2013

POSTBANK GROUP ANNUAL REPORT

Postbank

POSTBANK GROUP IN FIGURES 2013

		Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012[1]
Consolidated income statement			
Total income	€m	3,804	3,739
Administrative expenses	€m	−3,177	−2,991
Profit before tax	€m	318	394
Consolidated net profit	€m	330	287
Total cost/income ratio	%	83.5	80.0
Return on equity			
before tax	%	5.4	6.6
after tax	%	5.6	4.8
Earnings per share[2]	€	1.51	1.31

		Dec. 31, 2013	Dec. 31, 2012
Consolidated balance sheet			
Total assets[1]	€m	161,506	187,962
Customer deposits	€m	103,698	111,508
Customer loans	€m	97,965	106,495
Allowance for losses on loans and advances	€m	1,478	1,745
Equity[1]	€m	6,212	5,980
Tier 1 ratio	%	10.9	12.0
Headcount (FTEs)	thousand	18.22	18.60
Long-term ratings			
Moody's		A2/outlook negative	A2/outlook stable
Standard & Poor's[3]		–/–	A+/outlook negative
Fitch		A+/outlook stable	A+/outlook stable

		Dec. 31, 2013	Dec. 31, 2012
Information on Postbank shares			
Share price at the balance sheet date	€	38.75	31.80
Share price (Jan. 1 – Dec. 31)	high €	38.75	32.15
	low €	30.53	23.75
Market capitalization on December 31	€m	8,479	6,958
Number of shares	million	218.8	218.8

[1] Figures adjusted (see Note 7)
[2] Based on 218.8 million shares
[3] The S&P rating was discontinued as of December 31, 2012.

FINANCIAL CALENDAR 2014

FINANCIAL CALENDAR 2014

March 25, 2014	Publication of 2013 Group Annual Report
May 7, 2014	Interim Management Statement as of March 31, 2014
July 9, 2014	Annual General Meeting
August 1, 2014	Publication of Interim Report as of June 30, 2014
November 13, 2014	Interim Management Statement as of September 30, 2014

No responsibility is taken for the correctness of this information – the right is reserved to make changes at short notice.

13.4 million
savings accounts

1,092 branches

3,000
mobile advisors

6.1 million
online banking accounts

14 million customers

1,750
service terminals

18,200 employees

5.2 million
private checking accounts

2.7 million
home loan and
savings customers

3.7 million
home loan and
savings contracts

4,600
Deutsche Post partner branches

3,590 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.

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FOR OUR STAKEHOLDERS

01

Ladies and gentlemen,

Thanks to a solid and growing customer business Postbank remains on course for success. The Bank has become more secure as a result of our continued reduction of risk positions and has further adapted to the regulatory environment through a targeted shrinkage of the balance sheet. That is the positive outcome of fiscal year 2013. We were able to raise consolidated net profit markedly by around 15% to €330 million compared with €287 million in the previous year. Postbank thus proved itself once again in an environment that remains extremely adverse: Interest levels continue to be low, regulatory challenges are as numerous as they are complex, and customers are still very cautious in the face of economic uncertainties. Under such conditions as these, business growth of the kind that Postbank has achieved is not merely a matter of course. It is an accomplishment of which our more than 18,000 employees can be proud.

Even in volatile times, Postbank's robust business model demonstrates its enduring power to generate income – the Bank's total income for last year rose 1.7 % to reach €3.8 billion. As a consequence, we have further refined the business model in the course of implementing our Postbank Agenda and heightened our already intense focus on business with retail, business and corporate customers in Germany. In addition, we repositioned the market presence in the important home savings business operated under the BHW brand.

It is pleasing to see our online channels, which have long made considerable contributions to the success of the customer business, function increasingly as engines of innovation and growth. One out of five checking accounts at Postbank is now opened online. In our consumer credit business in the past fiscal year, more than a third of new business volumes came through the Internet. Postbank has become the leading online bank in Germany with an Internet site that has more visitors than any other financial service provider site and that was awarded numerous accolades in the past year. We intend to take a significant step forward in the development of our direct banking business and enhance our major strength – the unique combination of geographical proximity and the digital world.

To achieve additional growth Postbank exploited its sales strength particularly in the customer business. In our checking account business with 5.2 million checking accounts, for example, we remain unchallenged as the largest provider on the German market: 508,000 new accounts in 2013 are a new all-time high. Our new consumer credit business also reached a record height in 2013, jumping some 24 % to €2.1 billion. Here Postbank was able to achieve marked growth despite the negative market trend. At the same time Postbank's lending offer once again received outstanding ratings and distinctions in numerous independent comparative tests. The on-going trend toward the acquisition of real estate was also exploited by the Bank to bring about added gains in growth. In the home savings business under the BHW brand, total home savings written climbed €400 million to €11.4 billion. The mortgage lending business also did well. Including disbursed home savings loans, Postbank customers borrowed some €9.3 billion in financial resources in 2013, around 6.9 % more than in the prior year. The savings business, in contrast, dropped off a bit, a decline attributable primarily to the sustained low level of interest rates. While €7.4 billion in new business was in fact generated, the volumes of savings and overnight money business at the end of 2013 – at €52.2 billion – fell 4 % below the prior-year figure.

A fundamental component of Postbank's strategy is the integration of its back office operations into the Deutsche Bank Group. Here substantial progress was again made in fiscal year 2013, and we are in the home stretch of the integration process. Thanks to such measures as the standardization of systems in project Magellan, substantial savings that exceeded expectations could be achieved across the Group in the past year. In the first half of 2014, Deutsche Bank and Postbank service companies are to be bundled into the joint platform holding PBC Banking Services. Postbank will have a substantial stake in this holding company.

In fiscal year 2013, Postbank accelerated its pursuit of the de-risking strategy and once again substantially reduced its risks. Postbank is as a result now even more secure. For example, we again reduced our holdings of investment securities, this time by €3 billion to €34.0 billion. Postbank has thus not only achieved the goal it originally set itself for the end of 2013 of reducing the volume of investment securities to around €45 billion, but substantially exceeded this target. By reducing total assets by 14 % to €161.5 billion at the year's end, Postbank proactively fulfilled pending regulatory requirements. The Bank's Tier 1 ratio under Basel II was 10.9 % at the end of 2013, compared with 12.0 % at the end of 2012. The decline is primarily attributable to changes in the calculation of hybrid capital instruments. On a comparable basis, Postbank was able to increase its Tier 1 ratio by around 2 percentage points.

Ladies and gentlemen, my colleagues on the Management Board and I share the conviction that business progress must be associated with a simultaneous enhancement of our corporate culture. On the basis of this premise, Postbank worked intensively to strengthen and further elaborate its own identity in 2013 as well. We developed a new mission statement together with our employees and started its implementation. Moreover, Postbank has expanded its social commitment by undertaking numerous projects under the heading "Wir für Kinder" (our commitment to children) together with the independent children's rights organization "Save the Children".

Building on the good results of the past year, Postbank began 2014 with very clear priorities and continued the implementation of our Postbank Agenda. In the coming months we will concentrate on enlarging our business success, growing even further, and making Postbank more of an everyday reality for all of our customers by strengthening our brand and perceptibly intensifying the cooperation of our sales channels, among other things. Furthermore, we will work with discipline to meet regulatory requirements and expand the control system, progress further in the internal implementation of our mission statement and bring it palpably to life in our everyday activities for the benefit of our customers and employees.

Despite the challenging environment of the past fiscal year, Postbank was able to balance growth with integration. We have once again displayed great cost discipline, improved our Tier 1 ratio on a comparable basis and made Postbank more secure. An organization can achieve such a feat only on the basis of employees who are as motivated as they are capable. Postbank can in fact do that, and for that reason I would like to express my sincere thanks, also in the name of the Management Board, to all of our employees. They are Postbank's greatest strength – and this strength makes me more than confident that Postbank will be in a strong position to overcome the challenges that lie ahead.

Bonn, March 25, 2014

Frank Strauss
Chairman of the Management Board

MANAGEMENT BOARD OF DEUTSCHE POSTBANK AG

From left to right: Ralph Müller (COO, Executive Manager), Hanns-Peter Storr (CRO), Frank Strauss (CEO),
Hans-Peter Schmid (Branch Sales), Susanne Klöss (Products, Executive Manager), Marc Hess (CFO), Ralf Stemmer (Resources, CAO)

“WE HAVE DELIVERED ON OUR PROMISE.”

INTERVIEW WITH FRANK STRAUSS, CHAIRMAN OF THE MANAGEMENT BOARD

Mr. Strauss, how did fiscal year 2013 go?

Overall, it was a good year, one with which we can be very satisfied. We did better than we had expected. Thanks to our stable customer business, we were able to significantly increase consolidated net profit once again. And we achieved that in a market environment marked by fierce headwinds: Low interest rates, regulatory requirements, and the sovereign debt crisis – these are just some of the key elements. The fact that we performed so well under such adverse conditions can be attributed to the outstanding work of our employees. We have once again delivered on our promise, i.e. making Postbank more secure and more profitable, and achieving growth.

Is Postbank more secure now?

Definitely. In fiscal year 2013, Postbank accelerated its pursuit of the de-risking strategy it began in 2010 and as in previous years substantially reduced its risks. For example, we once again reduced our holdings of investment securities by €3 billion. We shrunk our balance sheet and improved our Tier 1 capital ratio on a comparable basis. That makes Postbank well equipped to meet future challenges.

How did the customer business perform in the past year?

Our business with retail, business and corporate customers evinces long-term stability. It is the driving force of our positive performance. Most notably our new business experienced substantial growth in important areas.

Such as?

In our checking account business, we remain unchallenged as the largest provider in Germany and achieved a record number of new accounts, more than 500,000 of them. New consumer credit business also rose by around a quarter, and it did that despite the downward market trend! Mortgage lending and the lending business with our business and small and mid-sized corporate customers also increased substantially. The savings business dropped off a bit. That’s where we are feeling the effects of the low interest rate policy.

You announced your intention to step up the online business …

With 6.3 million online customers, we are already number one in Germany. Our Internet site has more visitors than any other financial service provider site and is one of the fifty most powerful web presences across all German industries. For us the online business is a real driver of growth. One out of five checking accounts at Postbank is now opened online. In our consumer credit business in the past fiscal year, more than a third of new business volumes came through the Internet. That is an asset that we intend to exploit. We are expanding the direct business significantly and expect to see some real innovation there in the future. I am very pleased about that.

You mean you are focusing exclusively on your online offer?

Not at all. We are however systematically taking advantage of the enormous opportunities here. Postbank's major competitive edge lies in its ability to link people with the increasing levels of digitization in the world better than any other bank. We are ahead of the field when it comes to online offers, but we also have 1,100 branches, more than 3,000 mobile advisors and numerous other points of contact by means of which we personally stay connected with more than a million people every day. We are able to offer our customers a unique combination of geographical proximity and experience in the digital world. And we are expanding this unusual blend even further.

Not to forget that you have a considerable business with your corporate and business customers...

Yes, and we are proud of that. Customers honor the consistent loyalty we have shown them over the years. Postbank serves more than 300,000 business and small and mid-sized corporate customers. And that business is definitely seeing noticeable gains. For example, we were able to expand new lending business from around €700 million to €1.1 billion. Transactions too, which serve as a gauge for the intensity of our cooperation, jumped from 450 million to just under 500 million.

Have you changed your business model?

We have enhanced and expanded our unique business model with the Postbank Agenda. And it has proven itself to be extraordinarily robust, even in such turbulent times as these. That is why we have no plans to modify it structurally.

Nevertheless we can always improve. We have now reorganized the Bank to ensure for the long term that quality and customer orientation have the right level of significance in our organization. That is one of the most important levers for our success.

What kind of progress have you made with the Postbank Agenda?

We have taken enormous steps forward. We have a clear objective and thanks to the Postbank Agenda our strategic orientation has clearly defined points of focus. We are systematically working on them. That goes for the elements of growth and quality as well as for safeguarding earnings and generating momentum for future developments in both our online endeavors and mortgage lending, for example.

And you have also focused on the home loan and savings business – despite the interest environment?

Home savings is more than just saving. It is about a dream shared by many of our customers: owning their own home. At Postbank we not only see ourselves as challenged at different levels to help people fulfill this dream, we are also convinced that it presents us with business opportunities. A good reason to set our sights even more on this segment. Thanks to our strong BHW brand, we are very well positioned here. By the way, home loan and savings offers under the BHW brand have also been available in Deutsche Bank branches as of late. That makes me very happy.

Integration has been a fundamental building block of the Postbank Agenda. How do things stand at present here?

We have made good headway with integration in fiscal year 2013 and achieved important milestones. For example, we have driven ahead with the creation of the integrated IT platform "Magellan" and successfully generated the synergies we expected. Currently, we are bundling the service companies of Deutsche Bank and Postbank into a joint platform holding. There our employees from the back offices will utilize their competencies to contribute to shared success. We are a major shareholder and look forward to working closely with this larger and more performance-capable unit.

And then?

Postbank began 2014 with very clear priorities. We are continuing to implement our Postbank Agenda. The basis here will be provided by additional business success and growth and the delivery of good results. In this context, we will make Postbank more of an everyday reality for all of our customers by strengthening our brand and further intensifying the cooperation of our sales channels, among other things. Our customers should be aware of the sheer wealth of products and services Postbank has to offer.

What role does the cultural change play in the further development of Postbank?

My colleagues on the Management Board and I are convinced that the business can reach the next level only if the corporate culture is enhanced at the same time. We have placed great value on that from the start. Postbank has a great culture and a distinct identity. Strengthening this identity is an essential component for the success of our strategy. The important thing is to integrate our employees in the process and involve them in the shaping of our future.

How do you intend to work with each other?

Our vision clearly defines the direction in which we want to grow Postbank together:
"Every day and everywhere we give our best for our customers, for their financial and postal needs. We are fair, straightforward and unique. As a company, we are ambitious; we are growing and successful."
In order to achieve that, we orient ourselves on the six values we view as primary: Customer orientation, integrity, sustainable performance, innovation, partnership and discipline. We also share these values with Deutsche Bank and interpret them for ourselves as part of our separate identity as Postbank.

When you look back on the past year, what makes you particularly proud?

Postbank has been able to combine integration with growth in an extremely difficult environment – and preserve a culture of partnership in the process. That is not only a balancing act, but also a real feat. To be successful here is by no means self-evident when you look at other examples of company integration. I think everyone at Postbank can be very proud of that achievement.

> *"With 6.3 million online customers, we are already number one in Germany. One out of five checking accounts at Postbank is now opened online."*
>
> Frank Strauss

DEVELOPMENTS IN OUR BUSINESS DIVISIONS

NEW BUSINESS WITH RETAIL CUSTOMERS STAYS ON COURSE

Bucking the market trend, Postbank was again able to vigorously expand its consumer credit business in 2013 thanks to attractive terms and a flexible product range. Our checking account business also successfully continued its steady increase of volumes and 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 remain on growth path

With 5.2 million private checking accounts at the end of 2013, Postbank was once again able to expand its book compared with the prior year, this time by 2 %. As a result the Bank remained unchallenged as the largest provider on the German market. The year also offered a fresh opportunity for Postbank to once again demonstrate its selling power, with the Bank reaching its latest peak of 508,000 new accounts.

The share of accounts opened online is becoming increasingly important here. In 2013, around 20 % of all accounts were opened over this channel. The volume of demand deposits held in retail and business customer accounts was up around 10 % or €2.3 billion compared with the end of the previous year, reaching a record peak of €25.2 billion.

Savings business contracts slightly

At the end of 2013, the savings and overnight money business, at €52.2 billion, declined around 4 % compared with the previous year's end. The task of attracting new volumes in the year under review was made difficult by the sustained low level of interest rates. Nevertheless new business volumes reached €7.4 billion.

Two extra savings money campaigns in the first half-year gave distinct momentum to new business: The "Postbank Gewinn-Sparen" savings product at the year's start and "SparCard *direkt*" at mid-year led to a total of €2.7 billion in new funds. "Postbank Gewinn-Sparen" is 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. "SparCard *direkt*" is an attractive, transparent savings product that is sold exclusively through our direct channels.

The savings strategy overall is geared toward the profitable development of book volumes. The introduction of an interest cap starting at €100,000 for "Gewinn-Sparen" products as of October 1, 2013, also provided increased support to the more sustainable small-sized savings business. Existing customers impacted by the interest cap are being specifically approached in order to switch to securities.

New business in consumer credits reaches new high

The new business in consumer credits in full-year 2013 reached a new record high of €2.1 billion. This meant another increase in new business volumes of around 24 % compared with 2012, which was already a very good year. The most successful sales channel here once again turned out to be the Internet, generating more than a third of new business volume. 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: The Deutsche Bundesbank registered a drop in new loan business in 2013 of more than 9 %. The consumer credit book also rose further and by December 31, 2013, was up approximately €630 million on the corresponding prior-year value to reach €5.0 billion.

Postbank's lending offer once again won high accolades in independent comparative tests. For the second time the German television news channel n-tv as well as FMH Finanzberatung declared the Postbank consumer credit as the "TOP Consumer Credit". In the category of consumer credit provider (supraregional branch banks), Deutsches Institut für Service-Qualität and n-tv once again awarded first place to the Postbank consumer credit. And "Euro am Sonntag" and Deutsches Kundeninstitut (DKI) rated our advisory services in the category of consumer credit based on creditworthiness as "very good".

Home savings deposits once again experience positive trend

In the home savings business that we operate under the BHW brand, home savings written rose 3.6 % to approximately €11.4 billion compared with €11.0 billion in the previous year.

New business developed differently in the three main sales channels. While the volume of new business generated in the Postbank branches noticeably exceeded the prior-year level with an increase of 14.0 % to nearly €1.9 billion, Postbank Finanzberatung AG achieved growth of around 2.7 % in prior-year comparison to reach approximately €7.5 billion. The cooperation partners experienced an increase of around 10.1 %, which amounted to some €1.7 billion.

Home savings deposits, at €18.4 billion, grew approximately 1.7 % since the end of 2012. The market share of new home savings written was 9.9 % at the end of 2013, while the home savings deposit portfolio had a share of around 12.8 %.

Mortgage lending offers pleasing performance

Including disbursed home savings loans, our customers had borrowed some €9.3 billion in financial resources for private construction projects by the end of 2013, around 6.9 % or €0.6 billion more than in the previous year. In the process the two brands under which we pursued our mortgage lending business in the reporting year were able to increase new business volumes. New business acquired under the BHW brand was up approximately 3.3 % over the prior-year figure with volumes of around €3.1 billion. In the brokerage business, in which we are positioned as a "partner bank to financial service providers" under the DSL Bank brand, we were even able to boost volumes generated through Internet platforms and sales partners by 6.7 %.

The mortgage loan portfolio as of December 31, 2013, including third-party portfolios acquired, totaled €73.1 billion, an amount slightly below the €74.0 billion registered at year-end 2012. In consequence the market share also sank slightly below the corresponding prior-year figure to around 8.8%, while margins rose.

Subdued securities and retirement provision business

New securities business in full-year 2013 rose around 12 % compared with the prior year despite a persistently difficult environment generated most notably by the sovereign debt crisis in several European countries and the low interest rate level. In addition, the positive performance ensured that the volume of securities managed in customer securities accounts rose year-on-year by approximately 5 % to €12.9 billion.

The retirement provision business faced a difficult market environment and remained below last year's level. This outcome also reflects the reserve of private households in relation to longer-term financial investments, which had an impact on new business in 2013. New business in the area of state-subsidized retirement provision schemes was particularly unsatisfying but in line with market trends.

The automotive and non-life insurance business with HUK Coburg had an extraordinary year in 2013. Flourishing sales in the non-life insurance business led to a leap of almost 25 % in the number of contracts to 138,000 for 2013 overall.

Corporate Banking focuses on SMEs

In Corporate Banking we continued to pursue the strategy we initiated last year, which places special emphasis on small and medium-sized enterprises with a family structure. By providing numerous products for these customers, Postbank continues to serve as a core bank that covers basic daily needs across Germany.

As part of this strategy the Corporate Banking segment contributes to the reduction of total assets in the Group. The portfolio of loans to corporate customers, most notably as a result of withdrawals from engagements with large clients, shrank from €7.9 billion in the previous year to €7.0 billion.

The Factoring business division progressed with efforts begun last year to increase profitability and was able to improve income despite comparable volumes by further optimizing the portfolio.

In commercial real estate finance, after a successful consolidation of the portfolio, we continue to adhere to our risk-conscious lending policy and are focusing our new business on the financing of existing properties for professional real estate investors. As of December 31, 2013, the portfolio of loans for commercial real estate finance stood at €8.3 billion, €1.4 billion less than the prior year figure, which was adjusted for contributions from the Non-Core Operating Unit. This development was primarily driven by further portfolio optimization and the conservative orientation of our portfolio.

Thanks to conscious withdrawals related to large clients, the number of transactions we processed in the area of payment transactions sank overall from 851 million to 797 million. In our primary target group of German SMEs, however, the number of transactions we handled increased further year-on-year.

As a consequence of the challenging interest rate environment and in order to support the reduction of total assets in the Group in keeping with the loan side, we purposefully reduced the investment volumes of our corporate customers. They ended the 2013 year at €7.0 billion, a figure markedly lower than the €16.2 billion at the end of 2012.

Transaction Banking remains stable

Postbank remained one of the leading transaction banking providers in Germany, with some 7.6 billion transactions processed for Postbank and three other clients. In this regard the year 2013 was marked for us by activities and projects undertaken to prepare for the introduction of SEPA (Single Euro Payments Area) and future processing of SEPA payment transactions.

Financial Markets streamlined

The Financial Markets business 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 so doing the division supports efforts dedicated to de-risking and the further reduction of total assets to improve future relevant key indicators (e.g. the leverage ratio). Thus, by the end of 2013, our holdings of investment securities had shrunk by €3.0 billion to €34.0 billion year-on-year; total assets dropped 14.1% to €161.5 billion.

Non-Core Operating Unit sees marked volume reduction

The Non-Core Operating Unit (NCOU) segment covers the portfolios and activities that in line with the Bank's current strategy are no longer part of the core business. They were separated from the original segments in order to be able to manage them more purposefully. They include selected investment securities portfolios, 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.

Portfolios in the Non-Core Operating Unit year-on-year were significantly scaled down by December 31, 2013, with the result that the Non-Core Operating Unit substantially exceeded its original goals for diminishing risk in full-year 2013. This was achieved in particular by the sale of the remaining structured credit portfolio, the disposal of our U.S. subsidiaries to Deutsche Bank AG and the sale of our London branch portfolios. Overall in 2013, assets were reduced by €13.9 billion to €13.4 billion and liabilities by €15.9 billion to €25.4 billion.

REPORT OF THE SUPERVISORY BOARD

Ladies and gentlemen,

During fiscal year 2013, Deutsche Postbank AG (hereinafter also referred to as Postbank) performed well against its competitors amid challenging business conditions. In general, the economic situation in Europe stabilized even though the economy is not expected to make a fast, broad recovery in the near future. Just like previous years, 2013 was characterized by continuing interest-rate and margin pressure. The European Central Bank expects interest rates to remain largely at a constantly low level in the years to come. In addition to low interest rates and margins, customers' limited risk appetite and increasing regulatory requirements created additional problems for the banking and financial services industry. Even following the implementation of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), which has been transposing Basel III into applicable law since 2014, the industry can expect to face even more regulatory requirements by legislators and banking supervision in years to come. For this reason, the further tightening of requirements and the low interest rate environment will remain some of the key challenges facing the financial services industry.

With its performance in 2013, Postbank demonstrated that the Company's business model has effectively positioned the Bank to face times of uncertainty. The continued application of the program to cut costs and increase income that was initiated in 2012 and the systematic implementation of Postbank's management agenda enabled Postbank to perform well during the past year and generate earnings that exceeded expectations.

Following the conclusion of the control and profit and loss transfer agreement between DB Finanz-Holding GmbH and Deutsche Postbank AG in 2012, Postbank achieved new milestones related to its integration into the Deutsche Bank Group. In this regard, one major step for the future was the creation of a joint platform for the provision of settlement services. The reduction in unit costs produced by this platform and the simultaneous improvement of service quality will enable Postbank to counter rising cost pressure and meet customers' requirements for high quality.

As part of our intense and constructive working relationship, the Management Board informed us in a regular, timely and comprehensive manner during fiscal year 2013 about all issues concerning the Company's strategy, planning, the financial and economic performance of the Bank, the risk position, the risk management system, the internal control system and compliance. Together with the Management Board, we also discussed changes to the remuneration system, strategic measures and regulatory developments as well as important business transactions and projects. Deviations between the course of business and the plans and targets in individual segments were explained to us and reasons were given. We discussed at length the Company's strategic focus as well as all measures requiring the approval of the Supervisory Board that were presented to us. Where required by law, the Articles of Association or the Bylaws, we passed resolutions after 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, the Audit Committee, the Loan and Equity Investments Committee and the Risk 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 held a total of six regularly scheduled meetings during fiscal year 2013. In all 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 development and risk management. During a one-day closed conference, we joined the Management Board in taking a close look at Postbank's business and risk positioning and then thoroughly discussed these issues.

Other focal points of discussions during the year under review were Postbank's risk structure, the effect of current and future regulatory changes and the restructuring of the Management Board's remuneration system. We also held extensive discussions with the Management Board about the Bank's ongoing integration into the Deutsche Bank Group. In the process, we joined the Management Board in carefully examining the possibility of setting up a joint GmbH (a German limited liability company) with Deutsche Bank to provide settlement services. The members of the Supervisory Board regularly received information about the Company's current situation.

In fiscal year 2013, all members of the Supervisory Board attended at least half of the meetings of the Supervisory Board and its committees.

During the regularly scheduled meeting held on February 1, 2013, we thoroughly discussed the Management Board's target achievement in fiscal year 2012 and then set the Management Board's targets for 2013. The Management Board informed us about the status of the preparation of the Company's annual financial statements. As part of equity investment-related issues, shareholder representatives on the Supervisory Board prepared decisions on co-determination in Postbank subsidiaries. During this meeting, we were also informed about the status concerning the application of the waiver Postbank had reported to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority).

During the financial statements meeting held March 22, 2013, and following a thorough examination, review and earlier discussion with the auditor as well as on the recommendation of the Audit Committee, we approved the 2012 annual and consolidated financial statements of Postbank. During the meeting, we were also informed by the Management Board and auditor about key findings in 2012. In addition to the resolution regarding the agenda for the Annual General Meeting scheduled for May 28, 2013, we approved the report of the Supervisory Board to the Annual General Meeting in accordance with sections 171(2) and 314(2) of the *Aktiengesetz* (AktG – German Stock Corporation Act) as well as the Corporate Governance Report including the Annual Corporate Governance Statement.

In compliance with legal changes related to CRD IV, we approved the creation of a risk committee and the implementation of a risk control function. Following the departure of Werner Steinmüller from the Audit Committee, we elected Christian Ricken to become a member of the Audit Committee effective March 23, 2013. In addition, we approved the modifications of the Management Board's targets for 2013 on the basis of the latest mid-range planning. Following consultations, Hanns-Peter Storr was appointed once again to the Management Board, and his Management Board contract was extended by five years to February 2019. Other issues addressed by the Supervisory Board during the meeting included the risk position of the Bank as a whole, the human resources and social report and the approval of funding for Postbank's pension obligations through a contractual trust arrangement.

In the meeting held on May 27, 2013 prior to the Annual General Meeting, we were informed about the organizational details of the Annual General Meeting. We were also informed about the results of the first quarter of 2013 by the Management Board and discussed these figures with its members. In addition to regular reports from the Supervisory Board's committees and the risk reporting, we held new elections as part of our work to set up the new Risk Committee. In response to a recommendation by the Executive Committee, we reappointed Marc Hess to the Management Board and extended his Management Board contract by five years until March 2019. Resolutions were passed where necessary.

During the meeting held on July 29, 2013, we reappointed Frank Strauss and Ralf Stemmer to the Management Board following consultation and extended their Management Board contracts by five years until June 2019. Furthermore, approval was granted to Ralf Stemmer's appointment to the Scientific Advisory Board at the Bonner Akademie – Gesellschaft für DV- und Management-Training, Bildung und Beratung mit beschränkter Haftung. In addition to a review of the remuneration report for 2012, we were informed about the status of the German CRD IV Implementation Act and the CRR and discussed the modifications that have an effect on the Management Board and Supervisory Board. The Management Board also reported to us about the financial position of the Group and its individual segments. In the process, we held an intense discussion with the Management Board and raised critical questions about subjects addressed in the Management Board's report. The points discussed included Postbank's financial and personnel situation as well as the Bank's risk position. Furthermore, the Management Board informed us about the implementation status of the management agenda and future steps. We then intensely discussed this information with management. In addition to resolutions by shareholder representatives pursuant to section 32 of the *Mitbestimmungsgesetz* (MitbestG – German Co-Determination Act), we were informed about the changes in Postbank's outsourcing strategy and about the progress being made on particular projects.

In the meeting held on October 31, 2013, we concurred with the recommendation of the Executive Committee and extended the Management Board contract of Hans-Peter Schmid by five years to November 2018. In addition, we approved the membership of Ralf Stemmer on the Board of Advisers of the Verband der Sparda-Banken e.V. (Association of Sparda-Banken). As part of its regular reporting responsibilities, the Management Board informed us about business developments and the risk position of Postbank. Furthermore, the Supervisory Board and the Management Board jointly examined and discussed the status of key ongoing projects.

In its last meeting of the year held on December 17, 2013, the Supervisory Board focused on the Bank's performance, business planning for 2014, business and risk strategy, the Declaration of Compliance pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the continued implementation of the joint IT platform of Postbank and Deutsche Bank. The Management Board informed us about the Company's current financial position. Together with the Management Board, we discussed business planning for 2014 and Postbank's business and risk strategy for 2014. After an extensive discussion, we approved the submitted business plan for 2014. During the meeting, we also discussed legislative changes related to the CRD IV Implementation Act and made decisions where necessary. As part of this work, we resolved to create a Compensation Control Committee and approved the establishment of a Remuneration Officer function at Postbank.

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

Conflict of interest

In addition to the conflicts of interest listed and proactively reported in the Declaration of Compliance, Christian Ricken reported a possible conflict of interest related to the Platform Holding project and abstained from voting on the resolution. Furthermore, Hans-Jürgen Kummetat did not participate in the meeting held on March 22, 2013, due to a matter he considered to be a conflict of interest.

Work of the committees

To carry out its work in fiscal year 2013, the Supervisory Board of Postbank formed six committees. Pursuant to a decision made during the December meeting, the Compensation Control Committee was added to this group on January 1, 2014. The following members serve on the Supervisory Board and its committees:

Members of the Deutsche Postbank AG Supervisory Board and its 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

Risk 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)	Frank Bsirske
Tessen v. Heydebreck (Deputy Chair)	Eric Stadler

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

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

Mediation Committee (section 16 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 tasks, preparing the appointment and withdrawal of members of the Management Board in consideration of recommendations made by the Nomination Committee, preparing the financial statements, amending and terminating employment contracts for members of the Management Board, and granting loans to members of the Management Board and Supervisory Board. It is also responsible for preparing decisions related to corporate governance, the monitoring of compliance with the Declaration of Compliance, special issues of overriding importance and fundamental questions regarding the Company’s strategic focus. The committee met six times during the year under review. The meetings focused on personnel planning on the Management Board, adjustments to the remuneration system for the Management Board, changes required in response to the CRD IV Implementation Act and the granting of 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.

