Deutsche Postbank AG, Bonn
Annual Financial Statements (HGB)
as of December 31, 2011

2011

Postbank

Deutsche Postbank AG, Bonn
Annual Financial Statements for the Period Ended December 31, 2011
and Management Report for Fiscal Year 2011

Deutsche Postbank AG Management Report

I Business and Environment

Organization and management

Business activities, important products, services and business processes

Deutsche Postbank AG (Postbank) provides financial services for retail and corporate customers as well as other financial services providers primarily in Germany. The focus of its business activities is Retail Banking. Its work is rounded out by the business it conducts with corporate customers (payment transactions and financing), settlement services (Transaction Banking) as well as money market and capital market activities. On December 3, 2010, the Postbank Group became part of the basis of consolidation of Deutsche Bank, which holds more than 50 % of Postbank shares.

Key locations

The head office of Postbank is located in Bonn. In addition, Postbank operates a national network of branches that had 1,088 locations in Germany at the end of 2011. The subsidiary BHW Bausparkasse AG is domiciled in Hamelin.

In European regions outside Germany, Postbank is represented in its retail banking business in Luxembourg and in Italy.

In the divisions of Corporate Banking and Financial Markets, Postbank is also represented by subsidiaries in Luxembourg and New York as well as by a branch in London.

Fundamental sales markets and competitive position

In Retail Banking, Postbank conducts its business almost exclusively in Germany and is the largest single-entity institution in terms of the number of customers. Its major product fields are savings, checking accounts, private mortgage lending and home savings. In each of these areas, based on balance-sheet volumes, Postbank is among the leaders in Germany. Private retirement-provision solutions, personal loans and the securities business round out the product range offered to retail customers. In these areas, Postbank offers some products and services as part of partnerships with other banks and insurance companies. The cooperation with the majority shareholder, Deutsche Bank AG, that began in 2008 and has been and will continue to be intensified, is a key element in this area. 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 provider, we focus particularly in this area on German SMEs. Postbank is also currently the largest provider of the in-sourcing of payment transaction services. With three clients and some 7.6 billion transactions per year including its own, Postbank's Transaction Banking division has achieved a good competitive position in a market characterized by a comparatively small number of providers.

Group management at Postbank

Postbank is responsible for the management of the business throughout the Group.

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

The central profitability target for the capital market-oriented management of Postbank is the expectation of returns on equity in accordance with IFRSs, as measured by return on equity (RoE) before and/or after tax. This includes profit/loss after tax, a parameter that facilitates reconciliation from profitability to efficiency.

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

As the most important metric used to judge and manage income power, total income includes net interest income as the key income indicator in the customer business.

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

The previously mentioned income and expense figures 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 margin are also taken into account in management.

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

In addition to the previously mentioned, established management parameters, Postbank uses the risk/return ratio in internal management. Similar to RoE, the return is calculated on the basis of regulatory capital (RoReC) and forms a basis for decision making on the individual transaction level and the aggregate level. Management in terms of return on risk adjusted capital (RoRaC) is currently being implemented. The initial figures have been calculated since mid-2011 using approximate solutions. Both resources are expected to yield an appropriate return, which is derived from the return expectations of the capital market and to be generated by both the Group and 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, division targets and 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 (long-term components) of our executives, risk takers and the Management Board.

This sustainability factor is based on the concept of economic value added and further anchors value-focused, sustainability thinking in the incentive system at Postbank.

Disclosures in accordance with Section 289(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and Explanatory Report

Share capital, voting rights and transfer of shares

Postbank's share capital amounted to €547,000,000 as of December 31, 2011, 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. No shareholder or group of shareholders at the moment is entitled to special rights, in particular those conveying powers of control.

The exercise of voting rights and the transfer of shares are based on general statutory provisions and the Company's Articles of Association, which do not limit either of the two. Article 17 determines the requirements that must be met by shareholders to attend the Annual General Meeting and exercise their voting rights. The Company only regards as shareholders the persons entered as such in the share register. The Management Board is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

Equity interests in excess of 10 %

According to a disclosure statement issued on January 3, 2011, in accordance with the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Deutsche Bank AG, Frankfurt am Main, holds through DB Finanz-Holding GmbH and DB Valoren S.à r.l. or DB Equity S.à r.l., approximately 51.98 % of Deutsche Postbank AG shares.

Deutsche Post AG, Bonn, held an interest in Postbank of around 39.5 % on December 31, 2011.

As a result, the free float traded on stock exchanges amounts to around 8.5 % of Postbank's share capital.

On February 27, 2012, a mandatory exchangeable bond of Deutsche Post AG came due. As a result, Deutsche Bank AG was entitled to acquire an additional 27.4 % of shares (60,000,000 shares) of Postbank. Option contracts for an additional 12.1 % (26,417,432 shares) were concluded by Deutsche Bank AG and Deutsche Post AG. The period in which the call options may be exercised is between February 28, 2012, and February 25, 2013. The date of expiration is February 25, 2013.

Powers of the Management Board to issue or repurchase shares

By way of a resolution adopted by the Annual General Meeting on April 22, 2009, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €273.5 million up to April 21, 2014, by issuing new no-par value registered shares against cash and non-cash contributions including mixed non-cash contributions (Authorized Capital).

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

On April 29, 2010, the Annual General Meeting created the basis pursuant to the Articles of Association for contingently increasing the Bank's share capital by up to €273.5 million by issuing up to 109.4 million new no-par value registered shares (Contingent Capital). The purpose of the contingent capital increase is to grant no-par value registered shares to owners or creditors of convertible bonds and/or bonds with warrants, participating bonds and/or profit participation certificates (or combinations of these instruments), which are issued or guaranteed until April 28, 2015, by the Company or an enterprise it controls or an enterprise in which the Company holds a majority ownership, and which provide for conversion or option rights for new no-par value registered shares of the Company, or establish a conversion requirement. The authorization of the Annual General Meeting on April 29, 2010, provides the basis for the issue and guarantee.

Furthermore, the Management Board was authorized during the Annual General Meeting of Postbank on April 29, 2010, to purchase own shares for the purpose of securities trading in accordance with section 71(1) no. 7 of the *Aktiengesetz* (AktG – German Stock Corporation Act) totaling up to 5 % of the relevant share capital or for other purposes in accordance with section 71(1) no. 8 of the AktG to acquire up to 10 % of the share capital. In accordance with the legal provisions, the aggregate number of own shares held may not account for more than 10 % of the share capital. The authorizations took effect following the conclusion of the Annual General Meeting described here and remain in force through April 28, 2015.

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

Appointment of Management Board members

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

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

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

Material agreements of the Company that take effect in the event of a change of control following a takeover bid
Postbank has entered into sales agreements with Talanx Aktiengesellschaft and its subsidiaries PBV Lebensversicherung AG, PB Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft. These agreements cover the brokerage and sale of insurance products from Talanx Aktiengesellschaft and its above-mentioned subsidiaries by Postbank via its branch-based and mobile sales, call center, as well as via Postbank's Internet platform. PBV Lebensversicherung AG, PB Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft are entitled to terminate these sales agreements giving six months' notice if a third party that is not an affiliated company of one of the parties to the agreement gains control of Postbank (change of control), whereby such control may be acquired either directly by way of the direct acquisition of control of Postbank, or indirectly by way of the acquisition of control of an entity that controls Postbank either directly or indirectly. Should PBV Lebensversicherung AG, PB Versicherung Aktiengesellschaft, or PB Lebensversicherung Aktiengesellschaft terminate the sales agreements, this could endanger or impact the brokerage and/or sale of the sales partners' insurance products by Postbank and the remuneration generated by this, which is of material importance to the Company's business operations.

The contractual relationship described above is unaffected by the indirect purchase of a total of approximately 52 % of shares in Postbank (see above) by Deutsche Bank AG and has not been terminated by Talanx Aktiengesellschaft or its subsidiaries PBV Lebensversicherung AG, PB Versicherung Aktiengesellschaft and PB Lebensversicherung Aktiengesellschaft.

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

Section 298a of the HGB: Corporate Governance Statement

The Corporate Governance Statement is available on our Internet homepage at www.postbank.de/ir.

Remuneration of the Management Board and Supervisory Board

Structure of the Remuneration of the Management Board in fiscal year 2011
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 Postbank. The remuneration system was amended retrospectively as of January 1, 2010, to comply with the regulations of the *Instituts-Vergütungsverordnung* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), which came into force on October 13, 2010. As a result, share-based remuneration components coupled with a separate blocking period and installment payments for components with a long-term incentive effect were introduced.

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

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

Overall remuneration consists of fixed and performance-related components.

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

The performance-related component is the variable remuneration.

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

As was already the case before the remuneration system was modified, the variable remuneration is not paid out in full, even where the agreed targets have been reached. It continues to be split into a short-term component (40%) and a long-term component (60 %).

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 Postbank. For this purpose, the euro amount is divided by the Xetra closing price of Postbank shares for the day on which the Supervisory Board determined that the targets have been reached. Following a one-year blocking period, the euro amount is calculated based on the then current Xetra closing price of Postbank shares, and this amount is paid out. The phantom shares of Postbank also attract a dividend equivalent equal to the actual dividend paid.

The long-term component continues to depend on the Group's sustainable performance as well as the achievement of a sustainability criterion and continues to be governed by a multi-year assessment period. In the first year following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met. The following three years are the sustainability phase, during which the sustainability criterion, which is determined by the Supervisory Board at the start of this phase in accordance with the regulatory requirements, must be met. 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 on the average, the value 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 Postbank phantom shares (long-term component II).

If the sustainability criterion is met, the cash element is paid out immediately after its achievement has been established by the Supervisory Board. The procedure for dealing with the second half of the long-term component that was converted into Postbank phantom shares is the same as outlined above for short-term component II.

If the sustainability criterion is not met for a particular year, the corresponding tranche of the long-term component is deferred to the following year. A renewed examination based on the sustainability criterion is then performed to establish if payment can be made. If the sustainability criterion has not been met after the end of the third year, i.e., the last year of the sustainability phase, payment of all deferred components also lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (malus system). There is also an additional malus system, whereby payment for outstanding tranches or for performance-related components can be reduced retroactively or canceled completely during the sustainability phase based on the overall performance of the Management Board member concerned. 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 members of the Management Board 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, the Company 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-pay installments plus a maximum of 40 % of twice the maximum annual performance-related 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 shall be 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 fiscal year 2011
Postbank's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting in line with the Corporate Governance Code. The remuneration system is laid down in Article 15 of the Articles of Association of Postbank. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of a fixed and an annual performance-related component, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Postbank. The positions of Chairman and Deputy Chairman as well as the membership of committees are reflected in the remuneration.

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

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

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

Employees

At the end of 2011, Postbank employed 4,320 full-time equivalents, about 123 fewer than on December 31, 2010. Civil servants make up approximately 33 % of the total headcount. 17.7 % of our employees work part time.

Our external turnover in 2011 was about 7.3 %. The average length of a person's employment at the company was approximately 20 years. Postbank remunerates almost all of its employees on the basis of fixed and performance-related criteria that flow into a variable remuneration component.

Macroeconomic Environment in 2011

World economy continued to grow

The world economy continued to surge in 2011. But it was unable to keep pace with the level it achieved in the previous year. Emerging markets remained a key pillar of the global economy, even if their growth slowed somewhat as the year progressed. In industrial countries, on the other hand, the economy suffered a setback. In the process, the differences among regions and among individual countries remained unusually high – just as they were in the previous year. While some developed countries generated high growth rates, others fell into recession. Overall, the IMF reported that world economic output rose by 3.8 % in 2011, compared with 5.2 % in the previous year.

In the United States of America, the country's economic recovery stalled during the year under review. In the first half, the economy just barely crept along, but it gained new life as the year continued. One key reason for this revival was positive trends related to investments in machinery and equipment whereas investments in construction remained mostly stagnant. Private consumption rose only moderately once again, and foreign trade failed to generate any significant momentum. Reduced government spending and inventory investments also acted as a major drag on growth. As a result, gross domestic product (GDP) rose only by a moderate 1.7 % during the year.

The emerging countries of Asia generated high growth rates during the reporting year, nearly 8 %. Once again, China achieved the highest level with GDP growth of 9.2 %, even though the pace of economic growth did slow. In 2011, the Japanese economy suffered from the aftermath of the devastating earthquake and tsunami that struck the country in March. Economic output plummeted in the first half of the year, and the strong recovery achieved in the second half of the year was unable to offset this setback. As a result, GDP fell considerably in Japan in the year under review.

In the eurozone, GDP rose only moderately at 1.6 %. After getting off to a fast start in early 2011, the economy began to limp in the second quarter. It was held back by the slowing global economy in general and the continued worsening of the sovereign debt crisis in particular. This crisis intensified the need to consolidate government budgets. As a result, public spending came to a virtual standstill. Private consumption rose only slightly. But growth momentum was produced by exports and gross capital expenditures. As in the previous year, the differences in the economic performance of countries in the eurozone were very broad. While Germany and Austria produced high growth rates, countries like Italy grew only slightly. Greece and Portugal even suffered a recession.

Germany experiences a continued upswing

Germany's economy remained robust in 2011 with GDP growth reaching 3.0 %. This surge had a very broad base. Once again, foreign trade was a major force behind the growth. Exports climbed sharply. Even though imports rose steeply as well, foreign trade contributed 0.8 percentage points to GDP growth. Gross capital expenditures generated significant momentum as well. Investments in machinery and equipment rose particularly high. Investments in construction also generated big gains, which was partially the result of favorable weather conditions, and commercial construction made especially good headway. A high growth rate was also produced by residential construction. By contrast, public-sector investment in construction fell.

Private consumption in Germany grew moderately in 2011. At 2.3 %, the substantially higher inflation rate prevented private consumption from rising even more. On the other hand, private consumption benefited from the upswing in the German job market. The average annual unemployment rate decreased by 0.6 percentage points to 7.1 %, and the number of jobless dropped by an average of 263,000 to 2.976 million. At the same time, the number of employed people jumped by more than 500,000 to exceed 41 million.

As a whole, macroeconomic trends in Germany were more positive in 2011 than we expected at the time of our last Annual Report. By contrast, they were more negative in other major economies.

Market developments

The spread of the sovereign debt crisis in euro countries and in other important industrial countries shook global markets. Further turbulence was generated by gloomy economic forecasts. Expectations about the economy were optimistic at the beginning of 2011, but they gave in to temporary fears that the world economy would slip into a recession.

International stock markets overall were weak in 2011. Prices rose at the beginning of the year. In August, however, they went into a nosedive. The tumble in prices was triggered by growing worries about a global recession and the approval of another rescue package for Greece that included for the first time debt waivers involving private sector creditors. Leading stock indexes reached their bottoms in September and the beginning of October 2011. In the three remaining months of the year, they rebounded as, among other things, worries about a recession proved to be exaggerated. Nonetheless, the DAX shed nearly 15 % in 2011. The EURO STOXX 50, which includes a higher share of financial stocks, plunged by more than 17 %. Wall Street, on the other hand, performed much better. The S&P 500 ended the year nearly unchanged from its close at the end of 2010. Corporate bonds were also hurt by the increased uncertainty, and risk premiums rose during the year under review. Bonds with weak ratings were hit harder than those with good ones. Nonetheless, risk premiums for both groups remained well below the highs they reached during the financial crisis of 2008/2009.

For the sovereign bonds issued by eurozone members, the problems spread in 2011. In April, Portugal followed in the footsteps of Greece and Ireland to request financial aid, €78 billion of it. In July, a second rescue package for Greece, totaling €109 billion, was approved. Among other things, this plan included voluntary writedowns by private-sector investors such as banks of 21 % of the principal amount of their Greek government bonds. But these decisions were unable to calm markets for long. The risk premiums for Greek, Portuguese, Italian and Spanish government bonds in particular continued to rise after a brief break. In response, the European Central Bank reactivated its program of buying the government bonds of eurozone members and extended the program to Spanish and Italian bonds. Despite the extensive purchases by the ECB, the widening of spreads picked up considerable speed during the autumn. In the case of Greece, doubts grew regarding whether the agreed-upon steps would be sufficient to produce a long-term restructuring of the government's finances. At the end of October 2011, the European Council announced a change in the decisions it made in July, calling on private-sector investors to now accept a voluntary writedown of 50 % of the principal amount of their Greek bond holdings, among other things. The markets intensified their focus in particular on Italy, whose ability to produce a long-term consolidation of the government budget was being increasingly doubted. Immediately thereafter, the risk premiums for Italian and Spanish government bonds hit record highs. Risk premiums eased somewhat toward the end of the year, thanks in part to budget-cutting steps announced by the new Italian government, continued bond purchases by the ECB and a package of measures employed by the central bank to help ease the increasingly strained liquidity provisioning of European banks.

The rapidly changing situation forced the ECB to alter its strategy twice during 2011. As a result of initially positive economic trends and clearly rising inflation rates, it increased its benchmark interest rate in April for the first time since 2008. A second rate increase followed in July. As a result of both decisions, the benchmark rate rose 0.5 percentage points in the first seven months of the year, reaching 1.50 %. As Europe's sovereign debt crisis intensified, the ECB shifted course in contrast to our earlier expectations and took an increasingly expansive approach. As mentioned above, it reactivated its purchase program of government bonds in August and even expanded it once again. In October, it introduced an additional program to purchase covered bonds and decided to conduct a refinancing operation with a maturity of 12 months once again. In November, the first cut in the benchmark interest rate was made, lowering it to 1.25 %. This step was followed by another reduction to 1.0 % in December. The decision was complemented by a decrease in the minimum reserve rate from 2.0 % to 1.0 %. Furthermore, the ECB offered banks longer-term refinancing operations with a maturity of three years for the first time. By the time 2011 ended, the benchmark interest rate was indeed back to its level at the beginning of the year. But as a result of the number of special steps taken during the year, the monetary policies of the ECB had become significantly more expansive. Because of the increase in the benchmark rate during the reporting year, money market interest rates initially rose. By year's end, they had fallen again following the monetary steps taken by the ECB. The three-month Euribor rate was about 0.35 percentage points higher at the end of the year than it was at the start. In contrast to the ECB, the U.S. Federal Reserve (Fed) stuck to its course. Its benchmark interest rate remained more or less constant at 0 % to 0.25 % in 2011. As scheduled, the Fed ended its $600 billion purchasing program of U.S. Treasuries at mid-year. But it then swapped out short term bonds with longer term Treasury bonds in a move to drive down yields on the long end of the capital market. In August of 2011 the Fed surprised market players by announcing that it would maintain the current level of interest rates as long as inflation and the economy warranted such levels. The Fed is working to keep capital market returns at a low level and to reduce uncertainty in financial markets.

Trends in capital market interest rates in Germany were dominated by the sovereign debt crisis in the eurozone. In the process, though, government bonds issued by the Federal Republic of Germany profited from their reputation as a "safe haven". In a reflection of this, yields of 10-year German bunds began to fall steeply at mid-year, hitting a historic low of 1.67 % in September. They then rose somewhat, but fluctuated frequently. On balance, they fell by more than 1.1 percentage points during the reporting year, to 1.83 %. Yields of 10-year U.S. Treasuries dropped by over 1.4 percentage points in the same period and reached about 1.9 %, much more than we had expected. The yield curve in both Germany and the United States flattened considerably.

In the first months of the year, the euro gained considerable strength against the dollar on currency markets thanks to the economy's solid appearance in the eurozone and the ECB's initial increase of interest rates. Starting at an exchange rate of nearly $1.34, the euro hit its high for the year in May: nearly $1.49. As a consequence of the intensification of the sovereign debt crisis and the ECB's substantially more expansive monetary policies, the euro became caught in a strong downdraft beginning in September. At year's end, it was worth nearly $1.30, 3.0 % less than its value at the end of the previous year.

The markets performed differently from the way we expected at the time of our last Annual Report. For 2011, we believed that the ECB would raise its benchmark rates slightly and that capital market rates would rise moderately in the eurozone. The flattening of the yield curve was more pronounced than we projected.

