positioned as a "partner bank to financial service providers" under the DSL Bank brand, we were able to generate volumes of approximately €4.5 billion through Internet platforms and sales partners. This represented quite substantial growth of nearly 25 %.

The market share in 2012, at 9.1 %, remained nearly unchanged compared to the same figure in the prior year. The mortgage loan portfolio as of December 31, 2012, including third-party portfolios acquired, totaled €74.0 billion, an amount just over the approximately €73.9 billion registered at year-end 2011.

Subdued securities and retirement provision business

As a result of a difficult environment, in particular the sovereign debt crisis in several European countries and the very low interest rate level, new securities business in full-year 2012 was very subdued. The positive performance, however, ensured that the volume of securities managed in customer securities accounts rose by approximately 4 % to €12.3 billion in a year-on-year comparison.

The retirement provision business remained slightly below the level of last year. In contrast, Postbank Versicherung (PBV) was able to improve its result. A crucial contribution was made here by the "PB Förder-Rente I Premium" and "PB Privat Rente

Premium" joint products from Postbank Versicherung (PBV) and Deutsche Bank (DWS), introduced in the first half of 2012.

Flourishing sales in the non-life insurance business with HUK-COBURG led to a 50 % leap in the number of contracts, which reached some 115,000 for 2012 overall.

Branch business of norisbank transferred to Postbank

As a further step within the scope of their cooperation agreements, Postbank and norisbank merged the branch business of both banks under the Postbank brand in 2012. This action was associated with the closing of 90 norisbank branches throughout Germany and the integration of norisbank employees into the Postbank Group. Customers of norisbank had the opportunity to switch to Postbank and thus to benefit from the extensive branch network, convenient business hours, and the wider range of services offered by Postbank.

The merger of the branch business represented an important building block in the further development of consumer banking in the Deutsche Bank Group and further strengthened Postbank's sales power.

Corporate Banking focuses on SMEs

The main target group of our corporate banking business consists of traditional small and medium-sized enterprises with a family structure, for which Postbank serves as a durable and powerful partner throughout Germany. Postbank wants to further enhance its position as a core bank that covers the basic daily needs of these companies.

As a result of muted new business and strategic selective withdrawals related to key clients, the portfolio of loans to corporate customers slumped in 2012. It ended the year at €7.9 billion, €1.7 billion less than on December 31, 2011 (€9.6 billion). The Factoring business division has established itself as an alternative form of financing for SMEs, and rounds off the range of products Postbank offers its corporate customers. Income was up despite a slight drop in financing volumes.

In commercial real estate finance, we continue to adhere to our conservative lending policy and are focusing our selective new business on the financing of existing properties for professional real estate investors. The portfolio of loans for the Bank as a whole here stood at €15.7 billion as of December 31, 2012, €0.9 billion less than on December 31, 2011.

In the area of payment transactions for 2012, however, we managed to increase the number of transactions we processed for our target group of German SMEs by around 4 % compared with the prior year. The total number of transactions handled in this field rose from 835 million in 2011 to 851 million.

The investment volumes of our corporate customers ended the year at €16.2 billion, a figure that as expected was markedly lower than the €19.8 billion at the end of 2011.

Transaction Banking remains stable

Postbank's Transaction Banking business division processed some 7.5 billion transactions for Postbank and three other clients in 2012. Adjusted for effects from the transfer of transaction volumes from the former Dresdner Bank to Commerzbank, revenue with the existing clients remained satisfyingly stable.

Financial Markets streamlined

The Financial Markets division performs the Postbank Group's money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by controlling interest rate risks and market risks and managing the liquidity position of the Postbank Group. In mid-2012, a number of subsidiaries assigned to this division that are active in the management and administration of the Postbank retail funds were sold to the DWS Group, which is also part of Deutsche Bank. As a result, Postbank now focuses on its consumer banking core business without restriction of its product range.

REPORT OF THE SUPERVISORY BOARD

Ladies and gentlemen,

During fiscal year 2012, the conditions under which Deutsche Postbank AG (hereinafter Postbank) and the banking industry do business remained very challenging. In particular, the first half of the year was marked by high volatility on the financial and capital markets as well as by continuing worries about a further escalation of Europe's sovereign debt crisis. The situation on the European financial and capital markets did not ease until the European Central Bank issued a clear pledge indicating its intent to protect the European Economic and Monetary Union and to introduce a purchasing program for the government bonds of financially troubled eurozone members. Nonetheless, the sovereign debt crisis will remain a challenging issue for the banking sector. The continuing low interest rate level and the growing mistrust of the banking sector among customers also hurt the performance of the entire financial services sector in fiscal year 2012. In response Postbank drew up a program in 2012 to cut costs and boost income. Thanks to this program, the Bank was able to prove itself once again, boosting its earnings amid difficult economic and capital market conditions.

Moving forward, the banking industry will continue to wrestle with the key issues of regaining customer trust and implementing numerous reform plans and regulatory steps in 2013.

On September 11, 2012, a key condition for Postbank's future was put in place with the confirmation of the validity of the control and profit and loss transfer agreement between DB Finanz-Holding GmbH and Deutsche Postbank AG by the Higher Regional Court of Cologne in clearance proceedings. As a result, it is now possible to tap further planned synergy potential and to reach another milestone of integrating Postbank into the Deutsche Bank Group.

For the purpose of intensive and constructive cooperation, the Management Board informed us in a regular, timely and comprehensive manner during fiscal year 2012 about all issues concerning the Company's planning, the financial and economic performance of the Bank, the risk situation, the risk management system, the internal control system and compliance. Together with the Management Board, we also discussed changes to the remuneration system and strategic measures as well as important business transactions and projects, including negotiations and the conclusion of the control and profit and loss transfer agreement. Deviations between the course of business and the plans and targets in the individual segments were explained to us and reasons given. We discussed at length the Company's strategic focus as well as all measures submitted to us that required the approval of the Supervisory Board. Where required by law, the Articles of Association or the Bylaws, we passed resolutions after a thorough examination and discussion. When it was necessary to consider issues outside regularly scheduled meetings, decisions were made by means of written procedures. In addition, the Chairmen of the Supervisory Board, of the Audit Committee and the Loan and Equity Investments Committee were also informed by the Management Board about important business transactions and forthcoming decisions between meetings of the Supervisory Board. The Chairman of the Supervisory Board also stayed in constant touch with the Chairman of the Management Board.

Main subjects of discussion by the Supervisory Board

The Supervisory Board met a total of eight times during fiscal year 2012. Two discussions were held during extraordinary meetings. In the regularly scheduled meetings of the Supervisory Board, we were informed by the Management Board about the Bank's current economic and business situation, the performance of the individual business divisions, risk trends, and risk management. During a one-day closed meeting, we met with the Management Board to examine more extensively and to discuss in detail Postbank's strategic focus as it relates to business and risk.

Other focal points of discussions during the year under review were the course of the sovereign debt crisis and its impact on the risk structure of Postbank, the impact of current and future regulatory changes and the restructuring of the Management Board's remuneration system. We also held detailed discussions with the Management Board about the Bank's continuing integration into the Deutsche Bank Group, the conclusion of the control and profit and loss transfer agreement and ways to sharpen Postbank's profile within the Deutsche Bank Group structure. The members of the Supervisory Board regularly received information about the current state of the Company.

With one exception, all Supervisory Board members attended at least half of the meetings of the Supervisory Board and its committees held in 2012.

During the regularly scheduled meeting held on February 13, 2012, we thoroughly discussed the Management Board's target achievement in fiscal year 2011 and then set the Management Board's targets for fiscal year 2012. The Management Board gave us a detailed report about the status of the negotiations on the control and profit and loss transfer agreement with Deutsche Bank. In addition, the Management Board informed us about the new orientation of asset management and the further development of branch sales. As part of equity investment-related issues, a decision was made in accordance with section 32 of the *Mitbestimmungsgesetz* (MitbestG – Co-Determination Act) to formally approve the conduct of office of the Management Boards and Supervisory Boards of BHW Holding AG, Betriebs-Center für Banken AG and Postbank Filialvertrieb AG. During this meeting, we also approved the outside activity of Marc Hess as Chief Financial Officer in the Private & Business Clients corporate division at the Deutsche Bank Group.

At the meeting held on March 19, 2012, following a thorough examination and audit as well as earlier discussion with the auditor, and on the recommendation of the Audit Committee, we approved the annual and consolidated financial statements of Postbank for 2011. We were also informed during the meeting by the Management Board and the auditor about key findings in 2011. Other topics addressed during the Supervisory Board meeting were the risk situation of the Bank as a whole, the updating of the business plan, the status of negotiations on the company agreement with Deutsche Bank, the change in the Management Board's remuneration system, the 2011 audit reports of Internal Audit and Compliance, and the joint report issued by the Management Board and Supervisory Board on corporate governance. In addition, the Management Board informed us about its strategic thinking related to investment advising and Postbank's asset management. Following an extensive discussion, we approved the recommendation submitted by the Executive Committee to appoint Frank Strauss to succeed Stefan Jütte as new Chairman of the Management Board at Postbank. During the meeting, we also approved the outside activities of Hans-Peter Schmid as a member of the Management Board of Münchener Handelsverein e.V. and as a member of the Advisory Board of Münchener Handelsverein Holding GmbH & Co. KG.

In our extraordinary meeting held on March 30, 2012, we received detailed information about the control and profit and loss transfer agreement from the Management Board, the valuation expert and the contract auditor. We then approved the conclusion of the company agreement between DB Finanz-Holding GmbH and Postbank following an intensive discussion. After extensive review, we also approved the steps presented by the Management Board to sharpen Postbank's profile. These steps included the withdrawal of BHW Bausparkasse AG from the Italian market, the discontinuation of the closed-end fund business, the phase-out of the investment advising sales channel of Postbank Finanzberatung AG and the bundling and continued optimization of loan processing within BHW Kreditservice GmbH, which was recently established specifically for this purpose. Other issues taken up by the Supervisory Board were the agenda with the proposed resolutions of the Supervisory Board for the Annual General Meeting 2012 and the approval of the appointment of Michael Meyer to the Supervisory Board of Deutsche Bank Bauspar AG.

At the time of the Annual General Meeting 2012, the Supervisory Board held two regularly scheduled meetings on June 4 and 5, 2012. In the meeting held on June 4, we were informed about the organizational details of the Annual General Meeting and about the first quarter results for 2012 as well as the risk situation of the Bank as a whole and discussed these items with the Management Board. Resolutions were passed where necessary.

At the meeting of June 5 that followed the Annual General Meeting, the Supervisory Board focused on the election of its deputy chair as well as new appointments and reappointments to its committees as a result of changes on the Supervisory Board as well as an amendment to the Supervisory Board's Bylaws regarding the appointment to the Human Resources Committee. The Supervisory Board approved a plan to expand the Human Resources Committee's expertise and thus to raise the number of members from four to six.

In the meeting held on September 18, 2012, the Management Board reported to us about the financial situation of the Group and the individual segments. We intensely discussed the financial and personnel situation of Postbank that was presented as well as the Bank's risk situation with the Management Board and asked probing questions.

The Supervisory Board held its second extraordinary meeting of the year on November 7, 2012. During this meeting, we discussed the Management Board's new schedule of responsibilities and the changes on the Management Board associated with it. As part of this review, we approved the resignations of Mario Daberkow, Horst Küpker and Michael Meyer from the Management Board. The Management Board also apprised us during this meeting about the status of the sale of PB (USA) Holdings, Inc. and the establishment of the new Non-Core Operating Unit segment.

In the last regularly scheduled meeting of the year held on December 20, 2012, the Supervisory Board focused on business performance, business planning for 2013, Postbank's business and risk strategy and the Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The Management Board informed us about the Company's current financial situation. Together with the Management Board, we discussed business planning for 2013 and Postbank's business and risk strategy for 2013. After extensive discussion, we approved the submitted business plan for 2013. As part of the implementation of the German Corporate Governance Code (DCGK), we set goals regarding the composition of the Supervisory Board at Postbank as defined in section 5.4.1 of the DCGK and submitted our Declaration of Compliance in accordance with section 161 of the AktG. During the meeting, we also discussed contract issues and the remuneration system for the Management Board as well as approved the schedule of responsibilities presented by the Management Board. The meeting also included renewed discussions of the sale of PB (USA) Holdings, Inc. and the establishment of the new Non-Core Operating Unit segment.

During the past fiscal year, we also exercised our voting authority twice by means of written procedures.

Conflict of interest

In addition to the conflicts of interest listed and proactively reported in the Declaration of Compliance, Hugo Bänziger did not take part in the vote on the resolution to conclude a control and profit and loss transfer agreement between DB Finanz-Holding GmbH and Postbank as a result of a conflict of interest. Moreover, Supervisory Board members Rainer Neske, Christian Ricken, Christian Sewing and Werner Steinmüller reported a conflict of interest related to the consideration of the sale of PB (USA) Holdings, Inc.

Work of the committees

To carry out its work, the Supervisory Board of Postbank has formed six committees. The following members serve on the Supervisory Board and its committees:

Members of the Deutsche Postbank AG Supervisory Board and its regular committees

Supervisory Board			
Rainer Neske (Chair)	Edgar Ernst	Hans-Jürgen Kummetat	Eric Stadler
Frank Bsirske (Deputy Chair)	Stefanie Heberling	Christian Ricken	Werner Steinmüller
Rolf Bauermeister	Timo Heider	Bernd Rose	Gerd Tausendfreund
Susanne Bleidt	Tessen v. Heydebreck	Lawrence A. Rosen	Renate Treis
Wilfried Boysen	Peter Hoch	Christian Sewing	Wolfgang Zimny

Executive Committee (section 10 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen v. Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

Human Resources Committee (section 13 of the Supervisory Board Bylaws)	
Frank Bsirske (Chair)	Stefanie Heberling
Rainer Neske (Deputy Chair)	Tessen v. Heydebreck
Susanne Bleidt	Renate Treis

Loan and Equity Investments Committee (section 11 of the Supervisory Board Bylaws)	
Werner Steinmüller (Chair)	Bernd Rose
Edgar Ernst (Deputy Chair)	Renate Treis
Stefanie Heberling	Wolfgang Zimny

Nomination Committee (section 14 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Edgar Ernst
Tessen v. Heydebreck (Deputy Chair)	

Audit Committee (section 12 of the Supervisory Board Bylaws)	
Peter Hoch (Chair)	Bernd Rose
Edgar Ernst (Deputy Chair)	Werner Steinmüller
Timo Heider	Gerd Tausendfreund

Mediation Committee (section 15 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen v. Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

The Executive Committee is responsible for, among other things, preparing the appointment and withdrawal of members of the Management Board; preparing the financial statements; amending and terminating the employment contracts for members of the Management Board; and granting loans to members of the Management Board and Supervisory Board. It also addresses issues of overriding importance and fundamental questions about the Company’s strategic direction. The committee met eight times during the reporting year, three of which were teleconferences. The meetings focused on personnel planning on the Management Board, changes in the remuneration system for the Management Board and loans to members of executive bodies of the Postbank Group. During its meetings, the Executive Committee also prepared resolutions for the Supervisory Board and approved the assumption of offices by Management Board members in other companies.

The Loan and Equity Investments Committee is responsible for credit decisions, fundamental questions about the granting of loans, the granting of loans to members of executive bodies as long as this does not fall within the responsibility of the Executive Committee, and certain investment decisions. The Loan and Equity Investments Committee met seven times during the reporting year. One of these meetings was held jointly with the Audit Committee, and three involved teleconferences. In its meetings, the Loan and Equity Investments Committee, in line with its remits, discussed the approval of new loans, the extension of existing loans and increases in the lending limits for various individual loans and credit facilities. In addition, the Loan and Equity Investments Committee received reports on credit risk and discussed both the reports and the credit risk strategy itself regularly with the Management Board. In meetings in the past fiscal year, the Management Board provided regular comprehensive information to the Loan and Equity Investments Committee about developments related to the financial market and sovereign debt crisis and its impact on Postbank. During the meetings, portfolio strategies and structures were closely examined and risk-lowering measures discussed. In addition, the committee intensely explored risk projects related to regulatory requirements. To be able to efficiently address overarching topics, the Loan and Equity Investments Committee worked closely with the Audit Committee.

The Audit Committee is assigned the issues of accounting, risk management, compliance, internal audit, the internal control system and auditing. The Audit Committee met eight times in the period under review. One of the meetings was held with the Loan and Equity Investments Committee, and four were conducted as teleconferences. The meetings – at which the auditor was present – focused on providing extensive support to the examination of the annual and consolidated financial statements for 2011 and interim reports as well as discussions of accounting. The half-yearly report and the quarterly reports for 2012 were discussed with the Management Board before their release in accordance with the recommendations in section 7.1.2 of the DCGK. During the period under review, the Audit Committee examined the efficiency of the Bank's risk management system, the internal control system and the internal audit system. The committee was involved in the issuance of audit contracts and defined the focal points of the audit of the annual financial statements for the fiscal year. In the process, the committee assured itself of the autonomy of the auditor pursuant to the guidelines of the DCGK. During its meetings, it conducted a thorough examination of the findings of the auditor, the work of Internal Audit, questions regarding compliance, accounting and legal risk, special reviews that had been conducted and objections raised by supervisory authorities, and a deposit protection audit. The committee intensely supported the execution of findings during the entire reporting year. The committee was kept up to date by the Management Board on the sovereign debt crisis and its development and impact on Postbank. The committee scrutinized measures proposed by the Management Board to further reduce risks and intensely discussed these proposals. In addition, the Management Board regularly informed the Audit Committee about changes in regulatory conditions and their impact on Postbank. The committee prepared its own resolutions when necessary or submitted a corresponding resolution recommendation to the Supervisory Board.

The Human Resources Committee addresses Deutsche Postbank AG's human resources activities and the principles of human resources development. In fiscal year 2012, the committee met twice. In the Human Resources Committee meetings, the reports on human resources given by the Management Board focused on human resources development within the Group, including diversity, the age structure at Deutsche Postbank AG, planned educational and training concepts and information on personnel cost and workforce management. Other key issues taken up by the committee were negotiations regarding optimization measures of Postbank Banking Services and changes in cross-departmental functions related to the ongoing integration into the Deutsche Bank Group.

The Nomination Committee prepares the recommendation of the Supervisory Board for the election or appointment of shareholder representatives by the Annual General Meeting. It held two meetings in the past fiscal year to discuss questions of succession in the Supervisory Board.

The Mediation Committee is a committee required by the provisions of the *Mitbestimmungsgesetz* (MitbestG – Co-Determination Act). It submits personnel recommendations to the Supervisory Board in case the statutorily required two-thirds majority in the Supervisory Board is not achieved for the appointment or dismissal of Management Board members. The past fiscal year evinced no need here. For that reason, the Mediation Committee did not meet in the period under review.

Audit of the annual and consolidated financial statements

The auditor elected by the previous year's Annual General Meeting – PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf – audited the accounting, the annual financial statements of Deutsche Postbank AG and the consolidated financial statements, including the respective management reports, for fiscal year 2012 and issued an unqualified audit opinion for each one.

In accordance with section 317(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code), the auditor performed an audit of the risk early-warning system to be set up in accordance with section 91(2) of the AktG and confirmed that the Management Board had taken measures to satisfy the requirements associated with risk strategy, risk-bearing capacity, risk management and risk monitoring, including the establishment of a suitable risk early-warning system that is able to recognize developments early on that jeopardize the continued existence of the Bank.

Deutsche Postbank AG's annual financial statements, the consolidated financial statements, the management reports, the Management Board's dependent company report and the auditors' reports were made available to all Supervisory Board members and were examined by us. Since there was no distributable net retained profit for the year under review, the Management Board did not submit to the Supervisory Board a proposal for the appropriation of that profit.

The discussions were conducted in the presence of representatives of the auditor. They reported on the execution and key findings of the audit during the Supervisory Board meeting on March 22, 2013, and were available to provide supplemental information and answer questions. During that meeting, the Chairman of the Audit Committee reported on the results of the Audit Committee's examination of the annual and consolidated financial statements. We took note of and concurred with the results of the audit of the annual financial statements. The final results of our own examination did not give rise to any objections to Deutsche Postbank AG's annual financial statements or the consolidated financial statements.

We approve the annual financial statements of Deutsche Postbank AG that were put forward by the Management Board as well as the consolidated financial statements. The annual financial statements of Deutsche Postbank AG are thus adopted.

Changes in the Management Board and Supervisory Board

As of the end of June 30, 2012, Stefan Jütte left his position as Chairman of the Management Board of Deutsche Postbank AG. Frank Strauss was appointed as the new Chairman of the Management Board by the Supervisory Board effective July 1, 2012. Mario Daberkow, Horst Küpker and Michael Meyer resigned from their Management Board positions at Deutsche Postbank AG effective December 31, 2012.

Susanne Klöss and Ralph Müller were appointed Executive Managers of Postbank effective December 1, 2012.

The following changes were made in the Supervisory Board:

Hugo Bänziger resigned from his office on the Supervisory Board effective as of the end of April 30, 2012. Wilfried Anhäuser, Marietta Auer, Annette Harms, Elmar Kallfelz and Ralf Krüger left their offices on the Supervisory Board of Postbank following the conclusion of the regularly scheduled Annual General Meeting on June 5, 2012.

On May 9, 2012, Christian Sewing was appointed to the Supervisory Board by the Bonn Local Court (Amtsgericht Bonn) and was approved by the Annual General Meeting on June 5, 2012. On the shareholder side, Christian Ricken was elected to a position on the Supervisory Board by the Annual General Meeting, and the term of Peter Hoch was extended to 2014. As employee representatives, Susanne Bleidt, Hans-Jürgen Kummetat, Bernd Rose and Wolfgang Zimny were appointed to the Supervisory Board by the assembly of delegates.

Roland Folz was elected by the Annual General Meeting as deputy for Christian Ricken and Christan Sewing.

We would like to thank the departed members of the Management Board and Supervisory Board for their extraordinary dedication and the constructive support they provided to the Company in the past years.

Corporate governance

The Declaration of Compliance in accordance with section 161 of the AktG was last issued by the Management Board and the Supervisory Board of Deutsche Postbank AG on December 20, 2012, and it was made permanently available to Postbank shareholders on the Company's website. With the exception of the deviations previously mentioned, Postbank has been in compliance with all recommendations made by the Government Commission of the German Corporate Governance Code first in the version dated May 26, 2010, and recently in the version dated May 15, 2012, since the Bank issued its Declaration of Compliance on November 29, 2011.

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Detailed information about corporate governance, including the text of the Declaration of Compliance on December 20, 2012, can be found in the Corporate Governance Report including the Annual Corporate Governance Statement, starting on page 22.

We would like to thank the Management Board, employee representatives and all Group employees for their successful work.

Bonn, March 22, 2013

The Supervisory Board

Rainer Neske
Chairman

OUR RESPONSIBILITY

02

CORPORATE GOVERNANCE REPORT

INCLUDING THE ANNUAL CORPORATE GOVERNANCE STATEMENT

In this statement, Deutsche Postbank AG (hereinafter also referred to as Postbank) reports on its principles of corporate governance pursuant to section 289a of the *Handelsgesetzbuch* (HGB – German Commercial Code) and/or section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and section 3.10 of the Deutsche Corporate Governance Kodex (DCGK – German Corporate Governance Code). This statement includes the declaration of compliance, the statements on corporate governance practices, a description of the operating principles and composition of the Management Board and Supervisory Board as well as fundamental corporate governance structures.

Current implementation of new and amended code regulations

The commission has amended the version of the DCGK released on May 26, 2010, and issued the new version on May 15, 2012.

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During the past fiscal year, Postbank introduced the changes made in the code. As part of this effort, the remuneration of the Management Board that was reviewed by the Supervisory Board in 2012 has been disclosed in the Management Report on page 39 and in the Notes on pages 155. This information details the principles of the remuneration system for members of the Management Board as well as outlines the securities-oriented incentive system for members of the Management Board.

In a meeting held on December 20, 2012, the Supervisory Board formulated goals regarding the composition of the Supervisory Board in accordance with section 5.4.1 of the DCGK and set specific objectives that, among other things, consider the number of independent members of the Supervisory Board in terms of section 5.4.2 of the DCGK. In regard to election proposals made to the Annual General Meeting, the personal and business relationships of each Supervisory Board candidate to the Company, to the executive bodies of the Company and to any shareholder who holds a substantial stake in the Company will also be disclosed, insofar as conditions exist in this regard that, according to the estimation of the Supervisory Board, a shareholder who is making an objective decision about his or her vote would view as decisive.

The Company will generally focus on having an appropriate degree of female representation. When reviewing potential candidates for new election or appointment of replacements for Supervisory Board positions that have become vacant, qualified women are to be included in the selection process and given appropriate consideration in election proposals. Since the Supervisory Board elections in 2003, between 15 % and 20 % of the members of our Supervisory Board have been women. Currently, three women serve on the Supervisory Board, which corresponds to 15 %. The Supervisory Board will strive to maintain this number at a minimum and to increase it to 30 % by 2017. It should be taken into account that the Supervisory Board can only influence its own composition by means of election proposals to the Annual General Meeting.

Moreover, objectives were formulated for filling positions on Postbank's Supervisory Board to ensure that its members as a whole have the requisite knowledge, skills and professional experience. Particular attention is to be paid to the integrity, personality, motivation, professionalism and independence of the individuals proposed for election. Fundamental conflicts of interest, and not only temporary ones, are to be avoided. A standard age limit of 72 years exists for Supervisory Board members. Importance should also be attached to the presence of international experience.

Pursuant to section 5.4.6 (2) of the DCGK, members of the Supervisory Board should receive remuneration that appropriately reflects the responsibilities that they assume and the position of the Company. Should the members of the Supervisory Board have been promised performance-related remuneration, this compensation should be based on the Company's long-term results. The Management Board and the Supervisory Board have used this regulation as a reason to make precautionary changes in the declaration of compliance because the remuneration system includes a short-term component, which, when viewed in isolation, could contradict the recommendation of section 5.4.6 (2) of the DCGK.

Declaration of compliance

For Postbank, good corporate governance is the prerequisite for the responsible, values-oriented management of companies. In this respect, the executive bodies at Postbank attach importance to implementing the DCGK as comprehensively as possible.

With regard to the DCGK recommendations issued on May 15, 2012, the Management Board and Supervisory Board of Postbank declared the following deviations on December 20, 2012:

"1. Pursuant to section 5.4.2 sentence 4 of the DCGK, members of supervisory boards shall not perform advisory tasks or exercise directorships with important competitors of the Company. As of December 3, 2010, Deutsche Bank AG holds more than 50 % of Postbank shares and is thus the parent company of Deutsche Postbank AG. As of December 17, 2010, Rainer Neske, Board Member of Deutsche Bank AG, Head of Private & Business Clients, became a member of the Supervisory Board of Deutsche Postbank AG. From the point of view of the Company, it is reasonable to compose the Supervisory Board of elected representatives of the majority shareholder or its subsidiaries even if they are important competitors of the Company. In intracompany relations, it is without exception a customary practice for representatives of the parent company to be members of the Supervisory Board of the Company.

   It is the judgment of the Management Board and Supervisory Board of Deutsche Postbank AG that section 5.4.2. sentence 4 of the DCGK does not address intragroup relations. Rather, the meaning of that section applies much more to representatives of an enterprise's external competitors. The Management Board and the Supervisory Board have nevertheless decided as a precaution to make a declaration of deviation from section 5.4.2 sentence 4 of the DCGK.

2. Pursuant to section 5.5.3 sentence 1 of the DCGK, the Supervisory Board reports to the Annual General Meeting any conflicts of interest that have arisen, together with their treatment. In individual rulings issued by higher regional courts, the requirements on the scope of the information to be provided in the Report of the Supervisory Board about conflicts of interests to the Annual General Meeting were tightened. Consequently, the Management Board and the Supervisory Board of Deutsche Postbank AG believe that it cannot be ruled out that Supervisory Board reports in individual cases could possibly fail to fulfill the requirements specified in these legal decisions on reporting in line with section 5.5.3 sentence 1 of the DCGK. It is the opinion of the Company that reporting that exceeds the level applied to date is an infringement of the legally protected right to secrecy of deliberations and confidentiality in the Supervisory Board. The Management

Board and the Supervisory Board of Deutsche Postbank AG have decided as a precaution to make a declaration of deviation from section 5.5.3 sentence 1 of the DCGK.

3. Pursuant to section 5.4.6 sentence 2 of the DCGK, members of the Supervisory Board should receive remuneration that appropriately reflects the responsibilities that they assume and the position of the Company. Should the members of the Supervisory Board have been promised performance-related remuneration, this compensation should be based on the Company's long-term results. The remuneration of members of the Supervisory Board contained in the Articles of Association of Deutsche Postbank AG includes, in addition to an annual fixed component and performance-related compensation that serves as a long-term incentive, a performance-related compensation component that is based on consolidated net profit per share in the respective fiscal year. In regard to this third remuneration component, which the Management Board and Supervisory Board believe does not reflect the requirements of section 5.4.6 sentence 2 of the DCGK in terms of sustained company performance when viewed in isolation, the Management Board and Supervisory Board of Deutsche Postbank AG have decided to take a strictly precautionary step and make a declaration of deviation from section 5.4.6 sentence 2 of the DCGK."

Corporate governance practices

To implement corporate governance practices, Postbank has formulated a company vision and mission as well as a table of corporate values that are meant to serve as guiding principles for determining the long-term orientation of company policy. The Bank's vision and mission specify a normative framework for strategic and operational corporate governance and thus provide a model in equal measure for the Management Board, executives and employees.

Postbank's values are recorded in a Code of Conduct and a Supplier Code of Conduct and are meant to guide the business activities of employees throughout the Postbank Group as well as suppliers. The codes are binding for the Group's executive employees. The letter and spirit of these values are reflected in the Postbank guidelines and provisions that determine daily business life (such as organizational manuals and working instructions). The codes reflect Postbank's obligation to act responsibly, ethically and lawfully.

The following seven values of the Postbank Group form the cornerstones of our corporate culture:

- To deliver excellent quality
- To create sustainable added value for our customers
- To foster openness
- To act according to clear priorities
- To act in an entrepreneurial way
- To act with integrity internally and externally
- To accept social responsibility.

Implementation of the Code of Business Conduct and Ethics for Deutsche Bank Group, which applies to all employees, was begun at the end of the reporting year. The Code of Ethics containing special obligations for the senior financial officers of Deutsche Bank took effect in December 2012 and applies to the Chief Financial Officer, the heads of the Finance department and the Chief Financial Officers of the Postbank subsidiaries BHW, Deutsche Postbank International S.A. and PB Capital Corporation.

Furthermore, Postbank places a high value on the issue of sustainability. For that reason, principles of sustainability have been laid down in a mission statement on the topic.

Ensuring continued viability is the goal of Postbank. To create a structured and comprehensive approach, Postbank applies a three-pillar model that divides sustainability into social, ecological and economic aspects. Making active positive contributions to climate protection as well as to the social and economic environment of the Bank are constituent elements of Postbank's vision of itself. This is why sustainability is a significant part of the business strategy. Postbank is committed to providing its employees with attractive and safe working conditions as well as to conserving natural resources. As a company, it is an integral part of the society in which it operates. By taking this approach, the Bank intends to secure the long-term success of the Company and impart the principles of sustainability to every employee, principles that must transcend the realm of ideas and be lived out in daily life.

In a reflection of section 4.1.1 of the DCGK, the focus of the Company's management is directed in particular at sustained value creation. This effort is based on clear values, minimum standards governing behavior on the job each day and the structuring of remuneration for employees, managers, members of the Management Board and members of the Supervisory Board in accordance with the required sustainable, company-performance standards. (You will find additional information online at www.postbank.com/sustainability.)

The issue of diversity plays a role in decisions related to the filling of managerial positions in the Company (section 4.1.5 of the DCGK), to the appointment of individuals to the Management Board (section 5.1.2 of the DCGK) and in the composition of the Supervisory Board (section 5.4.1 of the DCGK). In the process, a priority is given to the appropriate consideration of women. In October 2011, the Management Board launched the project "Gender Diversity Management" in order to significantly increase the share of women in management positions by 2017.

In this connection and with the participation of the Management Board, the course has now been set Group-wide for successful diversity management. Target values to be achieved within the scope of the diversity project, including any required measures and potential changes to processes, have also been defined.

Operating principles of the Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together for the collective good of the Company. In keeping with its responsibilities outlined in stock corporation law, the Management Board performs corporate management duties. The Supervisory Board fulfills its supervisory, monitoring and advisory duties. The shareholders – that is, the owners of Postbank – exercise their rights prior to or during the Annual General Meeting.

Management Board

The Management Board has sole responsibility for the management of Deutsche Postbank AG. It represents the Company externally and conducts business. The Management Board members share joint responsibility for corporate management. In addition to their overall responsibility for the Bank, each member of the Management Board assumes individual responsibility for the board department that he or she oversees.

In the collective interest of the Company, the members of the Management Board ensure that uniform objectives are pursued. Coordinating and determining joint plans, goals and the measures to realize them are a matter of course as are developing and implementing binding Company-wide policies. The Management Board develops the business goals, basic strategic focus, corporate policy, and organizational structure of the Group. It is responsible for the preparation of interim reports and interim management statements, and the annual financial statements of Deutsche Postbank AG as well as of the Group, including the Management Reports. Furthermore, the Management Board ensures that the Company complies with laws and governmental regulations.

The Management Board regularly consults with the Supervisory Board about the Company's strategic direction and business planning as well as informs it about the progress being made toward achieving these goals and about strategy implementation.

The Management Board holds regular meetings. These meetings are called by the Board's Chairman, who coordinates the work of the Management Board. The calling of an unscheduled meeting by the Board Chairman can be done for urgent reasons or upon the request of two Board members. The majorities required for adopting resolutions within the Management Board, the issues whose discussion is the responsibility of the entire Management Board, and the current assignments of board departments to individual Management Board members are governed by the Bylaws of the Management Board.

To promote efficient decision management, the Management Board has established committees in which Board members are represented. These committees have the power to make their own decisions or the authorization to make preparations for decisions. The composition of these committees and their areas of responsibility are governed by their own Bylaws. Changes to these Bylaws require the approval of the entire Group Management Board. The committees are required to report to the Group Management Board.

The areas for which the Operating Committee is responsible comprise cost, resource and infrastructure management and the oversight of projects.

The Bank Risk Committee ensures management and planning for all major and minor risks in the Postbank Group across the various types of risk. The committee is responsible for strategic overall management of the risk situation and risk profile of the Postbank Group within the context of the framework conditions laid down by the Group Management Board. In carrying out its responsibilities, the Bank Risk Committee is supported by the Market Risk Committee, the Operational Risk Committee, the Cover Business Committee, the Model and Validation Committee and the Credit Risk Committee.

The Consumer Banking Executive Committee assumes an advisory, coordination and decision-preparation role for the Management Board of Postbank and the Global Executive Committee in the Private & Business Clients corporate division of the Deutsche Bank Group. It develops the sales strategy and regularly monitors sales channels and product activities as well as offers ideas aimed at improving products and creating new ones.

The Implementation Committee is responsible for managing projects in particular related to integration into the Deutsche Bank Group.

The work of the Reputation Committee involves developing guidelines and evaluation criteria for products and processes designed to recognize, review and escalate any potential reputational damage as well as overseeing these guidelines.

Supervisory Board

The Supervisory Board appoints, monitors and advises the Management Board. Its members possess the knowledge, skills, professional experience and suitability needed to properly carry out their responsibilities. The Supervisory Board is directly involved in decisions of fundamental importance for the Company, including matters subject to approval by the Supervisory Board according to the Articles of Association or as set down in the Bylaws. The Chairman of the Supervisory Board coordinates the work of the 20-member Supervisory Board. Ten of them are elected by the Annual General Meeting in individual elections or appointed by the courts as replacements until the next election, in accordance with the provisions of the AktG. Ten further members are elected by the employees in accordance with the *Mitbestimmungsgesetz* (MitbestG – Co-Determination Act) of 1976. Seven of these members of the Supervisory Board are employees of the Company, including one executive employee. Three additional members of the Supervisory Board are representatives of unions represented at the Company. To support it in its duties, the Supervisory Board has established six committees that report to it on their work at regular intervals. These are the Executive, Audit, Human Resources, Loan and Equity Investments, Nomination and Mediation Committees. The Report of the Supervisory Board contains further details on the composition, function and meeting agendas of the Supervisory Board and its committees (see page 12).

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The efficacy of the Supervisory Board's work is reviewed on a regular basis within the scope of an efficiency audit.

Interaction between the Management Board and Supervisory Board

Effective cooperation between the Management Board and Supervisory Board rests on the ample flow of information about company issues to the Supervisory Board. Ensuring the smooth exchange of information is the responsibility and common objective of the Management Board and Supervisory Board.

The cooperation of the executive bodies is governed by the Company's Articles of Association, which are resolved by the Annual General Meeting, the Bylaws of the Supervisory Board – as well as its committees – and Management Board, and the resolutions of the executive bodies in line with the relevant legal regulations. These lay down how the Supervisory Board should perform its supervisory, monitoring and advisory duties. The Bylaws of the Supervisory Board contain a list of transactions requiring approval.

The Management Board's information and reporting duties are laid down in both the Bylaws of the Management Board and those of the Supervisory Board.

To promote good corporate management and to achieve sustained growth in enterprise value, the Management Board and Supervisory Board are in regular close communication with regard to relevant questions of planning, business development, the risk position, the internal control system, risk management, compliance, and strategic measures. The chairmen of the Supervisory Board and the Management Board in particular are in regular contact.

The members of the Management Board and the Supervisory Board are obliged to act in the Company's interests and may not pursue any personal interests in their decisions. Any conflicts of interest are to be disclosed to the Supervisory Board. Fundamental conflicts of interest, and not only temporary ones, in the person of a Supervisory Board member normally lead to a termination of the period of office. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest that have arisen and how they were addressed.

Outside activities pursued by the Management Board members have to be approved by the Supervisory Board and/or the Executive Committee.

Annual General Meeting and shareholders

The shareholders exercise their rights before or in the Annual General Meeting; as a rule, the Annual General Meeting is convened once a year by the Management Board, which also circulates the agenda and publishes the required reports and documents. The essential documents and the notice convening the Annual General Meeting are available for download on the Internet. Every no-par value share entitles its holder to one vote. Shareholders may exercise their voting rights themselves, via a proxy of their choice, or via a Company proxy acting on their instructions. Company proxies may be appointed up until the evening before the Annual General Meeting. For shareholders who participate in the Annual General Meeting, Company proxies may be contacted throughout the Annual General Meeting until the vote is taken. The resolutions by the Annual General Meeting are adopted by a simple majority of the votes cast, in the absence of binding legal requirements to the contrary. Where the law prescribes a capital majority in addition to a voting majority, votes are adopted by a simple majority of the share capital represented.

Postbank's Annual General Meeting approved the online transmission of information to shareholders. Since then, this procedure has been laid down in section 3 of the Bank's Articles of Association.

Other corporate governance principles

Transparency

Postbank strives to provide its customers, shareholders, employees and the public with comprehensive and up-to-date information. It does this on a regular basis using appropriate communication channels. To guarantee maximum transparency and to justify the public's trust, new information is disclosed to all interest groups simultaneously in the interest of fair disclosure. To this end, Postbank publishes annual and interim reports as well as interim management statements. Postbank communicates through news conferences, press releases, Investor Relations releases, ad hoc disclosures, disclosures required by section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Company reports and the Company's website (www.postbank.com). Both current and historical data in German and English are available on the website. The dates of the principal recurring publications are published well in advance in the Financial Calendar on the Company's website.

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A list of the positions held by members of the Management and Supervisory Boards can be found on page 162, Note 57.

Accounting and auditing

The Postbank Group prepares its accounts in accordance with the International Financial Reporting Standards (IFRSs). Postbank's annual financial statements are prepared within 90 days in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). Interim reports are released within 45 days of being discussed by the Audit Committee with the Management Board.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected as the auditor for fiscal year 2012 by last year's Annual General Meeting. The auditors' independence has been reviewed and ensured, including for services already delivered or agreed on. The Postbank auditors are also subject to internal rotation. In addition, the auditors are required to inform the Company's executive bodies directly of any anomalies and to document any errors in their audit. In particular, they must report immediately any grounds for impaired independence during the audit and any findings that affect the Supervisory Board or indicate inaccuracies in the declaration of compliance. Details of the auditors' total fee can be found on page 167, Note 58.

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Compliance

In the financial industry, trust among market players is the overriding factor in business. For this reason, business conducted and services provided must be characterized by fairness toward other market players and, in particular, toward our customers. Our success in business depends not least on maintaining a solid, trusting relationship among our customers, Postbank and our employees. Actions that hurt our customers, unfairly influence the capital market or tarnish the Bank's image must be avoided. To this end, our Company has developed a uniform attitude toward compliance. "Compliance" means "acting in observance of applicable laws, regulatory rules and internal guidelines." At Deutsche Postbank AG, interaction among customers, the Bank and employees is based on fairness, integrity and trust. This interaction is carried out on the basis of applicable laws and other regulations designed to protect investors and avoid conflicts of interest.

Through consulting assistance and support of the business divisions and through other steps, which include in particular regular control and monitoring activities as well as training courses, the compliance function aids the Bank in becoming a business organization that prevents the breach of prevailing laws and regulations and, thus, observes legal and other statutory requirements related to the provision of securities services. Furthermore, compliance risks are reduced, that is, the risks of statutory or regulatory sanctions, financial losses or image damage that could occur if the Bank failed to comply with prevailing laws, regulations, codes of conduct or accepted standards.

To pursue instances in which prevailing laws are not followed, a whistleblowing hotline was set up in December 2012. The process related to this hotline uniformly spells out how credible tips from the Bank's workforce should be addressed. This hotline system enables every employee to (anonymously) report violations. In this program, the employee can turn to executives, to liaison officers in various divisions or directly to the hotline.

The compliance function has been given a high priority at Postbank. In a reflection of its importance, the Compliance department reports directly to the Management Board.

As part of the annual audit, the compliance function is evaluated by auditors in accordance with section 36 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

Risk management

The Postbank Group monitors and manages its risks through Group-wide risk management. Deutsche Postbank AG is fully integrated into these processes. As part of the process of integrating Postbank with Deutsche Bank's risk management activities, concrete plans were made and implemented for adapting the structure of the relevant bodies, for networking them, and for introducing functional reporting lines between Postbank and Deutsche Bank. In addition, regular risk reports are submitted to Deutsche Bank to ensure comprehensive risk capture and management. The key management reports and core ratios were defined and analyzed, and reported together.

The principles of responsible corporate management are also applied at Postbank in dealing with risks. In line with the requirements of company and banking supervisory law, Postbank has installed an extensive risk management system in order to recognize, analyze, monitor and manage in a timely manner risks arising from its business activities. The system is also designed to generate the information relevant to Postbank's risk situation in a timely manner. In order to increase its efficiency, risk management is implemented at three different levels: in the Management Board, in the Risk Committees, and in the operating units for risk management and monitoring. In accordance with the Minimum Requirements for Risk Management (MaRisk), reports and strategies on different risk types are presented by the Management Board to the Supervisory Board and discussed by them together. Both specific and portfolio risks are managed – this includes the management of concentration risks. Postbank compares the risks from business activities with the risk-bearing capacity of the Group to allow it to judge whether they are in suitable proportion to each other given its strategic business goals. The risk management system is continuously reviewed on the basis of current developments and adapted if necessary. The effectiveness of the system is reviewed by Internal Audit.

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For further explanations and information on risk management, please see the Risk Report on page 49.

SUSTAINABILITY

SAFEGUARDING THE FUTURE

Sustainable company management at Postbank is anchored in Group-wide social, ecological and economic principles. The "Sustainability and Climate Protection" competence center has been dedicated to the sustainable development of Postbank across departments and locations since 2009.

Social sustainability

It is the responsibility of each individual to work toward a common future of peace and prosperity. For that reason, Postbank also sees itself called to assume social responsibility – and it does that by championing employees, customers and society. One example of that commitment was Postbank's signing of the Diversity Charter to promote an open, tolerant and diverse company culture. As part of a study of private old age pensions, the Bank also initiated a dialog on the prevention of old-age poverty and supports educational and research institutions.

Children are our future. It is our responsibility to protect them and promote their development. For three years now, Postbank and its employees have supported the Christian children and young people's charity organization "Die Arche e.V." in the fight against child poverty. In that time more than 4,400 gifts and €55,000 have been donated to the Arche's Christmas Tree Wish List Campaign to help support socially disadvantaged children. Postbank and its employees have also been involved in the annual Christmas collection for Welthungerhilfe, a German world hunger aid organization, for thirty years. To date, more than €430,000 has been donated to Welthungerhilfe.

Ecological sustainability

Environmental protection not only helps to preserve the basis of life for all living creatures, it also safeguards the material basis of our economy. In 2008, Postbank claimed responsibility for active environmental and climate protection when it implemented the environmental management system (EMS). Our EMS was re-certified by TÜV Rheinland in accordance with ISO 14001 for the first time in March of 2012. During the process, Postbank locations in Bonn and Frankfurt were audited. Postbank also achieved its goal of reducing the carbon dioxide emissions from its business operations by 20 % by 2012 compared with the emission levels of 2007. Moreover, as of January 1, 2012, all of Postbank's major sites now fully utilize eco-electricity – an important stride in terms of ecologically sustainable action.

Economic sustainability

Safeguarding the long-term capability of Postbank is the basis of our sustainable company development. That is why our business activities are oriented on the desires and concerns of Postbank stakeholders. The foundation here is formed by responsible interaction with one another. Since 2012, the guidelines for responsibly-minded action contained in Deutsche Bank's Code of Ethics have also applied to Postbank. Employees have also been able to use a whistleblower hotline – anonymously as well – to report possible violations of code principles or applicable law since December 2012. In addition, Postbank has benefited from the constructive criticism of a Customer Advisory Board that has represented the interests of customers for almost seven years now. Customer Advisory Board members can submit recommendations for improvements and present the views of customers in joint discussion rounds, telephone conversations or e-mail. The viability of these recommendations is then examined by the Customer Advisory Board working group, which consists of Postbank employees.

Sustainability reporting

Transparent reporting of activities and developments in the area of sustainability are part of our corporate responsibility. Our annual Sustainability Report provides detailed information on the principles and activities of Postbank related to this subject. To get an initial overview of Postbank's sustainability management, visit us online at www.postbank.com/sustainability.

GROUP MANAGEMENT REPORT

DEUTSCHE POSTBANK AG

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GROUP MANAGEMENT REPORT

BUSINESS AND ENVIRONMENT

Organization and management of the Group

Business activities, important products, services and business processes

The Deutsche Postbank Group (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 Retail Banking. Its work is rounded out by the business it conducts with corporate customers (payment transactions and financing), settlement services (Transaction Banking) as well as money market and capital market activities. On December 3, 2010, Postbank became part of the basis of consolidation of Deutsche Bank AG, which indirectly holds more than 90 % of the shares in Deutsche Postbank AG.

With its business activities, Postbank plays a significant role in the Private and 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 is the key component of Consumer Banking Germany in the Private and Business Clients corporate division. Consumer Banking views itself as a financial services provider that is oriented on 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.

Postbank has organized its activities into the business divisions of Retail Banking, Corporate Banking, Transaction Banking, Financial Markets and the new Non-Core Operating Unit (NCOU):

- In the Retail Banking division, Postbank offers retail and corporate customers standardized, reasonably priced banking and financial service products designed to meet typical needs. The focal point is placed on the traditional checking account and savings deposit business, home savings and mortgage lending products as well as consumer loans. The product range is complemented by offerings of securities (particularly funds) and insurance as well as retirement provision schemes. As a multi-channel bank, Postbank offers its products in branches, through mobile sales, direct banking (Internet and mailings) and call centers as well as the third-party sales of agents and cooperation partners. In a partnership with Deutsche Post AG, Postbank offers postal services in its network of branches. This business increases the number of daily visitors to the branches and generates fee and commission income.

- The Corporate Banking division provides Postbank's corporate customers with services revolving around payment transactions and corporate loans, commercial real estate finance, and factoring and leasing. Products from the investment sector as well as interest rate and currency management complement the range of offers.

- The Transaction Banking division of Postbank provides a comprehensive range of services related to bank accounts, payment transactions and loans.

  The segment reporting shows the results from payment transaction services that are bundled in Betriebs-Center für Banken AG (BCB) and VÖB-ZVD Processing GmbH. BCB performs payment transaction services for Postbank and Deutsche Bank as well as such external clients as Hypo-Vereinsbank and HSH Nordbank. VÖB-ZVD Processing GmbH provides its customers with services they need for card- and online-based payment transactions. In the area of card-based payment transactions, it is one of Germany's largest network operators.

- The Financial Markets division performs Postbank's money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by controlling interest rate risks and market risks. The Financial Markets division also manages Postbank's liquidity position. Through mid-2012, this division directed several subsidiaries that were responsible for the management and administration of the Postbank brand's retail funds. The main activities were introduced into the DWS Group as a way of sharpening the strategic profile.

- The new Non-Core Operating Unit segment (hereafter also NCOU) manages those portfolios and activities at Postbank that are no longer part of its core strategic direction going forward. To improve the management of these activities, they have been transferred from their original segments into the new NCOU segment with its own management responsibility. Details can be found in the Segment reporting.

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 2012. The subsidiary BHW Bausparkasse Aktiengesellschaft is domiciled in Hameln.

In addition, Postbank also maintains a subsidiary in Luxembourg and a branch in London. PB (USA) Holdings, Inc. and its subsidiaries, among which PB Capital Corporation, New York, also belongs, was sold within the Deutsche Bank Group as of the end of December 31, 2012.