Under a Supervisory Board decision made on March 22, 2013, the Loan and Equity Investments Committee was dissolved as a result of the creation of the Risk Committee. In taking this step, Postbank responded to changes required by CRD IV by raising the priority of risk management even before amendments to the *Kreditwesengesetz* (KWG – German Banking Act) took effect. The Risk Committee remains responsible for decisions previously made by the Loan and Equity Investments Committee. The decisions touch on the issuance of loans to members of executive bodies, loan decisions, special investment decisions and fundamental issues related to the issuance of loans. This area of responsibility was extended to all types of risk. It was also broadened to include the monitoring of risk appetite, profile and strategy as well as consultation related to these areas. The Loan and Equity Investments Committee and the Risk Committee each met three times during 2013. One meeting was held jointly with the Audit Committee. The Management Board provided regular comprehensive information to both the Loan and Equity Investments Committee and the Risk Committee about developments in key financial indicators and risk indicators during meetings held in the past fiscal year. In compliance with their mission, the committees discussed current market conditions and the respective risk situation during their meetings. They also made decisions regarding the approval of new loans, the extension of existing loans and increases in various individual loans and credit facilities. The Risk Committee also discussed the risk strategy as well as portfolio strategies and structures with the Management Board and evaluated risk management measures. Furthermore, the committee intensely examined changes in regulatory requirements as part of its work to develop measures to enhance the Bank's risk management and risk culture. To be able to efficiently address overarching topics, the Loan and Equity Investments Committee as well as the Risk Committee worked closely with the Audit Committee.

The Audit Committee is assigned the issues of accounting, risk management, compliance, audit, the internal control system and auditing. The Audit Committee met six times during the period under review. One committee meeting was held jointly with the Risk Committee. Discussions – at which the auditor was present – focused on providing extensive support to the examination of the annual and consolidated financial statements for 2012 and the interim reports as well as discussions of accounting. The interim report and the interim management statements for 2013 were discussed with the Management Board before their release in accordance with the recommendations in section 7.1.2 of the German Corporate Governance Code. During the year under review, the Audit Committee examined the effectiveness of Postbank's risk management system, the internal control system and the audit system. The committee was involved in the issuance of audit contracts and defined the focal points pertaining to 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 German Corporate Governance Code. During its meetings, the committee conducted a thorough examination of the findings of the auditor, the work of Internal Audit, questions regarding compliance, accounting and legal risks, special reviews that had been conducted and issues raised by supervisory authorities. The committee intensely supported the execution of findings during the entire reporting year. The Management Board regularly informed the Audit Committee about changes in regulatory conditions and their impact on Postbank as well as about the implementation status of projects related to these issues. The committee prepared its own resolutions when necessary or submitted a 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. The committee met twice in fiscal year 2013. In the Human Resources Committee meetings, the reports on human resources given by the Management Board focused on human resources strategy and development within the Group, including diversity, the age structure at Deutsche Postbank AG, planned educational and training concepts, and information on personnel costs and workforce management.

The Nomination Committee prepares the recommendation of the Supervisory Board for the election or appointment of shareholder representatives by the Annual General Meeting. In the wake of legislative changes related to CRD IV, the area of responsibility was expanded under a decision made on December 17, 2013. In the future, the committee will assume the additional responsibility of assisting the Supervisory Board with the task of identifying candidates for the Management Board and upper management positions as well as of complying with related principles. It will define the goals in terms of the composition of the Supervisory Board and monitors the achievement of these goals. In addition, the Nomination Committee regularly examines the structure, size and composition of the Management Board and Supervisory Board. It also evaluates the expertise, abilities and experience of individual board members as well as the respective board as a whole. The Nomination Committee did not meet during the year under review.

The Mediation Committee is a committee required by the provisions of the MitbestG. 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 for such action. For that reason, the Mediation Committee did not meet during the year under review.

The chairmen of the committees regularly reported to the full Supervisory Board about the committees' work.

As a result of a decision made on December 17, 2013, the Compensation Control Committee was established as of January 1, 2014. It helps the Supervisory Board monitor the appropriate structure of the remuneration systems for the Management Board and employees, in particular the compensation received by the heads of the Risk Control and Compliance units. Furthermore, it prepares proposals for resolutions regarding the remuneration of managing directors in terms of the impact these decisions will have on Postbank's risk position and risk management. It ensures that internal control units and other important units are included in the structuring of remuneration systems.

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 2013 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 early-warning system for risks 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 early-warning system for risks that is able to recognize developments early on that could jeopardize Postbank's existence as a going concern.

Deutsche Postbank AG's annual financial statements, the consolidated financial statements, the management reports 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, the Management Board did not submit a proposal to the Supervisory Board for the appropriation of that profit.

The discussions were conducted in the presence of representatives of the auditor. These individuals reported on the execution and key findings of the audit during the Supervisory Board meeting on March 24, 2014, and were available to provide supplemental information and answer questions. During the Supervisory Board meeting held on March 24, 2014, the Chairman of the Audit Committee reported to us about the results of the Audit Committee's examination of the annual and consolidated financial statements conducted on March 13, 2014. We concurred with the results of the audit. 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 approved 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 were thus adopted.

Changes on the Management Board and Supervisory Board

During fiscal year 2013, no changes were made to the composition of the Management Board or Supervisory Board.

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 17, 2013, and it was made permanently available to shareholders on the Company's website. With the exception of the deviations declared on December 20, 2012, and on December 17, 2013, Postbank has been in compliance with all recommendations made by the Government Commission of the German Corporate Governance Code in the version dated May 15, 2012, and, most recently, in the version dated May 13, 2013.

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Detailed information about corporate governance and the Declaration of Compliance dated December 17, 2013 can be found in the Corporate Governance Report, including the Annual Corporate Governance Statement, starting on page 26.

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

Bonn, March 24, 2014

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, statements on corporate governance practices and information on where these can be publicly accessed, a description of the operating principles and composition of the Management Board, Supervisory Board and the relevant committees as well as fundamental corporate governance structures. Our position on the suggestions of the Code will also be indicated.

Implementation of the German Corporate Governance Code

At 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. The Management Board and the Supervisory Board of Postbank have concerned themselves with meeting the requirements of the DCGK – particularly its amendments – in the version dated May 13, 2013. After extensive deliberation they issued a joint declaration of compliance on December 17, 2013. This declaration and past declarations of compliance can be found on the Postbank website at https://www.postbank.de/postbank/wu_corporate_governance.html.

Declaration of compliance

The Management Board and the Supervisory Board of Deutsche Postbank AG have declared that nearly all recommendations made by the Government Commission of the German Corporate Governance Code in the version dated May 15, 2012, have been complied with since the last declaration of compliance on December 20, 2012. Postbank deviates from the recommendations of the Government Commission in the following points:

"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. Since December 17, 2010, Rainer Neske, Management Board member of Deutsche Bank AG, Head of Private & Business Clients, has been a member of the Supervisory Board of Deutsche Postbank AG. From the point of view of the Company, it is also reasonable to allow elected representatives of the majority shareholder or its subsidiaries to serve on the Supervisory Board even if these are supposed to be 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 5.4.6(2) of the DCGK, members of the Supervisory Board shall receive remuneration that appropriately reflects the responsibilities 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 performance. The remuneration of Supervisory Board members contained in the Articles of Association of Deutsche Postbank AG includes, in addition to an annual fixed component and a performance-related component that serves as a long-term incentive, a performance-related remuneration component that is based on consolidated net profit per share in the respective fiscal year. In regard to this latter remuneration component, which the Management Board and the Supervisory Board believe does not reflect the requirements of section 5.4.6(2) of the DCGK in terms of sustained company performance when viewed in isolation, the Management Board and the 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(2) of the DCGK.

3. Section 5.5.3 sentence 1 of the DCGK addresses the disclosure of conflicts of interest in the Report of the Supervisory Board to the Annual General Meeting. In individual rulings issued by higher regional courts, the requirements on the scope of information to be provided in the Report of the Supervisory Board to the Annual General Meeting about conflicts of interests were tightened. In this respect a declaration of deviation was made as a precaution. We, however, in contradiction to individual rulings issued by higher regional courts, see no basis for expanding the informational scope. In our view, the obligations of section 5.5.3 sentence 1 of the DCGK are limited by the legal obligation to maintain confidentiality as described in sections 93, 116 of the AktG. A more recent ruling of the German Federal Court of Justice (Bundesgerichtshof) has confirmed our view. As a result we no longer think it is necessary to continue to make precautionary declarations of deviation on this point."

Moreover, the Management Board and the Supervisory Board in their joint declaration of compliance on December 17, 2013, declared that they comply with the version of the Code submitted on May 13, 2013, and published on June 10, 2013, in the Federal Gazette, with the exception of the aforementioned points and those listed as follows:

"1. Pursuant to section 4.2.2(2) sentence 3 of the DCGK, the Supervisory Board, when determining the remuneration of the Management Board, shall consider the relationship of Management Board remuneration to that of senior management and the staff overall, including development over time. The Supervisory Board determines how senior management and the relevant staff are to be differentiated for this comparison. In the past, the Supervisory Board took into consideration remuneration of the two management levels below the Management Board for this so-called vertical remuneration comparison. Further differentiation has not taken place to date since the Supervisory Board viewed the selected reference group as sufficiently relevant. Modifications of the standard of comparison in line with the Code's new requirements are planned for 2014.

2. According to section 4.2.3(2) sentence 6 of the DCGK, remuneration overall and with regard to its variable remuneration components shall have caps relating to amount. Employment contracts of current Management Board members provide for maximum

limits on remuneration components that do not however fully comply with the new recommendations of the Code. A modification of current contracts to meet the new Code requirements is currently under review.

3. According to section 4.2.3(3) of the DCGK, the Supervisory Board shall establish the level of pension commitments aimed for in each case – also in accordance with the duration of Management Board membership – and take into consideration the associated annual and long-term expense for the company. However, defined contribution plans that do not aim at a specific level of provision apply to the overwhelming majority of Management Board members. As a result, the Supervisory Board does not assign a targeted level of provision for these pension commitments. A maximum level of provision is established in relation to the pensionable basic pay for pension commitments that depend on remuneration. Moreover, these pension commitments also do not aim at a specific level of provision. The Supervisory Board deems the maximum level of provision established in this context as sufficient.

4. Section 5.3.3 of the DCGK: According to section 5.3.3 the Nomination Committee shall be composed exclusively of shareholder representatives. The CRD IV *Umsetzungsgesetz* (CRD IV Implementation Act) of August 28, 2013, states however that the nomination committee of the supervisory board must assume additional duties that should not be the exclusive province of shareholder representatives on the supervisory board. For that reason the Nomination Committee of Postbank will also include employee representatives. It is ensured, however, that election proposals to the Annual General Meeting are made only by shareholder representatives in the committee."

The Management Board and the Supervisory Board of Postbank also intend to comply in the future with the recommendations of the German Corporate Governance Code in the current version of May 13, 2013, with the exception of the declared deviations.

The suggestions of the DCGK are also implemented with the exception of the Annual General Meeting not being broadcast to shareholders on the Internet (section 2.3.3. of the DCGK) and the Company proxies for shareholders who cannot personally attend the Annual General Meeting, for technical reasons can be reached up until the evening before the Annual General Meeting, but not during the Annual General Meeting (2.3.3 DCGK). For shareholders who participate in the Annual General Meeting, Company proxies may be contacted until the vote is taken.

Corporate governance practices

To implement corporate governance practices, Postbank has formulated a company vision and mission as well as 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 serve as a model in equal measure for the Management Board, executives and employees.

Postbank's values and principles are recorded in the "Postbank Mission Statement" and are meant to guide the business activities of employees throughout the Postbank Group. The statement utilizes vision and mission to put the strategic orientation of Postbank into concrete terms. Six values define the proposed course. The letter and spirit of these values and principles are reflected in the Postbank guidelines and provisions that determine daily work and business life (such as organizational manuals and working instructions). They reflect Postbank's obligation to act responsibly, ethically and lawfully. The mission statement is binding for all executive employees of the Postbank Group and is reflected in the Bank's target agreements. The status of implementation is reviewed as part of the annual employee survey.

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

- Customer orientation
- Integrity
- Sustainable performance
- Innovation
- Partnership
- Discipline

The "Code of Business Conduct and Ethics for Deutsche Bank Group" applies to all employees of the Deutsche Bank Group. The Code of Ethics, which contains special obligations for the senior financial officers of Deutsche Bank, applies to the Chief Financial Officer of Postbank, the heads of the Finance board department of Postbank and the Chief Financial Officers of the Postbank subsidiaries BHW and Deutsche Postbank International S.A.

Furthermore, Postbank places a high value on the issue of sustainability. For that reason, principles of sustainability have been compiled in a mission statement on the topic. This statement is also binding for Postbank's executive employees.

For Postbank, sustainability involves the responsible use of social, ecologic and economic resources in order to ensure a lasting worthwhile future for coming generations. As a fixed component of the business strategy, the principle of sustainability is put actively into practice in our daily work. In addition, our "Supplier Code of Conduct" also requires the Bank's suppliers to observe these values.

Making active contributions to the protection of natural living conditions on the planet and to our social environment are part of Postbank's vision of itself. Through these contributions we hope to ensure our long-term commercial success and help every individual employee understand our guiding principle of sustainability. We are committed to providing our employees with attractive and safe working conditions and to conserving natural resources. As a company, we are an integral part of the society in which we operate. Our goal is to generate added value for our stakeholders.

In a reflection of section 4.1.1 of the DCGK, Company management is focused in particular on the sustained creation of value. These efforts are based on clear values and minimum standards for behavior in day-to-day business as well as the structuring of remuneration for employees, managers, and Management and Supervisory Board members in accordance with the required sustainable, company-performance standards. (Additional information can be found 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), the appointment of individuals to the Management Board (section 5.1.2 of the DCGK) and the composition of the Supervisory Board (section 5.4.1 of the DCGK). Here 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.

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 the 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 heads Deutsche Postbank AG and represents the Bank externally. The Management Board members share joint responsibility for the entirety of 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 represents.

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 quarterly and half-yearly reports, 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 strategy implementation and the progress being made toward achieving these goals.

The Management Board holds regular meetings called by the Board's Chairman, who coordinates the work of the Management Board. The calling of an unscheduled meeting by the Management 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. In addition, the committee also oversees capital investments and projects and monitors and oversees outsourcing issues.

The Implementation Committee is responsible for managing projects 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.

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 as well as 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.

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 election by the next Annual General Meeting, in accordance with the provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act). Ten further members are elected by the employees in accordance with the provisions of 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 seven committees that report to it on their work at regular intervals. These are the Executive, Audit, Human Resources, Risk, Compensation Control, Nomination and Mediation Committees. With the establishment of a Compensation Control Committee as of January 1, 2014, the Supervisory Board has fulfilled the requirements of the CRD IV Implementation Act (section 25d(12) of the KWG new version). The committee formerly designated the Loan and Equity Investments Committee was renamed the Risk Committee by resolution on March 22, 2013, and since then has also been performing the duties defined in section 25d(8) of the KWG in the new version.

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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 16).

For the purpose of filling positions on Postbank's Supervisory Board objectives were formulated to ensure that its members as a whole have the requisite knowledge, skills and professional experience to supervise and advise the Management Board competently. With regard to individuals proposed for election, particular attention is to be paid to their integrity, personality, motivation, professionalism and independence. As defined in section 5.4.2 of the Corporate Governance Code, the Supervisory Board shall be composed of at least eleven independent members. It is assumed that the circumstance of employee representation and an employment relationship do not cast doubt on the independence as such of employee representatives. In particular, members of the Supervisory Board shall not perform advisory tasks or exercise directorships with important competitors of the Company. 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. With regard to the composition of the Supervisory Board it is important that members possess international experience.

When examining 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 minimum and to increase it to 30 % by 2017. It should be noted that the Supervisory Board can only influence its own composition by means of election proposals to the Annual General Meeting.

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 the Supervisory Board

Effective cooperation between the Management Board and the Supervisory Board rests on the sufficient flow of information about company issues to the Supervisory Board. Ensuring this exchange is the responsibility and common objective of the Management Board and the 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 governance and to achieve sustained growth in enterprise value, the Management Board and the Supervisory Board are in regular close communication with regard to relevant questions of planning, business development, risk exposure, 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 shareholding 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 electronic 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 stakeholders simultaneously in the interest of fair disclosure. To this end, Postbank publishes annual and half-yearly 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 (directors' dealings)), 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 172, 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 2013 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 partiality 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 175.

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Compliance

In the financial industry, trust among market players is of utmost importance. For this reason, business and services in financial services must be characterized by fairness in relation to other market players and, in particular, to our customers. Our success in business depends not least on maintaining a solid, trustful relationship among our customers, Postbank and our employees. Conduct that is detrimental to our customers, unfairly influences the capital market or tarnishes the Bank’s image must be avoided. To this end, our Company has further developed a consistent understanding of compliance. “Compliance” means “acting in accordance with applicable laws, regulatory rules and internal guidelines”. At Deutsche Postbank AG, compliance is understood as interaction among customers, the Bank and its employees that is based on fairness, integrity and trust. This interaction is carried out on the basis of due regard for applicable laws and other regulations designed to protect customers and avoid conflicts of interest.

The compliance function, by advising and supporting the business divisions as well as performing other duties – notably regular control and monitoring activities as well as the provision of training – 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. It also reduces compliance risks, i.e. 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. With the amendments to the Minimum Requirements for Risk Management (MaRisk) as of December 2012, the focus is no longer exclusively on provisions relevant for providing securities services; instead it fundamentally covers all legal regulations and standards that are essential to the Bank. In 2013, the further development of the compliance function was ensured thanks to provisions made as part of a project. Those provisions also ensured the ability of the Bank to work toward the further establishment of a compliance culture.

To address failures of compliance with prevailing law, a process was set up to collect credible tips from the Bank's workforce. In addition, the Compliance department is responsible for the new process related to the acceptance and giving of gifts and invitations.

Risk management

The Postbank Group monitors and manages its risks through Group-wide risk management. Deutsche Postbank AG is fully integrated into these processes.

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 due time risks material to it that arise from its business activities. In addition to these principles, strategies are also used to set guidelines, risk appetite and limits to the various risk types. These are discussed with the Risk Committee and the Supervisory Board.

Key risks are managed within Postbank at the individual and the portfolio levels – this includes the management of concentration risks. In the process the particular risks throughout the risk strategy, the risk appetite and the risk-bearing capacity are limited and monitored. The risk management system is continuously reviewed on the basis of current developments and adapted if necessary.

With respect to risk management and monitoring all levels of the Bank are incorporated into risk management: The Supervisory Board, Risk Committee, Management Board, risk committees and operating units, all of which receive the reports relevant for the performance of their tasks as required by the provisions of MaRisk. The integration of Postbank into the risk management activities of the Deutsche Bank Group is accomplished by means of the mutual interconnectedness of the bodies and the functional reporting lines between Postbank and Deutsche Bank. In addition, regular risk reports are submitted to Deutsche Bank to ensure comprehensive capture and management of the key risks. The key management reports and core ratios are analyzed and reported together. The effectiveness of the system is reviewed by Internal Audit and the Audit Committee.

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For further explanations and information on risk management, please see the Risk Report on page 55.

SUSTAINABILITY

PRACTICING CORPORATE RESPONSIBILITY

Sustainable company management at Postbank is anchored in Group-wide social, ecological and economic principles. The sustainability competence center has been dedicated to the sustainable development of Postbank across departments and locations since 2009. In its newly formulated mission statement of 2013, the Bank defined sustainable performance as an independent corporate value.

Social sustainability
Postbank 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 retirement provisions, the Bank also initiated a dialog on the prevention of poverty among the elderly. We also support educational and research institutes.

Children are our future. That is why Postbank, together with the independent children's rights organization "Save the Children", is committed to the long-term improvement of educational opportunities in Germany. Its motto is "Wir für Kinder – Bildung ist Zukunft" (Our commitment to children – the future lies in education). Cooperation on this education project began in 2013 and includes collecting donations and the dedicated support of our employees. In the mid-term we want to reach more than 6,000 children across Germany. During a telethon sponsored by the German television station RTL, Postbank called attention to its cooperation with "Save the Children" and donated €250,000. For the first time we also dedicated our traditional "Christmas tree wish list campaign" to "Wir für Kinder" during the reporting year. Since 2013, we have also offered our employees free credit cards that feature an integrated donation function. For every euro that is charged on the card, Postbank donates one cent to help finance the school project.

Ecological sustainability
In the view of Postbank, protecting the environment is one of the greatest challenges of our time. In 2008, the Bank claimed responsibility for active environmental and climate protection when it implemented the environmental management system (EMS). After the successful recertification of EMS in line with the requirements of the ISO 14001 standard by TÜV Rhineland in March 2012, the effectiveness of EMS was again confirmed by the regular surveillance visit in April 2013. 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, since 2012, all of Postbank's major sites have fully utilized eco-electricity. As an additional contribution to climate protection, Postbank generally selects the "carbon free business trip" option when traveling with the Deutsche Bahn rail service.

Economic sustainability

Safeguarding the long-term performance 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 – and founded on responsible interaction with one another. The values and principles of responsible action established in the Postbank mission statement have applied since 2013. They supplement and substantiate Deutsche Bank's Code of Ethics, which has also been binding for Postbank since 2012. Employees have also been able to use a whistleblower hotline – anonymously as well – to report possible violations of the Bank's 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 eight 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 is 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.de/nachhaltigkeit and www.postbank.com/sustainability.

GROUP MANAGEMENT REPORT

DEUTSCHE POSTBANK AG

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GROUP MANAGEMENT REPORT

BUSINESS AND ENVIRONMENT

Corporate profile

Business model of the Group

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

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

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

- In the Retail Banking division, Postbank offers retail and business 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 in third-party sales through 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 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 HypoVereinsbank and HSH Nordbank. VÖB-ZVD Processing GmbH provides its customers with services they need for card- and online-based payment transactions and is one of Germany's largest network operators in the area of card-based payment transactions.

- 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 risk and market risk. The Financial Markets division also manages Postbank's liquidity position.

- The 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 2013. The subsidiary BHW Bausparkasse Aktiengesellschaft is domiciled in Hameln.

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

Fundamental sales markets and competitive position

In retail banking, 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 in this area, it focuses particularly on German SMEs. With its subsidiary Betriebs-Center für Banken AG (BCB), Frankfurt am Main, Postbank is currently 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 7.6 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 after tax. The quantity is calculated on the basis of profit before tax and after tax divided by the average time-weighted equity in the reporting period.

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

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

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

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

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

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

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

The variable remuneration of Management Board members, executives and employees at Postbank is closely linked to this management system. It is based on individual targets, divisional targets and Postbank Group targets as expressed in profit/loss before tax and CIR. As a result of regulatory requirements and the company goal of sustainable success, a sustainability factor is used to calculate the long-term portion of the variable remuneration of our executives, risk takers and the Management Board (long-term component). Additional details are provided in the remuneration report starting on page 44 and page 163.

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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.

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

Composition of issued capital

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

Restrictions that affect voting rights or the transfer of shares

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

Equity interests in excess of 10 % of voting rights

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

Shareholders with special rights

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

Type of voting rights control when employees with equity interests do not exercise their control rights directly

Employees who hold shares of Deutsche Postbank AG exercise their rights of control like other shareholders in accordance with statutory provisions and the Articles of Association.

Provisions concerning the appointment and dismissal of Management Board members and amendments to the Articles of Association

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensation agreements in cases of a change of control

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

Section 289a of the HGB: Corporate Governance Statement

The Corporate Governance Statement can be found on our home page at https://www.postbank.com/postbank/en/au_corporate_governance_annual_governance_statement.html.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

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

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

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

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

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

Overall remuneration consists of fixed and performance-related components.

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

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

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

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

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

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

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

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

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

In accordance with the recommendation of the German Corporate Governance Code, 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 2013

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of a fixed and an annual performance-related component, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of 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 2013, Postbank employed 18,223 full-time equivalents, 376 fewer than on December 31, 2012. On a full-time equivalent basis, the workforce also included 5,389 civil servants, about 30 % of the headcount. About 25 % of our employees work part time.

Our external turnover in 2013 was about 6.8 %. The average length of a person's employment at the Company was approximately 21 years. Postbank remunerates almost all of its employees on the basis of performance and profit-related criteria that flow into a variable remuneration component.

SIGNIFICANT EVENTS AT POSTBANK IN 2013

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

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

MACROECONOMIC ENVIRONMENT IN 2013

Global economy continues to expand slowly

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

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

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

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

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

Economic rebound in Germany during the year

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

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

Market developments

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

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

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

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

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

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

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

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

Sector situation

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

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

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

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

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

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

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

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

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

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard and Deutsche Postbank AG, as we have done in the past. We compared the banks' results for the period of January through September 2013 with those of the previous year's levels. All four banks generated net income both before and after taxes. However, just one bank was able to increase net income before tax and after tax, respectively, as compared with the previous year's level. The majority of the banks we took into consideration experienced a decrease in their net interest income as well as net fee and commission income. Half of them reported growth in net trading income. Only one bank reported a drop in administrative expenses. Just one bank was able to lower its cost/income ratio. Return on equity after tax fell at all three banks that reported on this metric.

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

Postbank's investment focus in 2013

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

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

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

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

REPORT ON ECONOMIC POSITION

In fiscal year 2013, Postbank generated a consolidated net profit of €330 million (previous year: €287 million) despite difficult market conditions. Profit before tax amounted to €318 million compared with €394 million in the previous year.

This earnings trend is largely attributable to the sustained stable performance of our retail and corporate banking business. As we had predicted in last year's 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. This is attributable to the positive effects of €262 million from the sale of the U.S. subsidiaries to Deutsche Bank.

Given the continued pressure on income, we placed greater emphasis on cost management. Nevertheless, administrative costs increased by €186 million in the period under review due to the writedown of intangible assets in the amount of €180 million and integration-related expenses. We registered a decline in administrative expenses of approximately 2 % without taking the non-recurring effects into account.

The allowance for losses on loans and advances declined from the previous year's already low level thanks to the fact that our portfolio primarily comprises highly collateralized German mortgage loans, and to 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 2012.

Income statement

Net interest income

As we had expected, net interest income was down, declining by 8.9 % or €240 million to €2,463 million. In addition to other non-recurring effects, the decline in net interest income was mainly attributable to the sale of PB (USA) Holdings, Inc. already mentioned in the 2012 Group Management Report. The year-on-year comparison is also negatively impacted by the lower interest income from the portfolio of investment securities, which we scaled back as part of the de-risking strategy. The repurchase of bonds from institutional investors to reduce total assets led to a non-recurring effect of €–25 million. Investment securities were reduced by €3.0 billion compared with the prior-year end. Net interest income was also reduced by the interest payments of €22 million on additional tax payments for DSL Holding AG i.L., which was liquidated at the end of 2013, and in general due to the still low level of interest rates that represents a challenge for all deposit-rich banks.

Net trading income

Net trading income improved from €–103 million in the previous year to €–53 million. The €50 million improvement was attributable in particular to the net income from swaps entered into to hedge currency risk, which was up €15 million on the 2012 figure, the reduced negative effects from the structured credit portfolio (SCP) in the amount of €18 million, and the €33 million improvement in the net gains from the use of the fair value option by our subsidiary BHW Bausparkasse AG to manage interest rate risk.

The main reasons for the deviation from our forecast of slightly positive net trading income were the adjustment of the valuation techniques used for derivatives (€–29 million) and the net income from swaps entered into to hedge currency risk (€–21 million).

Net income from investment securities

Net income from investment securities improved sharply by €289 million, rising from €–15 million in 2012 to €274 million in the year under review. The positive overall effects from the sale of our U.S. subsidiaries made a significant contribution of €262 million. Other positive effects resulted from the €94 million reduction in the negative effects from the structured credit portfolio, as well as from our exposure to Greek government bonds which had reduced this item by €35 million in the previous year. The item was negatively impacted year-on-year by the higher net gains from disposals and Lehman portfolios recorded in 2012 (€–41 million and €–44 million, respectively). In addition, charges of €17 million were recognized for closed-end real estate funds in 2013.

The negative effects of the accelerated risk reduction in the NCOU segment in 2013 were much less significant than forecast.

Net fee and commission income

Net fee and commission income declined by €34 million or 2.9 % to €1,120 million. Due to the unchanged market conditions, we had assumed that this figure would remain broadly stable in 2013. The unexpected decline is primarily attributable to the revision of the fee structure in our lending business.

Total income

Postbank's total income rose 1.7 % from €3,739 million in 2012 to €3,804 million in the year under review. The decline in net interest income and net fee and commission income was more than compensated for by the higher than expected net income from investment securities.

Allowance for losses on loans and advances

The allowance for losses on loans and advances was down 16.9 %, at €319 million as against €384 million in the previous year. This positive trend can be seen in the private mortgage lending area in particular. The net addition ratio in the customer loans business was 32 basis points, compared with 36 basis points in 2012. 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. This was bolstered in particular by the still stable situation on the German labor market, the property price trend, and the performance of German industry. As expected, our portfolios in the Retail Banking segment 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.

The portfolios allocated to the NCOU segment – particularly the London branch's business that has been sold – resulted in lower risk costs in the year under review than in the previous year as there were no major defaults on real estate loans.

Administrative expenses

Administrative expenses increased by €186 million or 6.2 % to €3,177 million in 2013, mainly due to the writedown of intangible assets in the amount of €180 million, which also had a negative impact on the cost/income ratio. This writedown is also responsible for the rise in administrative expenses being sharper than forecast at the beginning of the year. In addition, the integration-related expenses increased by €74 million year-on-year to €182 million. Excluding the above effects, administrative expenses would have declined.

Despite the €46 million rise in integration-related staff expenses compared with 2012, overall staff costs declined by 0.8 % from €1,425 million to €1,414 million in 2013.

Other income and expenses

Net other income and expenses amounted to €10 million, following €30 million in the previous year. This decline is mainly attributable to disposal gains included in the previous year on positions that had largely been written off or that were not carried in the balance sheet in the previous year.

Profit before tax and consolidated net profit

Profit before tax amounted to €318 million, compared with €394 million in the previous year. The decline in profit was less pronounced than forecast in the previous year's Report on Expected Developments, largely due to less significant negative effects from the reduction of risk positions in the Non-Core Operating Unit than had been expected.

After adjustments for income taxes of €13 million and of €1 million attributable to non-controlling interests, consolidated net profit in 2013 amounted to €330 million, compared with €287 million in the previous year.

At €381 million, Postbank's total comprehensive income, including changes in valuation reserves, remained almost unchanged on the prior-year figure of €378 million. The €47 million deterioration in the revaluation reserve was more than offset by the reversal of the currency translation reserve of €138 million. This reversal was attributable to the sale of the U.S. subsidiaries, which were the only subsidiaries to report in a foreign currency.

Earnings per share

Earnings per share were €1.51 (previous year: €1.31). The return on equity before tax was 5.4 %, compared with 6.6 % in the previous year, while the cost/income ratio was 83.5 % (previous year: 80.0 %).

SEGMENT REPORTING

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In 2013, Postbank modified its segment reporting with regard to the presentation of cost elements and the segment allocation of one of its subsidiaries. The comparative prior-year figures have been adjusted accordingly. Further details can be found in Note 40.

Retail Banking

Profit before tax in the Retail Banking segment declined by 6.7 % to €653 million in 2013. The decline was slightly steeper than forecast, as net fee and commission income fell short of our original expectations.

As expected, net interest income rose slightly by 0.8 % to €2,480 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 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 €12 million, up €41 million year-on-year. This improvement is mainly due to measurement effects resulting from the fair value option used to hedge interest rate risk in our mortgage loan portfolio.

The 6.8 % decrease in net fee and commission income to €908 million is attributable to the revised fee structure in our lending business, as well as lower income from the postal business. Due to the change in pricing for installment loans, the forecast slight rise in net fee and commission income did not materialize.

Contrary to our expectations, the allowance for losses on loans and advances declined by €32 million or 13.2 % to €210 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 stable trend on the German labor market and property price developments.

As expected, administrative expenses increased by €146 million or 8.2 % to €1,919 million due to integration effects.

The cost/income ratio for the segment increased from 72.6 % to 74.6 %. The return on equity before tax amounted to 26.4 %, following 28.3 % in the previous year.

Corporate Banking

Profit before tax in the Corporate Banking segment declined more sharply than anticipated, falling 34.7 % or €86 million to €162 million. Due to our de-risking strategy, we had factored in a decline in profits at the beginning of the year. This decline was further enhanced by a change in internal cost allocation in favor of the Financial Markets segment. In addition, commercial real estate finance and, especially, the German and foreign corporate banking business were negatively impacted by lower volumes due to the increased focus on German SMEs. Cumulatively, these factors resulted in a €88 million or 22.6 % decline in net interest income.