Sector situation

The dominant issue for the European banking industry in the second half of 2011 remained the sovereign debt crisis in the eurozone's so-called periphery countries. Greece was and remains the focal point. For months now, the Greek government has been negotiating with private-sector banks that have invested in Greece's sovereign bonds about the terms for a voluntary debt-waiver of 50 %. We think that the affected German banks should have already taken writedowns on their balance sheets for their portfolios. The crisis among the so-called GIIPS countries (Greece, Italy, Ireland, Portugal, and Spain) also had a negative impact on other euro countries such as France. As a result, it is not just the bond prices of the directly affected countries that are coming under pressure.

The European Banking Authority (EBA) used the continuing sovereign debt crisis as reason to conduct another stress test of European banks in late 2011. As a result of its integration into the Deutsche Bank Group, Postbank was not included in the stress test as an individual financial institution. The stress test results for European banks were released on December 8, 2011. The basis of the test was the market value of sovereign bonds issued by the eurozone's periphery countries as of September 30, 2011. Based on the writedowns determined during the test, the EBA found a capital shortfall of €114.7 billion among the banks under review. Thirty-one of the 71 tested banks missed the tough 9 % target for the Tier 1 capital ratio. The stress test determined that the capital shortfall of German banks totaled €13.1 billion. As the result of a quick test that was based on preliminary calculations as of June 30, 2011, the EBA determined on October 26, 2011, that the capital needs of German banks totaled €5.2 billion. The primary reason for the significant rise in calculated capital needs was the EBA's decision to no longer permit banks to offset gains in prices – for instance, for German bunds – against losses in prices for the sovereign bonds of the periphery countries during the test it conducted at the end of the period under review. The 31 affected banks were ordered to provide their national regulatory authorities by January 20, 2012, with detailed information about how they intended to make up for the capital shortfall. The recapitalization must be completed by June 30, 2012.

At the beginning of November 2011, the Financial Stability Board set up by G20 countries classified 29 banks around the world, including Deutsche Bank and Commerzbank, as being system relevant. These 29 banks are to be subjected to higher standards regarding the capital they are required to hold than the level planned in Basel III. Extra amounts of 1 percentage point to 3.5 percentage points depending on the bank are being discussed. The rules are to be gradually introduced beginning in 2016.

During the first three quarters of 2011, the volume of loans issued to domestic companies and private individuals in Germany rose 2.6 % to €2,414 billion. It fell slightly in the same period last year. Loans issued to companies rose disproportionately by 5.2 % to €985 billion after volume decreased in the previous year. A major reason for this trend was probably intense investment activities. On the other hand, loans issued to self-employed private individuals saw gains of only 0.4 % and reached €382 billion, continuing the very moderate development of this market segment observed in the previous year. Loans issued to non-self-employed and other private individuals increased in the first three quarters by 1.0 % to €1,033 billion, an increase that was higher than the previous year's level. Residential construction loans again rose by 0.9 % to €803 billion. But new business for residential construction loans for retail customers climbed steeply by 3.9 % to €192.4 billion in 2011. A clear effect of the European sovereign debt crisis on the lending business with corporate and retail customers cannot be seen.

Between January and October 2011, the number of bankruptcies in Germany plunged by 5 % compared with the same period in the previous year. The number of business bankruptcies even fell by 6.5 %. As a result, the positive trend observed in the previous year gained new momentum. This is probably the result of Germany's strong economic growth. The number of consumer bankruptcies (including the bankruptcy of formerly self-employed individuals and other bankruptcies) decreased by 4.6 %, following a sharp increase in the previous year. The significant increase in employment and comparatively high wage increases may have had a positive effect here. The sovereign debt crisis had no discernible impact on bankruptcies in Germany during 2011.

The German banking landscape continues to feature a three-pillar structure consisting of private banks, savings banks and cooperative banks. Notable movements between the pillars were not observed. In December 2011, the EU Commission approved the restructuring plan of WestLB submitted in February of that same year. Under this proposal, the state bank is to be broken into three parts: a Verbundbank, a service and portfolio management bank and a remainder bank that is to be sold or phased out by June 30, 2012.

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard as well as Postbank. We compared the banks' results for the period of January through September 2011 with those of the previous year's levels. All four banks generated net interest income in operating terms and after tax during the period under review. But only two banks produced results that exceeded the previous year's levels. Likewise, only two of the four banks improved their return on equity after tax and their cost/income ratio. A majority of the banks faced rising administrative expenses, and two banks saw their net trading income fall. In contrast, all banks increased their net interest income after the allowance for losses on loans and advances, and three of them improved their net fee and commission income. As a result of writedowns presumably associated with the sovereign debt crisis, statements about the course of the fourth quarter would be fraught with uncertainty.

In 2011, the DAX lost nearly 15 % of its value. The shares of the three major banks listed in Deutsche Börse's Prime Standard performed even worse than Germany's blue-chip index. On the other hand, Postbank's share did not just outperform the DAX and the stocks of the other banks during this period – the share posted a significant gain of 16 %. The price of all four banks' stocks reviewed by us remained below their pre-crisis levels of mid-2007.

Significant events at Postbank in 2011

February 1, 2011: Hugo Bänziger joined the Supervisory Board of Postbank.

February 8, 2011: Postbank issued another *Jumbo Hypothekenpfandbrief* totaling €1.0 billion. The issue has a term of 10 years and was 2.5 times oversubscribed.

February 9, 2011: Postbank's Supervisory Board appointed Hanns-Peter Storr to the Management Board effective March 1, 2011. He was appointed Chief Risk Officer (CRO).

May 24, 2011: Postbank's Annual General Meeting approved all motions by large majorities.

June 17, 2011: The Supervisory Board of Postbank appointed Frank Strauss to the Management Board effective July 1, 2011. As the Board member responsible for Sales, he oversees Postbank's business with corporate and business customers as well as commercial real estate finance. He also directs the Bank's mobile sales.

September 16, 2011: Postbank moved from Deutsche Börse's Prime Standard to its General Standard. This change reduced the Bank's reporting requirements.

Postbank's investment focus in 2011
The investments made by Postbank are divided into the categories of business development, legal requirements and life cycle.

Our business development investments consisted of those made as part of the Postbank4Future strategy program to further expand sales channels and customer service systems as well as steps to optimize capital charge in the lending business. The activities related to Postbank4Future were successfully completed in 2011.

The investments we made to implement legal requirements focused in the reporting year on adjustments made in response to altered and additional legal and regulatory requirements, the continued implementation of SEPA, and modifications related to the flat tax and standardized consent to receive advertising.

Our life-cycle investments were directed at software and systems. In August 2011, the release change of core IT systems to the latest SAP version of Banking Services 7.0 was carried out. This represented one further step in the work to promote cooperation with Deutsche Bank in the area of IT and generate long-range cost savings for Postbank.

Net Assets, Financial Position, and Results of Operations

Income statement
In fiscal year 2011, Postbank generated net profit after tax of €119 million (previous year: €344 million).

Writedowns and realized losses on sales of Greek government bonds totaling €495 million overshadowed an otherwise positive performance in fiscal year 2011. Postbank wrote down these exposures to 27 % of the principal amount to account for current developments in the Greek sovereign debt crisis.

Administrative expenses increased year-on-year, mainly due to non-recurring integration expenses. By contrast, the Bank profited from a further decline in the allowance for losses on loans and advances.

The contribution to earnings made by the customer business remained stable overall despite ongoing tough conditions.

Individual items

Net interest income
Net interest income was down slightly year-on-year in fiscal year 2011 at €2,532 million (previous year: €2,565 million).

The customer business saw encouraging growth. Net interest income rose from €1,492 million to €1,540 million, an increase of €48 million.

The interest expense from derivatives transactions fell to €120 million in the reporting period (previous year: €253 million), primarily as a result of lower interest rates compared with the previous year. Net interest income from trading operations rose from €28 million to €111 million.

Net interest income declined by €209 million as a result of the reduction of our investment portfolios that occurred in line with our planning.

Current income in the amount of €406 million (previous year: €489 million) largely relates to the distributions by the special funds (€196 million) and to our subsidiary BHW Holding AG (€170 million).

Net fee and commission income
In fiscal year 2011, net fee and commission income amounted to €419 million (previous year: €434 million).

The increase in commission in the card business did not fully offset the decline in net fee and commission income in the payment transactions and lending business areas.

The decline in the payment transactions area is primarily attributable to the reduction in the minimum limit for incoming payments for free private checking accounts. The decline in income in the lending business is due to decreasing processing fees and guarantee commissions.

Net expense from the trading portfolio
In fiscal year 2011, Postbank reported a loss from its trading portfolios of €11 million (previous year: loss of €72 million).

This significant year-on-year improvement is largely the result of lower hedging costs in the amount of €36 million, which were due in particular to the elimination of the foreign currency exposures in the special funds (previous year: €95 million). There was an offsetting effect on earnings in net income from the special funds.

The improvement in the net expense is also attributable to the positive contributions to earnings made by trading activities (€16 million) and international payment transaction services (€14 million).

The risk discount for the trading portfolio increased by a total of €6 million following risk-adjusted marking to market as of December 31, 2011. This amount was recognized in net income from the trading portfolio.

Administrative expenses

Administrative expenses increased by €153 million in the year under review to €2,563 million (previous year: €2,410 million).

Personnel expenses increased by €114 million to €812 million. The increase is mainly due to the recognition of staff-related provisions in the amount of €98 million and provisions for partially retired civil servants in the amount of €74 million. Adjusted for these non-recurring factors, personnel expenses were down as a result of lower employee numbers.

The €39 million increase in non-personnel operating expense to €1,751 million is largely attributable to increased sales commission (initial and trail commissions) paid by Postbank under the cooperation agreement with Deutsche Post AG.

Net measurement gains/losses

Risk provisions for securities amounted to €42 million in the year under review (previous year: €220 million). Despite the continued decline in interest rates, widening spreads led to writedowns of fixed income securities in the amount of €127 million. Price gains of €225 million (previous year: €243 million) were realized on the sale of fixed-income securities as part of the planned reduction in securities.

Net measurement losses in the lending business amounted to €198 million in the year under review, significantly lower than in the previous year (net losses of €393 million). This is primarily due to the decline in the allowance for losses on loans and advances in the corporate banking business in particular.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets

Greek government bonds were written down by €453 million to 27 % of their principal amount. Losses on sales of €42 million were also incurred. In addition, losses of €31 million on sales of fixed-income securities in particular were recognized. PB Spezial Investmentaktiengesellschaft mit Teilgesellschaftsvermögen was written down by a total of €12 million and BHW Holding AG by €6 million.

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

Hidden reserves of €59 million were realized on the transfer of subpool assets to our subsidiary PB Capital Corporation and on the prior redemption of units.

Other income

Net other income and expenses amounted to €320 million in the year under review (previous year: €380 million).

Other operating income primarily includes income from reimbursements of personnel and non-personnel operating expenses amounting to €249 million (previous year: €255 million) and rental income amounting to €61 million (previous year: €59 million).

Extraordinary result

At least one-fifteenth of the difference resulting from the calculation of pension provisions in accordance with the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) will be added to the provisions annually until December 31, 2024, at the latest. The addition made in fiscal year 2011, which was recognized as an extraordinary expense, amounted to €4 million.

Profit before tax

Profit before tax amounted to €102 million in fiscal year 2011 after a net profit before tax of €661 million in the previous year.

Taxes on income

Income tax income amounted to €17 million (previous year: income tax expense of €318 million). Of this amount, €12 million is attributable to taxes from previous years and €–26 million to current income taxes. In addition, €31 million relates to deferred tax income.

Net profit for the period

Net profit for the period amounted to €119 million (previous year: €344 million).

Changes in the balance sheet structure

Total assets

Total assets of €152.3 billion were reported as of December 31, 2011, €20.5 billion lower than in the previous year.

Changes on the assets side mainly related to the reduction in the volume of securities in line with our continued strategic realignment designed to improve the risk structure and earnings quality.

The decrease in derivative financial instruments also played a key role in the decline in total assets.

Loans and advances to customers

Loans and advances to customers amounted to €70.2 billion in fiscal year 2011 and were thus almost on a level with the prior year (€71.3 billion).

Money and capital market investments

Money and capital market investments, comprising loans and advances to other banks, investments in the trading portfolio and bonds, amounted to €65.6 billion.

Postbank continued to scale back the volume of its securities held in line with its program to improve the risk structure and earnings quality; as a result, securities were reduced by €10.4 billion to €29.2 billion.

The trading portfolio amounted to €18.5 billion in the fiscal year and primarily includes securities repurchase agreements of €12.8 billion (previous year: €3.6 billion) and positive fair values of derivative financial instruments in the amount of €5.4 billion (previous year: €22.6 billion). The decrease in derivative financial instruments is largely attributable to the assignment and termination of trading swaps with Deutsche Bank AG with an aggregate notional amount of €526 billion.

Due to customers

Amounts due to customers totaled €110.7 billion, €1.5 billion lower than in the previous year.

€2.2 billion of the €2.5 billion decrease in savings deposits relates to the "Gewinnsparen" product and is attributable to lower interest rates.

In addition, holdings of promissory note loans and registered securities declined by €0.8 billion as a result of maturities in the portfolio.

This was offset by changes in term deposits, which rose by €2.6 billion.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue and the trading portfolio, amounted to €29.0 billion (previous year: €47.9 billion).

Deposits from other banks fell by €1.6 billion to €10.1 billion. The decline is primarily due to overnight and term deposits.

The portfolio of debt securities in issue decreased by €0.8 billion to €11.3 billion despite the *Jumbo Hypothekenpfandbrief* issued in fiscal year 2011 with a volume of €1 billion. The decline is attributable to bullet bonds and short-term money market securities that were not re-issued.

The trading portfolio amounted to €7.6 billion in the fiscal year and mainly comprises negative fair values of derivative financial instruments in the amount of €5.5 billion and money market positions in the amount of €2.1 billion.

Holdings of derivative financial instruments with a negative fair value declined by €17.7 billion year-on-year. This corresponds to the decrease in assets carried in the trading portfolio.

Equity

Equity amounted to €2,740 million as of December 31, 2011, compared with €2,621 million at the end of 2010.

In the year under review, net profit for the period amounted to €119 million compared with €344 million in the previous year.

Under the Management Board's proposal for the appropriation of profits, the net retained profit will be appropriated to retained earnings.

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

Due to its consolidation by Deutsche Bank AG for supervisory law purposes, Postbank is no longer the parent of a group of institutions for supervisory law purposes and is now Deutsche Bank AG's subordinate institution; the Postbank Group no longer constitutes a group of institutions by itself. Therefore, Postbank no longer fulfills the criteria for the application of the waiver in accordance with section 2a(6) of the KWG, meaning that it is again subject to the provisions of section 10 of the KWG as well as sections 13 and 13a of the KWG at the level of the individual institution. As of December 31, 2011, the Tier I ratio was 8.1 % and the overall capital ratio was 14.3 %. Postbank has once again prepared the relevant individual institution notifications and fulfilled its other notification requirements under the KWG since the December 31, 2010 reporting date.

Report on Post-Balance Sheet Date Events

On January 10, 2012, Deutsche Bank AG and Postbank agreed to enter into negotiations on a control and profit and loss transfer agreement between DB Finanz-Holding GmbH (a wholly owned subsidiary of Deutsche Bank AG) as the controlling company and Deutsche Postbank AG as the dependent company.

We expect that, once negotiations have been successfully completed, the Annual General Meeting of Deutsche Postbank AG, on June 5, 2012 will be able to resolve on the approval of the control and profit and loss transfer agreement.

On January 31, 2012, Postbank entered into a cooperation agreement with norisbank GmbH, Berlin, that will enable the two banks to increase their cooperation in the future.

Relationships with affiliated companies

The Management Board has issued a dependent company report that concluded with the following declaration: "… that, based on the circumstances at the time the transactions in question were entered into, Deutsche Postbank AG received appropriate consideration for the services provided, as defined within this report, in all cases. No legal transactions or measures with third parties were either taken or omitted on the instructions of or in the interests of Deutsche Bank AG or its affiliated companies."

Risk Report

Summary overview of risk exposure

The economy is expected to cool in 2012 following a solid performance throughout Europe in 2011 and excellent real growth in gross domestic profit (GDP) in Germany. Whereas forecasts for Germany still see a slight increase in GDP, a mild recession is anticipated for the eurozone as a whole. The liquidity situation at eurozone banks is likely to remain strained. More and more parts of the eurozone banking sector became dependent on the ECB's liquidity measures in the course of 2011, including an increasing number of banks in core European countries, particularly in France and Italy. Spreads on government bonds in the eurozone, and especially in the peripheral countries, remain high. This reflects both doubts as to the solvency of certain states and general risk aversion.

Overall bank risk

Risks entered into are regularly identified, measured, monitored, and mitigated and are included in the overall management of the Bank via the assessment of the Bank's risk-bearing capacity. Limits for market, credit, and operational risks were consistently complied with in 2011. Calculation of the risk-bearing capacity occurs at the Postbank Group level and therefore includes Deutsche Postbank AG (hereinafter "Postbank"). Risk-bearing capacity was ensured at all times.

Postbank's risk profile changed only marginally as against the previous year. Volatilities initially declined in the second quarter of 2011, only to pick up again sharply in the second half of the year. As a result, the market risk reported also rose tangibly again at the year-end. Retail and business customer lending was boosted by the positive economic environment in the year under review; this – together with the measures taken by the Bank to reduce risk – had a positive effect on the allowance for losses on loans and advances. In contrast, the writedowns of Greek bonds in the course of the debt crisis had a negative impact.

No risks that could impair Postbank's development or even jeopardize its existence as a going concern are discernible at present. A significant downside deviation in our current assumptions as to how the European sovereign debt crisis will develop, coupled with a tangible downturn in macroeconomic condition 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 2011 was down significantly year-on-year due to the positive trend in customer business (good macroeconomic environment, healthy recoveries in the mortgage lending sector). From a strategic perspective, portfolio management continues to take priority over the acquisition of new business in the non-retail business. As part of its strategic focus for 2011, Postbank toughened its commercial real estate finance strategy for new business and, in particular, increased the new business requirements as the basis for its risk strategy.

In view of the current debt situation in the so-called GIIPS states (Greece, Ireland, Italy, Portugal, and Spain), Postbank is monitoring its exposure to these countries extremely closely. Due to the crisis in Greece, writedowns and realized losses on disposal of €495 million were recognized on Greek government bonds. This corresponds to an adjustment to 27 % of their principal amount.

Market risk

Postbank's market risk in 2011 was dominated by the high level of volatility on the bond markets. Value at risk for the Bank's market risk positions initially saw a clear decline in the second quarter of 2011, but then rose successively in the second half of the year to close above the comparable prior-year figure as of December 31, 2011. This increase was primarily due to the sharp widening of spreads for European government and bank bonds. Although Postbank continued to reduce its holdings of investment securities in the year under review, the fair values of its portfolios are still subject to elevated volatility, resulting in negative effects on their present value and higher levels of risk being reported.

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 by the Bank.

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.

The structure of the Chief Risk Office (CRO) departments was systematically enhanced in the year under review. For example, effective March 1, 2011, the Lending back office units were assigned to the Chief Risk Office, which became an organizationally independent board department. Strategic liquidity management was transferred to the CRO board department in the third quarter of 2011. Overall responsibility for the board department was assigned to the newly appointed Management Board member Hanns-Peter Storr (Chief Risk Officer). To continue to do justice to the stricter requirements to be met by risk management, the organizational structure of the Chief Risk Office was modified effective January 1, 2012, on the basis of the structural changes initiated in 2011. The changes are described in detail in the chapter entitled "Organization of risk management", and in particular the sections entitled "Risk committees" and "Centralized risk monitoring and management".

In 2010 and 2011, Postbank implemented a new risk governance concept to enhance risk management. This involves in particular risk-adjusted earnings management by the relevant bodies at Postbank, based on an enhanced concept for the management of the Bank as a whole and of its risk capital. This forms part of a project to revise the Bank's risk-bearing capacity concept with particular reference to the calculation of the risk cover amount and the utilization of risk capital in the management of the Bank as a whole. The changes to the risk-bearing capacity concept were implemented as of June 30, 2011. The details of the risk-bearing capacity concept are given in the sections entitled "Risk-bearing capacity" and "Risk capital" in the "Overarching risk management" chapter.

Large-scale projects were implemented in the areas of credit risk management and monitoring to refine the models and processes in the retail and non-retail lending business. The process-related work was completed in 2011. The focus was on validating and – where necessary – (re-)calibrating the existing rating models.