Fundamental sales markets and competitive position

In Retail Banking, Deutsche Postbank AG 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, it focuses particularly on German SMEs in this area. With its subsidiary Betriebs-Center für Banken AG, Frankfurt am Main (BCB), Postbank is one of the largest providers of payment transaction services in the German market. On behalf of Deutsche Postbank AG and three other clients, including Deutsche Bank AG, BCB processed around 7.5 billion transactions during the reporting year.

Group management at Postbank

The management within the Postbank Group 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/or after tax.

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

As the most important metric used to judge and manage income power, total income includes net interest income as the key income indicator in the 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 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 previously 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) on the basis of balanced scorecards 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 new schedule of responsibilities of the Management Board 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 previously mentioned, established management parameters, Postbank uses the risk/return ratio in internal management. Similar to RoE, the return is calculated on the basis of regulatory capital (RoReC) and forms a basis for decision-making on the individual transaction level and the aggregate level. Furthermore, management of the return is conducted at the overall bank, segments and management portfolio levels on the basis of economic capital (return on risk-adjusted capital or 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 components). Additional details are provided in the Remuneration report starting on page 39 or page 155.

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

Control and profit and loss transfer agreement

Following a corresponding resolution by the Management Board and Supervisory Board of Deutsche Postbank AG, the Management Board of Deutsche Postbank AG signed the control and profit and loss transfer agreement between Deutsche Postbank AG, as the dependent company, and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), as the controlling company.

The Annual General Meeting of Deutsche Postbank AG on June 5, 2012, approved the control and profit and loss transfer agreement between DB Finanz-Holding GmbH and Deutsche Postbank AG. The agreement came into force on entry in the commercial register on June 20, 2012. On September 11, 2012, the Cologne Higher Regional Court confirmed the validity of the control and profit and loss transfer agreement during clearance proceedings. An action for rescission of the above-mentioned resolution approving the agreement was withdrawn following an out-of-court settlement.

DISCLOSURES IN ACCORDANCE WITH SECTION 315(4) OF THE *HANDELSGESETZBUCH* (HGB – GERMAN COMMERCIAL CODE) AND EXPLANATORY REPORT

Share capital, voting rights and transfer of shares
Postbank's share capital amounted to €547,000,000 as of December 31, 2012, 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. At the moment, no shareholder or group of shareholders is entitled to special rights, in particular those conveying powers of control.

The exercise of voting rights and the transfer of shares are based on the general statutory provisions and the Company's Articles of Association, which do not limit either of the two. Article 17 of the Articles of Association determines the requirements that must be met by shareholders to attend the Annual General Meeting and exercise their voting rights. The Company only regards as shareholders the persons entered as such in the share register. 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 %
Deutsche Bank AG, Frankfurt am Main, indirectly held through DB Finanz-Holding GmbH and DB Valoren S.à.r.l. or DB Equity S.à.r.l., approximately 94.1% of Deutsche Postbank AG shares on December 31, 2012.

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

Powers of the Management Board to issue or repurchase shares
By way of a resolution adopted by the Annual General Meeting of Deutsche Postbank AG on April 22, 2009, 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 €273.5 million up to April 21, 2014, by issuing new no-par value registered shares against cash and non-cash contributions including mixed non-cash contributions (Authorized Capital).

The shareholders are generally granted pre-emptive subscription rights. The Management Board is 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, created the basis pursuant to the Articles of Association for contingently increasing the Bank's share capital by up to €273.5 million by issuing 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 ownership 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, provides the basis for the issue and guarantee.

Furthermore, the Management Board was authorized during the Annual General Meeting of Deutsche Postbank AG on April 29, 2010, to purchase own shares for the purpose of securities trading in accordance with section 71 (1) no. 7 of the *Aktiengesetz* (AktG – German Stock Corporation Act) totaling up to 5 % of the relevant share capital or for other purposes in accordance with section 71 (1) no. 8 of the AktG to acquire up to 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 following the conclusion of the Annual General Meeting described here and will remain in force through April 28, 2015.

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.

Appointment of Management Board members
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). Members may be reappointed or their term extended, in each case for a maximum of five years, insofar as this is permitted by the relevant statutory provisions. 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 Chairman of the Management Board and a Deputy Chairman of the Management Board as well as alternate members.

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

Amendments to the Articles of Association
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 also 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 capital majority in addition to a voting majority, resolutions are passed by a simple majority of the share capital represented during the vote.

Compensation agreement concerning takeover bids
No compensation agreements in the case of a takeover bid have been concluded with current members of the Management Board of Deutsche Postbank AG.

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 SUPERVISORY BOARD

Structure of the remuneration of the Management Board in fiscal year 2012

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.

The Management Board remuneration system was adapted as follows in the year under review: On March 19, 2012, the Supervisory Board resolved to replace the closing share price used to calculate the share-based remuneration with the average share price for the last ten trading days before the date on which the Supervisory Board finally and without reservation determines that the targets and sustainability criterion have been met, or the last ten trading days of the one-year lock-up period. On December 20, 2012, the Supervisory Board resolved to replace the phantom shares of Deutsche Postbank AG allocated for blocked and future components with phantom Deutsche Bank AG shares.

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 design of the Management Board remuneration structure 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.

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 targets. These targets 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.

Remuneration of the Supervisory Board in 2012

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting it in line with the Corporate Governance Code. 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 Deutsche Postbank AG. 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 the Management Board and Supervisory Board of Deutsche Postbank AG 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 Note 55 of the notes to the consolidated financial statements.

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EMPLOYEES

At the end of 2012, Postbank employed 18,599 full-time equivalents, 345 fewer than on December 31, 2011. The total figure and the prior-year comparison incorporate both the 374 norisbank employees who were taken on by Postbank Filialvertrieb AG on August 1, 2012, and a calculation basis for employee numbers that was adjusted as a result of integration efforts. On a full-time equivalent basis, the workforce also included 5,734 civil servants, or about 31 % of the headcount. About 25 % of our employees work part time.

Our external turnover in 2012 was about 6.9 %. The average length of a person's employment at the company was approximately 22 years. Postbank remunerates almost all of its employees on the basis performance and profit-related criteria that flow into a variable remuneration component.

MACROECONOMIC ENVIRONMENT IN 2012

Weak growth of the global economy

In 2012, the world's economy slowed markedly. It was hurt in particular by the sovereign debt crisis in the European Economic and Monetary Union, a problem that triggered a renewed recession in the eurozone. At the same time, the economies of most other industrial countries grew only modestly. In emerging markets, growth did continue, but the rate dropped appreciably as a result of the weak demand being generated by industrial countries. The International Monetary Fund (IMF) reported that world economic output grew by 3.2 % overall in 2012, compared with 3.9 % in the previous year.

In the United States, the economy rebounded slightly in 2012. Positive momentum was generated in particular by gross capital expenditures. While the rising trend in investments in machinery and equipment eased, investments in construction jumped measurably. One key reason for this rise was residential construction, which generated double-digit percentage growth after bottoming out. Private consumption by contrast remained soft. On balance, foreign trade failed to serve as any significant driving force as exports and imports rose modestly. The economy also continued to be hurt by reduced levels of government spending. Overall, gross domestic product (GDP) rose by 2.2 % in 2012, slightly higher than the previous year.

The emerging countries of Asia managed to continue producing the highest rate of economic growth of all regions in 2012. But the pace slowed significantly. In China, GDP growth eased to 7.8 %, the lowest growth rate since the turn of the millennium. Japan's economy, after experiencing a powerful surge at the beginning of the year, suffered a setback as 2012 progressed. Exports in particular took a steep plunge in the second half of the year, resulting in a slight overall decline here in 2012. Private consumption and investments however rose comparatively sharply. Overall, Japan's GDP rose by a solid 1.9 % in 2012.

During the year under review, the eurozone slipped into a recession once again with GDP in the zone falling each quarter. The area's economic performance as a whole contracted by 0.5 % compared with the previous year's level. The key reasons for the setback were the sovereign debt crisis in the eurozone and the far-reaching budget-consolidation efforts launched in some member states in the wake of this crisis. On average, real government spending was reduced only slightly in the zone. But spending cuts and tax increases acted as a major drag on private consumption, gross capital expenditures and companies' inventory investments. Domestic demand dropped markedly by about 2 % on balance. This recessive trend was cushioned by foreign trade, which rose by 1.5 percentage points. With an economic basis that was substantially weaker than in the previous year, the differences in the eurozone's growth rates remained very wide. While southern member states almost without exception experienced sharp drops in GDP and France's economy stagnated, Germany and Austria were at least able to generate moderate growth.

German economy slows significantly

During 2012, the German economy weakened significantly. After producing solid growth in the first half of the year, the country's economy largely stagnated in the second half. As a result GDP increased by just 0.7 % in 2012, with exports acting as a driving force. A significant drop was recorded in investments in machinery and equipment in particular. Faced with an unsettled business climate resulting from the sovereign debt crisis in the eurozone, companies grew more cautious and put off capital expenditures. Investments in construction also slipped slightly below the previous year's level. This development was triggered by a steep decline in public-sector construction investments, a moderate decrease in commercial construction investments and – contrary to this trend – another strong rise in investments in residential construction.

Private consumption grew only slightly. Disposable income as a whole, despite another significant rise in wages and salaries, increased considerably less than it did in the previous year. Given that the inflation rate declined only slightly from 2.3 % in 2011 to 2.0 %, there continued to be little leeway for real growth in consumption. The upswing on the labor market also stalled to a large extent as the year progressed because of the economic slowdown. Nonetheless, in terms of an annual average, the number of jobless people still dropped by 79,000 to 2,897,000, and the unemployment rate decreased from 7.1 % to 6.8 %. The average number of people in the workforce climbed by about 450,000 to 41.61 million during the year.

On the whole, Germany's macroeconomic performance in 2012 was weaker than we expected at the time of our last annual report.

Market developments

The ongoing sovereign debt crisis in the eurozone acted as a headwind on global markets throughout the year. This negative trend was intensified by the measureable slowdown in the world's economy. In the second half of the year, however, far-reaching steps taken by central banks to support financial markets, combined with more optimistic economic expectations, significantly brightened the mood of markets – a development that was reflected in a sharp rise in stock prices.

Following high volatility in the first half of the year, prices on the German stock market began to climb steeply at mid-year. In conjunction with the prospect of low longer-term interest rates and a gradual economic recovery, steps taken by the European Central Bank (ECB) to hold the eurozone's sovereign debt crisis in check triggered a powerful rally. The DAX climbed by 29.1% in 2012. The EURO STOXX 50 was unable to match the DAX's performance, but it still managed to rise 13.8 %. Similar gains were produced in the United States. The S&P 500 climbed by 13.4 % in 2012. Corporate bonds also profited from this trend during the year: The risk premiums for bonds with high ratings and bonds with low ratings plummeted during the second half of the year.

The turbulence sweeping through the market for the sovereign bonds issued by eurozone countries continued in 2012. At times, it grew even more pronounced. In February, eurozone countries and the IMF agreed on a new rescue package for Greece that included a debt waiver involving private sector investors of just above €100 billion, in addition to new loans and a reduction of interest rates for loans that had already been disbursed. As a consequence of the persistently tense financial situation in the public sector, additional aid for Greece was initiated in November 2012. Afterwards the interest rates for rescue loans that had already been disbursed were reduced once more and the terms of the loans significantly extended. In return, Greece had to buy back government bonds at sharply reduced prices in order to reduce outstanding debt. The continuing unsettled political situation in Greece also sent jitters through markets. Nonetheless, backers of the budget-cutting effort won a clear victory in early elections held in June. As a result, the danger that reforms would stop and that Greece might leave the eurozone was averted for the time being.

Not only was Greece a point of concern for markets in 2012, they also focused on Italy and Spain. The growing uncertainty largely resulted from the continuing unfavorable outlook for economies in the eurozone along with persistently inadequate progress in efforts to consolidate government budgets. Added to this was the problem of non-performing real estate loans in Spain and the related distress they were causing the country's banking industry.

An agreement reached among EU countries to provide assistance to the Spanish financial sector – according to which up to €100 billion in aid was made available to the affected banks – was able to calm markets for only a brief period of time. A significant and longer-lasting recovery among the government bonds issued by deeply indebted eurozone members began only after the ECB announced during the summer that it would initiate a new bond-purchasing program. Theoretically, the so-called Outright Monetary Transactions (OMT) Program could purchase an unlimited number of government bonds. The program is primarily designed to purchase bonds with a maturity of between one year and three years. The affected countries must take part in an appropriate program of the European Financial Stability Facility (EFSF) or of the European Stability Mechanism (ESM). No ECB preferred creditor status will be granted. Simply the announcement of the – not-yet-used – OMT Program resulted in a sharp decline in risk premiums on the bond market.

As another milestone in the fight against the sovereign debt crisis, a ruling on the ESM that was handed down by the German Constitutional Court in mid-September 2012 produced a positive reaction from the markets. Under the ruling, Germany was authorized to join the permanent EU relief fund as planned, provided it fulfills modest requirements regarding increased participation by the German parliament. As a result, the ESM formally took effect at the beginning of October, ready to assist financially troubled member countries by providing guarantees, issuing loans or buying government bonds. After creating a single supervisory authority for system-relevant banks in the eurozone, the ESM is also to be given the option of offering direct assistance to troubled banks.

Overall, the programs and decisions significantly eased the sovereign debt crisis in the eurozone. The yields of 10-year Spanish government bonds fell from 7.6 % at the end of July 2012 to 5.3 % at the end of the year. Italian bonds with similar terms had yields of just 4.5 % at the end of 2012, a drop of more than 200 basis points since the high reached during the summer.

During 2012, the monetary policy being applied in the eurozone remained very expansive. In February, the ECB issued its second three-year tender. Together with the first long-range refinancing activity of this type – carried out at the end of 2011 – the ECB has made a gross total of about €1 trillion available to the European banking sector. This step is designed to stave off a possible liquidity crisis or loan crunch as well as to combat the sovereign debt crisis in the eurozone. At mid-year, the ECB cut the benchmark rate by 0.25 percentage points to the record low of 0.75 %. As a whole, the decisions made by the ECB produced an even more expansive monetary policy. This move was also reflected in money market interest rates, which plunged during 2012. At the end of the year, the three-month Euribor rate was just 0.19 %, 1.17 percentage points below its level at the end of 2011.

The U.S. Federal Reserve also remained committed to its expansive monetary policies. The corridor of the Fed Funds Rate was 0 % to 0.25 % throughout the year. The Fed also raised the prospect of leaving rates at this level for an extended period of time: This monetary policy is to remain in place as long as the unemployment rate stays above 6.5 % and the expected inflation rate below 2.5 %. Furthermore, the Fed has decided to purchase $45 billion in long-term U.S. Treasuries each month starting in 2013. The program to purchase agency mortgage-backed securities is also to be continued past 2012. With these announced intervention actions on the bond market, the U.S. Federal Reserve stepped up its expansive monetary policies.

The weak economy in the eurozone, the monetary policies of the ECB and the flight to quality bonds in reaction to the sovereign debt crisis in the eurozone caused the yields of German bunds to plunge once again. In July 2012, yields of 10-year German bunds fell to a new historic low of 1.17 %. They rose moderately later in the year, following a slight ease in the European crisis. By year's end, the yield was 1.32 % (previous year: 1.83 %). The even steeper decline of money market rates caused the yield curve in Germany to grow significantly steeper during 2012. By contrast, the yield of 10-year U.S. Treasuries, which had also occasionally fallen to a historic low, finished the 2012 year at 1.76 %, just 0.12 percentage points lower than the previous end-of-year level. The steepness of the U.S. yield curve hardly changed during the reporting period.

The exchange rate of the euro was shaped in 2012 largely by developments in the European sovereign debt crisis. The steps taken by the ECB to prevent a credit crunch and to contain the sovereign debt crisis in the eurozone initially drove the rate of the euro to the year's high of nearly $1.35 in February. But, at the beginning of the second half of the year, the rate fell to the year's low of nearly $1.21 in response to the renewed worsening of the European crisis and the ECB's interest rate cut. As the year continued, the steps taken by the ECB to calm the markets also had a positive effect on the euro's external value: By year's end, the exchange rate had risen to nearly $1.32, an increase of 1.8 % compared with the previous year.

To a certain extent, the developments seen in the markets varied considerably from our expectations when we prepared our last annual report. We had assumed that capital market interest rates would rise moderately in Germany during 2012. As a result of the ECB's benchmark interest rate and the eurozone money market rates, we had expected a sideways trend. On the other hand, we foresaw the steepening of the yield curve that did occur.

Sector situation

In 2012, the dominant issue facing the European banking industry remained the sovereign debt crisis in peripheral eurozone states. Markets directed their attention in particular at Spanish banks, which were faced with an enormous number of non-performing loans following the past real estate boom. The Spanish government took important steps designed to restructure the financial sector by seeking support from the bailout fund and setting up a bad bank to take over the affected loans. Generally speaking, the banks in peripheral eurozone states had to rely on liquidity provided by the ECB in 2012 as well. The option of obtaining liquidity on the money market was not available to most of these financial institutions because of the ongoing crisis of trust.

In mid-December 2012, the finance ministers of EU countries agreed on a plan to create a single banking supervisor for system-relevant banks. Under the plan, lending institutions whose assets total more than €30 billion or represent more than 20 % of GDP in their home markets will be overseen by the ECB. This rule will also apply to banks that have already received public bailout money. The new banking supervisor will be used in the 17 members of the eurozone. Other EU members can voluntarily ask to be monitored. The supervisor is one requirement for battered banks to be able to seek direct financial support from the euro bailout fund ESM. This will probably not be possible before March 2014, at the earliest, because the new supervisory authority is not expected to be fully operational before that time.

As of the reporting date of June 30, 2012, the lending institutions subjected to a stress test by the European Banking Authority in 2011 were evaluated once again. On October 3, 2012, the Deutsche Bundesbank and BaFin released the results of the review. All twelve German banks met the stress-test requirements. The five banks that had capital shortfalls as of September 30, 2011, have now eliminated them.

The German parliament decided on November 23, 2012, to extend the life of the government bank bailout fund SoFFin. The agency can now provide assistance to troubled banks through the end of 2014. But the banks themselves will now have to cover the costs of the support. Possible losses stemming from future SoFFin relief will be covered by financial support from the fund – previously established – that will be financed by the banking levy.

At the beginning of October, a group of EU experts led by the head of the Finnish central bank, Erkki Liikanen, presented a proposal to create a system in which certain banking activities are segregated. The key recommendation of the Liikanen report is that banks of a certain size or with a high level of trading assets should assign their risky trading activities to separate subsidiaries that would have no access to the capital of the deposit bank. France and Germany have already proposed initial legislation based on the recommendations of the Liikanen report.

The short term liquidity rate for banks (Liquidity Coverage Ratio, LCR) that is supposed to enter into effect starting in 2015 will now be introduced in a graduated form that same year: At the beginning of January 2013, the Basel Committee determined that banks must meet an initial LCR requirement of 60 % starting in 2015 and then increase that amount in equal increments of 10 % each year, with the full LCR requirement then to be met starting in 2019.

While growth was moderate overall, the lending business in Germany was uneven in the individual sub-segments in 2012. The volume of loans issued to domestic companies and private individuals in Germany rose by 0.8 % to €2,436 billion in 2012, after having climbed to somewhat higher volumes in the same prior-year period. Loans issued to companies increased by 0.4 % to €989 billion, while loans to self-employed private individuals were up 1.4 % to €388 billion. Loans to non-self-employed and other private persons increased by 1.0 % to €1,045 billion, a growth rate that was somewhat more sluggish than the prior-year. On the other hand residential construction loans surged 1.8 % to €820 billion. A clear, direct influence of the sovereign debt crisis on the lending business with corporate and retail customers cannot be seen. The economic dampening effect of the crisis, however, may have put the brakes on growth.

The number of bankruptcies in Germany between January and November of 2012 sank markedly by 4.2 % compared with the same prior-year period. The number of business bankruptcies also dropped by 4.3 %, thus continuing a positive trend that was already discernible in the previous two years. Here the slowdown in economic activity has not yet made itself felt negatively, a situation to which the very low level of interest rates may also have contributed. The number of consumer bankruptcies (including the bankruptcies of formerly self-employed individuals as well as other bankruptcies) fell by 4.1% after experiencing a somewhat heftier decline last year. The drop here may have once again been a positive consequence of the continued uptick in employment and comparatively sharp increases in wages and salaries. The sovereign debt crisis had no discernible impact on bankruptcies in Germany in 2012.

In 2012, the German banking landscape continued to feature a three-pillar structure consisting of private, public and cooperative banks. The only notable development was the phase-out of WestLB.

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard and Deutsche Postbank AG, as we have done in the past. We compared the banks' results for the period of January through September 2012 with those of the previous year's levels. All four banks generated net income both before and after tax. While two banks boosted their profit before and after tax, two others reported decreases in these two metrics. Three of the four banks improved their cost/income ratio. Only three banks released information about their return on equity after tax. In two cases, a decline was reported. All lending institutions saw their net interest income decrease. Net fee and commission income as well as net trading income fell at three banks. The same number of banks was able to reduce their administrative expenses.

In 2012, the DAX rose by just under 30 %. The shares of the four banks also turned in a positive performance during the year. The price of all four banks' stocks, however, still remained below their pre-crisis levels of mid-2007.

Significant events at Postbank in 2012

January 10, 2012: Postbank and Deutsche Bank started negotiations on a control and profit and loss transfer agreement.

January 31, 2012: Postbank and norisbank GmbH, Berlin, concluded a partnership agreement that gives both banks the opportunity to expand their collaboration.

March 19, 2012: The Supervisory Board of Deutsche Postbank AG elected Frank Strauss to become Chairman of the Management Board effective July 1, 2012.

March 28, 2012: Retail customers of norisbank were given the opportunity to switch to Postbank with their banking products. The norisbank branch employees were offered positions at Postbank.

March 30, 2012: Following a decision by the Management Board and the Supervisory Board of Deutsche Postbank AG, the Management Board of Deutsche Postbank AG signed the control and profit and loss transfer agreement between Deutsche Postbank AG as the dependent company and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly owned subsidiary of Deutsche Bank AG), as the controlling company.

June 5, 2012: The Annual General Meeting of Deutsche Postbank AG approved all motions by large majorities. In particular, it approved the conclusion of the control and profit and loss transfer agreement with DB Finanz-Holding GmbH.

June 20, 2012: The control and profit and loss transfer agreement between Deutsche Postbank AG and DB Finanz-Holding GmbH was entered into the commercial register.

August 15, 2012: Deutsche Postbank AG sold its entire interest in PB Vermögens-Management S.A. to DWS S.A. as well as the portfolio management of Postbank Financial Services GmbH to DWS Investment GmbH.

August 17, 2012: Deutsche Postbank AG merged its services for conducting card-supported payment transactions within VÖB-ZVD Processing GmbH in Frankfurt am Main.

September 11, 2012: The Cologne Higher Regional Court confirmed the validity of the control and profit and loss transfer agreement between Deutsche Postbank AG and DB Finanz-Holding GmbH in clearance proceedings.

October 1, 2012: The action for rescission that a shareholder filed in the Cologne Regional Court against the resolution of the Annual General Meeting of Deutsche Postbank AG on June 5, 2012, regarding agenda item 7 (approval of the control and profit and loss transfer agreement) was ended with an out-of-court settlement and the subsequent withdrawal of the action.

November 7, 2012: Mario Daberkow (IT/Operations), Horst Küpker (Financial Markets) and Michael Meyer (Retail) resigned from their Management Board positions at Postbank effective December 31, 2012.

The Management Board of Deutsche Postbank AG appointed Susanne Klöss and Ralph Müller to become Executive Managers of the Bank effective December 1, 2012. Susanne Klöss oversees Postbank's products for all target groups. As the new COO (Chief Operating Officer), Ralph Müller is responsible in particular for the cost/resource management of the entire bank. He also oversees IT and back-office processes, among other responsibilities.

December 1, 2012: Postbank established a new business division: the Non-Core Operating Unit.

Postbank's investment focus in 2012

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

Like 2011, business development investments made during the reporting year primarily focused on projects designed to optimize sales channels and to create innovative methods to expand flexible cash withdrawal, including through collaboration with business partners. Steps to optimize the capital needs of the lending business and the risk structure continued to be another focal point.

Investments related to legal requirements focused on the establishment of SEPA capabilities (the Single Euro Payments Area), the fulfillment of regulatory requirements from Basel III and the implementation of various consumer-protection steps, including the standardized registering of consent to receive advertising and the creation of free waiting times for telephone customers.

The lifecycle investments made in 2012 primarily involved steps to optimize and standardize the present system landscape and the technical processes linked to it throughout all sales channels at Postbank.

The RTP program is used to create a joint retail platform for Postbank and Deutsche Bank. It is designed to produce synergies by standardizing systems. It will also have the highest priority in Postbank's investment portfolio in years to come.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

In fiscal year 2012, Postbank generated a consolidated net profit of €279 million (previous year: €111 million). Profit before tax amounted to €386 million compared with €78 million in the previous year.

This encouraging overall earnings trend is largely attributable to the sustained stable performance of our retail and corporate customers business. However, as we predicted in the 2011 Group Management Report, combined net interest income and net fee and commission income declined. This reflects the dampening effects of the continued low interest rate levels, the strategic reduction of our investment securities portfolio, and buying resistance among our customers in the securities business.

In contrast, combined net trading income and net income from investment securities improved considerably. The prior-year figure included significant negative effects resulting from our exposure to Greek government bonds, which we disposed of fully in 2012. Given the continued pressure on income, we placed greater emphasis on cost management and were able to achieve a marked reduction in administrative costs as a result. The allowance for losses on loans and advances remained at the previous year's low level thanks both to the fact that our portfolio primarily comprises highly collateralized German mortgage loans, and the ongoing healthy labor market situation in Germany.

The individual income and balance sheet items are explained in detail in the following. Unless otherwise stated, the comments on individual income statement items relate to the comparison with the figures for fiscal year 2011.

Income statement

Net interest income

Net interest income declined by 7.1% to €2,703 million in the year under review, as we expected. This development is due mainly to the interest rate environment, which remained at a low level in 2012 and represents challenges for deposit- and cash-rich banks such as Postbank. This item was also impacted by the systematic continuation of our strategy of scaling back capital market investments and risk. We further reduced our investment securities by a good €6 billion in the year under review.

With regard to net interest income, it should also be noted that interest income from impaired assets (unwinding) was down year-on-year, declining by €29 million to €55 million. Net gains on hedges also declined from €38 million in 2011 to €–9 million in 2012.

Net trading income

Net trading income declined from €64 million in the previous year to €–103 million. This was partly due to the negative effects of the measurement of embedded derivatives (including the elimination of currency risks) in the structured credit substitution business, which declined from €4 million in the previous year to €–32 million in the year under review. In addition, net income from hedging medium- to long-term foreign currency liquidity made a negative contribution of €36 million compared with a positive contribution of €76 million in 2011.

The fair value option used by our BHW Bausparkasse AG subsidiary to manage interest rate risk resulted in a net loss of €27 million, compared with a net loss of €24 million in 2011.

Net income from investment securities

Net income from investment securities improved sharply from €–554 million in 2011 to €–15 million in the year under review. The effect on this item of our exposure to Greek government bonds amounted to €–36 million in the year under review, after €–634 million last year. We disposed of all of our Greek government bond holdings in the third quarter of 2012.

We also recognized disposal losses of €123 million (previous year: €17 million) as a result of the accelerated reduction of the structured credit portfolio from €2.0 billion to €0.9 billion. This largely corresponds to the realization of the negative revaluation reserve in respect of these positions. The net loss on the remeasurement of positions in this portfolio amounted to €1 million in 2012 compared with €6 million in the previous year. The net loss on the remeasurement of retail funds and investments still held in our portfolio amounted to €4 million in the year under review (previous year: €8 million).

Net fee and commission income

Net fee and commission income declined by €98 million or 7.8% to €1,154 million. In the checking account business, net fee and commission income developed positively, rising 6.8% to €359 million. At the same time, net fee and commission income from the securities business declined by €40 million to €50 million due to the still uncertain conditions and the sale of portfolio management activities to DWS. The income from the insurance business reported in other net fee and commission income was also lower than in the previous year. The year-on-year comparison is also negatively impacted by the fact that the prior-year figure still includes the net fee and commission income generated in the first four months of 2011 by the payment transaction settlement services performed for the former Dresdner Bank, which were transferred to Commerzbank mid-way through the second quarter of 2011. Net fee and commission income from business generated by postal and new services decreased only slightly.

Total income

Postbank's total income rose from €3,672 million in 2011 to €3,739 million in 2012.

Allowance for losses on loans and advances

The allowance for losses on loans and advances was encouragingly steady, at €384 million as against €383 million in 2011. The net addition ratio for the customer loan portfolio remained at a low 36 basis points, compared with 35 basis points in 2011. We continued to benefit from the comparatively high stability in the credit portfolio in the Retail Banking segment, with a significant proportion of highly collateralized German real estate loans, as well as the ongoing healthy situation on the German labor market. As we expected, our portfolios in the retail banking business (which include a significant proportion of highly collateralized German real estate loans) performed extremely well, as did our core business portfolios in the Corporate Banking segment. This encouraging trend was also apparent in our domestic commercial real estate business.

Some of the portfolios allocated to the NCOU segment reported higher risk costs, as expected.

Administrative expenses

Administrative expenses declined by €205 million or 6.4% year-on-year to €2,999 million. The non-recurring negative effects included in administrative expenses decreased from €237 million in 2011 to €131 million. Adjusted for these effects, administrative expenses declined by €99 million or approximately 3.3%.

Despite taking on 374 employees from norisbank in the middle of 2012, staff costs declined by 11.8% to €1,433 million. In the previous year, this item included non-recurring expenses of €219 million for staff-related provisions, compared with €80 million in the year under review.

Due to the ongoing pressure on income, Postbank will continue to focus on managing administrative expenses in future.

Other income and expenses
Net other income and expenses amounted to €30 million, following €–7 million in the previous year. This improvement is mainly attributable to disposal gains on positions that had largely been written off or that were not carried in the balance sheet.

Profit before tax and consolidated net profit
Profit before tax amounted to €386 million, compared with €78 million in the previous year.

After deduction of income taxes of €106 million, consolidated net profit in 2012 amounted to €279 million, compared with €111 million in 2011.

The revaluation reserve improved significantly from €–306 million at the end of 2011 to €72 million at the end of the year under review. Consequently, Postbank's total comprehensive income calculated on this basis rose from €87 million in 2011 to €652 million in 2012.

Earnings per share
Earnings per share were €1.28 (previous year: €0.51). The return on equity after tax amounted to 4.6 %, compared with 1.9 % in the previous year, while the cost/income ratio was 80.2 % (previous year: 87.3 %).

SEGMENT REPORTING

The Non-Core Operating Unit (NCOU) segment was newly established on December 1, 2012. This segment comprises portfolios and activities that no longer form part of the core business in line with the Bank's strategic focus, and have therefore been transferred out of their original segments and into the NCOU to improve manageability. In particular, the segment's objectives include further reducing risk and risk assets, and decreasing liabilities. The changes made are detailed in the segment descriptions. The comparative prior-year figures have been adjusted accordingly. Further details can be found in Note 42.

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Retail Banking
Profit before tax in the Retail Banking segment grew by 9.8 % to €1,064 million in 2012.

Net interest income rose slightly by 1.4 % to €2,461 million. The sustained low level of interest rates had a particularly negative impact on the deposit business. The expansion of the private mortgage lending and installment loan business more than compensated for these negative effects, however.

Net trading income – which is generated exclusively by our BHW Bausparkasse AG subsidiary, part of this segment – amounted to €–29 million, down €20 million year-on-year. This decline is mainly due to measurement effects resulting from the fair value option used to hedge interest rate risk in our mortgage loan portfolio.

The 4.9 % decrease in net fee and commission income to €981 million reflects the decline in the securities and insurance business, as well as the slightly lower income from the postal business.

The allowance for losses on loans and advances declined by €49 million or 16.8 % to €242 million. This is attributable to the continued strong performance of our large portfolio of highly collateralized private mortgage loans, as well as the positive development of the installment loan portfolio. We also benefited from the ongoing healthy trend on the German labor market.

Administrative expenses declined sharply by €96 million or 4.4 % to €2,108 million.

The cost/income ratio for the segment improved from 63.9 % to 61.8 %, in line with the positive earnings trend. The return on equity before tax amounted to 42.8 %, following 41.1 % in the previous year.

Corporate Banking
Profit before tax in the Corporate Banking segment declined by 12.0 % or €42 million to €307 million. The €52 million or 11.8 % decline in net interest income had a particularly negative effect on this item. Net interest income was mainly pushed down by the €10 million decrease in interest income from impaired assets (unwinding in accordance with IAS 39), the first-time allocation of liquidity provision costs of €22 million arising in accordance with the MaRisk (Minimum Requirements for Risk Management), and the €18 million decline in income from the customer business due in part to the sustained low level of interest rates.

The €20 million reduction in the allowance for losses on loans and advances to €48 million had a positive impact. Administrative expenses remained unchanged at €129 million.

The return on equity before tax for the segment decreased from 51.9 % in 2011 to 43.3 % in 2012. The cost/income ratio was 27.1 %, up from 24.1 % in the previous year.

Transaction Banking
The profit before tax in the Transaction Banking segment decreased from €48 million in 2011 to €29 million in the year under review. This decline is primarily attributable to the fact that the prior-year figure still included the fee and commission income from the settlement of payment transactions for the former Dresdner Bank (now Commerzbank) in the first four months of 2011. Net fee and commission income, which is the main contributor to profit, declined by €33 million to €294 million. Administrative expenses were down €18 million year-on-year, at €277 million. This figure includes non-recurring expenses of €17 million. Adjusted for these expenses, our intensive cost management would in fact have led to a reduction of €35 million.

The cost/income ratio for the segment increased from 89.7 % to 93.9 %.

Financial Markets
Profit before tax in the Financial Markets segment declined from €73 million in 2011 to a loss before tax of €55 million in the year under review. The €136 million decline in the segment's net interest income to €–44 million is mainly due to the ongoing unfavorable yield curve trend and the further improvement in liquidity levels resulting from de-risking. Net income from investment securities increased by €3 million to €70 million.

The allowance for losses on loans and advances generated income of €5 million compared with an expense of €3 million in the previous year. Administrative expenses declined by €24 million or 23.3 % to €79 million.

As a result, the segment's return on equity was negative.

Non-Core Operating Unit (NCOU)

The Non-Core Operating Unit segment was newly established to enable the more targeted management of portfolios and activities that are no longer part of the core business in line with the Bank's current strategy. Among other things, the loss reported by the segment includes selected investment securities portfolios, such as the structured credit portfolio we have been reducing since 2008, parts of the international commercial real estate finance portfolio, selected corporate customer loans, specific foreign activities, discontinued products in the customer business, and secured and unsecured issues.

The loss before tax for the segment amounted to €443 million, compared with €808 million in the previous year.

Net interest income declined by €50 million to €–109 million, mainly due to the significant reduction in the segment's assets.

Net trading income declined by €128 million to €–66 million. This development is partly due to the remeasurement of embedded derivatives (including the elimination of currency risk) in the structured credit substitution business and the hedging of medium- to long-term foreign currency liquidity.

Net income from investment securities rose significantly by €581 million, improving to €–98 million, following €–679 million in the previous year. This development is primarily attributable to the reduction in the negative effect of our exposure to Greek government bonds, which shrank from €634 million in 2011 to just €35 million in 2012.

The segment's administrative expenses increased by €7 million to €111 million.

The allowance for losses on loans and advances amounted to €–99 million compared with €–21 million in the previous year. This is attributable to the higher specific valuation allowances required for individual exposures in the corporate customer business and for the relevant international commercial real estate finance.

Cost Centers/Consolidation

This segment primarily comprises unallocated costs of the central functions, including the attributable integration expenses and the internal transactions between companies consolidated into Postbank.

The segment's loss before tax decreased by €37 million to €516 million. This improvement is largely thanks to the €74 million reduction in administrative expenses to €295 million. The prior-year figure included negative effects from high staff-related provisions and the harmonization of the accounting treatment of obligations under partial retirement programs.

Net income from investment securities amounted to €16 million, following €59 million in the previous year. This decrease is largely due to the result of the sale of our Indian subsidiary that was recognized in the first quarter of 2011.

Net fee and commission income amounted to €–217 million, after €–204 million in the previous year. This item is mainly used to consolidate payments for the provision of payment services for Postbank with the corresponding administrative expenses, which are recognized in income for the Transaction Banking segment.

TOTAL ASSETS

Total assets

At €193.8 billion, Postbank's total assets were slightly up on the prior-year figure of €191.9 billion. On the assets side of the balance sheet, we continued to scale back investment securities. The funds released were mainly invested in collateralized investments at banks. The structure of the liabilities side remained broadly unchanged.

With regard to the following commentary, it should be noted that the assets and liabilities of PB (USA) Holdings, Inc. and other smaller companies are reported separately due to its planned sale. This resulted in significant differences in some balance sheet items compared with the previous year.

Loans and advances to customers

Loans and advances to customers, which include securitized assets such as promissory note loans, declined by €4.4 billion as against year-end 2011 to €106.3 billion. This is primarily due to the fact that the holdings of PB Capital Corporation, which amounted to €3.1 billion at the end of 2012, are no longer recognized in this balance sheet item.

Private mortgage lending was up slightly year-on-year and amounted to €71.6 billion (previous year: €71.3 billion). The installment loan business also expanded clearly by €0.4 billion or 9.1% to €4.8 billion.

Money and capital market investments

Money and capital market investments, comprising investment securities, trading assets, and loans and advances to other banks rose by €1.1 billion to €74.8 billion in the year under review.

In line with our de-risking strategy, we significantly further reduced our holdings of investment securities in 2012 by an additional €9.5 billion to €37.0 billion. €3.2 billion of this amount is attributable to the holdings of PB Capital Corporation which are no longer recognized here. The notional volume of our structured credit portfolio included in this balance sheet item decreased from €2.0 billion as of December 31, 2011, to €0.9 billion as of December 31, 2012. This reduction in our investment securities was mainly achieved by allowing positions to expire and not reinvesting them, as well as by actively reducing them. As a result, at year-end 2012 we had not only achieved the goal we had set ourselves for the end of 2013 of reducing the volume of investment securities to approximately €45 billion, but significantly exceeded this target.

The investment in the money markets of the liquidity released through the reduction of investment securities led to an €8.0 billion year-on-year increase in loans and advances to other banks to €28.3 billion. They primarily comprise collateralized loans and advances.

Trading assets increased by €2.6 billion as against the end of the previous year, to €9.4 billion, mainly due to the effects of the low interest rate levels.

Amounts due to customers

On the liabilities side of the balance sheet, amounts due to customers were down €2.4 billion on the previous year's high figure, at €131.7 billion. Savings deposits remained unchanged at €47.9 billion, while home savings deposits rose slightly by €0.4 billion to €18.3 billion. Other liabilities decreased from €68.3 billion to €65.5 billion.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and trading liabilities, declined by 8.2 % or €3.4 billion to €38.0 billion in 2012.

Deposits from other banks decreased by €2.8 billion year-on-year to €17.3 billion. This decline is almost fully attributable to the PB Capital Corporation item that is no longer reported here.

Our strong liquidity position, together with the low need for new issues as well as expiring positions led to a €3.3 billion decline in debt securities in issue to €9.4 billion at the end of the year under review.

In line with trading assets, trading liabilities increased by €2.6 billion compared with December 31, 2011, to €11.2 billion.

Equity

Recognized capital was up €652 million as against December 31, 2011, at €6,309 million. This is attributable to the consolidated net profit of €279 million, as well as the sharp rise in the revaluation reserve from €–306 million at the end of 2011 to €72 million at the end of 2012.

The Postbank Group's Tier 1 capital ratio under Basel II increased substantially to 12.0 %, compared with 10.8 % on December 31, 2011.

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Details on the expected effects of Basel III can be found on page 85 in the Report on Expected Developments.

Overall business situation in 2012

Postbank's net assets, financial position, and results of operations have improved significantly. This encouraging earnings trend is largely attributable to the sustained stable performance of our retail and corporate customers business. Net assets continue to be characterized by the lending business. The customer business remained stable despite the ongoing challenging environment. In line with our de-risking strategy, we further reduced our holdings of investment securities.

The return on equity (RoE) before tax amounted to 6.4 %, compared with 1.3 % in the previous year. The cost/income ratio was 80.2 %, following 87.3 % in 2011.

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For information on the financial position, please see the "Monitoring and managing liquidity risk" section of the Risk Report.

REPORT ON POST-BALANCE SHEET DATE EVENTS

On December 21, 2012, Postbank and Deutsche Bank AG entered into contracts for the sale of the PB (USA) Holdings, Inc. group and the share capital of the U.S. American 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.; Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A., with effect from January 1, 2013. The sale took place as planned as of the end of December 31, 2012.

RISK REPORT

Summary overview of risk exposure

External factors affecting the risk profile

At the end of 2012/beginning of 2013, the economy is experiencing a pronounced period of weakness. The economic downturn intensified in the second half of 2012 and turned out to be more serious than had been expected at the beginning of the year, both in Germany and in the eurozone as a whole. However, after a slow start to 2013 the German economy is likely to pick up speed again in the course of the year, buoyed up by solid consumer growth and rising exports outside the eurozone. The highly indebted states in the eurozone, which are still in recession, are continuing to serve as a drag on economic development in Germany. Postbank expects that the economic growth in Germany will be down slightly on the 2012 level overall as a result of the slow start to the year. As in the previous year, the labor market situation is likely to deteriorate only slightly. Bank liquidity in the eurozone remains tight. Many institutions, especially those from peripheral eurozone states, are unable to access the interbank market. However, the first signs of an improvement in the funding situation for banks in peripheral eurozone states recently became apparent. The extensive measures taken by the European Central Bank (ECB) to ensure liquidity supplies, coupled with measures to restructure the financial sector in the states concerned, prevented the crisis in the financial sector from worsening again. This led to a decline in risk premiums for both bank bonds and government bonds. At the same time, the risk of reversals is still high, as the fundamental reasons for the crisis – such as excessively high government and foreign trade deficits, and inefficiencies in the labor market, the public sector, and economic structures – continue to exist in a number of eurozone states. This means that asset market volatility may also increase again at any time. For 2014, we are expecting a slight improvement in economic performance in Germany and a corresponding positive effect on the risk position in the eurozone states.

Implementation of the large number of tougher supervisory regulations continues to place a heavy burden on the banks. At Postbank as elsewhere, 2012 was dominated by preparations for implementing the Basel III framework, the revised version of the *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management) that was published in December 2012, and other new supervisory law requirements. In addition, further changes were made at Postbank's Risk Management function in order to implement Deutsche Bank's risk management standards and to promote Group-wide integration of the risk management processes.

A key driver of risk management integration into the Deutsche Bank Group in the course of 2012 was the "Powerhouse" project, one of the goals of which is to create the preconditions for obtaining a waiver in accordance with section 2a of the *Kreditwesengesetz* (KWG – German Banking Act). If effective, waivers permit simplifications with respect to compliance with the regulations governing the adequacy of own funds, liquidity management, monitoring of the large exposure limit, and other areas. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) was notified of the exercise of the waiver in a letter dated December 19, 2012. BaFin still has reservations about its applicability. Postbank is currently discussing the matter with BaFin.

As part of the process of integrating Postbank with Deutsche Bank's risk management activities, concrete plans were made and implemented for adapting the structure of the relevant bodies, for networking them, and for introducing functional reporting lines between Postbank and Deutsche Bank. In addition, regular risk reports are submitted to Deutsche Bank to ensure comprehensive risk capture and management. The key management reports and core ratios were defined and analyzed, and reported together.

Overall bank risk

Taking risks in order to generate earnings is a core function of the Postbank Group's business activities. Risks entered into are regularly identified, measured, monitored, and mitigated as part of the ICAAP (Internal Capital Adequacy Assessment Process), and are included in the overall management of the Bank in the context of the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in 2012. The Group's risk-bearing capacity was ensured at all times. In the course of the year under review, the Postbank Group reduced the risk capital authorized to cover its risks by continuing to reduce its risk positions.

Postbank's risk profile changed only marginally as against the previous year. The market risk reported at the 2012 year-end was down substantially on the figure for the close of the prior year due to the decline in interest rate and spread volatilities on the European bond markets, particularly in the second half of the year. Retail and business customer lending in the year under review was boosted by a more positive economic environment in Germany in comparison to previous years, buoyed up primarily by the ongoing very positive situation on the labor market and the sound performance by German industry. Together with the measures taken by the Bank to reduce risk for the long term, this had a positive effect on the allowance for losses on loans and advances.

As part of its segment management, Postbank created a new Non-Core Operating Unit (NCOU) to increase the transparency and management focus of its risk management activities (see Note 42 and the "Segment Reporting" section of the Group Management Report). The risk management triggers for the various non-core portfolios continue to be centrally managed by the risk committees and the relevant risk management units.

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No risks that could impair Postbank's development or even jeopardize its existence as a going concern are discernible at present. However, a significant downside deviation 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
The allowance for losses on loans and advances in 2012 matched the good prior-year level due to the positive trend in Postbank's customer business. This development was also attributable to a favorable macroeconomic environment, strong recovery proceeds in the mortgage lending area, low impairment losses on retail checking accounts, and systematic risk management.

The notional volume of the structured credit product portfolio (SCP portfolio) continued to decline in 2012, falling from €1,988 million as of the 2011 closing date to €917 million. This was primarily due to the further acceleration in the active reduction of the instruments held in comparison to the previous year.

In view of the current debt situation in the so-called GIIPS states (Greece, Ireland, Italy, Portugal, and Spain), the Postbank Group is monitoring its exposure to these countries extremely closely. The (nominal) exposure to debtors in these countries fell by €4.8 billion in the year under review to €13.3 billion, as a result in particular of instruments maturing, but also of active reductions.

In the first quarter of 2012, Postbank took part in the Greek government bond swap and recognized the new Greek government bonds it received as a result for the first time as of March 12, 2012. The swap reduced net income from investment securities by €12 million. In the third quarter of 2012, Postbank liquidated its exposure to Greek government bonds completely. In total, Greek government bonds had a negative impact of €36 million in 2012 (previous year: €634 million).

For 2013, we expect risks to develop in line with the level seen in the year under review, together with a positive overall macroeconomic trend.

Market risk
As in the previous year, the Postbank Group's market risk in 2012 was dominated in particular by interest rate and credit spread trends 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 subject to fair value volatility, which may result in corresponding changes in their present value and higher levels of risk being reported. Following a tangible increase in value at risk (VaR) in the second quarter of 2012 due to significant spread volatilities for European government bonds and bank bonds, the reported market risk steadily declined in the second half of the year as the bond markets calmed down, ending the year substantially lower than on the comparative prior-year closing date.

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 the Postbank Group's risk position and risk management, and the measures taken by the Group.

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.

To do justice to the stricter requirements to be met by risk management, the organizational structure of the Chief Risk Office (CRO) function was modified effective January 1, 2012. The changes are described in detail in the section entitled "Organization of risk management". 52

The goal of the Bank's A-IRBA project is to obtain approval to use the Advanced Internal Ratings-Based Approach, along with internal estimates of default-related losses. The supervisory authorities have examined the suitability of the internal ratings for this. The report detailing the results has not yet been received.

In the course of the year under review, the market risk model was validated according to schedule and, among other things, revised to incorporate material specific credit spread risks in the market risk VaR.

Postbank established a liquidity risk management project designed to meet new/more specific regulatory requirements in 2011 and continued to drive this forward in 2012. The focus is on establishing/completing the required IT and process infrastructure as well as on future reporting of the new Basel III liquidity ratios. The key project milestones to date have been met. Since a number of regulatory requirements (Basel III, CRD IV, EBA technical standards) have been delayed and are not yet available in their final form, the necessary implementation work will continue into 2013 and, in some areas, into 2014.

In fiscal year 2012, Postbank's liquidity management concept was extended to include stress-based management and corresponding limit and escalation mechanisms were added. In addition, Postbank introduced a benchmark concept to determine liquidity buffer costs.

The requirements of the revised version of the MaRisk dated December 14, 2012 will be implemented successively – in line with the regulatory deadlines for transition and implementation – in the course of a project that was established in 2012. The planned focus of work in 2013 will be on the new requirements with respect to the compliance function and risk governance, as well as aspects of capital planning and liquidity risk management.

In fiscal year 2012, Postbank systematically progressed with the measures needed to meet the Basel III requirements, which will increase in phases starting in 2013. They relate to capital adequacy requirements, minimum liquidity standards, and the new rules for capital backing for counterparty credit risk, for reporting, for managing the leverage ratio, and for preventing procyclicality. For further details, please see the section entitled "Regulatory requirements". 58 Legal implementation of the Basel III framework in the European Union has been delayed, with the final rules only becoming available in the course of 2013.

Integration with Deutsche Bank's risk management activities

Due to Deutsche Bank's acquisition of a majority of Postbank's shares, the Bank has put in place the conditions for integrated risk management, in line with the material banking supervisory regulations. The main focus of this work, taking the legal framework into account, is on implementing a joint risk management system that is both appropriate and effective. As part of this process, the existing arrangements for determining the institution's financial position with sufficient accuracy at all times at Group level were adapted appropriately. Equally, a suitable system for monitoring and classifying risk was developed that permits an end-to-end overview of the risk situation and the institution-specific protection system as a whole, and that therefore provides the Group with the ability to exert an appropriate influence. This also includes harmonizing the processes for identifying, assessing, managing, monitoring, and communicating risk, the strategies and procedures for determining and safeguarding risk-bearing capacity, and corresponding internal control procedures. A common, uniform risk governance structure is enhancing the common risk culture.