The €10 million or 20.8 % reduction in the allowance for losses on loans and advances to €38 million had a positive impact. Due to the favorable property price trend and stable performance of the German economy, the increase we had forecast at the beginning of the year did not materialize. Administrative expenses declined by 2.1 % from €97 million in the previous year to €95 million in the period under review.

The return on equity before tax for the segment decreased from 35.1 % in the previous year to 25.4 % in 2013. The cost/income ratio was 50.9 %, following 39.5 % in the previous year.

Transaction Banking

Against our expectations, the profit before tax in the Transaction Banking segment increased by a significant 47.8 % from €23 million in 2012 to €34 million in the year under review. This rise is mainly due to the year-on-year decline in the non-recurring negative effects resulting from adjustments. Net fee and commission income declined by 2.0 % as expected, as customers increasingly moved into paperless and SEPA-based payment transactions. The reduction in administrative expenses was greater than expected, at €24 million.

The cost/income ratio for the segment improved from 95.9 % to 91.3 %.

Financial Markets

As anticipated, the loss before tax in the Financial Markets segment improved significantly from €104 million in 2012 to a profit before tax of €14 million in the year under review. This was largely attributable to the still favorable yield curve trend and the maturity of high-interest long-term refinancing, in addition to the aforementioned changes in internal cost allocation which had a negative effect on the Corporate Banking segment. The segment's net interest income increased by €164 million to €120 million.

Net trading income decreased by €43 million to €–47 million. The net income from swaps entered into to hedge currency risk declined by €10 million, foreign exchange gains fell by €16 million, and the adjustment of the valuation techniques used for derivatives led to a non-recurring charge of €17 million.

Net income from investment securities declined by €48 million to €22 million. This was mainly due to the lower gains realized, which amounted to €41 million.

After generating income of €5 million in the previous year, the allowance for losses on loans and advances generated an expense of €2 million in 2013. As expected, administrative expenses sank appreciably by €15 million or 19.5 % to €62 million.

The return on equity for the segment was a slightly positive 1.2 %, after the previous year's negative level.

Non-Core Operating Unit (NCOU)

The segment's profit before tax amounted to €–653 million compared with €–495 million in the previous year and was therefore well below the level expected at the start of 2013. This development was primarily driven by the accelerated reduction of risk positions and the associated loss of income.

Net interest income declined by €307 million to €–416 million, mainly due to the significant further reduction in the segment's assets in the year under review.

Net trading income improved by €51 million to €–15 million. The main reasons for this are the improvement in the net income from swaps entered into to hedge currency risk, which was €25 million higher than in 2012, and reduced negative effects from embedded derivatives, which amounted to €17 million.

Net income from investment securities rose by €38 million to €–60 million, following €–98 million in the previous year. This improvement is primarily attributable to the elimination of the negative effects from our exposure to Greek government bonds, which still amounted to €35 million in 2012, the €94 million improvement in net income from the structured credit portfolio, the negative effect of the sale of PB (USA) Holdings, Inc. Group of €50 million, and negative effects from closed-end real estate funds of €17 million. In addition, the 2012 figure included a positive effect of €20 million from the Lehman exposure.

Administrative expenses for the segment declined by €34 million or 55.7 % to €27 million.

The allowance for losses on loans and advances amounted to €69 million compared with €99 million in the previous year. This is attributable to the lower specific valuation allowances required for individual exposures in the corporate banking business and for the relevant international commercial real estate finance.

Cost Centers/Consolidation

The segment's profit before tax increased by €86 million to €108 million, contrary to our initial expectations. In our outlook in last year's Group Management Report, we had assumed a more negative result than in the previous year. In 2013, we introduced full allocation of the segment to the operating segments. The 2012 results were restated accordingly. With the exception of material non-recurring effects, the segment result is fully allocated to the other operating segments. The remainder of the result for 2013 is mainly attributable to disposal effects from the sale of our U.S. subsidiaries (€312 million), the writedown of the BHW brand (€–180 million), and the interest payments related to an additional tax payment (€–23 million).

The year-on-year improvement is largely due to the above-mentioned effects. However, the allocation of €16 million from the deconsolidation of PB Vermögens-Management S.A. in Luxembourg to the segment in 2012 weighed on the segment's result in the year under review.

TOTAL ASSETS

Total assets

At €161.5 billion, Postbank's total assets were down 14.1 % on the prior-year figure of €188.0 billion. On the assets side of the balance sheet, we continued to scale back investment securities. The sale of our U.S. subsidiaries and of the business of our London branch allowed us to more strongly focus our business on Germany in line with our active de-risking strategy. The structure of the liabilities side has been adjusted accordingly. In addition to the debt securities in issue, customer deposits also declined.

Loans and advances to customers

Loans and advances to customers, which include securitized assets such as promissory note loans, declined by €5.0 billion as against year-end 2012 to €101.3 billion. This is primarily due to a €4.7 billion decline in commercial loans. A significant proportion of this was attributable to the sale of a package of commercial real estate loans in the UK in the second half of 2013.

Private mortgage lending was down year-on-year and amounted to €70.5 billion (previous year: €71.6 billion). The installment loan business also expanded clearly by €0.6 billion or 12.5% to €5.5 billion.

Money and capital market investments

Money and capital market investments, comprising investment securities, trading assets, and loans and advances to other banks, declined by €13.8 billion to €56.0 billion in the year under review.

In line with our de-risking strategy, we reduced our holdings of investment securities in 2013 by an additional €3.0 billion to €34.0 billion. As a result, we 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.

Loans and advances to other banks declined by €7.5 billion or 27.1 % to €20.2 billion due to a sharp reduction in securities repurchase transactions.

Trading assets attributable to the positive fair values of derivatives in the trading portfolio declined by €3.3 billion to €1.8 billion.

Due to customers

On the liabilities side of the balance sheet, amounts due to customers were down €11.3 billion on the previous year, at €120.4 billion. Savings deposits declined by 3% from €47.9 billion in the previous year to €46.4 billion in the year under review, while home savings rose slightly by €0.2 billion to €18.6 billion. This trend is mainly due to the historically low level of interest rates and the preference of consumers for spending over saving. Other liabilities decreased primarily as a result of the decline in the corporate banking business from €65.4 billion to €55.4 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 16.6 % or €5.4 billion to €27.3 billion in 2013. Deposits from other banks rose by €1.0 billion year-on-year to €18.3 billion. This rise is primarily attributable to an increased volume of securities repurchase transactions.

Our strong liquidity position, together with the low need for new issues as well as expiring positions led to a further €2.1 billion decline in debt securities in issue to €7.3 billion at the end of the year under review.

Largely in line with trading assets, trading liabilities decreased by €4.3 billion compared with December 31, 2012, to €1.7 billion.

Equity

Recognized capital was up €232 million as against December 31, 2012, at €6,212 million. This is largely attributable to the consolidated net profit of €330 million, as well as the decline in the revaluation reserve from €72 million at the end of 2012 to €23 million at the end of 2013, plus the reversal of the currency translation reserve of €138 million.

The Postbank Group's Tier 1 capital ratio under Basel II – based on recognized capital as of December 31, 2013 – was 10.9 %, compared with 12.0 % at the end of 2012. This decrease is mainly attributable to the sale of Deutsche Postbank Funding LLCs I to IV and Deutsche Postbank Funding Trusts I to IV, which until December 31, 2012 had been included in the calculation of the Tier 1 capital ratio as hybrid capital. Not taking these hybrid capital instruments into account, the Tier 1 capital ratio would have been 9.0 % as of the 2012 year-end. On a comparable basis, we were thus able to increase our Tier 1 capital ratio by almost 2 percentage points, which reflects the achievements of the de-risking strategy we systematically pursued in 2013.

Overall business situation in 2013

Postbank's net assets, financial position and results of operations remained stable with profit before tax exceeding our target despite the still difficult conditions and the stronger focus of our business. For the most part, this is attributable to the sustained performance of our retail and corporate banking business which has not shown itself to be susceptible to fluctuation. Net assets continue to be characterized by the lending business. The customer business developed steadily 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 was 5.4 %, compared with 6.6 % in the previous year. The cost/income ratio was 83.5 %, following 80.0 % in 2012.

84 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

There were no reportable events in the period from December 31, 2013 up to the preparation of the consolidated financial statements by the Management Board on February 21, 2014.

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans

The historically low interest rates available today have prompted retail customers to step up their spending and reduce their level of savings. The low rates are also spurring demand for private residential mortgages. In 2013, Postbank profited from these trends, experiencing a rise in new business for consumer loans (24 %) and for residential mortgages (new business 7 %). In contrast, the volume of savings deposits at Postbank fell by 4 %. This trend caused the deposit surplus to decline and had a positive impact on the Bank's net interest income, a development that took some pressure off margins.

Decisions made by the German government could favor business

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

A reversal of monetary policy unlikely in the short run

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

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

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

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

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

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

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

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

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

RISK REPORT

Summary overview of risk exposure

External factors affecting the risk profile

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

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

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

Overall bank risk

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

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

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

Credit risk
The allowance for losses on loans and advances in 2013 was below the prior-year level due to the positive trend in Postbank's customer business. This was attributable among other things to a favorable macroeconomic environment, healthy recovery proceeds from collateral realization in the mortgage lending area, and systematic risk management.

In 2013, risk-bearing assets were reduced primarily in the Non-Core Operating Unit (NCOU), mainly by scaling back the structured credit portfolio, selling PB (USA) Holdings, Inc., and selling commercial real estate finance held by the London branch of Deutsche Postbank AG. The reduction of the structured credit portfolio also involves a reduction of the U.S. corporate high yield portfolio. As a result, the notional volume of the structured credit product portfolio (SCP portfolio) fell by €794 million compared with December 31, 2012, to €123 million as of the 2013 year-end; the portfolio is invested in redeemed Postbank securitizations (residential mortgage-backed securities – RMBSs) and impaired holdings.

Postbank is monitoring its exposure to the GIIPS states (Greece, Ireland, Italy, Portugal, and Spain) extremely closely in view of the current debt situation in these countries. The (nominal) exposure to debtors in these countries fell by €1.8 billion in the year under review as against December 31, 2012, to €11.6 billion. This was due in particular to instruments maturing, but also to active portfolio reductions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In fiscal 2013, Postbank continued its systematic progress with the project work needed to implement the Basel III, Capital Requirements Directive (CRD IV), and CRR requirements, which apply as from 2014 onwards. For further details, please see the section entitled "Regulatory requirements."

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

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

Risk types
The risk types that are tracked within Postbank are determined on the basis of a 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, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank. The risk types identified as material in the risk inventory are quantified during the risk-bearing capacity assessment and backed by risk capital. They are monitored on a regular basis. For details of the quantification procedure, please see Note 49 of the Notes to the Consolidated Financial Statements.

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

Postbank distinguishes between the following risk types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Collective risk – the specific business risks associated with BHW Bausparkasse AG's home savings business – comprises potential negative effects on the net assets, risk position, and results of operations due to variances between the actual and the forecast behavior of the home savings collective.

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

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

Risk capital is allocated at segment level for all quantified risk types as part of the internal management process. Internal transfer pricing is used to transfer all market risks with the exception of credit spread risks in the Non-Core Operating Unit (NCOU) to the Financial Markets segment. NCOU securities holdings that are exposed to market risk are to be reduced.

Organization of risk management

Postbank has a risk management organization that serves as the basis for risk- and earnings-oriented management of the Bank as a whole by identifying all key risks and risk drivers, and measuring and evaluating these independently. Risks are limited and managed using the ICAAP 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.

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

Responsibilities and risk strategy

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

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

As required by MaRisk, the 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 Postbank's risk appetite, risk profile, and target returns. They are defined and documented as part of the risk strategy that is adopted each year on the basis of the divisions' business strategies.

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

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

Risk committees

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

Tasks of the Bank Risk Committee and its subordinate risk committees

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

The Bank Risk Committee 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 (CRC), the Market Risk Committee (MRC), the Operational Risk Committee (ORC), the Cover Business Committee (CBC), and the Model and Validation Committee (MVC) are headed by members of the Bank's senior management. The Cover Business Committee develops management triggers for Postbank's cover business. The Model and Validation Committee is responsible for modifications to and extensions of risk models and risk classification procedures, as well as for approving the validation reports.

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

Centralized risk monitoring and management

Risk Control function

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

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

Risk management units and tasks

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

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

Seminars are held on an ongoing basis to ensure that Risk Management employees are appropriately qualified. Consequently, Postbank's centralized training offering also includes courses that are dedicated solely to risk management issues (and particularly to credit risk).

Risk management by risk type

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 Treasury/ALM (Asset/Liability Management), the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, the Retail Banking credit functions and the Non-Core Operating Unit (NCOU). In addition, the subsidiaries BHW Bausparkasse AG, Deutsche Postbank International S. A. (Luxembourg) and PB Factoring GmbH manage their risks independently using separately defined risk limits.

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

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

A two-tier organizational structure with decentralized operational risk managers has been created for each unit 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.

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

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.

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

Overarching risk management

Risk-bearing capacity

In addition to its regulatory own funds in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation), 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). Postbank considers its risk-bearing capacity to be adequate if the risk cover amount exceeds the allocated risk capital and the current level of overall risk (VaR).

For the purposes of economic creditor protection, risk potential is calculated using a confidence level of 99.93 %. In this approach, the risk cover amount represents the economic asset value and 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 (to date in accordance with Basel II, as of 2014 in accordance with Basel III) 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 %.

Risk capital and risk limitation

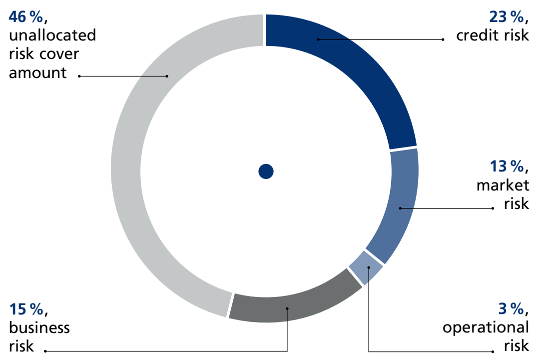
The capital from the risk cover amount that is allocated to the various units and risk types is known as risk capital. Risk capital allocation is reviewed on at least a quarterly basis by the Group Management Board and/or the BRC and adjusted as necessary. The risk committees are responsible for breaking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

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

Risk capital allocation takes into account potential fluctuations in the risk cover amount caused by the impact of the results of operations and other effects on the equity components, as well as stress scenarios affecting all risk types. To do this, a buffer is established by only allocating part of the risk cover amount available as limits for the individual risk types. When determining total risk capital requirements, diversification effects arising from correlations between risk types are calculated conservatively on the basis of Postbank-specific data; these reduce the risk capital provided. Risks associated with specific business models (operational risk, 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 Postbank's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for fiscal year 2013 (calculated as of December 31, 2013):

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



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, 2013 and the previous year are given in Note 49 to the Consolidated Financial Statements.

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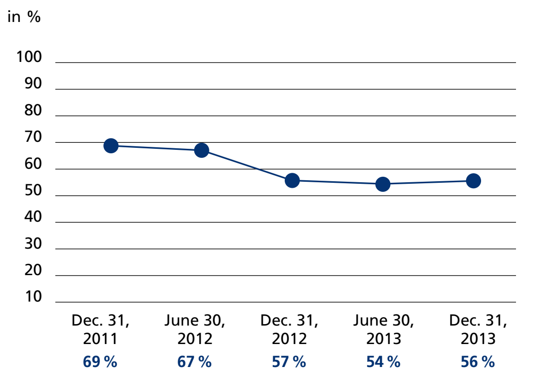
The following graphic shows the development of approved risk capital in relation to the total risk cover amount:

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



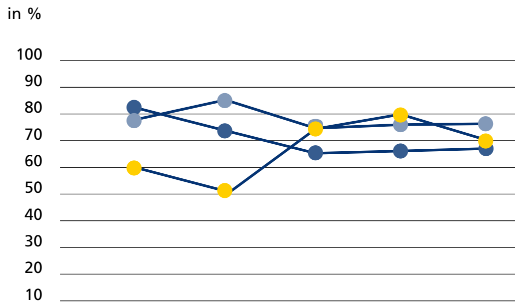
Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 56 % as of the reporting date. Since Postbank aims to improve the impact of its management measures on the risks by managing limits more actively, higher limit utilization must generally be expected. As part of its ongoing reduction of its risk positions, Postbank started reducing its authorized risk capital in 2012. The slight increase in allocated capital in the collective risk and operational risk types is more or less offset by the reduction in capital for market risk. The risk cover amount increased in 2013 as a result of the retained earnings in accordance with IFRSs. This led to a slight reduction in utilization year-on-year.

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 managed using Group-wide limits.

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

As of the December 31, 2013 reporting date, utilization of the authorized risk capital for market risk – which was cut substantially during the reduction of the holdings of investment securities and in the course of the decline in spread volatilities in particular – amounted to 69% (December 31, 2012: 64 %). The authorized risk capital for credit risk was also reduced substantially in 2013. Limit utilization rose to 77 % as of December 31, 2013, due to the reduction in risk capital (December 31, 2012: 75 %). Whereas credit risks were reduced in the Non-Core Operating Unit in particular, ratings downgrades occurred in the course of the second half of 2013. The limit utilization figure for the authorized risk capital for operational risk changed from 73 % as of December 31, 2012, to 70 % at the end of the period under review. This is primarily due to an increase in the limit from €485 million at the 2012 year-end to €600 million as of December 31, 2013, which was the result of a change in the distribution of the external retail loss data sourced from the Operational Risk Data Exchange (ORX) consortium and a rise in internal operational risk losses from legal actions and complaints in the Retail Banking division.

Postbank'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 credit spread risk). Sensitivity analyses and stress scenarios are used to describe hypothetical future developments for the various portfolios, value drivers, and risk drivers. Consequently, macroeconomic scenarios for inflation, stagflation, recession, and other hypothetical or historical scenarios are calculated across all risk types.

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

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

Postbank took measures to reduce concentration risk in the Financial Markets and Non-Core Operating Unit segments. In this context, it continued systematically reducing its exposures to GIIPS states in 2013.

Following the sale of the PB (USA) Holdings, Inc. Group and of parts of the portfolio belonging to the London branch of Deutsche Postbank AG, the commercial real estate portfolio is now very largely focused on Germany/Europe. A strategy designed to prevent specific regional concentration risks is being pursued.

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

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

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

New products process

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

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

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

Regulatory requirements

Capital requirements

As of the reporting date of December 31, 2013, Postbank calculated the regulatory capital requirements for the following portfolios – grouped by exposure class in accordance with the SolvV – on the basis of internal ratings: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, domestic commercial real estate, purchased corporate loans, insurers), retail business (Deutsche Postbank AG mortgage loans, 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.

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

Postbank uses the Credit Risk Standardized Approach (CRSA) for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: overdrafts and collection activities in the Retail Banking segment, portfolios belonging to the other subsidiaries of Postbank 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.

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 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, were successively implemented in line with the regulatory implementation and transition deadlines in a project launched in 2012. Work on the compliance function and funds transfer pricing will be completed in 2014, in keeping with the relevant supervisory transition provisions.

New regulatory requirements

The projects established to prepare for implementing the Basel III requirements (Capital Requirements Directive/ Capital Requirements Regulation) were continued as scheduled in fiscal year 2013. The large number of changes relates to 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 continued its implementation and testing of the relevant extensions to its data repositories and reporting systems. Last but not least, implementing Basel III also entails extensive procedural changes that were also developed and documented in corresponding projects.

In parallel to this, Postbank continued implementing the updates contained in the suite of laws on the modernization of the prudential supervisory reporting system. This comprises changes in solvency reporting (Common Solvency Ratio Reporting – COREP) and 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 (basic reporting system and FINREP).

Monitoring and managing market risk

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

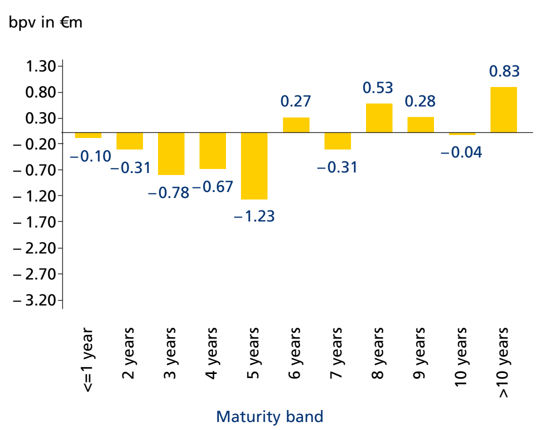
Escalation mechanisms have been defined for critical management parameters and for exogenous events so as to account for the relative significance of market risk to Postbank. These mechanisms ensure a prompt reaction to situations in which limits are approached or exceeded, or to extreme market movements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

Interest rate risk management

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

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

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



The chart shows that the long positions as of the reporting date of December 31, 2013 are primarily concentrated in the short- to medium-term maturity range (up to 5 years). In the long-term maturity range (8 years and more), the majority of interest rate risk overhangs were on the short side as of the reporting date. Overall, a long interest rate position was maintained throughout fiscal year 2013, as in the previous year. The total bpv as of December 31, 2013 amounted to €–1.5 million, after €–2.2 million as of December 31, 2012. Interest rate sensitivity is primarily the result of positions in euros (bpv: €–1.4 million); interest rate sensitivities in other currencies are immaterial. Postbank mainly uses interest rate swaps to actively manage interest rate risk. The risk from equity holdings remains negligible.

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

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

Market risk is managed using a system of risk limits. The aggregate risk capital for market risk is resolved by the Bank Risk Committee and allocated by the Market Risk Committee to the individual units and portfolios in the form of operating sublimits. In addition to limits for total VaR and for the main subtypes of market risk, loss limits are allocated for potential fair value losses in individual portfolios. End-of-day risk measurement and monitoring are used for the whole bank; in addition, intraday monitoring is performed for market risk in the trading portfolios. The limits used are dynamic outcome-based limits; any losses incurred over and above the loss limit reduce the limit, while gains replenish it, at a maximum, to the originally defined level. The VaR limits authorized at Group and portfolio level were complied with at all times in fiscal year 2013.

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

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

Stress testing

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

In 2013, the risk capital available for market risk was sufficient at all times to cover the fair value losses arising in even the most adverse of the historical and hypothetical 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 the stress tests per exposure class and segment and identifying existing risk concentrations using sensitivity analyses. Instruments used in this context include interest rate gap analyses, credit spread sensitivity analyses by issuer, asset class, or credit rating, and analyses of the 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 were calculated for Postbank for the period from January 1 to December 31, 2013, and for January 1 to December 31, 2012 (confidence level of 99 %, holding period of 10 days):

Value at risk, market risk Postbank Group

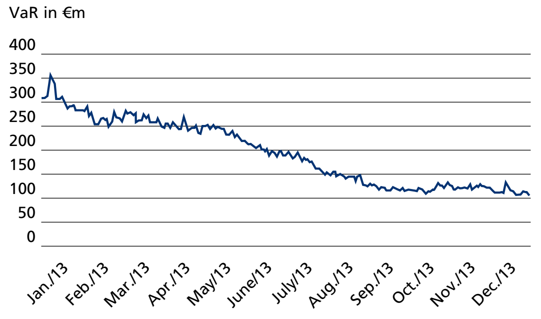
Group VaR (10 days, 99 %)	As of		Maximum VaR		Minimum VaR		Average VaR	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	2013 €m	2012 €m	2013 €m	2012 €m	2013 €m	2012 €m
Interest rate risk	47.3	80.3	98.1	140.7	30.1	64.6	61.9	94.9
Equity/stock index risk	3.5	3.5	6.0	8.3	1.7	1.6	2.5	3.0
Currency risk	3.7	23.9	25.2	33.6	1.3	1.8	6.3	9.3
Other market risk (spread)	120.3	345.0	360.5	499.7	119.2	329.1	217.5	427.8
Diversification effects	–57.9	–126.8	–124.8	–197.2	–25.3	–43.0	–89.6	–119.0
Total	**116.9**	**325.9**	**353.2**	**498.4**	**115.7**	**304.1**	**198.6**	**416.0**

The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €117 million as of December 31, 2013 (for comparative purposes: €326 million as of December 31, 2012).

The calculation incorporates all material market risk-bearing positions in the trading and banking books, including pension obligations and the corresponding plan assets. In line with Postbank's business strategy, the level of market risk is largely determined by the interest rate risk and spread risk. Currency risk, which is mainly incurred as a result of the business activities of Postbank's foreign subsidiary in Luxembourg and its London branch, is of relatively minor 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.

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

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



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

The VaR figures for the trading book positions are contained in the following overview:

Value at risk, trading book

Trading book VaR (10 days, 99 %)	As of		Maximum VaR		Minimum VaR		Average VaR	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	2013 €m	2012 €m	2013 €m	2012 €m	2013 €m	2012 €m
Interest rate risk	0.0	1.2	1.5	11.0	0.0	1.2	0.5	6.1
Equity/stock index risk	0.0	0.3	0.4	0.8	0.0	0.0	0.1	0.4
Currency risk	0.3	0.5	1.7	2.2	0.3	0.1	0.4	0.4
Other market risk (spread)	0.0	3.8	3.6	15.9	0.0	2.7	0.5	10.0
Diversification effects	0.0	–2.0	–2.8	–12.1	0.0	–2.0	–0.6	–6.1
Total	**0.3**	**3.9**	**3.6**	**18.7**	**0.3**	**2.8**	**0.8**	**10.7**

The change in risk indicators for the trading book reflects the change in Postbank's trading strategy, which entails a significant reduction in trading activity and a reduction in the risk positions. In addition, the modified trading strategy was reflected in a reduction in the limits for the trading book in 2013. The VaR for the entire trading book as of December 31, 2013 was a mere €0.3 million (December 31, 2012: €3.9 million).

Real estate risk management

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.

Investment risk management

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). As of the reporting date of December 31, 2013, Deutsche Postbank AG held a total of 43 (previous year-end: 59) direct and a large number of indirect equity investments.

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

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

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

Monitoring and managing credit risk

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

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

Managing individual risks

Credit approval procedures

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

Scoring and rating

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

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

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

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

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

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

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

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

Risk/return key performance indicators

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

Collateral management

Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. The value of the collateral is continuously monitored on the basis of uniform 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. 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 concepts produced by vdpResearch GmbH (the real estate market research company belonging to the Verband deutscher Pfandbriefbanken e.V.) and, in the case of hotel properties, by Deutsche Kreditwirtschaft, while the front office and back office units perform qualitative monitoring of the relevant sectors and real estate markets on an ongoing basis. In the case of loans and property values with volumes in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified credit specialists or a new appraisal is performed by real estate experts, as appropriate.

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

A new collateral management system was introduced at BHW Bausparkasse AG and BHW Kreditservice GmbH in 2013. In the case of Deutsche Postbank AG, the focus remains on enhancing the existing collateral management environment.

Credit monitoring and problem loan procedures

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

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

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

Managing credit risk at portfolio level

Portfolio management

Above and beyond monitoring individual risks, Postbank calculates the necessary economic capital (EC) for all 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

As of the December 31, 2102 reporting date, 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. The sale of commercial real estate finance held in a subportfolio belonging to the London branch of Deutsche Postbank AG led to a further reduction. As of the December 31, 2013 reporting date, assets held for sale are reported in the same way as in the balance sheet. For further details, see Note 6 to the 2013 Consolidated Financial Statements. 116

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2013, compared to the end of 2012 (volumes: IFRS carrying amounts):

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

[1]Figures as of December 31, 2012 adjusted (see Note 7)
[2]The underlying confidence level is 99.93%

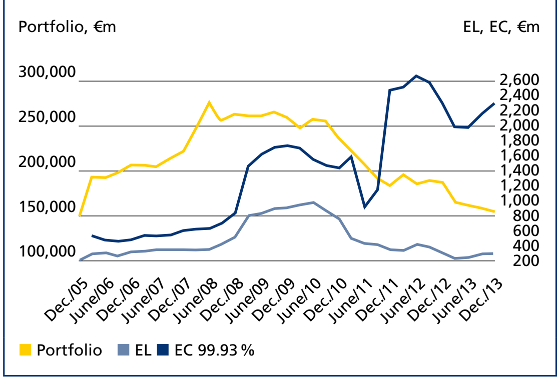
The risk indicators for the expected loss and the economic capital are almost unchanged year-on-year. Effective 2013, the credit risk from pension fund investments is reported as a separate item.

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

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

The following graphic shows the portfolio, economic capital (EC), and expected loss (EL) over time. The increase as at the 2011 closing date is attributable to the introduction of a new credit portfolio model. The change in the first half of 2013 was driven by ongoing de-risking and the associated decline in economic capital and the expected loss. The second half of 2013 saw an increase in the economic capital and expected loss, due to a deterioration in the risk indicators for countries and commercial real estate finance.

Overall bank portfolio and risk development over time



The "Maximum counterparty credit risk" table depicts the maximum credit risk as of December 31, 2013, compared with December 31, 2012. 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 comparative figures for December 31, 2012. 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.

Maximum counterparty credit risk								
Risk-bearing financial instruments	Maximum counterparty credit risk exposure[1]		Collateral[2]		Guarantees/ credit derivatives		Maximum counterparty credit risk exposure after credit risk mitigation[1]	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets	**1,824**	**5,293**	**142**	**156**	**–**	**–**	**1,682**	**5,137**
Held for trading	1,824	5,293	142	156	–	–	1,682	5,137
Hedging derivatives	**113**	**577**	**–**	**–**	**–**	**–**	**113**	**577**
Loans and advances to other banks	**20,153**	**28,130**	**15,077**	**20,953**	**–**	**50**	**5,076**	**7,127**
Loans and receivables	20,153	28,130	15,077	20,953	–	50	5,076	7,127
Securities repurchase agreements	15,101	20,953	15,077	20,953		–	24	–
Overnight money	1,826	4,387	–	–		–	1,826	4,387
Loans	808	1,702	–	–	–	50	808	1,652
Registered bonds	324	329	–	–		–	324	329
Term deposits	1,248	595	–	–		–	1,248	595
Other loans and advances	846	164	–	–	–	–	846	164
Loans and advances to customers	**101,313**	**109,397**	**76,794**	**81,351**	**704**	**459**	**23,815**	**27,587**
Loans and receivables	95,483	102,558	71,252	74,748	704	459	23,527	27,351
Private mortgage lending	64,633	64,789	62,430	62,711		–	2,203	2,078
Home savings loans	3,690	3,801	3,503	3,669		–	187	132
Commercial loans	16,603	24,390	5,319	8,368	704	459	10,580	15,563
Public-sector receivables	3,815	3,178	–	–		–	3,815	3,178
Installment loans	5,454	4,847	–	–		–	5,454	4,847
Other loans and advances	1,288	1,553	–	–		–	1,288	1,553
Fair value option	5,830	6,839	5,542	6,603	–	–	288	236
Private mortgage lending	5,830	6,839	5,542	6,603		–	288	236
Investment securities	**34,024**	**40,186**	**–**	**–**	**–**	**332**	**34,024**	**39,854**
Loans and receivables	23,786	30,881	–	–	–	332	23,786	30,549
Available for sale	10,238	9,305	–	–	–	–	10,238	9,305
Bonds and other fixed-income securities	10,084	9,198	–	–		–	10,084	9,198
Equities	–	–	–	–		–	–	–
Investment fund shares	123	81	–	–		–	123	81
Equity investments	25	19	–	–		–	25	19
Investments in unconsolidated subsidiaries	6	7	–	–		–	6	7
Subtotal	**157,427**	**183,583**	**92,013**	**102,460**	**704**	**841**	**64,710**	**80,283**
Contingent liabilities from guarantees	**359**	**415**	**–**	**–**		**0**	**359**	**415**
Other liabilities	**19,532**	**19,895**	**–**	**–**	**0**	**1**	**19,532**	**19,894**
Total	**177,318**	**203,893**	**92,013**	**102,460**	**704**	**842**	**84,601**	**100,591**

[1]Figures as of December 31, 2012 adjusted (see Note 7)

[2]In contrast to the June 30, 2013 reporting date, the collateral reported as of December 31, 2012 additionally contains master netting agreements covering securities repurchase transactions amounting to €90 million. The collateral reported contains collateral provided under collateral arrangements.