The goal of the Bank's A-IRBA project is to obtain approval to use the Advanced Internal Ratings-Based Approach in 2012, along with internal estimates of default-related losses.

At the 2011 closing date, Postbank introduced a new credit portfolio model in the form of a standard market asset value model for measuring credit risk capital requirements ((Credit) Economic Capital (EC)). This not only facilitates the implementation of supervisory requirements but also enhances credit risk management. In parallel, the IT processes for ensuring timely credit risk management were enhanced on the basis of the credit portfolio model. The confidence level used in the calculation is unchanged, at 99.93 %. The new model calculates requirements at individual transaction level and permits EC to be broken down cumulatively into portfolios and subportfolios. Risk is managed at segment level on the basis of the monthly limits approved by the Bank Risk Committee (BRC).

In the area of market risk management, Postbank migrated risk measurement in the banking book as well to a consistent, uniform risk model in the year under review. This is based on a Monte Carlo simulation and involved the revaluation in full of all positions. Additional enhancements were made to portfolio management by adding portfolio-specific risk factors and extending the stress tests.

In 2011, Postbank established and made progress with a liquidity risk management project designed to meet new/more specific regulatory requirements. The focus is on establishing/completing the required IT and process infrastructure as well as on future reporting of the new Basel III liquidity ratios.

Postbank fundamentally revised its procedure for quantifying business risk in the first half of the year. Risk is calculated using a scenario-based approach on the basis of the present value. The procedure has a direct and consistent relationship to the method used to determine the economic capital in the risk-bearing capacity concept.

Due to Deutsche Bank's acquisition of a majority of Postbank's shares and Postbank's subsequent consolidation as part of the Deutsche Bank Group, banking supervisory regulations require the conditions for integrated risk management to be put in place. The main focus in the year under review was on developing homogeneous approaches to risk evaluation, risk measurement, and risk control processes and to identifying, assessing, managing, monitoring, and communicating risks, as well as on implementing these in line with the legal framework. As part of this process, maximum transparency was achieved with respect to the differences and commonalities between the organizational structures, processes, and methods at the two institutions. Activities in 2012 will focus on consolidating the risk functions in an overarching organizational structure in compliance with the legal and organizational requirements to be met by the individual legal units. A uniform governance structure is also to be established in addition to an integrated risk organization.

The requirements laid down in the amended version of the Minimum Requirements for Risk Management (MaRisk) dated December 15, 2010 were implemented by the end of 2011 as part of existing projects. Details of the implementation are to be found in particular in the chapter entitled "Overarching risk management" – and within it primarily in the sections entitled "Risk-bearing capacity" and "Risk concentrations and stress testing"- as well as in the chapter entitled "Monitoring and managing liquidity risk".

Postbank has also instituted all preparatory measures required to comply with the stricter requirements under Basel III that will be introduced in stages starting in 2013 in respect of capital adequacy, as well as with minimum liquidity standards, and with the new rules on capital backing for counterparty credit risk, reporting, leverage ratio management, and preventing procyclicality. Further details can be found in the chapter entitled "Monitoring and managing liquidity risk".

Risk types

The risk types that are tracked within Postbank are determined on the basis of a Bank-wide risk inventory. The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank.

Postbank distinguishes between the following risk types:

- Market risk
  Potential financial losses triggered by changes in market prices (e.g., equity and commodity prices, foreign exchange rates) or changes in parameters that determine market prices (e.g., interest rates, spreads, and volatility). The changes in value are derived from daily marking to market, irrespective of the carrying amounts of the assets and liabilities.

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

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

  Liquidity maturity transformation (LMT) risk is the cost risk arising from higher refinancing costs when the maturity transformation process is completed resulting from an increase in the Bank's funding spreads on the swap rate.

- Operational risk
  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. This definition also covers legal risk, but not

reputational or strategic risk. Legal risk consists among other things of the potential requirement to pay administrative or other fines or other penalties resulting from supervisory measures or private law agreements. They can also arise as a result of changes in the legal situation following new rulings or of legislative amendments affecting transactions that have already been entered into; however they do not include the costs of modifying processes to implement changes in the framework.

- Investment risk
  Potential losses due to fluctuations in the fair value of strategic equity investments, to the extent that these are not already included in the other risk types. Equity investments are defined as all equity interests recognized in the annual financial statements of Deutsche Postbank AG under "equity investments" and "investments in affiliated companies", and investments in companies pursuant to section 16(2) and (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act).

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

- Business risk
  Risk of a decline in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. The term covers savings and checking account risk (formerly referred to as model risk) and residual business risk (strategic risk and reputational risk):

  a) Savings and checking account risk: The risk from unexpected declines in volumes or falling margins that cannot be fully covered by modeling customer products with non-deterministic capital commitments and/or variable interest rates.

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

  c) Reputational risk: The risk that the Bank will lose its good reputation in the eyes of its business partners and customers due to inappropriate actions on the part of individuals or groups.

Organization of risk management

Postbank's risk management organization is responsible for identifying all material risks and risk drivers, as well as for independently measuring and evaluating these risks. This lays the foundations for risk- and earnings-driven management of the Bank as a whole. The risk management system aims to accept normal banking risk within a defined framework while strictly reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating business.

Responsibilities and risk strategy

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

The control function is exercised by the Supervisory Board and its Loan and Equity Investments Committee. The Management Board regularly informs the Supervisory Board of Postbank's risk profile and capital profile.

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

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

Risk committees

The Management Board has delegated risk management for the individual risk types to the risk committees. The following graphic illustrates the Committees' areas of responsibility:

Tasks of the risk committees

	Bank Risk Committee	Credit Risk Committee	Market Risk Committee	Operational risk committee
Frequency of meetings	At least quarterly	At least quarterly	At least monthly	Half-yearly
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 • Resolve amendments to risk classification procedures • Define standard risk costs	• Allocate market and liquidity risk limits • Manage strategic focus of the banking book • Discuss the Bank's earnings and risk positions	• Define minimum requirements for Group units • Define operational risk parameters • Allocate risk capital amounts to the business divisions

The Bank Risk Committee (BRC) assists the Management Board in overarching risk management and in particular in determining risk appetite, risk allocation, and the related earnings targets. The Bank Risk Committee is the recipient of the Bank-wide risk report. The Credit Risk Committee (CRC) is responsible for managing counterparty credit risk at a strategic level. The Market Risk Committee (MRC) is responsible for the strategic management of market and liquidity risks. This includes a more detailed breakdown in each case of the global limit made available by the Group Management Board. The Operational Risk Committee (ORC) decides on how the risk capital for operational risk is to be allocated to the business divisions and defines the framework for managing operational risk.

Changes to the composition and powers of the risk committees are planned for 2012. In future, the BRC, in which the Chief Risk Officer is represented, will serve as an overarching risk committee and will bundle issues and submit them in condensed form to the Group Management Board, while the CRC, MRC, ORC, and the future Model and Validation Committee (MVC) will be headed by senior management. The MVC will be responsible for changes and enhancements to risk models and risk classification procedures and for approving the validation reports.

Centralized risk monitoring and management

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

Effective March 1, 2011, the Lending back office units were assigned to the Chief Risk Office, which became an organizationally independent board department. Strategic liquidity management was transferred to the CRO board department in the third quarter of 2011. Overall responsibility was transferred to the newly appointed Management Board member Hanns-Peter Storr (CRO).

In 2011, the CRO was assigned responsibility within the organizational structure for risk management, which comprises the Risk Management, Risk Analysis, and Market Risk Control units, as well as for credit risk management and the lending back office functions (consisting of the Credit, Corporate Finance, Banking and Capital Markets, Credit Process, Commercial Real Estate Finance, and Credit Workout & Collections units).

Risk management units and tasks

Unit	Tasks
Risk management	Overall bank risk management and reporting including risk-bearing capacity and stress tests Definition of risk strategy and risk profile Management of operational risk
Risk analysis and market risk	Management and reporting of market, liquidity, business, investment, and real estate risks Authority over risk quantification methods and models for all risk types Responsibility for all rating and scoring procedures Quality assurance of market data and fair values for risk management and financial reporting Daily counterparty limit monitoring
Credit risk management	Credit risk management and reporting Credit framework/guidelines Portfolio management Coordination of process for allowance for losses on loans and advances and watch list
Lending back office	Credit approvals, support and credit monitoring for banks, countries, corporates, and real estate finance

Effective January 1, 2012, the organizational structure of the Chief Risk Office as described in the table above and applicable in 2011 was revised on the basis of the changes initiated in 2011. The goal of the changes to the organizational structure is to comply with the increased external and internal requirements to be met by risk management as a result of the financial market crisis. In addition, the aim is to increase active portfolio risk management across different risk types and to bundle all credit decisions. In future, a Chief Operating Office will be responsible for ensuring that loan processing standards are adhered to and for central project and resource management for the Chief Risk Office. The Risk Management and Credit Risk Control units ensure that all risk types are managed. The Credit Office with its Credit Analysis and Credit Service Workout & Collection Retail units will bundle all credit decisions and implement the business and risk strategies in close cooperation with the sales units.

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 Chairman of the Management Board and reports independently to the Group Management Board.

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

Operational level risk management

Within Postbank, responsibility for risk management at an operational level – in the sense of position-taking activities – is spread across a number of units. Chief among these are Financial Markets, the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, and the Retail Banking credit functions. Financial Markets is broken down into the Treasury and the Chief Operating Office Financial Markets units. Treasury is responsible for managing market risk at an operational level. In addition, it performs operational liquidity risk management, focusing on ensuring solvency at all times by acting as a "lender of last resort".
The Chief Operating Office Financial Markets is responsible for managing the SCP portfolio for the Bank. The Risk Analysis unit is responsible for developing, validating, and calibrating the rating models, whereas the Credit Risk Control unit performs limit monitoring, reporting, and management. The Lending Policy unit is responsible for issuing standards on the treatment of credit risk exposure.

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

Investment Management manages investment risk at an operational level in line with the investment strategy by providing support for the governing bodies. The Bank primarily influences the business and risk policies of its equity investments through their shareholder and supervisory bodies, where it is usually represented by members of its Management Board.

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

Risk Analysis and Market Risk Control perform central risk analysis and reporting for savings and checking account risk and for strategic business risk; responsibility for these business risks remains with the relevant front office units.

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

Overarching risk management

Risk-bearing capacity

Postbank is included in the Postbank Group's risk-bearing capacity both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory going concern approach). The Bank 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 %. Under this perspective, the risk cover amount represents the economic asset value. Under the regulatory going concern perspective, the difference between Tier 1 capital for regulatory purposes and the minimum Tier 1 capital required to satisfy the Postbank Group's risk appetite is calculated. The resulting free Tier 1 capital and the planned income represent the risk cover amount. Under this approach, risk potential is calculated using a confidence level of 95%.

The underlying concepts were revised to take account of increasingly detailed regulatory requirements. With regard to risk measurement, enhancements to the risk-bearing capacity concept mainly relate to the quantification of business risk and the risk aggregation methodology. The structural composition of the risk cover amount remained unchanged. Components that are not available in the long term, such as current subordinated debt and deferred taxes, were deducted. Other adjustments led to changes in the measurement of the customer business with respect to the calculation of the risk cover amount.

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 appropriate, incorporating it in a limit system.

Economic capital is allocated to all the risk types listed in the chapter entitled "Risk types" with the exception of liquidity risk. Postbank engages in active liquidity management and control to prevent the risk of illiquidity. Real estate risk and investment risk are not considered to be material.

Risk capital allocation takes both potential fluctuations in the risk cover amount and risk-neutral stress scenarios into account. 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, business risk) make a particular contribution to the diversification effect. Market, credit, real estate, and investment risks generally have moderate diversification effects.

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

Market risk is managed by allocating VaR and loss limits for the relevant portfolios. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and by defining a target portfolio. The retail business volume is managed using variance analyses. In the case of operational risk, limits and warnings thresholds are defined for each segment. The other risk types are not managed using operational limits. The allocated risk capital represents the conservatively calculated future capital requirements.

Since Postbank aims to improve the impact of its management measures on the risks by managing limits more actively, higher limit utilization must generally be expected.

For further details, see the relevant section in the Group Management Report, as Postbank's risk-bearing capacity is calculated at Group level.

Risk concentrations and stress testing

Concentrations of credit, liquidity, market, and other risks are identified and monitored using sensitivity analyses and stress tests, among other things, and are limited using risk factor or gap limits (in the area of interest rate risk and spread risk). These risks are managed as part of daily management activities (e.g., via hedging). The holdings of government and bank bonds from certain European countries are particularly relevant in this context due to their spread risk.

In the course of credit portfolio management, risk concentrations are systematically identified and reported at the borrower unit level as well as at sector level (industries, regions, categories of collateral, etc.) and limited using a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account. In 2011, Postbank took measures to enhance its credit portfolio management; these included laying down guidelines for improving the management of risk concentrations in its credit manual. 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. Segment-specific risk assessment reports and the risk circles used in risk management have significantly extended operational management of risk concentrations.

In addition to reducing its government bond portfolio, the Financial Markets segment is continuing to pursue an active de-risking strategy in its bank portfolio in particular, in order to mitigate concentration risk, among other things. In the second quarter of 2011, it adopted a strategy designed to prevent specific regional concentration risks for its commercial real estate portfolio in the U.S.A. and the United Kingdom.

At present, based on the confidence level of 99.93 % used, risk concentrations are particularly perceptible with respect to eurozone states as well as in the structured credit portfolio (SCP), as before. Reporting of the credit economic capital (EC) and the associated risk concentrations is a key component of Postbank's credit risk report.

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

End-to-end risk assessment is ensured, at a minimum, by regularly subjecting the key risk types for which operational limits are used (credit, market, 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/New Markets (NPNM) process, and are documented in a product database. The resulting risks are included in Postbank's risk measurement and monitoring system.

Risk reporting

Postbank's risk reporting focuses on risk-bearing capacity and risk utilization in the individual risk types and comprises a large number of regular and one-off reports. Above and beyond 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.

Bank-wide reporting

Topic	Report contents	Frequency	Addressees
Cross-risk type	Risk-bearing capacity, individual risks, concentration risk, stress test results	Quarterly	Supervisory Board, Group Management Board Bank Risk Committee
Market risk	Risk indicators, limit utilization, revenue, performance calculated on a present value basis	Daily	Group Management Board, operational front office units
	Market developments, market risk trends, earnings and risk indicators, stress test and scenario analyses, backtesting results	Monthly	Group Management Board, operational front and back office units, supervisory authority
	Risk indicators, limit utilization, performance calculated on a present value basis, stress test and backtesting results	Monthly	Market Risk Committee
Credit risk	Counterparty limit monitoring	Daily	Group Management Board, operational front and back office units
	Portfolio development/early warning, specific portfolio analyses, key performance indicators, rating distributions, country risk including GIIPS reporting, limit utilization including EC/risk-bearing capacity trends, trends in allowance for losses on loans and advances including variance analyses, problem loans/watch list, risk concentrations, RWA trends, EL trends, results of scenario analyses/stress tests, mandatory MaRisk disclosures	Quarterly	Group Management Board, Loan and Equity Investments Committee, Bank Risk Committee, Credit Risk Committee
Liquidity risk	Liquidity status including limit utilization, cash flows, liquidity sources	Daily	Group Management Board, Market Risk Committee, Financial Markets
	Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests	Weekly	Chief Risk Officer, Financial Markets
	Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests, liquidity trends	Monthly	Group Management Board
Operational risk	Loss events	Weekly	Fraud Committee, Operational Risk Committee
	Losses, indicators, compliance with warning thresholds, high-frequency losses, utilization of VaR limits	Monthly	Group Management Board, Operational Risk Committee
Business risk	Volume growth in customer products	Daily	Group Management Board, operational front and back office units
	Risk indicators, stress test results	Monthly	Group Management Board, Market Risk Committee

The other risk types – investment risk and real estate risk – are included as individual risks in the reporting on overall bank risk.

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

Regulatory requirements

Capital requirements

Postbank has calculated its capital on the basis of Basel II since January 1, 2007. It uses the Basic IRB Approach for calculating capital requirements and the IRB Approach for calculating the capital requirements with respect to its retail business.

As of the reporting date of December 31, 2011, Postbank calculated the regulatory capital requirements for the following portfolios grouped by exposure class in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) on the basis of internal ratings: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, domestic commercial lending, foreign commercial lending, purchased corporate loans, insurers), retail business (Deutsche Postbank AG mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased retail loans), equity claims (if not covered by the exception in section 338(4) of the SolvV), securitization positions, and other non-credit obligation assets.

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

Postbank is currently in the process of implementing the changeover to the Advanced IRB Approach for calculating the capital backing for counterparty credit risk for the non-retail portfolios using internal estimates of expected loss rates. The Bank plans to reach the entry threshold and hence to reduce the charge on its risk-weighted assets and capital ratio in 2012. Ultimately, the supervisory authority must give its approval.

Postbank currently uses the supervisory Standardized Approach to calculate capital requirements for market risk. At the end of February 2011, Postbank announced a revised trading strategy that is tending to result in a reduction in trading book volumes and hence in market risk. As a result, Postbank withdrew its application for the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) to approve its internal market risk model in May 2011.

Since December 31, 2010, Postbank has used the Advanced Measurement Approach (AMA) at Group level for calculating capital requirements for operational risk. In the case of Deutsche Postbank AG, the Standardized Approach continues to be used for calculating the weighting required for operational risk.

With regard to the disclosure requirements pursuant to sections 319 to 337 of the SolvV in conjunction with section 26a of the *Kreditwesengesetz* (KWG – German Banking Act), Deutsche Bank AG, as the superordinate institution of the Deutsche Bank Group, published its Pillar III Disclosures in accordance with the SolvV/Basel II as of December 31, 2010, on its website. Postbank therefore no longer publishes separate Pillar III Disclosures.

Liquidity requirements

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

Minimum Requirements for Risk Management (MaRisk)

With respect to MaRisk, Postbank implemented all outstanding measures in 2011 to meet the additional requirements under the new version of the MaRisk published on December 15, 2010, with respect to the integration of the supervisory bodies, the treatment of risk concentrations and of liquidity risk, and risk management at Group level.

Monitoring and managing market risk

Postbank uses a combination of risk, earnings, and other indicators to manage its market risk. The changes in value of positions exposed to market risk are derived from daily marking to market. In the case of inactive market segments, a special process has been instituted to regularly review whether the market data available still permits adequate valuations to be made. As a result, specific portfolios are marked to model. The management of market risk exposures from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured using value at risk. Risks from potential changes in spreads have been taken into account in risk measurement. Other management indicators used are sensitivity indicators and maturity structures.

In 2011, as planned, Postbank continued the de-risking strategy it introduced in 2008 in the light of the financial market crisis. Postbank is cutting its holdings of investment securities, primarily as a result of instruments maturing and sales. In addition to reducing holdings as instruments mature, key activities in the course of 2011 as in the year before were the sale of SCP positions and a reduction in the exposure to banks and government bonds. The risk from equity holdings remains negligible.

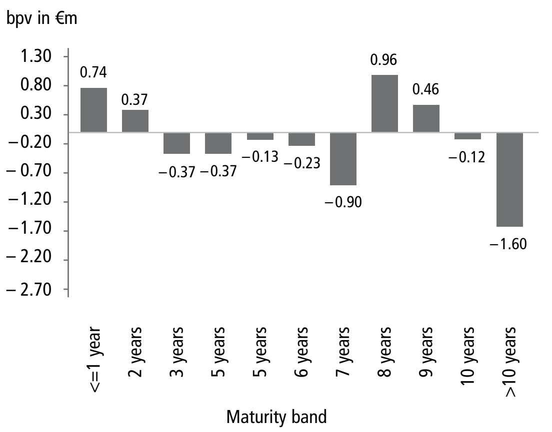
Postbank has defined escalation mechanisms for critical management parameters and for exogenous events so as to account for the relative significance of market risk and the volatility of market movements. These mechanisms make it possible to react promptly to situations in which limits are approached or exceeded, or to extreme market movements impacting Postbank.

Interest rate risk management

Interest rate risks arise 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 variable interest customer deposits as well as the customer loans business. Special modeling rules and deposit base definitions supplement the monitoring and management concept. The modeling techniques used for this are monitored and enhanced on an ongoing basis. In the case of deposits without agreed maturities, investor behavior is modeled using the internal models and procedures for managing and monitoring interest rate risk. Those elements of capital made available to the Bank indefinitely are excluded when determining interest rate risk.