Risk types

The risk types that are tracked within the Postbank Group are determined on the basis of a Group-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, the Postbank Group uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank.

The Postbank Group distinguishes between the following risk types:

- Market risk
  Potential financial losses triggered by changes in market prices (e.g., equity and commodity prices, foreign exchange rates) or changes in parameters that determine market prices (e.g., interest rates, spreads, and volatility). The changes in value are derived from daily marking to market, irrespective of the carrying amounts of the assets and liabilities. No distinction is made between receivables and liabilities that are carried at amortized cost and those that are measured at fair value.

- Credit risk
  Potential losses that may be caused by a deterioration in the credit quality of, or default by, a counterparty (e.g., due to the insolvency of an issuer, counterparty, or country or to losses being incurred during the settlement or netting out of transactions). Postbank distinguishes between four different types of credit risk: credit and default risk, settlement risk, counterparty risk, and country risk.

- Liquidity risk
  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.

  Liquidity maturity transformation (LMT) risk is the cost risk arising from higher refinancing costs when the maturity transformation process is completed resulting from 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. This definition also covers legal risk, but not reputational or strategic risk. Legal risk consists among other things of the potential requirement to pay administrative or other fines, damages, or other penalties resulting from supervisory measures or private law agreements. They 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; however they do not include the costs of modifying processes to implement changes in the framework.

- Investment risk
  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. Equity investments are defined as all equity interests recognized in the financial statements of Deutsche Postbank AG 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).

- Real estate risk
  The risk of loss of rental income, writedowns to the lower current value under the going concern principle (*Teilwert*), and losses on sales relating to properties owned by the Postbank Group.

- Collective risk
  The potential adverse effect of a divergence in the behavior of home savings customers from expectations, i.e., deviations between the actual and the forecast behavior of the home savings collective. Collective risk arises in connection with the specific business risks relating to the home savings business of BHW Bausparkasse AG.

- Business risk
  Risk of a decline in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. The term covers savings and checking account risk (formerly referred to as model risk) and residual business risk (strategic risk and reputational 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) Residual business risk: The risk of a drop in earnings due to unexpected variances in income and associated expenses compared with the original planning that are not caused by savings and checking account risk or collective risk. They also cover strategic and reputational risks that cannot be quantified separately:

  - Strategic risk: The risk that earnings targets will not be achieved because the Group is insufficiently focused on the business environment concerned (which may have changed at short notice).

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

Organization of risk management

The Postbank Group 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 using the ICAAP (Internal Capital Adequacy Assessment Process) 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 Group is the responsibility of the units at head office and the local units networked with these. Unless otherwise noted, all items in the Risk Report specifically relate to these Group functions. Subsidiaries are included in risk management in line with their materiality for the Group. Compliance with specific regulatory requirements relating to subsidiaries is always assured.

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 its Loan and Equity Investments Committee. The Management Board regularly informs these bodies of the Postbank Group's risk profile and capital profile.

As required by MaRisk, the Group's risk strategy is consistent with its business policies and takes into account all significant areas of business and types of risk. The risk strategy applies throughout the Group; the risk strategies adopted by individual Group units (e.g., BHW) are consistent with the Group risk strategy.

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 the Postbank Group'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.

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 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 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 is a Group-wide 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, the Market Risk Committee, the Operational Risk Committee, the Cover Business Committee that was set up in the fourth quarter of 2012, and the Model and Validation Committee are headed by members of the Bank's senior management. The Cover Business Committee develops management triggers for the Postbank Group'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 an internal risk management system that 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-departmental task. In this context, the portfolios are also subjected to a risk-return analysis as part of the overall management of the Bank.

Centralized risk monitoring and management

The Chief Risk Officer (CRO) is responsible throughout the Group for risk monitoring and risk management functions. He reports regularly to the Group Management Board and the Supervisory Board on the Group's overall risk position.

Effective January 1, 2012, the organizational structure of the Chief Risk Office was modified on the basis of the changes initiated in 2011. The new organizational structure for the Chief Risk Office serves to facilitate active portfolio management across different risk types and 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 & Collections 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 following overview explains the roles of the individual CRO functions.

Risk management units and tasks

Unit	Tasks
Chief Operating Office	Management and reporting Credit framework/guidelines Collateral management
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, collective, investment, real estate, 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 for all risk types
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 recovery rate

The Internal Audit unit is a key element of the Postbank Group'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. Consequently, Postbank's centralized training offering also includes courses that are dedicated solely to risk management issues (and particularly to credit risk).

Operational level risk management

Within the Group, 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 Financial Markets, the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, and the Retail Banking credit functions. In addition, the subsidiaries BHW Bausparkasse AG, Deutsche Postbank International S. A. (Luxembourg) and PB Factoring GmbH, as well as the London branch manage their risks independently using separately defined risk limits, procedures, and processes. This also applied previously to the subsidiary PB Capital Corporation (New York), which was sold to Deutsche Bank effective January 1, 2013. By contrast, liquidity risk for the London branch is managed centrally from Bonn.

Financial Markets is broken down into the Treasury and the Chief Operating Office Financial Markets units. Treasury is responsible for managing Group market risk at an operational level. In addition, it performs operational liquidity risk management for the Group, focusing on ensuring solvency at all times by acting as a lender of last resort. The Chief Operating Office Financial Markets is responsible for managing the structured credit portfolio (SCP) for the Bank as a whole.

The Risk Models unit is responsible for developing, validating, and calibrating the rating models, whereas the Credit Risk Management unit performs credit risk limit monitoring, reporting, and management. The 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 and subsidiary 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.

Investment risk is managed at an operational level by integrating it with the Group's risk management structures and the related committee structures, as well as by the Investment Management unit, which among other things provides support for investees' governing bodies as part of the investment strategy. Postbank primarily influences the business and risk policies of its equity investments through their shareholder and supervisory bodies, where it is usually represented by members of its Management Board.

Within the Postbank Group, risks from real estate holdings are monitored and managed on an ongoing uniform basis by the Real Estate Management unit, which is part of the Real Estate, Support, and Security department within the Resources board department.

BHW Bausparkasse AG is responsible for the decentralized operational management and monitoring of collective risk.

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.

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 the operational management of business risk.

Overarching risk management

Risk-bearing capacity

The Bank's risk-bearing capacity is assessed both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory going concern approach). The Postbank Group 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 is derived from the IFRS consolidated financial statements; it 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 and the minimum Tier 1 capital required to satisfy Postbank'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 %.

Postbank met the regulatory requirements for the risk cover amount, including the new MaRisk and with respect to the paper published by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) on December 7, 2011, entitled "Aufsichtsrechtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte" ("Assessment from a Supervisory Law Perspective of Banks' Internal Risk-bearing Capacity Concepts").

Risk capital and risk limitation

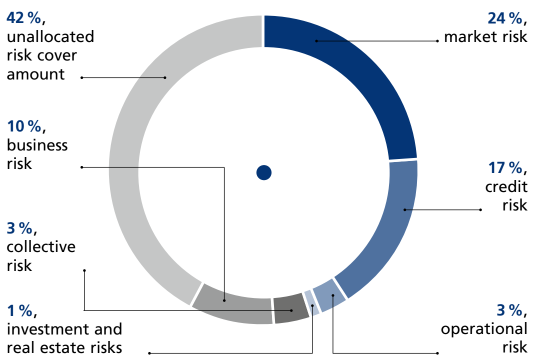
The capital from the risk cover amount that is allocated to the various units and risk types is known as risk capital. Risk capital allocation is reviewed on at least a quarterly basis by the Group Management Board and/or the BRC and adjusted as necessary. The risk committees are responsible for breaking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

The percentage allocation of the Postbank Group's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for fiscal year 2012 (calculated as of December 31, 2012):

Breakdown of the Postbank Group's risk cover amount by risk type (approved risk capital)



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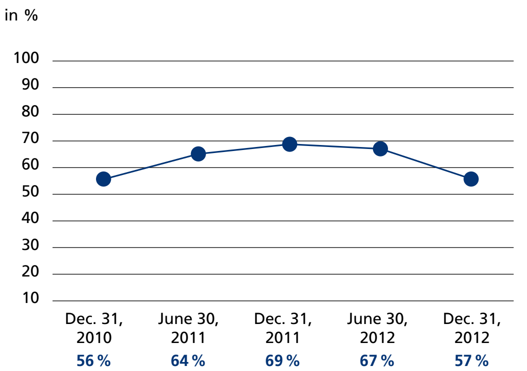
The absolute amount of economic creditor protection risk cover and a breakdown of the absolute amount of risk capital by risk type as of December 31, 2012 and the previous year are given in Note 50 of this Annual Report.

The following graphic shows the development of approved risk capital in relation to the total risk cover amount:

Development of the ratio of approved risk capital to risk cover amount



Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 57% as of the reporting date. Nevertheless, risk cover utilization declined compared with December 31, 2011, due to the lower risk capital allocation and the positive trend in the revaluation reserve in 2012.

From a going concern perspective as well, the available risk cover amount (free Tier 1 capital) provides sufficient cover for the risk potential calculated.

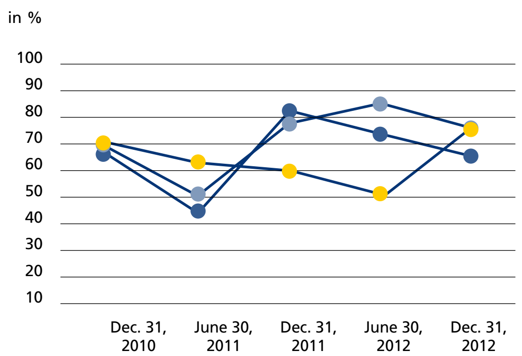
In addition to limiting the risk positions for the individual risk types on the basis of the allocated risk capital, product, volume, and sensitivity limits are used to restrict risk concentrations in individual positions or risk types above and beyond the risk positions themselves.

Market risk is managed by allocating VaR and loss limits both at Group level and 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 not managed using operational limits. The allocated risk capital represents the conservatively calculated future capital requirements.

Since Postbank aims to improve the impact of its management measures on the risks by managing limits more actively, higher limit utilization must generally be expected. As part of its ongoing reduction of its risk positions, the Postbank Group started reducing its authorized risk capital in 2012. In particular, the authorized risk capital was reduced for credit risk, market risk, and collective risk, and to a lesser extent for operational risk.

The following graphic depicts limit utilization for operationally managed risk types over time:

Development of the limit utilization for operationally managed risk types



	Dec. 31, 2010	June 30, 2011	Dec. 31, 2011	June 30, 2012	Dec. 31, 2012
Market risk	65 %	46 %	81 %	72 %	64 %
Credit risk	67 %	51 %	77 %	83 %	75 %
Operational risk	70 %	62 %	60 %	53 %	73 %

As of the December 31, 2012 reporting date, utilization of the authorized risk capital for market risk, after adjustment for losses reducing the unallocated risk cover amount, fell to 64% (December 31, 2011: 81%). The temporary increase in market risk capital implemented in the first quarter of 2012 was reversed at the end of the year under review. The authorized risk capital for market risk was reduced slightly compared with the prior year-end. The same also applies to the authorized risk capital for credit risk. Limit utilization at the end of the year under review was 75 % (December 31, 2011: 77 %). The reduction was mainly due to diversification effects and model enhancements and calibrations in the Retail Banking segment, rating migrations in the Corporate Banking segment, and a significant portfolio reduction in the Financial Markets segment. The increase in the limit utilization figure for the authorized risk capital for operational risk from 60 % as of December 31, 2011, to 73 % is primarily due to the reduction in the limit as of the 2012 year-end, a change in the distribution of the external retail loss data sourced from the Operational Risk Data Exchange (ORX) consortium, and a positive trend in the qualitative adjustment factors. The Postbank Group's risk-bearing capacity was ensured at all times.

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 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, categories of collateral, 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.

In addition to reducing its government bond portfolio, the Financial Markets segment is continuing to pursue an active de-risking strategy in its bank portfolio in particular, in order to mitigate concentration risk, among other things. In this context, there was a systematic drive to reduce exposures to the GIIPS states.

In the case of the commercial real estate portfolio, a strategy designed to prevent specific regional concentration risks in the U.S.A. and the United Kingdom is being pursued.

At present, based on the economic capital, risk concentrations are particularly perceptible with respect to sovereign exposures and in the structured credit portfolio. 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, at a minimum, 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 spart 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/ New Markets (NPNM) process, and are documented in a product database. The resulting risks are included in the Postbank Group's risk measurement and monitoring system.

Group-wide 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 the regular management reports, 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, concentration risk, stress test results	Quarterly	Supervisory Board, Group Management Board, Bank Risk Committee
Market risk	Risk indicators, limit utilization, revenue, performance calculated on a present value basis	Daily	Group Management Board, operational front office units
	Market developments, market risk trends, earnings and risk indicators, stress test and scenario analyses, risk concentrations, backtesting results	Monthly	Group Management Board, operational front and back office units, supervisory authority
	Risk indicators, limit utilization, performance calculated on a present value basis, stress test and backtesting results, risk concentrations	Monthly	Market Risk Committee
	Risk indicators, performance calculated on a present value basis, stress test results	Quarterly	Group Management Board, Bank Risk Committee, Supervisory Board
Credit risk	Counterparty limit monitoring	Daily	Group Management Board, operational front and 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, RWA trends, EL trends, results of scenario analyses/stress tests, mandatory MaRisk disclosures	Quarterly	Group Management Board, Loan and Equity Investments 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	Monthly	Group Management Board, Market Risk Committee, supervisory authority
Operational risk	Loss events	Weekly	Fraud Committee, Operational Risk Committee
	Losses (indicators), compliance with warning thresholds, high-frequency losses, utilization of VaR limits, results from scenario analyses and self-assessment	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, stress test results	Monthly	Group Management Board, Market Risk Committee

The other risk types – investment risk, real estate risk, and collective risk – are included as individual risks in the reporting on overall bank risk. In addition, information on collective risk is provided to the MRC on a monthly basis.

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

Regulatory requirements

Capital requirements

Postbank uses the Basic IRB Approach for calculating its capital requirements and the IRB Approach for the retail business, based on the Basel II specifications.

As of the reporting date of December 31, 2012, 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 lending, foreign commercial lending, purchased corporate loans, insurers), retail business (Deutsche Postbank AG mortgage loans, BHW 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.

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 business, portfolios belonging to the other subsidiaries in the Postbank Group with the exception of BHW mortgage loans, business from discontinued operations, and exposures to public-sector counterparties from the European Economic Area.

In the case of securitization positions, the IRB Approach or the CRSA is applied on the basis of the underlying transactions. Capital backing for securitization positions is generally calculated on the basis of the ratings-based approach using external ratings, or via the supervisory formula approach. Postbank uses a derived credit assessment for the PB Domicile 2006-1 securitization, which it originated. Securitization positions, for which a risk weight of 1,250 % is calculated, are deducted from capital.

Postbank calculates the capital backing for equity exposures allocated to the banking book that are not required to be consolidated or deducted from own funds for regulatory purposes on a portfolio-specific basis using regulatory risk weights; the same also applies to non-credit obligation assets. Strategic equity exposures held prior to January 1, 2008 have been temporarily excluded from IRBA capital backing and are calculated using the CRSA.

Postbank used appropriate implementation projects to prepare for extending its use of the Advanced IRB Approach to determine the capital requirements for counterparty credit risk together with internal estimates of expected loss rates to its non-retail business portfolios. The Bank plans to start using the Advanced IRB Approach, and hence expects to reduce the charge both on its risk-weighted assets and on its capital ratio, in the first half of 2013, subject to obtaining the necessary approval from the supervisory authorities.

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.

Liquidity requirements

Deutsche Postbank AG 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 Group-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, will be implemented successively – in line with the regulatory deadlines for transition and implementation – in the course of a project that was established in 2012. The planned focus of work in 2013 will be on the new requirements with respect to the compliance function and risk governance, as well as aspects of capital planning and liquidity risk management.

New regulatory requirements

Postbank currently has projects running to prepare for implementing the Basel III requirements (Capital Requirements Directive – CRD IV/Capital Requirements Regulation – CRR I). These comprise a large number of changes in the method of calculating eligible own funds and capital requirements for counterparty credit risk and market risk. Moreover, new supervisory reports on liquidity levels and on the leverage ratio will have to be prepared in the future on an ongoing basis. Postbank systematically drove forward the relevant extensions to its data repositories and reporting systems in 2012. Last but not least, implementing Basel III also entails extensive procedural changes that are also being developed and documented in corresponding projects.

In parallel to this, the package of laws on the modernization of the prudential supervisory reporting system is also to be successively implemented starting in 2013. This comprises changes in solvency reporting (Common Solvency Ratio Reporting – COREP), in the reporting of large exposures and loans of €1.5 million or more, as well as new reports providing interim financial data in accordance with the HGB and the IFRSs. These new requirements are also being implemented at a technical and procedural level in corresponding projects.

Monitoring and managing market risk

Postbank uses a combination of risk, earnings, and other indicators to manage its market risk. 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. Other management indicators used are sensitivity indicators and maturity structures.

In 2012, we continued the de-risking strategy that was introduced in 2008 in the light of the financial market crisis as planned, with the aim of achieving a 45 % reduction in our holdings of investment securities by 2013 compared with September 30, 2008, primarily as a result of instruments maturing and through sales. This goal was reached by the Bank as of December 31, 2012. The risk from equity holdings remains negligible.

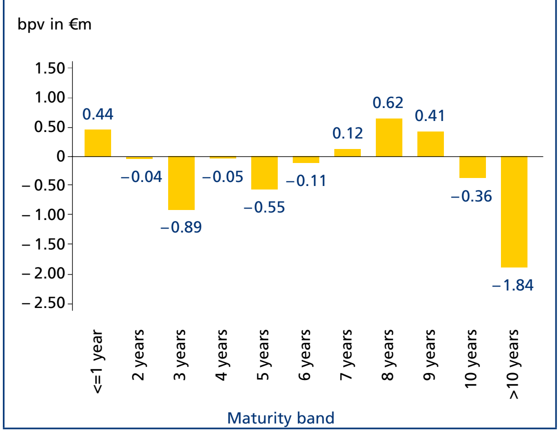
Escalation mechanisms have been defined for critical management parameters and for exogenous events so as to account for the relative significance of market risk to Postbank. These mechanisms make it possible to react promptly to situations in which limits are approached or exceeded, or to extreme market 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 Deutsche Postbank AG's variable interest customer deposits, the exposures in BHW Bausparkasse AG's home savings collective, as well as the customer loans business. Special modeling rules and deposit base definitions supplement the monitoring and management concept. The modeling techniques used for this are monitored and enhanced on an ongoing basis. In the case of deposits without agreed maturities, investor behavior is modeled using the internal models and procedures for managing and monitoring interest rate risk. 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 the Postbank Group's open interest rate positions as of December 31, 2012, in the form of a basis point value (bpv) graph. Positions with a negative value represent an asset-side interest rate risk, which means that there is a surplus of assets. In the same way, positive values indicate a surplus of liabilities. Overall, Postbank continued to have a long interest rate position as of December 31, 2012.

The Postbank Group's interest rate positions (bpv) as of December 31, 2012



The chart shows that the long positions as of the reporting date of December 31, 2012, are primarily concentrated in the medium-term (2 to 6 years) and long-term (10 years and more) maturity ranges. Given the decline in money and capital market rates, the long interest rate position overall was maintained in 2012. The total bpv as of December 31, 2012 amounted to approximately €–2.2 million, after approximately €–2.0 million as of December 31, 2011. Interest rate sensitivity is primarily the result of positions in euros (bpv: approximately €–1.1 million) and U.S. dollars (bpv: approximately €–1.1 million); interest rate sensitivities to other currencies are immaterial. Postbank mainly enters into interest rate swaps to actively manage interest rate risk.

Value at risk measurement, limit setting, and backtesting

The Postbank Group 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 the Postbank Group using a Monte Carlo simulation. Operational management is based on a confidence level of 99 % and a holding period of 10 days (banking book) or 1 day (trading book). The material risk factors taken into account when calculating VaR are yield and spread curves, share prices, exchange rates, and volatilities. In 2012, the market risk model was revised to incorporate material specific credit spread risks in the market risk VaR.

Correlation effects between the risk factors are derived from historical data. In addition to total VaR, which reflects all correlation effects for the risk factors, VaR contributions are also calculated and analyzed daily for the main subtypes of market risk (interest rate risk, spread 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 2012, the use of dynamic limits led to warning limits being exceeded at subportfolio level on individual days as a result of fair value losses and increases in VaR figures. However, the VaR limits authorized at Group and portfolio level were complied with at all times.

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 gains and losses arising from actual changes in fair value for the same portfolio (clean mark-to-market backtesting), among other things. As of the 2012 year-end, backtesting (one-sided binomial test in accordance with the Basel traffic light approach) produced results within the statistically expected ranges ("green" traffic light). This confirms the fundamental appropriateness of the VaR methodology used.

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 Group exposures. Scenario analyses and stress tests are performed for all material risk factors. The assumptions underlying the stress tests are validated on an ongoing basis.

In the year under review, as in the past, the scenario assumptions and stress parameters were reviewed at regular intervals, while the range of stress tests performed was also extended. 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 scenario analyses performed in 2012 indicate that the Postbank Group's risk-bearing capacity would be assured even in the case of a renewed deterioration in the market situation. 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. The stress parameters used are reviewed regularly for appropriateness.

The risk capital available for market risk would be sufficient to cover the fair value losses arising in even the most adverse of the historical stress scenarios examined.

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 exposure class-, rating-, or currency-specific stress tests and identifying existing risk concentrations using sensitivity analyses. Instruments used in this context include gap analyses, credit spread sensitivity analyses by issuer, asset class, and credit rating, and analyses of the Group'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

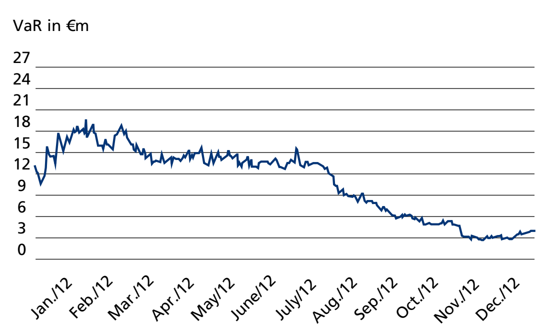
The following VaR figures for the trading book were calculated for the Postbank Group for the period from January 1 to December 31, 2012, and for January 1 to December 31, 2011 (confidence level of 99%, holding period of 10 days):

Value at risk, trading book	2012 €m	2011 €m
VaR at year-end	3.9	12.3
Minimum VaR	2.8	3.4
Maximum VaR	18.7	25.8
Average VaR	10.7	10.2
Limit at year-end[1]	10.0	23.0

[1]After adjustment for losses reducing the unallocated risk cover amount

The following chart shows VaR for the trading book:

Value at risk, trading book 2012



The changes in VaR for the trading book reflect the change in Postbank's trading strategy which entails a significant reduction in trading activity and a reduction in the risk positions. The VaR for the entire trading book as of December 31, 2012 was a mere €3.9 million (December 31, 2011: €12.3 million). VaR limit utilization is monitored on an ongoing basis, and the limits were complied with at all times, including at subportfolio level.

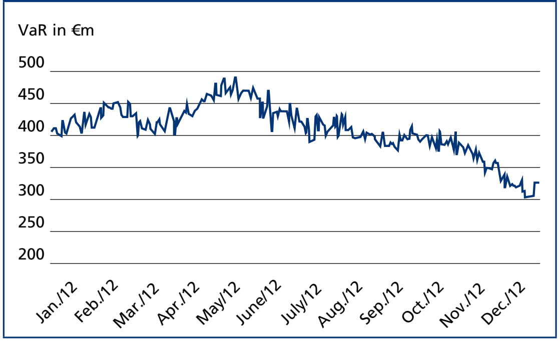
VaR for the banking book (confidence level of 99 %, holding period of 10 days), which accounts for by far the largest portion of market risk, amounted to €327.3 million as of December 31, 2012 (for comparative purposes: €441.7 million as of December 31, 2011).

Value at risk, banking book	2012 €m	2011 €m
VaR at year-end	327.3	441.7
Minimum VaR	305.0	245.7
Maximum VaR	496.8	441.7
Average VaR	416.1	345.0
Limit at year-end[1]	500.0	523.0

[1]After adjustment for losses reducing the unallocated risk cover amount

The calculation incorporates all material market risk-bearing positions in the banking book. In line with the Postbank Group's business strategy, the level of market risk in the banking book is largely determined by the interest rate risk and spread risk. Currency risk, which is mainly incurred as a result of the business activities of Postbank's foreign subsidiaries, is of lesser significance. 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.

Value at risk, banking book 2012



The rise in VaR in Postbank's banking book observable since the second half of 2011 – which was due to a surge in spread volatilities for European sovereigns and banks caused by the escalating government debt crisis – initially eased before resuming in the second quarter of 2012. However, it then successively fell again from the middle of the year onwards, a process that was accompanied by the significant narrowing of the associated credit spreads. As at the 2012 year-end, market risk was substantially below the figure for the end of the prior year.

Monitoring and managing credit risk

The Postbank Group uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on corporate customers including commercial real estate finance, banks, countries (central and regional governments and local authorities), and retail, 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. The portfolio structure was extended as of December 31, 2012, to include the Non-Core Operating Unit segment. In the case of Corporate Banking, an individual profitability analysis is also performed on the basis of the return on equity (the ratio of the risk-adjusted net margin to the equity tied up). Due to the high degree of risk diversification in the retail business, no 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

The Postbank Group'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 private residential construction finance up to €1 million, other retail credit products, and loans for up to €750,000 in the Corporate Banking division; 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. The work performed by the Bank's Credit Risk Control function in 2012 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 corporate customers, 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 in the Postbank Group, 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 in the form of a return on equity (RoE) ratio. 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 Group 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. In 2012, the processes for accepting and monitoring real estate liens and pledging account balances in Deutsche Postbank AG's commercial real estate finance area underwent further optimization; the new processes come into force as from the beginning of 2013. 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 concerned. In Germany, market developments are also monitored using the fair value fluctuation concept produced by Deutsche Kreditwirtschaft (previously the Zentraler Kreditausschuss (ZKA)), 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).

The introduction of a new collateral management system is planned for BHW Bausparkasse AG and BHW Kreditservice GmbH by the end of 2013. In the case of Deutsche Postbank AG, the plan is to enhance 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 Loan and Equity Investments Committee of the Supervisory Board as part of the quarterly credit risk report.

Managing credit risk at portfolio level

Portfolio management

Above and beyond monitoring individual risks, the Postbank Group calculates the necessary economic capital (EC) for all Group 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 Group-wide 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 indicated in the "Credit risk" table in the section entitled "Portfolio structure" is the expected amount of losses due to credit risk in the Group 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 Group loan portfolio on a monthly basis. The calculation of EC in the Group 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 Group 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 tables in this section also contain the assets held for sale, which primarily relate to the PB (USA) Holdings, Inc. group and which were sold to Deutsche Bank effective January 1, 2013.

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The portfolio structure was expanded to include the Non-Core Operating Unit as of December 31, 2012 (for further details on the portfolios, see Note 42 and the "Segment Reporting" section of the Group Management Report).

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2012, compared to the end of 2011 (volumes: IFRS carrying amounts):

Credit risk	Volume		Expected loss		Economic capital (EC)[1]	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Retail Banking	77,057	81,219	236	195	987	824
Corporate Banking	18,546	26,422	32	67	350	538
Financial Markets	66,686	78,070	11	143	310	1,104
Non-Core Operating Unit[2]	27,159	n, a,	83	n, a,	651	n, a,
Total	**189,448**	**185,711**	**363**	**405**	**2,297**	**2,466**

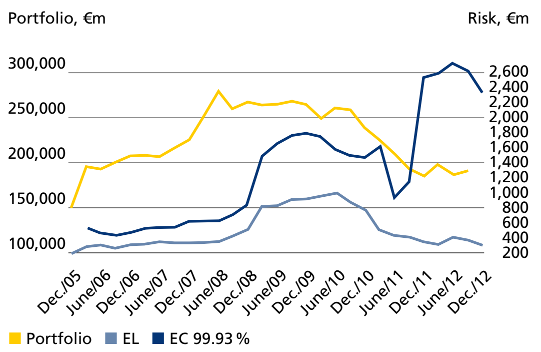
[1]The underlying confidence level is 99.93 %.

[2]The Non-Core Operating Unit segment was reported for the first time on December 31, 2012.

The decline in the risk indicators for the expected loss and economic capital are primarily due to the reduction and redemption of risk-bearing assets (including exposures to GIIPS states, the structured credit portfolio, and the commercial real estate finance business), and to a minor extent to rating migrations. The increase in the expected loss and economic capital in the Retail segment is attributable to enhancements to rating models and model calibrations.

The following graphic shows the portfolio, economic capital (EC), and expected loss (EL) over time. The increase as at the 2011 closing date is solely attributable to the introduction of the new credit portfolio model. As the development of the portfolio shows, the de-risking started in previous years was continued in 2012. This is already reflected in the decline in the expected loss in 2010 and 2011. In 2012, de-risking focused on selected high-risk portfolios and is therefore reflected in the risk indicators for economic capital and the expected loss, but not in portfolio development.

Overall bank portfolio and risk development over time



The "Maximum counterparty credit risk" table depicts the maximum credit risk as of December 31, 2012, compared with December 31, 2011. The "Maximum counterparty credit risk" table breaks down the maximum exposure to credit risk in accordance with IFRS 7.36 (a) into categories of risk-bearing financial instruments. This figure is reported as a gross amount, since risk-bearing financial instruments are recognized and measured without accounting for credit risk mitigation techniques, recognized transactions are recorded at their carrying amounts, and the maximum counterparty credit risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. The presentation contains no information on ratings, in contrast to the economic risk quantification contained in the "Credit risk" table.

The "Maximum counterparty credit risk" table and the subsequent tables ("Risk concentrations by sector and borrower group" and "Risk concentrations by geographic region") contain the assets sold as of January 1, 2013. In the following tables, this relates to the following items as of December 31, 2012: trading assets (€158 million), hedging derivatives (€12 million), loans to other banks (€484 million), loans to customers (€3,131 million), allowance for losses on loans and advances (€44 million), and investment securities (€3,158 million). The tables entitled "Credit quality of financial instruments in the non-retail business that are neither past due nor impaired", "Credit quality of financial instruments in the retail business that are neither past due nor impaired", "Time bands for financial instruments past due but not impaired", and "Impaired financial instruments" that follow later in this report contain the same assets overall. Further details on these are disclosed in Note 29 of the financial report.

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Maximum counterparty credit risk								
Risk-bearing financial instruments	**Maximum counterparty credit risk exposure**		**Collateral**		**Guarantees/ credit derivatives**		**Maximum counterparty credit risk exposure after credit risk mitigation**	
	Dec. 31, 2012 €m	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**
Trading assets	**9,604**	**6,892**	**156**	**163**	**–**	**22**	**9,448**	**6,707**
Held for trading	9,604	6,892	156	163	–	22	9,448	6,707
Hedging derivatives	**1,480**	**1,277**	**–**	**–**	**–**	**–**	**1,480**	**1,277**
Loans and advances to other banks	**28,781**	**20,322**	**20,953**	**12,184**	**50**	**50**	**7,778**	**8,088**
Loans and receivables	28,781	20,322	20,953	12,184	50	50	7,778	8,088
Securities repurchase agreements	20,953	12,184	20,953	12,184	–		–	–
Overnight money	5,038	4,252	–	–	–		5,038	4,252
Loans	1,702	2,459	–	–	50	50	1,652	2,409
Registered bonds	329	348	–	–	–		329	348
Term deposits	595	104	–	–	–		595	104
Other loans and advances	164	975	–	–	–		164	975
Loans and advances to customers	**109,397**	**110,740**	**81,351**	**83,092**	**459**	**388**	**27,587**	**27,260**
Loans and receivables	102,558	103,227	74,748	75,845	459	388	27,351	26,994
Private mortgage lending	64,789	63,750	62,711	61,500	–		2,078	2,250
Home savings loans	3,801	3,830	3,669	3,696	–		132	134
Commercial loans	24,390	26,125	8,368	10,649	459	385	15,563	15,091
Public-sector receivables	3,178	3,517	–	–	–	3	3,178	3,514
Installment loans	4,847	4,352	–	–	–		4,847	4,352
Other loans and advances	1,553	1,653	–	–	–		1,553	1,653
Fair value option	6,839	7,513	6,603	7,247	–	–	236	266
Private mortgage lending	6,839	7,513	6,603	7,247	–		236	266
Investment securities	**40,186**	**46,480**	**–**	**–**	**332**	**912**	**39,854**	**45,568**
Loans and receivables	30,881	39,976	–	–	332	738	30,549	39,238
Available for sale	9,305	6,504	–	–	–	174	9,305	6,330
Bonds and other fixed-income securities	9,198	6,338	–	–	–	174	9,198	6,164
Equities	0	2	–	–	–		0	2
Investment fund shares	81	128	–	–	–		81	128
Equity investments	19	18	–	–	–		19	18
Investments in unconsolidated subsidiaries	7	18	–	–	–		7	18
Subtotal	**189,448**	**185,711**	**102,460**	**95,439**	**841**	**1,372**	**86,147**	**88,900**
Contingent liabilities from guarantees	**415**	**827**	**–**	**–**	**–**		**415**	**827**
Other liabilities (irrevocable loan commitments)	**19,895**	**20,077**	**–**	**–**	**1**	**2**	**19,894**	**20,075**
Total	**209,758**	**206,615**	**102,460**	**95,439**	**842**	**1,374**	**106,456**	**109,802**

Since the third quarter of 2008, Postbank has selectively scaled back its holdings of investment securities as part of its program to reduce financial market-related portfolios and risks. A further reduction of €6.3 billion occurred in the year under review.

In addition to the collateral and guarantees/credit derivatives presented in the table, Postbank used netting effects relating to trading assets and hedging derivatives in the amount of €8.9 billion as of the 2012 closing date (December 31, 2011: €6.6 billion) to mitigate risk. As of the 2012 closing date, netting effects of €0.4 billion (December 31, 2011: €23.4 billion) relating to securities repurchase agreements were included in the amount disclosed for the maximum counterparty credit risk amount before collateral.

€8.9 billion of the amount disclosed in the "investment securities" balance sheet item as of the 2012 closing date and to a lesser extent in the "loans and advances to other banks" balance sheet item relates to covered bonds (December 31, 2011: €11.8 billion). In addition, the investor securitization positions also contained in the "investment securities" item, which amounted to €0.8 billion as of the 2012 closing date (December 31, 2011: €1.7 billion), can be considered to be fully collateralized.

Sector structure of the loan portfolio
The following table illustrates the risk concentrations by sector and borrower group, broken down by balance sheet item, holding category, and product group:

Risk concentrations by sector and borrower group																
Risk-bearing financial instruments	**Retail customers**		**Banks/ insurers/ financial services**		**Countries**		**Commercial real estate finance**		**Services/ wholesale and retail**		**Industry**		**Other sectors**		**Total**	
	Dec. 31, 2012 €m	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**	**Dec. 31, 2012 €m**	**Dec. 31, 2011 €m**
Trading assets	**161**	**169**	**8,948**	**6,230**	**–**	**–**	**–**	**–**	**121**	**151**	**58**	**81**	**316**	**261**	**9,604**	**6,892**
Held for trading	161	169	8,948	6,230	–	–	–	–	121	151	58	81	316	261	9,604	6,892
Hedging derivatives	**–**	**–**	**1,480**	**1,277**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,480**	**1,277**
Loans and advances to other banks	**–**	**–**	**28,697**	**20,168**	**–**	**–**	**79**	**–**	**–**	**0**	**–**	**–**	**5**	**154**	**28,781**	**20,322**
Loans and receivables	–	–	28,697	20,168	–	–	79	–	–	0	–	–	5	154	28,781	20,322
Securities repurchase agreements	–	–	20,953	12,184	–	–	–	–	–	–	–	–	–	–	20,953	12,184
Overnight money	–	–	5,038	4,252	–	–	–	–	–	0	–	–	–	0	5,038	4,252
Loans	–	–	1,621	2,458	–	–	79	–	–	–	–	–	2	1	1,702	2,459
Registered bonds	–	–	329	346	–	–	–	–	–	–	–	–	–	2	329	348
Term deposits	–	–	595	104	–	–	–	–	–	–	–	–	–	–	595	104
Other loans and advances	–	–	161	824	–	–	–	–	–	–	–	–	3	151	164	975
Loans and advances to customers	**83,332**	**82,690**	**702**	**908**	**2,916**	**3,269**	**15,686**	**16,276**	**3,682**	**4,002**	**1,816**	**2,216**	**1,263**	**1,379**	**109,397**	**110,740**
Loans and receivables	76,493	75,185	702	908	2,916	3,269	15,686	16,276	3,682	4,000	1,816	2,216	1,263	1,373	102,558	103,227
Private mortgage lending	64,549	63,291	10	11	–	7	–	0	45	160	1	19	184	262	64,789	63,750
Home savings loans	3,801	3,830	–	–	–	0	–	–	–	0	–	–	–	0	3,801	3,830
Commercial loans	1,805	2,171	666	856	–	1	15,686	16,274	3,548	3,748	1,815	2,197	870	878	24,390	26,125
Public-sector receivables	–	–	–	0	2,916	3,261	–	–	86	90	–	–	176	166	3,178	3,517
Installment loans	4,847	4,351	–	0	–	–	–	–	–	1	–	–	–	0	4,847	4,352
Other loans and advances	1,491	1,542	26	41	–	–	–	2	3	1	–	–	33	67	1,553	1,653
Fair value option	6,839	7,505	–	–	–	0	–	–	–	2	–	–	–	6	6,839	7,513
Private mortgage lending	6,839	7,505	–	–	–	0	–	–	–	2	–	–	–	6	6,839	7,513
Investment securities	**–**	**–**	**19,965**	**23,962**	**16,318**	**18,257**	**–**	**–**	**1,823**	**2,090**	**1,454**	**1,444**	**626**	**727**	**40,186**	**46,480**
Loans and receivables	–	–	15,376	20,215	12,766	16,803	–	–	1,259	1,384	1,104	1,116	376	458	30,881	39,976
Available for sale	–	–	4,589	3,747	3,552	1,454	–	–	564	706	350	328	250	269	9,305	6,504
Bonds and other fixed-income securities	–	–	4,498	3,608	3,552	1,454	–	–	564	706	350	328	234	242	9,198	6,338
Equities	–	–	–	2	–	–	–	–	–	–	–	–	–	–	–	2
Investment fund shares	–	–	80	118	–	–	–	–	–	0	–	–	1	10	81	128
Equity investments	–	–	4	1	–	–	–	–	–	0	–	–	15	17	19	18
Investments in unconsolidated subsidiaries	–	–	7	18	–	–	–	–	–	–	–	–	–	0	7	18
Subtotal	**83,493**	**82,859**	**59,792**	**52,545**	**19,234**	**21,526**	**15,765**	**16,276**	**5,626**	**6,243**	**3,328**	**3,741**	**2,210**	**2,521**	**189,448**	**185,711**
Contingent liabilities from guarantees	**9**	**318**	**42**	**131**	**–**	**0**	**26**	**34**	**223**	**223**	**64**	**63**	**41**	**58**	**415**	**827**
Other liabilities (irrevocable loan commitments)	**16,421**	**16,066**	**94**	**130**	**28**	**45**	**458**	**553**	**1,969**	**2,107**	**677**	**747**	**248**	**429**	**19,895**	**20,077**
Total	**99,933**	**99,243**	**59,928**	**52,806**	**19,262**	**21,571**	**16,249**	**16,863**	**7,818**	**8,573**	**4,069**	**4,551**	**2,499**	**3,008**	**209,758**	**206,615**

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 Group's 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 domestic and international 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.

Regional distribution of the loan portfolio
The Postbank Group 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 Group-wide database keeps track of the limits established for each country and their current utilization, as well as the economic data used in allocating countries to risk categories. The country limit system was thoroughly revised in response to the financial market crisis and supplemented by an early warning system.

Risk concentrations by geographic region								
Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading assets	**1,723**	**2,454**	**7,329**	**3,986**	**552**	**452**	**9,604**	**6,892**
Held for trading	1,723	2,454	7,329	3,986	552	452	9,604	6,892
Hedging derivatives	**150**	**179**	**1,232**	**871**	**98**	**227**	**1,480**	**1,277**
Loans and advances to other banks	**21,515**	**13,164**	**6,946**	**6,546**	**320**	**612**	**28,781**	**20,322**
Loans and receivables	21,515	13,164	6,946	6,546	320	612	28,781	20,322
Securities repurchase agreements	17,112	8,099	3,841	4,085	–	0	20,953	12,184
Overnight money	2,969	2,469	1,972	1,358	97	425	5,038	4,252
Loans	417	1,171	1,065	1,103	220	185	1,702	2,459
Registered bonds	329	348	–	0	–	–	329	348
Term deposits	595	104	–	0	–	–	595	104
Other loans and advances	93	973	68	–	3	2	164	975
Loans and advances to customers	**93,449**	**94,388**	**11,383**	**12,717**	**4,565**	**3,635**	**109,397**	**110,740**
Loans and receivables	86,631	86,899	11,366	12,696	4,561	3,632	102,558	103,227
Private mortgage lending	60,502	59,362	4,229	4,337	58	51	64,789	63,750
Home savings loans	3,775	3,805	23	22	3	3	3,801	3,830
Commercial loans	12,977	14,450	6,923	8,105	4,490	3,570	24,390	26,125
Public-sector receivables	3,021	3,347	157	170	–	–	3,178	3,517
Installment loans	4,830	4,339	14	12	3	1	4,847	4,352
Other loans and advances	1,526	1,596	20	50	7	7	1,553	1,653
Fair value option	6,818	7,489	17	21	4	3	6,839	7,513
Private mortgage lending	6,818	7,489	17	21	4	3	6,839	7,513
Investment securities	**13,193**	**12,820**	**21,620**	**27,513**	**5,373**	**6,147**	**40,186**	**46,480**
Loans and receivables	8,974	10,940	16,928	23,373	4,979	5,663	30,881	39,976
Available for sale	4,219	1,880	4,692	4,140	394	484	9,305	6,504
Bonds and other fixed-income securities	4,140	1,788	4,666	4,071	392	479	9,198	6,338
Equities	–	2	–	0	–	–	–	2
Investment fund shares	70	75	9	50	2	3	81	128
Equity investments	9	15	10	1	–	2	19	18
Investments in unconsolidated subsidiaries	–	0	7	18	–	–	7	18
Subtotal	**130,030**	**123,005**	**48,510**	**51,633**	**10,908**	**11,073**	**189,448**	**185,711**
Contingent liabilities from guarantees	**356**	**666**	**59**	**64**	**–**	**97**	**415**	**827**
Other liabilities (irrevocable loan commitments)	**19,411**	**19,512**	**386**	**466**	**98**	**99**	**19,895**	**20,077**
Total	**149,797**	**143,183**	**48,955**	**52,163**	**11,006**	**11,269**	**209,758**	**206,615**

The regional distribution of the credit volume again reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe and in North America, some of which were entered into by our foreign subsidiaries and branches.

The following table comprises all exposures to debtors in selected European countries. The amounts disclosed are the IFRS carrying amounts.

Exposures to debtors in selected countries[1]

	Countries		Banks/insurers/ financial services		Retail		Corporates[2]		Other[3]		Total	
	Dec. 31. 2012 €m	Dec. 31. 2011 €m	Dec. 31. 2012 €m	Dec. 31. 2011 €m	Dec. 31. 2012 €m	Dec. 31. 2011 €m	Dec. 31. 2012 €m	Dec. 31. 2011 €m	Dec. 31. 2012 €m	Dec. 31. 2011 €m	Dec. 31. 2012 €m	Dec. 31. 2011 €m
Greece	0.0	195.2	0.0	3.7	2.0	2.1	1.4	2.8	0.0	0.0	3.4	203.8
Ireland	377.7	358.5	450.4	617.7	5.2	6.7	28.1	19.2	285.4	420.7	1,146.8	1,422.8
Italy	3,464.6	4,628.6	1,404.1	1,961.7	2,858.6	2,934.7	250.9	247.7	0.0	12.5	7,978.2	9,785.2
Portugal	64.1	64.1	313.4	683.7	4.7	4.1	2.8	6.6	0.0	0.0	385.0	758.5
Spain	497.7	1,217.6	3,195.7	3,936.9	34.0	33.9	542.0	530.7	11.8	41.9	4,281.2	5,761.0
Total	**4,404.1**	**6,464.0**	**5,363.6**	**7,203.7**	**2,904.5**	**2,981.5**	**825.2**	**807.0**	**297.2**	**475.1**	**13,794.6**	**17,931.3**

[1]Based on IFRS carrying amounts. For holdings categorized as available for sale this is the fair value.
[2]Including commercial real estate
[3]Including investor securitization positions

In addition to the figures reported, Postbank had held-for-trading credit default swaps with sovereign borrowers for Italy in its portfolio as of December 31, 2012. Postbank is both the protection buyer and the protection seller for an amount of €68.2 million (December 31, 2011: €69.4 million), meaning that the net nominal amount is €0. The net negative fair value as of the year-end was €3.4 million (December 31, 2011: €3.8 million). The change in fiscal year 2012 was due primarily to Greece's debt restructuring and sales of government bonds.

Rating structure of the loan portfolio
The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor for which impairment losses had been recognized as of the December 31, 2012 reporting date (with the exception of "contingent liabilities" and "other liabilities").

In principle, Postbank uses the same rating for risk management as for capital requirements; this is normally the issuer rating rather than the rating given to a specific issue. Postbank has a large portfolio of *Pfandbriefe* and similarly collateralized issues that are relatively low-risk in nature. For this reason, the issue ratings are shown in the following table. The distribution of ratings in the Postbank Group's loan portfolio reflects the Group's conservative approach. The good rating categories predominate: 94 % of the rated portfolio is classified as investment grade (rated BBB or better).

Credit quality of financial instruments in the non-retail business that are neither past due nor impaired														
Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading assets	**120**	**80**	**488**	**1,133**	**7,577**	**4,383**	**962**	**742**	**148**	**144**	**148**	**240**	**9,443**	**6,722**
Held for trading	120	80	488	1,133	7,577	4,383	962	742	148	144	148	240	9,443	6,722
Hedging derivatives	**2**	**0**	**140**	**301**	**1,327**	**954**	**10**	**3**	**–**	**–**	**1**	**19**	**1,480**	**1,277**
Loans and advances to other banks	**2,584**	**2,289**	**1,254**	**5,758**	**23,938**	**8,079**	**927**	**3,747**	**37**	**84**	**18**	**283**	**28,758**	**20,240**
Loans and receivables	2,584	2,289	1,254	5,758	23,938	8,079	927	3,747	37	84	18	283	28,758	20,240
Securities repurchase agreements	–	–	184	4,556	20,769	5,192	–	2,436	–	–	–	–	20,953	12,184
Overnight money	2,322	2,049	383	874	2,051	1,026	263	119	–	–	13	119	5,032	4,187
Loans	157	179	134	217	1,024	990	331	961	37	84	2	11	1,685	2,442
Registered bonds	–	–	1	111	94	47	234	188	–	–	–	2	329	348
Term deposits	52	61	500	–	–	0	43	43	–	–	–	–	595	104
Other loans and advances	53	0	52	0	0	824	56	0	–	–	3	151	164	975
Loans and advances to customers	**3,519**	**3,761**	**6,885**	**6,496**	**3,551**	**3,727**	**5,242**	**5,920**	**4,263**	**3,989**	**1,044**	**2,176**	**24,504**	**26,069**
Loans and receivables	3,519	3,761	6,885	6,496	3,551	3,727	5,242	5,920	4,263	3,989	1,044	2,176	24,504	26,069
Private mortgage lending	17	30	21	45	12	21	52	15	49	150	26	125	177	386
Commercial loans	3,452	3,622	4,145	3,670	3,493	3,706	5,150	5,901	4,156	3,797	703	1,371	21,099	22,067
Public-sector receivables	48	109	2,686	2,781	46	0	39	4	58	2	290	610	3,167	3,506
Other loans and advances	2	–	33	–	–	0	1	0	–	40	25	70	61	110
Investment securities	**8,153**	**13,008**	**13,855**	**17,483**	**9,649**	**5,946**	**6,175**	**6,379**	**2,012**	**2,247**	**180**	**850**	**40,024**	**45,913**
Loans and receivables	4,755	11,724	10,852	15,944	8,615	5,258	5,000	4,763	1,418	1,554	108	340	30,748	39,583
Available for sale	3,398	1,284	3,003	1,539	1,034	688	1,175	1,616	594	693	72	510	9,276	6,330
Bonds and other fixed-income securities	3,396	1,284	2,986	1,489	1,034	688	1,175	1,616	593	679	1	460	9,185	6,216
Equities	–	–	–	–	–	–	–	–	–	–	–	2	–	2
Investment fund shares	–	–	–	31	–	–	–	–	–	12	70	33	70	76
Equity investments	2	–	10	1	–	–	–	–	1	2	1	15	14	18
Investments in unconsolidated subsidiaries	–	–	7	18	–	0	–	–	–	–	–	0	7	18
Total	**14,378**	**19,138**	**22,622**	**31,171**	**46,042**	**23,089**	**13,316**	**16,791**	**6,460**	**6,464**	**1,391**	**3,568**	**104,209**	**100,221**

Holdings of unrated volumes were reduced again as against the figures given in the 2011 financial statements. The volume accounted for by good rating categories remains high. Shifts within the investment grade category are mainly due to rating migrations. The reductions in the volume of investment securities are due to instruments maturing and active reductions as part of the de-risking strategy – particularly with respect to exposures to GIIPS states. The increase in loans to other banks is primarily due to a rise in securities repurchase transactions.