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 €6.1 billion occurred in the year under review.

The table as of the end of fiscal year 2013 contains netting effects relating to trading assets and hedging derivatives in the amount of €5.5 billion (December 31, 2012: €5.2 billion) and netting effects of €2.4 billion (December 31, 2012: €0.4 billion) relating to securities repurchase agreements in the amount disclosed for the maximum counterparty credit risk amount before collateral.

€4.0 billion of the amount disclosed in the "investment securities" balance sheet item as of the 2013 closing date and to a lesser extent in the "loans and advances to other banks" balance sheet item relates to covered bonds (December 31, 2012: €8.9 billion). In addition, the investor securitization positions also contained in the "investment securities" item, which amounted to €0.2 billion as of December 31, 2013 (December 31, 2012: €0.8 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[1]		Countries		Commercial real estate finance		Services/ wholesale and retail		Industry		Other sectors		Total[1]	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets	**150**	**161**	**1,368**	**4,637**	**–**	**–**	**140**	**–**	**63**	**121**	**28**	**58**	**75**	**316**	**1,824**	**5,293**
Held for trading	150	161	1,368	4,637	–	–	140	–	63	121	28	58	75	316	1,824	5,293
Hedging derivatives	**–**	**–**	**113**	**577**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113**	**577**
Loans and advances to other banks	**–**	**–**	**20,148**	**28,046**	**–**	**–**	**–**	**79**	**–**	**–**	**–**	**–**	**5**	**5**	**20,153**	**28,130**
Loans and receivables	–	–	20,148	28,046	–	–	–	79	–	–	–	–	5	5	20,153	28,130
Securities repurchase agreements	–	–	15,101	20,953	–	–	–	–	–	–	–	–	–	–	15,101	20,953
Overnight money	–	–	1,826	4,387	–	–	–	–	–	–	–	–	–	–	1,826	4,387
Loans	–	–	804	1,621	–	–	–	79	–	–	–	–	4	2	808	1,702
Registered bonds	–	–	324	329	–	–	–	–	–	–	–	–	–	–	324	329
Term deposits	–	–	1,248	595	–	–	–	–	–	–	–	–	–	–	1,248	595
Other loans and advances	–	–	845	161	–	–	–	–	–	–	–	–	1	3	846	164
Loans and advances to customers	**82,499**	**83,332**	**432**	**702**	**3,649**	**2,916**	**8,524**	**15,686**	**3,377**	**3,682**	**1,918**	**1,816**	**914**	**1,263**	**101,313**	**109,397**
Loans and receivables	76,669	76,493	432	702	3,649	2,916	8,524	15,686	3,377	3,682	1,918	1,816	914	1,263	95,483	102,558
Private mortgage lending	64,454	64,549	1	10	–	–	–	–	26	45	–	1	152	184	64,633	64,789
Home savings loans	3,690	3,801	–	–	–	–	–	–	–	–	–	–	–	–	3,690	3,801
Commercial loans	1,830	1,805	405	666	–	–	8,513	15,686	3,347	3,548	1,918	1,815	590	870	16,603	24,390
Public-sector receivables	–	–	–	–	3,649	2,916	–	–	2	86	–	–	164	176	3,815	3,178
Installment loans	5,454	4,847	–	–	–	–	–	–	–	–	–	–	–	–	5,454	4,847
Other loans and advances	1,241	1,491	26	26	–	–	11	–	2	3	–	–	8	33	1,288	1,553
Fair value option	5,830	6,839	–	–	–	–	–	–	–	–	–	–	–	–	5,830	6,839
Private mortgage lending	5,830	6,839	–	–	–	–	–	–	–	–	–	–	–	–	5,830	6,839
Investment securities	**–**	**–**	**16,774**	**19,965**	**15,020**	**16,318**	**–**	**–**	**993**	**1,823**	**647**	**1,454**	**590**	**626**	**34,024**	**40,186**
Loans and receivables	–	–	12,565	15,376	10,021	12,766	–	–	540	1,259	362	1,104	298	376	23,786	30,881
Available for sale	–	–	4,209	4,589	4,999	3,552	–	–	453	564	285	350	292	250	10,238	9,305
Bonds and other fixed-income securities	–	–	4,063	4,498	4,999	3,552	–	–	453	564	285	350	284	234	10,084	9,198
Equities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment fund shares	–	–	123	80	–	–	–	–	–	–	–	–	–	1	123	81
Equity investments	–	–	17	4	–	–	–	–	–	–	–	–	8	15	25	19
Investments in unconsolidated subsidiaries	–	–	6	7	–	–	–	–	–	–	–	–	–	–	6	7
Subtotal	**82,649**	**83,493**	**38,835**	**53,927**	**18,669**	**19,234**	**8,664**	**15,765**	**4,433**	**5,626**	**2,593**	**3,328**	**1,584**	**2,210**	**157,427**	**183,583**
Contingent liabilities from guarantees	**19**	**19**	**18**	**42**	**–**	**–**	**13**	**26**	**205**	**223**	**71**	**64**	**33**	**41**	**359**	**415**
Other liabilities	**16,671**	**16,421**	**33**	**94**	**1**	**28**	**155**	**458**	**1,681**	**1,969**	**768**	**677**	**223**	**248**	**19,532**	**19,895**
Total	**99,339**	**99,933**	**38,886**	**54,063**	**18,670**	**19,262**	**8,832**	**16,249**	**6,319**	**7,818**	**3,432**	**4,069**	**1,840**	**2,499**	**177,318**	**203,893**

[1]Figures as of December 31, 2012 adjusted (see Note 7)

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

Postbank has established country-specific limits for credit allocation in order to manage country risk. The country limits are largely determined by internal and external ratings, and by the economic strength of the particular country as measured by its gross domestic product. A 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[1]		Western Europe[1]		Other regions		Total[1]	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets	**1,098**	**1,723**	**706**	**3,018**	**20**	**552**	**1,824**	**5,293**
Held for trading	1,098	1,723	706	3,018	20	552	1,824	5,293
Hedging derivatives	**71**	**150**	**40**	**329**	**2**	**98**	**113**	**577**
Loans and advances to other banks	**16,364**	**21,515**	**3,752**	**6,295**	**37**	**320**	**20,153**	**28,130**
Loans and receivables	16,364	21,515	3,752	6,295	37	320	20,153	28,130
Securities repurchase agreements	12,821	17,112	2,280	3,841	–	–	15,101	20,953
Overnight money	1,264	2,969	527	1,321	35	97	1,826	4,387
Loans	313	417	495	1,065	–	220	808	1,702
Registered bonds	324	329	–	–	–	–	324	329
Term deposits	1,188	595	60	–	–	–	1,248	595
Other loans and advances	454	93	390	68	2	3	846	164
Loans and advances to customers	**91,757**	**93,449**	**8,456**	**11,383**	**1,100**	**4,565**	**101,313**	**109,397**
Loans and receivables	85,946	86,631	8,441	11,366	1,096	4,561	95,483	102,558
Private mortgage lending	60,542	60,502	4,037	4,229	54	58	64,633	64,789
Home savings loans	3,668	3,775	20	23	2	3	3,690	3,801
Commercial loans	11,343	12,977	4,225	6,923	1,035	4,490	16,603	24,390
Public-sector receivables	3,701	3,021	114	157	–	–	3,815	3,178
Installment loans	5,436	4,830	15	14	3	3	5,454	4,847
Other loans and advances	1,256	1,526	30	20	2	7	1,288	1,553
Fair value option	5,811	6,818	15	17	4	4	5,830	6,839
Private mortgage lending	5,811	6,818	15	17	4	4	5,830	6,839
Investment securities	**12,924**	**13,193**	**20,100**	**21,620**	**1,000**	**5,373**	**34,024**	**40,186**
Loans and receivables	8,928	8,974	14,024	16,928	834	4,979	23,786	30,881
Available for sale	3,996	4,219	6,076	4,692	166	394	10,238	9,305
Bonds and other fixed-income securities	3,859	4,140	6,059	4,666	166	392	10,084	9,198
Equities	–	–	–	–	–	–	–	–
Investment fund shares	121	70	2	9	–	2	123	81
Equity investments	15	9	10	10	–	–	25	19
Investments in unconsolidated subsidiaries	1	–	5	7	–	–	6	7
Subtotal	**122,214**	**130,030**	**33,054**	**42,645**	**2,159**	**10,908**	**157,427**	**183,583**
Contingent liabilities from guarantees	**306**	**356**	**53**	**59**	**–**	**–**	**359**	**415**
Other liabilities	**19,287**	**19,411**	**232**	**386**	**13**	**98**	**19,532**	**19,895**
Total	**141,807**	**149,797**	**33,339**	**43,090**	**2,172**	**11,006**	**177,318**	**203,893**

[1]Figures as of December 31, 2012 adjusted (see Note 7)

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

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. 2013 €m	Dec. 31. 2012 €m	Dec. 31. 2013 €m	Dec. 31. 2012 €m	Dec. 31. 2013 €m	Dec. 31. 2012 €m	Dec. 31. 2013 €m	Dec. 31. 2012 €m	Dec. 31. 2013 €m	Dec. 31. 2012 €m	Dec. 31. 2013 €m	Dec. 31. 2012 €m
Greece	0.0	0.0	0.0	0.0	2.0	2.0	3.0	1.4	0.0	0.0	5.0	3.4
Ireland	361.2	377.7	242.4	450.4	4.9	5.2	26.6	28.1	52.6	285.4	687.7	1,146.8
Italy	3,433.7	3,464.6	1,115.7	1,404.1	2,664.5	2,858.6	292.1	250.9	0.0	0.0	7,506.0	7,978.2
Portugal	62.7	64.1	288.8	313.4	6.0	4.7	1.6	2.8	0.0	0.0	359.1	385.0
Spain	608.0	497.7	2,432.1	3,195.7	34.6	34.0	126.9	542.0	26.0	11.8	3,227.6	4,281.2
Total	**4,465.6**	**4,404.1**	**4,079.0**	**5,363.6**	**2,712.0**	**2,904.5**	**450.2**	**825.2**	**78.6**	**297.2**	**11,785.4**	**13,794.6**

[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 contrast to the year-end closing date for the prior year, Postbank no longer held any credit default swaps with sovereign borrowers in its portfolio. As of the prior-year closing date, Postbank had held-for-trading credit default swaps for Italy in the amount of €68.2 million in its portfolio for which it acted as both the protection buyer and the protection seller, meaning that the net nominal amount was €0.

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, 2013 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 Group loan portfolio reflects Postbank's conservative approach. The good rating categories predominate: 91% 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[1]		BBB		< BBB		Not rated		Total[1]	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets	**37**	**120**	**231**	**488**	**554**	**3,266**	**645**	**962**	**91**	**148**	**116**	**148**	**1,674**	**5,132**
Held for trading	37	120	231	488	554	3,266	645	962	91	148	116	148	1,674	5,132
Hedging derivatives	**–**	**2**	**–**	**140**	**112**	**424**	**1**	**10**	**–**	**–**	**–**	**1**	**113**	**577**
Held for trading	–	2	–	140	112	424	1	10	–	–	–	1	113	577
Loans and advances to other banks	**1,276**	**2,584**	**1,693**	**1,254**	**16,586**	**23,287**	**400**	**927**	**152**	**37**	**44**	**18**	**20,151**	**28,107**
Loans and receivables	1,276	2,584	1,693	1,254	16,586	23,287	400	927	152	37	44	18	20,151	28,107
Securities repurchase agreements	–	–	1,500	184	13,601	20,769	–	–	–	–	–	–	15,101	20,953
Overnight money	1,000	2,322	111	383	672	1,400	43	263	–	–	–	13	1,826	4,381
Loans	229	157	–	134	334	1,024	56	331	152	37	35	2	806	1,685
Registered bonds	–	–	–	1	143	94	181	234	–	–	–	–	324	329
Term deposits	44	52	60	500	1,101	–	43	43	–	–	–	–	1,248	595
Other loans and advances	3	53	22	52	735	0	77	56	–	–	9	3	846	164
Loans and advances to customers	**1,778**	**3,519**	**4,025**	**6,885**	**1,387**	**3,551**	**4,302**	**5,242**	**5,146**	**4,263**	**1,206**	**1,044**	**17,844**	**24,504**
Loans and receivables	1,778	3,519	4,025	6,885	1,387	3,551	4,302	5,242	5,146	4,263	1,206	1,044	17,844	24,504
Private mortgage lending	6	17	12	21	20	12	35	52	45	49	23	26	141	177
Commercial loans	1,659	3,452	913	4,145	1,367	3,493	4,266	5,150	4,987	4,156	651	703	13,843	21,099
Public-sector receivables	113	48	3,100	2,686	–	46	–	39	103	58	499	290	3,815	3,167
Other loans and advances	–	2	–	33	–	–	1	1	11	–	33	25	45	61
Investment securities	**10,151**	**8,153**	**5,997**	**13,855**	**13,357**	**9,649**	**3,193**	**6,175**	**960**	**2,012**	**358**	**180**	**34,016**	**40,024**
Loans and receivables	4,345	4,755	4,409	10,852	11,840	8,615	2,279	5,000	835	1,418	78	108	23,786	30,748
Available for sale	5,806	3,398	1,588	3,003	1,517	1,034	914	1,175	125	594	280	72	10,230	9,276
Bonds and other fixed-income securities	5,806	3,396	1,578	2,986	1,517	1,034	914	1,175	118	593	143	1	10,076	9,185
Equities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment fund shares	–	–	–	–	–	–	–	–	–	–	123	70	123	70
Equity investments	–	2	9	10	–	–	–	–	7	1	9	1	25	14
Investments in unconsolidated subsidiaries	–	–	1	7	–	–	–	–	–	–	5	–	6	7
Total	**13,242**	**14,378**	**11,946**	**22,622**	**31,996**	**40,177**	**8,541**	**13,316**	**6,349**	**6,460**	**1,724**	**1,391**	**73,798**	**98,344**

[1]Figures as of December 31, 2012 adjusted (see Note 7)

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 are due to the reduction of financial instruments, in particular as a result of the sale of PB (USA) Holdings, Inc.

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, 2013 reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business continued to exhibit a stable rating performance.

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, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets	**–**	**1**	**4**	**4**	**17**	**19**	**56**	**60**	**57**	**62**	**16**	**15**	**150**	**161**
Held for trading	–	1	4	4	17	19	56	60	57	62	16	15	150	161
Loans and advances to customers	**35**	**374**	**804**	**846**	**5,355**	**4,829**	**25,546**	**24,612**	**33,588**	**35,149**	**14,940**	**15,281**	**80,268**	**81,091**
Loans and receivables	31	368	695	712	4,782	4,166	23,688	22,501	31,973	33,299	13,312	13,286	74,481	74,332
Private mortgage lending	14	191	466	423	4,081	3,422	22,250	21,120	27,200	28,708	9,303	9,537	63,314	63,401
Home savings loans	17	53	215	278	604	666	821	918	447	479	1,458	1,246	3,562	3,640
Commercial loans	–	–	–	–	–	–	3	–	33	115	1,789	1,688	1,825	1,803
Installment loans	–	124	12	8	84	67	560	412	4,137	3,783	147	31	4,940	4,425
Other loans and advances	–	–	2	3	13	11	54	51	156	214	615	784	840	1,063
Fair value option	4	6	109	134	573	663	1,858	2,111	1,615	1,850	1,628	1,995	5,787	6,759
Private mortgage lending	4	6	109	134	573	663	1,858	2,111	1,615	1,850	1,628	1,995	5,787	6,759
Total	**35**	**375**	**808**	**850**	**5,372**	**4,848**	**25,602**	**24,672**	**33,645**	**35,211**	**14,956**	**15,296**	**80,418**	**81,252**

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, 2013:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	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		Fair value of the collateral for financial instruments past due but not impaired	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Loans and advances to customers	**282**	**316**	**64**	**55**	**158**	**63**	**217**	**199**	**721**	**633**	**571**	**505**
Loans and receivables	281	315	63	55	151	54	205	180	700	604	553	480
Private mortgage lending	253	268	37	18	64	46	162	133	516	465	410	373
Home savings loans	4	4	3	2	5	6	12	13	24	25	22	23
Commercial loans	4	3	22	32	82	–	30	31	138	66	113	80
Installment loans	6	16	–	1	–	1	–	1	6	19	–	–
Other loans and advances	14	24	1	2	–	1	1	2	16	29	8	4
Fair value option	1	1	1	–	7	9	12	19	21	29	18	25
Private mortgage lending	1	1	1	–	7	9	12	19	21	29	18	25
Total	**282**	**316**	**64**	**55**	**158**	**63**	**217**	**199**	**721**	**633**	**571**	**505**

The increase in exposures past due but not impaired is due to individual large exposures.

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 €279 million (December 31, 2012: €630 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. Postbank 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, 2013 and December 31, 2012, 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 and collateral	Carrying amount before impairment		Amount of impairment loss[1]		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Loans and advances to other banks	**2**	**23**	**2**	**13**	**–**	**10**	**–**	**–**
Loans and receivables	2	23	2	13	–	10	–	–
Overnight money	–	6	–	–	–	6	–	–
Loans	2	17	2	13	–	4	–	–
Loans and advances to customers	**2,480**	**3,169**	**1,314**	**1,642**	**1,166**	**1,527**	**1,169**	**1,693**
Loans and receivables	2,458	3,118	1,313	1,640	1,145	1,478	1,149	1,647
Private mortgage lending	712	746	369	451	343	295	578	572
Home savings loans	154	136	3	2	151	134	135	121
Commercial loans	797	1,422	333	577	464	845	436	936
Public-sector receivables	–	11	–	–	–	11	–	–
Installment loans	508	403	324	312	184	91	–	–
Other loans and advances	287	400	284	298	3	102	–	18
Fair value option	22	51	1	2	21	49	20	46
Private mortgage lending	22	51	1	2	21	49	20	46
Investment securities	**51**	**439**	**43**	**277**	**8**	**162**	**–**	**–**
Loans and receivables	42	397	42	264	–	133	–	–
Available for sale	9	42	1	13	8	29	–	–
Bonds and other fixed-income securities	9	16	1	3	8	13	–	–
Equities	–	2	–	2	–	–	–	–
Investment fund shares	–	15	–	4	–	11	–	–
Total	**2,533**	**3,631**	**1,359**	**1,932**	**1,174**	**1,699**	**1,169**	**1,693**

[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. Following the winding up in full of the portfolios of riskier asset-backed securities (ABSs) and collateralized debt obligations (CDOs) in the first half of 2013, the portfolio currently consists of redeemed residential mortgage-backed securities (RMBSs), and impaired holdings. 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 arranger quotes or an internal valuation model.

As of December 31, 2013, the total notional volume of the portfolio amounted to €123 million (December 31, 2012: €917 million). The decrease is mainly due to the acceleration in the reduction of the instruments held that took place in the first half of 2013. In the year under review, only minor impairment losses of €13 million and measurement losses on embedded derivatives were recognized. In addition, fair value changes amounting to €21 million were recognized in the revaluation reserve. Please see Note 4 (h) of the Notes to the 2013 Consolidated Financial Statements for further details on measurement.

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Postbank’s securitization positions as of December 31, 2013 were as follows:

Securitization positions: volumes by rating category[1]

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
CMBSs	–	–	–	–	–	7	–	–	–	–	–	7
RMBSs	–	2	7	7	34	40	3	12	37	38	81	99
Corporate CDOs	–	50	–	112	–	59	–	74	–	365	–	660
Non-corporate CDOs	–	–	–	2	–	–	–	–	–	75	–	77
Other ABSs[2]	–	–	–	–	–	19	–	–	42	55	42	74
Total	**–**	**52**	**7**	**121**	**34**	**125**	**3**	**86**	**79**	**533**	**123**	**917**

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

[2]Mainly Consumer ABSs and Commercial ABSs

The regional focus of the redeemed RMBSs is on Germany. As of the reporting date of December 31, 2013, no securitization positions were hedged with monoliners.

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	€1,158 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€1,201 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€586 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 principal amount after distribution is approximately €23 million.

Environmental risk

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

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

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

Monitoring and managing liquidity risk

The goal of liquidity risk management is to ensure Postbank's solvency at all times, including in certain stress situations. As a matter of principle, operational liquidity risk management is performed centrally by Deutsche Postbank AG's Chief Operating Office. BHW Bausparkasse AG and the subsidiary in 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 its foreign branch.

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

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

The management process is based on a number of pillars. The Liquidity Risk Management unit determines Postbank's liquidity status under both normal and stress conditions on each business day using funding matrices and cash flow forecasts. This is used as the basis for operational management. Furthermore, risk management is based on regular 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. The scenarios cover both institution-specific and general market issues and, in the MaRisk scenario, the combination of the two. This permits changes in a variety of market factors, panic reactions by customers, and structural changes in funding resources (e.g., due to a decline in market liquidity) to be reflected. The MaRisk scenario simulates severe outflows of savings, demand, and corporate banking deposits, restricted access to the uncollateralized money market, and increased haircuts on central bank-eligible securities. A requirement for all stress scenarios was to maintain customer loans at existing levels at least, even in times of stress.

The following table shows the financial liabilities as of December 31, 2013, and December 31, 2012, broken down into residual maturity bands.

The figures in the table for December 31, 2012 also include 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, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Non-derivative liabilities	56,936	64,334	58,083	63,977	23,279	26,190	18,364	22,188	20,744	23,756	177,406	200,445
Deposits from other banks	193	1,286	7,627	5,560	744	2,233	5,845	8,209	4,884	6,109	19,293	23,397
Due to customers	36,852	42,740	47,968	54,115	20,284	21,957	7,603	7,091	10,715	13,140	123,422	139,043
Debt securities in issue	–	8	1,114	2,964	1,896	518	2,518	4,693	2,436	3,270	7,964	11,453
Subordinated debt	–	–	541	609	355	1,482	2,398	2,195	2,709	1,237	6,003	5,523
Other liabilities[1]	–	–	833	729	–	–	–	–	–	–	833	729
Contingent liabilities and other obligations	19,891	20,300	–	–	–	–	–	–	–	–	19,891	20,300
Derivative liabilities[2]	–	–	192	546	444	1,407	1,192	4,376	559	1,559	2,387	7,888
Hedging derivatives[2]	–	–	60	78	85	220	260	855	207	399	612	1,552
Trading liabilities[2]	–	–	132	468	359	1,187	932	3,521	352	1,160	1,775	6,336
Total[2]	**56,936**	**64,334**	**58,275**	**64,523**	**23,723**	**27,597**	**19,556**	**26,564**	**21,303**	**25,315**	**179,793**	**208,333**

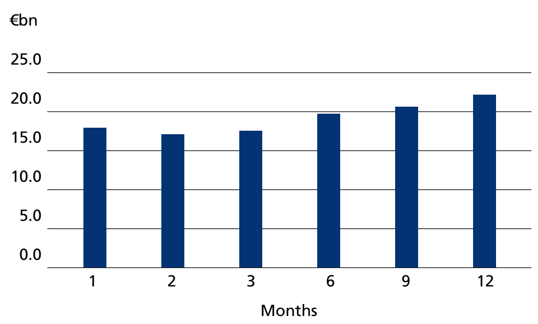
[1]Amount as of December 31, 2012 added/corrected

[2]Figures as of December 31, 2012 adjusted (see Note 7)

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

Liquidity status of the Postbank Group as of December 31, 2013



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

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

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

Monitoring and managing operational risk

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

The VaR limit for operational risk at overall bank level amounted to €600 million as of the year-end 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. Postbank's business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter.

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

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

At €105 million, operational risk losses rose significantly year-on-year in 2013 (2012: €65 million). For example, legal actions and complaints about investment advice increased. A large proportion of these relate to advice provided and transactions entered into before 2008 in the area of closed-end funds.

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

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, 2013 €m	Dec. 31, 2012 €m
Retail Banking	243	187
Corporate Banking	35	41
Transaction Banking	71	58
Financial Markets	70	67
Postbank total	**419**	**354**

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 €243 million (December 31, 2012: €187 million). The portfolios of the Non-Core Operating Unit (NCOU), which are relevant for operational risk capital modeling and which are allocated in full to Retail Banking, account for €49 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 these emergency plans work.

Monitoring and managing business risk

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

Managing savings and checking account risk

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

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

Managing collective risk

BHW Bausparkasse AG uses a collective simulation model to quantify collective 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. There is a risk of incorrect assumptions being made when modeling the parameters for savers' future behavior, which could result 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. Reporting and monitoring is performed by the Risk Control unit of BHW Bausparkasse AG which is functionally integrated in Postbank's Risk Management unit.

Reputational risk management

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

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

Managing residual business risk

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

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

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

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

Internal control and risk management system for the financial reporting process

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, CEO, 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, 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 with the following main functions are performed by the CEO board department:

- Coordination of the Declaration of Compliance as defined by section 161 of the AktG
- Provision of certain disclosures relating to the notes.

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

- Creation of the conditions for recognition, measurement (best estimate), and ongoing review of the provisions for pensions and other employee benefits as well as provision of the relevant disclosures for the notes
- Provision of additional relevant disclosures relating to the notes and the risk report.

The Chief Risk Office performs the following tasks:

- Decisions on specific valuation allowances relating to domestic and foreign loans
- Provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks
- Provision of relevant disclosures relating to the notes and the risk report.

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

- Advice and supervision with respect to financial reporting, the internal control system, risk management and risk control (insofar as the Risk Committee is not responsible for this), internal audit, and compliance
- Discussion of questions relating to the requirement of auditor independence
- Engagement of the auditors, determination of the areas of emphasis of the audit, and agreement of the fee.

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

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

The 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 Postbank are introduced and applied. It is determined by management's basic attitude, problem awareness, and behavior towards the internal control system. The control environment materially influences employees' control awareness. A positive control environment is a precondition for an effective internal control system.

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank 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 Postbank's IT strategy and risk strategy, exist for program development and modifications, data backups, and access control, thus ensuring the propriety of the financial reporting.

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

Internal Audit

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

Internal Audit is obliged to comply with the standards issued by the Institute of Internal Auditors (IIA) and the Deutsches Institut für Interne Revision (German Institute for Internal Auditing). It reviews the effectiveness and appropriateness of risk management in general and of the internal control system in particular in a risk-oriented and process-independent manner, in line with the MaRisk. In addition, it examines the propriety of all activities and processes. Internal Audit's responsibilities also extend, in a scaled-down form, to the subsidiaries of Postbank. Its activities in the subsidiaries range from advisory functions to full-scale Internal Audit procedures.

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

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

Remuneration systems

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

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

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

OUTLOOK

Global economy

At the beginning of 2014, the global economy finds itself in a period of accelerating growth. Developed economies in particular are expected to provide momentum. Many industrialized countries should already have overcome their weak growth, with their business activity undergirded by persistently expansive monetary policies.

In addition, the pressure toward fiscal consolidation has eased. The impact of consolidation policies, which have acted as a substantial drag on growth over the last few years, should now begin to wane. The upturn in industrial countries should also benefit emerging countries in particular whose export sector is strong. Risks to global growth could be posed first and foremost by turbulence on financial markets if the emergent upturn leads these markets to factor in interest ate hikes by central banks prematurely. A rekindling of the sovereign debt crisis in the eurozone could also put a substantial curb on growth. On the other hand, global expansionary forces could develop a stronger inherent dynamism than is currently anticipated. For 2014, the IMF expects growth in world economic output of 3.6 %, compared with the 2.9 % rise in 2013.

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

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

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

Economic outlook for Germany

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

Markets

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

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

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

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

Sector situation

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

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

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

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

Postbank's investment focuses

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

Implementation of Basel III

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

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

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

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

Outlook 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 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 and disruptions on international capital and real estate markets could have a negative impact on this scenario. The continuing discussion about stricter regulation of the banking industry could also have a significant effect on the financial position, net assets and results of operations at Postbank that was not taken into consideration in the following base scenario.

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

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

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

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

Net fee and commission income is also likely to remain largely constant in 2014, as planned reductions from the postal business should be offset in particular by growing income from the securities and checking account business.

Due to the end of a positive non-recurring effect of €262 million in net income from investment securities in 2013, we anticipate a marked decline of the result for this item in 2014 although the negative effects from de-risking should ease. Overall we expect to see a low negative figure for net income from investment securities.

At the end of 2013, the executive bodies of Postbank approved the bundling of service companies in a holding company within the Deutsche Bank Group, however, under certain conditions. Because this action is subject to conditions precedent, its impact on the particular components of the income statement is not yet reflected in the comments on individual items. Postbank would hold a substantial interest in this holding company. On the Postbank side, this step would encompass the companies Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, Postbank Direkt GmbH, Postbank Service GmbH and BHW Kreditservice GmbH. The implementation of this measure, which is expected to occur in the course of 2014, would generate markedly positive non-recurring effects once again as part of the deconsolidation that would primarily arise in net income from investment securities.

From net trading income in 2014, we expect slightly negative earnings contributions and thus a noticeable improvement compared with 2013, which was impacted in particular by negative effects from the NCOU segment (SCPs) and the employment of cross-currency swaps.

We see the allowance for losses on loans and advances for 2014 at the prior-year level. As a result of systematic de-risking, risk costs in the NCOU segment should drop. For our core business we anticipate a rise in the allowance for losses on loans and advances, which can be attributed to the planned expansion of our business.

For administrative expenses, we are proceeding on the assumption that they will plunge by around 5 % in 2014 owing in particular to the end of a negative non-recurring effect in the amount of €-180 million in 2013 (goodwill impairment on the BHW brand) and emerging synergy effects. In contrast integration-related expenses may increase slightly.

On the basis of steps that have already been taken, we expect the number of full-time equivalents in our workforce to drop by some 200. The bundling of service companies into the Deutsche Bank Group would also lead to a drop in the number of employees at Postbank.

This will result in a slight improvement of our central performance indicator cost income ratio and a corresponding worsening of return on equity, each on the order of one to two percentage points.

We estimate that the bundling of service companies in the course of 2014 will lead to a marked rise in profit before tax in the lower three-digit millions compared with 2013. However, the measure is not yet part of our approved planning as it is subject to conditions precedent. In this planning, due to the end of overall positive non-recurring effects in 2013, we expect a decline in profit before tax in the upper two-digit millions in 2014 vis-à-vis the prior year.

Expected development in fundamental business divisions

Retail Banking

In light of the expected economic environment, we presume a stable development of our retail banking business in Germany in 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 view ourselves as well prepared for such a development and intend to remain on our growth course.

For 2014, we expect that net interest income, amid an unchanged interest rate environment, will decrease slightly, net fee and commission income will see moderate growth, and the allowance for losses on loans and advances will again increase considerably compared with the extraordinarily positive performance in 2013 to a level that nevertheless is still very good in historical terms. Should interest rates not rise at the long end as we anticipate, this would have a negative impact on net interest income. Administrative expenses including internal cost allocations may inch upwards owing to integration efforts. Overall, for 2014 we expect profit before tax in this segment by up to €100 million below the good level of 2013.

Corporate Banking

As a result of a noticeable decline in net interest income, we expect profit before tax of the Corporate Banking segment in 2014 will be substantially below the 2013 level. Other earnings components should remain largely stable. Business performance will be marked primarily by the division's support of the reduction of the balance sheet volume (delevering), the special emphasis on SMEs and the tapering off of the historically very high margin business from the time after the financial crisis.

Transaction Banking

In the Transaction Banking segment, with a structure remaining unchanged, we expect a marginal decline in profit in 2014 owing to a slight uptick in administrative expenses that include cost allocations. This segment would be especially affected by the aforementioned bundling of service companies in a holding company within the Deutsche Bank Group, which is envisaged but has not yet been taken into consideration in current planning.