Interest rate risk analysis is an integral part of daily market risk measurement in the trading and banking books. The following chart presents the profile of Postbank's open interest rate positions as of December 31, 2011, in the form of a basis point value (bpv) graph:

Postbank's interest rate positions (bpv) as of December 31, 2011



Value at risk measurement, limit setting, and backtesting

Postbank uses the value at risk concept to quantify and monitor the market risk it assumes. The value at risk (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 using a Monte Carlo simulation. Operational management is based on a confidence level of 99 % and a holding period of 10 days (banking book) or 1 day (trading book). The material risk factors taken into account when calculating VaR are yield and spread curves, share prices, exchange rates, and volatilities. Specific credit spread risks are currently not reflected in market risk VaR.

Correlation effects between the risk factors are derived from historical data. In addition to total VaR, which reflects all correlation effects for the risk factors, VaR contributions are also calculated for the various subtypes of market risk.

Market risk is monitored using a system of risk limits relating to total VaR and the key subtypes of market risk (interest rate risk, spread risk, equity risk, and currency risk). In addition, loss limits are allocated for potential fair value losses in individual portfolios.

End-of-day risk measurement and monitoring are used; in addition, intraday monitoring is performed for market risk in the trading portfolios. The overall limits are set by the BRC, with sublimits being allocated to the individual operating units by the MRC. These are dynamic outcome-based limits; any losses incurred over and above the loss limit reduce the limit, while gains replenish it, at a maximum, to the originally defined level. In 2011, fair value losses incurred in certain subportfolios led to limits being utilized in some cases. In the second half of the year in particular, this effect – coupled with the trend toward increased VaR figures – led to limits and warning thresholds being exceeded at subportfolio level.

In addition to these VaR limits, the MRC 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 tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the gains and losses arising from actual changes in fair value for the same portfolio (clean mark-to-market backtesting).

Backtesting as of the 2011 closing date did not reveal any outliers for the risk indicators for the trading book; however, the number of outliers in the banking book was outside the statistically expected ranges at 11 (previous year: 4). All backtesting outliers were observed in the second half of the year and are connected with the extreme widening of spreads on sovereign bonds in connection with the European sovereign debt crisis; this was well in excess of the spread changes to be seen under normal market conditions. In 2012, the assumptions and the parameters used in the model will be analyzed to identify potential areas for improvement. However, since the VaR model proved to be highly accurate under the normal market conditions seen in the first half of 2011, as in previous years, it can be assumed in principle that it will continue to be a suitable instrument for determining market risk under normal market conditions in the future.

Stress testing

In addition to the VaR calculations, scenario analyses and stress tests are performed at regular intervals to permit the separate analysis of the impact of extreme market movements. 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 underlying the stress tests are validated on an ongoing basis.

In the year under review, as in the past, the scenario assumptions and stress parameters were reviewed at regular intervals, while the range of stress tests performed was also extended. Stress tests comprise both scenarios derived from historical changes in risk factors and hypothetical extreme scenarios. The Group Management Board, the members of the BRC and the MRC, and the Supervisory Board are kept regularly informed of the key results of the scenario analyses. The greatest risks continue to be in the area of interest rates and spreads. In contrast, sensitivities to changes in equity prices, currency rates, and volatilities are significantly less pronounced.

Particular attention is paid to the requirement to take risk concentrations into account when measuring market risk, for example, by quantifying and analyzing the effects of exposure class-, rating-, or currency-specific stress tests. In addition, risk concentrations are identified using sensitivity analyses. Instruments used in this context include gap analyses, credit spread sensitivity analyses by asset class and credit rating, and analyses of the Group's exposure to equities and foreign currencies.

Appropriate market terms

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

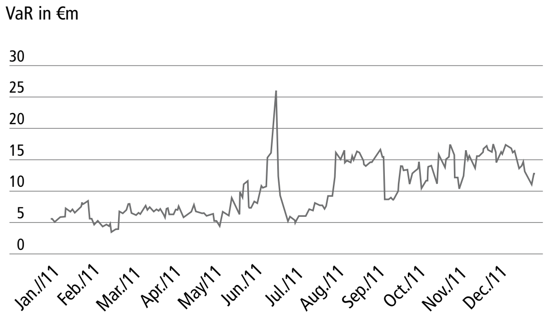
Risk indicators

The following value at risk figures for the trading book were calculated for Postbank for the period from January 1 to December 31, 2011, and for January 1 to December 31, 2010 (confidence level of 99 %, holding period of 10 days):

Value at risk, trading book	2011 €m	2010 €m
VaR at year-end	12.4	5.6
Minimum VaR	3.4	1.5
Maximum VaR	25.8	12.3
Annual average VaR	10.1	4.6

The following chart shows value at risk for the trading book in the course of the year under review:

VaR, trading book 2011

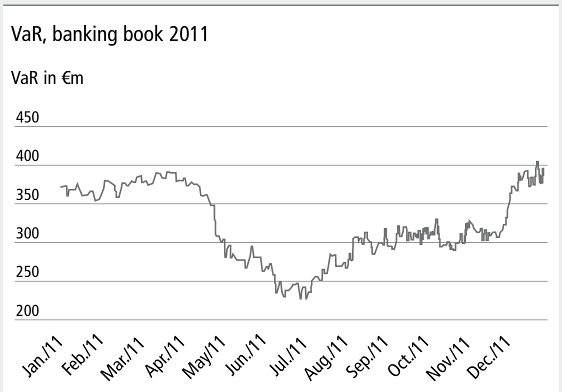


In the course of 2011, the pronounced market volatility was used in the trading book in particular for short-term positioning on the money markets. Risk positions were increased where market opportunities presented themselves and then reduced again promptly. Overall, VaR rose over the course of the year due to increased market volatility. VaR limit utilization is monitored on an ongoing basis, and the limits were complied with at all times, including at subportfolio level.

Value at risk for the banking book (confidence level of 99 %, holding period of 10 days), which accounts for by far the largest portion of market risk, amounted to €393.9 million as of December 31, 2011 (for comparative purposes: €372.6 million as of December 31, 2010).

Value at risk, banking book	2011 €m	2010 €m
VaR at year-end	393.9	372.6
Minimum VaR	227.1	286.7
Maximum VaR	404.3	393.8
Annual average VaR	321.4	347.3

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



VaR in Postbank's banking book declined in the second quarter of 2011 due to the ongoing de-risking measures and to improvements in the treatment of correlations between market risk exposures and the decreasing importance for risk factor volatility estimates of the highly volatile market phase in April/May 2010. However, VaR then rose tangibly again in the second half of 2011; this was due in particular to the renewed jump in spread volatilities for European sovereigns and banks as a result of the escalating sovereign debt crisis.

Monitoring and managing credit risk

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

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

Managing individual risks

Credit approval procedures

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), back office units, and risk management in accordance with the supervisory requirements (MaRisk). A permissible exception to the strict separation of functions according to banking supervision law is the standardized credit approval process in business that is not relevant for risk purposes, which Postbank defines as private residential construction finance up to €1 million, other retail credit products, and loans for up to €750,000 in the Corporate Banking division; in these cases, simplified and standardized processes are applied.

Scoring and rating

Postbank has internal rating systems that have been approved for the use of the IRB Approach under Basel II. In 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 at least annually, or on an as-needed basis, during the credit approval process.

The Risk Analysis unit is responsible for designing, implementing, and monitoring the operability of the internal rating systems, as well as for their calibration and validation. In addition, a validation body established at the end of 2010 to provide process support is responsible for ensuring that the results of monitoring are incorporated into the internal reporting system and the Bank's management processes. Postbank's Management Board receives 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. The Bank's Credit Risk Management/Lending Policy unit is responsible for monitoring the process. Work in 2011 was focused 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 borrower default (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 determine the proportion of outstandings under open credit lines at the time of default. For retail checking products, Postbank uses an internal behavior scoring system that individually assesses default risk on the basis of historical account management data and additional external information.

Rating models, which generally comprise a statistical core (statistical balance sheet rating or Monte Carlo simulation of expected cash flows), and which incorporate qualitative, shorter-term information in the internal rating in the form of a heuristic component, are used to make loan decisions and define terms for customers and guarantors in the corporate customers, banks, and countries areas.

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 during ongoing monitoring. The model validation process is based on standard core analyses comprising the following aspects: 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. 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 at 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 in the form of a return on equity (RoE) ratio. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management

Collateral management is an important and integral component of Postbank's credit management process. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. As in the case of the underlying transactions with counterparties, the value of the collateral is continuously monitored on the basis of uniform standards, not only when the loan is granted but also during its term. In 2011, the collateral processes for accepting and monitoring real estate liens at Postbank's foreign locations in London and New York and for guarantees underwent further optimization. The basic decision on the approval and use of types of collateral instruments to mitigate credit risk is a component of both the business strategy and the credit risk strategy. 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, which includes recognition of an instrument as collateral, its legal ranking, and regular review and measurement, as well as the administration of the collateral taken into account. The exposure management systems provide electronic support for the management of immovable collateral. The amounts recognized as collateral are reviewed at fixed intervals, depending on the type of protection; as a rule, this occurs annually or at shorter intervals in the case of critical exposures.

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

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

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

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

Postbank is planning to introduce a multiclient-enabled collateral administration system in order to improve collateral management. The new system will be introduced in a modular process, with the first subportfolios scheduled to go live in 2012.

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 €500,000 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 indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of early warning 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 on a watch list. In the case of hard risk indicators, transfer to the watch list is mandatory; if there are only soft risk indicators, the decision is made at the discretion of the relevant credit specialist. The watch list is constantly updated by the various lending departments and submitted quarterly to the member of the Management Board responsible for the CRO board department and to the CRC. The largest individual exposures and loans that were approved by the Group Management Board are reported to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board as part of the quarterly credit risk report.

Postbank responded to the crisis in the financial markets and the resulting deterioration in the credit standing of many clients and counterparties by significantly improving its procedures during the year under review in comprehensive projects. Among other things, the focus of activity was on improving the identification, documentation, and specialized processing of exposures at risk of impairment or in need of restructuring. To achieve this, dedicated intensive care units were set up and staffed by restructuring experts.

Managing credit risk at portfolio level

Portfolio management

Above and beyond monitoring individual risks, the necessary economic capital (EC) for all exposures subject to credit risk is calculated. To do this, Postbank introduced a new credit portfolio model at the end of 2011 that removes uncertainties in the model previously used to measure credit value at risk (CVaR). Thanks to the new model, it has been possible to replace the previous calculation based on data for the prior month by one based on data for the current month. Other advantages are better integration of internal and external risk inputs, the improved capture of concentration risks in the credit portfolio and of reinvestment effects in the case of maturities of less than one year, and the ability to drill down to individual debtors.

EC is the potential negative change in the present value of the total loan portfolio resulting from actual or potential credit risk losses that will not be exceeded within one year for a 99.93 % probability. Under Postbank's risk-bearing capacity concept, EC (as a measure of the unexpected loss from credit risk) must be backed by risk capital. The introduction of the new model and the expected increase in economic capital associated with it will make the limit buffer introduced in 2010 to accommodate uncertainties in the model obsolete.

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

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

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

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

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

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2011, compared to the end of 2010 (volumes: carrying amounts). As the EC including portfolio effects is not calculated at the level of Deutsche Postbank AG, the portfolio structure is shown at Group level in the following table.

Credit risk[1]	Volume		Expected loss		Economic capital (EC)[1, 2]	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Retail Banking	81,219	79,068	195	363	824	232
Corporate Banking	26,422	29,263	67	79	538	259
Financial Markets	78,070	128,873	143	361	1,104	1,450
Total	185,711	237,204	405	802	2,466	1,469

[1] The calculation of economic capital (EC) as of December 31, 2011 is based on the new credit portfolio model. The comparative figures as of December 31, 2010 were determined on the basis of the previously applied method. The underlying confidence level is 99.93 %.

[2] As of December 31, 2010, the CVaR in the Group loan portfolio is lower than the sum of the individual CVaRs for the business divisions due to the previously applied calculation method. The term economic capital (EC) is identical in content to the term CVaR.

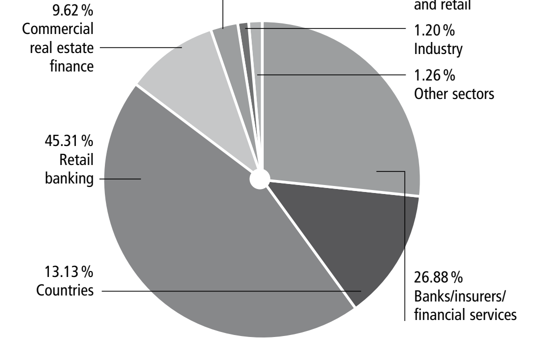
The decline in the total volume from €237.2 billion to €185.7 billion and of a portion of the expected losses is largely due to the continued reduction of investment securities including SCPs in Financial Markets. In addition, a change in the first quarter of 2011 to the methodology used for the master scale served to reduce the expected loss. In contrast, a renewed increase is expected in individual subsegments of the Retail Banking division in 2012 due to planned recalibrations.

The increase in EC (not including the limit buffer of €1.3 billion as of the 2010 closing date) is attributable to the change in the credit portfolio model and the resulting improvement in modeling correlations and concentrations. The increase does not represent an increase in the risk. Overall, the risk profile – with the exception of sovereign exposure – developed positively as a result of de-risking.

Sector structure of the loan portfolio

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

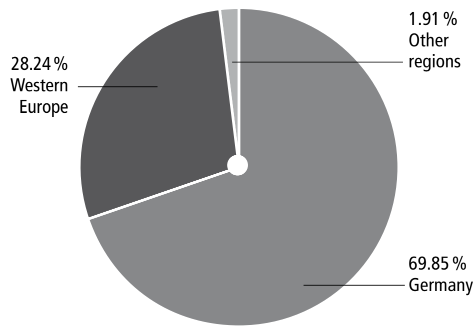
Sector structure



Regional distribution of the loan portfolio

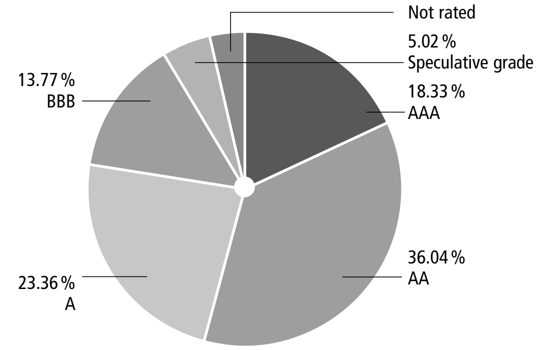
Postbank has established country-specific limits for credit allocation in order to manage country risk. The country limits are largely determined by internal and external ratings, and by the economic strength of the particular country as measured by its gross domestic product. A central database keeps track of the limits established for each country and their current utilization, as well as the economic data used in allocating countries to risk categories. The country limit system was thoroughly revised in response to the financial market crisis and supplemented by an early warning system. The regional distribution of the credit volume again reveals a concentration on the domestic German market in line with Postbank's strategy.

Regional distribution



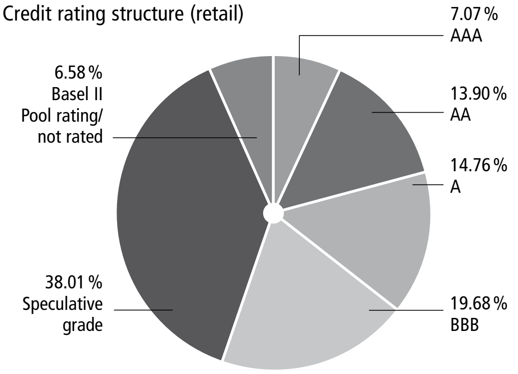
Rating structure of the loan portfolio

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



The Bank's volumes in the good rating classes remain high. However, de-risking resulted in a significant reduction in the A category for trading assets in particular, whereas exposure in the BBB category rose due to an increase in loans and advances to other banks resulting from securities repurchase agreements. For this reason, the target rating distributions in this area are outside the prescribed ranges and are being closely monitored.

Postbank's retail business continues to show a good credit rating structure, as the following graphic illustrates. Legacy retail business portfolios (mainly mortgage loans extended before August 2004) and purchased loans and advances are reported using pool ratings. In other words, homogeneous risk pools are established by segment and measured individually according to the relevant Basel II parameters. The proportion of portfolios covered by these pool ratings is declining gradually since all new transactions are rated on an individual basis.



Securitization positions

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

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

Investor

In the course of credit substitution transactions, Postbank invested in structured credit products (SCPs), among other things. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs). Securitization positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or Fitch Ratings).

Originator

In addition to being an investor, Postbank also acts as an originator. The following synthetic securitization transactions involving the securitization of residential mortgage loans relating to Germany not only reduced regulatory capital requirements but also diversified risk. As of the reporting date, Postbank held the PB Domicile 2006-1 transaction with a volume of €1,677 million in its portfolio. In addition, Postbank structured the Provide Domicile 2009-1 synthetic originator securitization transaction, for which no significant transfer of risks has taken place as of the reporting date. The previously held traditional originator securitization transactions, PB Consumer 2008-1 and PB Consumer 2009-1, are no longer held in the portfolio following the exercise of the call option as of the 2011 closing date.

Environmental risk

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

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

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

Monitoring and managing liquidity risk

The goal of liquidity management is to ensure Postbank's solvency at all times, including in stress situations. 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. As a result, only insignificant activities on the money and capital markets are planned for 2012. 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. An extensive portfolio of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly, including on (private) repo markets in the case of unexpected cash outflows. To further diversify its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*.

The management process is based on a number of pillars. Liquidity Risk Control assesses Postbank's liquidity status – the basis for operational risk management – each business day on the basis of funding matrices and cash flow forecasts. Furthermore, risk management is based both on regular liquidity and issue planning and on a series of more far-reaching liquidity management analyses. Risk management activities focus above all on ensuring solvency at all times, including in extreme stress situations. To ensure this, the Bank's liquidity positions are subject to a series of stress tests at least once a week. These simulations correspond to MaRisk BTR 3.2 (3) and specify buffer requirements of 7 and 30 days in accordance with the MaRisk (BTR = Special Section, Risk Management and Control Requirements). They cover both institution-specific and general market issues and, in the extreme 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 extreme scenario simulates severe outflows of savings, demand, and corporate banking deposits, a complete lack of access to the uncollateralized money markets, and increased haircuts on central bank-eligible securities.

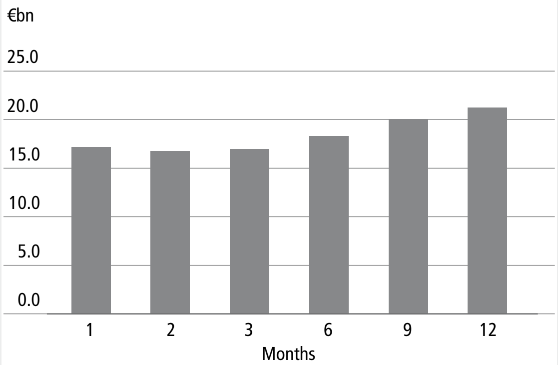
The results of the stress tests show that Postbank has a comfortable liquidity position, despite what were at times very much tougher market conditions during the financial market crisis. This is due not least to the continuing stability of the customer deposit base and the Bank's extensive portfolio of highly liquid securities.

With respect to the requirements set out in the revised version of the MaRisk dated December 15, 2010, Postbank revised its liquidity stress scenarios in accordance with BTR 3.2 (3) in 2011. Liquidity buffer reporting was expanded in particular to differentiate for highly liquid assets in accordance with BTR 3.2 (2). Furthermore, Postbank has developed and formally adopted a benchmark concept for determining liquidity buffer costs and has resolved to allocate these costs to the originators at segment level starting in 2012.

Postbank has set up a regulatory liquidity project to prepare for the reporting and management of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which will have to be reported regularly in the future, and to develop additional monitoring tools. Since the details of these liquidity ratios are still being discussed by the national and international supervisory authorities, Postbank is initially basing its work on the reporting forms used for the authorities' regular quantitative impact studies (QIS).