Similarly, the following table 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, 2012 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 quality of financial instruments in the retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II pool rating/ not rated		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading assets	**1**	**1**	**4**	**4**	**19**	**21**	**60**	**62**	**62**	**65**	**15**	**16**	**161**	**169**
Held for trading	1	1	4	4	19	21	60	62	62	65	15	16	161	169
Loans and advances to customers	374	3,102	846	6,794	4,829	9,589	24,612	16,721	35,149	18,444	15,281	25,205	81,091	79,855
Loans and receivables	368	3,098	712	6,656	4,166	8,902	22,501	14,539	33,299	16,489	13,286	22,761	74,332	72,445
Private mortgage lending	191	3,059	423	6,288	3,422	7,985	21,120	12,814	28,708	13,991	9,537	17,408	63,401	61,545
Home savings loans	53	29	278	303	666	665	918	875	479	388	1,246	1,367	3,640	3,627
Commercial loans	–	–	–	–	–	0	–	0	115	23	1,688	2,148	1,803	2,171
Installment loans	124	10	8	65	67	249	412	837	3,783	1,948	31	828	4,425	3,937
Other loans and advances	–	–	3	–	11	3	51	13	214	139	784	1,010	1,063	1,165
Fair value option	6	4	134	138	663	687	2,111	2,182	1,850	1,955	1,995	2,444	6,759	7,410
Private mortgage lending	6	4	134	138	663	687	2,111	2,182	1,850	1,955	1,995	2,444	6,759	7,410
Total	**375**	**3,103**	**850**	**6,798**	**4,848**	**9,610**	**24,672**	**16,783**	**35,211**	**18,509**	**15,296**	**25,221**	**81,252**	**80,024**

Loans past due but not impaired
The following table shows those risk-bearing financial instruments that were past due but not impaired as of December 31, 2012:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired										Fair value of the collateral for financial instruments past due but not impaired	
	Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total			
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**–**	**–**
Held for trading	–	–	–	–	–	–	–	1	–	1	–	–
Loans and advances to customers	**316**	**411**	**55**	**123**	**63**	**94**	**199**	**412**	**633**	**1,040**	**505**	**829**
Loans and receivables	315	411	55	122	54	85	180	386	604	1,004	480	797
Private mortgage lending	268	365	18	117	46	71	133	287	465	840	373	700
Home savings loans	4	5	2	3	6	4	13	13	25	25	23	22
Commercial loans	3	15	32	0	–	9	31	84	66	108	80	75
Installment loans	16	10	1	1	1	1	1	1	19	13	–	–
Other loans and advances	24	16	2	1	1	–	2	1	29	18	4	0
Fair value option	1	0	–	1	9	9	19	26	29	36	25	32
Private mortgage lending	1	0	–	1	9	9	19	26	29	36	25	32
Total	**316**	**411**	**55**	**123**	**63**	**94**	**199**	**413**	**633**	**1,041**	**505**	**829**

The decline in exposures past due but not impaired in 2012 mainly relates to the change in the procedure of calculating days past due for the foreign branches of BHW Bausparkasse AG.

The carrying amount of financial assets that would have been past due or impaired if their conditions had not been renegotiated (renegotiated volume) amounted to €630 million (December 31, 2011: €584 million).

Allowance for losses on loans and advances
The allowance for losses in the lending business comprises specific valuation allowances, collective specific valuation allowances, and portfolio-based valuation allowances.

A specific valuation allowance is recognized if – taking into account any collateral – the estimated recoverable amount of the loans and advances is lower than their carrying amount, i.e., if a loan or advance is wholly or partly uncollectible and is, therefore, permanently impaired. The amount of the specific valuation allowance is measured for the respective unsecured portions of the loans and advances as the difference between the carrying amount of the loans and advances and the present values of estimated future cash flows, including cash flows from the realization of collateral. In general, the original effective rate is used to discount the cash flows, with the effective rate for the current fixing period being used for variable-interest loans.

The proceeds from the realization of the collateral and the time of its realization are taken into account on a case-by-case basis. An ongoing review of all exposures is performed for objective evidence of impairment and impairment tests are conducted where needed. In addition, all exposures on the watch list are tested for impairment on a quarterly basis.

A collective specific valuation allowance is recognized for a portfolio of homogeneous loans with similar characteristics, to the extent that there is objective evidence that the loans have become impaired and the amount of the impairment for each loan can be estimated with reference to past statistics on loan performance. Collective valuation allowances are measured using flow rates and the loss given default (LGD). The combined flow rate indicates the probability of a receivable being transferred to a portfolio designated for termination. The LGD represents the size or percentage amount of the economic loss for the outstanding exposure amount. The ratio is calculated regularly on the basis of the repayments obtained from recovery proceedings. The Postbank Group recognizes collective specific valuation allowances on overdrafts, installment loans, and credit card loans, as well as on mortgage loans that have been past due for between three and six months.

The following table shows all impaired financial assets as of December 31, 2012, and December 31, 2011, broken down into loans and advances to other banks for which specific valuation allowances have been recognized, loans and advances to customers, and investment securities for which impairment losses have been recognized. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments	Carrying amount before impairment		Amount of impairment loss[1]		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Loans and advances to other banks	**23**	**82**	**13**	**37**	**10**	**45**	**–**	**–**
Loans and receivables	23	82	13	37	10	45	–	–
Overnight money	6	65	–	24	6	41	–	–
Loans	17	17	13	13	4	4	–	–
Loans and advances to customers	**3,169**	**3,776**	**1,642**	**1,649**	**1,527**	**2,127**	**1,693**	**2,017**
Loans and receivables	3,118	3,709	1,640	1,647	1,478	2,062	1,647	1,958
Private mortgage lending	746	979	451	483	295	496	572	748
Home savings loans	136	178	2	7	134	171	121	159
Commercial loans	1,422	1,779	577	562	845	1,217	936	1,051
Public-sector receivables	11	11	–	–	11	11	–	–
Installment loans	403	402	312	250	91	152	–	–
Other loans and advances	400	360	298	345	102	15	18	–
Fair value option	51	67	2	2	49	65	46	59
Private mortgage lending	51	67	2	2	49	65	46	59
Investment securities	**439**	**1,575**	**277**	**1,008**	**162**	**567**	**–**	**–**
Loans and receivables	397	1,386	264	993	133	393	–	–
Available for sale	42	189	13	15	29	174	–	–
Bonds and other fixed-income securities	16	133	3	11	13	122	–	–
Equities	2	2	2	2	–	0	–	–
Investment fund shares	15	54	4	2	11	52	–	–
Total	**3,631**	**5,433**	**1,932**	**2,694**	**1,699**	**2,739**	**1,693**	**2,017**

[1]Portfolio-based valuation allowances were not considered

The investment securities for which impairment losses were recognized were reduced further in the year under review as a result of active de-risking and systematic risk management.

The portfolio-based valuation allowances account for all loan losses that have occurred but that Postbank has yet to identify; this may be because the respective customer is still currently meeting his or her payment obligations, for example. Postbank factors in expected default probabilities, loss rates, and the estimated time between when the default occurs and when this is identified (the loss identification period (LIP) factor), depending on the type of product and customer group concerned in each case. The default probabilities and the loss rates for defaults at the portfolio level are calculated at portfolio level and updated where necessary on the basis of the results of the annual validation and recalibration of the IRBA rating systems; LIP factors are estimated on an individual basis, regularly reviewed, and adjusted where necessary in line with the relevant risk monitoring processes.

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. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs). Investor positions in the banking book are classified as one of the two IFRS categories "loans and receivables" or "available for sale", depending on the intention and structure of the investment concerned, and measured accordingly. Securitization positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or Fitch Ratings). The portfolio is valued periodically using an internal valuation model that analyzes the individual portfolio components at the level of the underlyings.

As of December 31, 2012, the total notional volume of the portfolio amounted to €917 million (December 31, 2011: €1,988 million). The reduction in the size of the portfolio is mainly due to a further acceleration in the reduction of the instruments held compared with the previous year. The SCP portfolios are very strictly monitored by Postbank and are subject to monthly impairment tests. Regular measurement of the portfolio using an in-house model resulted in the recognition of total impairment losses of €1 million in 2012, as well as measurement losses on embedded derivatives amounting to €31 million. This brings the aggregate impairment losses recognized in income for affected portfolios since the beginning of the financial market crisis in mid-2007 to €405 million, and the aggregate measurement losses recognized on embedded derivatives to €1,866 million. In addition, fair value changes amounting to €16 million were recognized in the revaluation reserve. Please see Note 4 (h) for measurement details.

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Postbank's securitization positions as of December 31, 2012, were as follows:

Securitization positions: volumes by rating category[1]

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
CMBSs	0	1	0	9	7	85	0	37	0	3	7	135
RMBSs	2	74	7	69	40	133	12	39	38	20	99	335
Corporate CDOs	50	5	112	169	59	62	74	82	365	760	660	1,078
Non-corporate CDOs	0	0	2	15	0	8	0	27	75	75	77	125
Other ABSs[2]	0	180	0	2	19	39	0	12	55	82	74	315
Total	**52**	**260**	**121**	**264**	**125**	**327**	**86**	**197**	**533**	**940**	**917**	**1,988**

[1]Including positions relating to subsidiaries sold as of January 1, 2013

[2]Mainly Consumer ABSs and Commercial ABSs

The following table shows the securitization positions broken down by regional focus:

Securitization positions: volumes by regional focus[1]

		CMBSs		RMBSs		Corporate CDOs		Non-corporate CDOs		Other ABSs[2]		Total	
		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
€m	Germany	7	49	79	103	–	–	–	–	–	–	86	152
	U.K.	–	51	–	64	–	–	–	–	–	–	–	115
	France	–	2	–	–	–	–	–	–	–	–	–	2
	Spain/ Portugal	–	–	13	80	–	–	–	–	–	–	13	80
	Rest of Europe	–	33	7	86	358	379	75	75	–	19	440	592
	U.S.A.	–	–	–	–	295	364	–	42	55	258	350	664
	Others[3]	–	–	–	2	7	335	2	8	19	38	28	383
	Total	**7**	**135**	**99**	**335**	**660**	**1,078**	**77**	**125**	**74**	**315**	**917**	**1,988**
Relative distribution	Germany	100 %	36 %	79 %	31 %	–	–	–	–	–	–	9 %	8 %
	U.K.	–	38 %	–	19 %	–	–	–	–	–	–	–	6 %
	France	–	1 %	–	–	–	–	–	–	–	–	–	0 %
	Spain/ Portugal	–	–	14 %	24 %	–	–	–	–	–	–	2 %	4 %
	Rest of Europe	–	25 %	7 %	25 %	54 %	35 %	97 %	60 %	–	6 %	48 %	30 %
	U.S.A.	–	–	–	–	45 %	34 %	–	34 %	74 %	82 %	38 %	33 %
	Others[2]	–	–	–	1 %	1 %	31 %	3 %	6 %	26 %	12 %	3 %	19 %
	Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

[1]Including positions relating to subsidiaries sold as of January 1, 2013
[2]Mainly Consumer ABSs und Commercial ABSs
[3]Or without a specific focus

As of the reporting date of December 31, 2012, no securitization positions were hedged with monoliners. In addition, the CDO portfolio included a number of synthetic securitization structures with exposures to bond insurers.

The volume of Postbank's investor position in fungible commercial mortgage-backed securities (CMBSs) amounted to €7 million as of the reporting date (December 31, 2011: €135 million). The position consists of a European CMBS with a regional focus on Germany.

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 relating to Germany and Italy not only reduced regulatory capital requirements but also lowered risk concentrations. The amounts reported represent the regulatory bases for assessment. As of the reporting date, Postbank had not conducted any securitization transactions relating to revolving counterparty credit risk.

PB Domicile 2006-1	€1,471 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€1,415 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€674 million	(BHW Bausparkasse AG)

In addition, Postbank structured the Provide Domicile 2009-1 synthetic originator securitization transaction, for which no significant transfer of risks has taken place so far. The Provide Blue 2005-1 originator securitization transaction was terminated in January 2010. This transaction is in deferred redemption; the residual amount is approximately €30 million.

Environmental risk

Postbank also takes into account environmental risk when making credit decisions. The Postbank Group 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 Financial Markets division. BHW Bausparkasse AG and the foreign subsidiaries in New York and Luxembourg manage their risk independently within the framework of Group-wide procedures and processes. Deutsche Postbank AG 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 as well as at its subsidiaries and foreign branches.

The Postbank Group 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 measures relating to activities 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 the Postbank Group'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 Group-wide 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. With respect to the requirements set out in the version of the MaRisk dated December 15, 2010, Postbank revised its liquidity stress scenarios in accordance with BTR 3.2 (3) at the end of 2011 (BTR = Requirements for processes for identifying, assessing, treating, monitoring and communicating risks). In the process, not only were the stress parameters modified but a two-month survival period going above and beyond the MaRisk requirements was defined; in addition, liquidity buffer reporting was extended in particular to differentiate highly liquid assets in accordance with BTR 3.2 (2). 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.

In 2012, Postbank's liquidity management concept was extended to include stress-based management. As part of this, static liquidity buffer management using management triggers was replaced by dynamic buffer management under stress conditions with a two-month survival period, based on a daily management report, featuring appropriate limit and escalation mechanisms.

In addition, Postbank introduced a benchmark concept to determine liquidity buffer costs. In 2012, functionality for allocating liquidity buffer costs to their origins at segment level was added.

Postbank has set up a regulatory liquidity project to prepare for the reporting and management of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which will have to be reported regularly in the future, and to develop additional monitoring tools.

The following table shows the financial liabilities as of December 31, 2012, and December 31, 2011, broken down into residual maturity bands. The table also includes liabilities directly related to assets held for sale. These are primarily attributable to deposits from other banks (€4,196 million), amounts due to customers (€1,460 million), debt securities in issue (€1,250 million), subordinated debt (€1,932 million), other liabilities (€8 million), and contingent and other liabilities (€130 million).

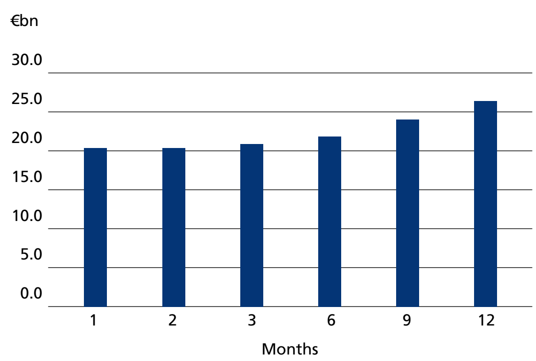
Liabilities by residual maturity

Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Non-derivative liabilities	64,334	59,524	63,248	69,756	26,190	28,272	22,188	19,821	23,756	27,025	199,716	204,398
Deposits from other banks	1,286	293	5,560	6,792	2,233	2,628	8,209	5,489	6,109	5,147	23,397	20,349
Due to customers	42,740	38,327	54,115	59,404	21,957	22,742	7,091	5,582	13,140	16,068	139,043	142,123
Debt securities in issue	8	–	2,964	2,249	518	1,483	4,693	6,731	3,270	3,888	11,453	14,351
Subordinated debt	–	–	609	621	1,482	1,419	2,195	2,019	1,237	1,922	5,523	5,981
Other liabilities	–	–	0	690	–	–	–	–	–	–	0	690
Contingent liabilities and other obligations	20,300	20,904	–	–	–	–	–	–	–	–	20,300	20,904
Derivative liabilities	–	–	736	592	2,479	1,844	7,887	6,948	2,875	2,668	13,977	12,052
Hedging derivatives	–	–	104	69	306	235	1,200	1,132	587	708	2,197	2,144
Trading liabilities	–	–	632	523	2,173	1,609	6,687	5,816	2,288	1,960	11,780	9,908
Total	**64,334**	**59,524**	**63,984**	**70,348**	**28,669**	**30,116**	**30,075**	**26,769**	**26,631**	**29,693**	**213,693**	**216,450**

The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with the requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are held at call or that have a short maturity of usually three months but that are available to the Bank for a significantly longer period of time, statistically speaking.

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of December 31, 2012 presents the expected cash inflows/outflows and the liquidity sources available for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management.

Liquidity status of the Postbank Group as of December 31, 2012



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 the Postbank Group has significant liquidity surpluses across all maturity bands, which serve as liquidity buffers for stress situations and hence underscore the Group's adequate cash position.

The results of the stress tests in 2012 also underline the Postbank Group'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.

In the course of its integration with the Deutsche Bank Group, Postbank revised its liquidity stress scenarios, harmonizing them with Deutsche Bank's parameters, as well as introducing Deutsche Bank's funding matrix methodology. Postbank is integrated with Deutsche Bank's liquidity risk management process. In addition, Postbank resolved – in addition to its existing limit rules – to introduce the concept of limiting secured and unsecured money market borrowings (maximum cash outflow limits) using the Deutsche Bank Group's methodology in 2013.

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.

The VaR limit for operational risk at overall bank level amounted to €485 million as of the 2012 closing date. 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. The Postbank Group'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 instruments in particular throughout the Group:

- 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.

Total operational risk losses (including contributions to the EURO Kartensysteme liability fund) rose year-on-year to €65 million (2011: €56 million). The positive prior-year trend in external fraud continued, but expenditure relating to legal actions and complaints about investment advice remained at a high level, due among other things to a change in the court rulings on the disclosure of kickback payments/commissions. The core topic here was the brokerage of closed-end funds in the years leading up to the outbreak of the financial market crisis in 2008. Following the numerous measures that had been developed and implemented in 2009 and 2010 to improve the situation, a decision was taken in the first half of 2012 to discontinue marketing closed-end funds via Postbank's sales channels as of June 30, 2012.

Criminal activity, most of which had external causes, led to total losses of €22 million in 2012. This represents a decline on the comparative prior-year figure of approximately 30 % (2011: €31 million). One of the main focuses in the fight against fraud is to communicate all material cases of fraud in a timely manner throughout the Bank via the FRAUD committee. Another focus is on raising the awareness of the employees involved in the relevant processes in order to ensure systematic and widespread early identification of cases of fraud. To complement these activities, a number of technical measures were implemented that contributed to a significant improvement in the situation in recent years. No major net losses were attributable to the other operating risk categories (settlement errors, weaknesses in controls or processes, IT or staff failures, etc.) in 2012.

The following table shows the operational value at risk (OpVaR) after adjustment at the level of the Bank as a whole and of the individual divisions, for a confidence level of 99.93 %:

Business division	Operational value at risk (OpVaR)	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Retail Banking	187	188
Corporate Banking	41	38
Transaction Banking	58	27
Financial Markets	67	80
Postbank Group	**354**	**333**

The information on the business divisions contained in the table covers both core and non-core portfolios.

Postbank's strategic focus on retail and business customers can clearly be seen from the operational value at risk figures for the individual divisions. The Retail Banking business division has by far the highest capital requirements, at €187 million (December 31, 2011: €188 million).

Postbank's business continuity management (BCM) activities cover the value chain for business activities and critical Group 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 the emergency plans work.

Monitoring and managing investment risk

As of the reporting date of December 31, 2012, Deutsche Postbank AG held a total of 59 direct and a large number of indirect equity investments. In fiscal year 2012, the number of investments in associates/equity investments declined moderately over the previous year.

These holdings are predominantly strategic investments that reflect the Postbank Group's product and service areas, and that provide internal services for the Postbank Group. A number of these equity investments are managed as Postbank units. In some of those cases, central functions such as accounting, finance, controlling, legal affairs, personnel, and internal audit are performed by the responsible organizational units at Deutsche Postbank AG. The relevant lending departments within Postbank monitor credit-equivalent investment risks or risks that have the function of credit substitutes.

As in the past, Postbank does not have any shareholdings in other companies in the sense of a private equity/investment strategy.

The Postbank Group has established procedures to ensure the adequate management and monitoring of key investment risks at Group level. 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 real estate risk

The properties in the Postbank portfolio are primarily owner-occupied properties used by Deutsche Postbank AG and BHW Bausparkasse AG. They are reappraised every three years in order to monitor their value on an ongoing basis. In line with the valuation principles applied (in this case Practice Statement (PS) 3.2. of the RICS Valuation Standards (8th edition) published by the Royal Institution of Chartered Surveyors (RICS), London), the reappraisal is based primarily on the market value. This is defined in the Practice Statement as follows: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The real estate portfolio is monitored on the basis of the regular property valuations, which take risk aspects into account, as well as the analysis of changes in the real estate portfolio.

No concentration risks from the real estate exposure are discernible.

Monitoring and managing collective risk

BHW Bausparkasse AG uses a collective simulation model as the basis for quantifying risk. The model captures planned new contracts and expected home savings customer behavior, such as savings habits, terminations, the financing of existing housing stock, home loan maturity dates, and principal repayments. Building on the individual contracts, the simulation model uses a broad range of behavioral parameters to calculate the statistically expected total cash flow and income statement/balance sheet data at the overall collective level on a quarterly basis for use in planning.

The plausibility and prediction quality of the collective simulation model was confirmed by an audit firm in connection with the exercise of the exception in accordance with section 1(4) of the *Bausparkassenverordnung* (BSpkV – Building Societies Regulation). In addition, quality assurance of the model in the form of backtesting and variance analyses is performed annually.

The complex simulation of the home savings business, which uses a large number of different parameters, derives assumptions as to the behavior of home savings customers given different interest rate scenarios from historical data series. This sophisticated statistical modeling process could assess the relevant home savings parameters incorrectly, resulting in adverse effects on the results of operations and net assets.

The collective simulation incorporates both existing contracts and assumptions as to new business in the coming years. Material effects on the medium-term results of operations would occur if actual new business were to be significantly below the assumptions, as in this case BHW Bausparkasse AG would have access to a reduced volume of low-interest customer funds.

Postbank considers the collective risk arising from its home savings and loan business to be material. A scenario-based model is used to quantify risk capital requirements for collective risk.

Monitoring and managing 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.

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 (savings and checking account risk).

Residual business risk is calculated on the basis of historical variance analyses for the periods.

This business risk 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.

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

As required by section 315(2) no. 5 of the *Handelsgesetzbuch* (HGB – German Commercial Code), the following section describes the key features of the internal control and risk management system for the Group financial reporting process. Postbank regards information as being material within the meaning of section 315(2) no. 5 of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the consolidated 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 consolidated 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 and consolidated financial statements and for the (group) 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, Group Management, Resources and Chief Risk Office board departments are the main units involved in the preparation of the guidelines.

Postbank prepares its consolidated financial statements in compliance with IFRSs as endorsed by the European Union. Its financial statements are supplemented by the disclosures required by the German commercial law pursuant to section 340i of the HGB in conjunction with section 315a(1) of the HGB and the German Accounting Standards (GASs) as well as the sector-specific requirements for credit institutions and the legal form requirements for German stock corporations (sections 150–161 of the AktG).

Consolidated subsidiaries and special purpose entities prepare reports at Group level (Group reporting packages) in accordance with the Bank's group accounting policies.

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 consolidated financial statements and the group management report
- Provision of information for segment reporting.

In addition, certain tasks are performed by the Group Management units, whose main functions are as follows:

- Coordination of the Declaration of Compliance as defined by section 161 of the AktG
- Provision of certain disclosures relating to the notes
- Provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks.

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

- Calculation of the provisions for pensions and other employee benefits as well as provision of disclosures relating to the notes
- Provision of 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 consolidated financial statements. The Audit Committee set up by the Supervisory Board has the following tasks:

- Provision of advice and supervision with respect to financial reporting, the internal control systems, risk management and risk control (insofar as the Loan and Equity Investments 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 consolidated financial statements and the group management report must be audited by the auditor elected by the Annual General Meeting before the consolidated 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 the Postbank Group 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 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. The Group reporting packages submitted by the companies to be included in consolidation are loaded into the SAP SEM system by the companies or entered manually in individual cases. This data, together with other information provided by the companies to be included in consolidation, is used by the Bank to prepare its consolidated financial statements.

The risk of non-compliant financial statements is addressed by corresponding instructions in the guidelines. Group reporting packages are checked for conformity with Group manuals. The quality of the consolidated financial statements is assured by the Accounting department. The subsidiaries are informed each month of the deadlines for, and changes relating to, the preparation of the consolidated financial statements. The Group guidelines are updated at regular intervals and the updated versions communicated to the subsidiaries.

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

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. In addition, preparation of the consolidated financial statements comprises in particular determining the basis of consolidation, the reports by the companies included in consolidation, intercompany reconciliations, currency conversion, automated and manual consolidation entries and, ultimately, the generation of the consolidated financial statements.

The entire financial reporting process is IT-based. Both standard applications and custom software are used. Rules and procedures, which are based on the Postbank Group'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.

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

Internal Audit

The Internal Audit unit is a key element of the Postbank Group'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. Internal Audit's responsibilities also extend, in a scaled-down form, to the subsidiaries of the Postbank Group. Its activities in the subsidiaries range from advisory functions to full-scale Internal Audit procedures. During the fiscal year, the Internal Audit function's audit planning process was migrated from an interval-based, static multi-year planning process to a dynamic process. The risks inherent in 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

On October 6, 2010, the German Federal Ministry of Finance issued the *Verordnung über die aufsichtsrechtlichen Anforderungen an Vergütungssysteme von Instituten* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) on the basis of section 25a(5) sentences 1–3 and 5 of the KWG; this replaces BaFin Circular 22/2009 dated December 21, 2009.

The Postbank Group'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.

REPORT ON EXPECTED DEVELOPMENTS

Global economy

At the beginning of 2013, the global economy finds itself in an uncertain position. Risks continue to arise most of all from the sovereign debt crisis in the eurozone, a problem that has indeed eased, but that has yet to be overcome. Should this crisis continue to be held in check, an important condition for increased growth of the global economy would be created. Economic momentum may be produced in particular by the world's emerging countries. In many of these nations, central banks and governments have taken steps to stimulate their economies. For 2013, the IMF forecasts that world economic output will grow by 3.5 %, compared with 3.2 % in 2012. The IMF expects that global GDP will show somewhat stronger gains in 2014.

The U.S. economy is likely to produce continuous, but moderate growth. Investments in machinery and equipment should continue to rise. With the market for residential real estate having clearly bottomed out, investments in construction could even produce a powerful surge once again. Private consumption should grow moderately as employment rises and joblessness eases slightly. Exports and imports may rise at roughly the same levels. As a result, exports as a whole will be unlikely to generate any growth momentum for the economy. Possibly unlike previous years, public sector spending will no longer create any significant economic headwind. GDP growth, despite the broadly established upward forces at work in the economy, may ease slightly in 2013 as a result of the country's unfavorable starting position at the beginning of 2013 compared with the previous year. We forecast growth of 2.1%. For 2014, we expect to see a significantly higher growth rate.

The Japanese economy had slowed considerably at the turn of the year. Even if the economy begins to get back on its feet as 2013 continues, the conditions for the entire year are unfavorable. Private consumption and investments may continue to largely stagnate, and exports will increase only at a very moderate rate. GDP growth, at 0.3 %, will thus be very weak in 2013. We expect the Japanese economy will generate growth that will be somewhat more robust in 2014, but remain modest. China may profit in 2013 from a slight rebound of the world's economy and government efforts to fuel domestic demand. For this reason, GDP growth should quicken slightly and gather even more speed in 2014.

As the year of 2013 was about to begin, the eurozone's economy was in a recession. But there are signs that the economy could stabilize at the start of the year and then rebound. Given the continuing sovereign debt crisis and the pressure to consolidate government budgets resulting from it, this recovery may be limited. Domestic demand will most likely decrease once again in 2013. In particular, the outlook for investments is gloomy. Private consumption may also continue to decline, too, due to high unemployment and income losses fueled by tax increases. But the rapidity of the decreases should slow. Foreign trade may provide further support as exports rise moderately and imports increase slightly. Nonetheless, this support will not be as strong as it was in 2012. Despite the economic recovery expected for the year, GDP in the eurozone may again decrease by 0.1% in 2013 as a result of the economy's poor starting position at the beginning of the year. In 2014, GDP growth should again be positive, but the economy will not generate greater momentum.

Economic outlook for Germany

As 2012 ended and 2013 began, the German economy was in a weak position. Leading indicators, including the Ifo Business Climate Index, point to a pending stabilization and a subsequent upswing. This rebound should initially be moderate because no powerful economic driving force can be seen on the horizon. The growth of exports should be slower in 2013 than it was in the previous year not the least due to the ongoing weakness of demand in other European countries. By contrast, imports should rise somewhat faster. The overall result should be that foreign trade will not provide any growth momentum. Investments in machinery and equipment may indeed rebound as the year progresses. But on the basis of an annual average, they may slip slightly from the level recorded in 2012 due to their poor starting position. By contrast, investments in construction may rise moderately with residential construction jumping markedly once again. The low level of investment may have a negative impact on the labor market. Employment may stagnate to a large degree and joblessness rise slightly in 2013. Given these conditions, private consumption is expected to rise only modestly – even as incomes continue to increase. At 0.6 %, GDP growth produced in 2013 may finish the year below the level produced in the previous year. For 2014, we expect to see an economic recovery and slightly above-average GDP growth of 1.5 %.

Markets

The sovereign debt crisis in the eurozone may continue to act as a drag on global markets in 2013 despite the recent easing of tensions. Against the backdrop of continuingly high government budget deficits, the nervousness of market players can rise very quickly, resulting in new declines in prices. As has been the case in past years, the bonds of highly indebted European countries in particular could be impacted by this. The monetary policy of leading central banks may remain expansive in 2013. We believe that the ECB will maintain its benchmark interest rate at 0.75 % in 2013 in light of the eurozone's anemic economy and the European sovereign debt crisis. In the process, it is also likely to accept the possibility that it will again overshoot its target for inflation of just under 2 %. We expect the benchmark interest rate to be raised again no earlier than the second half of 2014. We also think that, for the foreseeable future, the ECB will remain committed to the unconventional steps it has taken, including the full allotment of its refinancing operations. The OMT Program could be activated if the sovereign debt crisis in the eurozone escalates once again and Spain or Italy should agree on adjustment programs. It could also be initiated if the crisis eases further. Such countries as Ireland and Portugal that already have agreed on adjustment programs could receive support from the ECB in order to gain full access once again to capital markets. The U.S. Federal Reserve has already announced that it will continue to employ its extremely expansive monetary policies as long as the unemployment rate remains above 6.5 % and the expected inflation rate stays below 2.5 %. But even if these conditions no longer apply, this will not necessarily mean that interest rates will be increased. For this reason, we expect a constant benchmark interest rate level of 0 % to 0.25 % in 2013. For 2014, we think it is very likely that the Fed will keep that interest rate at its historically low level.

We believe that capital market interest rates in Germany are distorted downward at their current level, which, in particular, results in a negative real interest rate. The sovereign debt crisis in the eurozone that continues to smolder may indeed continue to promote the image of German bunds as a "safe haven," but this will not be to the extent seen in the previous year. We believe that the crisis will ease in 2013 – a development that will serve as a sign for tendentially rising capital market interest rates. Nonetheless, such an increase should be very restricted due to continuing uncertainty and the current expansive monetary policies. For this reason, we expect that the yields of 10-year German bunds will rebound only slightly to 2.0 % in 2013. With benchmark interest rates remaining constantly low, the yield curve may become somewhat steeper. Capital market interest rates in 2014 should increase further as the economy rebounds and the prospect of tighter monetary policies arises. Amid these conditions, the yield curve should become somewhat steeper.

Generally speaking, corporate bonds should profit from the expected economic recovery and the continuing low level of benchmark interest rates. But risk premiums have already fallen sharply and closely approached the level they reached before the financial crisis began in 2007. We believe the current level of corporate spreads is fundamentally justified, but offers no more potential for further narrowing.

In the face of risk premiums demanded for the bonds issued by the peripheral states in the eurozone, we think a further narrowing is possible as long as budget deficits are lowered on a long-term basis and the affected countries gradually pull out of their recessions. In some cases, though, the 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 reduction of the spreads is very limited. The bond market, at the same time, may remain very vulnerable to setbacks if the crisis worsens.

Sector situation

On the European level, many aspects of the regulatory conditions applying to financial institutions remain undecided. Final decisions on such issues as standardizing deposit protection insurance, amending the Markets in Financial Instruments Directive II (MiFID II), implementing capital requirements for banks under the Capital Requirements Directive IV (CRD IV – draft legislation for the national implementation of the international Basel III requirements and/or its European counterpart) and introducing an EU-wide banking levy have not been made. In contrast, the financial transaction tax is a step that has been taken toward implementation. The Economic and Financial Affairs Council has formally authorized the 11 EU countries seeking a limited solution to introduce a financial transaction tax in their countries. The 11 countries include Germany, France, Italy and Spain. A legislative proposal defining ways that the financial transaction tax would be used was to be submitted by the EU tax commissioner in the first quarter of 2013.

At the beginning of February 2013, the German Cabinet approved a draft of bank-regulating legislation. This proposal would segregate risky trading activities from the deposit business, among other things. Under the plan, the customer business would be segregated if the risky business activities made up more than 20 % of total assets or amounted to volumes of more than €100 billion. Activities conducted in connection with proprietary trading and the lending business with hedge funds would have to be transferred to an autonomous, organizationally segregated subsidiary. The proposal draws heavily on the recommendations made by the Liikanen group of experts. But, unlike the Liikanen report, it includes no sweeping ban on so-called market making. The German Federal Ministry of Finance says the legislation could affect up to a dozen banks. As the year progresses, the EU Commission is expected to announce an EU-wide scheme to segregate banking activities.

The economic slowdown that has also reached Germany should complicate the banking sector's operating business in 2013. Generally speaking, the creditworthiness of German borrowers is unlikely to improve in this business climate. The continuing low level of German interest rates is applying increased pressure to the interest margin and, as a result, to the earnings performance of many German banks.The drop in net interest income seen at the four German lending institutions that were analyzed underscores this trend. The tough competition in the segments of German retail customers and small and mid-sized enterprises that is reflected in mostly declining net fee and commission income of these banks during the period under review is creating a further drag on business performance. In 2013, we expect to see no noticeable easing of competition in the segments of German retail customers and small and mid-sized enterprises and only a modest steepening of the yield curve. As a result, a majority of German banks may report a drop in net interest income and net fee and commission income for the full year of 2013. Contributions to earnings generated by investment banking and proprietary trading may remain uncertain at many German banks owing to the difficult capital market climate and increased capital requirements. Given this challenging operating environment, many lending institutions may examine their cost structures in 2013 in a search to find potential savings. In the most favorable case, we expect the majority of German banks to report results for 2013 that are similar to or slightly better than those of 2012.

We also believe that the German banking landscape will continue to be shaped over the mid-term by the three-pillar structure consisting of private, public and cooperative banks.

The year of 2014 is also not expected to be an easy one for the German banking industry. The tough competition in the retail and corporate banking business should continue. In addition, there is no prospect of a significantly steeper yield curve – combined with a positive impact on the interest margin – on the horizon for 2014. For this reason, the chances that significant growth can be achieved in net interest income and net fee and commission income are rather slim. Improvements in income from investment banking or proprietary trading should also be limited in light of pending regulatory decisions that will primarily affect these business segments. In 2014, the issue of cost optimization should remain on the agenda of many banks. In this difficult business climate, operating earnings at the majority of banks should stagnate or rise only slightly.

Investment focuses of Postbank

In 2013 and 2014, Postbank will continue to focus on further developing its retail target platform (RTP) and on implementing a number of regulatory requirements. These regulations include the fulfillment of liquidity and capital requirements as well as accounting standards, SEPA, Basel III, the fourth MaRisk amendment and various consumer protection issues. Lifecycle investments will be made in 2013 – to the extent that they are technically necessary. But they will be avoided if possible as long as they are not needed during implementation of the RTP.

Larger investments in the business development category will be made only in individual cases in 2013 and 2014 and balanced with activities related to the RTP program.

Impact of Basel III and the capital situation

The Basel Committee on Banking Supervision (BCBS) issued the final text of the rules governing future international capital adequacy and liquidity requirements (Basel III) on December 16, 2010. These rules are now being turned into the appropriate guidelines and regulations on the European and national levels. The exact date for introduction remains open at the moment. In response to the financial crisis, a number of tougher regulations are being written in an attempt to make the global banking system more resilient. These proposals include increased requirements regarding the quality and quantity of regulatory capital and higher capital charges for the assets to be backed by capital. Banks will also face minimum standards for their liquidity base in the future, 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 at 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 anticyclical capital cushion.

In recent years, Postbank has already significantly expanded its capital base. As a result, it is well prepared for the introduction of Basel III. In the future, other steps will be taken to expand the Bank's capital position. These steps will include the introduction of additional advanced models for determining capital requirements (Advanced IRB Approach) and the continued reduction of investment securities. The start of 2013, however, will see an initial drop in the Tier 1 capital ratio of the Postbank Group, owing in particular to the disposal of hybrid capital through the sale of Deutsche Postbank Funding LLC I-IV and Deutsche Postbank Funding Trust I-IV mentioned in the Report on Post-Balance Sheet Date Events. The Tier 1 capital ratio of Deutsche Postbank AG will not be affected.

Postbank's de-risking strategy will also help reduce its leverage ratio, which is only being monitored but not limited by supervisory authorities at the moment.

Outlook for the Postbank Group

Expected development of the earnings situation of the Postbank Group

The following assessment of the presumed direction of business at Postbank in 2013 and 2014 is based on the economic assumptions and expectations contained in this Group Management Report. A renewed intensification of the sovereign debt crisis and/or possible setbacks or disruptions in 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 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 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 a joint IT platform. The results expected to be produced by 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. The Bank will focus on improving its cost base, adjusted for integration-related expenses, among other things. Thanks to the integration into the Deutsche Bank Group, increased efficiency potential will be tapped here.

We will continue our de-risking strategy and, in this context, accept any charges to earnings that could naturally lead to deviations from the outlook below.

On an individual basis, we expect net interest income to fall appreciably in 2013. But it should begin to rise again starting in 2014. In addition to continuing negative effects arising from low interest rates and the ongoing reduction of investment securities, the sale of our subsidiary PB Capital Corporation will primarily be responsible for the lower amount of net interest income in 2013. In 2014, we currently expect slightly higher interest rates on money and capital markets and business growth. From today's perspective, this should lead to rising net interest income compared with 2013. Net fee and commission income should remain largely constant in 2013 and 2014, as planned reductions from the postal business should be offset in particular by increased income from securities and checking products.

The accelerated reduction of risk positions as part of the new Non-Core Operating Unit (NCOU) segment will most likely have a substantially negative impact on net income from investment securities in 2013. For 2014, we currently foresee an almost neutral net income from investment securities.

For 2013 and 2014, we expect slightly positive earnings contributions from net trading income and thus a substantial improvement over the result in 2012, which was impacted, in particular, by negative effects from the NCOU segment.

In terms of the allowance for losses on loans and advances, Postbank may profit from the slight economic recovery in 2013 and 2014 as well as from the end of negative effects arising from PB Capital Corporation and its risk-bearing international commercial real estate finance business. As a result, we can assume that this metric will be largely stable.

For administrative expenses, we expect to see a slightly rising trend in 2013 as a result of continuing integration-related costs that will be noticeable here. Starting in 2014, synergies and the efficiency steps taken in recent periods should have an increasingly positive impact. In 2014, administrative expenses should be slightly below their level in 2013.

For the first quarter of 2013, we expect positive effects in the low three-digit millions from the deconsolidation mentioned in the Report on Post-Balance Sheet Date Events. We are proceeding on the assumption that this extraordinary contribution to earnings will be used over the course of the year for an accelerated reduction of risk positions, among other things.

Overall, we expect profit before tax to finish 2013 in the low three-digit millions, appreciably below its 2012 level, as a result of the challenging interest rate environment, the non-recurring effects arising from the accelerated reduction of risk positions and integration-related expenses as well as the ongoing lack of contributions to earnings from PB Capital Corporation. We expect profit before tax to rise sharply beginning in 2014.

Expected development in fundamental business divisions

Retail Banking

Against the backdrop of expected economic conditions, we expect our retail banking business in Germany to remain stable in 2013 and 2014. This area is a low-volatility and low-risk business activity compared with others. But we believe that competition will intensify. Thanks to our current positioning, we believe that we are well prepared for such a change and intend to remain on our growth course.

Through 2014, we expect that net interest income, amid an unchanged interest rate environment, will increase marginally and net fee and commission income will rise slightly, with an allowance for losses on loans and advances that will be increasing once again compared with the good results in 2012. Should interest rates not rise as we expect, this would have a negative impact on net interest income. Administrative expenses may rise slightly owing to integration efforts. Overall, we expect profit before tax in this segment will fall in 2013 and 2014 just under the good level of 2012.

Corporate Banking

As a result of a declining net interest income and an increase in the allowance for losses on loans and advances, we expect profit before tax produced by the Corporate Banking segment in 2013 and 2014 will fall below the 2012 level.

Transaction Banking

In the Transaction Banking segment, we expect profit will decline in 2013 due to another slight reduction in net fee and commission income and administrative expenses that are initially stable. In 2014, our cost initiatives should take hold, giving profit a boost.

Financial Markets

In the Financial Markets segment that includes the results of the management of our banking book, we expect a significant improvement in the next two years compared with the performance in the previous fiscal year as a consequence of slightly rising interest rates and a drop in administrative expenses.

Non-Core Operating Unit

De-risking initiatives will initially have a negative impact on this new segment in 2013. Consequently, we currently expect profit in 2013 to remain at roughly the same level as 2012. For 2014, we expect an improvement of the profit that will primarily be due to income and expense factors. It should be kept in mind that significant changes in this outlook could result from currently unplanned de-risking actions and that these changes could negatively impact the Bank’s overall result.

Cost Centers/Consolidation

For this segment we expect a higher loss in 2013 compared with the year under review, mainly attributable to an integration-related rise in administrative expenses. For 2014, we anticipate that positive effects from the integration will be recognized in this item which will lead to a significantly improved loss before tax in the Cost Centers/Consolidation segment.

Responsibility Statement

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

Bonn, February 19, 2013

Deutsche Postbank AG

The Management Board

Frank Strauss

Marc Hess

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE PERIOD ENDED DECEMBER 31, 2012

04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2012

Consolidated Income Statement	Note	2012 €m	2011 €m
Interest income	(7)	6,100	6,900
Interest expense	(7)	–3,397	–3,990
Net interest income	(7)	2,703	2,910
Allowance for losses on loans and advances	(8)	–384	–383
Net interest income after allowance for losses on loans and advances		2,319	2,527
Fee and commission income	(9)	1,423	1,502
Fee and commission expense	(9)	–269	–250
Net fee and commission income	(9)	1,154	1,252
Net trading income	(10)	–103	64
Net income from investment securities	(11)	–15	–554
Administrative expenses	(12)	–2,999	–3,204
Other income	(13)	148	107
Other expenses	(14)	–118	–114
Profit before tax		386	78
Income tax	(15)	–106	34
Profit from ordinary activities after tax		280	112
Non-controlling interests		–1	–1
Consolidated net profit		**279**	**111**
Basic earnings per share (€)		1.28	0.51
Diluted earnings per share (€)		1.28	0.51

Condensed Statement of Comprehensive Income	2012 €m	2011 €m
Profit from ordinary activities after tax	280	112
Other comprehensive income after tax	**373**	**–24**
Change in revaluation reserve	516	–35
thereof remeasurement gains/losses	409	–51
thereof disposals and impairment	107	16
Change in currency translation reserve	–3	9
Income tax relating to other comprehensive income	–140	2
Total comprehensive income for the period attributable to non-controlling interests	–1	–1
Total comprehensive income	**652**	**87**

Income tax recognized directly in comprehensive income is attributable to the revaluation reserve (€–138 million) and the currency translation reserve (€–2 million).

Earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares outstanding during the fiscal year. The average number of shares outstanding in fiscal year 2012 was 218,800,000 (previous year: 218,800,000).

Diluted earnings per share are the same as basic earnings per share because, as in the previous year, no conversion or option rights are outstanding and hence there is no dilutive effect.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2012

Assets	Note	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m	Jan. 1, 2011[1] €m
Cash reserve	(16)	2,054	3,652	3,248
Loans and advances to other banks	(17)	28,297	20,322	12,140
Loans and advances to customers	(18)	106,266	110,743	111,786
Allowance for losses on loans and advances	(20)	–1,745	–1,826	–1,764
Trading assets	(21)	9,446	6,892	24,150
Hedging derivatives	(22)	1,468	1,277	664
Investment securities	(23)	37,027	46,480	58,980
Intangible assets	(24)	2,248	2,274	2,339
Property and equipment	(25)	768	791	826
Investment property	(26)	–	73	73
Current tax assets	(27)	113	206	321
Deferred tax assets	(27)	122	404	347
Other assets	(28)	719	647	645
Assets held for sale	(29)	7,039	–	882
Total assets		**193,822**	**191,935**	**214,637**

Equity and Liabilities	Note	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m	Jan. 1, 2011[1] €m
Deposits from other banks	(30)	17,334	20,050	22,445
Due to customers	(31)	131,732	134,127	136,477
Debt securities in issue	(32)	9,436	12,727	12,860
Trading liabilities	(33)	11,220	8,591	26,174
Hedging derivatives	(34)	1,600	1,817	1,451
Provisions		2,640	2,557	2,287
a) Provisions for pensions and other employee benefits	(35)	1,189	1,161	1,126
b) Other provisions	(36)	1,451	1,396	1,161
Current tax liabilities	(37)	115	129	77
Deferred tax liabilities	(37)	137	153	262
Other liabilities	(38)	721	689	665
Subordinated debt	(39)	3,196	5,438	5,577
Liabilities directly related to assets held for sale	(40)	9,382	–	787
Equity	(41)	6,309	5,657	5,575
a) Issued capital		547	547	547
b) Share premium		2,010	2,010	2,010
c) Retained earnings		3,469	2,985	2,876
d) Consolidated net profit		279	111	138
Non-controlling interests		4	4	4
Total equity and liabilities		**193,822**	**191,935**	**214,637**

[1]Figures adjusted (see Note 6)

STATEMENT OF CHANGES IN EQUITY

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consolidated net profit €m	Equity before non-controlling interests €m	Non-controlling interests €m	Total €m
Balance at Dec. 31, 2010	**547**	**2,010**	**3,343**	**–142**	**–273**	**138**	**5,623**	**4**	**5,627**
IAS restatement			–52				–52		–52
Balance at Jan. 1, 2011	**547**	**2,010**	**3,291**	**–142**	**–273**	**138**	**5,571**	**4**	**5,575**
Dividend payment							–		–
Changes in retained earnings			138			–138	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2011				9	–33	111	87		87
Treasury shares							–		–
Other changes			–5				–5	–	–5
Balance at Dec. 31, 2011	**547**	**2,010**	**3,424**	**–133**	**–306**	**111**	**5,653**	**4**	**5,657**
Dividend payment							–		–
Changes in retained earnings			111			–111	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2012				–5	378	279	652		652
Treasury shares							–		–
Other changes							0	–	0
Balance at Dec. 31, 2012	**547**	**2,010**	**3,535**	**–138**	**72**	**279**	**6,305**	**4**	**6,309**

Comprehensive income includes measurement and disposal gains and losses on available-for-sale financial instruments.

The full amount of the currency translation reserve as of December 31, 2012, was attributable to assets held for sale. €15 million of the revaluation reserve was attributable to the corresponding assets held for sale.

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More detailed disclosures on the changes in the revaluation reserve can be found in Note 41.

Postbank did not hold any treasury shares as of December 31, 2012.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2012 €m	2011 €m
Consolidated net profit		**279**	**111**
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities			
Depreciation and writedowns of property and equipment, writedowns of investment securities, loans and advances, and reversals of impairment losses on these items		473	1,123
Changes in provisions	(35), (36), (37)	93	213
Changes in other non-cash items		65	−65
Gains on disposal of property and equipment and investment securities		55	−87
Other adjustments (net, primarily net interest income)		−2,422	−2,688
Subtotal		**−1,457**	**−1,393**
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		−8,746	−8,451
Loans and advances to customers		1,141	164
Trading assets		−2,711	17,543
Hedging derivatives with positive fair values		−93	−537
Other assets		166	53
Deposits from other banks		1,473	−1,899
Due to customers		−1,384	−2,780
Debt securities in issue		−2,184	−103
Trading liabilities		2,767	−17,583
Hedging derivatives with negative fair values		190	437
Other liabilities		40	41
Interest received		6,274	7,081
Interest paid		−3,514	−4,279
Other cash inflows		4	0
Dividends received		1	0
Income taxes paid		−155	−82
Net cash used in operating activities		**−8,188**	**−11,788**

	Note	2012 €m	2011 €m
Proceeds from the disposal of			
Investment securities		9,245	12,574
Investments in subsidiaries	(2)	10	171
Property and equipment/investment property		87	25
Intangible assets		2	0
Payments to acquire			
Investment securities		–2,341	–184
Investments in subsidiaries		–4	4
Property and equipment/investment property		–47	–59
Intangible assets		–62	–38
Net cash from investing activities		**6,890**	**12,493**
Dividends paid		0	0
Net change in cash and cash equivalents from other financing activities		–297	–300
Net cash used in financing activities		**–297**	**–300**
Cash and cash equivalents at start of period	(16)	**3,652**	**3,248**
Net cash used in operating activities		–8,188	–11,788
Net cash from investing activities		6,890	12,493
Net cash used in financing activities		–297	–300
Effects of exchange rate differences		–3	–1
Cash and cash equivalents at end of period	(16)	**2,054**	**3,652**

Reported cash and cash equivalents correspond to the cash reserve.