Financial Markets

In the Financial Markets segment, which includes the results of the management of our banking book, we expect a significant drop in net interest income owing to the planned negative non-recurring effects mentioned earlier that will result from the further reduction of the balance sheet volume. In addition, administrative expenses could rise appreciably because of higher internal cost allocations so that the result for this segment compared with the past fiscal year should significantly be reduced. As a consequence we expect a segment loss just in the lower three-digit millions for fiscal year 2014.

Non-Core Operating Unit

In the Non-Core Operating Unit in 2014 we expect to see a significantly positive development of the persistent loss reported by the segment. In the process net interest income of the NCOU is likely to see an improvement in the low three-digit millions due in particular to maturing high-interest instruments on the liabilities side. Net trading income and net income from investment securities should likewise be very positively influenced by the end of negative effects from the structured credit products portfolio and the deconsolidation of PB (USA) Holdings, Inc. For net income from investment securities in 2014, we see only moderate negative effects from the expiring customer business with closed-end funds. In our view systematic de-risking will lead to a noticeable decline of the allowance for losses on loans and advances.

Cost Centers/Consolidation

For this segment we expect to see a pronounced loss for 2014 compared with the reporting year. This downturn will be a result in particular of the aforementioned end of positive and negative non-recurring effects in 2013 in net income from investment securities and administrative expenses that were recognized in the Cost Center/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 21, 2014

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, 2013

04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2013

Consolidated Income Statement	Note	2013 €m	2012[1] €m
Interest income	(8)	5,158	6,100
Interest expense	(8)	–2,695	–3,397
Net interest income	(8)	2,463	2,703
Allowance for losses on loans and advances	(9)	–319	–384
Net interest income after allowance for losses on loans and advances		2,144	2,319
Fee and commission income	(10)	1,376	1,423
Fee and commission expense	(10)	–256	–269
Net fee and commission income	(10)	1,120	1,154
Net trading income	(11)	–53	–103
Net income from investment securities	(12)	274	–15
Administrative expenses	(13)	–3,177	–2,991
Other income	(14)	129	148
Other expenses	(15)	–119	–118
Profit before tax		318	394
Income tax	(16)	13	–106
Profit from ordinary activities after tax		331	288
Non-controlling interests		–1	–1
Consolidated net profit		**330**	**287**
Basic earnings per share (€)		1.51	1.31
Diluted earnings per share (€)		1.51	1.31

[1]Figures adjusted (see Note 7)

Condensed Statement of Comprehensive Income	2013 €m	2012[1] €m
Profit from ordinary activities after tax	331	288
Other comprehensive income after tax	**51**	**91**
Items that will not be reclassified to profit or loss	–36	–266
Remeasurement gains/losses (–) on defined benefit plans	–36	–266
Income tax on items not reclassified to profit or loss	–2	–16
Items that will be/may be reclassified to profit or loss, before tax	91	513
Change in revaluation reserve	–47	516
Unrealized gains/losses (–) for the period, before tax	–25	409
Gains (–)/losses reclassified to profit or loss, before tax	–22	107
Change in currency translation reserve	138	–3
Unrealized gains/losses (–) for the period, before tax	0	–3
Gains (–)/losses reclassified to profit or loss, before tax	138	0
Income tax on items that will be/may be reclassified to profit or loss	–2	–140
Total comprehensive income for the period attributable to non-controlling interests	–1	–1
Total comprehensive income	**381**	**378**

Income tax recognized directly in comprehensive income which will or may be reclassified to profit or loss is attributable in full to the revaluation reserve (previous year: €–138 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 2013 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.

[1]Figures adjusted (see Note 7)

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2013

Assets	Note	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Jan. 1, 2012[1] €m
Cash reserve	(17)	1,739	2,054	3,652
Loans and advances to other banks	(18)	20,153	27,646	20,322
Loans and advances to customers	(19)	101,313	106,266	110,743
Allowance for losses on loans and advances	(21)	–1,478	–1,745	–1,826
Trading assets	(22)	1,824	5,135	6,892
Hedging derivatives	(23)	113	565	1,277
Investment securities	(24)	34,024	37,027	46,480
Intangible assets	(25)	2,028	2,248	2,274
Property and equipment	(26)	698	768	791
Investment property		–	–	73
Current tax assets	(27)	115	113	206
Deferred tax assets	(27)	92	127	425
Other assets	(28)	728	719	647
Assets held for sale	(6)	157	7,039	–
Total assets		**161,506**	**187,962**	**191,956**

Equity and Liabilities	Note	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Jan. 1, 2012[1] €m
Deposits from other banks	(29)	18,282	17,334	20,050
Due to customers	(30)	120,398	131,732	134,127
Debt securities in issue	(31)	7,342	9,436	12,727
Trading liabilities	(32)	1,681	5,953	8,591
Hedging derivatives	(33)	460	1,002	1,817
Provisions		1,608	2,974	2,625
a) Provisions for pensions and other employee benefits	(34)	93	1,530	1,229
b) Other provisions	(35)	1,515	1,444	1,396
Current tax liabilities	(36)	80	115	129
Deferred tax liabilities	(36)	84	137	153
Other liabilities	(37)	833	721	689
Subordinated debt	(38)	4,358	3,196	5,438
Liabilities directly related to assets held for sale	(6)	168	9,382	–
Equity	(39)	6,212	5,980	5,610
a) Issued capital		547	547	547
b) Share premium		2,010	2,010	2,010
c) Retained earnings		3,320	3,132	2,938
d) Consolidated net profit		330	287	111
Non-controlling interests		5	4	4
Total equity and liabilities		**161,506**	**187,962**	**191,956**

[1]Figures adjusted (see Note 7)

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, 2011	**547**	**2,010**	**3,424**	**–133**	**–306**	**111**	**5,653**	**4**	**5,657**
IAS restatement (IAS 19 rev.)			–47				–47		–47
Balance at Jan. 1, 2012	**547**	**2,010**	**3,377**	**–133**	**–306**	**111**	**5,606**	**4**	**5,610**
Dividend payment							–		–
Changes in retained earnings			111			–111	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2012			–282	–3	376	287	378		378
Treasury shares							–		–
Other changes			–8	–2	2		–8	–	–8
Balance at Dec. 31, 2012	**547**	**2,010**	**3,198**	**–138**	**72**	**287**	**5,976**	**4**	**5,980**
Dividend payment							–		–
Changes in retained earnings			287			–287	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2013			–38	138	–49	330	381	1	382
Treasury shares							–		–
Other changes			–150				–150	–	–150
Balance at Dec. 31, 2013	**547**	**2,010**	**3,297**	**0**	**23**	**330**	**6,207**	**5**	**6,212**

Comprehensive income includes measurement and disposal gains and losses on available-for-sale financial instruments and remeasurement gains and losses from defined benefit plans.

As of December 31, 2013, €10 million of retained earnings relates to the corresponding assets held for sale.

138 More detailed disclosures on the changes in the revaluation reserve can be found in Note 39.

Postbank did not hold any treasury shares as of December 31, 2013.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2013 €m	2012[1] €m
Consolidated net profit		**330**	**287**
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		408	473
Changes in provisions	(34), (35), (36)	–64	93
Changes in other non-cash items		249	65
Gains on disposal of property and equipment and investment securities		–274	55
Other adjustments (net, primarily net interest income)		–2,398	–2,430
Subtotal		**–1,749**	**–1,457**
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		7,076	–8,746
Loans and advances to customers		2,829	1,141
Trading assets		3,392	–2,711
Hedging derivatives with positive fair values		387	–93
Other assets		–28	166
Deposits from other banks		930	1,473
Due to customers		–11,027	–1,384
Debt securities in issue		–1,908	–2,184
Trading liabilities		–4,263	2,767
Hedging derivatives with negative fair values		–535	190
Other liabilities		188	40
Interest received		5,230	6,274
Interest paid		–2,945	–3,514
Other cash inflows		7	4
Dividends received		0	1
Income taxes paid		–57	–155
Net cash used in operating activities		**–2,473**	**–8,188**

[1]Figures adjusted (see Note 7)

	Note	2013 €m	2012 €m
Proceeds from the disposal of			
Investment securities		2,720	9,245
Investments in subsidiaries	(2)	670	10
Property and equipment/investment property		7	87
Intangible assets		–2	2
Payments to acquire			
Investment securities		–1,194	–2,341
Investments in subsidiaries		–11	–4
Property and equipment/investment property		–41	–47
Intangible assets		–41	–62
Net cash from investing activities		**2,108**	**6,890**
Dividends paid		0	0
Net change in cash and cash equivalents from other financing activities		50	–297
Net cash from/used in in financing activities		**50**	**–297**
Cash and cash equivalents at start of period	(17)	**2,054**	**3,652**
Net cash used in operating activities		–2,473	–8,188
Net cash from investing activities		2,108	6,890
Net cash from/used in in financing activities		50	–297
Effects of exchange rate differences		0	–3
Cash and cash equivalents at end of period	(17)	**1,739**	**2,054**

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 used in 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, 2013, 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).

188 The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2013).

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).

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, 143 the estimation uncertainty associated with measurement models for financial instruments is addressed in Note 42, 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.

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"). 65 69 84

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. 55

(2) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 28 (December 31, 2012: 46) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2013.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
BHW Holding AG, Hameln	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	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 Service GmbH, Essen	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
PB Firmenkunden AG, Bonn		100.0
Postbank Filial GmbH, Bonn		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
Postbank Finanzberatung AG, Hameln	23.3	76.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	

Seven subpools of assets and one securitization vehicle established for the securitization of residential construction loans were consolidated in accordance with IFRS 10.

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

PB (USA) Holdings, Inc. – along with all of its equity interests – was sold to Deutsche Bank AG effective January 1, 2013. The sale of the company resulted in a net loss from investment securities of €11 million. At the date of disposal, the company's assets amounted to €7,039 million and its liabilities amounted to €7,450 million. In particular this related to loans and advances to customers (€3,131 million), investment securities (€3,158 million) as well as deposits from other banks (€4,196 million) and amounts due to customers (€1,460 million).

The companies Deutsche Postbank Funding Trust I to IV and Deutsche Postbank Funding LLC I to IV were sold to Deutsche Bank AG effective January 1, 2013. Hedges were liquidated in connection with the sale, resulting in a net gain on investment securities of €312 million.

The proceeds received for PB (USA) Holdings, Inc. and the above-mentioned eight Funding companies amounting to €670 million is reported as cash in accordance with IAS 7 under the "net cash from investing activities" item in the consolidated cash flow statement.

Postbank Support GmbH was sold to an external buyer effective January 1, 2013.

Postbank Service GmbH was consolidated in the Postbank subgroup for the first time in January 2013.

In July 2013, the remaining shares in the DWS Bond Flexible investment fund were sold; the fund was subsequently deconsolidated.

The liquidation of DSL Holding AG was completed on December 13, 2013, on distribution of the final installment of the liquidation proceeds.

In the course of the fiscal year, Deutsche Postbank AG returned all PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen shares in Teilgesellschaftsvermögen PB 03 to 07, PB 10, PB 12, PB 15 to 18, PB 20, PB 22, and PB 24 against repayment of its share of the capital. The subpools of assets concerned were liquidated. This resulted in a net loss from investment securities of €38 million.

There were no other changes in the basis of consolidation. As of the reporting date, there were no significant equity interests that did not convey control. 25 % of the share capital of VÖB-ZVD Processing GmbH is held in trust for the Bank by the Bundesverband Öffentlicher Banken Deutschlands e.V. (VÖB).

(3) Consolidation methods

In accordance with IFRS 10.19, the consolidated financial statements of Deutsche Postbank AG have been prepared in accordance with uniform Group accounting and measurement policies.

The Bank has applied the consolidation requirements of IFRS 10, which replace the previous requirements under IAS 27, since January 1, 2013. The new definition of control did not lead to any changes in the basis of consolidation at the time of transition. The analysis found that control within the Group is solely based on voting rights related to the shares held. There was no control based on other criteria, so no assumptions or judgments were required in this regard.

The consolidation procedures remained unchanged.

Acquisition accounting uses the acquisition method in accordance with IFRS 10.B86 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, income and expenses from intercompany transactions, and intercompany profits within the Group were eliminated in accordance with IFRS 10.B86.

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

(4) Accounting policies

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

(a) Fair value and active market

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If available, the prices quoted in an active market are used for financial instruments measured at fair value; the principal or most advantageous market is determined in each case (IFRS 13.72ff. in conjunction with IFRS 13.B34).

Active markets are distinguished by high trading volumes and liquidity, in particular. If the above criteria are not met, the market is regarded as being inactive.

Postbank considers all of the following criteria in identifying the principal market:

- The market with the greatest trading volume and the highest market activity,
- The market normally used by the Bank, and
- Postbank's access to the defined principal market.

The principal market can be the interbank market, the brokered market, stock exchanges, or futures exchanges, depending on the type of product.

The most advantageous market is used to measure fair value if the Bank does not have access to the principal market.

(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 IFRS 13.61ff. in conjunction with IFRS 13.B12ff., 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 42. 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.

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The maximum credit risk on the loan portfolios allocated to the fair value option corresponds to the carrying amount of €5.8 billion (previous year: €6.8 billion); this risk is reduced by €0.4 billion (previous year: €0.4 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 change in fair value attributable to changes in the default risk on financial assets was €32 million in the year under review (previous year: €5 million); the cumulative changes amounted to €32 million (previous year: €5 million).

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.

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 42, 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 the parameters of 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 39.63ff., 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.

To determine the portfolio-based valuation allowance Postbank changed the input parameters due to new findings. This negatively impacted the allowance for losses on loans and advances in the income statement by an additional €42 million.

(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 IFRS 13.72ff. in conjunction with IFRS 13.B34, 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 IFRS 13.61ff. in conjunction with IFRS 13.B5ff.). A detailed description of the valuation techniques is given in Note 42. 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. 143

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.

An ever-growing proportion of derivative transactions are being entered into using a central clearing organization or a collateral agreement. In view of this, Postbank has implemented OIS (overnight index swap) discounting for collateralized derivatives. The implementation of OIS discounting reduced net trading income by €17 million as of December 31, 2013.

Net trading income declined by €12 million in the reporting period as a result of further modifications to the credit/debit value adjustment of derivative transactions.

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). Further information on the SCP portfolios can be found in Note 4 (h), Investment securities. 109

The measurement methods used are described in Note 42, Fair value of financial instruments. 143

(f) Securities lending and repurchase agreements

Postbank enters into 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.

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 39.88ff. 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 39.88ff., 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.

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.

The Bank 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 39.83. 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 plain vanilla interest rate swaps.

(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 fair value 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 IFRS 13.72ff. in conjunction with IFRS 13.B34.

Postbank has invested in structured credit products (SCPs) to a limited extent as part of its own securitization transactions. These include synthetic residential mortgage-backed securities (RMBSs), for example, which are classified as available for sale (AfS).

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. 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.

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.

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The measurement methods used are described in Note 42, Fair value of financial instruments.

(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 2013. 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.

Postbank intends to use the established "BHW" brand over the long term.

In the future, there are plans to focus on the product provider's perception and the corresponding marketing. As part of the new marketing strategy in the Retail Banking segment, the BHW brand was written down by €180 million to fair value less costs to sell in the first quarter of 2013. Fair value less costs to sell was determined using the incremental cash flow method; the model is largely based on company-specific data, as virtually no observable market data related to the brand is available and there is no active market or binding sale agreement.

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 8.45 % was used in the measurement of the Retail Banking and Transaction Banking cash-generating units, while the discount rate for the Corporate Banking cash-generating unit was 8.99 %. 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, an average growth rate for gross domestic product (GDP) has been assumed for the 2014 to 2017 planning period, along with a largely stable unemployment rate. Private household disposable income is likely to rise by slightly more than average over the whole planning period. Moderate inflation of 1.6 % is assumed for 2014, with a slight rise in the following years towards 2 %.

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 2014 has become more remote thanks to the economic recovery in the eurozone and the measures resolved by politicians and the ECB. 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) Other assets

Prepaid expenses as well as all assets not allocated to other asset items are reported under Other assets.

(l) 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.

(m) 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).

(n) Provisions

Provisions for pensions and other employee benefits
There are commitments to provide occupational benefits at Deutsche Postbank AG and its subsidiaries. The commitments are classified as defined benefit plans or defined contribution plans, depending on the principal terms and conditions of the plan concerned.

Expenses for defined contribution plans mainly relate to payments made to Bundesanstalt für Post und Telekommunikation Deutsche Bundespost (Postbeamtenversorgungskasse, formerly: Bundes-Pensions-Service für Post und Telekommunikation e.V.) in the amount of €97 million (previous year: €105 million). These expenses and the employer contributions to statutory pension insurance in the amount of €57 million (previous year: €57 million) are recognized in administrative expenses in the income statement.

The existing defined benefit pension commitments provide for different benefits for different groups. The majority of the benefits are granted in the form of direct pension commitments plus, since the acquisition of the BHW Group, indirect pension commitments via BHW Bausparkasse VVaG's Pensionskasse (occupational pension fund).

Direct pension commitments: Direct pension commitments provide for old-age, disability, and survivors' benefits, mostly in the form of lifelong pension payments. Different arrangements exist due to the assumption of pension plans in connection with corporate transactions, among other things. Specifically, these are

- modular pension plans, where the future pension increases every year depending on the salary received;

- final salary-based commitments, where the future pension is linked to the length of service and the salaries received before the insured event;

- (indexed) fixed pensions, where the amount of the future pension is fixed but in some cases is indexed by a set percentage amount every year.

There are also a smaller number of defined contribution plans, in which an annual contribution is credited to a pension account and converted into a benefit (using actuarial techniques).

Postbank directly assumed the commitments to the pensioners and employees who were previously insured with Versorgungsanstalt der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

BHW Bausparkasse's *Pensionskasse* (occupational pension fund): The *Pensionskasse* is a legally independent occupational pension provider in the form of a small mutual insurance association (VVaG – *Versicherungsverein auf Gegenseitigkeit*), which grants beneficiaries a legal right to their pension benefits. As a regulated *Pensionskasse*, it is supervised in full by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) on the basis of the *Versicherungsaufsichtsgesetz* (VAG – German Insurance Supervision Act). The pension scheme is funded by the sponsoring employers, which make regular contributions to the *Pensionskasse*. The solvency of the *Pensionskasse* was ensured at all times in the fiscal year. The employees and pensioners insured by the *Pensionskasse* generally also have direct pension commitments that are credited toward the occupational pension fund insurance.

In 2013, Postbank invested €1.45 billion in the Deutsche Bank Group's CTA (contractual trust arrangement) to finance previously unfunded direct obligations that are not covered via the Pensionskasse. The assets held in the CTA qualify as plan assets under IAS 19 rev. Transfers of funds to the CTA are not subject to any minimum requirements; rather, these can be determined by Postbank.

The amount of the liability is determined annually by independent actuarial experts using the projected unit credit method required under IAS 19. The discount rate applicable for the pension liability is set at the reporting date by reference to the yield on high quality long-term corporate bonds. The assumptions regarding the long-term salary trend reflect Postbank's expectations as to how this will develop over the long term. The nominal rate of expected salary increases is determined based on inflation plus the expected long-term real salary trend ("building block approach"). Deutsche Bank uses the inflation rates implied by inflation swaps denominated in euros on the balance sheet date as a reference for long-term inflation.

In accordance with legal requirements, future pension adjustments are linked to inflation/salary trends, unless a guaranteed adjustment of 1% p.a. has been granted. The following overview shows the bases of calculation applied:

	2013	2012
Discount rate	3.6 % p.a.	3.7 % p.a.
Salary growth	2.4 %	2.6 %
Inflation	1.9 %	2.1 %
Mortality	Heubeck tables 2005G	Heubeck tables 2005G

Postbank applied IAS19 rev. for the first time in fiscal year 2013. Remeasurements of net pension provisions due to differences between the actual and expected development of the obligation and plan assets are recognized in other comprehensive income in the period in which they arise and, following deduction of deferred taxes, in retained earnings.

Other provisions

Other short-term and long-term employee benefits are recognized in other provisions in accordance with the requirements of IAS 19 rev. This applies in particular to partial retirement and early retirement benefits. The provisions attributable to these obligations amounted to €271 million as of December 31, 2013 (previous year: €227 million).

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.

Since home savings contracts typically have very long terms (in some cases more than 20 years), the timing and exact amount of the related expenses is uncertain. The collective simulation therefore incorporates assumptions and estimates regarding customer behavior and future conditions to determine the amount of the provisions.

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.

(o) 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.

(p) 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 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.

(q) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through sale and their sale is highly probable.

Assets held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell and are reported in the "Assets held for sale" balance sheet item. According to IFRS 5.5 exceptions to this measurement rule may, among other things, be applied to investment securities. The liabilities associated with these assets are reported in the "Liabilities directly related to assets held for sale" balance sheet item.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2013

The following standards were required to be applied for the first time in the reporting period:

IAS 1
The amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" change the presentation of other comprehensive income such that items of other comprehensive income that may subsequently be reclassified to profit or loss, or that were reclassified in this way during the reporting period, are required to be presented separately from those that will not. The presentation of other comprehensive income in the condensed statement of comprehensive income was adjusted in line with the amended requirements.

IAS 19
The 2011 amendments to IAS 19 "Employee Benefits" (IAS 19 rev.) must be applied as of January 1, 2013. The deferred recognition of actuarial gains/losses (the corridor approach) is no longer permitted under the new standard. Instead, these gains/losses must be recognized in the year they arise under other comprehensive income in the statement of comprehensive income. Under IAS 19 rev., past service cost must always be recognized immediately in the income statement in the year it is incurred. Instead of determining the interest expense on the pension obligation and the expected return on plan assets on the basis of asset allocation, under IAS 19 the net interest expense or net interest income is recognized in profit or loss based on the provisions for pensions, taking into account payments made during the year and the discount rate at the beginning of the fiscal year.

The changes were applied retrospectively in accordance with the transitional provisions of IAS 19 rev., taking into account the provisions of IAS 8. Provisions for pensions rose by €341 million as of January 1, 2013, as a result of the application of the new version; the pension expense was approximately €17 million lower in fiscal year 2013 than under the old standard. Of this figure, approximately €18 million is attributable to savings relating to the fact that the amortization of losses is no longer required, and approximately €1 million to lower expected returns on plan assets due to the use of the discount rate instead of the expected interest income from the investment plan. The net pension provision as of December 31, 2013, would, based on the corridor approach, have been €348 million lower than the provision currently considered.

IFRS 7
IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" sets out 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. The disclosures are contained in Note 45. 154

IFRS 10, IFRS 11, IFRS 12, IAS 27, and IAS 28
In the reporting period, Postbank voluntarily applied the new standards IFRS 10, IFRS 11, and IFRS 12, and the amended standards IAS 27 and IAS 28, prior to their effective dates.

IFRS 10 "Consolidated Financial Statements" contains new consolidation requirements that revise the definition of control in particular. An entity has control over another entity if the investor has the ability to direct the relevant activities of the investee, if it receives material variable returns from involvement with the investee, and if it has the ability to use its power over the investee to influence the amount of the variable returns.

The new, uniform concept of control is applied to all entities, including special purpose entities previously analyzed using SIC-12.

The new definition of control under IFRS 10 did not have any effect on Postbank's basis of consolidation as of the effective date.

The provisions of IFRS 11 "Joint Arrangements," IAS 27 "Separate Financial Statements," and IAS 28 "Investments in Associates and Joint Ventures" did not have any effect on Postbank in the reporting period.

IFRS 12 "Disclosures of Interests in Other Entities" sets out the information that has to be disclosed in the notes in relation to interests in consolidated entities and relationships with structured entities. Essentially, the previous disclosures have been extended to include information on unconsolidated structured entities. These disclosures are contained in Note 54. 159

IFRS 13
Postbank started applying IFRS 13 "Fair Value Measurement," which consolidates in a single standard the IFRS requirements for measuring fair value, effective January 1, 2013. The goal is to harmonize the definition of fair value, the methods used to measure it and, in particular, the disclosure requirements for fair value measurement in the notes. Implementation of the measurement requirements of IFRS 13 had no effect on Postbank's consolidated financial statements. IFRS 13 disclosures are provided in Note 42 in particular. 143

Annual Improvements 2009-2011
The application as of January 1, 2013, of the clarifications, amendments, and additions to five standards from the Annual Improvements Project 2009-2011 did not have any material effects for Postbank.

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 19 "Employee Benefits"	July 1, 2014 Not yet endorsed by the EU.	IAS 19 contains an amendment to "Defined Benefit Plans: Employee Contributions", as a result of which contributions from employees or third parties that are linked to service are recognized as a negative benefit in the period in which the related service is rendered.
IAS 32 (amended 2011) "Financial Instruments: Presentation"	January 1, 2014 Commission Regulation 1256/2012 of December 13, 2012	IAS 32 clarifies the conditions under which financial assets and financial liabilities must be offset. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IAS 36 "Impairment of Assets"	January 1, 2014 Commission Regulation 1374/2013 of December 19, 2013	IAS 36 contains amendments to the disclosure requirements regarding the recoverable amount of impaired assets determined based on fair value less costs of disposal. Postbank is currently examining the potential effects on, and changes to, the notes to the consolidated financial statements.
IAS 39 "Financial Instruments: Recognition and Measurement"	January 1, 2014 Commission Regulation 1375/2013 of December 19, 2013	IAS 39 includes simplified requirements on the "Novation of Derivatives and Continuation of Hedge Accounting," which mean that novation of a hedging instrument to a central counterparty as a consequence of laws or regulations does not give rise to termination of a hedging relationship. 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 effective for fiscal years beginning on or after January 1, 2018. 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. A further exposure draft was published for Phase 1 in March 2013. At present, only an exposure draft has been issued for Phase 2 ("Amortized Cost and Impairment"). Phase 2 aims to replace the incurred loss impairment model by an expected loss model that accounts for expected risks before they materialize. A three bucket/stage approach proposed by the IASB is being discussed for implementation. Phase 3 ("Hedge Accounting", excluding macro hedge accounting) provides for simplifications to hedge accounting, especially in relation to the effectiveness test. For Phase 3, the final hedge accounting requirements were published in November 2013 as part of IFRS 9 "Financial Instruments". Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
Annual Improvements 2010–2012	July 1, 2014 Not yet endorsed by the EU.	The IASB has implemented clarifications, amendments and additions to existing standards as part of its Annual Improvements 2010–2012 project. Postbank does not expect the new requirements to have any material effects.
Annual Improvements 2011–2013	July 1, 2014 Not yet endorsed by the EU.	The IASB has implemented clarifications, amendments and additions to existing standards as part of its Annual Improvements 2011–2013 project. Postbank does not expect the new requirements to have any material effects.

(6) Non-current assets held for sale

Groups of assets/liabilities held for sale

In December 2013, the Bank classified the five following subsidiaries as held for sale: Postbank Direkt GmbH (Retail Banking segment), Postbank Service GmbH and BHW Kreditservice GmbH (both Cost Centers/Consolidation segment), Betriebs-Center für Banken AG and VÖB-ZVD Processing GmbH (both Transaction Banking segment). The planned bundling of these service companies in a holding company within the Deutsche Bank Group will presumably be effected in the course of 2014.

The companies' assets and liabilities are as follows:

Assets	Dec. 31, 2013 €m
Cash reserve	40
Loans and advances to other banks	9
Investment securities	1
Intangible assets	4
Property and equipment	43
Current tax assets	10
Deferred tax assets	36
Other assets	14
Total	**157**

Liabilities	Dec. 31, 2013 €m
Due to customers	11
Provisions	67
Current tax liabilities	12
Deferred tax liabilities	17
Other liabilities	61
Total	**168**

Loans and advances to other banks are attributable in full to the loans and receivables category. Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

The carrying amount of the financial assets and liabilities recognized at cost is matched by a corresponding fair value in the same amount as of December 31, 2013.

The financial assets of the companies amounting to €49 million and the financial liabilities amounting to €11 million are measured at amortized cost and are allocated to Level 1. The investment securities reported in the balance sheet at their fair values are allocated to Level 2.

In addition to the sale and/or contribution of the companies above, the Bank decided to sell a property in Berlin in the first quarter of 2014. The classification of the property as held for sale led to an impairment loss of €3.5 million, which was recognized in administrative expenses. As of December 31, 2013, the property's carrying amount of €41 million is reported in the balance sheet item "Non-current assets held for sale." The property is allocated to the Retail Banking segment.

(7) Adjustments of prior-year figures

Due to the retrospective initial application of IAS 19 rev. "Employee Benefits," the prior-year figures for provisions increased by a total of €47 million after tax outside profit or loss, while equity decreased by the same amount. The change in the measurement of the pension plans led to a decrease of €8 million in administrative expenses in fiscal year 2012; at the same time, the remeasurement outside profit or loss of the defined benefit plans during this period led to other comprehensive income after tax decreasing by €282 million. As of December 31, 2012, provisions rose by a total of €334 million and deferred tax assets by €5 million, while equity declined by €329 million overall.

In order to appropriately reflect the economic impact of netting, the assets and liabilities arising in connection with the settlement of swap transactions via a central counterparty are offset in accordance with IAS 32 starting in fiscal year 2013. In the prior-year figures, loans and advances to other banks were reduced by €651 million, trading assets/liabilities by €4,311 million and €5,267 million respectively, and the positive and negative fair values of hedging derivatives by €903 million and €598 million respectively.

There were no effects as of January 1, 2012.

The retrospective changes led to adjustments to the balance sheet, the statement of comprehensive income (including earnings per share), the statement of changes in equity, and the associated notes disclosures (including the segment reporting).

INCOME STATEMENT DISCLOSURES

(8) Net interest income

	2013 €m	2012 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	4,410	4,956
Fixed-income and book-entry securities	738	1,144
Trading operations	1	4
Net gains/losses on hedges	2	–9
	5,151	**6,095**
Current income from:		
Equities and other non-fixed-income securities	1	2
Equity investments	6	3
	7	**5**
	5,158	**6,100**
Interest expense on:		
Deposits	1,938	2,450
Debt securities in issue	245	333
Subordinated debt	219	213
Swaps	293	400
Trading operations	–	1
	2,695	**3,397**
Total	**2,463**	**2,703**

Interest income from the lending business and from money market transactions includes €27 million (previous year: €56 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 €50 million (previous year: €179 million). In addition, this item includes €243 million (previous year: €221 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:

	2013 €m	2012 €m
Gains/losses on the fair value remeasurement of hedged items	109	–112
Gains/losses on the fair value remeasurement of hedging instruments	–107	103
Total	**2**	**–9**

(9) Allowance for losses on loans and advances

	2013 €m	2012 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	485	556
Portfolio-based valuation allowances	34	2
Cost of additions to provisions for credit risks	27	17
Direct loan write-offs	101	47
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	281	193
Portfolio-based valuation allowances	8	9
Income from the reversal of provisions for credit risks	16	10
Recoveries on loans previously written off	23	26
Total	**319**	**384**

The allowance for losses on loans and advances contains additions of €2 million (previous year: €0 million) and reversals of €0 million (previous year: €4 million) which relate to loans and advances to other banks.

€306 million (previous year: €377 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €11 million (previous year: €7 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:

	2013 €m	2012 €m
Additions		
Private mortgage lending	183	206
Home savings loans	2	3
Commercial loans	158	209
Installment loans	80	79
Other loans and advances	60	59
Portfolio-based valuation allowances	34	2
Total	**517**	**558**

	2013 €m	2012 €m
Reversal		
Private mortgage lending	143	107
Home savings loans	1	1
Commercial loans	127	71
Installment loans	0	0
Other loans and advances	10	11
Portfolio-based valuation allowances	8	8
Total	**289**	**198**

(10) Net fee and commission income

	2013 €m	2012 €m
Checking account business	413	359
Securities business	47	50
Lending and guarantee business	81	115
Branch business	393	431
Other fee and commission income	186	199
Total	**1,120**	**1,154**

"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".