The following graphic illustrates Postbank's liquidity status as of December 31, 2011. This overview presents the expected cash inflows/outflows and the liquidity sources available for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management.

Liquidity status of Deutsche Postbank AG as of December 31, 2011



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 Postbank's adequate cash position.

The results of the stress tests as of the 2011 closing date also underline Postbank's comfortable liquidity position. There are comfortable surpluses in the net liquidity position even after the combined stress effects in the extreme scenario are taken into account, including above and beyond the 7- and 30-day periods relevant for MaRisk.

Monitoring and managing operational risk

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

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

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

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

- 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.

One key focus of activities in the operational risk function in 2011 was on implementing the requirements of Deutsche Bank's AMA Framework (AMA = Advanced Measurement Approach). The multi-stage harmonization and integration process started in November 2010 and was largely completed in the course of 2011.

Total operational risk losses (including contributions to the EURO Kartensysteme liability fund) declined sharply year-on-year. Only a small proportion of these losses are due to individual major loss events; the majority stem from numerous cases of external fraud in Retail Banking. Key among these are fraud in the private mortgage lending segment and high-frequency losses (phishing, credit card fraud, etc.) – incidents that cause only minor losses individually, but that occur in large numbers.

One of the main focuses in the fight against fraud is to communicate all material cases of fraud in a timely manner throughout the Bank via the FRAUD committee. Another focus is on raising the awareness of all employees involved in the relevant processes in order to ensure systematic and widespread early identification of cases of fraud. To complement these activities, a number of technical measures were either initiated or largely implemented in 2011 that contributed to a successive improvement in the situation.

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

Business segment in accordance with the SolvV	Weighting for operational risk	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Corporate finance	–	–
Trading and sales	10	21
Retail banking	318	292
Corporate banking	53	48
Payment transactions and processing	0	0
Agency services	1	1
Asset management	–	–
Retail brokerage	9	8
Total for Deutsche Postbank AG	391	371

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

Monitoring and managing investment risk

As of the reporting date of December 31, 2011, Deutsche Postbank AG held a total of 63 direct and a large number of indirect equity investments. In fiscal 2011, the number of investments in affiliated companies/equity investments did not change materially over the previous year.

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

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

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

Monitoring and managing real estate risk
The properties in the Postbank portfolio are primarily owner-occupied properties used by Postbank. They are reappraised every three years in order to monitor their value on an ongoing basis. In line with the valuation principles applied (in this case Practice Statement (PS) 3.2. of the RICS Valuation Standards (7th edition) published by the Royal Institution of Chartered Surveyors (RICS), London), the reappraisal is based primarily on the market value. This is defined in the Practice Statement as follows: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

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

No concentration risks from the real estate exposure are discernible.

Monitoring and managing business risk
Postbank fundamentally revised its procedures for quantifying business risk in the first half of 2011. The procedures have a direct and consistent relationship to the method used to determine the economic capital in the risk-bearing capacity concept.

Theoretical scenarios are defined for customer transactions with non-deterministic interest rates and capital commitment periods (primarily savings and checking account deposits) in order to permit interest rate and liquidity risks 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 changes in the interest rate adjustment policy (or as a result of a lack of opportunities for such adjustments); this could endanger the ability to generate stable net interest income in the long term and impair the liquidity situation (savings and checking account risk).

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

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

In addition, extraordinary events are analyzed at regular intervals using both historically based and hypothetical scenario analyses and stress tests.

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

Internal control and risk management system for the financial reporting process
The following section describes the key features of the internal control and risk management system in relation to the financial reporting process. In this respect, Deutsche Postbank AG complies with the requirement set out in section 289(5) of the *Handelsgesetzbuch* (HGB – German Commercial Code). Deutsche Postbank AG regards information as being material within the meaning of section 289(5) of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the annual financial statements and the other components of financial reporting. Materiality cannot always be determined in general terms, but is rather established in the context of the issue at hand, and is assessed on the basis of the nature and scope of the issues involved. Postbank assesses the question of the materiality of an issue by reference to its importance with respect to the annual financial statements.

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

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

Postbank's internal control system performs the following tasks:

- Ensuring the effectiveness and economic efficiency of business activities in line with the corporate strategy
- Ensuring the propriety and reliability of both internal and external financial reporting
- Compliance with the legal provisions applicable to the Company.

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

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

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

- Monitoring of new legislation
- Preparation and maintenance of accounting policies
- Due and proper capture and processing of data/transactions relevant for financial reporting by the IT applications
- Preparation of the annual financial statements and the management report
- Provision of information for segment reporting.

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

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

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

- Calculation of the provisions for pensions and other employee benefits as well as provision of disclosures relating to the notes
- Provision of relevant disclosures relating to the notes and the risk report.

The Chief Risk Office performs the following tasks:

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

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

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

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

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

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

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

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

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

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank prepares its annual financial statements and management report in accordance with the provisions of German commercial law applicable to major stock corporations (sections 242–256, 264–287, and 289 of the HGB), taking into consideration the legal-form specific requirements for German stock corporations (sections 150–161 of the AktG), the sector-specific requirements for credit institutions, and the requirements of the Bank's Articles of Association.

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

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

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.

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

Postbank uses an SAP-based accounting system. In addition, specific data processing tools are used, the design of which is supervised as part of integrated data processing monitoring.

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. All items are entered in line with the principle of dual control.

Internal Audit

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 Chairman of the Management Board 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 audits all areas of Postbank as a matter of principle at least once every three years. Areas that are exposed to particular risk are audited annually.

Audit planning and the determination of audit cycles employ appropriate tools and are based on a proven procedure that has been established for a number of years. Value at risk is calculated for each audit area, and this is used to determine the audit cycle. Risk assessments are performed on the basis of audits carried out and current developments in the relevant business division. This process produces a multiyear audit plan and the annual program for the following fiscal year, which Internal Audit is commissioned to implement by the Management Board.

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 current changes and the legal situation. For instance, new products, changes in the internal control system, or organizational changes in the way audits are performed are all taken into account, as are any changes in the legal framework.

Remuneration systems

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

Postbank's remuneration systems have been adjusted effective 2011 to comply with the general and specific requirements of the InstitutsVergV. The remuneration systems 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. Postbank has implemented the necessary modifications to the remuneration systems for this group of people resulting from 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.

Pending proceedings

In its decision of January 25, 2012, the European Commission concluded the formal investigation against the Federal Republic of Germany concerning possible subsidies to Deutsche Post AG that it had initiated on September 12, 2007. As part of its investigation as to whether Deutsche Post AG had received state aid incompatible with EU law from the Federal Republic of Germany, the European Commission examined the cooperation agreements between Deutsche Post AG and Deutsche Postbank AG, among other things. The Monopoly Commission had also previously alleged that Deutsche Post AG permits Deutsche Postbank AG to use its outlets at below-market rates, and that in doing so it contravenes the prohibition on state aid enshrined in the EU Treaty.

The European Commission extended its official state aid proceedings on May 10, 2011. The extension concerned the funding arrangements for the civil servants' pensions paid by Deutsche Post AG, which were to be examined more closely, including the pension obligations factored into the price approval process relating to Deutsche Post AG.

In its decision of January 25, 2012, the European Commission concluded with respect to its review of the funding arrangements for the civil servants' pensions that Deutsche Post AG had received illegal state aid in this area, which would have to be paid back to the Federal Republic of Germany. By contrast, the Commission did not object to the cooperation agreements between Deutsche Post AG and Deutsche Postbank AG. The European Commission did not revisit the 1999 sale of all shares of Deutsche Postbank AG to Deutsche Post AG in its ruling.

Deutsche Post AG is of the opinion that the allegation that it received illegal state aid with respect to the funding of the civil servants' pensions is unfounded and that the Commission's decision as of January 25, 2012, cannot withstand legal review in this respect. It will appeal the decision to the European Court of Justice in Luxembourg.

Report on Expected Developments

Global economy

In 2012, the world economy should continue to grow, but the pace of this growth should slow. The IMF expects world economic output will rise only by 3.3 % compared with 3.8 % in 2011. But the risks are extensive, generated for the most part by the sovereign debt crisis in the eurozone. Should the crisis escalate, it could strongly impact the ability of international financial markets to operate. According to the IMF, growth of global GDP should again rise slightly higher in 2013.

We expect the U.S. economy will improve in 2012. But it is not projected to generate strong growth. Investments in machinery and equipment should continue to rise. Investments in construction could increase slightly from their current low level, but the continuing glut of houses on the real estate market will severely limit growth potential. Private consumption should rise modestly as unemployment dips slightly. On balance, no momentum is expected to be generated by foreign trade. The same is expected to be true of public sector spending as a result of the need to consolidate the government budget. Overall, we expect GDP to rise by 2.4 % in 2012. For 2013, we believe that growth will reach 2.7 %, presuming that the growth trend in private consumption will strengthen.

In 2012, the Japanese economy should rebound from the blows dealt by last year's earthquake and tsunami. Exports should again rise sharply. Gross capital expenditures should climb steeply thanks in part to rebuilding programs. Private consumption is expected to burgeon as well. As a result, GDP in 2012 could jump by 2.1 %. For 2013, though, we expect the economy to slow again. In China, the economy should gain ground more slowly in comparison to the year under review as a result of the government's efforts to prevent the economy from overheating. The economic upswing, however, will remain robust and should continue into 2013.

The eurozone's economy is very likely to experience a distinct period of weakness in 2012. The sovereign debt crisis and the resulting consolidation pressure will mean budget cuts and tax increases. This should slow not only public-sector spending, but also private consumption and gross capital expenditures. As a result of weak domestic demand, imports should grow much more slowly than exports, enabling foreign trade to contribute positively to growth. But GDP is likely to rise less than in the previous year and less than expected, only by 0.6 %. The highly divergent growth rates seen among eurozone members should continue. Some countries with a major need to consolidate their government budgets will hardly to be able to avoid a recession, while others should be able to moderately increase their economic output. For 2013, we expect economic momentum to pick up, combined with a rise in GDP to 1.7 %.

Economic outlook for Germany

As the year changed from 2011 to 2012, the German economy was experiencing a period of weakness. But the country's economy remains on a solid foundation. As a result, we expect the driving economic forces to prevail as 2012 progresses. But the economic weakness of many eurozone partner countries will create a strong drag on the economy in 2012. In particular, export growth should slow considerably. Investments in machinery and equipment should continue to rise, but at a much slower pace than they did in 2011. We expect that investments in construction will increase slowly. As momentum in gross capital expenditures eases, the upswing on the job market may slacken as well. Nonetheless, the average number of employed people during the year should still soar. This trend will underpin the incomes of private households, resulting in continued gains in private consumption. In 2012, GDP growth will probably fall steeply to 1.2 %, but still remain well above the level of the entire eurozone. For 2013, we expect growth to resume on a broad scale with the momentum generated by foreign trade picking up some new speed. As a result, GDP growth should accelerate to 1.7 %.

Markets

The sovereign debt crisis may continue to strongly affect global markets in 2012. Given the budget deficits that are still very high, nervousness of market players can rise rapidly, triggering new plunges in prices. As in previous years, this could impact the bonds issued by euro countries with large deficits as well as the stock markets. The monetary policies of leading central banks should remain expansive in 2012. As a result of the eurozone's sluggish economy and the European sovereign debt crisis, we believe that the ECB will leave the benchmark interest rate in 2012 at 1.0 %. In the process, it may tolerate a renewed breaching of its inflation target of just under 2 %. In addition, we assume that it will continue applying its unconventional policies for the foreseeable future, including the full allotment of its main refinancing operations and the execution of standard longer-term tenders. Should the sovereign debt crisis in the eurozone escalate further, we believe that the ECB could again lower benchmark interest rates and expand its purchases of government bonds issued by eurozone members once more. We expect no benchmark interest rate increases to be made until 2013 at the earliest. At this point, the ECB should act very cautiously. Against the backdrop of stable benchmark interest rates, money market rates may remain in 2012 at their currently low level. The U.S. Federal Reserve has already announced that it will keep its benchmark interest rate at 0 % to 0.25 % most likely through the end of 2014, as long as inflation and the economy warrant such levels. For this reason, no increases in benchmark rate in the United States can be expected in 2012 or 2013.

We believe that capital market interest rates in Germany are distorted downward at their present level primarily because of the increased inflation rate. Developments in the sovereign debt crisis of the eurozone may continue to favor German bunds with their reputation as "safe havens". Because we believe that the sovereign debt crisis in the eurozone will ease in 2012, but not yet be completely overcome, we expect that yields of 10-year German bunds will rise slightly to 2.5 %. As benchmark interest rates remain low, the yield curve may become somewhat steeper. In 2013, capital market interest rates may rise further as monetary policy is carefully tightened. In this environment, the yield curve is not expected to become significantly flatter or steeper.

As economic growth drivers strengthen and the eurozone's sovereign debt crisis eases in 2012 – as we expect – worries about possible corporate bond defaults should abate. This would enable risk premiums to fall slightly – a trend that may continue in 2013. Nonetheless, corporate spreads may remain well above their pre-crisis levels. In terms of the risk premiums demanded for the bonds issued by the eurozone's so-called periphery members, we do not expect a long-term easing of the situation to occur until the approved strategies that are designed to result in solid long-term financial policies in the eurozone yield their first clear successes. Until then, susceptibility to fluctuations will remain high.

Sector situation

On the European level, many aspects of the regulatory conditions applying to financial institutions remain undecided. Final decisions on harmonizing deposit protection insurance, introducing a tax on financial transactions or financial activities or creating an EU-wide banking levy have not been made.

As in the year under review, the entire European banking industry – and German banks as well – may face considerable challenges in 2012. There is no end in sight to the sovereign debt crisis in the eurozone's periphery members. Additional problems this year as well for German banks that are invested in bonds issued by the GIIPS countries cannot be ruled out. An additional drop in the prices of the sovereign bonds issued by these countries could result in new losses on the trading books of some banks or in writedowns. The conditions of voluntary debt waivers by private investors who own Greek bonds have not been determined yet. Depending on the conditions in this agreement, German banks may have to make additional writedowns on their portfolios of Greek bonds.

The slight economic slowdown in industrial countries that has also reached Germany may hurt the banking industry's operating business. For this reason, additional significant reductions of allowances for losses on loans and advances may be the exception, rather than the rule. We do expect a steepening of the currently flat yield curve. Given the tough competition that exists, particularly in retail banking and increasingly in corporate banking, we do not foresee any significant rise in net interest income. Contributions to earnings made by investment banking and proprietary trading may stagnate at best in light of the challenging capital market business climate and increased capital requirements.

Overall, we expect that the majority of German banks will generate a moderate increase in earnings in 2012.

We also believe that the German banking landscape will continue to be shaped over the mid-term by the three-pillar structure consisting of private banks, savings banks, and cooperative banks. The year of 2013 is also likely to be a challenging one for the German banking industry. The intense competition in the retail and corporate banking business should continue, limiting opportunities to increase net interest income and net fee and commission income. The impact of the sovereign debt crisis could continue to have a negative impact on capital market conditions and limit significant gains from being achieved in income generated by investment banking or proprietary trading. Under these conditions, the Banks' operating earnings should only be able to rise slightly.

Investment focuses of Postbank

Legal requirements made it necessary to carry out further investments, particularly in connection with new and altered rules related to liquidity and capital requirements, SEPA, the *Solvibilitätsverordnung* (German Solvency Regulation) and consumer protection. Activities worth noting included investments in systems used in collateral management as well as recovery and workout processes that will have a positive effect on capital consumption in the future.

To optimize its ongoing operations and processes, Postbank continues to invest in its core banking system SAP and front-end sales.

As part of business activities, the partnership with Deutsche Bank will continue to be expanded and investments made in the shared retail-target platform that is planned.

The expected impact of Basel III

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

The new Basel III rules will tend to lead to a reduction in banks' regulatory capital and an increase in their risk-weighted assets. This also applies to Postbank. However, the new rules will be phased in over a transition period running until 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 successively up to 2018, and banks will have to build up an additional capital conservation buffer and possibly an anticyclical capital buffer.

For the period until the launch of Basel III, Postbank plans to further improve its capital position by introducing advanced models for determining capital requirements (Advanced IRB) and reducing the volume of its investment securities. Moreover, Postbank's de-risking strategy will also help further reduce its leverage ratio, which will initially only be monitored, but not limited, by the supervisory authorities.

Outlook

Expected impact of the conclusion of company agreements

On January 10, 2012, Deutsche Bank and Postbank agreed to begin negotiations on a control and profit and loss transfer agreement between DB Finanz-Holding GmbH (a wholly owned subsidiary of Deutsche Bank AG) as the controlling company and Postbank as the dependent company. We assume that if the negotiations are brought to a successful conclusion, the regularly scheduled Annual General Meeting of Postbank will be able to make a decision about approving the control and profit and loss transfer agreement on June 5, 2012. Should such an agreement be approved, Postbank could profit from the intensification of the partnership between the Deutsche Bank Group and Postbank. We expect these benefits to include, with respect to the optimization of liquidity management among other things, a tax entity and the tapping of synergies that could not be achieved if the agreement were not reached. In addition, this kind of agreement could fulfill a key legal requirement for obtaining a so-called waiver in accordance with section 2a of the KWG. If a control and profit and loss transfer agreement is put in place, the *Aktiengesetz* (AktG – German Stock Corporation Act) would require that every net loss for the period experienced by Postbank during the life of the agreement be offset insofar as this loss was not already offset by withdrawals from other retained earnings added to these provisions during the life of the agreement. Under the act, the controlling company can request the transfer of all generated gains.

Expected development in the earnings situation at Postbank

The following assessment of the presumed direction of business at Postbank in 2012 and 2013 is based on the economic assumptions and expectations contained in this Group Management Report. Further intensification of the sovereign debt crisis and/or possible setbacks or disruptions in international capital and real estate markets could have a negative impact on this scenario. The continuing discussion about stricter regulation of the banking industry and a faster reduction of risk positions than being planned today could have a significant impact on Postbank's financial position, net assets and results of operations that was not taken into consideration in the following base scenario.

The integration of the Postbank Group into the Deutsche Bank Group is expected to produce significant synergies in the coming periods. These synergies should positively affect Postbank's performance and, thus, the short-, mid- and long-term earnings situation of Postbank and its business divisions. The measures to generate these synergies will result in short and mid-term one-time effects from such activities as the achievement of increased efficiency or the development of joint IT systems. On the basis of the current results of the integration work, these positive and negative effects were considered in the following outlook.

Should a control agreement be put in place, it could also affect the measurement of assets and liabilities as a result of the assumption of group accounting policies.

The foundation of our future earnings performance at Postbank remains the solid income streams generated by its business with retail, business and corporate customers. In coming quarters, we will focus intently on managing our cost base and increasingly tapping efficiency potential created by our integration into the Deutsche Bank Group. On the basis of the economic outlook and an easing of the sovereign debt crisis, we also expect the need for impairments on the Bank's risk positions to decline. This will be supported by the significant reduction of these positions undertaken in recent years.

In particular, we expect the individual items of net interest income and net fee and commission income generated in 2012 will noticeably trail behind the good results produced in the past fiscal year. The persisting low level of interest rates will continue to have a negative impact on net interest income. Growth is expected to resume starting in 2013 compared with 2012 due, in part, to the anticipated steepening of the yield curve. We also expect that net fee and commission income in 2012 will decline slightly compared with the prior year and then rise appreciably starting in 2013.

As long as the sovereign debt crisis does not worsen once again and the banking industry remains unaffected by the repercussions associated with such an event, we assume that the total amount of net income from the trading portfolio and net measurement gains and losses in the securities business in 2012 and 2013 will remain at the prior year level.

The direction of the allowance for losses on loans and advances is closely tied to the economic performance in Germany and other countries where we conduct commercial real estate finance business. As previously noted, we assume in our base scenario that macroeconomic conditions will temporarily cool, particularly in Europe. Against this background, we expect the need for the allowance for losses on loans and advances to rise quite significantly in 2012 and 2013 compared with the good course of events in 2011, a year that featured a relatively low basis of comparison as a result of a reversal of allowances for losses on loans and advances.

We expect that administrative expenses will palpably fall during 2012 and 2013 from their level in this past fiscal year. In spite of expected non-recurring expenses related to the integration into the Deutsche Bank Group, efficiency measures undertaken in past periods and initial synergies should have a positive effect. For 2012, we expect non-staff operating expenses to remain at roughly the previous year's level and staff expenses to fall, particularly as a result of the declining need for provisions.