The cash flow statement is prepared using the indirect method, under which net cash flow from operating activities is calculated on the basis of consolidated net profit plus non-cash expenses and less non-cash income in the fiscal year.

In addition, all income and expenses that are cash transactions but are not attributable to operating activities are eliminated. These payments are recognized in the cash flows used in/from investing activities or financing activities.

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BASIS OF PREPARATION

DB Finanz-Holding GmbH, Frankfurt am Main, a wholly-owned subsidiary of Deutsche Bank AG, Frankfurt am Main, is the parent company of Deutsche Postbank AG, Bonn. The Postbank subgroup companies are included in Deutsche Bank AG's consolidated financial statements.

(1) Basis of accounting

As a listed company, Deutsche Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2012, in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law under section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The consolidated financial statements constitute an annual financial report within the meaning of section 37v of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

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The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2012).

Accounting and measurement are based on the going concern principle. Income and expenses are accrued. They are recognized and recorded in the period to which they relate.

The consolidated financial statements comprise the consolidated statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and the notes.

Unless otherwise indicated, all amounts are shown in millions of euros (€m).

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All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of provisions, and the ability to realize future tax benefits. Among other things, the estimation uncertainty associated with measurement models for financial instruments is addressed in Note 44, Fair value of financial instruments. When determining the intention to hold financial instruments, business strategy and current market conditions are also taken into account. Where significant estimates were required, the assumptions made are explained in detail in the following Notes to the corresponding item. In individual cases, the actual values may differ from the assumptions and estimates made.

The fair value of holdings of government bonds, *Pfandbriefe*, and bank and corporate bonds is determined using observable market prices or inputs that are observable in the market.

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The management of market risk, counterparty credit risk, and liquidity risk is described in the Risk Report section of the Group Management Report (subsections "Monitoring and managing market risk", "Monitoring and managing credit risk", and "Monitoring and managing liquidity risk").

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

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The management of the individual risk types and the disclosures on risks from financial instruments (in accordance with IFRS 7) are explained in the Risk Report contained in the Group Management Report.

(2) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 46 (December 31, 2011: 50) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2012.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
BHW Holding Aktiengesellschaft, Hameln	100.0	
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
DSL Holding Aktiengesellschaft i.A., Bonn	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	
PB Factoring GmbH, Bonn	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Direkt GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank P.O.S. Transact GmbH, Eschborn	100.0	
Postbank Systems AG, Bonn	100.0	
BHW Bausparkasse Aktiengesellschaft, Hameln		100.0
BHW Gesellschaft für Vorsorge mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hameln		100.0
BHW-Immobilien GmbH, Hameln		100.0
BHW Kreditservice GmbH, Hameln		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
Miami MEI LLC, Dover, Delaware, U.S.A.		100.0
PB Capital Corporation, Wilmington, Delaware, U.S.A.		100.0
PBC Carnegie LLC, Wilmington, Delaware, U.S.A.		100.0
PB Finance (Delaware), Inc., Wilmington, Delaware, U.S.A.		100.0
PB Firmenkunden AG, Bonn		100.0
PB Hollywood I Hollywood Station LLC, Dover, Delaware, U.S.A.		100.0
PB Hollywood II Lofts LLC, Dover, Delaware, U.S.A.		100.0
PMG Collins LLC, Tallahassee, Florida, U.S.A.		100.0
Postbank Filial GmbH, Bonn		100.0
Postbank Support GmbH, Cologne		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
Postbank Finanzberatung AG, Hameln	23.3	76.7
PB (USA) Realty Corporation, New York, U.S.A.		94.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	

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A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 60.

VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, domiciled in Bonn, Germany, (the transferring legal entity), was merged with Betriebs-Center für Banken Processing GmbH, domiciled in Frankfurt am Main, Germany, (the receiving legal entity) on August 14, 2012, with retrospective effect as of January 1, 2012. On the same day, the company name was changed to VÖB-ZVD Processing GmbH, Frankfurt.

Deutsche Postbank International S.A. sold all of its shares in Deutsche Postbank Vermögens-Management S.A. to DWS Investment S.A. effective August 15, 2012. The sale of the company resulted in a gain of €16 million. At the date of disposal, the company's assets amounted to €31 million and its liabilities amounted to €1 million.

Deutsche Postbank Financial Services GmbH, a wholly-owned subsidiary of Deutsche Postbank AG was merged as the transferring legal entity with Deutsche Postbank AG (the receiving legal entity). The transaction was entered in the commercial register on September 28, 2012, and had retrospective effect as of January 1, 2012.

DPBI Immobilien KGaA, domiciled in Munsbach, Luxembourg, (the transferring legal entity) was merged with Deutsche Postbank Finance Center Objekt GmbH, domiciled in Munsbach, Luxembourg, (the receiving legal entity) as of December 13, 2012, with retrospective effect as of January 1, 2012.

There were no other changes in the basis of consolidation. Overall, the changes in the basis of consolidation have had no material impact on the net assets, financial position, and results of operations of the Group.

(3) Consolidation methods

In accordance with IAS 27.24, the consolidated financial statements of Deutsche Postbank AG have been prepared in accordance with uniform Group accounting and measurement policies.

Acquisition accounting uses the acquisition method in accordance with IAS 27.18 in conjunction with IFRS 3. Recognition of the investments in subsidiaries at their carrying amount at the parent is replaced by the fair values of the assets and liabilities of the companies included.

Any goodwill arising from initial consolidation is tested for impairment once a year and written down if required.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as "non-controlling interests". The value of such non-controlling interests is determined on the basis of the fair values of the assets and liabilities attributable to it.

Intercompany receivables and liabilities, as well as income and expenses from intercompany transactions, were eliminated in accordance with IAS 27.20. Intercompany profits within the Group were eliminated in accordance with IAS 27.21.

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

(4) Accounting policies

Unless otherwise stated in the following, all accounting policies remained unchanged as against the previous year.

(a) Active market

The assessment of the accounting policies relating to financial instruments depends on whether an active market exists for them. Under IAS 39.AG71, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

(b) Loans and advances

As a rule, loans and advances to other banks and customers are reported at amortized cost ("loans and receivables" category). These also include money market receivables.

Postbank applies the fair value option exclusively to specific loan portfolios in the mortgage lending business that are hedged by interest rate derivatives. In accordance with this, financial assets may be designated at fair value through profit or loss if this leads – among other things – to the elimination or significant reduction of inconsistencies in measurement or recognition (accounting mismatches). In accordance with IAS 39.AG74 ff., receivables are measured on the basis of discounted cash flow analysis using a current swap yield curve and loan-specific risk or cost premiums. A detailed description of the valuation technique used can be found in Note 44. Receivables are presented in the balance sheet under the "loans and advances to customers" item. Changes in fair value are reported in net trading income. The interest on portfolios allocated to the fair value option and the related interest rate swaps are reported in net interest income.

The maximum credit risk on the loan portfolios allocated to the fair value option corresponds to the carrying amount of €6.8 billion (previous year: €7.5 billion); this risk is reduced by €0.4 billion (previous year: €0.5 billion) by credit default swaps, because these loans are part of the reference pools of synthetic securitizations and/or this credit risk has been placed in the market in connection with the RMBS transactions. The credit default swaps that reduce the credit risk are exclusively financial guarantee contracts that are accounted for under IFRSs or are measured only at the time of the recourse claim.

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Impairments of loans and advances due to changes in credit risk that are not designated at fair value through profit or loss are recognized separately in the allowance for losses on loans and advances, and deducted from assets.

The carrying amount of collateralized loans for which hedge accounting is used is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums and discounts including transaction costs are recognized in net interest income. Deferred interest on loans and advances, as well as premiums and discounts, are carried together under the relevant items of loans and advances. Premiums and discounts are deferred using the effective interest method.

Receivables are derecognized once the majority of the key risks and rewards incidental to legal ownership of the financial assets have been transferred.

The fair value of financial instruments measured at amortized cost or at the hedge fair value is determined using observable market prices or discounted cash flow analysis using inputs that are observable in the market (current swap yield curve plus "credit spread"). Additional information on the fair value of financial instruments is given in Note 44, Fair value of financial instruments.

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Financial instruments are grouped into classes as required by IFRS 7.6 at Postbank on the basis of the categories of financial instruments in accordance with IAS 39 together with the relevant balance sheet items. To further increase transparency, Postbank has broken down the credit risk information required to be disclosed under IFRS 7.36f. by individual classes in the Risk Report.

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(c) Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4.

In accordance with IAS 17, leased assets are allocated to and recognized at the lessor or the lessee, and the leases are classified as a finance or operating lease, on the basis of the risks and rewards incidental to ownership.

Where Postbank is the lessee in a finance lease, it carries the leased asset at the fair value amount applicable at the beginning of the lease or at the lower present value of the minimum lease payments under property and equipment.

The lease payments due are reported in the balance sheet under other liabilities. Writedowns of the leased assets are recognized in administrative expenses.

Where Postbank is the lessor of a finance lease, it discloses the receivable at its net investment value under loans and advances to other banks or loans and advances to customers. The lease installments due are recognized as interest income (interest component; recognized in income) and deducted from the receivables reported (principal redemption component; recognized in other comprehensive income).

Postbank has not entered into any finance leases relating to real estate. Its leases for movable assets generally take the form of non-full payout leases with a put option. In such non-full payout leases, only part of the total investment costs is amortized within the basic term of the lease due to the fact that this is shorter than the standard useful life.

Where Postbank is the lessee of an operating lease of properties, it reports the lease installments paid in full as rental expense under administrative expenses.

Where Postbank is the lessor of an operating lease, it carries the leased asset at amortized cost under property and equipment. The lease installments received during the respective period are reported in other income; writedowns of the leased assets are carried under administrative expenses.

(d) Allowances and provisions for losses on loans and advances, writedowns, and impairments

Identifiable credit risks are covered by recognizing specific valuation allowances (or collective specific valuation allowances). Additionally, in the case of risks that have arisen but not yet been identified, portfolio-based valuation allowances are recognized for groups of financial assets with similar default risk profiles, the amounts of which are determined on the basis of Basel II parameters (expected loss rates, default probabilities, and LIP factors). The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It relates to writedowns of losses on loans and advances to other banks and to customers.

A potential need to recognize impairment losses is assumed in the case of the following indicators: delinquency over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, the application for or opening of insolvency proceedings, or the failure of restructuring measures.

A financial asset is impaired if its estimated recoverable amount is lower than its carrying amount, i.e., if a loan is presumed to be (partly) uncollectible. If this is the case, the loss on financial assets carried at amortized cost must either be recognized through an indirect writedown (loan loss allowance) or by writing down the asset directly and recognizing the loss in profit or loss (IAS 39.63).

In accordance with IAS 39.63 ff., the recoverable amount is determined using the following methods:

- the discounted present value of estimated future cash flows (interest and principal payments as well as payments received from the liquidation of collateral) from the financial asset;

- an observable market price, where there is an observable market price for the financial instrument, because marking-to-market reflects the increased counterparty credit risk.

Uncollectible loans and advances are written off directly against income in the appropriate amount; recoveries on loans previously written off are recognized in income.

Credit risk provisions are recognized for liabilities under sureties, other guarantees, and irrevocable loan commitments involving a default risk.

(e) Trading assets
Securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the positive fair values of banking book derivatives and derivatives relating to hedged items accounted for under the fair value option. These transactions are recognized for the first time at the trade date.

The assets are carried at their fair values. If there are publicly quoted prices in an active market within the meaning of IAS 39.AG71 ff., these publicly quoted prices are generally used as the fair value; otherwise the fair value is determined based on recognized valuation techniques (in accordance with IAS 39.AG74 ff.). A detailed description of the valuation techniques is given in Note 44. Remeasurement gains and losses as well as gains or losses realized on the sale or disposal of trading assets are recognized in net trading income.

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The interest on spot transactions and interest on swaps in portfolios allocated to the fair value option are recognized in net interest income. All other interest on swaps is reported in net trading income.

Postbank has separated the embedded derivatives in the synthetic collateralized debt obligations (CDOs) in accordance with IAS 39.AG30h and has therefore measured them separately through profit or loss.

The separated derivatives in the synthetic SCP portfolios (structured credit products) are reported as standalone derivatives in the “trading assets” balance sheet item (in the case of positive fair values) or “trading liabilities” (in the case of negative fair values). SCP portfolios held for trading are also carried under “trading assets”. Detailed explanations of the SCP portfolios can be found in Note 4 (h), Investment securities.

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The measurement methods used are described in Note 44, Fair value of financial instruments.

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(f) Securities lending and repurchase agreements
Postbank enters into both securities lending and genuine securities repurchase agreements. Securities sold under repo and sell-and-buyback transactions (cash sales) are carried as securities in the consolidated balance sheet. Cash inflows from such transactions are carried in the balance sheet as deposits from other banks or amounts due to customers, depending on the respective counterparty. These cash inflows are disclosed in the amount of the purchase price received (net); prepaid expenses are recognized ratably for the repo rate to be paid. Interest payments are carried under interest expense.

Reverse repo and buy-and-sell-back transactions (cash purchases of securities) are carried as loans and advances to other banks or loans and advances to customers. The securities purchased are not carried in the balance sheet; interest arising from such transactions is carried under interest income.

IFRSs only require an obligation to return the securities to be recognized by the borrower if the securities are passed on to another party. The lender continues to recognize the securities.

(g) Hedging derivatives
The aim of asset/liability management at the Postbank Group is to manage the Bank’s overall exposure in a way that minimizes risk while maximizing earnings, with a particular focus being placed on present value risk. Fair value hedges are used for this purpose.

A fair value hedge is a hedge of the exposure to changes in the fair value of financial assets and liabilities.

For interest-bearing securities and non-current receivables, the instruments used in fair value hedges are primarily interest rate swaps. For issues, cross-currency swaps and structured swaps are also employed to convert fixed-income or structured items into variable-rate exposures. Fair value hedges are used to hedge both individual items and homogeneous subportfolios. Furthermore, credit default swaps (CDS) are employed to hedge credit risk from securities in particular.

Hedging derivatives relate to those hedging instruments that meet the requirements for hedge accounting set out in IAS 39.

As a rule, a derivative held for hedging purposes may be allocated to a single hedged item or to several similar hedged items. Such hedges are generally known as microhedges.

IAS 39 governs the use of hedge accounting. Under IFRSs, hedge accounting may only be used for hedging relationships that meet the requirements of IAS 39.88 ff. A hedging relationship ends when the hedged item or the hedging instrument expires, is sold, or is exercised, or if the hedge no longer meets the criteria for qualification for hedge accounting. The hedge accounting criteria must be satisfied at each balance sheet date and for each hedging relationship.

Derivatives entered into for the purposes of asset/liability management and derivatives from ineffective hedging relationships do not meet the conditions set out in IAS 39.88 ff., and thus are always recognized in income and disclosed at their fair value as banking book derivatives under trading assets/liabilities. These derivatives generally relate to interest rate swaps entered into to hedge net positions of receivables and liabilities. Under IFRSs, measurement gains and interest income from these items are recognized in net trading income.

Effectiveness testing for all fair value hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument, supplemented by homogeneity testing of the subportfolios. Actual changes in the fair values of the hedged item and the hedging instrument are regularly compared retrospectively for each hedging relationship.

During the period under review, Deutsche Postbank AG modified how it calculates hedge effectiveness in hedge accounting. Hedges with optional components and cross-currency swaps were exempted from this change. In the year under review this adjustment resulted in an increase in net gains on hedges of €8.3 million in the income statement.

Derivatives used for asset/liability management are entered into primarily as microhedges (fair value hedges). If there are no effective microhedges, the changes in value of the derivatives used for asset/liability management are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective. New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled as part of active management of the fixed-rate position in the overall bank balance sheet (asset/liability management). The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges. Effectiveness tests – and hence measurement in profit or loss – are performed at the end of the month.

Since October 2011, Deutsche Postbank AG has managed interest rate risk arising from private mortgage lending using derivatives (plain vanilla swaps). Hedge accounting is used for the hedging instruments in accordance with the principles laid down in IAS 39 AG 114 ff. The hedged items are the individual loans, which as similar assets are grouped together and accounted for in loan classes. The hedging instruments employed are a collective of plain vanilla interest rate swaps.

In the first half of the period under review, Postbank entered into a hedge of a net investment in a foreign operation in accordance with IAS 39.102 for the first time in connection with the refinancing of its PB Capital Corporation subsidiary. The effective proportion (€3 million) of the change in the net investment hedge resulting from the cross currency swaps was recognized in the revaluation reserve and the ineffective portion in net trading income. The net investment hedge was discontinued in December 2012 in the run-up to the sale of PB Capital Corporation as of January 1, 2013. An amount of €-22 million was transferred from the revaluation reserve to the income statement.

(h) Investment securities

Investment securities are composed of bonds not held for trading and other fixed-income securities, equities and other non-fixed-income securities, investments in unconsolidated subsidiaries, and other equity investments.

Investment securities are measured on initial recognition at cost as of the trade date.

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

Available-for-sale investment securities (AfS) are subsequently measured at their fair values where these can be reliably determined. Changes in the fair values of available-for-sale investment securities are recognized directly in the revaluation reserve in equity and are not recognized in income until the gain or loss is realized or impairment is identified. If hedge accounting is used for these investment securities, gains and losses from changes in fair value attributable to the hedged risk are recognized directly in income.

Postbank allocates financial instruments to the AfS measurement category that were not acquired for selling in the near term or for short-term profit taking, that were not designated as at fair value through profit or loss, and that are not to be held to maturity. The financial instruments are also quoted on an active market – as defined in Note 4 (a) – at their acquisition dates.

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Premiums and discounts are allocated directly to the financial instruments and accrued over the remaining maturity while applying the effective interest method.

Writedowns are charged in the event of significant or permanent impairment. The entity assesses whether there is objective evidence of permanent impairment at each balance sheet date and, in addition, if an impairment trigger exists.

Investments in unconsolidated subsidiaries and other equity investments are generally carried at cost as their fair value cannot reliably be determined. Writedowns are charged in the event of permanent impairment.

The fair values of corporate bonds, government bonds, *Pfandbriefe*, and bank bonds are measured on the basis of observable market prices or inputs that are observable in the market in accordance with IAS 39.AG71 ff.

Postbank has invested in structured credit products (SCPs) as part of its credit substitution business. These include the following product categories: asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs).

The accounting treatment of the SCP portfolios is determined by whether they can be classified as cash structures or synthetic structures. In the case of cash structures, the special purpose entity itself holds receivables and/or securities in its portfolio to secure the bonds that it has issued. By contrast, in the case of synthetic structures the credit risk associated with the portfolio of financial assets is usually synthetically transferred using a credit default swap (CDS). Combinations of cash and synthetic structures are accounted for in the same way as synthetic structures.

Banking book SCP portfolios with cash structures are classified as loans and receivables (LaR) in accordance with IAS 39, and those with synthetic structures are classified as available for sale (AfS) in accordance with IAS 39. IAS 39.11 specifies that these SCP portfolios must subsequently be assessed to determine whether a separable embedded derivative is present. Cash structures (LaR) do not contain separable embedded derivatives and are accounted for as a single financial asset. By contrast, the synthetic structures (AfS) are separated into a host contract and an embedded derivative.

In the case of SCP portfolios in the banking book, the entire structured product (cash structures) and the host contract are reported in the "investment securities" balance sheet item if the embedded derivative (synthetic structure) is separated (see also Note 4 (e)). 104

Synthetic SCPs (AfS), including the embedded derivatives, are measured at fair value. This is generally performed using published transaction or market prices. If no transaction or market prices are available, so-called arranger or dealer quotes (indications) are used for measurement. Due to the inactivity of the markets for securitization products, an internal valuation technique (consistent with IAS 39.AG74 ff.) with transaction-specific liquidity spreads is used to determine the fair values of SCPs (e.g., CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs). In accordance with IAS 39.48A, the valuation technique makes maximum use of market inputs. For synthetic SCPs in the available-for-sale category, changes in the fair value of the separated embedded derivatives are recognized in net trading income. The remaining change in fair value (i.e., of the host contract of the synthetic SCP) is presented directly in the revaluation reserve if no impairment is present. The fair value of the embedded derivative, which is determined by the above-mentioned valuation technique, is subtracted from the fair value of the synthetic SCP.

Impairment losses due to changes in credit risk are only charged in the event of permanent impairment. The existence of permanent impairment is determined by certain objective evidence. IAS 39.59 gives a number of examples of such objective evidence, such as significant financial difficulty of the issuer or obligor, or a breach of contract such as a default or delinquency in interest or principal repayments. Postbank has expanded the objective evidence such that impairment tests are performed for all SCP portfolios. Where objective evidence of permanent impairment exists, the following procedure must be followed:

In the case of LaR portfolios, the difference between the current carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. In the case of AfS portfolios, the negative amount from the revaluation reserve must be reversed to the income statement.

Impairment in SCP portfolios is determined by analyzing the expected cash flows using an internal measurement model that reflects the current estimates of counterparty credit risk for the underlyings in the pool designated as collateral. The default events of the underlyings were simulated over time and included in the invested tranche using a waterfall, or counted towards the current buffer.

Rating migrations and the identification of the underlyings with default events enable an analysis of certain triggers for cash CDOs. Additional case-by-case analyses ensure that complex triggers, such as reversal triggers, are taken into account. The current estimate of counterparty credit risk for the underlyings is based, depending on the product, on the current ratings and recovery expectations.

The impairment losses are reported in "net income from investment securities". Financial instruments are derecognized once the majority of the key risks and rewards incidental to legal ownership of the financial assets have been transferred. The measurement methods used are described in Note 44, Fair value of financial instruments. 138

(i) Intangible assets

Intangible assets are carried at amortized cost and relate primarily to internally generated and purchased intangible assets and purchased goodwill.

Intangible assets in the Postbank Group are only recognized in accordance with IAS 38.21–23 if it is probable that the expected benefit will flow to the entity and the cost can be reliably determined. Development costs for internally generated software are capitalized if the evidence required under IAS 38.57 (a)–(f) can be provided. If the criteria for capitalization are not met, the expenses are recognized immediately in the income statement for the period in which they arise.

Intangible assets with a finite useful life are amortized using the straight-line method over a period of 5 to 10 years, recognized customer relationships over a period of 25 years, and beneficial contracts over a period of 12 years. The amortization period for intangible assets with a finite useful life is reviewed at least at the end of each fiscal year.

Changes to expected useful lives are accounted for as changes in accounting estimates. Intangible assets with a finite useful life are reviewed at the balance sheet date for evidence of possible impairment. If an indicator exists, the impairment loss is determined. This is done by determining whether the respective carrying amount of the asset exceeds its recoverable amount, taking into account the possibility of a complete writedown and/or disposal of the asset. There were no indications of impairment in 2012. Intangible assets not yet ready for use are tested for impairment annually. All of the intangible assets with an indefinite useful life recognized at Postbank are brands.

The established "BHW" brand is constantly promoted through continuous investments in advertising. Postbank intends to use this brand name over the long term.

Purchased goodwill is not amortized. Instead, it is tested for impairment to determine whether an impairment loss must be recognized.

Purchased goodwill and intangible assets with indefinite useful lives are tested for possible impairment at the balance sheet date (impairment test in accordance with IAS 36). To conduct the impairment test, the recognized goodwill and brands are allocated to the corresponding cash-generating units as required by IAS 36. For this purpose, pursuant to IAS 36.80, the operating segments in accordance with IFRS 8 are used as cash-generating units. The impairment test of goodwill subsequently determines whether the recoverable amount exceeds the respective carrying amount of the cash-generating unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The same procedure is used for impairment testing of brands, but the fair value less costs to sell for the brands is determined at the level of the individual asset instead of the cash-generating unit. Value in use is determined based on the corresponding cash flows of the cash-generating unit. Fair value less costs to sell is only determined if calculating value in use would result in identification of an impairment. Value in use is calculated based on appropriate projections (management approach). The planning period covers five years. Following the detailed planning period, a projection using a 1 % growth rate (a so-called perpetual annuity) was used. A discount rate of 7.83 % was used in the measurement of the Retail Banking, Transaction Banking and Non-Core Operating Unit cash-generating units, while the discount rate for the Corporate Banking cash-generating unit was 8.37 %. The discount rate consists of a risk-free interest rate plus a company-specific risk premium, which is calculated on the basis of the systematic market risk (beta factor) and the current market risk premium.

With reference to IAS 36.134 (d) (ii), the recoverable amounts calculated in the projections (segment results) are based on both historical data and assumptions about future trends in markets that are crucial for Postbank's business. The key planning assumptions with regard to macroeconomic fundamentals are based on experience and the use of market models in Postbank's Research units, as well as on product managers' estimates of market trends in relation to the forecast performance of Postbank products. In addition, estimates and models by credit risk managers that are based on these fundamentals are used to assess changes in the allowance for losses on loans and advances.

In accordance with IAS 36.134 (d) (i), the key assumptions on which management has based its projections of the recoverable amounts are presented below.

With regard to the macroeconomic fundamentals in Germany, a low growth rate for gross domestic product (GDP) has been assumed for 2013 and an average rate for the 2014 to 2017 planning period, along with a slight increase in unemployment in 2013 and a moderate decline in the years after that. Private household disposable income is likely to rise by slightly more than average over the whole planning period. Despite a rise in consumer prices of around 2 % per year, consumer spending should grow at an average rate, while the savings rate should remain more or less at the current level. At the same time, management predicts that the lending business will profit slightly from the sustained low interest rates and that the Bank will moderately expand its portfolio of loans to retail customers. The probability of the sovereign debt crisis worsening again in 2013 has become more remote thanks to the measures resolved by politicians and the ECB in the previous year. However, further charges to profit or loss arising from heavy price losses and impairment losses or writedowns of government bonds cannot be ruled out.

The forecast changes in the relevant market parameters for savings products, the number of Postbank checking accounts, installment loans, and home savings products in the Bank's core German market, which were derived from the above-mentioned macroeconomic environment, will result in only moderate overall growth in Postbank's business activities.

(j) Property and equipment

Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Determination of the useful life of an asset reflects physical wear and tear, technical obsolescence, and legal and contractual restraints. Writedowns are charged in the event of additional impairment.

Property and equipment is depreciated using the straight-line method over the following periods:

	Useful life (years)
Buildings	40–60
IT systems	4–5
Other operating and office equipment	5–20

Ongoing maintenance and acquisition costs of up to €150 are expensed in full as incurred. Replacement part costs for property and equipment are capitalized.

Purchases of low-value assets are expensed immediately for reasons of materiality.

(k) Investment property

IAS 40 (Investment Property) defines investment property as property held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of services, for administrative purposes, or for sale in the ordinary course of business.

Rental income is reported under other income.

The investment property was sold in full in 2012.

(l) Other assets

Prepaid expenses, the collateral received from lending, as well as all assets not allocated to other asset items are reported under Other assets.

Collateral received is measured at the lower of cost and net realizable value.

(m) Liabilities

Liabilities and subordinated debt are carried at amortized cost (IAS 39.47). The carrying amount of secured liabilities that meet the requirements for hedge accounting is adjusted for the changes in fair value attributable to the hedged risk.

Premiums, discounts, and issue costs are recognized in net interest income by applying the effective interest method.

(n) Trading liabilities

Derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the negative fair values of banking book derivatives. Remeasurement gains and losses and realized gains and losses are recognized in net trading income. Derivatives carried under trading liabilities are recognized for the first time at the trade date. Interest rate derivatives relating to the hedged items accounted for under the fair value option are also reported here. In addition, short sales of securities – insofar as these are permissible – are recognized at their negative fair value.

The separated derivatives in synthetic SCP portfolios are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of positive fair values) or "trading liabilities" (in the case of negative fair values). Detailed explanations on SCPs can be found in Note 4 (h), Investment securities.

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(o) Provisions

Provisions for pensions and other employee benefits

Occupational pensions are governed by defined benefit plans and defined contribution plans. Expenses for defined contribution plans mainly relate to payments made to Bundes-Pensions-Service für Post und Telekommunikation e.V. (special pension fund for postal civil servants) in the amount of €105 million (previous year: €112 million) and the statutory employer's contributions to pension insurance in the amount of €57 million (previous year: €56 million) that are recognized in administrative expenses. The defined benefit plans are funded by external plan assets and provisions for pensions and other employee benefits. The total defined benefit obligation for defined benefit plans corresponds to the present value of the pension entitlements earned at the valuation date. This figure reflects expected compensation increases and forecasted pension growth and was calculated on the basis of actuarial reports in accordance with IAS 19. Pension obligations and pension expenses are calculated using the projected unit credit method.

The agreements underlying the pension obligations provide for a range of benefits, depending on the different groups of beneficiaries concerned, such as:

- old-age pensions starting at age 62 or 63, or for the severely disabled at age 60 at the earliest,
- disability pensions in the case of incapacity to work or a reduction in earning capacity,
- surviving dependents' pensions.

Pension obligations primarily reflect direct pension commitments. The nature and amount of the pension payments for 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).

Pension provisions are calculated using the following actuarial assumptions in Germany:

	2012	2011
Discount rate	3.7 % p.a.	4.9 % p.a.
Salary growth	2.6 %	2.8 %
Pension growth	2.1 %	2.3 %
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
Average expected return on plan assets	3.7 %	4.41 %

To determine the discount rate used as of December 31, 2012, the underlying universe for bonds was expanded to include high-quality covered bank bonds as well. In addition, a change was made when determining the discount rate to the bonds used in the extrapolation curve, so as to improve the stability of the method. This led to an estimated 70 basis point increase in the discount rate and thus to an actuarial profit of approximately €256 million before tax.

The expected return on plan assets was determined on the basis of the current long-term yields on (government and corporate) bonds. Suitable risk premiums were applied based on historical market returns and current market expectations, taking the structure of the plan assets into account.

In accordance with IAS 19.92, actuarial gains and losses are not recognized as income or expense until the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed the greater of 10 % of the present value of the defined benefit obligation or of the fair value of plan assets at this time. The excess amount is amortized over the remaining working lives of the active employees and recognized in income.

Other provisions

Other provisions comprise obligations that must be recognized in accordance with IAS 37 or IAS 19 (excluding pension obligations). In accordance with IAS 37.36, the amount recognized as provisions is the best estimate of the expenditure required to settle the present obligation. Provisions resulting in cash outflows after 12 months are recognized at their present value. For the purpose of discounting, rates are used that are valid on the balance sheet date with maturities and yields matching those of *Bundeswertpapiere* (Federal Government securities). Interest unwinding during the year under review is reported in net interest income.

Provisions for uncertain obligations, for reimbursements of arrangement fees, and for interest premiums payable retroactively in the case of unutilized loans, or of changes in interest rates or tariffs, are recognized for the home savings business in line with the different tariffs and contract terms. These provisions are calculated as a percentage of the total potential liability, based on the statistical data available relating to customer behavior and taking into account the general environment likely to affect the business in the future.

Additions to provisions for interest premiums and changes in interest rates are reported in net interest income, while provisions established for the reimbursement of arrangement fees are charged to net fee and commission income.

(p) Currency translation

In accordance with IAS 21.23, all foreign currency monetary items and equities denominated in foreign currencies that are classified as non-monetary items in accordance with IAS 21.8 are translated into euros at the middle spot rate at the balance sheet date. There were no material non-monetary items at the balance sheet date measured at (amortized) cost (in particular property and equipment, prepaid expenses, and deferred income) and translated at the historical rate in accordance with IAS 21.23 (b). Foreign currency income and expenses are generally translated at the exchange rate at the end of the month.

Gains and losses resulting from the translation of monetary assets and liabilities are recognized in the income statement. Gains and losses on the translation of non-monetary items are either taken directly to the revaluation reserve or recognized in net trading income, depending on the item's underlying measurement category.

The Group reporting of Postbank's foreign subsidiaries prepared in foreign currencies is translated using the modified closing rate method (IAS 21.39). The resulting exchange differences are taken directly to equity.

(q) Income taxes

Income taxes are recognized and measured in accordance with IAS 12, with the consolidated income tax group with Deutsche Bank established in 2012 being taken into account as of December 31, 2012, from a formal legal perspective. According to this approach, income taxes are no longer recognized at the level of the Postbank consolidated tax group because they are now owed by the tax group parent, Deutsche Bank AG. The tax that continues to be owed by Postbank on the compensation payment to external shareholders in accordance with section 16 of the *Körperschaftssteuergesetz* (KStG – German Corporation Tax Act) is not covered by this rule.

The following applies to the taxes owed by companies not belonging to the Postbank consolidated tax group:

Deferred taxes are recognized for all temporary differences between the carrying amounts in the IFRS financial statements and the carrying amounts in the tax accounts (tax base). Deferred tax assets are recognized for tax loss carryforwards in the amount of their probable future utilization. Deferred tax items are reported under "deferred tax assets" in the case of assets and "deferred tax liabilities" in the case of liabilities.

Current and non-current deferred tax assets and liabilities are offset in accordance with IAS 12.74.

Income and expenses from deferred taxes are recognized under income tax separately from current tax income and expenses. Recognition depends on the accounting treatment of the underlying item. For example, deferred taxes are recognized in net profit or loss when the balance sheet item is itself recognized in net profit or loss. Deferred taxes are credited or charged to the revaluation reserve in equity when the balance sheet item is itself credited or charged directly to equity (IAS 12.61A), e.g., in the case of remeasurement of available-for-sale securities.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2012

The following standards were required to be applied for the first time in the reporting period: IAS 12 "Recovery of Underlying Assets" and IFRS 7 (amended 2010) "Transfers of Financial Assets". These amendments and revisions had no effects on Postbank's financial reporting.

Amendments resulting from standards and interpretations to be applied in future fiscal years

The principal standards issued, the effective date, and the expected effects on Postbank are summarized below. Postbank takes the effective date specified by the IASB in the individual standards as the effective date insofar as the EU permits early adoption.

Standard	Effective date	Description of amendments and their effects for Postbank
IAS 1 "Presentation of Items of Other Comprehensive Income"	January 1, 2013 Commission Regulation 475/2012 of June 5, 2012	The presentation of other comprehensive income has been changed such that items of other comprehensive income that will subsequently be reclassified to profit or loss are required to be grouped separately from those that will not. Postbank does not expect the new requirements to have any material effects. The change affects the presentation in the statement of comprehensive income.
IAS 19 "Employee Benefits"	January 1, 2013 Commission Regulation 475/2012 of June 5, 2012	The amendments introduce new requirements for the recognition of employee benefits relating to the following areas, among others: – Elimination of the corridor approach – Recognition of actuarial gains and losses in other comprehensive income. Initial application in 2013 is expected to increase provisions for pensions by approximately €341 million at the time of transition, reducing equity by the same amount. The pension expense in fiscal year 2013 will be approximately €18 million lower than under the previous version of IAS 19.
IFRS 7 (am. 2011) "Disclosures – Offsetting Financial Assets and Financial Liabilities" and IAS 32 (am. 2011) "Financial Instruments: Presentation"	IFRS 7: January 1, 2013 IAS 32: January 1, 2014 Commission Regulation 1126/2008 of December 13, 2012	New requirements for offsetting financial instruments IFRS 7: Additional disclosures on financial instruments that have been offset and on financial instruments that have not been offset although they are covered by offsetting agreements. For Postbank, this will lead to an insignificant expansion of the disclosures in the notes. IAS 32: Clarifies under which conditions offsetting should take place. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 9 "Financial Instruments"	According to the current timeline, IFRS 9 (Phase 1) is to be used for fiscal years beginning on or after January 1, 2015. Not yet endorsed by the EU.	The IASB has initiated a project to replace IAS 39 "Financial Instruments: Recognition and Measurement". This project has been broken down into three phases, which will ultimately result in a new standard, IFRS 9 "Financial Instruments". A finalized standard has basically been produced for Phase 1, "Classification and Measurement". This specifies that financial instruments must be classified on the basis of the entity's business model and the contractual cash flow characteristics, depending on which the instruments are classified/measured at amortized cost or at fair value. An exposure draft containing limited revisions was published for Phase 1 in November 2012. At present, only exposure drafts for Phase 2 ("Amortized Cost and Impairment") and Phase 3 ("Hedge Accounting", excluding macro hedge accounting) have been issued. Phase 2 aims to replace the incurred loss impairment model by an expected loss model that accounts for risks before they materialize. A three bucket approach proposed by the IASB is being discussed for implementation. Phase 3 provides for simplifications to hedge accounting, especially in relation to the effectiveness test. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 Commission Regulation 1254/2012 of December 11, 2012	The amendment focuses on a single definition of control and the associated definition of the companies to be included in consolidation. The new standard replaces the current IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Postbank does not expect any material changes in the basis of consolidation.
IFRS 11 "Joint Arrangements"	January 1, 2013 Commission Regulation 1254/2012 of December 11, 2012	IFRS 11 addresses the accounting treatment of situations in which a company has joint control over a joint venture or a joint operation. The accounting treatment for joint ventures accounted for using the equity method is covered by IAS 28 rev. 2010. The new rules remove the option to account for joint ventures using proportionate consolidation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The new requirements are not expected to have any effects on Postbank as it does not have any interests in joint arrangements.
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013 Commission Regulation 1254/2012 of December 11, 2012	IFRS 12 is a collection of disclosure requirements for consolidated financial statements relating to interest in other entities (including joint ventures and associates) and special purpose entities; it replaces the disclosure requirements in IAS 27, 28 and 31. The amendments will lead to enhanced disclosures in the notes to the consolidated financial statements, especially in relation to unconsolidated special purpose entities.
IFRS 13 "Fair Value Measurement"	January 1, 2013 Commission Regulation 1255/2012 of December 11, 2012	IFRS 13 provides guidance in determining fair value. The goal is to harmonize the definition of fair value, the methods used to calculate it and, in particular, the disclosure requirements for fair value measurement in the notes. Postbank is currently analyzing the potential effects and changes.
Annual Improvements 2009-2011	January 1, 2013 Not yet endorsed by the EU.	The IASB has implemented clarifications, amendments and additions to five standards as part of its Annual Improvements 2009–2011 project. Postbank does not expect the new requirements to have any material effects.

(6) Adjustments of prior-year figures

On initial application of the IFRSs, some deposits from other banks were recognized at too low a figure in the consolidated financial statements for fiscal year 2000. The retrospective adjustments as of January 1, 2011 that had to be made as a result in fiscal year 2012 led to an increase of €26 million in deposits from other banks and a reduction of €7 million in deferred income tax liabilities. Furthermore, additional adjustments were made to loans to customers in the amount of €3 million and to amounts due to customers in the amount of €1 million as of January 1, 2011. Overall, retained earnings decreased by €17 million.

During the deconsolidation of DSL Finance N.V., Amsterdam, the Netherlands, income components of interest rate swaps relating to the formation of hedges under IAS 39 were not appropriately reflected in the 2005 consolidated financial statements. As of January 1, 2011 this led in fiscal year 2012 to a decrease of €50 million in other assets, of €15 million in deferred tax liabilities, and of a total of €35 million in retained earnings.

The retrospective adjustments were made to both the balance sheet and the statements of changes in equity. The statement of comprehensive income was not changed.

INCOME STATEMENT DISCLOSURES

(7) Net interest income

	2012 €m	2011 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	4,956	5,380
Fixed-income and book-entry securities	1,144	1,452
Trading operations	4	15
Net gains/losses on hedges	−9	38
	6,095	**6,885**
Current income from:		
Equities and other non-fixed-income securities	2	11
Equity investments	3	4
	5	**15**
	6,100	**6,900**
Interest expense on:		
Deposits	2,450	2,893
Debt securities in issue	333	401
Subordinated debt	213	254
Swaps	400	437
Trading operations	1	5
	3,397	**3,990**
Total	**2,703**	**2,910**

Interest income from the lending business and from money market transactions includes €56 million (previous year: €84 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Interest expense on liabilities, debt securities in issue, and subordinated debt relates to financial instruments classified as liabilities at amortized cost.

Interest expense on trading operations includes refinancing expenses from trading activities.

Interest income and expenses on swaps used in hedging relationships are reported as a net expense. The underlying transactions include hedging instruments that meet the qualification criteria for hedge accounting in accordance with IAS 39 amounting to €179 million (previous year: €210 million). In addition, this item includes €221 million (previous year: €227 million) in derivatives that hedge loans and advances designated under the fair value option.

Gains and losses from the remeasurement of fair value hedges are reported under net gains/losses on hedges, which are composed of the following items:

	2012 €m	2011 €m
Gains/losses on the fair value remeasurement of hedged items	–112	–7
Gains/losses on the fair value remeasurement of hedging instruments	103	45
Total	**–9**	**38**

(8) Allowance for losses on loans and advances

	2012 €m	2011 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	556	692
Portfolio-based valuation allowances	2	23
Cost of additions to provisions for credit risks	17	34
Direct loan write-offs	47	50
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	193	330
Portfolio-based valuation allowances	9	33
Income from the reversal of provisions for credit risks	10	24
Recoveries on loans previously written off	26	29
Total	**384**	**383**

€377 million (previous year: €373 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €7 million (previous year: €10 million) to guarantees, warranties, and irrevocable loan commitments.

The cost of additions to and the income from reversals of the allowance for losses on loans and advances to customers can be broken down by product group as follows:

	2012 €m	2011 €m
Additions		
Private mortgage lending	206	252
Home savings loans	3	3
Commercial loans	209	294
Installment credits	79	63
Other loans and advances	59	79
Portfolio-based valuation allowances	2	23
Total	**558**	**714**

€0 million (previous year: €1 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

	2012 €m	2011 €m
Reversal		
Private mortgage lending	107	115
Home savings loans	1	2
Commercial loans	71	201
Installment credits	0	2
Other loans and advances	11	10
Portfolio-based valuation allowances	8	33
Total	**198**	**363**

€4 million (previous year: €0 million) of the income from the reversal of the allowance for losses on loans and advances relates to loans and advances to other banks.

(9) Net fee and commission income

	2012 €m	2011 €m
Checking account business	359	336
Securities business	50	90
Lending and guarantee business	115	127
Branch business	431	425
Other fee and commission income	199	274
Total	**1,154**	**1,252**

“Other fee and commission income” includes income from payment transaction services for third parties.

Net fee and commission income from trust activities amounted to €6 million (previous year: €6 million) and is reported in "Other fee and commission income".

(10) Net trading income

Quoted prices are generally used to establish the fair values of trading assets and trading liabilities. The fair values of unlisted products are established using the discounted present value method or suitable valuation techniques. In addition to trading income and expenses, net trading income also includes net remeasurement gains/losses on trading assets.

	2012 €m	2011 €m
Net income from sale of securities and loans	3	2
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	3	0
Loans (held for trading)	1	2
	4	**2**
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	9,678	11,213
Loss on derivatives	–9,782	–11,134
	–104	**79**
Net gains/losses from application of the fair value option		
of which loans and advances to customers	107	133
of which derivatives substantively linked to the fair value option	–134	–157
	–27	**–24**
Foreign exchange gain/loss	23	7
Net fee and commission income carried in the trading portfolio	–2	–2
Total	**–103**	**64**

The net gains/losses on derivatives carried in the trading portfolio and the banking book include expenses from interest on swaps of €146 million (previous year: €146 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

The net gains/losses on derivatives carried in the trading portfolio and the banking book include income from asset/liability management amounting to €2 million (previous year: €13 million) (see Note 4 (g)).

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The net gains/losses on derivatives also include losses on the measurement of embedded derivatives from structured credit products of €31 million (previous year: gains of €10 million), and on capital-guaranteed promissory note loans (CPPIs) of €0 million (previous year: gains of €10 million).

	2012 €m	2011 €m
Net income from interest rate products	7	3
Net gains/losses on derivatives carried in the trading portfolio and the banking book	–104	79
Net gain/loss from application of the fair value option	–27	–24
Net income from equities	0	1
Foreign exchange gain/loss	23	7
Net fee and commission income carried in the trading portfolio	–2	–2
Total	**–103**	**64**

(11) Net income from investment securities

Net income from investment securities contains net gains/losses from the sale and remeasurement of investment securities, investments in unconsolidated subsidiaries, and equity investments.

	2012 €m	2011 €m
Net income from loans and receivables investment securities	41	–623
thereof net income from sale	–1	0
Gains on sale	136	122
Losses on sale	137	122
thereof reversal of impairment losses/ impairment losses (net)	42	–623
Net income from available-for-sale investment securities	–88	5
thereof net income from sale	–84	23
Gains on sale	41	117
Losses on sale	125	94
thereof net impairment loss	–4	–18
Net income from loans to other banks	12	–7
thereof net income from sale of loans and receivables	12	–7
Net income from loans to customers	0	14
thereof net income from sale of loans and receivables	0	14
Net income from equity investments	20	57
Total	**–15**	**–554**

	2012 €m	2011 €m
Net income from bonds and promissory note loans	−81	17
Net income from equities and other non-fixed-income securities	8	13
Net income from equity investments	20	57
Impairment	38	−641
Total	**−15**	**−554**

€1 million (previous year: €6 million) of the net impairment loss on investment securities relates to writedowns of structured credit products, €4 million (previous year: €8 million) to writedowns of retail funds and investments, and €44 million to reversals of writedowns of other debt instruments (previous year: writedowns of €627 million).

Postbank participated in the Greek government bond swap in the first quarter of 2012. The new Greek government bonds received as a result were recognized for the first time as of March 12, 2012. The swap reduced net income from investment securities by €12 million. Postbank completely liquidated its exposure to Greek government bonds in the third quarter of 2012.

The total negative effect from Greek government bonds in 2012 was €36 million (previous year: €634 million).

(12) Administrative expenses

Consolidated administrative expenses are composed of staff costs, non-staff operating expenses, and amortization, depreciation, and writedowns of intangible assets and property and equipment. These expenses are composed of the following items:

	2012 €m	2011 €m
Staff costs		
Wages and salaries	1,093	1,293
Social security contributions	114	112
Expenses for pensions and other benefits	226	219
	1,433	**1,624**
Other administrative expenses	1,422	1,414
Amortization of intangible assets	83	88
Depreciation and writedowns of property and equipment	61	78
Total	**2,999**	**3,204**

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €105 million (previous year: €108 million) and pension expenses for defined benefit plans amounting to €96 million (previous year: €92 million).

Other administrative expenses relate primarily to IT costs of €309 million (previous year: €317 million); operating building and premises expenses of €168 million (previous year: €134 million); expenses for intragroup services received from Deutsche Post AG in the amount of €147 million (previous year: €144 million); legal, consulting, and audit costs of €112 million (previous year: €88 million), market communication costs of €100 million (previous year: €107 million), as well as expenses for the banking levy amounting to €14 million (previous year: €23 million).

Other administrative expenses include lease expenses of €135 million (previous year: €105 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

The amortization and writedowns of intangible assets include impairment losses of €11 million (previous year: €0 million).

No impairment losses were charged on property and equipment in the year under review (previous year: €17 million).

(13) Other income

	2012 €m	2011 €m
Income from property and equipment	44	33
Reimbursements from internal welfare institutions	11	10
Income from uncollectable transactions	4	4
Miscellaneous	89	60
Total	**148**	**107**

Income from property and equipment mainly comprises rental income of €31 million (previous year: €25 million).

In addition, the miscellaneous item includes a large number of individual items.

(14) Other expenses

	2012 €m	2011 €m
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	9	7
Expenses for claims settlement and ex gratia payments	8	7
Expenses for other taxes	6	13
Additions to provisions	4	13
Expenses from property and equipment	4	5
Miscellaneous	87	69
Total	**118**	**114**

Expenses from property and equipment include losses on the disposal of property and equipment and intangible assets.

Expenses for other taxes relate primarily to land taxes amounting to €4 million (previous year: €4 million) and value added tax amounting to €0 million (previous year: €5 million).

The miscellaneous item includes interest expense of €2 million on payables to tax authorities (previous year: €2 million). In addition, the miscellaneous item includes a large number of individual items.

(15) Income taxes

Income taxes in the Group were composed of the following items:

	2012 €m	2011 €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	91	82
Trade income tax	10	22
	101	**104**
Prior-period income	5	26
	106	**130**
Income from deferred taxes		
from temporary differences	–87	–119
from the reversal of loss carryforwards	87	–45
	0	**–164**
Total	**106**	**–34**

The following reconciliation illustrates the relationship between profit after tax and income tax expense:

	2012 €m	2011 €m
Profit from ordinary activities after tax	280	112
Income tax expense	106	–34
Profit before tax	386	78
Applicable tax rate	38.50 %	29.83 %
Expected income taxes	149	23
Tax effects		
Effect of changes in tax rate	3	0
Effect of difference between applicable tax rates in Germany and abroad	–15	4
Effect of tax-free income and non-deductible expenses	–36	–8
Effect of consolidated tax group	–16	0
Effect of unrecognized deferred taxes	16	–70
Effect of prior-period taxes	4	35
Effect of equities and investments resulting from section 8b KStG	0	–17
Other	1	–1
	–43	**–57**
Income tax expense	**106**	**–34**

Due to the formal establishment of the consolidated tax group under tax law, the applicable tax rate was changed from the rate applicable under the home base approach to the weighted average tax rate for the group. The weighted tax rate is 38.50% and is largely due to the U.S. subsidiary.

The change in approach also results in a one-time effect on deferred income taxes in the balance sheet in the amount of €–109 million. Of this amount, €8 million relates to tax income and €–117 million to the revaluation reserve.