(11) Net trading income

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

	2013 €m	2012 €m
Net income from sale of securities and loans	–1	3
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	–1	3
Loans (held for trading)	–5	1
	–6	**4**
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	3,099	9,678
Loss on derivatives	–3,157	–9,782
	–58	**–104**
Net gains/losses from application of the fair value option		
thereof loans and advances to customers	–262	107
thereof derivatives substantively linked to the fair value option	268	–134
	6	**–27**
Foreign exchange gain/loss	7	23
Net fee and commission income carried in the trading portfolio	–1	–2
Total	**–53**	**–103**

The net gains/losses on derivatives carried in the trading portfolio and the banking book include expenses from interest on swaps of €71 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 €0 million (previous year: €2 million) (see Note 4 (g)).

The net gains/losses on derivatives also include losses on the measurement of embedded derivatives from structured credit products of €13 million (previous year: €31 million).

	2013 €m	2012 €m
Net income from interest rate products	–7	7
Net gains/losses on derivatives carried in the trading portfolio and the banking book	–58	–104
Net gain/loss from application of the fair value option	6	–27
Foreign exchange gain/loss	7	23
Net fee and commission income carried in the trading portfolio	–1	–2
Total	**–53**	**–103**

(12) 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.

	2013 €m	2012 €m
Net income from loans and receivables investment securities	11	41
thereof net income from sale	11	–1
Gains on sale	87	136
Losses on sale	76	137
thereof reversal of impairment losses/ impairment losses (net)	0	42
Net income from available-for-sale investment securities	41	–88
thereof net income from sale	41	–84
Gains on sale	54	41
Losses on sale	13	125
thereof net impairment loss	0	–4
Net income from loans to other banks	0	12
thereof net income from sale of loans and receivables	0	12
Net income from equity investments	222	20
Total	**274**	**–15**

	2013 €m	2012 €m
Net income from bonds and promissory note loans	52	–81
Net income from equities and other non-fixed-income securities	0	8
Net income from equity investments	222	20
Impairment	0	38
Total	**274**	**–15**

€2 million (previous year: €44 million) of the net impairment loss on investment securities relates to other debt instruments, and €2 million to reversals of writedowns on total holdings of other debt instruments classified as loans and receivables.

In 2013, SCP holdings were liquidated, producing a loss on disposal of €–28 million.

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Net income from equity investments comprises deconsolidation effects (see Note 2). In addition, net income from equity investments includes the €17 million impairment loss (previous year: €5 million) on closed-end funds.

(13) 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:

	2013 €m	2012[1] €m
Staff costs		
Wages and salaries	1,107	1,093
Social security contributions	116	114
Expenses for pensions and other benefits	191	218
	1,414	**1,425**
Other administrative expenses	1,450	1,422
Amortization of intangible assets	248	83
Depreciation and writedowns of property and equipment	65	61
Total	**3,177**	**2,991**

[1]Figures adjusted (see Note 7)

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €102 million (previous year: €105 million) and pension expenses for defined benefit plans amounting to €61 million (previous year: €88 million).

Other administrative expenses relate primarily to IT costs of €365 million (previous year: €309 million); operating building and premises expenses of €164 million (previous year: €168 million); expenses for intragroup services received from Deutsche Post AG in the amount of €152 million (previous year: €147 million); legal, consulting, and audit costs of €112 million (previous year: €112 million), market communication costs of €85 million (previous year: €100 million), as well as expenses for the banking levy amounting to €3 million (previous year: €14 million).

Other administrative expenses include lease expenses of €129 million (previous year: €135 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

In the first half of 2013, an impairment loss of €180 million was charged on the BHW brand, which is reported under intangible assets. The amortization and writedowns of intangible assets do not include any further impairment losses (previous year: €11 million).

Impairment losses of €5 million (previous year: €0 million) were charged on property and equipment in the year under review.

(14) Other income

	2013 €m	2012 €m
Income from property and equipment	31	44
Reimbursements from internal welfare institutions	17	11
Income from uncollectable transactions	5	4
Miscellaneous	76	89
Total	**129**	**148**

Income from property and equipment mainly comprises rental income of €30 million (previous year: €31 million).

In addition, the miscellaneous item includes a large number of individual items.

(15) Other expenses

	2013 €m	2012 €m
Expenses for claims settlement and ex gratia payments	31	8
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	7	9
Expenses for other taxes	6	6
Expenses from property and equipment	1	4
Additions to provisions	–	4
Miscellaneous	74	87
Total	**119**	**118**

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 €3 million (previous year: €4 million) and value added tax amounting to €3 million (previous year: €0 million).

In addition, the miscellaneous item includes a large number of individual items.

(16) Income taxes

Income taxes in the Group were composed of the following items:

	2013 €m	2012 €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	18	91
Trade income tax	13	10
	31	**101**
Prior-period income tax	–9	5
	22	**106**
Deferred income tax		
from temporary differences	–93	–87
from the reversal of loss carryforwards	58	87
	–35	**0**
Total	**–13**	**106**

The following reconciliation illustrates the relationship between profit after tax and income tax expense:

	2013 €m	2012[1] €m
Profit from ordinary activities after tax	331	288
Income tax expense	–13	106
Profit before tax	318	394
Applicable tax rate	31,45 %	38,50 %
Expected income taxes	100	152
Tax effects		
Effect of changes in tax rate	–3	3
Effect of difference between applicable tax rates in Germany and abroad	10	–15
Effect of non-deductible expenses	71	3
Effect of tax-free income	–22	–40
Effect of additions/reductions for income tax purposes	3	1
Effect of consolidated tax group	–205	–19
Effect of changes in valuation allowances on deferred tax assets	–1	16
Effect of prior-period taxes	32	4
Other	2	1
	–113	–46
Income tax expense	–13	106

Due to the formal legal perspective the weighted average tax rate is used for the applicable tax rate.

BALANCE SHEET DISCLOSURES

(17) Cash reserve

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Cash	899	986
Balances with central banks	840	1,068
Total	1,739	2,054

€513 million (previous year: €862 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2013 was €865 million (previous year: €977 million).

(18) Loans and advances to other banks

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Domestic banks		
Payable on demand	984	3,300
Other loans and advances	12,316	9,680
	13,300	12,980
Foreign banks		
Payable on demand	1,399	1,247
Other loans and advances	5,454	13,419
	6,853	14,666
Total	20,153	27,646

€4,182 million (previous year: €3,950 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, 2013 €m	Dec. 31, 2012[1] €m
Loans and advances to other banks (loans and receivables)	19,856	21,931
thereof fair value hedges	201	212
Money market assets (loans and receivables)	297	5,715
Total	20,153	27,646

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Securities repurchase agreements	15,101	20,953
Overnight money	1,826	4,387
Loans	808	1,218
Registered bonds	324	329
Term deposits	1,248	595
Other loans and advances	846	164
Total	20,153	27,646

[1]Figures adjusted (see Note 7)

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, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Financial collateral	13,300	19,870	2,070	1,473
Non-financial collateral	–	–	–	–
Total	**13,300**	**19,870**	**2,070**	**1,473**

Collateral is utilized at standard market conditions.

As of December 31, 2013, receivables under genuine repurchase agreements amounted to €15,101 million (previous year: €20,953 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 €18.9 billion (previous year: €25.6 billion) and variable-interest loans in the amount of €1.3 billion (previous year: €2.1 billion).

(19) Loans and advances to customers

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Private mortgage lending	70,463	71,628
Home savings loans	3,690	3,801
Commercial loans	16,603	21,259
Public sector	3,815	3,178
Installment loans	5,454	4,847
Other loans and advances	1,288	1,553
Total	**101,313**	**106,266**
thereof:		
Secured by mortgage charges	47,407	50,283
Public-sector loans	3,487	3,165
Domestic customers	91,863	95,294
Foreign customers	9,450	10,972
Total	**101,313**	**106,266**

Loans and advances to customers without a fixed maturity amounted to 1.5 % of total assets (previous year: 1.2 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€75,387 million (previous year: €80,455 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 €87.5 billion (previous year: €88.6 billion) and variable-interest loans in the amount of €13.8 billion (previous year: €17.7 billion).

In the fourth quarter of 2013, Postbank sold a portfolio of commercial real estate loans of the London branch with a notional and carrying amount of €1.6 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, 2013 €m	Dec. 31, 2012 €m
Loans and receivables	95,483	99,427
thereof fair value hedges	1,797	2,123
Fair value option	5,830	6,839
Total	**101,313**	**106,266**

Loans and advances to customers include amounts due under finance leases.

Total outstanding minimum lease payments amount to €217 million (previous year: €212 million) and have the following maturity structure:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
in the first year after the balance sheet date	56	51
in the second year after the balance sheet date	47	46
in the third year after the balance sheet date	37	37
in the fourth year after the balance sheet date	63	26
in the fifth year after the balance sheet date	10	50
more than five years after the balance sheet date	4	2
Total	**217**	**212**

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Outstanding minimum lease payments	217	212
Unguaranteed residual values	4	4
Total gross investment	221	**216**
Unearned finance income	22	26
Net investment	199	**190**
Present value of unguaranteed residual values	3	3
Present value of minimum lease payments	**196**	**187**

The accumulated allowance for uncollectible outstanding minimum lease payments amounts to €3 million (previous year: €2 million).

(20) Total credit extended

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Loans and advances to other banks	20,153	27,646
Loans and advances to customers	101,313	106,266
Guarantees	359	415
Total	**121,825**	**134,327**

(21) 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.

The allowance for losses on loans and advances is composed of the following items:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Allowance for losses on loans and advances to other banks	2	13
Allowance for losses on loans and advances to customers	1,476	1,732
Total allowance for losses on loans and advances	1,478	1,745
Provisions for credit risks	52	43
Total	**1,530**	**1,788**

[1]Figures adjusted (see Note 7)

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	
	2013 €m	2012 €m	2013 €m	2012 €m	2013 €m	2012 €m
Balance at Jan. 1	**1,614**	**1,684**	**131**	**142**	**1,745**	**1,826**
Reclassification due to IFRS 5	0	–40	0	–4	0	–44
Additions						
Allowance charged to the income statement	485	556	34	2	519	558
Reclassification	–7	0	7	–	0	–
Disposals						
Utilization	464	342	2	–	466	342
Allowance reversed to the income statement	281	193	8	9	289	202
Unwinding	27	56	–	–	27	56
Currency translation differences	4	–5	–	–	4	–5
Balance at Dec. 31	**1,316**	**1,614**	**162**	**131**	**1,478**	**1,745**

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, 2013 €m	Dec. 31, 2012 €m
Specific valuation allowances		
Private mortgage lending	370	453
Home savings loans	3	2
Commercial loans	333	537
Installment loans	324	312
Other loans and advances	284	297
Portfolio-based valuation allowances	162	131
Total	**1,476**	**1,732**

The total amount of loans for which no interest payments are being received was €1,180 million as of the balance sheet date (previous year: €1,091 million). Writedowns were charged on loans with a total volume of €2,480 million (previous year: €3,024 million). The outstanding interest receivables on these loans amounted to €78 million as of December 31, 2013 (previous year: €115 million).

€101 million of loans and advances was written off directly in fiscal year 2013 (previous year: €47 million). Recoveries on loans written off amounted to €23 million (previous year: €26 million).

(22) Trading assets

Group trading activities generally 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. In fiscal year 2013, trading assets were mainly comprised of derivatives. All trading assets are carried at their fair values.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities		
Other issuers	–	31
	–	**31**
Building loans held for trading	150	161
Positive fair values of derivatives carried as trading assets	1,361	3,495
Positive fair values of banking book derivatives	298	922
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	15	526
Total	**1,824**	**5,135**

Deposits of €1,519 million (previous year: €4,407 million) are due after more than 12 months.

€0 million of the bonds and other fixed-income securities have a fixed rate of interest over the entire term (previous year: €31 million).

The following amounts of bonds and other fixed-income securities carried as trading assets, are negotiable and listed:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities	–	31

(23) Hedging derivatives

Hedges with positive fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Assets		
Hedging derivatives on loans to customer		
Loans and receivables	4	7
	4	**7**
Liabilities		
Deposits from other banks	3	5
Due to customers	10	211
Debt securities in issue	30	149
Subordinated debt	66	193
	109	**558**
Total	**113**	**565**

Holdings of €85 million (previous year: €449 million) are due after more than 12 months.

(24) 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, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities		
Public-sector issuers	15,699	15,449
Other issuers	18,171	21,471
	33,870	**36,920**
Equities and other non-fixed-income securities		
Investment fund shares	123	81
	123	**81**
Equity investments	25	19
Investments in unconsolidated subsidiaries	6	7
Total	**34,024**	**37,027**

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 €30,658 million (previous year: €33,148 million) are due after more than 12 months.

[1]Figures adjusted (see Note 7)

€29.7 billion of the bonds and other fixed-income securities have a fixed rate of interest over the entire term, while €4.2 billion have a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €0.1 billion (previous year: €0.9 billion).

Investment securities are classified as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	23,786	27,782
thereof fair value hedges	6,354	10,576
Available for sale	10,084	9,138
thereof fair value hedges	3,304	2,768
	33,870	**36,920**
Equities and other non-fixed-income securities		
Available for sale	123	81
	123	**81**
Equity investments (available for sale)	25	19
Investments in unconsolidated subsidiaries (available for sale)	6	7
Total	**34,024**	**37,027**

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Bonds and other fixed-income securities	33,840	36,714
Equities and other non-fixed-income securities	0	70
Equity investments	6	5

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Liabilities	14,345	14,326
Contingent liabilities	6	6
Total	**14,351**	**14,332**

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 €2 million were charged to the revaluation reserve (previous year: €–295 million). €46 million was removed from the revaluation reserve in the reporting period (previous year: addition of €99 million) and recognized in profit or loss for the period due to the disposal of investment securities and the recognition of impairment losses.

No impairment losses (previous year: reversals of impairment losses of €38 million) were recognized in fiscal year 2013.

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, 2013, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €11.9 billion and a carrying amount of €12.1 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 €224 million in the period up to December 31, 2013 (previous year: €573 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, 2013; disposal losses on reclassified securities amounted to €6 million (previous year: disposal loss of €3 million).

In the year under review, interest amounting to €324 million (previous year: €486 million) accrued for the reclassified securities.

(25) Intangible assets

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Acquired goodwill	1,622	1,631
Acquired software, concessions, industrial rights	295	517
Internally generated intangible assets and software	48	65
Advance payments on intangible assets and in-process intangible assets	63	35
Total	**2,028**	**2,248**

€1,568 million of purchased goodwill (previous year: €1,568 million) is attributable to the Retail Banking segment, while €13 million (previous year: €22 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 €139 million. The "BHW" brand is allocated to the Retail Banking segment. The capitalized amounts for customer relationships amounted to €66 million (previous year: €70 million), while those for beneficial contracts amounted to € 26 million (previous year: €33 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, 2012	**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**
Changes in basis of consolidation	–	–	–	–	–
Reclassification due to IFRS 5	–	–4	–	–	–4
Additions	–	7	1	33	41
Reclassifications	–	1	4	–5	0
Disposals	9	14	21	–	44
Closing balance at Dec. 31, 2013	**1,644**	**1,039**	**178**	**63**	**2,924**

	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, 2012	**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**
Changes in basis of consolidation	–	–	–	–	–
Amortization	-	226	22	–	248
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	14	21	–	35
Closing balance at Dec. 31, 2013	**22**	**744**	**130**	**0**	**896**
Carrying amount at Dec. 31, 2012	**1,631**	**517**	**65**	**35**	**2,248**
Carrying amount at Dec. 31, 2013	**1,622**	**295**	**48**	**63**	**2,028**

Based on the impairment test performed, the "BHW" brand- was written down in the amount of €180 million.

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2013 €m	Reclassi-fications due to IFRS 5 €m	Additions €m	Disposals €m	Reclassifi-cations €m	Amorti-zation €m	Carrying amount at Dec. 31, 2013 €m
Acquired goodwill	1,631	–	–	9	–	–	1,622
Acquired software, concessions, industrial rights	517	−4	7	–	1	226	295
Internally generated intangible assets and software	65	–	1	–	4	22	48
Advance payments on intangible assets and in-process intangible assets	35	–	33	–	−5	–	63
Total	**2,248**	**−4**	**41**	**9**	**0**	**248**	**2,028**

In fiscal year 2013, borrowing costs for qualifying assets (software under development) of €0.4 million were capitalized in accordance with IAS 23 (previous year: €0.4 million). The underlying capitalization rate was 1%.

The carrying amount as of December 31, 2013, of advance payments on intangible assets was €13 million (previous year: €8 million); the carrying amount of intangible assets under development was €50 million (previous year: €27 million).

(26) Property and equipment

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Land and buildings	552	612
Operating and office equipment	143	153
Advance payments and assets under development	3	3
Total	**698**	**768**

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, 2012	**1,070**	**452**	**1**	**1,523**
Reclassifications due to IFRS 5	−1	−1	–	−2
Additions	–	45	3	48
Reclassification	–	1	−1	0
Disposals	46	50	–	96
Closing balance at Dec. 31, 2012	**1,023**	**447**	**3**	**1,473**
Reclassifications due to IFRS 5	−41	−2	–	−43
Additions	–	38	3	41
Reclassification	1	2	−3	0
Disposals	6	46	0	52
Closing balance at Dec. 31, 2013	**977**	**439**	**3**	**1,419**

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2012	**437**	**295**	**–**	**732**
Depreciation	15	46	–	61
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	41	47	–	88
Closing balance at Dec. 31, 2012	**411**	**294**	**–**	**705**
Depreciation	19	46	–	65
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	5	44	–	49
Closing balance at Dec. 31, 2013	**425**	**296**	**–**	**721**
Carrying amount at Dec. 31, 2012	**612**	**153**	**3**	**768**
Carrying amount at Dec. 31, 2013	**552**	**143**	**3**	**698**

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2013 €m	Reclassifications due to IFRS 5 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals of impairment losses €m	Depreciation €m	Carrying amount at Dec. 31, 2013 €m
Land and buildings	612	–41	–	1	1	–	19	552
Operating and office equipment	153	–2	38	2	2	–	46	143
Advance payments and assets under development	3	–	3	–	–3	–	–	3
Total	**768**	**–43**	**41**	**3**	**0**	**–**	**65**	**698**

At the balance sheet date, assets under development amounted to €3 million (previous year: €1 million).

(27) Current and deferred tax assets

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Current tax assets	115	113
Deferred tax assets		
from temporary differences	92	78
from tax loss carryforwards	0	49
domestic	0	49
foreign	0	0
	92	**127**
Total	**207**	**240**

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, 2013 €m	Dec. 31, 2012[1] €m
Assets		
Loans and advances	0	0
Allowance for losses on loans and advances	9	3
Trading assets	3	0
Investment securities	3	18
Property and equipment	8	8
Other assets	99	71
Liabilities		
Amounts due to other banks and customers	9	11
Trading liabilities	306	444
Hedging derivatives	80	121
Provisions for pensions and other employee benefits	54	64
Other provisions	58	58
Other liabilities	7	7
	636	**805**
Tax loss carryforwards	0	58
Netted against deferred tax liabilities	544	736
Total	**92**	**127**

In the year under review, deferred tax assets for temporary differences/tax loss carryforwards amounting to €42 million were not recognized.

For 2013, deferred tax assets were recognized in an amount that is €3 million (previous year: €8 million) in excess of deferred tax liabilities, despite losses at one Group company in the previous year. 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.

[1]Figures adjusted (see Note 7)

(28) Other assets

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Prepaid expenses	526	489
Trade receivables	119	106
Receivables from tax authorities	30	10
Advances to members of the mobile sales force	10	13
Miscellaneous	43	101
Total	**728**	**719**

€433 million of the prepaid expenses (previous year: €390 million) mainly relates to prepaid brokerage commissions for mortgage loans.

Other assets amounting to €433 million (previous year: €432 million) have a maturity of more than 12 months.

(29) Deposits from other banks

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Domestic banks		
Payable on demand	7,150	1,396
With an agreed maturity or withdrawal notice	10,410	15,459
	17,560	**16,855**
Foreign banks		
Payable on demand	656	170
With an agreed maturity or withdrawal notice	66	309
	722	**479**
Total	**18,282**	**17,334**

€525 million of the deposits from other banks is covered by fair value hedges (previous year: €567 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

Deposits of €9,488 million (previous year: €10,039 million) are due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €16.6 billion (previous year: €14.5 billion) and variable-interest deposits in the amount of €1.6 billion (previous year: €2.8 billion).

As of December 31, 2013, liabilities relating to genuine securities repurchase agreements amounted to €7.1 billion (previous year: €4.4 billion).

(30) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Savings deposits		
With an agreed withdrawal notice of three months	46,295	47,729
With an agreed withdrawal notice of more than three months	134	144
	46,429	**47,873**
Home savings deposits	18,560	18,315
thereof: on terminated contracts	84	89
thereof: on allotted contracts	4	4
Other amounts due		
Payable on demand	37,295	40,808
With an agreed maturity or withdrawal notice	18,114	24,736
	55,409	**65,544**
Total	**120,398**	**131,732**
Domestic customers	117,689	127,041
Foreign customers	2,709	4,691
Total	**120,398**	**131,732**

€6,899 million of the amounts due to customers is covered by fair value hedges (previous year: €7,880 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

Deposits of €25,999 million (previous year: €27,765 million) are due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €18.1 billion (previous year: €46.0 billion) and variable-interest deposits in the amount of €102.3 billion (previous year: €85.7 billion).

(31) 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 and euro notes).

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Public-sector *Pfandbriefe*	1,592	1,623
Mortgage *Pfandbriefe*	4,456	6,104
Other debt instruments	1,294	1,709
Total	**7,342**	**9,436**

€2,325 million of the debt securities in issue is covered by fair value hedges (previous year: €2,768 million).

Debt securities in issue consist solely of financial instruments classified as liabilities at amortized cost.

Deposits of €4,407 million (previous year: €7,271 million) are due after more than 12 months.

Debt securities in issue include fixed-interest liabilities in the amount of €6.9 billion (previous year: €9.0 billion) and variable-interest liabilities in the amount of €0.4 billion (previous year: €0.4 billion).

Repurchased own bonds amounting to €7 million (previous year: €65 million) were deducted directly from debt securities in issue.

(32) Trading liabilities
Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio and in the banking book.

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Negative fair values of trading derivatives	1,098	2,815
Negative fair values of banking book derivatives	395	1,574
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	188	1,564
Total	**1,681**	**5,953**

Deposits of €1,383 million (previous year: €4,855 million) are due after more than 12 months.

(33) Hedging derivatives
Hedges with negative fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	11	16
	11	**16**
Hedging derivatives on loans to customers		
Loans and receivables	76	204
	76	**204**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	315	729
	315	**729**
Liabilities		
Deposits from other banks	–	–
Due to customers	11	–
Debt securities in issue	–	–
Subordinated debt	47	53
	58	**53**
Total	**460**	**1,002**

Deposits of €424 million (previous year: €844 million) are due after more than 12 months.

[1]Figures adjusted (see Note 7)

(34) Provisions for pensions and other employee benefits

The provisions for pension obligations are as follows:

Present value of obligations, fair value of plan assets and net pension provisions at December 31	2013 €m	2012 €m
Present value of total defined benefit obligation	1,855	2,054
Fair value of plan assets	–1,762	–524
Net pension provisions	**93**	**1,530**

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The prior-year figures on provisions for pensions were adjusted in connection with the first-time application of IAS 19 rev. (see Note 7).

The sharp decline in net pension provisions is due to the participation in and transfer of assets to the Deutsche Bank Group's CTA.

The change in net pension provisions is as follows:

Change in net pension provisions	2013 €m	2012 €m
Balance at January 1	1,530	1,231
Pension expense of the period	61	88
Pension benefits directly paid by the employer	–22	–67
Employer contributions	–1,495	–7
Employee contributions	5	3
Recognized in other comprehensive income	45	279
Transfers and mergers	–11	3
Reclassifications due to IFRS 5	–20	–
Balance at December 31	**93**	**1,530**

The effect shown under corporate transactions relates to the pension obligations of PB Capital Corporation, Delaware, U.S.A., which was sold to Deutsche Bank effective January 1, 2013. The obligations of the Postbank companies to be transferred to the Deutsche Bank Group as part of the bundling in a holding within Deutsche Bank were classified as assets held for sale.

The present value of the total obligation changed as follows in 2013 and 2012:

Change in present value of total defined benefit obligation	2013 €m	2012 €m
Pension expense recognized in profit or loss		
Present value of total defined benefit obligation at January 1	2,054	1,718
Current service cost, excluding employee contributions	35	28
Past service cost	0	0
Gains (–)/losses (+) on plan settlements	0	0
Interest cost on pension obligations	74	83
Remeasurement effects recognized in other comprehensive income		
Actuarial gains (–)/losses (+)		
from changes in demographic assumptions	–1	0
from changes in economic assumptions	1	299
from experience adjustments	–10	4
Payments and other changes		
Employee contributions	5	3
Pension benefits paid	–82	–84
Payments for plan settlements	0	0
Transfers and mergers	–26	3
Reclassifications due to IFRS 5	–195	0
Present value of total defined benefit obligation at December 31	**1,855**	**2,054**

The allocation of the present value of the total obligation to the different employee groups and the weighted duration of the obligation are shown in the following table:

Breakdown of present value of total defined benefit pension obligation by beneficiary group	2013 €m	2012 €m
Future beneficiaries still working for the company	550	646
Future beneficiaries no longer working for the company with vested benefits	310	358
Pensioners	995	1,050
Total present value of obligation	**1,855**	**2,054**
Weighted duration of obligations in years	**16.2**	**16.0**

The following overview shows the change in plan assets:

Change in plan assets	2013 €m	2012 €m
Fair value of plan assets at January 1	524	487
Pension expense recognized in profit or loss		
Interest income on plan assets	48	23
Remeasurement effects recognized in other comprehensive income		
Difference between return on plan assets and interest income on plan assets	–55	24
Payments and other changes		
Employer contributions	1,495	7
Pension benefits paid	–60	–17
Plan settlements	0	0
Transfers and mergers	–15	0
Reclassifications due to IFRS 5	–175	0
Fair value of plan assets at December 31	**1,762**	**524**

€1.45 billion of the contributions to plan assets relate to the transfers to the CTA; the contributions to the BHW pension fund account for the remaining contributions. Together with the pension fund assets, 95.0 % of Postbank's pension liabilities are funded.

Postbank expects €34 million to be contributed to plan assets in fiscal year 2014.

The plan assets are allocated to the asset classes as follows:

Breakdown of fair value of plan assets by asset class	2013 €m	2013 in %	2012 €m	2012 in %
Assets traded in an active market				
Cash	9	0.5	10	1.9
Equities	0	0.0	11	2.1
Government bonds	1,421	80.7	43	8.2
Fixed-income securities with investment grade	26	1.5	125	23.9
Other fixed-income securities	0	0.0	9	1.7
Structured products	6	0.3	4	0.8
Investment funds	0	0.0	0	0.0
Alternative investments	0	0.0	67	12.8
Derivatives	0	0.0	0	0.0
Total assets traded in an active market	**1,462**	**83.0**	**269**	**51.4**
Assets not traded in an active market				
Cash	0	0.0	0	0.0
Equities	0	0.0	0	0.0
Government bonds	20	1.1	20	3.8
Fixed-income securities with investment grade	166	9.5	168	32.1
Other fixed-income securities	0	0.0	0	0.0
Structured products	13	0.7	17	3.3
Investment funds	0	0.0	0	0.0
Alternative investments	101	5.7	57	10.9
Derivatives	0	0.0	–8	–1.5
Total assets not traded in an active market	**300**	**17.0**	**254**	**48.6**
Fair value of plan assets at December 31	**1,762**	**100**	**523**	**100**

Plan assets include financial instruments issued by BHW Bausparkasse AG in the amount of €15 million.

Some of the structures needed at Postbank for the investment and risk management of assets outside the *Pensionskasse* and outside BCB were still being established as of the reporting date in connection with the funding of the CTA in 2013. However, all banking supervisory regulations were adhered to at all times. The investment and risk management of these assets is based on Deutsche Bank's strategy. The goal of this strategy is to minimize fluctuations in net pension provisions by making suitable investments that mirror the structure of the obligations as far as possible ("liability driven investment" or LDI), thus reducing volatility of earnings/equity caused by fluctuations in pension obligations and pension assets as far as possible.

The investment strategy for the Pensionskasse's assets is determined by its management board, taking into account all supervisory law requirements (VAG in conjunction with the *Anlageverordnung* (AnlV – Investment Regulation)). The appropriateness of the investment strategy is reviewed on a regular basis.

In addition to the investment risk related to the pension plan assets, by granting defined benefit and defined contribution pensions Postbank is exposed to the risks inherent in these liabilities and their measurement. These include biometric risks such as longevity risk, and especially interest rate risk. The following table presents the results of a sensitivity analysis of the key actuarial assumptions:

Sensitivity disclosures

	2013 €m	2012 €m
Discount rate (–100 bp)		
Increase in obligations	303	328
Expected increase in plan assets	204	20
Expected net effect on carrying amount	**99**	**308**
Discount rate (+100 bp)		
Decrease in obligations	–271	–296
Expected decrease in plan assets	–204	–20
Expected net effect on carrying amount	**–67**	**–276**
Inflation rate (–50 bp)		
Decrease in obligations	–65	–78
Expected decrease in plan assets	0	0
Expected net effect on carrying amount	**–65**	**–78**
Inflation rate (+50 bp)		
Increase in obligations	73	86
Expected increase in plan assets	0	0
Expected net effect on carrying amount	**73**	**86**
Salary increases (–50 bp)		
Decrease in obligations = Decrease in net carrying amount	–23	–14
Salary increases (+50 bp)		
Increase in obligations = Increase in net carrying amount	13	15
10 % decline in mortality		
Increase in obligations = Increase in net carrying amount	60	61

The effects are calculated according to the same procedures and measurement approaches used to measure the obligations on the balance sheet date. As part of the analysis, the effect of the change on the individual parameter concerned was calculated in isolation, i.e., the other assumptions remained unchanged. As a result, the information provided cannot be used to determine effects caused by the correlation of certain parameters. In addition, the results are subject to the same restrictions as the results for the obligation at the end of the period under review.

The liability-driven investment approach, under which the available plan assets reflect the liability structure, means that a change in the discount rate has a corresponding offsetting effect on plan assets. The sensitivity of the plan assets to a change in the discount rate is also shown in the above table.

The following table shows the expected pension payments under the pension plans. The payments shown include both the benefit payments to be made from plan assets and those to be paid directly by Postbank.

Expected pension payments from pension plans	€m
Current payments 2013	82
Expected payments 2014	78
Expected payments 2015	79
Expected payments 2016	80
Expected payments 2017	82
Expected payments 2018	83
Expected payments 2019–2023	432

In addition to the directly payable pension benefits, the following contributions to plan assets and expenses for defined contribution plans are expected:

Expected employer payments in 2014	€m
Expected contributions	
to plan assets	34
to the Postbeamtenversorgungskasse (special pension fund for postal civil servants)	97
to other plans	
Pension payments to be made directly by Postbank	0
Total payments for pension commitments	**131**

(35) Other provisions

The other provisions changed as follows in the reporting period:

	Balance at Jan. 1, 2013[1] €m	Utilization €m	Reversal €m	Additions €m	Reclassifi-cations due to IFRS 5 €m	Balance at Dec. 31, 2013 €m
Provisions for home savings business	932	120	11	175	–	976
Staff-related provisions	227	48	11	129	26	271
Provisions for credit risks	43	8	16	33	–	52
Risk compensation amounts of the Postbeamten-Krankenkasse (Postal Civil Service Health Insurance Fund)	2	–	–	–	–	2
Miscellaneous	240	105	47	148	22	214
Total	**1,444**	**281**	**85**	**485**	**48**	**1,515**

€1,103 million (previous year: €1,053 million) of the recognized provisions is due after more than 12 months.

[1]Figures adjusted (see Note 7)

Provisions for the home savings business changed as follows in the year under review:

	Balance at Jan. 1, 2013 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2013 €m
Provisions for home savings business					
for interest premiums	738	100	0	153	791
for reimbursement claims from arrangement fees	76	7	8	7	68
for changes in interest rates	100	9	0	10	101
Miscellaneous	18	4	3	5	16
Total	**932**	**120**	**11**	**175**	**976**

As the home savings provisions are measured on a present value basis, the change in the discount rate applied in the reporting period reduced provisions by €19 million.