Overall, we assume on the basis of previous assessments of trends in individual earnings components that Postbank earnings in 2012 will decline considerably compared with the prior year. However, rising income – among other things – will produce substantially stronger results starting in 2013. The mid-term rise in earnings contributions that we foresee from our customer business will be slowed particularly in 2012 by the challenging interest rate environment that continues to be faced by deposit-rich banks.

Responsibility statement

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

Bonn, February 14, 2012
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow | Marc Hess

Horst Küpker | Michael Meyer

Hans-Peter Schmid | Ralf Stemmer

Hanns-Peter Storr | Frank Strauss

Balance Sheet as of December 31, 2011 – Deutsche Postbank AG, Bonn

Assets

	Previous year					Previous year
	€	€m	€	€	€	€m
1. Cash reserve						
a) Cash balance				745,648,968.87		763
b) Balances with central banks				1,516,488,580.15		2,311
of which: with Deutsche Bundesbank	1,514,913,759.13	2,309			2,262,137,549.02	
2. Loans and advances to other banks						
a) Payable on demand				6,454,930,003.22		4,019
b) Other loans and advances				11,441,928,594.52		12,175
of which:						
mortgage loans	642,671,207.59	655				
public-sector loans	173,564,594.06	173			17,896,858,597.74	
3. Loans and advances to customers						
of which:						
mortgage loans	27,507,485,545.23	29,439				
public-sector loans	3,431,076,132.26	3,810			70,246,426,108.06	71,347
4. Bonds and other fixed-income securities						
a) Money market securities						
aa) Public-sector issuers			0.00			1,067
of which: eligible as collateral with Deutsche Bundesbank	0.00	1,067				
ab) Other issuers			0.00	0.00		1,696
of which: eligible as collateral with Deutsche Bundesbank	0.00	1,696				
b) Bonds						
ba) Public-sector issuers			13,910,587,768.75			16,750
of which: eligible as collateral with Deutsche Bundesbank	13,713,407,738.01	16,581				
bb) Other issuers			15,310,302,983.01	29,220,890,751.76		20,059
of which: eligible as collateral with Deutsche Bundesbank	12,126,804,982.94	16,553				
c) Own bonds				0.00		0
Principal amount	0.00	0			29,220,890,751.76	
5. Equities and other non-fixed-income securities					477,390,470.47	312
5a. Trading portfolio					18,495,703,994.25	26,910
6. Equity investments						
of which:						
in other banks	1,171,593.72	1				
in financial services providers	-.--	0			14,424,524.81	15
7. Investments in affiliated companies						
of which:						
in other banks	552,332,765.28	552				
in financial services providers	17,046,461.58	17			9,303,745,531.26	10,647
8. Trust assets						
of which: trustee loans	800,509,243.29	883			855,718,120.17	934
9. Intangible assets						
a) Internally generated industrial and similar rights and assets				0.00		0
b) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets				43,304,178.69		49
c) Goodwill				29,973,333.36		33
d) Prepayments				0.00	73,277,512.05	0
10. Property and equipment					519,622,382.43	548
11. Other assets					746,656,912.50	733
12. Prepaid expenses						
a) From issuing and lending business				130,500,975.69		163
b) Other				1,625,659,877.19	1,756,160,852.88	1,854
13. Deferred tax assets					409,116,290.88	378
Total assets					**152,278,129,598.28**	**172,763**

Equity and liabilities

	Previous year €	Previous year €m	€	€	€	Previous year €m
1. Deposits from other banks						
a) Payable on demand				313,205,897.79		1,836
b) With an agreed maturity or withdrawal notice				9,755,582,807.87		9,860
of which:						
registered mortgage *Pfandbriefe* issued	91,808,302.47	25				
registered public-sector *Pfandbriefe* issued	512,601,319.12	554				
Pfandbriefe lodged with lenders as collateral for loans received: registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0				
registered bonds (mixed cover) in accordance with DSL Bank Reorganization Act (DSLBUmwG)	1,400,837,759.49	984			10,068,788,705.66	
2. Due to customers						
a) Savings deposits						
aa) With an agreed withdrawal notice of three months			47,748,232,771.67			50,201
ab) With an agreed withdrawal notice of more than three months			153,467,605.45	47,901,700,377.12		164
b) Registered mortgage *Pfandbriefe* issued				1,438,252,402.99		1,010
c) Registered public-sector *Pfandbriefe* issued				240,207,090.29		299
d) Registered bonds (mixed cover) in accordance with DSLBUmwG				12,348,898,603.51		13,257
e) Other amounts due						
ea) Payable on demand			37,409,764,207.51			37,402
eb) With an agreed maturity or withdrawal notice			11,313,619,917.90	48,723,384,125.41		9,857
of which:						
Pfandbriefe lodged with lenders as collateral for loans received: registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0			110,652,442,599.32	
3. Debt securities in issue						
a) Bonds issued						
aa) Mortgage *Pfandbriefe*			5,849,961,659.24			4,868
ab) Public-sector *Pfandbriefe*			1,757,945,802.32			1,808
ac) Bonds (mixed cover) in accordance with DSLBUmwG			40,606,944.29			51
ad) Other bonds			1,912,863,973.13	9,561,378,378.98		2,490
b) Other debt securities in issue				1,737,602,627.02		2,862
of which: money market securities	1,737,602,627.02	2,862			11,298,981,006.00	
3a. Trading portfolio					7,632,536,951.84	24,135
4. Trust liabilities						
of which: trustee loans	800,509,243.29	883			855,718,120.17	934
5. Other liabilities					657,998,421.17	579
6. Deferred income						
a) From issuing and lending business				52,768,763.26		57
b) Other				768,634,867.19	821,403,630.45	786
7. Provisions						
a) Provisions for pensions and other employee benefits				640,545,671.21		625
b) Provisions for taxes				26,948,378.05		19
c) Other provisions				393,560,713.05	1,061,054,762.31	365
8. Subordinated debt					3,552,260,255.11	3,714
9. Profit participation capital						
of which: due within two years	20,000,000.00	31			1,171,500,000.00	1,198
10. Fund for general banking risks					1,765,000,000.00	1,765
11. Equity						
a) Issued capital				547,000,000.00		547
b) Capital contributions by typical silent partners				20,225,837.62		20
c) Share premium				1,090,499,481.11		1,090
d) Retained earnings				963,346,828.72		662
e) Net retained profit for the period				119,372,998.80	2,740,445,146.25	302
Total equity and liabilities					**152,278,129,598.28**	**172,763**

	€	€	Previous year €m
1. Contingent liabilities			
a) Contingent liabilities from endorsed bills settled with customers	-.--		–
b) Liabilities from guarantees and indemnity agreements*	3,249,591,273.92		4,323
c) Liabilities from the provision of collateral for third-party liabilities	-.--	3,249,591,273.92	–
2. Other commitments			
a) Repurchase obligations from non-genuine securities repurchase agreements	-.--		–
b) Placement and underwriting obligations	-.--		–
c) Irrevocable loan commitments	8,285,438,531.74	8,285,438,531.74	6,909

* Commitments under letters of comfort are disclosed under point C.I. in the notes

Income Statement – Deutsche Postbank AG, Bonn, for the Period from January 1, 2011 to December 31, 2011

Comparative figures from January 1, 2010 to December 31, 2010

Expenses

	Previous year €	Previous year €m	€	€	€	Previous year €m
1. Interest expense					2,934,236,677.01	3,027
2. Fee and commission expense					340,799,930.60	364
3. Net expense from the trading portfolio					11,042,548.28	72
4. General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			644,160,257.90			505
ab) Social security contributions, pensions, and other employee benefits			168,030,539.71	812,190,797.61		193
of which: for pensions	120,103,015.45	146				
b) Other administrative expenses				1,715,965,465.18	2,528,156,262.79	1,680
5. Depreciation, amortization, and writedowns of intangible assets and property and equipment					34,593,897.54	32
6. Other operating expenses					102,043,039.82	99
7. Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks					156,609,623.90	173
8. Writedowns and adjustments of equity investments and investments in affiliated companies, and securities treated as fixed assets					547,334,572.90	111
9. Expenses from loss absorption					99,275.28	1
10. Extraordinary expenses					4,438,064.00	32
11. Taxes on income					−16,859,831.86	318
of which from change in recognized deferred taxes	−31,119,885.63	278				
12. Other taxes not reported under item 6					5,696,701.57	2
13. Addition to the fund for general banking risks					0.00	600
14. Net profit for the period					119,372,998.80	344
Total expenses					6,767,563,760.63	7,553

Income

	€	€	Previous year €m
1. Interest income from			
a) Lending and money market transactions	3,638,442,865.59		3,436
b) Fixed-income and book entry securities	1,189,088,411.30	4,827,531,276.89	1,399
2. Current income from			
a) Equities and other non-fixed-income securities	685,384.94		5
b) Equity investments	50,614.60		0
c) Investments in affiliated companies	404,828,915.43	405,564,914.97	484
3. Income from profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements		233,498,174.69	267
4. Fee and commission income		759,316,790.30	798
5. Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets		114,384,905.99	655
6. Other operating income		427,267,697.79	482
7. Extraordinary income		0.00	27
Total income		6,767,563,760.63	7,553

	€	€	Previous year €m
1. Net profit/loss for the period		119,372,998.80	344
2. Withdrawals from share premium		-.--	–
3. Withdrawals from retained earnings			
a) from legal reserves		-.--	–
b) from reserves for shares in a parent or majority investor		-.--	–
c) from reserves provided for under the Articles of Association		-.--	–
d) from other retained earnings		-.--	–
		-.--	–
4. Withdrawals from profit participation capital		-.--	–
5. Withdrawals from capital contributions by silent partners		-.--	–
6. Additions to retained earnings			
a) to legal reserves		-.--	–
b) to reserves for shares in a parent or majority investor		-.--	–
c) to reserves provided for under the Articles of Association		-.--	–
d) to other retained earnings		-.--	–
		-.--	–
7. Replenishment of profit participation capital		-.--	–35
8. Replenishment of capital contributions by silent partners		-.--	–7
9. Net retained profit/net accumulated loss for the period		119.372,998.80	302

Notes to the Annual Financial Statements of Deutsche Postbank AG for the Fiscal Year 2011

A. General information on the structure of the annual financial statements and accounting policies

I. General information

The annual financial statements of Deutsche Postbank AG (Postbank) have been prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act), as well as the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Regulation); they cover the period from January 1 to December 31, 2011.

II. Accounting policies

1. General information

All accounting policies are unchanged compared with the previous year.

2. Accounting policies

Current assets

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

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

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

Hedge accounting

Postbank recognizes hedges for assets as microhedges to hedge its interest rate risk. The goal is to hedge interest rate fluctuations in assets using forward or option contracts with matching amounts, currencies, or maturities.

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

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

Postbank has recognized hedges between bonds reported as current assets (liquidity reserve) as hedged items and interest rate swaps as hedging instruments. In the past fiscal year, the carrying amount of hedged bonds was €7,603 million (previous year: €9,166 million). The changes in value attributable to the hedged risk of the hedged items amounted to €498.4 million at the reporting date (previous year: 339.9 million). This contrasted with changes in value of the hedging instruments of €–496.9 million (previous year: €–315.1 million). Hedge effectiveness is measured by a retrospective effectiveness test using the dollar offset method. An absolute change in value of 100.4 % was determined at the reporting date, which means that the changes in value largely offset each other. Future interest rate-related changes in the value of the hedged item are generally hedged using a hedging instrument with a matching maturity until the bond matures. The hedge fair values determined for hedge accounting in accordance with IFRSs are used to calculate the hedged risk.

Trading portfolio

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

Derivative products entered into for trading purposes are measured at current market prices (fair value).

Observable market data is used to the greatest possible extent when determining fair values using valuation techniques for financial instruments measured at fair value and for the notes disclosures for derivative financial instruments not recognized at fair value. In most cases, Postbank utilizes discounted cash flow analysis, which mainly uses yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs.

Postbank allocates individual financial instruments to the trading portfolio on the basis of internal guidelines and processes. Deutsche Postbank AG's criteria for including transactions in the trading book in accordance with section 1a (1) of the *Kreditwesengesetz* (KWG – German Banking Act) are applied here.

Interest rate derivatives in the trading portfolios (including the "liquidity optimization" and "trading interest" portfolios) are measured at market prices. They are presented in the "trading portfolio" balance sheet item under assets and liabilities, as appropriate. In addition, all equity- and currency-based derivatives in the trading portfolio are reported at fair value in the above-mentioned items. Any resulting measurement gains or losses are recognized in income. Money market positions, bonds and other fixed-income securities, and equities and other non-fixed-income securities in the trading portfolio are also included in these balance sheet items. They are recognized at fair value. Changes in value during the term are also recognized in income.

As part of risk-adjusted marking-to-market as of December 31, 2011, a risk discount of €12 million (previous year: €6 million) was determined for Postbank's trading portfolio and offset against net income from the trading portfolio. Value at risk (ten-day holding period, 99 % confidence level, one-year historical analysis period) including the correlations between risk factors and portfolios is used as the calculation method.

An internal valuation technique that uses market data to the greatest possible extent continues to be used for structured credit products (SCPs) such as CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs due to the limited availability of verifiable indicative prices.

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

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

Derivatives in the non-trading portfolio

If interest rate derivatives, in particular interest rate swaps, interest rate futures, and forward rate agreements, are not allocated to the trading portfolio, they are treated as executory contracts in accordance with the applicable principles. If negative changes in value are established in the course of subsequent measurement, interest rate derivatives are accounted for in the balance sheet in accordance with the established accounting convention at banks. Depending on the purpose of the derivative, the expense is recognized in "writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks" (hedging instruments for interest rate risk associated with bonds in the liquidity reserve) or in net interest income if the derivative is used to hedge general interest rate risk. Paid initial margins are included in "other assets." If securities are pledged, they continue to be reported by Postbank as the legal and beneficial owner.

Options that cannot be allocated to the trading portfolio or to a hedge and for which Postbank is the beneficiary are initially measured in the amount of the option premium paid. They are reported in "other assets" or in "equities and other non-fixed-income securities" if they are warrants. They are subsequently measured in accordance with the general measurement rules for current assets under section 340e(1) sentence 2 of the HGB.

The derivatives used in interest rate risk management are not subject to itemized measurement in the balance sheet in accordance with the established accounting convention at banks. The interest rate risk for these portfolios is measured using a present value analysis at an aggregated level. If this analysis leads to a loss, a provision for expected losses from interest rate risk is recognized. Additionally, the risk-reducing effect of the derivatives used in interest rate risk management is demonstrated.

Fixed assets

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

Certain asset-backed securities are allocated to fixed assets. The synthetic collateralized debt obligations (CDOs) included in these assets constitute structured products as defined by IDW AcP HFA 22 and are presented separately in the balance sheet.

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

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

Equity investments denominated in foreign currency, including investments in affiliated companies, were translated into euros at the respective historical exchange rate.

Intangible assets

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

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

Property and equipment

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

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

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

Prepaid expenses and deferred income

Prepaid expenses and deferred income are reversed ratably. Close-out payments received and paid on microswaps whose underlying contracts are still in the portfolio are generally accrued and reversed ratably over the time of the underlying. The close-out payment is reversed in order to compensate the impairment loss on the underlying contract.

Deferred taxes

Postbank has exercised the recognition and offsetting option under section 274(1) sentences 2 and 3 of the HGB since 2010.

Postbank recognizes deferred taxes for all temporary differences between the carrying amounts in the HGB financial statements and the carrying amounts in the tax accounts (tax base). Equally, loss carryforwards, tax credits, and interest carried forward are included in the calculation of deferred taxes insofar as they are likely to be realized in the next five years. Measurement is based on a tax rate of 29.83 %.

Liabilities

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

Debt securities in issue

In fiscal year 2011, Postbank issued its fifth *Jumbo Hypothekenpfandbrief* with a volume of €1 billion. The issue has a maturity of ten years and bears annual interest of 3.625 %.

Provisions

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

The calculation is based on the following actuarial assumptions:

	Dec. 31, 2011	Dec. 31, 2010
Discount rate	5.14 %	5.15 %
Salary growth	2.60 %	2.50 %
Pension growth	2.10 %	2.00 %
Fluctuation	4.0 % p.a.	4.0 % p.a.
Pensionable age	60 – 63 years	60 – 63 years
Mortality, disability, etc.	Heubeck tables 2005G	Heubeck tables 2005G

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

As of January 1, 2010, the new measurement requirements for pension provisions that entered into force under the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) on May 29, 2009, led to a difference of €66.6 million at Postbank compared with the previous legal requirements; minimum appropriations of at least one-fifteenth of this amount must be made annually to the pension provisions in the period up to 2024. As of December 31, 2011, €8.9 million had been added in aggregate, of which €4.4 million in fiscal year 2011, giving a remaining difference of €57.7 million. The amounts appropriated annually are expensed and reported in the income statement under "extraordinary expenses."

Pension obligations primarily reflect direct pension commitments. The nature and amount of the pension payments of those employees entitled to pension benefits are governed by the applicable pension rules (including pension guidelines and pension fund rules), which depend largely on the duration of the employment. Postbank has assumed a direct occupational pension commitment for pensioners and employees admitted to the Bank's occupational pension plan who were previously insured with Versorgungsanstalt der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

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

Subordinated debt

Subordinated debt mainly comprises four issues of subordinated bonds that were acquired for €1,600 million from subsidiaries set up for this purpose. Subordinated debt is not repayable before the end of a minimum term of five years.

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

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

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

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

III. Information on investors and investees

As disclosed on January 3, 2011, in accordance with the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Deutsche Bank AG, Frankfurt am Main, through its subsidiaries DB Finanz-Holding GmbH, DB Valoren S.à r.l. and DB Equity S.à r.l., indirectly holds 51.98 % of the voting rights (113,735,431 shares) of Postbank as of January 1, 2011.

Postbank has been fully consolidated in Deutsche Bank AG's consolidated financial statements from December 3, 2010.

On December 31, 2011, Deutsche Post AG held 39.5 % of Postbank shares (86,417,432 shares). The remaining 8.5 % of the shares are in free float.

As a publicly listed German stock corporation, Postbank has prepared its annual financial statements for the fiscal year ended December 31, 2011, in accordance with the HGB in conjunction with RechKredV requirements as well as the relevant AktG rules.

On January 10, 2012, Deutsche Bank AG and Postbank commenced negotiations on a control and profit and loss transfer agreement between DB Finanz-Holding GmbH (a wholly-owned subsidiary of Deutsche Bank AG) as the controlling company, and Postbank as the dependent company.

On February 27, 2012, a mandatory exchangeable bond of Deutsche Post AG becomes due, whereby Deutsche Bank AG is entitled to acquire a further 27.4 % of the shares (60,000,000 shares) of Postbank. Deutsche Bank AG and Deutsche Post AG have agreed options for a further 12.1 % (26,417,432 shares). The exercise period for the call option runs from February 28, 2012, to February 25, 2013; the call option expires on February 25, 2013.

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

Due to its consolidation by Deutsche Bank AG for supervisory law purposes, Postbank is no longer the parent of a group of institutions for supervisory law purposes and is now Deutsche Bank AG's subordinate institution; the Postbank Group no longer constitutes a group of institutions by itself. Therefore, Postbank no longer fulfills the criteria for the application of the waiver in accordance with section 2a(6) of the KWG, meaning that it is again subject to the provisions of section 10 of the KWG as well as sections 13 and 13a of the KWG at the level of the individual institution. As of December 31, 2011, the Tier I ratio was 8.1 % and the overall capital ratio was 14.3 %. Postbank has once again prepared the relevant individual institution notifications and fulfilled its other notification requirements under the KWG since the December 31, 2010, reporting date.