BALANCE SHEET DISCLOSURES

(16) Cash reserve

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Cash	986	777
Balances with central banks	1,068	2,875
Total	**2,054**	**3,652**

€862 million (previous year: €1,563 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2012 was €977 million (previous year: €1,088 million).

(17) Loans and advances to other banks

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Domestic banks		
Payable on demand	3,300	1,574
Other loans and advances	9,680	5,725
	12,980	7,299
Foreign banks		
Payable on demand	1,898	3,285
Other loans and advances	13,419	9,738
	15,317	**13,023**
Total	**28,297**	**20,322**

€3,950 million (previous year: €6,478 million) of loans and advances to other banks is due after more than 12 months.

Loans and advances to other banks can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Loans and advances to other banks (loans and receivables)	22,582	8,016
thereof fair value hedges	212	297
Money market assets (loans and receivables)	5,715	12,306
Total	**28,297**	**20,322**

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Securities repurchase agreements	20,953	12,184
Overnight money	5,038	4,252
Loans	1,218	2,459
Registered bonds	329	348
Term deposits	595	104
Other loans and advances	164	975
Total	**28,297**	**20,322**

Collateral received that can be unconditionally liquidated or can be unconditionally sold:

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Financial collateral	19,870	18,319	1,473	8,958
Non-financial collateral	–	–	–	–
Total	**19,870**	**18,319**	**1,473**	**8,958**

Collateral is utilized at standard market conditions.

As of December 31, 2012, receivables under genuine repurchase agreements amounted to €20,953 million (previous year: €12,184 million). Postbank is the lender in such transactions. Securities purchased under agreements to resell relate to listed bonds of public sector issuers, issuances by German and foreign banks, corporate bonds, and equities.

Loans and advances to other banks include fixed-interest loans in the amount of €25.6 billion (previous year: €15.0 billion) and variable-interest loans in the amount of €2.7 billion (previous year: €5.3 billion).

(18) Loans and advances to customers

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Private mortgage lending	71,628	71,266
Home savings loans	3,801	3,830
Commercial loans	21,259	26,125
Public sector	3,178	3,517
Installment credits	4,847	4,352
Other loans and advances	1,553	1,653
Total	**106,266**	**110,743**
thereof:		
Secured by mortgage charges	50,283	53,040
Public-sector loans	3,165	3,492

[1]Figures adjusted (see Note 6)

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Domestic customers	95,294	92,953
Foreign customers	10,972	17,790
Total	**106,266**	**110,743**

Loans and advances to customers without a fixed maturity amounted to 1.2 % of total assets (previous year: 1.2 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€80,455 million (previous year: €82,104 million) of loans and advances to customers is due after more than 12 months.

Loans and advances to customers include fixed-interest loans in the amount of €88.6 billion (previous year: €90.8 billion) and variable-interest loans in the amount of €17.7 billion (previous year: €19.9 billion).

Loans and advances to customers can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Loans and receivables	99,427	103,230
thereof fair value hedges	2,123	3,042
Fair value option	6,839	7,513
Total	**106,266**	**110,743**

Loans and advances to customers include amounts due under finance leases.

Total outstanding minimum lease payments amount to €212 million (previous year: €232 million) and have the following maturity structure:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
in the first year after the balance sheet date	51	59
in the second year after the balance sheet date	46	45
in the third year after the balance sheet date	37	36
in the fourth year after the balance sheet date	26	27
in the fifth year after the balance sheet date	50	18
more than five years after the balance sheet date	2	47
Total	**212**	**232**

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Outstanding minimum lease payments	212	232
Unguaranteed residual values	4	4
Total gross investment	**216**	**236**
Unearned finance income	26	30
Net investment	**190**	**206**
Present value of unguaranteed residual values	3	3
Present value of minimum lease payments	**187**	**203**

The accumulated allowance for uncollectible outstanding minimum lease payments amounts to €2 million (previous year: €3 million).

(19) Total credit extended

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Loans and advances to other banks	28,297	20,322
Loans and advances to customers	106,266	110,743
Guarantees	415	827
Total	**134,978**	**131,892**

(20) Allowance for losses on loans and advances

The allowance for losses on loans and advances covers all identifiable credit risks. Portfolio-based valuation allowances were recognized for the latent credit risk.

Risks have been provided for by an allowance for losses on loans and advances carried under assets, and by the recognition of provisions for credit risks.

[1]Figures adjusted (see Note 6)

The allowance for losses on loans and advances is composed of the following items:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Allowance for losses on loans and advances to other banks	13	37
Allowance for losses on loans and advances to customers	1,732	1,789
Total allowance for losses on loans and advances	1,745	1,826
Provisions for credit risks	43	40
Total	**1,788**	**1,866**

The allowance for losses on loans and advances carried under assets changed as follows in the year under review:

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m
Balance at Jan. 1	**1,684**	**1,612**	**142**	**152**	**1,826**	**1,764**
Changes in basis of consolidation	–	5	–	–	0	5
Reclassification due to IFRS 5	–40	–	–4	–	–44	–
Additions						
Allowance charged to the income statement	556	692	2	23	558	715
Disposals						
Utilization	342	216	–	–	342	216
Allowance reversed to the income statement	193	330	9	33	202	363
Unwinding	56	84	–	–	56	84
Currency translation differences	–5	–5	–	–	–5	–5
Balance at Dec. 31	**1,614**	**1,684**	**131**	**142**	**1,745**	**1,826**

Collective specific valuation allowances are also reported under the specific valuation allowances.

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Specific valuation allowances		
Private mortgage lending	453	483
Home savings loans	2	7
Commercial loans	537	562
Installment credits	312	250
Other loans and advances	297	345
Portfolio-based valuation allowances	131	142
Total	**1,732**	**1,789**

The total amount of loans for which no interest payments are being received was €1,091 million as of the balance sheet date (previous year: €1,434 million). Writedowns were charged on loans with a total volume of €3,024 million (previous year: €3,776 million). The outstanding interest receivables on these loans amounted to €115 million as of December 31, 2012 (previous year: €119 million).

€47 million of loans and advances was written off directly in fiscal year 2012 (previous year: €50 million). Recoveries on loans written off amounted to €26 million (previous year: €29 million).

(21) Trading assets

Group trading activities consist of trading in bonds and other fixed-income securities, equities and other non-fixed-income securities, promissory note loans and foreign currencies, as well as derivatives. All trading assets are carried at their fair values.

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Bonds and other fixed-income securities		
Public-sector issuers	–	9
Other issuers	31	87
	31	**96**
Building loans held for trading	161	169
Positive fair values of derivatives carried as trading assets	6,921	4,891
Positive fair values of banking book derivatives	1,807	1,321
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	526	415
Total	**9,446**	**6,892**

Deposits of €8,223 million (previous year: €5,784 million) are due after more than 12 months.

€31 million of the bonds and other fixed-income securities have a fixed rate of interest over the entire term (previous year: €81 million), while €0 million (previous year: €15 million) have a variable rate of interest (floaters).

The following amounts of bonds and other fixed-income securities carried as trading assets, are negotiable and listed:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Bonds and other fixed-income securities	31	96

(22) Hedging derivatives

Hedges with positive fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Assets		
Hedging derivatives on loans to customer		
Loans and receivables	7	4
	7	4
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	0	32
	0	32
Liabilities		
Deposits from other banks	39	35
Due to customers	943	547
Debt securities in issue	286	172
Subordinated debt	193	487
	1,461	1,241
Total	**1,468**	**1,277**

Holdings of €1,242 million (previous year: €1,112 million) are due after more than 12 months.

(23) Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, equity investments, and investments in unconsolidated subsidiaries.

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Bonds and other fixed-income securities		
Public-sector issuers	15,449	18,671
Other issuers	21,471	27,643
	36,920	46,314
Equities and other non-fixed-income securities		
Equities	0	2
Investment fund shares	81	128
	81	130
Equity investments	19	18
Investments in unconsolidated subsidiaries	7	18
Total	**37,027**	**46,480**

As in the previous year, bonds and other fixed-income securities do not contain any securities and interest coupons due on the balance sheet date .

Holdings of €33,148 million (previous year: €38,364 million) are due after more than 12 months.

€30.7 billion of the bonds and other fixed-income securities have a fixed rate of interest over the entire term, while €6.2 billion have a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €0.9 billion (previous year: €2.0 billion).

Investment securities are classified as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	27,782	39,976
thereof fair value hedges	10,576	17,412
Available for sale	9,138	6,338
thereof fair value hedges	2,768	1,674
	36,920	**46,314**
Equities and other non-fixed-income securities		
Available for sale	81	130
	81	**130**
Equity investments (available for sale)	19	18
Investments in unconsolidated subsidiaries (available for sale)	7	18
Total	**37,027**	**46,480**

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Bonds and other fixed-income securities	36,714	45,578
Equities and other non-fixed-income securities	70	13
Equity investments	5	4

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Liabilities	14,326	14,459
Contingent liabilities	6	21
Total	**14,332**	**14,480**

Investment securities are pledged as collateral in accordance with standard market conditions.

Changes in the fair value of unhedged available-for-sale securities in the amount of €–295 million were charged to the revaluation reserve (previous year: €–103 million). €99 million (previous year: €–11 million) of the revaluation reserve was reversed to income in the period under review due to the disposal of investment securities and the recognition of impairment losses.

Reversals of impairment losses totaling €38 million (previous year: impairment losses of €641 million) were recognized in fiscal year 2012 to reflect the economic performance of the financial instruments.

In fiscal years 2008 and 2009, Postbank reclassified securities out of the available-for-sale category to the loans and receivables category due to a change in its intention to hold the securities. The fair value of the securities at the respective reclassification date was reported as the new carrying amount.

As of December 31, 2012, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €15.4 billion and a carrying amount of €16.0 billion.

Prior to the above-mentioned reclassification dates, the changes in fair value recognized in the revaluation reserve for the securities that were reclassified amounted to €468 million before tax. Had Postbank not changed its intention to hold the securities, the loss recognized in the revaluation reserve would have increased by a further €573 million in the period up to December 31, 2012 (previous year: €1,879 million).

Given a nominal weighting of the reclassified securities, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.4 % (range of effective interest rates: 1.8 % to 34.5 %). The estimated cash flows that Postbank expected as of the date of the reclassifications amount to €45.4 billion. Impairments of €621 million (previous year: €621 million) were charged for all reclassified securities in the period up to December 31, 2012; disposal losses on reclassified securities amounted to €3 million (previous year: disposal loss of €9 million).

In the year under review, interest amounting to €486 million (previous year: €650 million) accrued for the reclassified securities.

(24) Intangible assets

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Acquired goodwill	1,631	1,642
Acquired software, concessions, industrial rights	517	549
Internally generated intangible assets and software	65	70
Advance payments on intangible assets and in-process intangible assets	35	13
Total	**2,248**	**2,274**

€1,568 million of purchased goodwill (previous year: €1,568 million) is attributable to the Retail Banking segment, while €22 million (previous year: €33 million) is attributable to the Corporate Banking segment and €41 million (previous year: €41 million) to the Transaction Banking segment.

The “acquired software, concessions, industrial rights” item includes the “BHW” brand in the amount of €319 million. The “BHW” brand is allocated to the Retail Banking segment. The capitalized amounts for customer relationships amounted to €70 million (previous year: €74 million), while those for beneficial contracts amounted to €33 million (previous year: €39 million).

A comparison of historical cost and cumulative amortization with the prior-period amounts is presented below:

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Historical cost					
Opening balance at Jan. 1, 2011	**1,662**	**1,034**	**159**	**45**	**2,900**
Changes in basis of consolidation	–	–	–	–	–
Additions	–	17	9	12	38
Reclassifications	–	3	16	–19	0
Disposals	9	5	6	25	45
Closing balance at Dec. 31, 2011	**1,653**	**1,049**	**178**	**13**	**2,893**
Changes in basis of consolidation	–	–	–	–	–
Additions	–	16	13	30	59
Reclassifications	–	3	5	–8	0
Disposals	–	19	2	–	21
Closing balance at Dec. 31, 2012	**1,653**	**1,049**	**194**	**35**	**2,931**

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Amortization					
Opening balance at Jan. 1, 2011	**11**	**445**	**82**	**23**	**561**
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	59	29	–	88
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	4	3	23	30
Closing balance at Dec. 31, 2011	**11**	**500**	**108**	**0**	**619**
Changes in basis of consolidation	–	–	–	–	–
Amortization	11	50	22	–	83
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	18	1	–	19
Closing balance at Dec. 31, 2012	**22**	**532**	**129**	**0**	**683**
Carrying amount at Dec. 31, 2011	**1,642**	**549**	**70**	**13**	**2,274**
Carrying amount at Dec. 31, 2012	**1,631**	**517**	**65**	**35**	**2,248**

With the introduction of the Non-Core Operating Unit segment in 2012 goodwill was reallocated within the segments. Due to the subsequently performed impairment test goodwill in the amount of €11 million was written down.

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2012 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2012 €m
Acquired goodwill	1,642	–		–	11	1,631
Acquired software, concessions, industrial rights	549	16	1	3	50	517
Internally generated intangible assets and software	70	13	1	5	22	65
Advance payments on intangible assets and in-process intangible assets	13	30	–	–8	–	35
Total	**2,274**	**59**	**2**	**0**	**83**	**2,248**

In fiscal year 2012, borrowing costs for qualifying assets (software under development) of €0.4 million were capitalized in accordance with IAS 23 (previous year: €0.5 million). The underlying capitalization rate was 2.48 %.

The carrying amount as of December 31, 2012, of advance payments on intangible assets was €8 million (previous year: €4 million); the carrying amount of intangible assets under development was €27 million (previous year: €9 million).

(25) Property and equipment

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Land and buildings	612	633
Operating and office equipment	153	157
Advance payments and assets under development	3	1
Total	**768**	**791**

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Historical cost				
Opening balance at Jan. 1, 2011	**1,080**	**449**	**2**	**1,531**
Changes in basis of consolidation	–	–	–	–
Reclassifications due to IFRS 5	–	1	–	1
Additions	6	50	2	58
Reclassifications	1	–	–1	0
Disposals	17	48	2	67
Closing balance at Dec. 31, 2011	**1,070**	**452**	**1**	**1,523**
Changes in basis of consolidation	–	–	–	–
Reclassifications due to IFRS 5	–1	–1	–	–2
Additions	–	45	3	48
Reclassifications	–	1	–1	0
Disposals	46	50	0	96
Closing balance at Dec. 31, 2012	**1,023**	**447**	**3**	**1,473**

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2011	**412**	**293**	**–**	**705**
Changes in basis of consolidation	–	–	–	–
Depreciation	30	48	–	78
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	5	46	–	51
Closing balance at Dec. 31, 2011	**437**	**295**	**–**	**732**
Changes in basis of consolidation	–	–	–	–
Depreciation	15	46	–	61
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	41	47	–	88
Closing balance at Dec. 31, 2012	**411**	**294**	**–**	**705**
Carrying amount at Dec. 31, 2011	**633**	**157**	**1**	**791**
Carrying amount at Dec. 31, 2012	**612**	**153**	**3**	**768**

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2012 €m	Reclassification due to IFRS 5 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals of impairment losses €m	Depreciation €m	Carrying amount at Dec. 31, 2012 €m
Land and buildings	633	–1	–	5	0	–	15	612
Operating and office equipment	157	–1	45	3	1	–	46	153
Advance payments and assets under development	1	–	3	–	–1	–	–	3
Total	**791**	**–2**	**48**	**8**	**0**	**–**	**61**	**768**

At the balance sheet date, assets under development amounted to €1 million (previous year: €1 million).

(26) Investment property

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Historical cost		Cumulative depreciation	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Investment property	–	102	–	29

The carrying amounts of investment property changed as follows in the year under review:

	Carrying amount at Jan. 1, 2012 €m	Additions €m	Disposals €m	Reclassifications €m	Depreciation €m	Carrying amount at Dec. 31, 2012 €m
Investment property	73	–	73	–	–	–

The disclosures relating to investment property for fiscal year 2012 are as follows:

	Rental income €m	Direct operating expenses €m	Restraints on disposal €m	Disposal proceeds received €m	Contractual obligations €m
Investment property	2	1	–	–	–

The disclosures relating to investment property for fiscal year 2011 are as follows:

	Rental income €m	Direct operating expenses €m	Restraints on disposal €m	Disposal proceeds received €m	Contractual obligations €m
Investment Property	3	1	–	–	–

(27) Current and deferred tax assets

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Current tax assets	113	206
Deferred tax assets		
from temporary differences	73	175
from tax loss carryforwards	49	229
domestic	49	64
foreign	0	165
	122	**404**
Total	**235**	**610**

Deferred tax assets were recognized in connection with temporary differences relating to the following balance sheet items, and in connection with unused tax losses:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Assets		
Loans and advances	0	2
Allowance for losses on loans and advances	3	116
Trading assets	0	69
Investment securities	18	206
Property and equipment	8	13
Other assets	71	98
Liabilities		
Amounts due to other banks and customers	11	249
Trading liabilities	444	655
Hedging derivatives	121	369
Provisions for pensions and other employee benefits	59	67
Other provisions	58	84
Other liabilities	7	20
	800	**1,948**
Tax loss carryforwards	58	229
Netted against deferred tax liabilities	736	1,773
Total	**122**	**404**

As of December 31, 2012, no deferred tax assets were recognized for temporary differences/tax loss carryforwards amounting to €102 million.

For 2012, deferred tax assets were recognized in an amount that is €8 million in excess of deferred tax liabilities, despite losses at one group company. Their recoverability is explained by the fact that taxable profit is expected to be generated in the future in excess of the earnings effects of the reversal of existing taxable temporary differences.

(28) Other assets

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Prepaid expenses	489	454
Trade receivables	106	91
Receivables from tax authorities	10	21
Advances to members of the mobile sales force	13	13
Miscellaneous	101	68
Total	**719**	**647**

€390 million of the prepaid expenses (previous year: €378 million) relates to prepaid brokerage commissions and €26 million (previous year: €8 million) to prepaid rent and lease expenses.

The miscellaneous other assets item primarily comprises tax refund claims by Deutsche Bank in the amount of €51 million (previous year: €0 million) from deductible investment income tax, and deductible solidarity surcharge payments of €3 million (previous year: €0 million).

Other assets amounting to €432 million (previous year: €180 million) have a maturity of more than 12 months.

(29) Assets held for sale

PB (USA) Holdings, Inc.

On December 21, 2012, Deutsche Postbank AG and Deutsche Bank AG entered into an agreement to sell the PB (USA) Holdings, Inc. Group effective January 1, 2013. The sale took place as planned on January 1, 2013.

The assets of PB (USA) Holdings, Inc. are as follows:

	Dec. 31, 2012 €m
Loans and advances to other banks	484
Loans and advances to customers	3,131
Allowance for losses on loans and advances	–44
Trading assets	158
Hedging derivatives	12
Investment securities	3,158
Intangible assets	1
Property and equipment	2
Current tax assets	1
Deferred tax assets	126
Other assets	10
Total	**7,039**

Loans and advances to other banks and loans and advances to customers are attributable in full to the loans and receivables category. The loans and receivables category is matched by a fair value as of the reporting date of December 31, 2012, of €484 million in the case of loans and advances to other banks and of €3,088 million in the case of loans and advances to customers.

The fair value of the investment securities with a carrying amount of €3,098 million assigned to the loans and receivables category amounts to €3,108 million.

Financial assets in the amount of €42 million were allocated to Level 1 and €188 million to Level 2 (fair value hierarchy in accordance with IFRS 7).

The allowance for losses on loans and advances was primarily recognized for commercial credits and comprises specific valuation allowances of €40 million and portfolio-based valuation allowances of €4 million.

Positive fair values of €131 million and negative fair values of €146 million have been assigned to the holdings of trading derivatives (notional amount: €4,156 million), and positive fair values of €12 million and negative fair values of €350 million have been assigned to the holdings of hedging derivatives (notional amount: €3,237 million).

Trading derivatives and hedging derivatives in the notional amounts of €3,892 million and €2,366 million respectively relate primarily to interest swaps.

As of December 31, 2012, no deferred tax assets were recognized for temporary differences/tax loss carryforwards amounting to €228 million. The unrecognized deferred tax assets include tax loss carryforwards which are expected to expire in 2028.

The assets of PB (USA) Holdings, Inc. were assigned to the Non-Core Operating Unit segment effective December 31, 2012.

Funding vehicles

On December 21, 2012, Deutsche Postbank AG and Deutsche Bank AG entered into an agreement effective January 1, 2013, for the sale of the share capital of the eight U.S. subsidiaries Deutsche Postbank Funding LLC I to IV and Deutsche Postbank Funding Trust I to IV. The sale took place as planned on January 1, 2013.

No funding vehicle assets are recognized in the consolidated financial statements since such assets are attributable solely to Group companies.

Other disposals

On September 28, 2012, Postbank Beteiligungen GmbH, a wholly-owned subsidiary of Deutsche Postbank AG, and Atos IT Solutions and Services GmbH entered into an agreement for the sale of the German subsidiary Postbank Support GmbH. The sale took place on January 1, 2013.

[1]Figures adjusted (see Note 6)

The assets of Postbank Support GmbH amounted to €72 thousand as of December 31, 2012, and were primarily assigned to the "Other assets" item. The assets of Postbank Support GmbH were allocated to the Cost Centers/Consolidation segment as of December 31, 2012.

Structured credit products (SCPs)
In the fourth quarter of 2012, Postbank resolved to discontinue its previous buy-and-hold strategy for SCP portfolios.

As of December 31, 2012, portions of the SCP portfolios that were intended to be reduced but that did not completely meet the criteria for classification as assets held for sale pursuant to IFRS 5 were reported under investment securities.

In 2013 during the period up to the preparation of the consolidated financial statements on February 19, 2013, SCP holdings with a carrying amount of €660 million were sold.

(30) Deposits from other banks

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Domestic banks		
Payable on demand	1,396	634
With an agreed maturity or withdrawal notice	15,459	17,185
	16,855	**17,819**
Foreign banks		
Payable on demand	170	272
With an agreed maturity or withdrawal notice	309	1,959
	479	**2,231**
Total	**17,334**	**20,050**

€567 million of the deposits from other banks is covered by fair value hedges (previous year: €856 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

Deposits of €10,039 million (previous year: €11,095 million) are due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €14.5 billion (previous year: €16.3 billion) and variable-interest deposits in the amount of €2.8 billion (previous year: €3.7 billion).

As of December 31, 2012, liabilities relating to genuine securities repurchase agreements amounted to €4.4 billion (previous year: €1.1 billion).

(31) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Savings deposits		
With an agreed withdrawal notice of three months	47,729	47,748
With an agreed withdrawal notice of more than three months	144	154
	47,873	**47,902**
Home savings deposits	18,315	17,936
thereof: on terminated contracts	89	95
thereof: on allotted contracts	4	6
Other amounts due		
Payable on demand	40,808	36,674
With an agreed maturity or withdrawal notice	24,736	31,615
	65,544	**68,289**
Total	**131,732**	**134,127**
Domestic customers	127,041	126,263
Foreign customers	4,691	7,864
Total	**131,732**	**134,127**

€7,880 million of the amounts due to customers is covered by fair value hedges (previous year: €6,375 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

Deposits of €27,765 million (previous year: €33,677 million) are due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €46.0 billion (previous year: €50.7 billion) and variable-interest deposits in the amount of €85.7 billion (previous year: €83.4 billion).

[1]Figures adjusted (see Note 6)

(32) Debt securities in issue

Amounts reported as debt securities in issue relate to bonds, including mortgage *Pfandbriefe* and public-sector *Pfandbriefe*, and money market instruments (e.g., certificates of deposit, euro notes, and commercial paper).

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Public-sector *Pfandbriefe*	1,623	1,773
Mortgage *Pfandbriefe*	6,104	5,970
Other debt instruments	1,709	4,984
Total	**9,436**	**12,727**

€2,768 million of the debt securities in issue is covered by fair value hedges (previous year: €2,973 million).

Debt securities in issue consist solely of financial instruments classified as liabilities at amortized cost.

Deposits of €7,271 million (previous year: €9,000 million) are due after more than 12 months.

Debt securities in issue include fixed-interest liabilities in the amount of €9.0 billion (previous year: €12.1 billion) and variable-interest liabilities in the amount of €0.4 billion (previous year: €0.6 billion).

Repurchased own bonds amounting to €65 million (previous year: €122 million) were deducted directly from debt securities in issue.

(33) Trading liabilities

Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio and in the banking book as well as delivery obligations under securities sold short.

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Negative fair values of trading derivatives	7,074	4,945
Negative fair values of banking book derivatives	2,583	2,317
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	1,563	1,329
Total	**11,220**	**8,591**

Deposits of €9,466 million (previous year: €7,156 million) are due after more than 12 months.

(34) Hedging derivatives

Hedges with negative fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	16	17
	16	**17**
Hedging derivatives on loans to customers		
Loans and receivables	211	205
	211	**205**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,320	1,512
	1,320	**1,512**
Liabilities		
Deposits from other banks	–	–
Due to customers	–	–
Debt securities in issue	–	5
Subordinated debt	53	78
	53	**83**
Total	**1,600**	**1,817**

Deposits of €1,370 million (previous year: €1,650 million) are due after more than 12 months.

(35) Provisions for pensions and other employee benefits

The provisions for pension obligations are as follows:

Reconciliation of the present value of obligations, fair value of plan assets and net pension provisions at December 31

	2012 €m	2011 €m	2010 €m	2009 €m	2008 €m
Present value of obligations of fully or partially funded benefits	921	794	766	728	660
Present value of obligations of non-funded benefits	1,133	924	879	815	733
Present value of total defined benefit obligation	2,054	1,718	1,645	1,543	1,393
Fair value of plan assets	–524	–487	–480	–470	–392
Unrealized gains (+)/ losses (–)	–341	–70	–39	31	148
Net pension provisions	**1,189**	**1,161**	**1,126**	**1,104**	**1,149**

Change in present value of total defined benefit obligation

	2012 €m	2011 €m
Present value of total defined benefit obligation at January 1	**1,718**	**1,645**
Current service cost, excluding employee contributions	28	26
Employee contributions	3	4
Interest cost	83	81
Pension benefits paid	–84	–80
Plan settlements	0	–4
Transfers	3	1
Actuarial gains (–)/losses (+)	303	44
Currency effects	0	1
Present value of total defined benefit obligation at December 31	**2,054**	**1,718**

Change in plan assets

	2012 €m	2011 €m
Fair value of plan assets at January 1	**487**	**480**
Employer contributions	7	4
Expected return on plan assets	21	18
Gains (+)/losses (–) on plan assets	26	11
Pension benefits paid	–17	–22
Plan settlements	–	–4
Fair value of plan assets at December 31	**524**	**487**

Plan assets primarily consist of pension fund contracts (67 %, previous year: 68 %), fixed-income securities (25 %, previous year: 25 %), other assets (6 %, previous year: 4 %), and equities (2 %, previous year: 3 %). None of the assets are used directly by the Postbank Group.

Gains and losses

Gains and losses on plan assets

	2012 €m	2011 €m	2010 €m	2009 €m	2008 €m
Actual return on plan assets	47	29	23	27	10
Expected return on plan assets	21	18	20	17	16
Experience gains (+)/ losses (–) on plan assets	26	11	3	10	–6

Gains and losses on defined benefit obligation

	2012 €m	2011 €m	2010 €m	2009 €m	2008 €m
Experience gains (+)/ losses (–) on defined benefit obligations	–4	10	–3	–20	0
Increase (+)/decrease (–) in defined benefit obligations arising from assumptions	–299	–54	–68	–98	53
Total actuarial gains (+)/losses (–) on defined benefit obligations	–303	–44	–71	–118	53

Change in net pension provisions	2012 €m	2011 €m
Balance at January 1	**1,161**	**1,126**
Pension expense	96	92
Pension benefits paid	–67	–58
Employer contributions	–7	–4
Employee contributions	3	4
Transfers	3	1
Balance at December 31	**1,189**	**1,161**

Payments in the amount of €65 million are expected to be made to net pension provisions in 2013; these relate to directly anticipated pension payments by the Company. Employer contributions of €3 million are also expected.

Pension expense	2012 €m	2011 €m
Current service cost	28	26
Interest cost	83	81
Expected return on plan assets	–21	–18
Amortization of unrecognized gains (–)/losses (+)	6	3
Pension expense	**96**	**92**

In accordance with IAS 19.92, actuarial gains and losses are only recognized if they exceed the greater of 10 % of the present value of the obligation and 10 % of the fair value of the plan assets. The excess amount is amortized over the remaining working lives of the active employees and recognized in income. A loss of €6 million was recognized in profit or loss in 2012 (previous year: loss of €3 million).

(36) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2012 €m	Utilization €m	Reversal €m	Additions €m	Reclassifications due to IFRS 5 €m	Balance at Dec. 31, 2012 €m
Provisions for home savings business	892	130	3	173	–	932
Staff-related provisions	251	84	20	87	–	234
Provisions for credit risks	40	4	10	17	–	43
Risk compensation amounts of the Postbeamten-Krankenkasse (Postal Civil Service Health Insurance Fund)	2	–	–	–	–	2
Miscellaneous	211	93	33	162	–7	240
Total	**1,396**	**311**	**66**	**439**	**–7**	**1,451**

€1,060 million (previous year: €1,018 million) of the recognized provisions is due after more than 12 months.

Provisions for the home savings business changed as follows in the year under review:

	Balance at Jan. 1, 2012 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2012 €m
Provisions for home savings business					
for interest premiums	713	105	–	130	738
for reimbursement claims from arrangement fees	77	11	–	10	76
for changes in interest rates	92	13	–	21	100
Miscellaneous	10	1	3	12	18
Total	**892**	**130**	**3**	**173**	**932**

Miscellaneous other provisions include provisions for litigation costs amounting to €69 million (previous year: €32 million), provisions for year-end closing costs amounting to €8 million (previous year: €4 million), and provisions for jubilee benefits amounting to €5 million (previous year: €7 million).

(37) Current and deferred tax liabilities

	Balance at Jan. 1, 2012[1] €m	Utilization €m	Reversal €m	Additions €m	Reclassifications due to IFRS 5 €m	Balance at Dec. 31, 2012 €m
Current taxes	129	71	2	92	–33	115
Deferred taxes	153	–	92	76	–	137
Total	**282**	**71**	**94**	**168**	–33	**252**

Provisions for current taxes relate to current payment obligations to the tax authorities.

[1]Figures adjusted (see Note 6)

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Assets		
Loans and advances	340	344
Allowance for losses on loans and advances	9	7
Trading assets	212	188
Hedging derivatives	2	219
Investment securities	110	783
Property and equipment	7	9
Other assets	135	266
Liabilities		
Amounts due to other banks and customers	24	26
Provisions for pensions and other employee benefits	0	13
Other provisions	31	48
Other liabilities	3	23
	873	**1,926**
Netted against deferred tax assets	736	1,773
Total	**137**	**153**

(38) Other liabilities

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trade payables	168	143
Liabilities from other taxes	167	168
Liabilities from expenses for outstanding invoices	93	65
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	44	41
Liabilities from expenses for management bonuses	47	62
Liabilities from expenses for commissions and premiums	32	44
Deferred income	36	33
Miscellaneous liabilities	134	133
Total	**721**	**689**

€50 million of other liabilities (previous year: €58 million) is due after more than 12 months.

(39) Subordinated debt

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Subordinated liabilities	1,978	2,281
Hybrid capital instruments	–	1,939
Profit participation certificates outstanding	1,196	1,196
Contributions by typical silent partners	22	22
Total	**3,196**	**5,438**

In the year under review, the hybrid capital instruments are reported under the "Liabilities directly related to assets held for sale" item (Note 40).

Due to the current maturity structure, only €2,673 million (previous year: €2,982 million) of the items reported as subordinated debt and hybrid capital instruments represents liable capital in accordance with the Basel Capital Accord.

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€2,796 million of subordinated debt (previous year: €5,064 million) is due after more than 12 months.

The interest expense on subordinated liabilities amounts to €89 million (previous year: €113 million). Deferred interest not yet due amounting to €36 million (previous year: €44 million) is carried as subordinated debt under subordinated liabilities.

In the previous year, the "Hybrid capital instruments" item contained four issues in the form of trust preferred securities that were issued by subsidiaries established for this purpose. The trust preferred securities of Deutsche Postbank Funding Trust I to IV are issued for an unlimited term and were treated as Tier 1 capital for banking regulatory purposes until the deconsolidation of Funding Trust I to IV as of January 1, 2013.

The conditions of issue are not affected by the sale of the shares effective January 1, 2013. In the future, the Initial Debt Securities of Deutsche Postbank AG issued under the terms of these issues will represent subordinated liabilities within the Group.

Holders of profit participation certificates receive an annual profit-related distribution ranking prior to shareholders profit rights; the distribution right is reduced if and to the extent that no distributable profit is available.

The interest expense for 2012 on profit participation certificates outstanding totals €57 million (previous year: €58 million). Deferred interest not yet due amounting to €46 million (previous year: €45 million) is allocated directly to profit participation certificates outstanding.

[1]Figures adjusted (see Note 6)

Due to their contractual arrangements and economic substance, contributions by typical silent partners represent debt and are reported under subordinated debt in accordance with IAS 32.

A total of €342 million of the subordinated debt (previous year: €2,381 million) is hedged against changes in fair value; of this figure €342 million (previous year: €442 million) is attributable to subordinated liabilities and €0 million (previous year: €1,939 million) to hybrid capital instruments.

€0.7 billion of subordinated debt (previous year: €2.9 billion) is fixed-interest, while €2.5 billion (previous year: €2.5 billion) is variable-interest.

(40) Liabilities directly related to assets held for sale

PB (USA) Holdings, Inc.	Dec. 31, 2012 €m
Deposits from other banks	4,196
Due to customers	1,460
Debt securities in issue	1,250
Trading liabilities	146
Hedging derivatives	350
Provisions	7
Current tax liabilities	33
Other liabilities	8
Total	**7,450**

The associated fair values of the liabilities measured at amortized cost as of the December 31, 2012, reporting date related to deposits from other banks (€4,197 million) and amounts due to customers (€1,459 million). Overall, the fair value matching debt securities in issue amounted to €1,250 million.

Financial liabilities in the amount of €4 million were allocated to Level 1 and €491 million to Level 2 (fair value hierarchy in accordance with IFRS 7).

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Please see Note 29 for the negative fair values of trading derivatives and hedging derivatives.

The present value of the pension obligations amounted to €25.3 million as of December 31, 2012, and is fully covered by plan assets.

The current income tax liabilities relate to tax liabilities for 2012.

The liabilities of PB (USA) Holdings, Inc. were allocated to the Non-Core Operating Unit segment as of December 31, 2012.

Funding vehicles

Liabilities of Postbank Funding LLC I to IV relate solely to Group companies, which is why they have not been included in the financial statements. The liabilities of Postbank Funding Trusts I to IV under the issues placed have been reported to date as hybrid capital instruments under the "Subordinated debt" item in the amount of €1,932 million.

Deferred interest on hybrid capital instruments that is not yet due amounted to €19 million (previous year: €23 million).

For further information on the issues by the funding vehicles, please see Note 39, Subordinated debt.

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Postbank Funding Trusts I to IV's liabilities were allocated to the Financial Markets segment as of December 31, 2012.

Other disposals

The liabilities of Postbank Support GmbH in the amount of €418 thousand are mainly attributable to the "Other provisions" and "Other liabilities" items.

Postbank Support GmbH's liabilities were allocated to the Cost Centers/Consolidation segment as of December 31, 2012.

(41) Equity

	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,535	3,424
Foreign currency translation reserve	–138	–133
Revaluation reserve	72	–306
	3,469	**2,985**
Consolidated net profit	279	111
Non-controlling interests	4	4
Total	**6,309**	**5,657**

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

Premiums from the issue of shares are reported in the share premium.

Undistributed profits from previous years are generally reported under retained earnings.

The foreign currency translation reserve contains the translation gain or loss from the consolidation of the subsidiaries reporting in foreign currency that arose as a result of acquisition accounting. As of December 31, 2012 the full amount of the foreign currency translation reserve was attributable to assets held for sale.

[1]Figures adjusted (see Note 6)

The profit or loss from the measurement of investment securities at fair value after deduction of deferred taxes is reported in the revaluation reserve. Any profit or loss is not recognized in the income statement until the asset has been sold or impaired. €15 million of the revaluation reserve relate to the corresponding assets held for sale.

By way of a resolution adopted by the Annual General Meeting on April 22, 2009, 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 €273.5 million up to April 21, 2014, by issuing new no-par value registered shares against cash and non-cash contributions, including mixed non-cash contributions (Authorized Capital).

The shareholders must generally be granted pre-emptive subscription rights. The Management Board is 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 by 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 Postbank's 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 *Aktiengesetz* (AktG – German Stock Corporation Act) 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 gains or losses on the measurement of available-for-sale financial instruments reported in the revaluation reserve in equity changed as follows:

Available-for-sale financial instruments

	2012 €m	2011 €m
Balance at January 1	**–306**	**–273**
Remeasurement gains/losses	**409**	**–51**
Available for sale, hedged (due to changes in credit risk)	114	52
Available for sale, unhedged	295	–103
Disposals and impairment	**107**	**16**
Impairment	4	19
thereof available for sale	4	18
thereof loans and receivables	0	1
Disposal/hedge termination	95	–30
thereof available for sale	84	–23
thereof loans and receivables	11	–7
Writedown effect in net interest income	8	27
thereof available for sale	–6	–2
thereof loans and receivables	14	29
Income tax recognized directly in equity	**–138**	**2**
Balance at December 31	**72**	**–306**

€99 million (previous year: €–11 million) of the revaluation reserve was reversed to income from disposals of and impairment losses on available-for-sale financial instruments and financial instruments reclassified out of the available-for-sale category to the loans and receivables category in the year under review. The effect of the writedown of these financial instruments led to a reversal of €8 million from the revaluation reserve to income (previous year: €27 million). In addition, the revaluation reserve increased by €409 million (previous year: reduction of €51 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €–138 million in the fiscal year under review (previous year: €2 million), resulting in a closing balance of €4 million (previous year: €142 million).

OTHER DISCLOSURES

(42) Segment reporting

Segment reporting by business division

	Retail Banking[1]		Corporate Banking[1]		Transaction Banking[1]		Financial Markets[1]		Non-Core Operating Unit		Cost Centers/ Consoli-dation[1]		Group	
	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m
Net interest income	2,461	2,428	390	442	1	2	−44	92	−109	−59	4	5	2,703	2,910
Net trading income	−29	−9	–	–	–	–	−4	17	−66	62	−4	−6	−103	64
Net income from investment securities	0	−1	−3	–	–	–	70	67	−98	−679	16	59	−15	−554
Net fee and commission income	981	1,032	89	93	294	327	−3	1	10	3	−217	−204	1,154	1,252
Total income	**3,413**	**3,450**	**476**	**535**	**295**	**329**	**19**	**177**	**−263**	**−673**	**−201**	**−146**	**3,739**	**3,672**
Administrative expenses	−2,108	−2,204	−129	−129	−277	−295	−79	−103	−111	−104	−295	−369	−2,999	−3,204
Allowance for losses on loans and advances	−242	−291	−48	−68	–	–	5	−3	−99	−21	–	–	−384	−383
Other income/ expenses	1	14	8	11	11	14	0	2	30	−10	−20	−38	30	−7
Profit/loss before tax	**1,064**	**969**	**307**	**349**	**29**	**48**	**−55**	**73**	**−443**	**−808**	**−516**	**−553**	**386**	**78**
Revenues from external customers	3,395	3,408	474	532	120	167	17	175	−263	−673	−4	63	3,739	3,672
Intersegmental revenues	18	42	2	3	175	162	2	2	0	0	−197	−209	0	0
Impairment losses	−30	−30	−1	−1	−4	−6	−1	−2	−12	−1	−96	−126	−144	−166
Reversal of impaiment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation and amortization	−30	−30	−1	−1	−4	−6	−1	−2	−1	−1	−96	−108	−133	−148
Cost/income ratio (CIR)	**61.8 %**	**63.9 %**	**27.1 %**	**24.1 %**	**93.9 %**	**89.7 %**	**415.8 %**	**58.2 %**	**−42.2 %**	**−15.5 %**	**–**	**–**	**80.2 %**	**87.3 %**
Return on equity before taxes (RoE)	**42.8 %**	**41.1 %**	**43.3 %**	**51.9 %**	**–**	**–**	**−4.0 %**	**5.6 %**	**−32.3 %**	**−62.0 %**	**–**	**–**	**6.4 %**	**1.3 %**

The Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

Postbank restructured a number of its segments in the second half of 2012. The process identified portfolios and activities that do not currently fit its core future strategic orientation. To facilitate their management, these were removed from their original segments and transferred to the new Non-Core Operating Unit (hereinafter referred to as the NCOU) as of December 1, 2012. The changes made can be seen from the segment descriptions. The comparative prior-year figures were adjusted accordingly.

In the Retail Banking business division, Postbank offers private and business customers a broad spectrum of banking and financial services. The product range encompasses checking and savings products, credit and debit cards, mortgage lending, installment credits, the home savings business, securities and securities accounts, and investment funds. Income from brokerage activities is also reported in this segment.

The segment result comprises the operating results of Deutsche Postbank AG's Retail Banking operations, BHW Bausparkasse AG's domestic retail business as well as other subsidiaries of BHW Holding AG, Postbank Filialvertrieb AG, Postbank Filial GmbH, Postbank Direkt GmbH and P.O.S. Transact GmbH. In addition, the result of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment.

[1]Figures adjusted

Postbank's Corporate Banking business division provides payment transaction services. Commercial finance, especially regarding real estate, constitutes the second important pillar of the corporate banking business in national and international terms. The division's third business area is factoring and leasing.

The segment result comprises the results of PB Firmenkunden AG, Postbank Leasing GmbH, PB Factoring GmbH, the Corporate Banking business of Deutsche Postbank AG and a portion of the results of Deutsche Postbank International S.A. (in each case minus selected individual exposures), and some international commercial real estate finance transactions.

The Transaction Banking business division offers organizational and technical settlement and processing services for the Group as well as for other banks in the area of domestic and cross-border payment transaction services. Its earnings comprise the earnings of Betriebs-Center für Banken AG and of VÖB-ZVD Processing GmbH.

The results of the Group's financial markets transactions (banking and trading books) and of fund administration and management for a number of Postbank's retail funds and for special funds have been assigned to the Financial Markets business division.

The segment result comprises the banking and trading books of Deutsche Postbank AG, BHW Bausparkasse AG, the profit/loss of the following subsidiaries: Deutsche Postbank International S.A. (not including the corporate banking business), Deutsche Postbank Vermögens-Management S.A. and Deutsche Postbank Financial Services GmbH. In the year under review, Deutsche Postbank Vermögens-Management S.A., Luxembourg, was sold and Deutsche Postbank Financial Services GmbH was merged with Deutsche Postbank AG.

The new NCOU segment, which was established as of December 1, 2012, comprises portfolios and activities that are no longer part of the Bank's core business in line with the Bank's current strategy. Besides further increase in transparency, the main goals of the segment are to continue reducing the risks and the risk-weighted assets.

The segment result comprises the structured credit portfolio (SCP), investment securities from issuers of GIIPS countries, some international commercial real estate finance transactions and selected corporate customer loans, certain foreign retail business transactions and selected retail products that are discontinued. In addition, certain secured and unsecured issues and selected results of repo/reverse repo transactions are allocated to the segment.

The Cost Centers/Consolidation segment comprises Group consolidations – less intrasegment consolidation adjustments – plus the profit/loss of the cost centers and their unallocated overhead costs. In addition, the segment includes the profit/loss of the Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, and Postbank Support GmbH subsidiaries, which are allocated to the cost centers. The reconciliation to consolidated profit also falls within this segment.

In addition to the results in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment results. In accordance with IFRS 8.23, we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses of the Deutsche Postbank AG units included in the segment results are primarily based on the results of cost center accounting. Income taxes are not calculated at segment level.

Reversals of impairment losses and impairment losses relate to intangible assets and property and equipment. Both amortization/depreciation and impairments are taken into account.

Equity is allocated to the segments according to their risk capital requirements. Risk capital requirements are derived from Postbank's risk cover amount and define the extent of the permitted exposures to market risk, credit risk, operational risk, business risk, investment and real estate risk, and collective risk. The average IFRS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

Since the settlement of payment transactions is not banking business in the traditional sense, we do not report the return on equity in our Transaction Banking business division.

The prior-year figures were adjusted in the course of the changes made to the business unit accounting described above. The main adjustments to the prior-year figures are described below.

Income in the Retail Banking segment decreased by €29 million. This is due among other things to the hiving off of contributions to earnings from products no longer actively sold and certain foreign transactions, and their assignment to the NCOU segment. As a result, the allowance for losses on loans and advances decreased by €4 million. Administrative expenses also declined by €55 million for this reason. Other income decreased by €1 million. Overall, profit before tax for the segment increased by €29 million.

In the Corporate Banking segment, the allocation of some international commercial real estate finance transactions and selected corporate customer loans to the NCOU segment had an impact. Due to this, income declined by €138 million, the allowance for losses on loans and advances decreased by €17 million, administrative expenses by €23 million, and other income by €1 million. Consequently, profit before tax for the segment fell by €99 million.

Income in the Financial Markets segment improved by €834 million due to the allocation of the SCP portfolio, of certain secured and unsecured issues, certain securities from selected countries (GIIPS), and certain repo/reverse repo transactions to the NCOU segment. This also led to a €29 million drop in administrative expenses. Other income improved by €5 million. Overall, profit before tax for the segment increased by €868 million.

In the Cost Centers/Consolidation segment, there was a €10 million change in other income due to the allocation to the NCOU segment of products that are no longer offered.

The transfer of the portfolios to the NCOU segment led to corresponding changes in the risk limits. This has resulted in an adjustment to the average IFRS equity allocated to the segments. The prior-year figures have been adjusted accordingly.

Company level disclosures

The following table contains information about income per product or service:

	2012 €m	2011[1] €m
Deposits and loans for Retail and Corporate Banking customers	2,962	2,923
Payment transaction services for Retail and Corporate Banking customers	388	361
Retail and Corporate Banking fee and commission income	536	572
Transaction Banking insourcing (net fee and commission income)	97	167
Others	–244	–351
Total	**3,739**	**3,672**

The total comprises the Postbank Group's net interest income, net fee and commission income, net trading income, and net income from investment securities. Net interest income and net fee and commission income of the subsidiaries attributable to the Corporate Banking segment are reported under the "deposits and loans for Retail and Corporate Banking customers" item. The "others" item includes the Group's net trading income and net income from investment securities, among other things, and hence reflects the significant effects of the financial markets crisis. The income for the NCOU segment is reported under the "Others" item.

The allocation of the portfolios and activities described to the NCOU segment resulted in a €166 million decrease in the prior-year figure for the "Deposits and loans for Retail and Corporate Banking customers" item, while the "Others" item increased by the same amount.

The results of the geographical areas are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the areas.

The Others region contains the entities from the Europe, U.S.A. (PB Capital), and Asia (Postbank Home Finance) regions. The London branch, the Luxembourg entities Deutsche Postbank International S.A., Deutsche Postbank Vermögensmanagement S.A., Deutsche Postbank Finance Center Objekt GmbH, and DPBI Immobilien KGaA, plus the branches of BHW in Italy, Luxembourg, and Belgium form part of the Europe region.

Germany comprises all domestic business units including all consolidation adjustments.

	Income		Loss/profit before tax		Non-current assets	
	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011[1] €m
Germany	3,330	3,382	97	–121	2,994	3,114
Others	409	290	289	199	22	24
Europe	270	170	132	103	20	21
U.S.A.	139	114	157	92	2	3
Asia	0	6	0	4	0	0
Total	**3,739**	**3,672**	**386**	**78**	**3,016**	**3,138**

Non-current assets comprise intangible assets, property and equipment, and investment property. The comparative figures for the prior-year period were adjusted to reflect the revised allocation criteria for non-current assets.

[1]Figures adjusted

(43) Contingencies and other obligations

Contingent liabilities arise from past events that will lead to possible future obligations. These obligations arise from the occurrence of uncertain future events whose settlement amount cannot be estimated with sufficient reliability.

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Contingent liabilities		
on guarantees and warranties	415	827
Other obligations		
irrevocable loan commitments	7,441	8,002
of which: building loans provided	2,748	2,375
miscellaneous obligations	12,325	12,075
Total	**20,181**	**20,904**

Miscellaneous obligations relate to credit lines that can be called in at any time. Contingencies and other obligations were reduced by the allowance for losses on loans and advances recognized.

(44) Fair values of financial instruments

Fair value hierarchy

While financial instruments are measured in accordance with IAS 39, Postbank uses the three-level fair value hierarchy in accordance with IFRS 7 for financial instruments measured at fair value, as follows:

Level 1:

Quoted market prices for the identical asset or the identical liability exist for the instruments classified as Level 1. In other words, Level 1 fair value measurement is based solely on quoted market prices in an active market for an identical financial instrument. Level 1 therefore mainly consists of highly liquid securities and exchange-traded derivatives.

Level 2:

Level 2 fair values are measured either with the help of quoted prices in active markets for similar instruments or using techniques whose inputs are based solely on directly or indirectly observable market data. These include non-exchange-traded derivatives (e.g., swaps, caps, floors, and CDSs) as well as bonds and promissory note loans that are valued using yield and spread curves and volatilities.

Level 3:

Level 3 fair values are determined using measurement models whose significant inputs are not observable on the market. Such valuation techniques are used in particular to measure structured credit products.