Miscellaneous other provisions include provisions for litigation costs amounting to €86 million (previous year: €69 million), provisions for year-end closing costs amounting to €7 million (previous year: €8 million), and provisions for jubilee benefits amounting to €4 million (previous year: €5 million).

(36) Current and deferred tax liabilities

	Balance at Jan. 1, 2013 €m	Utilization €m	Reversal €m	Additions €m	Reclassifications due to IFRS 5 €m	Balance at Dec. 31, 2013 €m
Current taxes	115	17	37	31	–12	80
Deferred taxes	137	–	45	8	–16	84
Total	**252**	**17**	**82**	**39**	**–28**	**164**

Provisions for current taxes relate to current payment obligations to the tax authorities.

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Assets		
Loans and advances	255	340
Allowance for losses on loans and advances	7	9
Trading assets	147	212
Hedging derivatives	1	2
Investment securities	67	110
Property and equipment	7	7
Other assets	68	135
Liabilities		
Amounts due to other banks and customers	24	24
Provisions for pensions and other employee benefits	46	0
Other provisions	6	31
Other liabilities	0	3
	628	**873**
Netted against deferred tax assets	544	736
Total	**84**	**137**

(37) Other liabilities

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trade payables	198	168
Liabilities from other taxes	168	167
Liabilities from expenses for outstanding invoices	91	93
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	34	44
Liabilities from expenses for management bonuses	45	47
Liabilities from expenses for commissions and premiums	37	32
Deferred income	13	36
Miscellaneous liabilities	247	134
Total	**833**	**721**

€77 million of other liabilities (previous year: €50 million) is due after more than 12 months.

(38) Subordinated debt

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Subordinated liabilities	3,140	1,978
Profit participation certificates outstanding	1,196	1,196
Contributions by typical silent partners	22	22
Total	**4,358**	**3,196**

Due to the current maturity structure, only €3,708 million (previous year: €2,673 million) of the items reported as subordinated debt represents liable capital in accordance with the Basel Capital Accord.

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€4,027 million of subordinated debt (previous year: €2,796 million) is due after more than 12 months.

The interest expense on subordinated liabilities amounts to €160 million (previous year: €89 million). Deferred interest not yet due amounting to €47 million (previous year: €36 million) is carried as subordinated debt under subordinated liabilities.

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 2013 on profit participation certificates outstanding totals €57 million (previous year: €57 million). Deferred interest not yet due amounting to €46 million (previous year: €46 million) is allocated directly to profit participation certificates outstanding.

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 €1,792 million of the subordinated liabilities (previous year: €342 million) is hedged against changes in fair value.

€2.7 billion of subordinated debt (previous year: €0.7 billion) is fixed-interest, while €1.6 billion (previous year: €2.5 billion) is variable-interest.

(39) Equity

	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,297	3,198
Foreign currency translation reserve	0	–138
Revaluation reserve	23	72
Other reserves	**3,320**	**3,132**
Consolidated net profit	330	287
Non-controlling interests	5	4
Total	**6,212**	**5,980**

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 and remeasurement gains/losses from defined benefit plans.

In the previous year, the foreign currency translation reserve was allocated to PB (USA) Holdings, Inc., which was sold effective January 1, 2013.

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.

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

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

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

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

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

The Annual General Meeting on April 29, 2010, approved the contingent increase in share capital 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.

[1]Figures adjusted (see Note 7)

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	2013 €m	2012 €m
Balance at January 1	**72**	**–306**
Remeasurement gains/losses	**–25**	**409**
Available for sale, hedged (due to changes in credit risk)	–23	114
Available for sale, unhedged	–2	295
Disposals and impairment	**–22**	**107**
Impairment	0	4
thereof available for sale	0	4
thereof loans and receivables	0	0
Disposal/hedge termination	–46	95
thereof available for sale	–41	84
thereof loans and receivables	–5	11
Writedown effect in net interest income	24	8
thereof available for sale	30	–6
thereof loans and receivables	–6	14
Income tax recognized directly in equity	**–2**	**–138**
Balance at December 31	**23**	**72**

€46 million (previous year: €99 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 €24 million from the revaluation reserve to income (previous year: €8 million). In addition, the revaluation reserve decreased by €25 million (previous year: increase by €409 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €–2 million in the fiscal year under review (previous year: €–138 million), resulting in a closing balance of €2 million (previous year: €4 million).

OTHER DISCLOSURES

(40) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Non-Core Operating Unit		Cost Centers/ Consolidation		Group	
	2013 €m	2012[1] €m	2013 €m	2012[1] €m	2013 €m	2012[1] €m	2013 €m	2012[1] €m	2013 €m	2012[1] €m	2013 €m	2012[1] €m	2013 €m	2012[1] €m
Net interest income	2,480	2,461	302	390	–	1	120	–44	–416	–109	–23	4	2,463	2,703
Net trading income	12	–29	–2	–	–	–	–47	–4	–15	–66	–1	–4	–53	–103
Net income from investment securities	0	0	0	–3	–	–	22	70	–60	–98	312	16	274	–15
Net fee and commission income	908	974	89	89	288	294	–14	–3	19	10	–170	–210	1,120	1,154
Total income	**3,400**	**3,406**	**389**	**476**	**288**	**295**	**81**	**19**	**–472**	**–263**	**118**	**–194**	**3,804**	**3,739**
Administrative expenses	–1,919	–1,773	–95	–97	–253	–277	–62	–77	–27	–61	–821	–706	–3,177	–2,991
Allowance for losses on loans and advances	–210	–242	–38	–48	–	–	–2	5	–69	–99	–	–	–319	–384
Other income/ expenses	1	9	9	8	9	11	18	0	–32	30	5	–28	10	30
Allocations	–619	–700	–103	–91	–10	–6	–21	–51	–53	–102	806	950	0	0
Profit/loss before tax	**653**	**700**	**162**	**248**	**34**	**23**	**14**	**–104**	**–653**	**–495**	**108**	**22**	**318**	**394**
Revenues from external customers	3,395	3,388	385	474	101	120	81	17	–472	–263	314	3	3,804	3,739
Intersegmental revenues	5	18	4	2	187	175	0	2	0	0	–196	–197	0	0
Impairment losses	–29	–30	–1	–1	–4	–4	–1	–1	–1	–12	–276	–96	–312	–144
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation and amortization	–29	–30	–1	–1	–4	–4	–1	–1	–1	–1	–91	–96	–127	–133
Cost/income ratio (CIR)	**74.6 %**	**72.6 %**	**50.9 %**	**39.5 %**	**91.3 %**	**95.9 %**	**102.5 %**	**673.7 %**	**–16.9 %**	**–62.0 %**	**–**	**–**	**83.5 %**	**80.0 %**
Return on equity before taxes (RoE)	**26.4 %**	**28.3 %**	**25.4 %**	**35.1 %**	**–**	**–**	**1.2 %**	**–7.6 %**	**–44.6 %**	**–36.2 %**	**–**	**–**	**5.4 %**	**6.6 %**

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.

The presentation of the income statement was amended in the segment reporting compared with the previous year. A new "allocations" line item was established, comprising the key elements of the overhead costs that were not previously allocated and that were contained in the Cost Centers/ Consolidation segment, plus the standard operating costs and cost allocations previously reported under administrative expenses for the individual segments. Consequently, as of 2013 segment reporting largely allocates fully absorbed costs to their originators in the operating segments.

In addition, as part of the segment adjustment, Postbank removed BHW Kreditservice GmbH from the Retail Banking segment and allocated it to the Cost Centers/Consolidation segment.

The changes made can be seen from the segment descriptions. The comparative prior-year figures have been adjusted accordingly. The amounts reported also contain the other adjustments to the prior-year figures made in the course of the fiscal year (see Note 7).

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,

[1]Figures adjusted

mortgage lending, installment loans, 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.

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 BCB 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 and BHW Bausparkasse AG, as well as the profit/loss of the following subsidiaries: Deutsche Postbank International S.A. (not including the corporate banking business), Deutsche Postbank Vermögens-Management S.A., Luxembourg (until August 2012), and Deutsche Postbank Financial Services GmbH (until September 2012, subsequently merged with Deutsche Postbank AG).

The new NCOU segment, which was established in 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 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, selected results of repo/reverse repo transactions and the structured credit portfolio (SCP, which was completely disposed of in 2013) are allocated to the segment.

The Cost Centers/Consolidation segment comprises Group consolidation adjustments – less intrasegment consolidation adjustments – plus the profit/loss of the cost centers. In addition, the segment includes the profit/loss of the Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, Postbank Immobilien und Baumanagement GmbH & Co. KG, Postbank Support GmbH (until December 2012), Postbank Service GmbH, and BHW Kreditservice GmbH subsidiaries, which are allocated to the cost centers. The reconciliation to consolidated profit also falls within this segment. Specific non-recurring effects are also attributable to this segment. In 2013, these included the writedown of the BHW brand and part of the result from the deconsolidation of PB (USA) Holdings, Inc. and other U.S. companies. Please see Notes 2 and 13. 104 119

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 segment reporting figures were adjusted in the course of the above-mentioned changes to business unit accounting (allocation to a large extent of fully absorbed costs to their originators in the operating segments and removal of BHW Kreditservice GmbH from the Retail Banking segment) and additional adjustments to the prior-year figures (see Note 7). The main adjustments are described below. 116

Income in the Retail Banking segment decreased by €7 million. This is solely due to the removal of contributions to earnings by BHW Kreditservice GmbH and its assignment to the Cost Centers/Consolidation segment. Consequently, other income improved by €8 million. Administrative expenses declined by €335 million due to the separate presentation of the allocated items. Charges relating to allocated items including fully absorbed costs amounted to €700 million. Overall, profit before tax for the segment fell by €364 million.

Administrative expenses in the Corporate Banking segment declined by €32 million due to the separate presentation of the allocated items. Charges relating to allocated items including fully absorbed costs amounted to €91 million. Consequently, profit before tax for the segment fell by €59 million.

The result for the Transaction Banking segment decreased by €6 million due to the allocation of fully absorbed costs.

In the Financial Markets segment, administrative expenses declined by €2 million due to the separate presentation of the allocated items. Charges relating to allocated items including fully absorbed costs amounted to €51 million. Overall, profit before tax for the segment decreased by €49 million.

Administrative expenses in the NCOU segment declined by €50 million due to the removal of the allocated items. Expenses relating to allocated items including fully absorbed costs therefore amounted to €102 million. Profit before tax for the segment fell by €52 million.

Income in the Cost Centers/Consolidation segment increased by €7 million due to the transfer of BHW Kreditservice GmbH from Retail Banking to the Cost Centers/Consolidation segment. Consequently, other income declined by €8 million. Administrative expenses rose by €419 million due to the separate presentation of the allocated items. The change
116 in the measurement of the pension plans led to a decrease of €8 million in administrative expenses (see Note 7) which resulted in an overall increase in administrative expenses of €411 million. The positive effect of the allocation of fully absorbed costs amounted to €950 million. Consequently, profit before tax for the segment rose by €538 million.

Company level disclosures

The following table contains information about income per product or service:

	2013 €m	2012 €m
Deposits and loans for Retail and Corporate Banking customers	2,903	2,962
Payment transaction services for Retail and Corporate Banking customers	406	388
Retail and Corporate Banking fee and commission income	517	536
Transaction Banking insourcing (net fee and commission income)	94	97
Others	–116	–244
Total	**3,804**	**3,739**

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 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 and U.S.A. (PB Capital until December 2012) regions. The London branch, the Luxembourg entities Deutsche Postbank International S.A., Deutsche Postbank Vermögens-Management S.A. (until August 2012), Deutsche Postbank Finance Center Objekt GmbH, and DPBI Immobilien KGaA (until December 2012, subsequently merged with Deutsche Post Finance Center Objekt GmbH), plus the branches of BHW in Italy, Luxembourg, and Belgium (until December 2012, subsequently merged with the Luxembourg branch) form the Europe region. The Germany region comprises all domestic business units including all consolidation adjustments.

	Income		Loss/profit before tax		Non-current assets	
	2013 €m	2012 €m	2013 €m	2012[1] €m	2013 €m	2012 €m
Germany	3,663	3,330	324	105	2,707	2,994
Others	141	409	–6	289	19	22
Europe	141	270	–6	132	19	20
U.S.A.	0	139	0	157	0	2
Total	**3,804**	**3,739**	**318**	**394**	**2,726**	**3,016**

Non-current assets comprise intangible assets and property and equipment.

[1]Figures adjusted

(41) 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, 2013 €m	Dec. 31, 2012 €m
Contingent liabilities		
on guarantees and warranties	359	415
Other obligations		
irrevocable loan commitments	7,179	7,441
thereof building loans provided	2,871	2,748
miscellaneous obligations	12,353	12,325
Total	**19,891**	**20,181**

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.

The amount and timing of utilization are often variable, particularly in the case of credit lines, guarantees, and warranties.

Loan commitments and credit lines usually contain a repayment agreement. In addition, reimbursement is only possible to a limited extent.

(42) Fair values of financial instruments

Fair value hierarchy

The following presents the allocation of financial instruments measured at fair value to the three-level fair value hierarchy in accordance with IFRS 13.72ff. In line with this, Postbank assigns the assets and liabilities to the respective levels:

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, 2013 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	1,824	1	1,822	1
Hedging derivatives	113	0	113	0
Loans and advances to customers	5,830	0	5,830	0
thereof private mortgage lending	5,830	0	5,830	0
Available-for-sale financial assets				
Investment securities	10,238	7,587	2,590	61
Total	**18,005**	**7,588**	**10,355**	**62**

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2013 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	1,681	0	1,679	2
Hedging derivatives	460	0	460	0
Total	**2,141**	**0**	**2,139**	**2**

Assets measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2012[1] €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	5,135	32	5,102	1
Hedging derivatives	565	0	565	0
Loans and advances to customers	6,839	0	6,839	0
thereof private mortgage lending	6,839	0	6,839	0
Available-for-sale financial assets				
Investment securities	9,244	6,650	2,401	193
Total	**21,783**	**6,682**	**14,907**	**194**

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2012[1] €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	5,953	0	5,891	62
Hedging derivatives	1,002	0	1,002	0
Total	**6,955**	**0**	**6,893**	**62**

Postbank uses the discounted cash flow method to measure financial instruments allocated to Level 2, if they cannot be measured using recent transactions in identical financial instruments or transactions in similar financial instruments at the measurement date. Most of the above-mentioned financial instruments (derivatives, bonds, promissory note loans) 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 Postbank Group applies the fair value option exclusively to loan portfolios in the mortgage lending business. 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.

There were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy in the reporting period.

Valuation techniques whose inputs mean they are allocable to Level 3 are used for both assets and liabilities. Embedded derivatives from the synthetic SCP portfolios are allocated to Level 3.

[1]Figures adjusted (see Note 7)

Financial assets allocable to Level 3 changed as follows in the reporting period (updated table as of December 31, 2013):

Assets measured at fair value based on Level 3						
	Assets measured at fair value in Level 3 as of Dec. 31, 2013					
	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	1	0	0	193	0	194
Total gains or losses	0	0	0	–14	0	–14
in profit or loss	0	0	0	1	0	1
in revaluation reserve	0	0	0	–15	0	–15
Purchases	0	0	0	0	0	0
Disposals	0	0	0	–112	0	–112
Issues	0	0	0	0	0	0
Settlements	0	0	0	–6	0	–6
Exchange rate effects	0	0	0	0	0	0
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**	**61**	**0**	**62**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**–15**	**0**	**–15**

This change is due to the following reasons:

The above-mentioned change in financial assets allocated to Level 3 is primarily due to the reduction of risk positions in the first half of 2013. In addition, settlements or redemptions of receivables also led to a reduction in this position.

Level 3 financial assets changed as follows as of December 31, 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**

Level 3 financial liabilities changed as follows in fiscal year 2013:

Liabilities measured at fair value based on Level 3			
	Fair value reported in Level 3 as of Dec. 31, 2013		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	62	0	62
Total loss	0	0	0
in profit or loss	0	0	0
Purchases	0	0	0
Disposals	–60	0	–60
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	**2**	**0**	**2**
Total remeasurement gains/losses for liabilities held at the end of the reporting period	**0**	**0**	**0**

The change in financial liabilities allocated to Level 3 is mainly due to the reduction of risk positions in the first half of 2013 and 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, 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**

The fair value of financial instruments allocated to Level 3 is measured either using arranger/dealer quotes or an internal valuation technique. The internal valuation technique 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.

Due to the reduced holding of Level 3 financial instruments, Postbank does not explicitly disclose qualitative and quantitative information.

There were no non-recurring fair value measurements of financial instruments in the reporting period.

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, 2013					Dec. 31, 2012[1]	
	Carrying amount €m	Full fair value €m	Level 1 Mio €	Level 2 Mio €	Level 3 Mio €	Carrying amount €m	Full fair value €m
Assets							
Cash reserve	1,739	1,739	1,739	–	–	2,054	2,054
Loans and advances to other banks (loans and receivables)	20,153	20,167	2,079	18,088	–	27,646	27,633
Loans and advances to customers (loans and receivables)	95,483	100,615	–	–	100,615	99,427	105,833
Allowance for losses on loans and advances	–1,478	–1,478	–	–	–1,478	–1,745	–1,745
Investment securities (loans and receivables)	23,786	23,696	17,720	5,976	–	27,782	27,289
	139,683	**144,739**	**21,538**	**24,064**	**99,137**	**155,164**	**161,064**
Liabilities							
Deposits from other banks (liabilities at amortized cost)	18,282	18,675	150	–	18,525	17,334	17,944
Due to customers (liabilities at amortized cost)	120,398	122,752	56	–	122,696	131,732	134,610
Debt securities in issue and subordinated debt	11,700	12,191	1,628	–	10,563	12,632	13,274
	150,380	**153,618**	**1,834**	**–**	**151,784**	**161,698**	**165,828**

[1]Figures adjusted (see Note 7)

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.

(43) 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	2013 €m	2012 €m
Interest income and expense	(8)		
Loans and receivables		4,966	5,901
Available for sale		183	199
Liabilities at amortized cost		−2,402	−2,996
Net gains or losses	(11), (12)		
Held for trading		−58	−74
Designated as at fair value		6	−27
Loans and receivables		11	54
Available for sale		41	−88

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Assets	**17,614**	**23,609**	**139,813**	**153,030**	**157,427**	**176,639**
Loans and receivables	8,352	12,911	131,070	141,944	139,422	154,855
Loans to other banks	201	212	19,952	27,434	20,153	27,646
Loans to customers	1,797	2,123	93,686	97,304	95,483	99,427
Investment securities	6,354	10,576	17,432	17,206	23,786	27,782
Available for sale	3,304	2,768	6,934	6,477	10,238	9,245
Investment securities	3,304	2,768	6,934	6,477	10,238	9,245
Held for trading	15	526	1,809	4,609	1,824	5,135
Trading assets	15	526	1,809	4,609	1,824	5,135
Fair value option	5,830	6,839	–	–	5,830	6,839
Loans to customers	5,830	6,839	–	–	5,830	6,839
Hedging derivatives	113	565	–	–	113	565
Liabilities	**12,190**	**14,122**	**140,331**	**154,531**	**152,521**	**168,653**
Liabilities at amortized cost	11,541	11,557	138,839	150,141	150,380	161,698
Deposits from other banks	525	567	17,757	16,767	18,282	17,334
Due to customers	6,899	7,880	113,499	123,852	120,398	131,732
Debt securities in issue	2,325	2,768	5,017	6,668	7,342	9,436
Subordinated debt	1,792	342	2,566	2,854	4,358	3,196
Held for trading	189	1,563	1,492	4,390	1,681	5,953
Trading liabilities	189	1,563	1,492	4,390	1,681	5,953
Hedging derivatives	460	1,002	–	–	460	1,002

[1]Figures adjusted (see Note 7)

(44) 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. Netting opportunities arising from the settlement of Postbank's derivative transactions via a central counterparty are used accordingly. Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Trading derivatives	178,895	209,169	1,674	4,943	1,681	5,953
Hedging derivatives	21,303	25,283	113	565	460	1,002
Total	**200,198**	**234,452**	**1,787**	**5,508**	**2,141**	**6,955**

[1]Figures adjusted (see Note 7)

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.

	Notional amount		Fair value			
			Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	3,357	6,041	82	129	74	114
Currency swaps	5,125	7,979	46	49	41	65
Total holdings of foreign currency derivatives	**8,482**	**14,020**	**128**	**178**	**115**	**179**
Interest rate derivatives						
OTC products						
Interest rate swaps	166,619	184,792	1,491	4,620	1,512	5,288
Cross currency swaps	1,634	6,461	46	65	42	287
Forward rate agreements	–	–	–	–	–	–
OTC interest rate options	470	1,841	3	71	2	124
Other interest rate contracts	1,119	1,111	4	4	5	6
Exchange-traded products						
Interest rate futures	–	–	–	–	–	–
Total holdings of interest rate derivatives	**169,842**	**194,205**	**1,544**	**4,760**	**1,561**	**5,705**

[1]Figures adjusted (see Note 7)

	Notional amount		Fair value: Positive fair values		Fair value: Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012 €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	–	–	–	–	–	–
Exchange-traded products						
Equity/index options	46	182	1	1	–	–
Total holdings of equity/index derivatives	**46**	**182**	**1**	**1**	**–**	**–**
Credit derivatives						
Credit default swaps	525	762	1	4	5	69
Total holdings of credit derivatives	**525**	**762**	**1**	**4**	**5**	**69**
Total holdings of trading derivatives	**178,895**	**209,169**	**1,674**	**4,943**	**1,681**	**5,953**
thereof banking book derivatives	54,512	58,256	298	922	395	1,574
thereof derivatives relating to hedged items accounted for under the fair value option	15,084	16,528	15	526	188	1,564
Hedging derivatives						
Fair value hedges						
Interest rate swaps	21,111	24,986	93	489	458	994
Cross currency swaps	192	297	20	76	2	8
Credit default swaps	–	–	–	–	–	–
Total holdings of hedging derivatives	**21,303**	**25,283**	**113**	**565**	**460**	**1,002**
Total holdings of derivatives	**200,198**	**234,452**	**1,787**	**5,508**	**2,141**	**6,955**

[1]Figures adjusted (see Note 7)

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Remaining maturity				
less than 3 months	27	113	19	83
3 months to 1 year	1	3	17	75
from 1 to 2 years	0	4	51	55
from 2 to 3 years	0	0	116	95
from 3 to 4 years	42	0	30	174
from 4 to 5 years	2	153	49	107
more than 5 years	41	292	178	413
	113	**565**	**460**	**1,002**

	Trading and banking book derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Remaining maturity				
less than 3 months	202	501	190	720
3 months to 1 year	100	224	108	378
from 1 to 2 years	129	218	97	319
from 2 to 3 years	132	356	173	310
from 3 to 4 years	140	431	87	572
from 4 to 5 years	158	403	130	484
more than 5 years	813	2,810	896	3,170
	1,674	**4,943**	**1,681**	**5,953**

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.

[1]Figures adjusted (see Note 7)

	Positive fair values		Negative fair values	
	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m	Dec. 31, 2012[1] €m
Counterparties				
Banks in OECD countries	1,451	4,982	2,080	6,784
Other counterparties in OECD countries	336	526	61	171
Non-OECD	–	–	–	–
	1,787	**5,508**	**2,141**	**6,955**

(45) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities that meet the conditions for offsetting set out in IAS 32.42ff. are presented on a net basis in the balance sheet.

The following tables contain the disclosures as of December 31, 2013, on the effects of offsetting on the consolidated balance sheet and the financial effects of offsetting in the case of instruments that are covered by a legally enforceable master netting arrangement or similar agreement.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recognized financial assets (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	23,117	–3,192	19,925	–	–	–15,077	4,848
Trading assets	6,497	–4,673	1,824	–1,000	–122	–	702
Hedging derivatives	929	–816	113	–68	–8	–	37
Total	**30,543**	**–8,681**	**21,862**	**–1,068**	**–130**	**–15,077**	**5,587**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recognized financial liabilities (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Equity and Liabilities							
Deposits from other banks	9,520	–2,390	7,130	–	–	–6,653	477
Trading assets	7,518	–5,837	1,681	–1,000	–516	–	165
Hedging derivatives	915	–455	460	–68	–141	–	251
Total	**17,953**	**–8,682**	**9,271**	**–1,068**	**–657**	**–6,653**	**893**

[1]Figures adjusted (see Note 7)

The column headed "Offset recognized amounts (gross)" contains the amounts set off in accordance with the provision of IAS 32.42ff. The column entitled "Effects of master netting arrangements" contains the amounts that are covered by master netting arrangements but that have not been set off because the conditions of IAS 32.42ff. have not been met. The "Cash collateral" and "Collateral taking the form of financial instruments" columns show the fair values concerned. The right to set off collateral taking the form of financial instruments and cash collateral is contingent upon the prior default of the counterparty concerned.

Offset financial assets and financial liabilities from securities repurchase agreements (reverse repos/repos) are included in the "Loans and advances to other banks (including allowance for losses on loans and advances)" and "Deposits from other banks" balance sheet items.

Offset derivatives are included in the "Trading assets," "Trading liabilities," and "Hedging derivatives" line items. The cash collateral received as security for positive fair values of derivatives and pledged for negative fair values of derivatives is reported under the "Deposits from other banks" and "Loans and advances to other banks" line items.

The following tables contain the comparative figures as of December 31, 2012.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recognized financial assets (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	22,004	−1,051	20,953	−90	–	−20,863	–
Trading assets	9,254	−4,311	4,943	−3,626	−217	–	1,100
Hedging derivatives	1,468	−903	565	−395	−25	–	145
Total	**32,726**	**−6,265**	**26,461**	**−4,111**	**−242**	**−20,863**	**1,245**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recognized financial liabilities (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Equity and Liabilities							
Deposits from other banks	4,825	−400	4,425	−90	−22	−4,313	–
Trading assets	11,220	−5,267	5,953	−3,626	−2,112	–	215
Hedging derivatives	1,600	−598	1,002	−395	−473	–	134
Total	**17,645**	**−6,265**	**11,380**	**−4,111**	**−2,607**	**−4,313**	**349**

(46) Foreclosures and compulsory administration

	Dec. 31, 2013 Number	Dec. 31, 2012 Number
Foreclosures pending	599	1,231
Compulsory administration proceedings	719	322
Foreclosures completed	617	603

(47) Foreign currency volume

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Foreign currency assets	3,747	7,976
Foreign currency liabilities	3,729	7,280

(48) Risk-weighted assets and capital ratio

Postbank ensures the correct calculation of liable capital and own funds at consolidated level for Postbank AG and the companies which are subordinate to it from a regulatory perspective. On the basis of recognized capital as of December 31, 2013, its regulatory own funds in accordance with the provisions of the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) were as follows:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Credit and counterparty risk	40,145	50,096
Market risk positions	200	550
Operational risk	4,588	3,850
Total capital charge	44,933	54,496
Tier 1 capital	4,879	6,521
thereof: hybrid capital instruments	20	1,620
Tier 2 capital	2,013	2,139
thereof: profit participation certificates outstanding	0	1,050
thereof: subordinated liabilities	3,708	1,623
Tier 3 capital	11	0
Eligible own funds	6,903	8,660
Tier 1 ratio in %	10.9	12.0
Capital ratio in %	15.4	15.9

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 and recognized reserves. Tier 2 capital is composed of long-term subordinated liabilities after the deductions prescribed by law. Up to and including December 31, 2013, Postbank made 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 could be deducted from Tier 1 capital and half from Tier 2 capital instead of goodwill for equity investments acquired up to December 31, 2006.

(49) 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, 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 2013 and 2012 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, 2013 €m	Dec. 31, 2012 €m
Credit risk	3,000	3,050
Market risk	2,095	2,395
Operational risk	600	485
Business risk	2,450	2,100
Total before diversification	**8,145**	**8,030**
Diversification effects	1,380	1,331
Total after diversification	**6,765**	**6,699**
Unallocated risk cover amount	5,241	5,157
Total risk cover amount	**12,006**	**11,856**

55 Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

(50) Maturity structure

As of December 31, 2013:

	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	2,383	8,628	4,960	1,369	668	314	1,413	418	20,153
Loans and advances to customers	4,987	10,876	10,063	11,514	9,534	8,118	8,133	38,088	101,313
Trading assets	–	204	101	225	182	140	158	814	1,824
Hedging derivatives	–	27	1	0	0	42	2	41	113
Investment securities	–	1,185	2,181	4,897	5,039	5,353	6,223	9,146	34,024
Current tax assets	–	–	78	35	1	1	–	–	115
Deferred tax assets	–	–	76	–	3	–	–	13	92
Other assets	155	39	101	100	69	60	64	140	728
Total	**7,525**	**20,959**	**17,561**	**18,140**	**15,496**	**14,028**	**15,993**	**48,660**	**158,362**
Deposits from other banks	7,806	450	538	1,615	755	1,324	1,306	4,488	18,282
Due to customers	37,291	48,781	8,327	3,730	2,227	3,723	2,924	13,395	120,398
Debt securities in issue	169	1,504	1,262	105	101	61	769	3,371	7,342
Trading liabilities	–	190	108	97	173	87	130	896	1,681
Hedging derivatives	–	19	17	51	116	30	49	178	460
Provisions	11	73	362	380	244	138	108	292	1,608
Provisions for pensions	–	–	34	5	5	5	4	40	93
Other provisions	11	73	328	375	239	133	104	252	1,515
Current tax liabilities	–	–	40	40	–	–	–	–	80
Deferred tax liabilities	–	–	–	2	6	8	25	43	84
Other liabilities	374	338	44	17	14	13	22	11	833
Subordinated debt	89	20	222	704	707	86	403	2,127	4,358
Total	**45,740**	**51,375**	**10,920**	**6,741**	**4,343**	**5,470**	**5,736**	**24,801**	**155,126**

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The remaining maturities of derivatives are presented separately in a table in Note 44.

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[1]	4,547	13,501	5,648	486	106	920	821	1,617	27,646
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[1]	–	502	226	220	488	485	403	2,811	5,135
Hedging derivatives[1]	–	113	3	4	–	–	153	292	565
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	–	–	–	113
Deferred tax assets[1]	–	–	22	–	1	13	16	75	127
Other assets	125	121	41	36	30	31	33	302	719
Total	**10,294**	**25,520**	**18,836**	**16,607**	**16,872**	**16,593**	**14,528**	**58,348**	**177,598**
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]	–	720	378	319	310	572	484	3,170	5,953
Hedging derivatives[1]	–	83	75	55	95	174	107	413	1,002
Provisions	18	97	341	499	279	217	186	1,337	2,974
Provisions for pensions[1]	–	21	44	103	82	82	81	1,117	1,530
Other provisions[1]	18	76	297	396	197	135	105	220	1,444
Current tax liabilities	–	–	96	19	–	–	–	–	115
Deferred tax liabilities[1]	–	–	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**	**58,943**	**14,290**	**8,846**	**6,155**	**4,708**	**6,193**	**30,353**	**172,600**

(51) 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 Factoring GmbH (Bonn), and BHW Bausparkasse Aktiengesellschaft (Hameln) subsidiaries will be able to meet their obligations.

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.

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).

[1]Figures adjusted (see Note 7)

There are also additional funding obligations in respect of the deposit protection fund of the Bundesverband deutscher Banken e.V. in the amount laid down in its statutes, as well as in respect of the Entschädigungseinrichtung deutscher Banken – the mandatory compensation scheme for all deposit-taking institutions in Germany – on the basis of the provisions of the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act). In addition, a retroactive contribution of €11.5 million is required for the 2013 contribution year under the bank levy (in accordance with section 3(3) of the *Verordnung über die Erhebung der Beiträge zum Restrukturierungsfonds für Kreditinstitute* (RStruktFV), the German Regulation on Credit Institutions' Contributions to the Restructuring Fund).