B. Balance sheet and income statement disclosures

I. Assets

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Affiliated companies		
The following items include loans and advances to affiliated companies:		
Loans and advances to other banks	13,025	10,979
Loans and advances to customers	4,215	4,750
Bonds and other fixed-income securities	5,383	5,916
Other assets	471	318
Other long-term investees and investors		
The following items include loans and advances to other long-term investees and investors:		
Loans and advances to other banks	0	0
Loans and advances to customers	52	49
Bonds and other fixed-income securities	0	0
Other assets	0	0
Subordinated loans and advances		
Subordinated loans and advances are reported in the following items:		
Loans and advances to other banks	0	21
Loans and advances to customers	0	0
Bonds and other fixed-income securities	52	83
Equities and other non-fixed-income securities	0	0

The increase in loans and advances to affiliated banks arises mainly from overnight and term money transactions with Deutsche Postbank International S.A., Luxembourg.

The reduction in bonds and other fixed-income securities relating to affiliated companies results primarily from the early repayment of bonds (securitizations).

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and advances to other banks		
Used as cover, with an agreed maturity or withdrawal notice	173	173
of which: at least three months but less than four years	0	0
of which: four years or more	173	173

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and advances to customers		
Used as cover, with an agreed maturity or withdrawal notice	21,534	21,759
of which: less than four years	418	279
of which: four years or more	21,116	21,480
Secured by mortgage charges	27,507	29,439
of which: used as cover	18,103	17,949
Public-sector loans	3,431	3,810
of which: used as cover	3,431	3,810

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities		
This item includes negotiable securities totaling:	29,221	39,572
Money market securities		
Public-sector issuers		
listed money market securities	0	1,067
unlisted money market securities	0	0
Other issuers		
listed money market securities	0	1,696
unlisted money market securities	0	0
Bonds		
Public-sector issuers		
listed bonds	13,732	16,594
unlisted bonds	178	155
Other issuers		
listed bonds	14,309	18,762
unlisted bonds	1,002	1,298
Own bonds		
listed own bonds	0	0
unlisted own bonds	0	0
Securities not measured at the lower of cost or market	6,917	5,879

Fixed assets include 37 securities with a carrying amount of €6,787 million (previous year: €5,760 million), for which writedowns amounting to €771 million (previous year: €550 million) would have been recognized if they had been measured at their quoted market prices at the balance sheet date. These securities include one asset-backed security (carrying amount €15 million, fair value €14 million) issued in a country outside Europe, as well as 17 bank bonds (carrying amount €1,242 million, fair value €1,155 million), and 18 government bonds (carrying amount €5,500 million, fair value €4,836 million) issued in the European Union. In addition, the Bank holds one asset-backed security (carrying amount €30 million, fair value €11 million) that was issued in Jersey, Channel Islands.

Two Italian government bonds with a carrying amount of €2,504 million that are not expected to be sold in the foreseeable future were reclassified to fixed assets in fiscal year 2011. If the reclassified securities had been measured at their quoted market prices at the balance sheet date, writedowns amounting to €242.4 million would have had to be recognized.

The changes in the value of the interest-bearing securities are due to interest rate and credit spreads and are not expected to be permanent. A provision for expected losses amounting to €8.3 million was recognized for the credit default swaps separated from the synthetic collateralized debt obligations in accordance with IDW AcP HFA 22. In the fiscal year, the sale of seven securities resulted in provisions for expected losses of €111 million being utilized, and €5.4 million being reversed to profit or loss.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Equities and other non-fixed-income securities		
This item includes negotiable securities totaling:	23	312
of which: listed securities	13	303
of which: unlisted securities	10	9
Securities not measured at the lower of cost or market	0	0

Postbank's trading activities include trading in derivative financial instruments, money market receivables and liabilities, bonds and other fixed-income securities, and equities and other non-fixed-income securities. All trading portfolios are measured at fair value. A discount amounting to the 10-day VaR is charged on these portfolios and reported separately.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading portfolio		
Positive fair values of derivative financial instruments (trading portfolio)	5,462	22,637
Money market receivables	12,926	3,629
Bonds and other fixed-income securities	120	637
Equities and other non-fixed-income securities	0	13
Risk discount	–12	–6

Reverse repos amounting to €12,712 million are reported as money market receivables. Interest of €279 million arising from such transactions is recognized as interest income.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading portfolio		
Negative fair values of derivative financial instruments (trading portfolio)	5,551	23,305
Money market liabilities	2,082	823
Liabilities from securities borrowing arrangements (trading portfolio)	0	0
Short sales	0	8

Money market receivables and liabilities in the trading portfolio mainly comprise securities repurchase agreements.

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

Repos amounting to €420 million are reported as money market liabilities. Interest of €133 million arising from such transactions is recognized as interest expense.

Securities purchased under repurchase agreements are not reported in the balance sheet.

Securities with a carrying amount of €9,374 million were furnished as collateral in connection with repurchase agreements.

A rise in the market interest rate by one basis point would lead to an increase in the fair value of interest-based derivative financial instruments of approximately €330 thousand.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Equity investments		
This item includes negotiable investments totaling:	4	5
of which: listed	4	5
of which: unlisted	0	0
Investments in affiliated companies		
This item includes negotiable investments totaling:	3,683	3,705
of which: listed	0	0
of which: unlisted	3,683	3,705

Statement of changes in assets

	Historical cost Jan. 1, 2011	Additions	Disposals	Changes in exchange rates/deferred interest	Cumulative depreciation, amortization, and writedowns	Cumulative reversals of write-downs	Residual value Dec. 31, 2011	Depreciation, amortiza-tion, and writedowns in fiscal year 2011	Reversals of write-downs in fiscal year 2011
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Bonds and other fixed-income securities	9,477	2,504	–1,574	–6	–453	0	9,948	–453	0
Equity investments	20	1	0	0	–6	0	15	–2	0
Investments in affiliated companies	11,527	28	–1,379	0	– 1,174	301	9,303	–19	27
Property and equipment	997	1	–17	0	–461	0	520	–26	0
Intangible assets	97	0	0	0	– 24	0	73	–9	0
Total	22,118	2,534	– 2,970	–6	–2,118	301	19,859	–509	27

The additions to bonds and other fixed-income securities relate to securities reclassified from the liquidity reserve to fixed assets in fiscal year 2011. Two Italian government bonds with a carrying amount of €2,504 million were reclassified.

Disposals of bonds and other fixed-income securities include bullet bonds with a carrying amount of €630 million and the reclassification of two bonds with a carrying amount of €194 million to the liquidity reserve. Bonds with a carrying amount of €750 million were also sold.

Due to the crisis in Greece, writedowns and realized losses on disposal of €495 million were recognized on Greek government bonds.

Additions to investments in affiliated companies relate to the following matters:

Effective December 19, 2011, Postbank acquired one hundred percent of the shares of Betriebs-Center für Banken Processing GmbH from Betriebs-Center für Banken AG (€22 million).

On April 12, 2011, a court settlement was reached on the squeeze-out of BHW Holding, which resulted in Postbank paying each former BHW Holding AG minority shareholder an amount of €1.79 per BHW share plus interest, in addition to the squeeze-out cash settlement already paid. The cash settlement was increased to a total of €16.90 per share plus interest. The payment of the settlement terminated the proceedings without further recourse. The additions include the costs of the squeeze-out in the amount of €6 million.

The reversals of writedowns of investments in affiliated companies are attributable in full to PB Spezialinvest's sub-pools of assets.

Disposals of investments in affiliated companies relate primarily to the following matters:

During fiscal year 2011, Postbank exchanged units in Merkur I SICAV-FIS (€1,016 million) for the units in the PB 24 sub-pool of assets held in their entirety by Merkur I SICAV-FIS (€1,027 million). In August and October 2011, further units in Merkur I SICAV-FIS amounting to €334 million were transferred back to the company. Merkur I SICAV-FIS was liquidated in November 2011. The full repayment of the capital of Merkur I SICAV-FIS resulted in an unrealized profit of €9 million. The units in the PB 24 sub-pool of assets received from Merkur I were transferred as of December 30, 2011, to PB Capital Corporation (Delaware, U.S.A.), which resulted in hidden reserves of €59 million being realized.

Furthermore, disposals of investments in affiliated companies include the reduction in the share premiums of Betriebs-Center für Banken AG (€22 million) and Postbank Direkt GmbH (€5 million).

Writedowns of the investments in affiliated companies relate to PB Spezialinvest's sub-pools of assets (total of €12 million) and BHW Direktservice GmbH (€1 million). Capitalized costs of the BHW Holding AG squeeze-out were written down in full (€6 million).

Writedowns for equity investments mainly relate to Hypoport AG (€1 million).

Property and equipment totaling €520 million comprises land and buildings amounting to €511 million used in Postbank's own operations and operating and office equipment amounting to €9 million.

Writedowns of €6 million were recognized in fiscal year 2011. The full amount is attributable to owner-occupied land and buildings.

Intangible assets mainly comprise the rights to use the Corebanking Platform acquired by PB Systems AG.

Investment funds

	Carrying amount	Fair value	Difference between fair value/carrying amount	Distribution	Daily redemption possible	Writedowns not recognized
	€m	€m	€m	€m		€m
	Dec. 31, 2011	Dec. 31, 2011		2011		
PB Spezialinvest						
TGV PB 02	468	491	23	22	Yes	0
TGV PB 03	133	134	1	2	Yes	0
TGV PB 04	114	114	0	0	Yes	0
TGV PB 05	34	35	1	2	Yes	0
TGV PB 06	53	53	0	2	Yes	0
TGV PB 07	282	282	0	0	Yes	0
TGV PB 08	475	496	21	31	Yes	0
TGV PB 09	529	534	5	56	Yes	0
TGV PB 10	235	235	0	1	Yes	0
TGV PB 11	609	613	4	10	Yes	0
TGV PB 12	231	231	0	1	Yes	0
TGV PB 13	333	337	4	13	Yes	0
TGV PB 14	333	336	3	6	Yes	0
TGV PB 15	149	149	0	3	Yes	0
TGV PB 16	274	274	0	0	Yes	0
TGV PB 17	201	202	1	0	Yes	0
TGV PB 18	337	337	0	3	Yes	0
TGV PB 20	131	131	0	0	Yes	0
TGV PB 21	193	207	14	7	Yes	0
TGV PB 22	69	69	0	2	Yes	0
TGV PB 24	0	0	0	35	Yes	0
Other funds						
Equity funds	0	0	0	0	Yes	0
Mixed funds	10	10	0	0	Yes	0
Real estate funds	13	13	0	0	Yes	0
Bond funds	454	456	2	0	No	0

The investment objective of the 2-24 sub-pools of assets is to purchase corporate bonds (investment grade/high yield). The portfolios also include securities that are held to maturity.

The sub-pools of assets distributed a total of €196 million in fiscal year 2011. All funds permit daily redemption. No writedowns were recognized. The shares in PB Spezialinvest are reported under investments in affiliated companies. The sub-pools of assets are measured as current assets to ensure continuity and consistency of measurement.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Other assets		
This item primarily includes the following:		
Receivables arising from non-bank business	472	330
Claims to tax reimbursement	191	306
Claims to reimbursement against PB Lebensversicherung AG (Talanx)	65	61
Collection documents	1	18

Postbank reported receivables from profit transfers totaling €403 million under other assets. These relate to Postbank Filialvertrieb AG (€104 million), PB Firmenkunden AG (€68 million), PB Factoring GmbH (€35 million), Postbank Systems AG (€17 million), Deutsche Postbank Financial Services GmbH (€6 million), Postbank Direkt GmbH (€2 million), as well as Postbank Leasing GmbH (€0.5 million) and Postbank Beteiligungen GmbH (€0.3 million). There is also a receivable concerning the distribution from BHW Holding AG in the amount of €170 million.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Prepaid expenses		
This item includes:		
Close-out payments on microswaps	1,573	1,789
Prepaid issue costs/discounts	69	72
Prepaid premiums on loans and advances	47	75
Investment allowances	23	29

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Remaining maturities		
Other loans and advances to other banks	11,442	12,175
less than 3 months	4,780	5,805
3 months to 1 year	2,294	640
1 to 5 years	1,660	2,025
more than 5 years	2,708	3,705
Loans and advances to customers	70,246	71,347
less than 3 months	11,258	11,186
3 months to 1 year	5,474	5,181
1 to 5 years	24,499	25,630
more than 5 years	26,740	26,805
without fixed maturity	2,275	2,545

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities		
Amounts due in the following year	2,210	6,392

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Foreign currency assets		
Total amount of assets denominated in foreign currency	12,881	12,957

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trust assets	856	934
This item includes:		
Loans and advances to customers	801	883
Loans and advances to other banks	55	51

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

Deferred tax assets

Deferred taxes of around €409 million were attributable to temporary differences in fiscal year 2011. There are no tax loss carryforwards.

The following table shows deferred taxes on temporary differences:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and advances to other banks	0	1
Loans and advances to customers	122	141
Bonds and other fixed-income securities	33	15
Equities and other non-fixed-income securities	9	16
Investments in affiliated companies	107	30
Property and equipment	28	29
Other assets	0	1
Intangible assets	41	51
Due to customers	14	15
Provisions for pensions and other employee benefits; other provisions	54	78
Other liabilities	1	1
Total	409	378

II. Equity and liabilities

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Affiliated companies		
The following items include amounts due to affiliated companies in unsecuritized form:		
Deposits from other banks	52	125
Due to customers	1,265	1,257
Other liabilities	68	190
The following items include amounts due to affiliated companies in securitized form:		
Debt securities in issue	0	0
Subordinated debt	1,600	1,600
Profit participation certificates outstanding	20	20

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Other liabilities		
This item is primarily composed of:		
Adjustment item from currency translation	257	41
Liabilities arising from non-bank business	120	234
Tax liabilities	119	111

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Deferred income		
This item includes:		
Close-out payments on microswaps	724	737
Discount accruals arising on loans and advances	41	45
Issue costs/premium accruals on bonds issued	9	10

Please refer to page 45 for a discussion of the “trading portfolio” balance sheet item.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Provisions		
Other provisions include:		
Employee-related provisions	263	119
Provisions for anticipated losses on derivatives	17	127

Subordinated debt

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

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

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

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Expenses (including proportionate interest and premiums) incurred by subordinated debt amounted to:	177	174

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Remaining maturities		
Deposits from other banks with an agreed maturity or withdrawal notice	9,756	9,860
less than 3 months	612	1,424
3 months to 1 year	1,519	1,583
1 to 5 years	2,293	2,161
more than 5 years	5,332	4,692

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Savings deposits with an agreed withdrawal notice of more than 3 months	153	164
3 months to 1 year	54	57
1 to 5 years	99	107
more than 5 years	0	0
Other amounts due to customers with an agreed maturity or withdrawal notice	25,341	24,423
less than 3 months	6,312	4,592
3 months to 1 year	3,079	2,488
1 to 5 years	3,140	3,565
more than 5 years	12,810	13,778

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Debt securities in issue		
Bonds issued		
Amounts due in following year	572	739
Other debt securities in issue with an agreed maturity or withdrawal notice	1,738	2,862
less than 3 months	1,258	1,793
3 months to 1 year	480	1,069

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Foreign currency liabilities		
Total amount of liabilities denominated in foreign currency	12,654	12,985

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Open market transactions		
Securities with repurchase agreements were pledged as collateral to the Land Central Bank collateral pool as part of open market transactions	1,800	0

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trust liabilities	856	934
This item includes:		
Trust funds (transmitted loans)	446	483
Special-purpose funds	353	394
Special fund of the state of Mecklenburg-Western Pomerania	45	45
Retired farmers' pension fund	12	12
Deposits from other banks	0	0

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Profit participation certificates outstanding	1,172	1,198
This item includes:		
Bearer profit participation certificates outstanding	580	580
Registered profit participation certificates outstanding	592	618

Fund for general banking risks

The fund for general banking risks in accordance with section 340g of the HGB remained unchanged from the previous year, in the reporting period, at €1,765 million.

Equity

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

By way of a resolution adopted by the Annual General Meeting on April 22, 2009, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €273.5 million up to April 21, 2014 by issuing new no-par value registered shares against cash and/or non-cash contributions including mixed non-cash contributions (Authorized Capital).

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

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

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

Changes in equity		€m
Balance at Jan. 1, 2011		2,621
Issued capital		547
Contributions by typical silent partners		20
Share premium		1,090
Other retained earnings		
Retained earnings, balance at Jan. 1, 2011	€662 million	
Addition to retained earnings	€302 million	964
Net profit for 2011		119
Balance at Dec. 31, 2011		2,740

Postbank generated net profit after tax for the period of €119 million in fiscal year 2011.

Under the Management Board's proposal for the appropriation of profits, the net retained profit will be appropriated to retained earnings.

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

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Contributions by typical silent partners	20	20

Based on the principal amount of their capital contributions, the typical silent partners receive a share of profits for every fiscal year in which net profit is generated in the amount of the percentage that Postbank uses to calculate the dividend payment on its share capital, including disclosed reserves. The percentage is limited in each case by minimum and maximum rates. In the event of a net loss for the period, such net loss must be deducted from the contributions of the typical silent partners in the ratio of its carrying amount to the Bank's total liable capital reported in the balance sheet that participates in the loss. At the same time, the silent partners do not receive any consideration for their contributions.

III. Contingent liabilities

Postbank reports a guarantee of €208 million issued to PB Capital Corp. (PB Capital) under contingent liabilities. This consists primarily of a guarantee for the lease of office space and for obligations from derivatives, as well as for repo transactions and transactions with Deutsche Bank and other banks. The item also includes a guarantee of €1,100 million issued to PB Finance for the CP program. Furthermore, Postbank reports a guarantee of €640 million issued to Deutsche Postbank International S.A., Luxembourg. This mainly serves to cover exposures in the form of risk subparticipation agreements that, among other things, exceed the large exposure limit of Deutsche Postbank International S.A., Luxembourg. In addition, the item includes a guarantee amounting to €517 million in favor of KfW as protection buyer under a senior guarantee as part of a securitization deal.

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

IV. Other commitments

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Other obligations		
This item includes:		
Irrevocable loan commitments	8,285	6,909
thereof: building loans provided	2,059	1,903

As of the balance sheet date of December 31, 2011, Postbank had credit lines amounting to €12,075 million that can be called immediately.

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

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

V. Income statement

Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks mainly comprise net measurement losses in the lending business of €198 million (previous year: €393 million). In addition, risk provisions for securities amounted to €42 million. This is due to the fact that the previous year's good result was not matched despite continuing low levels of interest. The deterioration in the creditworthiness of some issuers has resulted in an excess of writedowns over reversals of writedowns for fixed-income securities of €127 million in the year under review. The sale of fixed-income securities realized price gains of €225 million, on a level with the previous year.

Other operating expenses mainly comprise effects from the interest cost added back to pension provisions amounting to €34 million, court and litigation costs of €22 million, and payments made to the Bundesanstalt für Post und Telekommunikation of €9 million.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets primarily consist of writedowns of Greek government bonds in the reporting period (€495 million) and realized losses on sales (€31 million). Greek government bonds were adjusted to 27 % of their principal amount. In addition, writedowns were recognized on the carrying amounts of the investments in PB Spezialinvest (€12 million), BHW Holding AG (€6 million), BHW Direktservice GmbH (€1 million) and Hydroport AG (€1 million).

Income from reversals of writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets mainly comprise realized gains from the redemption of units and the transfer of TGV PB 24 to PB Capital Corporation, Delaware, U.S.A. (€59 million), the reversal of writedowns for PB Spezialinvest (€27 million), as well as the redemption in full of the units of Merkur I SICAV-FIS (€9 million).

Other operating income primarily includes income from reimbursements of personnel and non-personnel operating expenses (€249 million), and rental and lease income (€61 million).

Due to the initial application of the BilMoG, Postbank recognized the difference of €–4 million (previous year: €–5 million) arising from the determination of the pension provisions in its extraordinary result in accordance with Art. 67(7) of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Law of the German Commercial Code).

Income from taxes on income amounted to €17 million (previous year: expense of €318 million), of which €12 million relates to prior-year taxes and €–26 million to current taxes on income. In addition, €31 million relates to income from deferred taxes.

Income by geographical area

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Germany	2,881	2,854
Others	60	77
thereof Europe	60	77
Total	2,941	2,931

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

C. Other disclosures

I. Other financial obligations

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

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

The present value of lease obligations amounts to €118 million.

Letters of comfort

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

Postbank ensures that, with the exception of political risk, its Deutsche Postbank International S.A. (Luxembourg), PB Capital Corp. (Delaware, U.S.A.), PB Factoring GmbH (Bonn), and BHW Bausparkasse AG (Hamelin) subsidiaries will be able to meet their obligations.