The following tables show the allocation of the individual categories of financial instruments to the corresponding levels in the fair value hierarchy:

Assets measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2012 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	9,446	32	9,413	1
Hedging derivatives	1,468	0	1,468	0
Loans and advances to customers	6,839	0	6,839	0
of which private mortgage lending	6,839	0	6,839	0
Available-for-sale financial assets				
Investment securities	9,244	6,650	2,401	193
Total	**26,997**	**6,682**	**20,121**	**194**

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2012 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	11,220	0	11,158	62
Hedging derivatives	1,600	0	1,600	0
Total	**12,820**	**0**	**12,758**	**62**

Assets measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2011 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	6,892	31	6,843	18
Hedging derivatives	1,277	0	1,277	0
Loans and advances to customers	7,513	0	7,513	0
of which private mortgage lending	7,513	0	7,513	0
Available-for-sale financial assets				
Investment securities	6,504	3,614	2,389	501
Total	**22,186**	**3,645**	**18,022**	**519**

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2011 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	8,591	0	8,547	44
Hedging derivatives	1,817	0	1,817	0
Total	**10,408**	**0**	**10,364**	**44**

Financial instruments classified as trading assets and trading liabilities, and hedging derivatives are measured for the most part using valuation techniques that are allocable to Level 1 or Level 2. Separable embedded derivatives from structured credit products are also classified as trading assets or trading liabilities, however, they are measured here using valuation techniques allocable to Level 3. Where quoted market prices in an active market exist for these financial instruments, they are measured using this quoted price (IAS 39.AG71) and are therefore allocated to Level 1 in accordance with IFRS 7. If no such price exists for a financial instrument, it is measured using recent transactions in identical financial instruments or transactions in similar financial instruments at the valuation date (IAS 39.AG72). For disclosure purposes, financial instruments measured in this way are presented in Level 2 in accordance with IFRS 7. If no such comparative information is available, the financial instruments are measured on the basis of the following valuation techniques (IAS 39.AG73 ff.). A significant proportion of the above-mentioned financial instruments are measured using 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. The above-mentioned financial instruments are also presented under Level 2 because the input parameters for the valuation techniques for the aforementioned financial instruments are essentially based on observable market inputs.

The Postbank Group applies the fair value option exclusively to loan portfolios in the mortgage lending business. Fair values are measured using discounted cash flow analysis. The current swap yield curve and loan-specific risk and cost premiums are used as inputs. The risk premiums are calculated on the basis of the estimated loss rates and probabilities of default; these are sourced from the Bank's internal rating model, which has been approved by the supervisory authority.

Investment securities belonging to the IFRS "available for sale" category are generally measured using published transaction or quoted market prices and therefore generally allocated to Level 1 for disclosure purposes. If no such prices exist, they are measured using valuation techniques (generally discounted cash flow analysis). Depending on the inputs used, the valuation techniques and the resulting fair values are allocated to Level 2 or Level 3.

The markets for structured credit products are still governed by liquidity restrictions and are considered by Postbank to be inactive. Embedded derivatives must be separated from synthetically structured credit products and their changes in value must be reported in net trading income. The fair values of these embedded derivatives are also calculated using this internal simulation model. The model uses discounted cash flow analysis (similar to S&P's CDO Evaluator, Moody's CDO Net, and Fitch Vector); this is based on the calculation of a portfolio loss distribution, taking the individual securitization structure into account. The cash flows resulting from such products are forecasted, taking into account the respective risks from the securitized portfolios and the structure of the securitizations, and are discounted using discount rates for equivalent maturities and risks. For this purpose default events relating to the underlyings in the pool designated as collateral are identified using a simulation technique and included in the invested tranche via a waterfall or counted towards the current buffer. The Merton model is used to detect default for each underlying. The default thresholds are defined using the cumulative probability of default (Moody's) of the rating categories or using the development of the expected loss over time (RMBSs/CMBSs). The model uses current ratings as its starting point, plus recovery rates that depend on the seniority of the underlyings to model losses. Current, detailed information on delinquencies is used to model RMBS losses where available. In addition to current interest rates and exchange rates, liquidity spreads are also defined in keeping with the current market environment. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. Financial instruments that are measured using this valuation technique in accordance with IAS 39 are recognized as Level 3 fair values. In individual cases, the actual values may differ from the assumptions and estimates made.

There were no significant transfers between Level 1 and Level 2 in fiscal year 2012.

Valuation techniques whose input parameters mean they are allocable to Level 3 are used for both assets and liabilities. For liabilities, only the embedded derivatives from the synthetic SCP portfolios allocable to Level 3 are measured at fair value. Financial assets allocable to Level 3 changed as follows in fiscal year 2012:

Assets measured at fair value based on Level 3

	Assets measured at fair value in Level 3 as of Dec. 31, 2012					
	Financial assets at FVtPL			AfS financial assets		Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	€m
Opening balance	18	0	0	501	0	519
Total gains or losses	–1	0	0	4	0	3
in profit or loss	–1	0	0	0	0	–1
in revaluation reserve	0	0	0	4	0	4
Purchases	0	0	0	0	0	0
Disposals	–16	0	0	–279	0	–295
Issues	0	0	0	0	0	0
Settlements	0	0	0	–32	0	–32
Exchange rate effects	0	0	0	–1	0	–1
Transfers out of Level 3	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0
Closing balance	1	0	0	193	0	194
Total remeasurement gains/losses for assets held at the end of the reporting period	–1	0	0	6	0	5

This change is due to the following reasons:

The above-mentioned change in financial assets allocated to Level 3 is primarily due to settlements or redemptions of receivables. This is contrasted by exchange rate effects resulting in a decrease in overall financial assets of approximately €325 million (previous year: €1,191 million).

Level 3 financial assets changed as follows as of December 31, 2011:

Assets measured at fair value based on Level 3

	Assets measured at fair value in Level 3 as of Dec. 31, 2011					
	Financial assets at FVtPL			AfS financial assets		Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	€m
Opening balance	11	0	0	1,699	0	1,710
Total gains or losses	−3	0	0	−34	0	−37
in profit or loss	−3	0	0	−29	0	−32
in revaluation reserve	0	0	0	−5	0	−5
Purchases	0	0	0	0	0	0
Disposals	0	0	0	−1,047	0	−1,047
Issues	0	0	0	0	0	0
Settlements	0	0	0	−128	0	−128
Exchange rate effects	0	0	0	5	0	5
Transfers out of Level 3	0	0	0	−4	0	−4
Transfers to Level 3	10	0	0	10	0	20
Closing balance	**18**	**0**	**0**	**501**	**0**	**519**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**−3**	**0**	**−3**

Level 3 assets are reported as follows in the income statement of the year under review:

Assets measured at fair value based on Level 3	Dec. 31, 2012			
Gains/losses for the period recognized in:	Net trading income €m	Net income from investment securities €m	Net gains/losses on hedges €m	Revaluation reserve €m
Total gains/losses recognized in profit or loss/ other comprehensive income	–1	0	0	4
Total remeasurement gains/losses for assets held at the end of the reporting period	–1	6	0	–1

Level 3 assets were reported in the prior-year income statement as follows:

Assets measured at fair value based on Level 3	Dec. 31, 2011			
Gains/losses for the period recognized in:	Net trading income €m	Net income from investment securities €m	Net gains/losses on hedges €m	Revaluation reserve €m
Total gains/losses recognized in profit or loss/ other comprehensive income	–3	–29	0	–5
Total remeasurement gains/losses for assets held at the end of the reporting period	0	–3	0	–67

Level 3 financial liabilities changed as follows in fiscal year 2012:

Liabilities measured at fair value based on Level 3			
	Fair value reported in Level 3 as of Dec. 31, 2012		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	44	0	44
Total loss	34	0	34
in profit or loss	34	0	34
Purchases	0	0	0
Disposals	–16	0	–16
Issues	0	0	0
Settlements	0	0	0
Exchange rate effects	0	0	0
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	**62**	**0**	**62**
Total remeasurement gains/losses for liabilities held at the end of the reporting period	**–34**	**0**	**–34**

This change is due to the following reasons:

The above-mentioned change in financial liabilities allocated to Level 3 is due to the disposal and settlement of liabilities, the full amount of which affects the embedded derivatives in structured credit products (which are allocated to trading liabilities).

Level 3 financial liabilities changed as follows in the previous fiscal year:

Liabilities measured at fair value based on Level 3			
	Fair value reported in Level 3 as of Dec. 31, 2011		
Financial liabilities at FVtPL	**Trading liabilities €m**	**Hedging derivatives €m**	**Total €m**
Opening balance	627	0	627
Total loss	–17	0	–17
in profit or loss	–17	0	–17
Purchases	0	0	0
Disposals	–558	0	–558
Issues	0	0	0
Settlements	–10	0	–10
Exchange rate effects	2	0	2
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	**44**	**0**	**44**
Total remeasurement gains/losses for liabilities held at the end of the reporting period	**10**	**0**	**10**

Level 3 liabilities are reported in the income statement as follows:

Liabilities measured at fair value based on Level 3		
	Dec. 31, 2012	
Gains/losses for the period recognized in:	**Net trading income €m**	**Net gains/ losses on hedges €m**
Total losses recognized in profit or loss/ in other comprehensive income	–34	0
Total remeasurement losses for liabilities held at the end of the reporting period	–34	0

Level 3 liabilities are reported in the prior-year income statement as follows:

Liabilities measured at fair value based on Level 3		
	31.12.2011	
Gains/losses for the period recognized in:	**Net trading income €m**	**Net gains/ losses on hedges €m**
Total losses recognized in profit or loss/ in other comprehensive income	17	0
Total remeasurement gains/losses for liabilities held at the end of the reporting period	10	0

The fair value of structured credit products continues to be determined using the internal valuation technique, which also takes the illiquidity of the markets for structured products into account in addition to the impact of default on expected cash flows. This is done by adding a premium to the risk-free interest rate for the same maturity when discounting the above-mentioned cash flows.

A reduction (increase) of 100 basis points in the fair value of the structured credit products measured in this way (notional value of approximately €212 million) would lead to a decrease (increase) of roughly €2.1 million.

Fair value of financial instruments carried at amortized cost or hedge fair value

The fair values of financial instruments carried at amortized cost or hedge fair value on the balance sheet are compared with their carrying amounts in the following table:

	Dec. 31, 2012		Dec. 31, 2011[1]	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	2,054	2,054	3,652	3,652
Loans and advances to other banks (loans and receivables)	28,297	28,284	20,322	20,256
Loans and advances to customers (loans and receivables)	99,427	105,833	103,230	110,243
Allowance for losses on loans and advances	−1,745	−1,745	−1,826	−1,826
Investment securities (loans and receivables)	27,782	27,289	39,976	37,456
	155,815	**161,715**	**165,354**	**169,781**
Liabilities				
Deposits from other banks (liabilities at amortized cost)	17,334	17,944	20,050	19,492
Due to customers (liabilities at amortized cost)	131,732	134,610	134,127	135,315
Debt securities in issue and subordinated debt	12,632	13,274	18,165	17,090
	161,698	**165,828**	**172,342**	**171,897**

Since the start of the year under review residual spreads, in accordance with IAS 39, have been taken into account for the fair value calculation.

In general, fair value is calculated for all financial instruments. The only exceptions are items payable on demand and savings deposits with an agreed withdrawal notice of one year or less.

(45) Revenue and expense items, gains and losses as defined by IFRS 7, and financial instruments in accordance with the measurement categories as defined by IAS 39

	Note	2012 €m	2011 €m
Interest income and expense	(7)		
Loans and receivables		5,901	6,606
Available for sale		199	226
Liabilities at amortized cost		−2,996	−3,548
Net gains or losses	(10), (11)		
Held for trading		−74	90
Designated as at fair value		−27	−24
Loans and receivables		54	−617
Available for sale		−88	5

[1]Figures adjusted (see Note 6)

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m	Dec. 31, 2012 €m	Dec. 31, 2011[1] €m
Assets	**24,512**	**31,630**	**157,992**	**154,084**	**182,504**	**185,714**
Loans and receivables	12,911	20,751	142,595	142,777	155,506	163,528
Loans to other banks	212	297	28,085	20,025	28,297	20,322
Loans to customers	2,123	3,042	97,304	100,188	99,427	103,230
Investment securities	10,576	17,412	17,206	22,564	27,782	39,976
Available for sale	2,768	1,674	6,477	4,830	9,245	6,504
Investment securities	2,768	1,674	6,477	4,830	9,245	6,504
Held for trading	526	415	8,920	6,477	9,446	6,892
Trading assets	526	415	8,920	6,477	9,446	6,892
Fair value option	6,839	7,513	–	–	6,839	7,513
Loans to customers	6,839	7,513	–	–	6,839	7,513
Hedging derivatives	1,468	1,277	–	–	1,468	1,277
Liabilities	**14,720**	**15,731**	**159,798**	**167,019**	**174,518**	**182,750**
Liabilities at amortized cost	11,557	12,585	150,141	159,757	161,698	172,342
Deposits from other banks	567	856	16,767	19,194	17,334	20,050
Due to customers	7,880	6,375	123,852	127,752	131,732	134,127
Debt securities in issue	2,768	2,973	6,668	9,754	9,436	12,727
Subordinated debt	342	2,381	2,854	3,057	3,196	5,438
Held for trading	1,563	1,329	9,657	7,262	11,220	8,591
Trading liabilities	1,563	1,329	9,657	7,262	11,220	8,591
Hedging derivatives	1,600	1,817	–	–	1,600	1,817

(46) Derivatives

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

Postbank's foreign currency financial derivatives consist for the most part of forward exchange transactions, currency swaps, cross currency swaps, and currency options. Interest rate derivatives primarily comprise interest rate swaps and interest rate futures and options; in isolated cases, fixed-income forwards are also entered into. The equity derivatives entered into mainly take the form of equity options and equity/index options. Credit derivatives (credit default swaps) are mainly separated derivatives of synthetic CDOs.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation techniques and do not reflect any netting agreements.

[1]Figures adjusted (see Note 6)

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading derivatives	209,169	295,829	9,254	6,627	11,220	8,591
Hedging derivatives	25,283	32,069	1,468	1,277	1,600	1,817
Total	**234,452**	**327,898**	**10,722**	**7,904**	**12,820**	**10,408**

The following table presents the Postbank Group's interest rate and foreign currency, conditional and unconditional forward and option contracts open at the balance sheet date.

			Fair value			
	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	6,041	5,975	129	183	114	189
Currency swaps	7,979	13,870	49	125	65	61
Total holdings of foreign currency derivatives	**14,020**	**19,845**	**178**	**308**	**179**	**250**
Interest rate derivatives						
OTC products						
Interest rate swaps	184,792	263,007	8,931	6,182	10,555	7,789
Cross currency swaps	6,461	6,477	65	60	287	393
Forward rate agreements	–	1,000	–	–	–	–
OTC interest rate options	1,841	2,720	71	52	124	87
Other interest rate contracts	1,111	1,155	4	5	6	5
Exchange-traded products						
Interest rate futures	–	12	–	–	–	–
Total holdings of interest rate derivatives	**194,205**	**274,371**	**9,071**	**6,299**	**10,972**	**8,274**

	Fair value					
	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	–	46	–	–	–	5
Exchange-traded products						
Equity/index options	182	46	1	2	–	–
Total holdings of equity/index derivatives	**182**	**92**	**1**	**2**	**–**	**5**
Credit derivatives						
Credit default swaps	762	1,521	4	18	69	62
Total holdings of credit derivatives	**762**	**1,521**	**4**	**18**	**69**	**62**
Total holdings of trading derivatives	**209,169**	**295,829**	**9,254**	**6,627**	**11,220**	**8,591**
of which: banking book derivatives	58,051	50,563	1,807	1,321	2,583	2,317
of which: derivatives relating to hedged items accounted for under the fair value option	16,528	17,241	526	415	1,563	1,329
Hedging derivatives						
Fair value hedges						
Interest rate swaps	24,986	31,270	1,392	1,152	1,592	1,805
Cross currency swaps	297	484	76	123	8	10
Credit default swaps	–	315	–	2	–	2
Total holdings of hedging derivatives	**25,283**	**32,069**	**1,468**	**1,277**	**1,600**	**1,817**
Total holdings of derivatives	**234,452**	**327,898**	**10,722**	**7,904**	**12,820**	**10,408**

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Remaining maturity				
less than 3 months	223	159	149	142
3 months to 1 year	3	6	81	25
from 1 to 2 years	4	31	56	115
from 2 to 3 years	1	10	110	111
from 3 to 4 years	0	1	287	183
from 4 to 5 years	168	1	242	323
more than 5 years	1,069	1,069	675	918
	1,468	**1,277**	**1,600**	**1,817**

	Trading and banking book derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Remaining maturity				
less than 3 months	949	902	1,321	1,153
3 months to 1 year	271	176	433	282
from 1 to 2 years	288	351	452	644
from 2 to 3 years	485	301	502	459
from 3 to 4 years	661	371	798	397
from 4 to 5 years	766	557	903	600
more than 5 years	5,834	3,969	6,811	5,056
	9,254	**6,627**	**11,220**	**8,591**

The remaining maturity is the period between the balance sheet date and the contractual maturity of the asset or liability.

The following table presents the positive and negative fair values of derivatives by counterparties.

	Positive fair values		Negative fair values	
	Dec. 31, 2012 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Counterparties				
Banks in OECD countries	10,196	7,392	12,649	10,216
Other counterparties in OECD countries	526	512	171	178
Non-OECD	–	–	–	14
	10,722	7,904	12,820	10,408

(47) Foreclosures and compulsory administration

	Dec. 31, 2012 Number	Dec. 31, 2011 Number
Foreclosures pending	1,231	1,289
Compulsory administration proceedings	322	354
Foreclosures completed	603	498

(48) Foreign currency volume

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Foreign currency assets	7,976	19,593
Foreign currency liabilities	7,280	19,390

(49) Risk-weighted assets and capital ratio

Postbank ensures the correct calculation of liable capital and own funds at subgroup level. Its regulatory own funds in accordance with the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) were as follows:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Credit and counterparty risk	50,096	51,038
Market risk positions	550	2,462
Operational risk	3,850	3,550
Total capital charge	54,496	57,050
Tier 1 capital	6,521	6,149
thereof: hybrid capital instruments	1,620	1,620
Tier 2 capital	2,139	2,334
thereof: profit participation certificates outstanding	1,050	1,149
thereof: subordinated liabilities	1,623	1.833
Tier 3 capital	0	0
Eligible own funds	8,660	8,483
Tier 1 ratio in %	12.0	10.8
Capital ratio in %	15.9	14.9

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as the ratio of available capital to risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of profit participation certificates outstanding and long-term subordinated liabilities after the deductions prescribed by law. Postbank makes use of the transitional provision set out in section 64h (3) sentence 2 of the KWG, whereby half of the asset-side balancing item pursuant to section 10a (6) sentence 10 of the KWG may continue to be deducted from Tier 1 capital and half from Tier 2 capital instead of goodwill for equity investments acquired up to December 31, 2006. As of December 31, 2012, Deutsche Postbank AG's regulatory Tier 1 ratio was 8.3 %. The capital ratio was 14.3 %.

(50) Risk capital

The risk cover amount available for covering all risks consists of the Bank's capital less goodwill and its subordinated debt in accordance with IFRSs as well as parts of the other reserves and liabilities associated with financial instruments including customer transactions, less net cost. Other reserves include additional reserves that are not reported in the IFRS balance sheet or the notes. These are prorated checking and savings-related reserves as well as those of the BHW Bausparkasse AG home savings collective as determined by replication models. Conservative discounts and limit buffers are used when calculating the risk cover amount in order to account for estimating uncertainties.

The regulatory capital requirements (regulatory capital adequacy in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation), and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation)) are additional conditions that must be strictly observed when managing economic risk capital.

In accordance with the requirements of the MaRisk (Minimum Requirements for Risk Management), the risk strategy is consistent with the business strategy and takes into account all significant areas of business and types of risk.

The following table shows the allocation of the Postbank Group's risk cover amount, broken down by risk types on the basis of the authorized risk capital, for fiscal years 2012 and 2011 before and after factoring in correlation effects and the unallocated risk cover amount (calculated as of December 31 for each year):

Risk capital by risk types		
Capital and risk components	**Allocated risk capital**	
	Dec. 31, 2012 €m	**Dec. 31, 2011 €m**
Market risk	2,300	2,450
Credit risk	3,050	3,200
Operational risk	485	550
Investment and real estate risk	95	95
Collective risk	450	650
Business risk	1,650	1,600
Total before diversification	**8,030**	**8,545**
Diversification effects	1,331	1,513
Total after diversification	**6,699**	**7,032**
Unallocated risk cover amount	5,157	3,197
Total risk cover amount	**11,856**	**10,229**

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Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

(51) Maturity structure

As of December 31, 2012:

	Payable on demand €m	Less than 3 months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	5,198	13,501	5,648	486	106	920	821	1,617	28,297
Loans and advances to customers	5,527	9,699	10,585	12,501	11,356	9,612	7,807	39,179	106,266
Trading assets	–	950	273	290	617	715	766	5,835	9,446
Hedging derivatives	–	223	3	4	1	0	168	1,069	1,468
Investment securities	95	1,584	2,200	3,359	4,890	5,532	5,295	14,072	37,027
Current tax assets	–	–	111	1	1	0	0	–	113
Deferred tax assets	–	–	22	–	1	13	16	70	122
Other assets	125	121	41	36	30	31	33	302	719
Total	**10,945**	**26,078**	**18,883**	**16,677**	**17,002**	**16,823**	**14,906**	**62,144**	**183,458**
Deposits from other banks	1,566	3,474	2,255	791	1,434	743	1,796	5,275	17,334
Due to customers	40,854	52,757	10,356	4,101	2,250	2,145	3,423	15,846	131,732
Debt securities in issue	258	1,547	360	2,787	1,067	137	51	3,229	9,436
Trading liabilities	–	1,321	433	452	502	798	903	6,811	11,220
Hedging derivatives	–	149	81	56	110	287	242	675	1,600
Provisions	18	97	341	499	279	217	186	1,003	2,640
Provisions for pensions	–	21	44	103	82	82	81	776	1,189
Other provisions	18	76	297	396	197	135	105	227	1,451
Current tax liabilities	–	–	96	19	0	–	–	–	115
Deferred tax liabilities	–	–	19	31	8	8	51	20	137
Other liabilities	340	170	161	8	7	5	8	22	721
Subordinated debt	76	95	249	236	705	707	87	1,041	3,196
Total	**43,112**	**59,610**	**14,351**	**8,980**	**6,362**	**5,047**	**6,747**	**33,922**	**178,131**

145 The remaining maturities of derivatives are presented separately in a table in Note 46.

As of December 31, 2011:

	Payable on demand €m	Less than 3 months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	4,858	6,137	2,849	1,044	557	122	1,372	3,383	20,322
Loans and advances to customers[1]	5,137	14,792	8,710	12,342	11,630	10,433	8,256	39,443	110,743
Trading assets	–	906	202	375	314	504	614	3,977	6,892
Hedging derivatives	–	159	6	31	10	1	1	1,069	1,277
Investment securities	847	2,670	4,599	4,766	6,401	5,772	14,905	6,520	46,480
Current tax assets	–	–	189	17	–	–	–	–	206
Deferred tax assets	5	–	9	23	33	37	50	247	404
Other assets[1]	77	115	275	37	34	29	30	50	647
Total	**10,924**	**24,779**	**16,839**	**18,635**	**18,979**	**16,898**	**25,228**	**54,689**	**186,971**
Deposits from other banks[1]	907	3,642	4,406	1,999	763	1,429	925	5,979	20,050
Due to customers[1]	36,854	59,159	4,437	3,097	1,945	3,102	4,319	21,214	134,127
Debt securities in issue	255	2,385	1,087	1,895	2,782	1,045	139	3,139	12,727
Trading liabilities	–	1,153	282	644	459	397	600	5,056	8,591
Hedging derivatives	–	142	25	115	111	183	323	918	1,817
Provisions	21	98	318	559	271	213	192	885	2,557
Provisions for pensions	–	22	37	197	83	82	82	658	1,161
Other provisions	21	76	281	362	188	131	110	227	1,396
Current tax liabilities	1	–	93	13	22	–	–	–	129
Deferred tax liabilities[1]	–	–	–	8	14	13	68	50	153
Other liabilities	302	138	191	13	9	8	5	23	689
Subordinated debt	85	119	171	318	237	705	707	3,096	5,438
Total	**38,425**	**66,836**	**11,010**	**8,661**	**6,613**	**7,095**	**7,278**	**40,360**	**186,278**

(52) 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.

Postbank ensures that, with the exception of political risk, its Deutsche Postbank International S.A. (Luxembourg), PB Capital Corporation (Delaware, U.S.A.), 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., as of the end of December 31, 2012, the comfort letter in favor of PB Capital Corporation will be 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 start of January 1, 2013, Deutsche Bank AG has undertaken to indemnify Postbank internally against any previous and future obligations under the comfort letter relating to PB Capital Corporation.

The comfort letters issued in favor of creditors of subsidiaries of Deutsche Postbank AG primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. Deutsche Postbank AG profits from these benefits since they have a positive impact on the enterprise value of the subsidiary concerned. Conversely, there is the possibility of the creditors having recourse against Postbank.

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

[1]Figures adjusted (see Note 6)

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

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, Deutsche Postbank International S.A., Luxembourg, is a member of the "Association pour la Garantie des Dépôts Luxembourg" (AGDL), the Luxembourg deposit guaranty and investor indemnity fund, and BHW Bausparkasse AG is a member of the Bausparkassen-Einlagensicherungsfonds e.V., the deposit protection fund of German home loan and savings associations.

Financial obligations under Postbank's operating leases involving non-cancelable leasing agreements relate to land and buildings and have the following maturity structures:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
in the first year after the balance sheet date	71	81
in the second year after the balance sheet date	64	75
in the third year after the balance sheet date	46	67
in the fourth year after the balance sheet date	34	47
in the fifth year after the balance sheet date	26	36
more than five years after the balance sheet date	51	70
Total	**292**	**376**

(53) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trust assets		
Loans and advances to other banks	53	55
Loans and advances to customers	704	738
	757	**793**
Trust liabilities		
Trust funds for transmitted loans	392	383
Special-purpose funds	310	353
Special fund of the State of Mecklenburg-Western Pomerania	43	45
Retired farmers' pension fund	12	12
	757	**793**

(54) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2012	Total 2011
Full-time		
Civil servants	5,131	5,528
Salaried employees	10,336	10,787
	15,467	**16,315**
Part-time		
Civil servants	786	854
Salaried employees	2,622	2,630
	3,408	**3,484**
	18,875	**19,799**

The employees are employed almost exclusively in Germany.

(55) Related party disclosures

In addition to the companies included in the consolidated financial statements, in the course of its ordinary business activities, Postbank has direct or indirect relationships with Deutsche Bank AG, which controls Postbank, and Deutsche Post AG, which exercised a significant influence on Postbank until February 27, 2012, and with a relatively small number of subsidiaries, associates and joint ventures not included in Postbank's consolidated financial statements. Other related parties are Deutsche Bank AG's subsidiaries, the associates and joint ventures of Postbank and Deutsche Bank and their subsidiaries. The existing material relationships with these companies are also disclosed under relationships with other related parties. Related parties are defined as key management personnel (Management Board and Supervisory Board) of Deutsche Postbank AG and of Deutsche Bank AG, and the close members of their families. In the course of business activities, all transactions for the provision of goods and services entered into with the aforementioned companies and persons were conducted at standard market terms and conditions.

Business relationships with related parties

All related parties that are controlled by Deutsche Postbank AG or on which the Group has a significant influence are presented in the list of shareholdings, which includes disclosures on the interest held, equity, and profit or loss for the year by business area. A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 60.

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Related party transactions also include Deutsche Postbank AG's membership of a defined contribution pension plan, the expenses for which relate mainly to payments made to Bundes-Pensions-Service für Post und Telekommunikation e.V. in the amount of €105 million (previous year: €112 million). Other disclosures relating to Bundes-Pensions-Service für Post und Telekommunikation e.V. can be found in Note 4 (o), Provisions.

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On February 27, 2012, Deutsche Post transferred the remaining Postbank shares to Deutsche Bank. As a result, Deutsche Post no longer has significant influence over Postbank within the meaning of IAS 28. Since this date, Deutsche Post AG and its subsidiaries and joint ventures have no longer been related parties of Postbank in accordance with IAS 24.

The relationships with the Post Group for the period from January 1 to February 27, 2012, that are recognized in profit or loss are included in the table entitled "Related party income/expenses" as relationships with "companies with a significant influence" (Deutsche Post AG) and "other related parties" (Deutsche Post's subsidiaries and joint ventures).

Control and Profit and Loss Transfer Agreement

Following a corresponding resolution by the Management Board and Supervisory Board of Deutsche Postbank AG, the Management Board of Deutsche Postbank AG signed the control and profit and loss transfer agreement between Deutsche Postbank AG, as the dependent company, and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), as the controlling company.

The Annual General Meeting of Deutsche Postbank AG on June 5, 2012, approved the control and profit and loss transfer agreement between Deutsche Bank and Postbank. The agreement came retroactively into force as of January 1, 2012 on entry in the commercial register on June 20, 2012. On September 11, 2012, the Cologne Higher Regional Court confirmed the validity of the control and profit and loss transfer agreement.

Related party receivables

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Loans and advances to other banks		
Deutsche Bank AG	985	1,121
Other related parties	9	13
	994	**1,134**
Loans and advances to customers		
Companies with a significant influence	–	8
Subsidiaries	4	3
Other related parties	55	56
	59	**67**

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Trading assets		
Deutsche Bank AG	146	1,037
	146	**1,037**
Hedging derivatives		
Deutsche Bank AG	72	114
	72	**114**

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Investment securities		
Deutsche Bank AG	–	100
	–	**100**

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Other assets		
Deutsche Bank AG	68	10
Companies with a significant influence	–	17
Other related parties	9	2
	77	**29**

Loans and advances to other banks relating to Deutsche Bank AG primarily comprise receivables from money market transactions.

The change in trading assets and trading liabilities, and the change in net trading income are primarily due to the transfer of the OTC derivatives to a central counterparty (CCP) in accordance with Regulation 648/2012, the European Market Infrastructure Regulation (EMIR).

Investment securities worth €100 million were sold to Deutsche Bank AG in the period under review. The proceeds of sale are reported in net income from investment securities.

In the period under review, Postbank sold assets receivable from an external partner to Deutsche Bank AG. This resulted in income of €87 million.

Related party payables

	Dec. 31, 2012 €m	Dec. 31, 2011 €m
Deposits from other banks		
Deutsche Bank AG	6,725	738
Other related parties	–	248
	6,725	**986**
Due to customers		
Companies with a significant influence	–	151
Subsidiaries	10	10
Other related parties	6	29
	16	**190**
Trading liabilities		
Deutsche Bank AG	258	1,744
	258	**1,744**
Hedging derivatives		
Deutsche Bank AG	17	29
	17	**29**
Other liabilities		
Deutsche Bank AG	48	1
Companies with a significant influence	–	54
Subsidiaries	–	2
Other related parties	2	6
	50	**63**
Subordinated debt		
Subsidiaries	–	10
	–	**10**

The liabilities to Deutsche Bank primarily relate to securities repurchase transactions in the amount of €3.5 billion and loans taken out in the amount of €3.1 billion.

Contingent liabilities from warranty obligations to Deutsche Bank AG amounted to €49 million as of the end of the reporting period (December 31, 2011: €45 million).

There are no contingent liabilities from other obligations, i.e., from irrevocable loan commitments or similar obligations to subsidiaries and other investees.

Income and expenses from related parties

	2012 €m	2011 €m
Interest income		
Deutsche Bank AG	20	30
Companies with a significant influence	1	9
Subsidiaries	2	–
Other related parties	2	7
	25	**46**
Interest expense		
Deutsche Bank AG	18	42
Companies with a significant influence	–	3
Subsidiaries	–	1
Other related parties	2	1
	20	**47**
Fee and commission income		
Deutsche Bank AG	39	43
Companies with a significant influence	68	428
Other related parties	19	11
	126	**482**
Fee and commission expense		
Deutsche Bank AG	1	5
Companies with a significant influence	1	–
Subsidiaries	2	8
Other related parties	9	1
	13	**14**
Net trading income		
Deutsche Bank AG	24	–261
	24	**–261**
Net income from investment securities		
Deutsche Bank AG	–	–1
Subsidiaries	–	1
Other related parties	–	1
	–	**1**
Administrative expenses		
Deutsche Bank AG	–2	–6
Companies with a significant influence	48	317
Subsidiaries	16	14
Other related parties	35	186
	97	**511**
Other income		
Deutsche Bank AG	5	6
Companies with a significant influence	–	1
Subsidiaries	3	3
Other related parties	16	19
	24	**29**
Other expenses		
Companies with a significant influence	–	7
Subsidiaries	1	–
Other related parties	–	1
	1	**8**

In 2011, the fee and commission income from companies with a significant influence mainly relates to remuneration from Deutsche Post AG for the postal services provided in the Postbank branches.

The administrative expenses attributable to companies with a significant influence relate in particular to payments to Deutsche Post AG for the financial services provided in its retail outlets and for postage expenses.

As of the balance sheet date, loans of €3,685 thousand (previous year: €3,535 thousand) had been granted to members of the key management personnel and deposits of €7,321 thousand (previous year: €5,381 thousand) received from members of the key management personnel.

Remuneration of the Management Board

Structure of the remuneration of the Management Board in fiscal year 2012

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.

The Management Board remuneration system was adapted as follows in the year under review: On March 19, 2012, the Supervisory Board resolved to replace the closing share price used to calculate the share-based remuneration with the average share price for the last ten trading days before the date on which the Supervisory Board finally and without reservation determines that the targets and sustainability criterion have been met, or the last ten trading days of the one-year lock-up period. On December 20, 2012, the Supervisory Board resolved to replace the phantom shares of Deutsche Postbank AG allocated for blocked and future components with phantom Deutsche Bank AG shares.

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 design of the Management Board remuneration structure 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.

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 targets. These targets 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 2012

The nine members of the Management Board active in fiscal year 2012 could receive total remuneration of €10,275.9 thousand (previous year: €9,701.1 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. €5,626.6 thousand of this total amount relates to fixed remuneration components (previous year: €5,489.1 thousand) and €4,649.3 thousand to performance-related components (previous year: €4,212.0 thousand). €929.9 thousand of the performance-related remuneration relates to non-deferred performance-related components (previous year: €842.4 thousand) and €929.9 thousand to performance-related components blocked for one year (previous year: €842.4 thousand). The total amount of the deferred performance-related components with a long-term incentive effect for fiscal year 2012 is €2,789.5 thousand (previous year: €2,527.2 thousand). Payment of the components converted into phantom shares and subject to a lock-up period will only occur in fiscal years 2014 to 2016 if the sustainability criteria have been met; if not, they will lapse in part or in full.

The fixed component includes "other compensation" totaling €187.6 thousand (previous year €179.1 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).

Members of the Management Board Mario Daberkow, Horst Küpker, and Michael Meyer resigned from their positions effective December 31, 2012. The Supervisory Board of Deutsche Postbank AG and the members of the Management Board reached an amicable agreement on the termination of the Management Board contracts. The contracts of Horst Küpker and Michael Meyer ended prematurely on December 31, 2012. Horst Küpker received a severance payment of €1,760.0 thousand and Michael Meyer received €476.5 thousand. Mario Daberkow's contract will end prematurely on June 30, 2013, unless he decides to leave on an earlier date; his severance payment will be €1,542.5 thousand. Special contributions will also be made to the virtual pension account for Mario Daberkow (€287.5 thousand), Horst Küpker (€247.5 thousand), and Michael Meyer (€152.1 thousand). These arrangements are in line with the recommendation of the German Corporate Governance Code.

Management Board remuneration in 2012

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total	Payments for previous years		
			Short-term component I		Short-term component II	Possible long-term component			Short-term component II 2010	Long-term component I 2010, Tranche 2	Long-term component I 2011, Tranche 1
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and blocked1[1]	Deferred[2]			Phantom shares paid out in 2012[3]	Cash payment in 2013[4]	Cash payment in 2013[5]
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ 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	0.0	0.0	26.5
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	250.6	89.9	62.5
Mario Daberkow	600.0	22.8	104.0	726.8	104.0	311.9	415.9	1,142.7	195.1	70.0	44.5
Marc Hess[6]	594.0	24.2	104.0	722.2	104.0	311.9	415.9	1,138.1	195.1	70.0	54.0
Horst Küpker	660.0	23.8	114.3	798.1	114.3	343.0	457.3	1,255.4	222.9	80.0	50.0
Michael Meyer	600.0	32.2	104.0	736.2	104.0	311.9	415.9	1,152.1	195.1	70.0	44.5
Hans-Peter Schmid	600.0	21.6	99.8	721.4	99.8	299.3	399.1	1,120.5	195.1	70.0	47.5
Ralf Stemmer	660.0	14.6	109.7	784.3	109.7	329.2	438.9	1,223.2	195.1	70.0	50.0
Hanns-Peter Storr	600.0	17.5	105.0	722.5	105.0	315.0	420.0	1,142.5	0.0	0.0	41.7
Total	**5,439.0**	**187.6**	**929.9**	**6,556.5**	**929.9**	**2,789.5**	**3,719.4**	**10,275.9**	**1,449.0**	**519.9**	**421.2**

[1] Short-term component II is converted into phantom shares of Deutsche Bank AG. For this purpose, the euro amount will be divided by 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. 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 at the amount shown.

[4] Since the sustainability criterion has been met, half of the second tranche of the long-term component for 2010 is being paid out in cash in 2013 at the amount shown. The second half is 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 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 is being paid out in cash in 2013 at the amount shown. The second half will be dealt with as described in footnote 4.

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

Management Board remuneration in 2011[1]

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total	Payments for previous years
			Short-term component I		Short-term component II	Possible long-term component			Long-term component I 2010, Tranche 1
	Fixed component € thousand	Fringe benefits € thousand	Immediate cash payment € thousand	€ thousand	Converted into phantom shares and blocked[2] € thousand	Deferred[3] € thousand	€ thousand	€ thousand	Cash payment in 2012[4] € thousand
Stefan Jütte (Chairman)	900.0	23.9	125.0	1,048.9	125.0	375.0	500.0	1,548.9	89.9
Mario Daberkow	600.0	21.8	89.0	710.8	89.0	267.0	356.0	1,066.8	70.0
Marc Hess	650.0	20.2	108.0	778.2	108.0	324.0	432.0	1,210.2	70.0
Horst Küpker	630.0	27.6	100.0	757.6	100.0	300.0	400.0	1,157.6	80.0
Michael Meyer	600.0	23.6	89.0	712.6	89.0	267.0	356.0	1,068.6	70.0
Hans-Peter Schmid	500.0	21.6	95.0	616.6	95.0	285.0	380.0	996.6	70.0
Ralf Stemmer	630.0	12.1	100.0	742.1	100.0	300.0	400.0	1,142.1	70.0
Hanns-Peter Storr, (Member since March 1, 2011)	500.0	19.4	83.4	602.8	83.4	250.2	333.6	936.4	0.0
Frank Strauss, (Member since July 1, 2011)	300.0	8.9	53.0	361.9	53.0	159.0	212.0	573.9	0.0
Total	**5,310.0**	**179.1**	**842.4**	**6,331.5**	**842.4**	**2,527.2**	**3,369.6**	**9,701.1**	**519.9**

[1]The retroactive change from a closing price to an average share price and from phantom Deutsche Postbank AG shares to phantom Deutsche Bank AG shares resulted in the changes shown below.

[2]Short-term component II was converted into phantom shares of Deutsche Postbank AG. The euro amount was divided by €28.60, the average Xetra closing price of Deutsche Postbank AG shares from March 5 to 16, 2012. Further to the Supervisory Board resolution of December 20, 2012, a switch was made to Deutsche Bank AG phantom shares of the same value. The number of shares was multiplied by €31.96, the average Xetra closing price of Deutsche Postbank shares from December 6 to 19, 2012. This euro amount was then divided by €33.77, the average Xetra closing price for Deutsche Bank AG shares from December 6 to 19, 2012. After the one-year lock-up period comes to an end on March 19, 2013, the phantom shares will be converted into euros based on the then current average of the share prices from March 6 to 19, 2013, and this amount paid out immediately.

[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 Xetra closing prices for the ten trading days preceding the date on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being converted into the euro amount based on the then current share price and paid out. Tranches 2013, 2014, and 2015 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]Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2010 was paid out in cash at the amount shown. The second half will be dealt with as described in footnote 2.

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 except in the cases of Management Board members Mario Daberkow, Marc Hess, Horst Küpker, Hanns-Peter Storr, and Frank Strauss. 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 Mario Daberkow, 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. The length of service of Management Board member Mario Daberkow is measured from the first time a Management Board employment contract was signed with him as of November 1, 2005.

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, Horst Küpker, Michael Meyer, Hanns-Peter Storr, and Frank Strauss – and the pension commitments for Mario Daberkow, which were revised in 2012, 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. In the case of Mario Daberkow, Horst Küpker, and Michael Meyer special contributions have been agreed in connection with their leaving the Management Board. 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 Mario Daberkow, Marc Hess, Horst Küpker, Michael Meyer, 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

	Percentage of final salary as of Dec. 31, 2012 %	Maximum percentage of final salary %	Service cost for pension obligation €
Hans-Peter Schmid	54	60.00	288,611
Ralf Stemmer	56	60.00	101,050

	Contribution amount for 2012 €	Pension account balance as of Dec. 31, 2012 €	Service cost for pension obligation €
Frank Strauss	150,000	240,885	211,400
Mario Daberkow[1, 2]	375,000	903,859	161,049
Marc Hess[3]	165,000	1,510,090	260,958
Horst Küpker[1]	412,500	1,167,443	231,467
Michael Meyer[1]	377,083	1,454,874	175,898
Hanns-Peter Storr	150,000	298,125	199,710

[1]Grants of special amounts related to the termination of Management Board contracts increased the contribution amounts for Management Board members Mario Daberkow, Horst Küpker, and Michael Meyer.

[2]The pension commitments were switched to the current model in 2012.

[3]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 €3.09 million (previous year: €2.77 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 €75.67 million (previous year: €51.34 million).

Remuneration of the Supervisory Board

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting it in line with the Corporate Governance Code. 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 Deutsche Postbank AG. 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 persons concerned have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2012 amounted to €784.8 thousand including attendance allowances (previous year: €825.6 thousand). The members of the Supervisory Board will not receive any annual performance-related short-term remuneration for fiscal year 2012. 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 2012 was as follows:

Members of the Supervisory Board	Fiscal year 2012			Fiscal year 2011		
	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	20.8	65.8	45.0	3.3	48.3
John Allan	–	–	–	–	3.3	3.3
Wilfried Anhäuser	9.7	19.7	29.4	22.5	26.5	49.0
Frank Appel	–	17.5	17.5	–	35.0	35.0
Marietta Auer	9.6	20.2	29.8	22.5	25.3	47.8
Hugo Bänziger[2]	–	–	–	–	–	–
Rolf Bauermeister	15.0	17.0	32.0	15.0	16.8	31.8
Susanne Bleidt	12.9	1.5	14.4	–	–	–
Wilfried Boysen	15.0	16.8	31.8	15.0	16.5	31.5
Henry B. Cordes	–	4.2	4.2	–	9.2	9.2
Edgar Ernst	30.0	34.0	64.0	30.0	34.5	64.5
Annette Harms	6.4	12.9	19.3	15.0	16.8	31.8
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	19.3	10.6	29.9	15.0	1.5	16.5
Tessen von Heydebreck	30.0	26.8	56.8	27.1	18.6	45.7
Peter Hoch	30.0	33.8	63.8	30.0	35.3	65.3
Elmar Kallfelz	12.9	27.0	39.9	30.0	31.5	61.5
Ralf Krüger	9.7	20.2	29.9	22.5	27.3	49.8
Hans-Jürgen Kummetat	8.6	0.8	9.4	–	–	–
Hans-Dieter Petram	–	10.4	10.4	8.9	18.7	27.6
Bernd Pfaffenbach	–	–	–	–	1.5	1.5
Christian Ricken[2]	–	–	–	–	–	–
Bernd Rose	17.2	2.8	20.0	–	–	–
Lawrence A. Rosen	15.0	16.0	31.0	15.0	6.4	21.4
Elmo von Schorlemer	–	–	–	–	1.5	1.5
Torsten Schulte	–	2.5	2.5	–	11.4	11.4
Christian Sewing[2]	–	–	–	–	–	–
Michael Sommer	–	6.2	6.2	–	22.4	22.4
Eric Stadler	22.5	26.5	49.0	22.5	19.9	42.4
Werner Steinmüller[2]	–	–	–	–	–	–
Gerd Tausendfreund	22.5	26.3	48.8	22.5	26.5	49.0
Renate Treis	30.0	34.3	64.3	30.0	27.4	57.4
Wolfgang Zimny	12.9	1.8	14.7	–	–	–
Total	**374.2**	**410.6**	**784.8**	**388.5**	**437.1**	**825.6**

[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]Under the Articles of Association of Deutsche Postbank AG, a claim to remuneration exists also following the integration into the Deutsche Bank Group. Rainer Neske, Hugo Bänziger, Stefanie Heberling, Christian Ricken, Christian Sewing, and Werner Steinmüller have waived their claim to remuneration in line with Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €24.7 thousand for his Supervisory Board work at the BHW Group, whereas Timo Heider received €22.7 thousand.

The employee representatives received remuneration in the amount of €517.4 thousand 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 2012, 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 €685.0 thousand (previous year: €766.8 thousand) had been granted to members of the Management Board and members of the Supervisory Board. There are no loans to members of the Management Board who left the Bank in fiscal year 2012. 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.

(56) Other disclosures

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

Deutsche Postbank AG has issued guarantee bonds in the amount of €208 million for its subsidiary PB Capital Corporation, Delaware, U.S.A. These consist primarily of a rental guarantee for office premises, derivatives, and for repo and other transactions with Deutsche Bank and other banks. In addition, Postbank has issued a €1,100 million guarantee bond in favor of PB Finance (Delaware), Inc., Delaware, U.S.A., for its commercial paper program. Deutsche Bank AG has undertaken to indemnify Postbank internally from all prior and future obligations resulting from the aforementioned guarantees as part of its acquisition of all equity interests in PB (USA) Holdings, Inc., Delaware, U.S.A., at the start of January 1, 2013. Postbank has also furnished Deutsche Postbank International S.A., Luxembourg, with a guarantee in the amount of €640 million. This mainly serves to cover exposures from risk subparticipation agreements that, among other things, exceed the large exposure limit of Deutsche Postbank International S.A., Luxembourg.