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 Aktiengesellschaft 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, 2013 €m	Dec. 31, 2012 €m
in the first year after the balance sheet date	63	71
in the second year after the balance sheet date	49	64
in the third year after the balance sheet date	38	46
in the fourth year after the balance sheet date	30	34
in the fifth year after the balance sheet date	19	26
more than five years after the balance sheet date	40	51
Total	**239**	**292**

(52) Trust activities
Trust activities are composed of the following items:

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trust assets		
Loans and advances to other banks	11	53
Loans and advances to customers	619	704
	630	**757**
Trust liabilities		
Due to customers	630	757
	630	**757**

(53) Employees
The average number of employees in the Group in the period under review was as follows:

	Total 2013	Total 2012
Full-time		
Civil servants	5,131	5,498
Salaried employees	11,417	11,450
	16,548	**16,948**
Part-time		
Civil servants	1,209	1,265
Salaried employees	4,314	4,130
	5,523	**5,395**
	22,071	**22,343**

The employees are employed almost exclusively in Germany.

(54) Relationships with unconsolidated structured entities
Relationships with structured entities include contractual and non-contractual business relationships that expose the Bank to variable positive and/or negative returns from the performance of the structured entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. A structured entity often has the following features: restricted activities, a narrow and well-defined objective, insufficient equity, and financing that creates concentrations of credit or other risks.

This Note is focused on structured entities which are not controlled by Postbank and thus are not consolidated.

In the area of commercial real estate finance, Postbank has, among other things, lending relationships with real estate investment vehicles, whose purpose is the holding and rental of commercial real estate primarily in Germany and Europe, and with national and international real estate funds (Commercial Real Estate Finance). The real estate is equity- and debt-financed. Usually real estate investment vehicles use a higher proportion of debt capital.

Relationships with structured entities also include the securities, that have been issued by structured entities (e.g. securitization vehicles) (Other) and fund certificates/shares (Funds) held by the Group.

The maximum exposure to loss shown is the highest potential loss to which the Bank could be exposed as a result of its relationships with structured entities. The maximum exposure to loss from transactions measured at cost comprises the carrying amount and the value of the Bank's off-balance sheet liabilities from its relationships with structured entities. Loan loss allowances already recognized in profit or loss are taken into account when determining the maximum exposure to loss. The maximum exposure to loss is shown without taking account of collateral received.

The size of the structured entity is determined according to its type:

- Commercial real estate finance: total assets of the structured entity.
- Funds: net asset value
- Other: notional amounts of the notes issued.

	Commercial Real Estate Finance	Funds	Other	Total
	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m
Assets				
Loans and advances to customers	6,987	–	9	6,996
Investment securities	6	123	621	750
Allowance for losses on loans and advances	129	–	–	129
Maximum exposure to loss	**6,989**	**123**	**630**	**7,742**
Loans and advances to customers	6,987	–	9	6,996
Investment securities	6	123	621	750
Allowance for losses on loans and advances	129	–	–	129
Off-balance sheet liabilities	125	–	–	125
Size of structured entities	**8,269**	**4,267**	**20,315**	**32,851**

The off-balance sheet liabilities represent contractual obligations on the part of the Bank to financially support the structured entities. In the period under review, the Bank did not render any non-contractual financial support to the structured entities nor does it intend to do so.

(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

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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 (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 €97 million (previous year: €105 million). Other disclosures relating to Bundes-Pensions-Service für Post und Telekommunikation e.V. can be found in Note 4 (n), Provisions.

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 Deutsche 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

Since the beginning of 2012 a control and profit and loss transfer agreement has been in existence 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.

Related party receivables

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Loans and advances to other banks		
Deutsche Bank AG	1,349	985
Other related parties	6	9
	1,355	**994**
Loans and advances to customers		
Subsidiaries	4	4
Other related parties	51	55
	55	**59**

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Trading assets		
Deutsche Bank AG	29	146
	29	**146**
Hedging derivatives		
Deutsche Bank AG	63	72
	63	**72**

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Investment securities		
Deutsche Bank AG	949	–
	949	**–**

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Other assets		
Deutsche Bank AG	9	68
Other related parties	5	9
	14	**77**

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 is 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).

The investment securities relate to Deutsche Bank AG bonds which were acquired in the reporting period.

In fiscal year 2013, Postbank sold assets to Deutsche Bank AG. This resulted in income of €25 million.

Related party payables

	Dec. 31, 2013 €m	Dec. 31, 2012 €m
Deposits from other banks		
Deutsche Bank AG	7,239	6,725
	7,239	**6,725**
Due to customers		
Subsidiaries	12	10
Other related parties	3	6
	15	**16**
Trading liabilities		
Deutsche Bank AG	206	258
Other related parties	5	0
	211	**258**
Hedging derivatives		
Deutsche Bank AG	25	17
	25	**17**
Other liabilities		
Deutsche Bank AG	88	48
DB Finanz-Holding GmbH	151	0
Other related parties	1	2
	240	**50**
Subordinated debt		
Subsidiaries	1,620	–
	1,620	**–**

The liabilities to Deutsche Bank AG primarily relate to securities repurchase transactions.

The other liabilities to DB Finanz-Holding GmbH relate to effects attributable to the control and profit and loss transfer agreement that were recognized in retained earnings.

The subordinated debt relates to the debt securities originally issued by Deutsche Postbank AG in the course of the Trust issues which were acquired by Deutsche Postbank Funding LLC I to IV and which have not been eliminated since its deconsolidation in 2013. The interest expense relating to the debt securities is recognized under interest expense attributable to other companies (see the table entitled "Income and expenses from related parties"). Following the sale of the share capital of Deutsche Postbank Funding LLC I to IV and Deutsche Postbank Funding Trust I to IV effective January 1, 2013, to Deutsche Bank AG and their subsequent deconsolidation, the relationships with these companies have to be disclosed in the Notes for the first time. See Note 2 for the effects of the sale.

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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.

Contingent liabilities from warranty obligations to Deutsche Bank AG amounted to €36 million as of the end of the reporting period (December 31, 2012: €49 million).

Deutsche Postbank AG has issued a guarantee bond in the amount of €5 million for PB Capital Corporation, Delaware, U.S.A. Deutsche Bank AG has undertaken to indemnify Postbank internally from all prior and future obligations resulting from the aforementioned guarantee as part of its acquisition of all equity interests in PB (USA) Holdings, Inc., Delaware, U.S.A., with effect from January 1, 2013.

Due to the disposal of all shares in PB (USA) Holdings, Inc., Delaware, U.S.A., as of January 1, 2013, the comfort letter in favor of PB Capital Corporation was 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. Please see Note 2 for the effects resulting from the disposal of PB (USA) Holdings, Inc.

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Income and expenses from related parties

	2013 €m	2012 €m
Interest income		
Deutsche Bank AG	25	20
Companies with a significant influence	–	1
Subsidiaries	0	2
Other related parties	8	2
	33	**25**
Interest expense		
Deutsche Bank AG	8	18
Other related parties	66	2
	74	**20**
Fee and commission income		
Deutsche Bank AG	39	39
Companies with a significant influence	–	68
Other related parties	23	19
	62	**126**
Fee and commission expense		
Deutsche Bank AG	2	1
Companies with a significant influence	–	1
Subsidiaries	–	2
Other related parties	2	9
	4	**13**
Net trading income		
Deutsche Bank AG	–12	24
	–12	**24**
Administrative expenses		
Deutsche Bank AG	8	–2
Companies with a significant influence	–	48
Subsidiaries	15	16
Other related parties	22	35
	45	**97**
Other income		
Deutsche Bank AG	15	5
Subsidiaries	2	3
Other related parties	16	16
	33	**24**
Other expenses		
Subsidiaries	0	1
	0	**1**

In 2012, 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 change in net trading income is 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), and the negative performance of derivative prices.

The administrative expenses attributable to companies with a significant influence in 2012 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 €583 thousand (previous year: €3,685 thousand) had been granted to members of the key management personnel and deposits of €1,138 thousand (previous year: €7,321 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 2013

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

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

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

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

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

Overall remuneration consists of fixed and performance-related components.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management Board remuneration in 2013

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term component I		Short-term component II	Possible long-term component		
	Fixed component € thousand	Fringe benefits € thousand	Immediate cash payment € thousand	€ thousand	Converted into phantom shares and blocked[2] € thousand	Deferred[3] € thousand	€ thousand	€ thousand
Frank Strauss (Chairman of the Management Board)	750.0	22.7	150.0	922.7	150.0	450.0	600.0	1,522.7
Marc Hess[9]	528.0	27.0	106.0	661.0	106.0	318.0	424.0	1,085.0
Hans-Peter Schmid	600.0	22.2	110.3	732.5	110.3	330.8	441.1	1,173.6
Ralf Stemmer	660.0	15.6	127.0	802.6	127.0	381.0	508.0	1,310.6
Hanns-Peter Storr	600.0	21.6	121.0	742.6	121.0	363.0	484.0	1,226.6
Total	**3,138.0**	**109.1**	**614.3**	**3,861.4**	**614.3**	**1,842.8**	**2,457.1**	**6,318.5**

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

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

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

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

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

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

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

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

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

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

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

Remuneration of former members of the Management Board in 2013

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

Management Board remuneration in 2012

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

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

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

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

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

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

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

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

Pension commitments

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

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

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

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

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

Should the Management Board contracts of Hans-Peter Schmid and Ralf Stemmer be terminated by Deutsche Postbank AG prior to the expiration of their regular contract terms, their pensions are calculated as if their contracts had been fulfilled until their regular expiration. This does not apply if Deutsche Postbank AG terminates the employment relationship for good cause. Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

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

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

Pension commitments for individual members of the Management Board

Pension commitments

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

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

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

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

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

Remuneration of the Supervisory Board

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of a fixed and an annual performance-related component, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of 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 remuneration of employee representatives for their work on the supervisory boards of Deutsche Bank Group companies remains unaffected by this.

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

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

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

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

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

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

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

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

Shareholdings of the members of the Management Board and Supervisory Board

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

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

D&O insurance

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

(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.

Postbank has also furnished Deutsche Postbank International S.A., Luxembourg, with a guarantee in the amount of €473 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.

Postbank has also furnished BHW Bausparkasse AG, Luxembourg, a guarantee in the amount of €12 million which will cover the first loss piece of a retail credit portfolio of the BHW branch in Luxembourg.

Significant restrictions on the transfer of assets within the Postbank Group

The transfer of assets and liabilities within a group can be restricted by legal, regulatory, or contractual provisions. Within the Postbank Group, this affects assets in the amount of €24,147 million that are used to cover secured issues (*Pfandbriefe*), assets in the amount of €6,952 million that are used as collateral in securities repurchase agreements (repos/reverse repos), and assets in the amount of €16 million that are furnished for clearing margins.

In addition, some Group companies are subject to legal restrictions on the distribution of profits, in particular to their parent companies in accordance with section 268(8) of the HGB and with respect to minimum capital requirements. However, the Group considers these restrictions to be insignificant.

(57) Members of executive bodies

Management Board

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

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

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

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

Hans-Peter Schmid

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

Ralf Stemmer

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

Hanns-Peter Storr

Function	Company
Member of the Supervisory Board	BHW Bausparkasse Aktien-gesellschaft, Hameln
Member of the Supervisory Board	BHW Holding AG, Hameln
Member of the Supervisory Board	norisbank GmbH, Berlin

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

1. Shareholder representatives

Rainer Neske
Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman)

Wilfried Boysen
Businessman, Hamburg

Edgar Ernst
President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn

Stefanie Heberling
Cologne/Bonn/Aachen Regional Management
Deutsche Bank Privat- und Geschäftskunden AG, Wuppertal

Tessen von Heydebreck
Chairman of the Board of Trustees of Deutsche Bank Foundation, Berlin

Peter Hoch
Munich

Christian Ricken
Member of the Group Executive Committee,
Chief Operating Officer PBC,
Deutsche Bank AG, Bad Homburg v.d. Höhe

Lawrence A. Rosen
Member of the Board of Management of Deutsche Post AG, Bonn

Christian Sewing
Global Head of Group Audit, Deutsche Bank AG, Osnabrück

Werner Steinmüller
Member of the Group Executive Committee,
Head of Global Transaction Banking,
Deutsche Bank AG, Dreieich

2. Employee representatives

Frank Bsirske,
Chairman of the ver.di Trade Union, Berlin
(Deputy Chairman)

Rolf Bauermeister
Head of National Postal Services Group,
at ver.di Trade Union (national administration), Berlin

Susanne Bleidt
Member of the Postbank Filialvertrieb AG's
General Works Council, Bell

Timo Heider
Chairman of the General Works Council of
BHW Bausparkasse Aktiengesellschaft and
Postbank Finanzberatung AG, Emmerthal

Hans-Jürgen Kummetat
Civil servant, Cologne

Bernd Rose
Member of Postbank Filialvertrieb AG/
Postbank Filial GmbH's General Works Council,
Menden (Sauerland)

Eric Stadler
Chairman of Betriebs-Center für Banken AG's
Works Council, Markt Schwaben

Gerd Tausendfreund
Trade union secretary of the ver.di
Trade Union, Nidderau

Renate Treis
Deputy Chair of Deutsche Postbank AG's
General Works Council, Brühl

Wolfgang Zimny,
Banking lawyer, Head of Department,
Deutsche Postbank AG, Head Office, Bornheim

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

Shareholder representatives

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

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

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

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

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

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

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

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

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

Employee representatives

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

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

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

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

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

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

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

(58) Auditors' fee in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB

	2013 €m	2012 €m
Audits of the financial statements	7.5	7.6
Other assurance of valuation	2.0	2.0
Tax advisory services	0.2	0.2
Other services rendered to the parent company or subsidiaries	1.5	2.5
Total	**11.2**	**12.3**

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 2013:

Postbank Beteiligungen 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[1] € thousand
a) Subsidiaries			
Included in the consolidated financial statements			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	263,905	19,650
BHW Bausparkasse Aktiengesellschaft, Hameln	100.0	884,675	0[2]
BHW Gesellschaft für Vorsorge mbH, Hameln	100.0	242,370	0[2]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln	100.0	918,946	0[2]
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hameln	100.0	79,190	–3,262
BHW Holding AG, Hameln	100.0	742,156	0[2]
BHW-Immobilien GmbH, Hameln	100.0	4,088	1,180[2]
BHW Kreditservice GmbH, Hameln	100.0	3,688	3,064
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	1,201	643
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	926,965	85,104
DSL Portfolio GmbH & Co. KG, Bonn	100.0	8,837	139
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	30	4
PB Factoring GmbH, Bonn	100.0	11,546	0[2]
PB Firmenkunden AG, Bonn	100.0	1,100	0[2]
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn		6,376,846	278,878[3]
Teilgesellschaftsvermögen PB 02	100.0	472,369	19,665
Teilgesellschaftsvermögen PB 08	100.0	510,557	25,455
Teilgesellschaftsvermögen PB 09	100.0	538,121	19,644
Teilgesellschaftsvermögen PB 11	100.0	618,324	25,372
Teilgesellschaftsvermögen PB 13	100.0	340,456	18,419
Teilgesellschaftsvermögen PB 14	100.0	337,142	16,255
Teilgesellschaftsvermögen PB 21	100.0	211,033	7,542
Postbank Beteiligungen GmbH, Bonn	100.0	310,325	0[2]
Postbank Direkt GmbH, Bonn	100.0	15,858	0[2]
Postbank Filial GmbH, Bonn	100.0	25	0[2]
Postbank Filialvertrieb AG, Bonn	100.0	55	0[2]
Postbank Finanzberatung AG, Hameln	100.0	17,104	–8,197
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[2]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	10,228	1,559
Postbank Leasing GmbH, Bonn	100.0	500	0[2]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	10,964	–442
Postbank Service GmbH, Essen	100.0	124	–1
Postbank Systems AG, Bonn	100.0	51,591	0[2]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[2]
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	18,165	2,988[4]

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
a) Subsidiaries			
Not included in the consolidated financial statements			
BHW Eurofinance B.V., Arnheim, Netherlands	100.0	631	–43
BHW Financial Srl in liquidazione, Verona, Italy	100.0	754	–128
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,809	197
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[2]
easyhyp GmbH, Hameln	100.0	113	7
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & CO. KG, Hamburg	65.2	–10,390	–6,745
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum" KG, Bad Homburg v.d. Höhe	74.0	0	–185
PB Sechste Beteiligungen GmbH, Bonn	100.0	53	0
Postbank Akademie und Service GmbH, Hameln	100.0	1,140	2
SAB Real Estate Verwaltungs GmbH, Hameln	100.0	35	4
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	31.0	0	–87
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v.d. Höhe	41.0	0	–173
giropay GmbH, Frankfurt am Main	33.3	0	35
Nummus Beteiligungs GmbH & Co. KG, Frankfurt am Main	27.8	33,030	–31
Nummus Financial GmbH, Eppstein	27.8	34,475	3
SRC Security Research & Consulting GmbH, Bonn	16.9	4,107	1,429
Starpool Finanz GmbH, Berlin	50.0	259	20
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	34,636	–2,924
Landgesellschaft Mecklenburg-Vorpommern mit beschränkter Haftung, Leezen	11.0	39,234	1,783

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

[2] Profit and loss transfer agreement

[3] The company also includes the shares in Teilgesellschaftsvermögen PB 25 which are not held by a company belonging to the Postbank Group. In addition, Deutsche Postbank AG dissolved the shares in Teilgesellschaftsvermögen PB 03-07, 10, 12, 15-18, 20, 22, 24 in fiscal year 2013.

[4] 25 % of the share capital is held in trust for Deutsche Postbank AG by the Bundesverband Öffentlicher Banken Deutschlands e.V. (VÖB).

(61) Declaration of compliance with the German Corporate Governance Code

On December 17, 2013, 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 2013 required by section 161 of the AktG. The full wording of the declaration of compliance can be accessed on the Internet on our homepage at www.postbank.com.

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 21, 2014

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

AUDITOR'S 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, 2013. 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 24, 2014

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

OTHER INFORMATION

05

OTHER INFORMATION

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW

	2013				2012[1]				2013	2012[1]
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	1,253	1,292	1,297	1,316	1,439	1,499	1,551	1,611	5,158	6,100
Interest expense	–655	–662	–648	–730	–788	–829	–849	–931	–2,695	–3,397
Net interest income	598	630	649	586	651	670	702	680	2,463	2,703
Allowance for losses on loans and advances	–89	–93	–53	–84	–98	–93	–93	–100	–319	–384
Net interest income after allowance for losses on loans and advances	509	537	596	502	553	577	609	580	2,144	2,319
Fee and commission income	335	357	339	345	343	368	350	362	1,376	1,423
Fee and commission expense	–57	–72	–62	–65	–69	–73	–64	–63	–256	–269
Net fee and commission income	278	285	277	280	274	295	286	299	1,120	1,154
Net trading income	–15	–18	–23	3	–32	–23	–9	–39	–53	–103
Net income from investment securities	–1	24	40	211	–42	44	–7	–10	274	–15
Administrative expenses	–792	–728	–742	–915	–787	–741	–728	–735	–3,177	–2,991
Other income	46	29	33	21	77	19	32	20	129	148
Other expenses	–48	–30	–24	–17	–48	–23	–21	–26	–119	–118
Profit/loss before tax	**–23**	**99**	**157**	**85**	**–5**	**148**	**162**	**89**	**318**	**394**
Income tax[1]	–4	3	33	–19	–20	–24	–37	–25	13	–106
Profit/loss from ordinary activities after tax	**–27**	**102**	**190**	**66**	**–25**	**124**	**125**	**64**	**331**	**288**
Non-controlling interests	–1	0	0	0	–1	0	0	0	–1	–1
Consolidated net profit/loss	**–28**	**102**	**190**	**66**	**–26**	**124**	**125**	**64**	**330**	**287**

[1]Figures adjusted (see Note 7)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – MULTI-YEAR OVERVIEW

	2013				2012[1]				2013	2012[1]
	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	102	190	66	–25	124	125	64	331	288
Other comprehensive income after tax	16	6	–69	98	8	37	–45	91	51	91
Items that will not be reclassified to profit or loss	45	–12	–8	–61	–127	–127	89	–101	–36	–266
Remeasurement gains/losses (–) on defined benefit plans	45	–12	–8	–61	–127	–127	89	–101	–36	–266
Income tax on items not reclassified to profit or loss	3	0	–9	4	1	3	–51	31	–2	–16
Items that will be/may be reclassified to profit or loss, before tax	–39	18	–51	163	143	171	–39	238	91	513
Change in revaluation reserve	–39	18	–51	25	164	169	–51	234	–47	516
Unrealized gains/losses (–) for the period, before tax	–34	38	–60	31	103	148	–56	214	–25	409
Gains (–)/losses reclassified to profit or loss, before tax	–5	–20	9	–6	61	21	5	20	–22	107
Change in currency translation reserve	0	0	0	138	–21	2	12	4	138	–3
Unrealized gains/losses (–) for the period, before tax	0	0	0	0	–21	2	12	4	0	–3
Gains (–)/losses reclassified to profit or loss, before tax	0	0	0	138	0	0	0	0	138	0
Income tax on items that will be/may be reclassified to profit or loss	7	0	–1	–8	–9	–10	–44	–77	–2	–140
Total comprehensive income for the period attributable to non-controlling interests	–1	0	0	0	–1	0	0	0	–1	–1
Total comprehensive income	**–12**	**108**	**121**	**164**	**–18**	**161**	**80**	**155**	**381**	**378**

[1]Figures adjusted (see Note 7)

CONSOLIDATED INCOME STATEMENT – MULTI-YEAR OVERVIEW

	2009 €m	2010 €m	2011 €m	2012 €m	2013 €m
Interest income	7,987	6,978	6,900	6,100	5,158
Interest expense	−5,582	−4,247	−3,990	−3,397	−2,695
Net interest income	2,405	2,731	2,910	2,703	2,463
Allowance for losses on loans and advances	−678	−561	−383	−384	−319
Net interest income after allowance for losses on loans and advances	1,727	2,170	2,527	2,319	2,144
Fee and commission income	1,623	1,586	1,502	1,423	1,376
Fee and commission expense	−285	−270	−250	−269	−256
Net fee and commission income	1,338	1,316	1,252	1,154	1,120
Net trading income	−498	−241	64	−103	−53
Net income from investment securities	−148	−1	−554	−15	274
Administrative expenses	−2,864	−2,934	−3,204	−2,991	−3,177
Other income	178	175	107	148	129
Other expenses	−131	−170	−114	−118	−119
Profit/loss before tax	−398	315	78	394	318
Income tax	475	−176	34	−106	13
Profit/loss from ordinary activities after tax	77	139	112	288	331
Non-controlling interests	−1	−1	−1	−1	−1
Consolidated net profit	**76**	**138**	**111**	**287**	**330**
Cost/income ratio (CIR)	92.5 %	77.1 %	87.3 %	80.0 %	83.5 %
Return on equity (RoE)					
before tax	−7.8 %	5.7 %	1.4 %	6.6 %	5.4 %
after tax	1.5 %	2.5 %	2.0 %	4.8 %	5.6 %

CONSOLIDATED BALANCE SHEET – MULTI-YEAR OVERVIEW

Assets	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m
Cash reserve	4,534	3,248	3,652	2,054	1,739
Loans and advances to other banks	14,467	12,140	20,322	27,646	20,153
Loans and advances to customers	111,043	111,783	110,743	106,266	101,313
Allowance for losses on loans and advances	–1,641	–1,764	–1,826	–1,745	–1,478
Trading assets	20,471	24,150	6,892	5,135	1,824
Hedging derivatives	520	664	1,277	565	113
Investment securities	72,359	58,980	46,480	37,027	34,024
Intangible assets	2,368	2,339	2,274	2,248	2,028
Property and equipment	838	826	791	768	698
Investment property	73	73	73	0	0
Current tax assets	280	321	206	113	115
Deferred tax assets	552	347	404	127	92
Other assets	745	695	647	719	728
Assets held for sale	–	882	–	7,039	157
Total assets	**226,609**	**214,684**	**191,935**	**187,962**	**161,506**

Equity and Liabilities	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2012[1] €m	Dec. 31, 2013 €m
Deposits from other banks	39,318	22,419	20,050	17,334	18,282
Due to customers	131,988	136,476	134,127	131,732	120,398
Debt securities in issue	16,722	12,860	12,727	9,436	7,342
Trading liabilities	22,434	26,174	8,591	5,953	1,681
Hedging derivatives	2,051	1,451	1,817	1,002	460
Provisions	2,148	2,287	2,557	2,974	1,608
a) Provisions for pensions and other employee benefits	1,104	1,126	1,161	1,530	93
b) Other provisions	1,044	1,161	1,396	1,444	1,515
Current tax liabilities	174	77	129	115	80
Deferred tax liabilities	305	284	153	137	84
Other liabilities	711	665	689	721	833
Subordinated debt	5,507	5,577	5,438	3,196	4,358
Liabilities directly related to assets held for sale	–	787	–	9,382	168
Equity	5,251	5,627	5,657	5,980	6,212
a) Issued capital	547	547	547	547	547
b) Share premium	2,010	2,010	2,010	2,010	2,010
c) Retained earnings	2,614	2,928	2,985	3,132	3,320
d) Consolidated net profit	76	138	111	287	330
Non-controlling interests	4	4	4	4	5
Total equity and liabilities	**226,609**	**214,684**	**191,935**	**187,962**	**161,506**

[1]Figures adjusted (see Note 7)

SEGMENT REPORTING – MULTI-YEAR OVERVIEW

	Retail Banking					Corporate Banking					Transaction Banking				
	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m
Net interest income	2,141	2,341	2,428	2,461	2,480	543	624	442	390	302	1	2	2	1	0
Net trading income	–32	15	–9	–29	12	–140	0	–	0	–2	–	–	–	0	0
Net income from investment securities	0	–5	–1	0	0	–51	–14	0	–3	0	–	–	–	0	0
Net fee and commission income	1,113	1,080	1,032	974	908	104	123	93	89	89	349	363	327	294	288
Total income	**3,222**	**3,431**	**3,450**	**3,406**	**3,400**	**456**	**733**	**535**	**476**	**389**	**350**	**365**	**329**	**295**	**288**
Administrative expenses	–2,189	–2,178	–2,204	–1,773	–1,919	–185	–151	–129	–97	–95	–317	–318	–295	–277	–253
Allowance for losses on loans and advances	–345	–355	–291	–242	–210	–300	–209	–68	–48	–38	–	–	–	0	0
Other income/ expenses	29	10	14	9	1	–2	9	11	8	9	6	20	14	11	9
Allocations				–700	–619				–91	–103				–6	–10
Profit/loss before tax	**717**	**908**	**969**	**700**	**653**	**–31**	**382**	**349**	**248**	**162**	**39**	**67**	**48**	**23**	**34**
Cost/income ratio (CIR)	**67.9%**	**63.5%**	**63.9%**	**72.6%**	**74.6%**	**40.6%**	**20.6%**	**24.1%**	**39.5%**	**50.9%**	**90.6%**	**87.1%**	**89.7%**	**95.9%**	**91.3%**
Return on equity before taxes (RoE)	**32.5%**	**57.9%**	**41.1%**	**28.3%**	**26.4%**	**–5.7%**	**115.2%**	**51.9%**	**35.1%**	**25.4%**	**–**	**–**	**–**	**–**	**–**

[1]Figures adjusted (see Notes 7 and 40)

	Financial Markets					NCOU			Others	Consolida-tion		Cost Centers/ Consolidation			Group				
	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m	2011 €m	2012[1] €m	2013 €m	2009 €m	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m	2009 €m	2010 €m	2011 €m	2012[1] €m	2013 €m
Net interest income	125	–228	92	–44	120	–59	–109	–416	–406	1	–8	5	4	–23	2,405	2,731	2,910	2,703	2,463
Net trading income	47	–255	17	–4	–47	62	–66	–15	–372	–1	–1	–6	–4	–1	–498	–241	64	–103	–53
Net income from investment securities	–21	18	67	70	22	–679	–98	–60	–76	–	–	59	16	312	–148	–1	–554	–15	274
Net fee and commission income	27	–5	1	–3	–14	3	10	19	–42	–213	–245	–204	–210	–170	1,338	1,316	1,252	1,154	1,120
Total income	**178**	**–470**	**177**	**19**	**81**	**–673**	**–263**	**–472**	**–896**	**–213**	**–254**	**–146**	**–194**	**118**	**3,097**	**3,805**	**3,672**	**3,739**	**3,804**
Administrative expenses	–90	–106	–103	–77	–62	–104	–61	–27	–864	781	–181	–369	–706	–821	–2,864	–2,934	–3,204	–2,991	–3,177
Allowance for losses on loans and advances	–33	3	–3	5	–2	–21	–99	–69	0	–	–	–	0	0	–678	–561	–383	–384	–319
Other income/ expenses	5	2	2	0	18	–10	30	–32	577	–568	–36	–38	–28	5	47	5	–7	30	10
Allocations				–51	–21		–102	–53					950	806				0	0
Profit/loss before tax	**60**	**–571**	**73**	**–104**	**14**	**–808**	**–495**	**–653**	**–1,183**	**0**	**–471**	**–553**	**22**	**108**	**–398**	**315**	**78**	**394**	**318**
Cost/income ratio (CIR)	**50.6 %**	**–22.6 %**	**58.2 %**	**673.7%**	**102.5 %**	**–15.5%**	**–62.0%**	**–16.9 %**	**–**	**–**	**–**	**–**	**–**	**–**	**92.5 %**	**77.1 %**	**87.3 %**	**80.0 %**	**83.5 %**
Return on equity before taxes (RoE)	**8.1 %**	**–15.8 %**	**5.6 %**	**–7.6 %**	**1.2 %**	**–62.0%**	**–36.2%**	**–44.6 %**		**–**	**–**	**–**	**–**	**–**	**–7.8 %**	**5.7 %**	**1.4 %**	**6.6 %**	**5.4 %**

[1]Figures adjusted (see Notes 7 and 40)

ACCOUNTING STANDARDS APPLIED AS OF DECEMBER 31, 2013

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	475/2012, June 5, 2012
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	rev. 2011	Employee Benefits	Leistungen an Arbeitnehmer	Nov. 1, 2005	475/2012, June 5, 2012
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 28	rev. 2012	Investments in Associates and Joint Ventures	Anteile an assoziierten Unternehmen und Joint Ventures	Jan. 1, 2006	1254/2012, Dec. 11, 2012
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

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	1256/2012, Dec. 13, 2012
IFRS 8	2007	Operating Segments	Geschäftssegmente	Jan. 1, 2009	1358/2007, Nov. 21, 2007
IFRS 10	2012	Consolidated Financial Statements	Konzernabschlüsse	Jan. 1, 2014	1254/2012, Dec. 11, 2012
IFRS 12	2012	Disclosures of Interest in Other Entities	Angaben zu Anteilen an anderen Unter-nehmen	Jan. 1, 2014	1254/2012, Dec. 11, 2012
IFRS 13	2012	Fair Value Measurement	Bemessung des beizulegenden Zeitwerts	Jan. 1, 2013	1254/2012, Dec. 11, 2012
1.3. Standard Interpretation Committee (SIC)					
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 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.
DRS 20	2012	n. r.	Konzernlagebericht	Jan. 1, 2013	n. r.
3. Kapitalmarktorientierte Vorschriften – Capital market-oriented provisions					
WpHG	2007	n. r.	Wertpapierhandels-gesetz; in particular sections 37v to 37z	Jan. 1, 2007	n. r.
DCGK in conjunction with §161 AktG	2013	n. r.	Deutscher Corporate Governance Kodex	June 6, 2013	n. r.
FWBO	2013	n. r.	Frankfurter Wertpapier-börsenordnung	Oct. 28, 2013	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] IFRSs: 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.

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Ralf Stemmer, Königswinter

Hanns-Peter Storr, Bonn

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Member of the Management Board of Deutsche Bank AG

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Chairman of the ver.di Trade Union

Rolf Bauermeister[1], Berlin
Head of National Postal Services Group,
at ver.di Trade Union (national administration)

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Renate Treis[1], Brühl
Deputy Chair of Deutsche Postbank AG's General Works
Council

Wolfgang Zimny[1], Bornheim
Banking lawyer,
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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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.

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