(57) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Frank Strauss, Bad Nauheim (Chairman since July 1, 2012)	
Stefan Jütte, Bonn (Chairman until June 30, 2012)	until June 30, 2012
Mario Daberkow, Bonn	until December 31, 2012
Marc Hess, Bonn	
Horst Küpker, Bad Honnef	until December 31, 2012
Michael Meyer, Bonn	until December 31, 2012
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	
Hanns-Peter Storr, Bonn	

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2012 on supervisory boards or other supervisory bodies:

Frank Strauss	Chairman of the Management Board since July 1, 2012
Function	**Company**
Chairman of the Supervisory Board (since January 1, 2013) Member of the Supervisory Board (until December 31, 2012)	BHW Holding AG, Hameln
Chairman of the Supervisory Board (since January 1, 2013) Member of the Supervisory Board (until December 31, 2012)	BHW Bausparkasse Aktiengesellschaft, Hameln
Member and Chairman of the Supervisory Board (both since April 17, 2012)	PB Firmenkunden AG, Bonn
Chairman of the Board of Directors (from July 1, 2012 to February 6, 2013) Member of the Board of Directors (until June 30, 2012)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors (from July 1, 2012 to February 6, 2013) Member of the Board of Directors (until June 30, 2012)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Member and Chairman of the Supervisory Board (both since July 1, 2012)	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 (since May 1, 2012)	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Stefan Jütte	Member and Chairman of the Management Board until June 30, 2012
Function	**Company**
Member and Chairman of the Supervisory Board (both since May 15, 2012)	IVG Immobilien AG, Bonn
Offices relinquished during the year	
Chairman of the Supervisory Board (until June 30, 2012)	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board (until April 17, 2012)	PB Firmenkunden AG, Bonn
Chairman of the Board of Directors (until June 30, 2012)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors (until June 30, 2012)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Mario Daberkow	Member of the Management Board until December 31, 2012
Function	**Company**
Chairman of the Supervisory Board (until December 31, 2012)	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board (until December 31, 2012)	Postbank Systems AG, Bonn
Chairman of the Supervisory Board (from October 1, 2012 to December 31, 2012) Member of the Supervisory Board (since September 17, 2012)	BHW Kreditservice GmbH, Hameln
Chairman of the Advisory Board (until December 31, 2012)	Postbank Support GmbH, Cologne
Member and Chairman of the Advisory Board (both from August 14, 2012 to December 31, 2012)	VÖB-ZVD Processing GmbH, Frankfurt am Main
Deputy Chairman of the Advisory Board (until December 31, 2012)	Deutsche WertpapierService Bank AG, Frankfurt am Main
Deputy Chairman of the Board of Directors (until December 31, 2012)	Eurogiro A/S, Taastrup (Denmark)
Member of the Supervisory Board (until December 31, 2012)	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until December 31, 2012)	BHW Holding AG, Hameln
Member of the Supervisory Board (until December 31, 2012)	Postbank Filialvertrieb AG, Bonn
Offices relinquished during the year, i.e. before December 31, 2012	
Chairman of the Advisory Board (until August 14, 2012)	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn

Marc Hess	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Offices relinquished during the year	
Member of the Supervisory Board (until December 31, 2012)	BHW Holding AG, Hameln
Member of the Supervisory Board (until September 28, 2012)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Member of the Supervisory Board (until December 31, 2012)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn

Horst Küpker	Member of the Management Board until December 31, 2012
Function	**Company**
Chairman of the Supervisory Board (until December 31, 2012)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn
Chairman of the Board of Directors (until December 31, 2012)	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Supervisory Board (until December 31, 2012)	PB Firmenkunden AG, Bonn
Member of the Board of Directors (until December 31, 2012)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (until December 31, 2012)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Offices relinquished during the year, i.e. before December 31, 2012	
Chairman of the Supervisory Board (until September 28, 2012)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Board of Directors (until August 16, 2012)	Deutsche Postbank Vermögens-Management S.A., Luxembourg

Michael Meyer	Member of the Management Board until December 31, 2012
Function	**Company**
Chairman of the Supervisory Board (until December 31, 2012)	BHW Bausparkasse Aktiengesellschaft, Hameln
Chairman of the Supervisory Board (until December 31, 2012)	BHW Holding AG, Hameln
Chairman of the Supervisory Board (until December 31, 2012)	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board (until December 31, 2012)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn
Deputy Chairman of the Supervisory Board (until December 31, 2012)	Postbank Akademie und Service GmbH, Hameln
Deputy Chairman of the Supervisory Board (until December 31, 2012)	Postbank Finanzberatung AG, Hameln
Deputy Chairman of the Board of Directors (until December 31, 2012)	Deutsche Postbank International S.A., Luxembourg
Member and Deputy Chairman of the Advisory Board (both from August 14, 2012 to December 31, 2012)	VÖB-ZVD Processing GmbH, Frankfurt am Main
Member of the Supervisory Board (from March 28, 2012 until December 31, 2012)	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Member of the Supervisory Board (until December 31, 2012)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board (until December 31, 2012)	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board (until December 31, 2012)	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board (until December 31, 2012)	PB Versicherung AG, Hilden
Member of the Board of Directors (until December 31, 2012)	VISA Deutschland e.V., Frankfurt am Main
Member of the Advisory Board (until December 31, 2012)	Talanx Deutschland Bancassurance, Hilden
Member of the Advisory Board (until December 31, 2012)	Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Economic Advisory Board (until December 31, 2012)	HUK-Coburg Versicherungsgruppe, Coburg
Offices relinquished during the year, i.e. before December 31, 2012	
Deputy Chairman of the Supervisory Board (until September 28, 2012)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Board of Directors (until August 16, 2012)	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Deputy Chairman of the Advisory Board (until August 14, 2012)	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn

Hans-Peter Schmid	
Function	**Company**
Chairman of the Supervisory Board	Bayerische Börse AG, Munich
Deputy Chairman of the Supervisory Board (since January 2, 2013) Member of the Supervisory Board (until January 1, 2013)	Postbank Akademie und Service GmbH, Hameln
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden
Offices relinquished during the year	
Member of the Supervisory Board (until August 30, 2012)	Postbank Finanzberatung AG, Hameln

Ralf Stemmer	
Function	**Company**
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Deputy Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board (since January 2, 2013) Member of the Supervisory Board (since January 1, 2013)	Postbank Finanzberatung AG, Hameln
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
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 Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Board of Directors (since January 1, 2013)	Deutsche Postbank International S.A., Luxembourg
Offices relinquished during the year	
Deputy Chairman of the Advisory Board (until December 31, 2012)	Postbank Support GmbH, Cologne

Hanns-Peter Storr	
Function	**Company**
Member of the Supervisory Board (since January 1, 2013)	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (since January 1, 2013)	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)	
Hugo Bänziger Member of the Management Board of Deutsche Bank AG, London (until May 31, 2012)	until April 30, 2012
Wilfried Boysen businessman, Hamburg	
Edgar Ernst President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling Deutsche Bank Privat- und Geschäftskunden AG, Director, Private Clients, German Regions ExCo West, Wuppertal	
Tessen von Heydebreck previously Member of the Management Board of Deutsche Bank AG and current Chairman of the Board of Deutsche Bank Foundation, Berlin	
Peter Hoch Munich	
Ralf Krüger management consultant, Kronberg	until June 5, 2012
Christian Ricken Member of the Group Executive Committee, Chief Operating Officer PBC, Deutsche Bank AG, Bad Homburg v. d. Höhe	since June 5, 2012
Lawrence A. Rosen Member of the Board of Management of Deutsche Post AG, Bonn	
Christian Sewing Chief Credit Officer, Deutsche Bank Group, Osnabrück	since May 9, 2012
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)	
Wilfried Anhäuser Member of the Postbank Filialvertrieb AG's Works Council, Kerpen (until December 11, 2012)	until June 5, 2012
Marietta Auer Head of Department, Deutsche Postbank AG, Head Office, Unterhaching (until June 30, 2012)	until June 5, 2012
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	since June 5, 2012
Annette Harms Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg	until June 5, 2012
Timo Heider Chairman of the General Works Councils of BHW Bausparkasse Aktiengesellschaft and Postbank Finanzberatung AG, Hameln	
Elmar Kallfelz Chairman of Deutsche Post AG's European Works Council, Wachtberg	until June 5, 2012
Hans-Jürgen Kummetat Civil servant, Cologne	since June 5, 2012
Bernd Rose Member of Postbank Filialvertrieb AG/ Postbank Filial GmbH's General Works Council, Menden (Sauerland)	since June 5, 2012
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	since June 5, 2012

Offices held by members of the Supervisory Board of Deutsche Postbank AG as of December 31, 2012 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

Hugo Bänziger	Member of the Supervisory Board until April 30, 2012
Function	**Company**
Chairman of the Supervisory Board (until March 31, 2012)	DWS Investment GmbH, Frankfurt am Main
Chairman of the Board of Directors (until March 31, 2012)	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Supervisory Board (until September 1, 2012)	EUREX Clearing AG, Frankfurt am Main
Member of the Supervisory Board (until September 1, 2012)	EUREX Frankfurt AG, Frankfurt am Main
Member of the Board of Directors (until September 1, 2012)	EUREX Zürich AG, Zurich
Member of the Board of Directors (until March 31, 2012)	Deutsche Bank Trust Company Americas, New York
Member of the Board of Directors (until March 31, 2012)	Deutsche Bank Trust Corporation, New York

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	Gildemeister AG, Bielefeld
Member of the Supervisory Board	Österreichische Post AG, Vienna
Member of the Supervisory Board	TUI AG, Berlin and Hanover
Member of the Supervisory Board (since January 23, 2012)	Wincor Nixdorf AG, Paderborn

Tessen von Heydebreck	
Function	**Company**
Member of the Supervisory Board	Dussmann Verwaltungs AG, Frankfurt am Main
Member of the Supervisory Board	Vattenfall Europe AG, Berlin

Peter Hoch	
Function	**Company**
Member of the Supervisory Board	BHW Holding AG, Hameln
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln

Ralf Krüger	Member of the Supervisory Board until June 5, 2012
Function	**Company**
Chairman of the Supervisory Board	DIAMOS AG, Sulzbach
Member of the Supervisory Board	VERIANOS AG, Frankfurt am Main
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Christian Ricken	Member of the Supervisory Board since June 5, 2012
Function	**Company**
Deputy Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board	Deutsche Bank PBC SA, Warsaw
Member of the Supervisory Board (since October 1, 2012)	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
Member of the Board of Directors	HuaXia Bank Co., Ltd., Beijing

Christian Sewing	Member of the Supervisory Board since May 9, 2012
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	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	Deutsche Lufthansa AG, Cologne
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Wilfried Anhäuser	Member of the Supervisory Board until June 5, 2012
Function	**Company**
Member of the Supervisory Board (until December 11, 2012)	Postbank Filialvertrieb AG, Bonn

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

Susanne Bleidt	Member of the Supervisory Board since June 5, 2012
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 (since February 14, 2012)	BHW Holding AG, Hameln
Deputy Chairman of the Supervisory Board	Pension fund of BHW Bausparkasse VVaG, Hameln

Bernd Rose	Member of the Supervisory Board since June 5, 2012
Function	**Company**
Deputy Chairman of the Supervisory Board	ver.di Vermögensverwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Gerd Tausendfreund	
Function	**Company**
Member of the Supervisory Board (until June 8, 2012)	BHW Bausparkasse Aktiengesellschaft, Hameln
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

(58) Auditors' fee in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB

	2012 €m	2011 €m
Audits of the financial statements	7.6	7.1
Other assurance of valuation	2.0	3.0
Tax advisory services	0.2	0.2
Other services rendered to the parent company or subsidiaries	2.5	4.1
Total	**12.3**	**14.4**

The fees for the fiscal year are presented net of value added tax in compliance with the requirements of IDW AcP HFA 36 "Disclosures on the Auditors' Fee in Accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB".

(59) Application of section 264(3) of the HGB

Postbank has applied the simplification options contained in section 264(3) of the HGB for the following companies in fiscal year 2012:

Postbank Beteiligungen GmbH

Postbank Direkt GmbH

Postbank Filial GmbH

Postbank Immobilien und Baumanagement GmbH

(60) Information in accordance with section 313(2) of the HGB

List of shareholdings

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Subsidiaries			
Included in the consolidated financial statements			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	274,579	30,325
BHW Bausparkasse Aktiengesellschaft, Hameln	100.0	983,831	0[1]
BHW Gesellschaft für Vorsorge mbH, Hameln	100.0	242,370	0[1]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln	100.0	918,946	0[1]
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hameln	100.0	82,451	2,324
BHW Holding AG, Hameln	100.0	912,156	184,653[7]
BHW-Immobilien GmbH, Hameln	100.0	3,936	1,208
BHW Kreditservice GmbH, Hameln	100.0	25	0
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	558	508
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	14	–11
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	–11	–14
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	34	–1
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	99	13
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	63	3
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	901,815	69,379
DSL Holding Aktiengesellschaft i.A., Bonn	100.0	57,926	489
DSL Portfolio GmbH & Co. KG, Bonn	100.0	10,829	453
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	26	0
Miami MEI, LLC, Dover, Delaware, U.S.A.	0.0	3,119	0[2, 5]
PB Capital Corporation, Wilmington, Delaware, U.S.A.	100.0	630,253	92,484[2]
PBC Carnegie, LLC, Wilmington, Delaware, U.S.A.	0.0	0	0[2, 5]
PB Factoring GmbH, Bonn	100.0	11,546	0[1]
PB Finance (Delaware), Inc., Wilmington, Delaware, U.S.A.	100.0	190	0[2]
PB Firmenkunden AG, Bonn	100.0	1,100	0[1]
PB Hollywood I Hollywood Station, LLC, Dover, Delaware, U.S.A.	0.0	662	411[2, 5]
PB Hollywood II Lofts, LLC, Dover, Delaware, U.S.A.	0.0	1,517	–4,173[2, 5]
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn		6,237,829	50,952[6]
Teilgesellschaftsvermögen PB 02	100.0	490,484	17,722
Teilgesellschaftsvermögen PB 03	100.0	134,148	1,478
Teilgesellschaftsvermögen PB 04	100.0	113,945	2,952
Teilgesellschaftsvermögen PB 05	100.0	34,625	900
Teilgesellschaftsvermögen PB 06	100.0	53,195	1,478
Teilgesellschaftsvermögen PB 07	100.0	281,849	8,382
Teilgesellschaftsvermögen PB 08	100.0	496,229	–4,784
Teilgesellschaftsvermögen PB 09	100.0	534,459	–44,726
Teilgesellschaftsvermögen PB 10	100.0	235,116	2,439
Teilgesellschaftsvermögen PB 11	100.0	613,324	11,640
Teilgesellschaftsvermögen PB 12	100.0	231,248	3,570
Teilgesellschaftsvermögen PB 13	100.0	336,787	12,595
Teilgesellschaftsvermögen PB 14	100.0	335,642	13,474
Teilgesellschaftsvermögen PB 15	100.0	149,253	2,611
Teilgesellschaftsvermögen PB 16	100.0	274,160	7,513
Teilgesellschaftsvermögen PB 17	100.0	202,185	3,719
Teilgesellschaftsvermögen PB 18	100.0	336,972	8,924
Teilgesellschaftsvermögen PB 20	100.0	130,651	5,964
Teilgesellschaftsvermögen PB 21	100.0	206,901	6,456
Teilgesellschaftsvermögen PB 22	100.0	69,421	1,303
Teilgesellschaftsvermögen PB 24	100.0	948,322	–10,227

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Subsidiaries			
Included in the consolidated financial statements			
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	627,349	89,397[2]
PB (USA) Realty Corporation, New York, U.S.A.	94.7	1,114,886	37,250[2]
PMG Collins, LLC, Tallahassee, Florida, U.S.A.	100.0	6,019	666[2]
Postbank Beteiligungen GmbH, Bonn	100.0	310,025	0[1]
Postbank Direkt GmbH, Bonn	100.0	20,858	0[1]
Postbank Filial GmbH, Bonn	100.0	25	0[1]
Postbank Filialvertrieb AG, Bonn	100.0	55	0[1]
Postbank Finanzberatung AG, Hameln	100.0	25,300	–4,830
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[1]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	8,670	1,626
Postbank Leasing GmbH, Bonn	100.0	500	0[1]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	11,406	2,395
Postbank Support GmbH, Cologne	100.0	759	0[1]
Postbank Systems AG, Bonn	100.0	51,591	0[1]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[1]
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	5,383	1,053[4]
Not included in the consolidated financial statements			
BHW Direktservice GmbH, Hameln	100.0	3,309	–200
BHW Eurofinance B.V., Arnheim, Netherlands	100.0	674	153
BHW Financial Srl in liquidazione, Verona, Italy	100.0	882	139
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,611	594
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[1]
DPB Regent's Park Estates (GP) Holding Limited, London, U.K.	100.0	0	0[3]
DPB Regent's Park Estates (LP) Holding Limited, London, U.K.	100.0	0	2,433[3]
easyhyp GmbH, Hameln	100.0	186	80
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & CO. KG, Hamburg	65.2	–3,644	–6,629
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum" KG, Bad Homburg v. d. Höhe	74.0	0	–106
Iphigenie Verwaltungs GmbH, Bonn	100.0	22	0
PB Kreditservice GmbH, Hameln	100.0	25	0
PB Sechste Beteiligungen GmbH, Bonn	100.0	54	0
Postbank Akademie und Service GmbH, Hameln	100.0	1,138	55
Postbank Service GmbH, Essen	100.0	124	–1
SAB Real Estate Verwaltungs GmbH, Hameln	100.0	32	3
b) Companies in which an equity interest of at least 20 % is held			
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße" KG, Bad Homburg v. d. Höhe	30.6	0	–45
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v. d. Höhe	40.7	0	–97
giropay GmbH, Frankfurt am Main	33.3	0	9
SRC Security Research & Consulting GmbH, Bonn	16.9	3,709	1,030
Starpool Finanz GmbH, Berlin	50.0	239	62
c) 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	38,171	8,536
Landgesellschaft Mecklenburg-Vorpommern mit beschränkter Haftung, Leezen	11.0	37,860	1,599

[1] Profit and loss transfer agreement

[2] Translated at the following exchange rate: €1 = USD 1.29317

[3] Translated at the following exchange rate: €1 = GBP 0.8161

[4] 25 % of the share capital is held in trust for Postbank by the Bundesverband Öffentlicher Banken Deutschlands e.V. (VÖB). The company was established in fiscal year 2012 after VÖB ZVD Bank für Zahlungsverkehrsdienstleistungen was merged with Betriebs-Center für Banken Processing GmbH. The information provided here comes from the 2011 annual financial statements of Betriebs-Center für Banken Processing GmbH, the receiving legal entity.

[5] The share of the voting rights amounts to 100.0 %.

[6] The company also includes the shares in Teilgesellschaftsvermögens PB 25 which are not held by a company belonging to the Postbank Group.

[7] In the course of fiscal year 2012 a profit and loss transfer agreement was concluded between Deutsche Postbank AG and BHW Holding AG.

[8] 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.

(61) Declaration of compliance with the German Corporate Governance Code

On December 20, 2012, the Management Board and the Supervisory Board of Deutsche Postbank AG jointly published the most recent declaration of compliance with the German Corporate Governance Code for fiscal year 2012 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.

RESPONSIBILITY STATEMENT

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

Bonn, February 19, 2013

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the Deutsche Postbank AG, Bonn, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 20, 2013

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	Christoph Theobald
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

OTHER INFORMATION

05

OTHER INFORMATION

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW

	2012				2011				2012	2011
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan,–Dec. €m	Jan.–Dec. €m
Interest income	1,439	1,499	1,551	1,611	1,747	1,744	1,701	1,708	6,100	6,900
Interest expense	–788	–829	–849	–931	–994	–1,013	–1,001	–982	–3,397	–3,990
Net interest income	651	670	702	680	753	731	700	726	2,703	2,910
Allowance for losses on loans and advances	–98	–93	–93	–100	–102	–80	–106	–95	–384	–383
Net interest income after allowance for losses on loans and advances	553	577	609	580	651	651	594	631	2,319	2,527
Fee and commission income	343	368	350	362	355	382	380	385	1,423	1,502
Fee and commission expense	–69	–73	–64	–63	–54	–64	–70	–62	–269	–250
Net fee and commission income	274	295	286	299	301	318	310	323	1,154	1,252
Net trading income	–32	–23	–9	–39	63	–7	10	–2	–103	64
Net income from investment securities	–42	44	–7	–10	–105	–349	–182	82	–15	–554
Administrative expenses	–789	–743	–732	–735	–841	–734	–738	–891	–2,999	–3,204
Other income	77	19	32	20	39	24	22	22	148	107
Other expenses	–48	–23	–21	–26	–42	–35	–14	–23	–118	–114
Profit/loss before tax	**–7**	**146**	**158**	**89**	**66**	**–132**	**2**	**142**	**386**	**78**
Income tax[1]	–20	–24	–37	–25	40	40	–9	–37	–106	34
Profit/loss from ordinary activities after tax	**–27**	**122**	**121**	**64**	**106**	**–92**	**–7**	**105**	**280**	**112**
Non-controlling interests	–1	0	0	0	–1	0	0	0	–1	–1
Consolidated net profit/loss	**–28**	**122**	**121**	**64**	**105**	**–92**	**–7**	**105**	**279**	**111**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – QUARTERLY OVERVIEW

	2012				2011				2012	2011
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Profit/loss from ordinary activities after tax	–27	122	121	64	106	–92	–7	105	280	112
Other comprehensive income after tax	134	161	–83	161	–16	–77	81	–12	373	–24
Change in revaluation reserve	164	169	–51	234	–19	–116	119	–19	516	–35
thereof remeasurement gains/losses	103	148	–56	214	–14	–110	89	–16	409	–51
thereof disposals and impairment	61	21	5	20	–5	–6	30	–3	107	16
Change in currency translation reserve	–21	2	12	4	1	9	–2	1	–3	9
Income tax relating to other comprehen sive income	–9	–10	–44	–77	2	30	–36	6	–140	2
Total comprehensive income for the period attributable to non-controlling interests	–1	0	0	0	–1	0	0	0	–1	–1
Total comprehensive income	**106**	**283**	**38**	**225**	**89**	**–169**	**74**	**93**	**652**	**87**

[1]Income taxes adjusted (see Note 15)

CONSOLIDATED INCOME STATEMENT MULTI-YEAR OVERVIEW

	2008 €m	2009 €m	2010 €m	2011 €m	2012 €m
Interest income	9,938	7,987	6,978	6,900	6,100
Interest expense	−7,443	−5,582	−4,247	−3,990	−3,397
Net interest income	2,495	2,405	2,731	2,910	2,703
Allowance for losses on loans and advances	−498	−678	−561	−383	−384
Net interest income after allowance for losses on loans and advances	1,997	1,727	2,170	2,527	2,319
Fee and commission income	1,683	1,623	1,586	1,502	1,423
Fee and commission expense	−252	−285	−270	−250	−269
Net fee and commission income	1,431	1,338	1,316	1,252	1,154
Net trading income	−389	−498	−241	64	−103
Net income from investment securities	−1,249	−148	−1	−554	−15
Administrative expenses	−2,969	−2,864	−2,934	−3,204	−2,999
Other income	218	178	175	107	148
Other expenses	−103	−131	−170	−114	−118
Profit/loss before tax	−1,064	−398	315	78	386
Income tax	179	475	−176	34	−106
Profit/loss from ordinary activities after tax	−885	77	139	112	280
Non-controlling interests	−1	−1	−1	−1	−1
Consolidated net profit/loss	**−886**	**76**	**138**	**111**	**279**
Cost/income ratio (CIR)	129.8 %	92.5 %	77.1 %	87.3 %	80.2 %
Return on equity (RoE)					
before tax	−23.3 %	−7.8 %	5.7 %	1.3 %	6.4 %
after tax	−19.4 %	1.5 %	2.5 %	1.9 %	4.6 %

CONSOLIDATED BALANCE SHEET MULTI-YEAR OVERVIEW

Assets	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2011[1] €m	Dec. 31, 2012 €m
Cash reserve	3,417	4,534	3,248	3,652	2,054
Loans and advances to other banks	18,684	14,467	12,140	20,322	28,297
Loans and advances to customers	105,318	111,043	111,783	110,743	106,266
Allowance for losses on loans and advances	–1,323	–1,641	–1,764	–1,826	–1,745
Trading assets	16,573	20,471	24,150	6,892	9,446
Hedging derivatives	474	520	664	1,277	1,468
Investment securities	83,058	72,359	58,980	46,480	37,027
Intangible assets	2,371	2,368	2,339	2,274	2,248
Property and equipment	879	838	826	791	768
Investment property	73	73	73	73	0
Current tax assets	162	280	321	206	113
Deferred tax assets	863	552	347	404	122
Other assets	670	745	695	647	719
Assets held for sale	–	–	882	–	7,039
Total assets	**231,219**	**226,609**	**214,684**	**191,935**	**193,822**

Equity and Liabilities	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2011[1] €m	Dec. 31, 2012 €m
Deposits from other banks	62,790	39,318	22,419	20,050	17,334
Due to customers	117,472	131,988	136,476	134,127	131,732
Debt securities in issue	16,342	16,722	12,860	12,727	9,436
Trading liabilities	16,987	22,434	26,174	8,591	11,220
Hedging derivatives	2,693	2,051	1,451	1,817	1,600
Provisions	2,138	2,148	2,287	2,557	2,640
a) Provisions for pensions and other employee benefits	1,149	1,104	1,126	1,161	1,189
b) Other provisions	989	1,044	1,161	1,396	1,451
Current tax liabilities	192	174	77	129	115
Deferred tax liabilities	1,091	305	284	153	137
Other liabilities	826	711	665	689	721
Subordinated debt	5,736	5,507	5,577	5,438	3,196
Liabilities directly related to assets held for sale	–	–	787	–	9,382
Equity	4,952	5,251	5,627	5,657	6,309
a) Issued capital	547	547	547	547	547
b) Share premium	2,010	2,010	2,010	2,010	2,010
c) Retained earnings	3,278	2,614	2,928	2,985	3,469
d) Consolidated net profit/loss	–886	76	138	111	279
Non-controlling interests	3	4	4	4	4
Total equity and liabilities	**231,219**	**226,609**	**214,684**	**191,935**	**193,822**

[1]Figures adjusted (see Note 6)

SEGMENT REPORTING MULTI-YEAR OVERVIEW

	Retail Banking					Corporate Banking					Transaction Banking				
	2008 €m	2009 €m	2010 €m	2011[1] €m	2012 €m	2008 €m	2009 €m	2010 €m	2011[1] €m	2012 €m	2008 €m	2009 €m	2010 €m	2011[1] €m	2012 €m
Net interest income	2,226	2,141	2,341	2,428	2,461	386	543	624	442	390	4	1	2	2	1
Net trading income	25	–32	15	–9	–29	–92	–140	–	–	–	–	–	–	–	–
Net income from investment securities	–2	0	–5	–1	0	–241	–51	–14	–	–3	–	–	–	–	–
Net fee and commission income	1,178	1,113	1,080	1,032	981	107	104	123	93	89	340	349	363	327	294
Total income	**3,427**	**3,222**	**3,431**	**3,450**	**3,413**	**160**	**456**	**733**	**535**	**476**	**344**	**350**	**365**	**329**	**295**
Administrative expenses	–2,220	–2,189	–2,178	–2,204	–2,108	–171	–185	–151	–129	–129	–312	–317	–318	–295	–277
Allowance for losses on loans and advances	–304	–345	–355	–291	–242	–143	–300	–209	–68	–48	–	–	–	–	–
Other income/ expenses	26	29	10	14	1	1	–2	9	11	8	16	6	20	14	11
Profit/loss before tax	**929**	**717**	**908**	**969**	**1,064**	**–153**	**–31**	**382**	**349**	**307**	**48**	**39**	**67**	**48**	**29**
Cost/income ratio (CIR)	**64.8 %**	**67.9 %**	**63.5 %**	**63.9 %**	**61.8 %**	**106.9 %**	**40.6 %**	**20.6 %**	**24.1 %**	**27.1 %**	**90.7 %**	**90.6 %**	**87.1 %**	**89.7 %**	**93.9 %**
Return on equity before taxes (RoE)	**41.9 %**	**32.5 %**	**57.9 %**	**41.1 %**	**42.8 %**	**–37.4 %**	**–5.7 %**	**115.2 %**	**51.9 %**	**43.3 %**	**–**	**–**	**–**	**–**	**–**

	Financial Markets					NCOU		Others		Consolida-tion		Cost Centers/ Consolidation			Group				
	2008 €m	2009 €m	2010 €m	2011[1] €m	2012 €m	2011 €m	2012 €m	2008 €m	2009 €m	2008 €m	2009 €m	2010 €m	2011[1] €m	2012 €m	2008 €m	2009 €m	2010 €m	2011 €m	2012 €m
Net interest income	162	125	–228	92	–44	–59	–109	–281	–406	–2	1	–8	5	4	2,717	2,702	2,731	2,910	2,703
Net trading income	–6	47	–255	17	–4	62	–66	–325	–372	9	–1	–1	–6	–4	–2	–192	–241	64	–103
Net income from investment securities	–110	–21	18	67	70	–679	–98	–895	–76	–1	–	–	59	16	–1,033	–170	–1	–554	–15
Net fee and com-mission income	57	27	–5	1	–3	3	10	–33	–42	–218	–213	–245	–204	–217	1,467	1,390	1,316	1,252	1,154
Total income	**103**	**178**	**–470**	**177**	**19**	**–673**	**–263**	**–1,534**	**–896**	**–212**	**–213**	**–254**	**–146**	**–201**	**3,149**	**3,730**	**3,805**	**3,672**	**3,739**
Administ-rative expenses	–92	–90	–106	–103	–79	–104	–111	–973	–864	799	781	–181	–369	–295	–2,100	–2,111	–2,934	–3,204	–2,999
Allowance for losses on loans and advances	–22	–33	3	–3	5	–21	–99	–29	0	–	–	–	–	–	–490	–777	–561	–383	–384
Other income/ expenses	–3	5	2	2	0	–10	30	662	577	–587	–568	–36	–38	–20	–557	–500	5	–7	30
Profit/ loss before tax	**–14**	**60**	**–571**	**73**	**–55**	**–808**	**–443**	**–1,874**	**–1,183**	**0**	**0**	**–471**	**–553**	**–516**	**2**	**342**	**315**	**78**	**386**
Cost/ income ratio (CIR)	**89.3 %**	**50.6 %**	**–22.6 %**	**58.2 %**	**415.8 %**	**–15.5%**	**–42.2 %**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**129.8 %**	**92.5 %**	**77.1 %**	**87.3 %**	**80.2 %**
Return on equity before taxes (RoE)	**–2.2 %**	**8.1 %**	**–15.8 %**	**5.6 %**	**–4.0 %**	**–62.0%**	**–32.3 %**	**–145.9 %**	**–73.9 %**	**–**	**–**	**–**	**–**	**–**	**–23.3 %**	**–7.8 %**	**5.7 %**	**1.3 %**	**6.4 %**

[1]Figures adjusted (see Note 6)

ACCOUNTING STANDARDS APPLIED AS OF DECEMBER 31, 2012

Standard[1]	Status (last revision)[2]	Original Title	German Title	Effective since[3]	Adopted by EU Regulation[4, 7]
1. International Financial Reporting Standards (IFRSs)[5]					
1.1. International Accounting Standards (IASs)					
IAS 1	rev. 2007	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IAS 2	rev. 1993	Inventories	Vorräte	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 7	rev. 1992	Cash Flow Statements	Kapitalflussrechnungen	Jan. 1, 1994	1126/2008, Nov. 3, 2008
IAS 8	rev. 2003	Accounting Policies, Changes in Accounting Estimates and Errors	Bilanzierungs- und Bewertungsmethoden, Änderungen von Schätzungen und Fehler	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 10	rev. 2003	Events after the Balance Sheet Date	Ereignisse nach dem Bilanzstichtag	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 12	rev. 2000	Income Taxes	Ertragsteuern	Jan. 1,1998	1126/2008, Nov. 3, 2008
IAS 16	rev. 2003	Property, Plant and Equipment	Sachanlagen	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 17	rev. 2003	Leases	Leasingverhältnisse	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 18	rev. 1993	Revenue	Erträge	Jan. 1,1995	1126/2008, Nov. 3, 2008
IAS 19	2004	Employee Benefits	Leistungen an Arbeitnehmer	Nov. 1, 2005	1126/2008, Nov. 3, 2008
IAS 21	2005	The Effects of Changes in Foreign Exchange Rates	Auswirkungen von Änderungen der Wechselkurse	Jan. 1, 2008	1126/2008, Nov. 3, 2008
IAS 23	rev. 2007	Borrowing Costs	Fremdkapitalkosten	Jan. 1, 2009	1260/2008, Dec. 10, 2008
IAS 24	rev. 2009	Related Party Disclosures	Angaben über Beziehungen zu nahestehenden Unternehmen und Personen	Jan. 1, 2011	632/2010, July 19, 2010
IAS 27	rev. 2008	Consolidated and Separate Financial Statements	Konzern- und separate Einzelabschlüsse nach IFRS	Jan. 1, 2009	495/2009, June 3, 2009
IAS 28	rev. 2003	Investments in Associates	Anteile an assoziierten Unternehmen	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 31	rev. 2003	Interests in Joint Ventures	Anteile an Joint Ventures	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 32	rev. 2003 (2008)	Financial Instruments: Disclosure and Presentation	Finanzinstrumente: Angaben und Darstellung	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 33	rev. 2003	Earnings per Share	Ergebnis je Aktie	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 34	1998	Interim Financial Reporting	Zwischenbericht-erstattung	Jan. 1,1999	1126/2008, Nov. 3, 2008
IAS 36	rev. 2004	Impairment of Assets	Wertminderung von Vermögenswerten	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 37	1998	Provisions, Contingent Liabilities and Contingent Assets	Rückstellungen, Eventualschulden und Eventualforderungen	July 1, 1999	1126/2008, Nov. 3, 2008
IAS 38	rev. 2004	Intangible Assets	Immaterielle Vermögenswerte	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 39	2005 (2009)	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 40	rev. 2003	Investment Property	Als Finanzinvestition gehaltene Immobilien	Jan. 1, 2005	1126/2008, Nov. 3, 2008

Standard[1]	Status (last revision)[2]	Original Title	German Title	Effective since[3]	Adopted by EU Regulation[4, 7]
1.2. International Financial Reporting Standards (IFRSs)[5]					
IFRS 3	rev. 2008	Business Combinations	Unternehmens-zusammenschlüsse	Jan. 1, 2009	495/2009, June 3, 2009
IFRS 4	2005	Insurance Contracts	Versicherungsverträge	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRS 5	2004	Non-current Assets Held for Sale and Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IFRS 7	2004 (2009)	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IFRS 8	2007	Operating Segments	Geschäftssegmente	Jan. 1, 2009	1358/2007, Nov. 21, 2007
1.3. Standard Interpretation Committee (SIC)					
SIC-12	2004 (2005)	Consolidation – Special Purpose Entities	Konsolidierung – Zweckgesellschaften	Jan. 1, 2005	1126/2008, Nov. 3, 2008
1.4. International Financial Reporting Interpretation Committee (IFRIC)					
IFRIC 4	2004	Determining Whether an Arrangement Contains a Lease	Feststellung, ob eine Vereinbarung ein Leasingverhältnis enthält	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRIC 9	2006 (2009)	Reassessment of Embedded Derivatives	Neubeurteilung eingebetteter Derivate	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IFRIC 10	2006	Interim Financial Reporting and Impairment	Zwischenbericht-erstattung und Wertminderung	Jan. 1, 2007	1126/2008, Nov. 3, 2008
2. Deutscher Rechnungslegungs Standard (DRS)[6] – German Accounting Standards (GASs)					
DRS 5-10	rev. 2009	n.r.	Risikoberichterstattung von Kredit- und Finanzdienstleistungs-institutionen	Jan. 1, 2010	n.r.
DRS 15	rev. 2009	n.r.	Lageberichterstattung	Jan. 1, 2010	n.r.
DRS 16	2008	n.r.	Zwischenbericht-erstattung	Jan. 1, 2008	n.r.
DRS 17	2007	n.r.	Berichterstattung über die Vergütung der Organmitglieder	Dec. 31, 2008	n.r.
3. Kapitalmarktorientierte Vorschriften – Capital market-oriented provisions					
WpHG	2007	n.r.	Wertpapierhandels-gesetz; insbesondere § 37v bis § 37z	Jan. 1, 2007	n.r.
DCGK in conjunction with §161 AktG	2010	n.r.	Deutscher Corporate Governance Kodex	Dec. 31, 2010	n.r.
FWBO	2010	n.r.	Frankfurter Wertpapier-börsenordnung	Dec. 31, 2010	n.r.

[1]Not all pronouncements that exist as of the reporting date are listed, but only those that are relevant to the Postbank Group.

[2]Postbank always applies current standards and amendments.

[3]Date from which the application of the pronouncement in accordance with IFRSs is compulsory; voluntary, earlier application is often possible. Should Postbank voluntarily apply a pronouncement earlier, this is explicitly referred to in the Notes.

[4]In accordance with section 315a (1) HGB in conjunction with the IAS Regulation (EU Regulation 1606/2002), Postbank is obliged to apply the IFRSs adopted by the EU (endorsement). The date shown corresponds to the date of approval by the European Commission (publication in the EU Official Journal follows shortly thereafter). As a rule, the date of application of the IFRSs adopted by the EU is the same date as given in the standards (see “Effective since” column). Should the EU adopt an IFRS in the period after the balance sheet date and before the day that the annual financial statements are signed, this IFRS may be applied in the annual financial statements (clarification by the European Commission at the ARC meeting on November 30, 2005).

[5]IIFRSs: a generic term for all financial reporting standards published by the International Accounting Standards Board (IASB). Also the name for new financial reporting standards issued by the IASB since 2003. The pronouncements issued up to 2002 continue to be referred to as International Accounting Standards (IASs). IASs are only renamed IFRSs if fundamental changes are made to standards.

[6]Deutsche Rechnungslegungs Standards (German Accounting Standards – GASs) are applied if they pertain to items that are to be accounted for in accordance with section 315a HGB and are not already governed by IFRSs themselves.

[7]On November 3, 2008, the European Commission adopted the consolidated version of all International Financial Reporting Standards (IFRSs) currently in force in the EU. This version contains all IFRSs that have been adopted to date, including the latest amendments adopted as of October 15, 2008, to ensure that the companies need only draw on a single legal instrument in the future. The consolidated version supersedes eighteen individual regulations to date and replaces Regulation no. 1725/2003 of September 29, 2003 as well as all amendments made up to October 15, 2008.

EXECUTIVE BODIES

Management Board

Frank Strauss, Bad Nauheim
Chairman since July 1, 2012

Stefan Jütte, Bonn
Member and Chairman until June 30, 2012

Mario Daberkow, Bonn
until December 31, 2012

Marc Hess, Bonn

Horst Küpker, Bad Honnef
until December 31, 2012

Michael Meyer, Bonn
until December 31, 2012

Hans-Peter Schmid, Baldham

Ralf Stemmer, Königswinter

Hanns-Peter Storr, Bonn

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Member of the Management Board of Deutsche Bank AG

Frank Bsirske[1], Berlin
Deputy Chairman
Chairman of the ver.di Trade Union

Wilfried Anhäuser[1], Kerpen
until June 5, 2012
Member of Postbank Filialvertrieb AG's Works Council
(until December 11, 2012)

Marietta Auer[1], Unterhaching
until June 5, 2012
Head of Department, Deutsche Postbank AG, Head Office
(until June 30, 2012)

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Member of the Management Board of Deutsche Bank AG
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Head of National Postal Services Group,
at ver.di Trade Union (national administration)

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Businessman

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President of the Financial Reporting Enforcement Panel,
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Civil servant

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Deutsche Bank AG

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since June 5, 2012
Member of Postbank Filialvertrieb AG/
Postbank Filial GmbH's General Works Council

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Member of the Board of Management of Deutsche Post AG

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Chief Credit Officer, Deutsche Bank Group

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Renate Treis[1], Brühl
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Head of Department, Deutsche Postbank AG, Head Office

[1]Employee representatives

GLOSSARY

Amortized cost	The amount at which a financial asset or liability was measured at initial recognition, minus principal repayments, plus or minus the amortization of a premium/discount, and minus any impairment losses.
Asset-backed securities	A special type of securitization of claims for payment relating to tradable securities. The securities concerned are created by bundling together certain financial assets.
Associate	An entity that is included in the consolidated financial statements using the equity method rather than full or proportionate consolidation, and over whose operating or financial policies a consolidated company has significant influence.
Available-for-sale securities	Securities that are not allocated to either the held for trading or the loans and receivables categories and, in the case of debt securities, that are not held to maturity. They are carried at fair value. Changes in fair value are generally recognized directly in the revaluation reserve in equity. If, due to other than temporary impairment, the fair value of a security is lower than its amortized cost, the difference between these amounts is expensed (see Impairment). Realized gains and losses are also recognized in income.
Backtesting	Procedure for monitoring the quality of value-at-risk models (VaR). Backtesting is used to check whether, retrospectively over a longer period of time, the estimated potential losses based on the VaR approach were actually exceeded substantially more regularly than would be expected given the confidence level applied (see Confidence level).
Banking book	Risk positions that are not allocated to the trading book.
Basis point value (bpv)	The bpv expresses the change in the present value of a financial instrument if the interest rate changes by one basis point (0.01%).
Cash flow hedge	Cash flow hedges are primarily taken to mean hedges against the risk associated with future interest payments from a variable-interest recognized transaction by means of a swap. They are measured at their fair values.
Cash flows	Inflows and outflows of cash and cash equivalents.
Cash flow statement	Calculation and presentation of the cash flow generated or consumed by an enterprise during a fiscal year as a result of its operating, investing, and financing activities, as well as an additional reconciliation of the cash and cash equivalents (cash reserve) at the beginning and the end of the fiscal year.
CDOs	Collateralized debt obligations – Loans and other debt instruments that are secured by various assets.
CDSs	Credit default swaps – Financial instruments used to assume the credit risk of a reference asset (e.g., securities or loans). The buyer pays a premium to the seller and receives a compensation payment if a predetermined credit event occurs.
CLOs	Collateralized loan obligations – Securities that are backed by a pool of loan obligations as collateral.
CMBSs	Commercial mortgage-backed securities – Securities that are generally backed by commercial real estate mortgages.
Commercial paper	Short-term, unsecured debt instruments with flexible maturities (max. 270 days) from prime-rated issuers. They allow companies to cover their short-term financing requirements directly with major investors.
Confidence level	The probability that a potential loss will not exceed an upper limit defined by value at risk.

Counterparty credit risk	This relates to the risk of loss due to changes in creditworthiness or default by a counterparty. Counterparty credit risk includes credit (issuer) risk, country or transfer risk, and counterparty risk. Credit risk is defined as possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating. Country or transfer risk can arise during cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations. Counterparty risk denotes the risk of losses arising from the default of a counterparty in relation to the settlement of payment obligations or its failure to discharge its payment obligations in a timely manner.
CPPI	Constant proportion portfolio insurance – Capital-guaranteed promissory note loans.
Currency risk	The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
Deferred taxes	Income taxes payable or receivable in the future as a result of differences between the carrying amounts in the IFRS financial accounts and the tax base. At the date of recognition, deferred taxes do not yet represent actual amounts receivable from or due to tax authorities.
Derivative	A financial instrument whose own value is dependent on the value of another financial instrument. The price of a derivative is derived from the price of an underlying equity, currency, interest rate, etc. These instruments provide additional options for risk management and control.
Discount	The negative difference between the historical cost of a financial instrument and its notional value.
Discounted cash flow (DCF)	Discounted cash flow analysis is a recognized valuation technique for calculating fair value in inactive markets. It discounts future cash flows using the current discount rate.
Effective interest method	The amortization of differences between cost and notional value (premium/discount) using the effective interest rate of a financial asset or financial liability. The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability.
Embedded derivatives	Embedded derivatives form part of a non-derivative financial instrument and are inseparably linked with the instrument (“hybrid” financial instruments, such as equity-linked bonds). These components are legally and economically linked, but are accounted for separately under certain circumstances.
Equity method	Method of accounting for investments in companies over whose operating policies a consolidated company has significant influence (associates). Under the equity method, the investor’s share of the net income/loss of the investee is credited/charged to the carrying amount of the investment. Distributions reduce the carrying amount by the investor’s proportionate share of the distribution.
Fair value (full fair value)	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair value of an asset or liability is often the same as its market price.
Fair value hedge	Fair value hedges primarily relate to fixed-interest balance sheet items (e.g., receivables, equities, or securities), which are hedged against market risk by means of a derivative. They are measured at their fair values.
Fair value option (FVO)	Under the fair value option, financial assets or financial liabilities may be (voluntarily) designated at fair value through profit or loss, provided this leads – among other things – to the elimination or significant reduction of inconsistencies in the measurement or recognition (accounting mismatches).
Financial instruments	These are in particular loans and receivables, interest-bearing securities, equities, investments, liabilities, and derivatives.
German Accounting Standards (GASs)	Recommendations on the application of (German) consolidated accounting principles, published by the German Accounting Standards Board (GASB), a body of the Accounting Standards Committee of Germany (ASCG).

Hedge accounting	Presentation of the opposing changes in value of a hedging instrument (e.g., an interest rate swap) and the related hedged item (e.g., a loan). The objective of hedge accounting is to minimize the impact on the income statement of the measurement and recognition in income of gains and losses on the remeasurement of derivatives.
Hedge fair value	Remeasurement gains or losses on hedged items including determination of unhedged risk factors.
Hedging	A strategy by which transactions are entered into for the purpose of obtaining protection against the risk of unfavorable price developments (interest rates, share prices).
Hedging instruments	Transactions whose change in fair value offsets the change in the fair value of the hedged item.
Held-to-maturity investments (HtM)	Financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, with the exception of loans and advances originated by the entity.
ICAAP	Internal Capital Adequacy Assessment Process. An internal process whereby banks have to ensure that they have sufficient capital to cover all key risks at all times.
Impairment	Amount by which the amortized cost of a financial instrument exceeds its estimated recoverable amount on the market.
International Financial Reporting Standards (IFRSs)	This is both the generic term for all financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the term used for new financial reporting standards issued by the IASB since 2003. The standards issued up to 2002 are still published as International Accounting Standards (IASs).
Investment property	Land and/or buildings held to earn rentals or for capital appreciation and not used in the production or supply of goods or services or for administrative purposes.
Liquidity risk	Describes the risk of being unable to meet current and future payment obligations, either as they fall due or in the full amount due. The funding risk arises when the necessary liquidity cannot be obtained on the expected terms when required.
Loans and receivables	Loans and receivables are financial assets that are not quoted in an active market. These include in particular receivables and certain investment securities.
Loss identification period (LIP)	The period between the date when a borrower defaults and the date when the bank becomes aware of the default. The LIP factor is used in calculating the portfolio-based valuation allowance in accordance with IASs/IFRSs, as well as when quantifying the incurred loss.
Market risk	Refers to potential losses from financial transactions that may be triggered by changes in interest rates, volatility, foreign exchange rates, and share prices. The changes in value are derived from daily marking to market, irrespective of the carrying amounts of assets and liabilities.
Marking to market	Valuation of all of an enterprise's proprietary trading activities at current market prices including unrealized gains, ignoring their historical cost.
Net trading income	Balance of income and expenses from proprietary trading in securities, financial instruments (in particular derivatives), foreign currencies, and precious metals valued at market prices.
Netting agreements	Agreements whereby receivables between two parties can be offset against each other under certain circumstances, such as in the event of insolvency. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.
Operational risk	Operational risk is defined by Basel II as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". In accordance with the Basel II definition this also includes legal risks.
Option	Right to purchase (call option) or sell (put option) an underlying asset, such as securities or currency, from a counterparty (option writer) at a predetermined price and at a specific date or during a specific period.

OTC derivatives	Non-standardized financial instruments (derivatives) which are traded not on a stock exchange, but directly between market participants (over the counter).
Portfolio	Similar transactions, particularly in securities or derivatives, grouped together according to price risk criteria.
Premium	The positive difference between the historical cost of a financial instrument and its notional value.
Rating	External rating: standardized evaluation of an issuer's credit quality and debt instruments carried out by specialist agencies. Internal rating: detailed risk assessment of every exposure associated with a debtor.
Recovery rate	The recovery rate indicates the percentage of a receivable that a creditor receives following the realization of collateral and other rights in the case of a debtor default, taking the economic loss into account.
Repos (repurchase agreements)	Agreements to repurchase securities (genuine repurchase agreements in which the subject of the agreement is still allocated to the borrower). From the perspective of the lender, such agreements are known as reverse repos.
Return on equity (RoE)	Fundamental ratio showing the relationship between the results of operations of an enterprise (net profit for the period) and the capital employed (net profit as a percentage of average capital employed over the period).
Revaluation reserve	Changes in the fair values of available-for-sale financial instruments and the related deferred tax effects are recognized directly in the revaluation reserve in equity.
Reverse repos	see Repos (repurchase agreements)
Securities loan	The lending of fixed-income securities or equities; a distinction is made between closed term loans (retransfer of the same type and quantity of securities at an agreed date in the future) and open term loans (securities are made available until future notice).
Securitization	The substitution of loans, or the financing of various kinds of loans and advances, by issuing securities (such as bonds or commercial paper).
Segment reporting	Disclosure of an enterprise's assets and earnings, broken down by area of activity (division) and geographical area.
Sell-and-buy-back	A combination of two purchase agreements, i.e., a separate agreement for each of the spot and forward trades.
Sustainability	The idea behind the principle of sustainable development is that companies accept responsibility for the social and ecological aspects of their business decisions. In addition, as corporate citizens, they actively address social and environmental issues and support their implementation.
Swap	Exchange of cash flows. Interest rate swap: exchange of flows of interest payments denominated in the same currency but with different terms (e.g., fixed/variable rates). Currency swap: exchange of cash flows and principal amounts denominated in different currencies.
Trading assets	This balance sheet item contains securities, promissory note loans, foreign currencies, precious metals, and derivatives held for trading. Trading assets are measured at their fair values.
Trading book	A banking regulatory term for positions in financial instruments, shares, and tradable claims held by a bank that are intended for resale in the short term in order to benefit from price and interest rate fluctuations. This also includes transactions that are closely associated with trading book positions, e.g., for hedging purposes. Risk positions not belonging to the trading book are allocated to the banking book.
Trading liabilities	This balance sheet item contains derivatives used for proprietary trading with negative fair values, and delivery obligations under securities sold short. They are carried at their fair values.

Underlying	The original instrument on which a warrant, certificate, or forward contract is based. Examples of underlyings are shares, currencies, or bonds.
Unwinding	Recognition in profit or loss of changes in the present value of expected future cash flows from impaired loans due to the passage of time.
Value-at-risk model (VaR)	VaR is a method of quantifying risks. VaR is currently used primarily in conjunction with the measurement of market risk. In order to provide meaningful information, the holding period (e.g., ten days) and the confidence level (see Confidence level) (e.g., 99.0 %) must also be disclosed. The VaR thus describes the potential future loss that will not be exceeded during the holding period with a probability equal to the confidence level.
Volatility	Price fluctuation of a security or a currency, often calculated in terms of standard deviation on the basis of historical performance, or implicitly on the basis of a price-setting formula. The higher the volatility, the higher the risk associated with holding the investment.

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FINANCIAL CALENDAR 2013

March 26, 2013	Publication of 2012 Group Annual Report
May 3, 2013	Interim Management Statement as of March 31, 2013
May 28, 2013	Annual General Meeting
August 14, 2013	Publication of Interim Report as of June 30, 2013
November 6, 2013	Interim Management Statement as of September 30, 2013

No responsibility is taken for the correctness of this information – the right is reserved to make changes at short notice.

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This Annual Report contains forward-looking statements that relate to macroeconomic developments (in particular the development of money and capital market rates), the business and the net assets, financial position and results of operations of the Postbank Group. Forward-looking statements by definition do not depict the past and are in some instances indicated by words such as “believe”, “anticipate”, “predict”, “plan”, “estimate”, “aim”, “expect”, “assume” and similar expressions. Forward-looking statements are based on the Company’s current plans, estimates, projections and forecasts and are therefore subject to risks and uncertainties that could cause actual development or the actual results or performance to differ materially from the development, results or performance expressly or implicitly assumed in these forward-looking statements.

Readers of this Annual Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

The English version of the Group Annual Report constitutes a translation of the original German version. Only the German version is legally binding.

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