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

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

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

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

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

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

II. Restriction on distribution

The amounts subject to a restriction on distribution are as follows at Postbank:

Total of the amounts subject to a restriction on distribution in accordance with section 268(8) of the HGB (section 285 no. 28 of the HGB)	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Internally generated intangible fixed assets	0	0
Deferred tax assets	409	378

III. Employees (average full-time equivalents)

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Employees		
Full-time	2,604	2,592
Part-time	280	254
Civil servants full-time	1,245	1,360
Civil servants part-time	257	282
	4,386	4,488
Trainees		
Vocational trainees	290	303
Management trainees	0	0
AIS students	17	15
	307	318
Total employees	4,693	4,806

IV. Equity investments and investments in affiliated companies

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Investments in affiliated companies			
included in the consolidated financial statements			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	299,182	33,227
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	4,330	1,280
BHW Bausparkasse Aktiengesellschaft, Hamelin	100.0	983,831	0 [1]
BHW Gesellschaft für Vorsorge mbH, Hamelin	100.0	242,370	0 [1]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hamelin	100.0	918,946	0 [1]
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin	100.0	82,451	2,324
BHW Holding Aktiengesellschaft, Berlin/Hamelin	100.0	912,156	184,653
BHW-Immobilien GmbH, Hamelin	100.0	2,728	567
BHW Kreditservice GmbH, Hamelin	100.0	25	0
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	50	355
Deutsche Postbank Financial Services GmbH, Frankfurt am Main	100.0	5,000	0 [1]
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	25	0
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	4	–4
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	36	7
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	87	20
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	60	3
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	832,435	91,264
Deutsche Postbank Vermögens-Management S.A., Schuttrange (Munsbach), Luxembourg	100.0	31,745	11,325
DPBI Immobilien KGaA, Schuttrange (Munsbach), Luxembourg	100.0	348	120
DSL Holding Aktiengesellschaft i.A., Bonn	100.0	63,527	395
DSL Portfolio GmbH & Co. KG, Bonn	100.0	16,659	819
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	25	1
Miami MEI, LLC, Dover, Delaware, U.S.A.	0.0	7,554	0 [2,7]
PB Capital Corporation, Wilmington, Delaware, U.S.A.	100.0	488,847	82,871 [2]
PBC Carnegie, LLC, Wilmington, Delaware, U.S.A.	0.0	0	0 [2,7]
PB Factoring GmbH, Bonn	100.0	11,546	0 [1]
PB Finance (Delaware) Inc., Wilmington, Delaware, U.S.A.	100.0	190	0 [2]
PB Firmenkunden AG, Bonn	100.0	1,100	0 [1]
PB Hollywood I Hollywood Station, LLC, Dover, Delaware, U.S.A.	0.0	2,257	376 [2,7]
PB Hollywood II Lofts, LLC, Dover, Delaware, U.S.A.	0.0	15,220	– 601 [2,7]
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main	100.0	6,513,539	435,522
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	657,491	0 [2]
PB (USA) Realty Corporation, New York, U.S.A.	94.7	1,194,578	60,670 [2]
PMG Collins, LLC, Tallahassee, Florida, U.S.A.	100.0	9,287	975 [2]
Postbank Beteiligungen GmbH, Bonn	100.0	310	0 [1]
Postbank Direkt GmbH, Bonn	100.0	20,858	0 [1]
Postbank Filial GmbH, Bonn	100.0	25	0 [1]
Postbank Filialvertrieb AG, Bonn	100.0	55	0 [1]
Postbank Finanzberatung AG, Hamelin	100.0	30,130	–19,936
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0 [1]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	0	739
Postbank Leasing GmbH, Bonn	100.0	500	0 [1]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	9,011	2,603
Postbank Support GmbH, Cologne	100.0	759	0 [1]
Postbank Systems AG, Bonn	100.0	51,591	0 [1]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0 [1]
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	12,896	4,048

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Investments in affiliated companies			
not included in the consolidated financial statements			
BHW Direktservice GmbH, Hamelin	100.0	3,509	44
BHW Eurofinance B.V., Arnheim, Netherlands	100.0	521	−3,332
BHW Financial S.r.l., Verona, Italy	100.0	882	139
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,611	594
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[1]
DPB Regent´s Park Estates (GP) Holding Limited, London, U.K.	100.0	0	0[3]
DPB Regent´s Park Estates (LP) Holding Limited, London, U.K.	100.0	8,191	−6,041[3]
easyhyp GmbH, Hamelin	100.0	192	86
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & Co. KG, Hamburg	65.2	2,985	−7,301
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum“ KG, Bad Homburg v.d. Höhe	74.0	0	−2,759
Iphigenie Verwaltungs GmbH, Bonn	100.0	22	0
PB Kreditservice GmbH, Hamelin	100.0	25	0
PB Sechste Beteiligungen GmbH, Bonn	100.0	54	−1
PB Service GmbH, Bonn	100.0	55	−1
Postbank Akademie und Service GmbH, Hamelin	100.0	1,083	193
SAB Real Estate Verwaltungs GmbH, Hamelin	100.0	29	2

Explanations to the footnotes in this table can be found on page 56.

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
b) Equity investments			
IG BCE Mitglieder-Service GmbH, Hanover	50.0	131	– 22
Regent´s Park Estates (GP) Limited, Douglas, Isle of Man	50.0	0	0 [3]
Regent´s Park Estates Limited Partnership, Douglas, Isle of Man	50.0	28,440	–139 [3]
Starpool Finanz GmbH, Berlin	50.0	177	–24
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v.d. Höhe	40.7	0	–2,744
giropay GmbH, Frankfurt am Main	33.3	0	–130
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße" KG, Bad Homburg v.d. Höhe	30.6	0	–1,228
SRC Security, Research & Consulting GmbH, Bonn	16.9	3,532	853
GENOPACE GmbH, Berlin	15.0	200	0 [1]
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	14.1	17,023	–2
BSQ Bauspar AG, Nuremberg	14.1	31,803	–2,206
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	11.0	36,664	1,590
Gut Dummerstorf GmbH, Dummerstorf	11.0	747	14
MetallRente Pensionsfonds AG i.G., Stuttgart	10.0	–	– [4]
LHA Anlagenverwaltungsgesellschaft mbH, Munich	10.0	134	– 44
Hypoport AG, Berlin	9.7	29,506	2,560
SILEX Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bad Schwalbach KG, Düsseldorf	9.5	0	–479 [5]
SUSIK Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Rathaus Lübben KG, Düsseldorf	9.5	0	18 [5]
MAXUL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal	9.0	14	2 [6]
Eurogiro A/S, Taastrup, Denmark	8.6	–	– [4]
SENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Sonderhausen KG, Düsseldorf	7.5	0	193
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bankakademie KG, Düsseldorf	6.0	0	40 [4]
SAB Spar- und Anlageberatung GmbH, Bad Homburg v.d. Höhe	6.0	–	– [4]
SIDA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt BBS IV Oldenburg KG, Düsseldorf	5.5	–	– [4,5]
TOSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Perleberg KG, Düsseldorf	5.5	–	– [4]
Von Gablenz Straße GmbH & Co. KG, Frankfurt am Main	5.2	–	– [4]
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Grünwald	4.6	–	– [4]
Fernkälte Geschäftsstadt Nord GbR, Hamburg	2.8	–	– [4]
ConCardis Gesellschaft mit beschränkter Haftung, Frankurt am Main	1.5	–	– [4]
EURO Kartensysteme Gesellschaft mit beschränkter Haftung, Frankfurt am Main	1.5	–	– [4]
SALEG Sachsen-Anhaltinische Landesentwicklungsgesellschaft mbH, Magdeburg	1.3	–	– [4]
Standard Life Investments UK Property Development Fund No.3 Unit Trust, Edinburgh (U.K.)	0.7	–	– [4]
Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung, Frankfurt am Main	0.5	–	– [4]
Börse Düsseldorf AG, Düsseldorf	0.5	–	– [4]
Standard Life Investments UK Property Development Fund No.4 Unit Trust, Edinburgh (U.K.)	0.5	–	– [4]
Standard Life Investments UK Property Development Fund No.2 Unit Trust, Edinburgh (U.K.)	0.2	–	– [4]
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt am Main	0.1	–	– [4]
Standard Life Investments UK Property Development Fund No.1 Unit Trust, Edinburgh (U.K.)	0.1	–	– [4]

[1] Profit and loss transfer agreement

[2] Translated at the following exchange rate: €1 = USD 1.2939

[3] Translated at the following exchange rate: €1 = GBP 0.86075

[4] In accordance with section 286(3) sentence 1 no. 1 of the HGB, information has not been provided on the equity and profit/loss of companies whose effect on the net assets, financial position, and results of operations of Deutsche Postbank AG is not material.

[5] The share of the voting rights amounts to 5.0 %

[6] The share of the voting rights amounts to 4.8 %

[7] The share of the voting rights amounts to 100.0 %

V. Remuneration of the Management Board

Structure of the remuneration of the Management Board in fiscal year 2011

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by the Supervisory Board of Deutsche Postbank AG. The remuneration system was amended retrospectively as of January 1, 2010, to comply with the regulations of the *Instituts-Vergütungsverordnung* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), which came into force on October 13, 2010. As a result, share-based remuneration components coupled with a separate blocking period and installment payments for components with a long-term incentive effect were introduced.

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

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

Overall remuneration consists of fixed and performance-related components.

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

The performance-related component is the variable remuneration.

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

As was already the case before the remuneration system was modified, the variable remuneration is not paid out in full, even where the agreed targets have been reached. It continues to be split into a short-term component (40%) and a long-term component (60 %).

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 Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determined that the targets have been reached. Following a one-year blocking period, the euro amount is calculated based on the then current Xetra closing price of Deutsche Postbank AG shares, and this amount is paid out. The phantom shares of Deutsche Postbank AG also attract a dividend equivalent equal to the actual dividend paid.

The long-term component continues to depend on the Group's sustainable performance as well as the achievement of a sustainability criterion and continues to be governed by a multi-year assessment period. In the first year following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met. The following three years are the sustainability phase, during which the sustainability criterion, which is determined by the Supervisory Board at the start of this phase in accordance with the regulatory requirements, must be met. 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 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 Deutsche Postbank AG phantom shares (long-term component II).

If the sustainability criterion is met, the cash element is paid out immediately after its achievement has been established by the Supervisory Board. The procedure for dealing with the second half of the long-term component that was converted into Deutsche Postbank AG phantom shares is the same as outlined above for short-term component II.

If the sustainability criterion is not met for a particular year, the corresponding tranche of the long-term component is deferred to the following year. A renewed examination based on the sustainability criterion is then performed to establish if payment can be made. If the sustainability criterion has not been met after the end of the third year, i.e., the last year of the sustainability phase, payment of all deferred components also lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (malus system). There is also an additional malus system, whereby payment for outstanding tranches or for performance-related components can be reduced retrospectively or canceled completely during the sustainability phase based on the overall performance of the Management Board member concerned. 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 members of the Management Board 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, the Company 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-pay installments plus a maximum of 40 % of twice the maximum annual performance-related 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 shall be paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

In the case of the Chairman of the Management Board, Stefan Jütte, three months' remuneration is payable in the event of the premature termination of his contract due to his death. If Stefan Jütte terminates his work on the Management Board prematurely due to incapacity to work, he is entitled to claim a pension. In the case that his contract is terminated prematurely without good cause, Stefan Jütte will receive a transitional allowance in the amount of his pension entitlement as of the time of his departure.

Fixed and potential remuneration of the Management Board for fiscal year 2011

The nine members of the Management Board active in fiscal year 2011 could receive total remuneration of €9,701.1 thousand (previous year: €9,763.4 thousand) for the period under review (not including fluctuations in the share price at the time of conversion into phantom shares). €5,489.1 thousand of this total amount relates to fixed remuneration components (previous year: €4,564.0 thousand) and €4,212.0 thousand to performance-related components (previous year: €5,199.4 thousand). €842.4 thousand of the performance-related remuneration relates to non-deferred performance-related components (previous year: €1,039.9 thousand) and €842.4 thousand to performance-related components blocked for one year (previous year: €1,039.9 thousand). The total amount of the deferred performance-related components with a long-term incentive effect for fiscal year 2011 is €2,527.2 thousand (previous year: €3,119.6 thousand). The amount will only be paid/the conversion into phantom shares and the blocking period will only take place in fiscal years 2013 to 2015 if the sustainability criteria have been met; if not, they will lapse in part or in full.

The fixed component includes "other compensation" totaling €179.1 thousand (previous year: €164.0 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.

Total remuneration for the nine members of the Management Board active in fiscal year 2011 potentially amounts to €9,701.1 thousand, not including fluctuations in the share price at the time of conversion into phantom shares (previous year: €9,763.4 thousand). The exact level of remuneration is dependent on the sustainability targets for the deferred components being met.

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.

Management Board remuneration in 2011

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total	Payments for previous years
			Short-term compo-nent I		Short-term compo-nent II	Possible long-term component			Long-term component 2010, Tranche 1
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and blocked[1]	Deferred[2]			Cash payment[3]
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	23.9	125.0	1,048.9	125.0	375.0	500.0	1,548.9	89.9
Mario Daberkow	600.0	21.8	89.0	710.8	89.0	267.0	356.0	1,066.8	70.0
Marc Hess	650.0	20.2	108.0	778.2	108.0	324.0	432.0	1,210.2	70.0
Horst Küpker	630.0	27.6	100.0	757.6	100.0	300.0	400.0	1,157.6	80.0
Michael Meyer	600.0	23.6	89.0	712.6	89.0	267.0	356.0	1,068.6	70.0
Hans-Peter Schmid	500.0	21.6	95.0	616.6	95.0	285.0	380.0	996.6	70.0
Ralf Stemmer	630.0	12.1	100.0	742.1	100.0	300.0	400.0	1,142.1	70.0
Hanns-Peter Storr (Member since March 1, 2011)	500.0	19.4	83.4	602.8	83.4	250.2	333.6	936.4	0.0
Frank Strauss (Member since July 1, 2011)	300.0	8.9	53.0	361.9	53.0	159.0	212.0	573.9	0.0
Total	5,310.0	179.1	842.4	6,331.5	842.4	2,527.2	3,369.6	9,701.1	519.9

[1] Short-term component II is converted into phantom shares of Deutsche Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determines that the targets have been reached. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[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 Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Tranches 2013, 2014, and 2015 will only be paid out/converted into phantom shares and blocked, if the respective sustainability criteria are met. Otherwise, the particular 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, otherwise the portions that were deferred are also paid out.

[3] Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2010 is being paid out in cash at the amount shown. The second half is being converted into phantom shares based on the Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, blocked for one year, and translated at the then current share price into euros and paid out immediately.

Management Board remuneration in 2010

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term compo-nent I		Short-term compo-nent II	Possible long-term component		
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and-blocked[1]	Deferred[2]		
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	15.4	179.9	1,095.3	179.9	539.6	719.5	1,814.8
Mario Daberkow	600.0	21.4	140.0	761.4	140.0	420.0	560.0	1,321.4
Marc Hess	600.0	26.9	140.0	766.9	140.0	420.0	560.0	1,326.9
Horst Küpker	600.0	34.5	160.0	794.5	160.0	480.0	640.0	1,434.5
Michael Meyer	600.0	28.9	140.0	768.9	140.0	420.0	560.0	1,328.9
Hans-Peter Schmid	500.0	19.2	140.0	659.2	140.0	420.0	560.0	1,219.2
Ralf Stemmer	600.0	17.7	140.0	757.7	140.0	420.0	560.0	1,317.7
Total	4,400.0	164.0	1,039.9	5,603.9	1,039.9	3,119.6	4,159.5	9,763.4

The level of variable remuneration for Management Board Member Hans-Peter Schmid has been corrected.

[1] The short-term component II has been converted into phantom shares of Deutsche Postbank AG by dividing the euro amount by €21.00, which was the Xetra closing price of Deutsche Postbank shares as of March 15, 2011. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[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 Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Since the sustainability criterion has been met, half of the first 2012 tranche is being paid out in 2012 (see remuneration table 2011), while the second half is being converted into phantom shares and blocked. If the 2013 and 2014 sustainability criteria are also met, the remaining tranches will be paid out/converted into phantom shares and blocked. Otherwise the respective tranche will be deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the deferred tranches of the long-term components lapse without compensation.

Pension commitments

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

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

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

The size of the pension depends on the length of service and the amount of pensionable remuneration. Only the fixed component of remuneration (base pay) is pensionable. A cap on the pensionable base pay has been specified except in the cases of Management Board members Marc Hess, Horst Küpker, Hanns-Peter Storr, and Frank Strauss. The basic rule is that pension benefits of 50 % of the final salary accrue to members of the Management Board after five years of service. Benefits regularly accrue at a rate of 2 % for each eligible year of service.

The maximum level of pension benefits (60 % of the final salary) is generally reached after ten years of service.

The arrangements in the case of Chairman of the Management Board Stefan Jütte are different; in this case, his maximum pension benefits amount to 50 % of his pensionable income. He reached this level of benefits when he turned 65. Due to the fact that his contract of service on the Management Board has been extended beyond this age, his claim to an old-age pension will only arise at the end of his contract of service.

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

Should the Management Board contracts of Mario Daberkow, Hans-Peter Schmid, and Ralf Stemmer be terminated by Postbank prior to the expiration of their regular contract terms, their pensions shall be calculated as if their contracts had been fulfilled until their regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of Management Board member Mario Daberkow shall be measured from the first time a Management Board employment contract was signed with him as of November 1, 2005.

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

In May 2007, the Executive Committee of Deutsche Postbank AG's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed for the first time after March 31, 2007, and to replace the previous final salary-based pension system by a defined contribution plan. The pension commitments of the members of the Management Board newly appointed after that date – Marc Hess, Horst Küpker, Michael Meyer, Hanns-Peter Storr, and Frank Strauss - are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable basic pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. In the case of Michael Meyer, his contract specifies that special contributions shall be granted. 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, Horst Küpker, Michael Meyer, Hanns-Peter Storr, and Frank Strauss have the right to choose between regular pension payments and a lump-sum capital payment.

Pension commitments for individual members of the Management Board

	Pension commitments		
	Percentage of final salary as of Dec. 31, 2011 %	Maximum percentage of final salary %	Service cost for pension obligation €
Stefan Jütte	50	50.00	0
Mario Daberkow	52	60.00	146,008
Hans-Peter Schmid	52	60.00	268,394
Ralf Stemmer	54	60.00	90,735

	Contribution amount for 2011 €	Pension account balance as of Dec. 31, 2011 €	Service cost for pension obligation €
Marc Hess	150,000	1,259,613	184,118
Horst Küpker	150,000	702,871	152,267
Michael Meyer	225,000	1,004,048	113,701
Hanns-Peter Storr	124,980	131,229	0
Frank Strauss	75,000	77,250	0

Contractually agreed grants of special amounts increased the contribution amount in the case of Michael Meyer.

The remuneration paid to former members of the Management Board and their surviving dependants amounted to €2.77 million (previous year: €6.02 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 €51.34 million (previous year: €47.54 million).

VI. Remuneration of the Supervisory Board

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

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

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

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

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

Supervisory Board members receive their remuneration after the Annual General Meeting.

Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding pro rata amount.

In line with Deutsche Bank AG’s internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2011 amounted to €825.6 thousand including attendance allowances (previous year: €547.2 thousand). The members of the Supervisory Board will not receive any annual performance-related short-term remuneration for fiscal year 2011. 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 was as follows:

Members of the Supervisory Board	Remuneration for fiscal year 2011			Remuneration for fiscal year 2010		
	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	3.3	48.3	16.8	2.0	18.8
John Allan	–	3.3	3.3	–	–	–
Wilfried Anhäuser	22.5	26.5	49.0	22.5	3.3	25.8
Frank Appel	–	35.0	35.0	52.5	3.3	55.8
Marietta Auer	22.5	25.3	47.8	22.5	3.5	26.0
Hugo Bänziger[2]	–	–	–	–	–	–
Rolf Bauermeister	15.0	16.8	31.8	15.0	1.8	16.8
Wilfried Boysen	15.0	16.5	31.5	15.0	2.0	17.0
Henry B. Cordes	–	9.2	9.2	12.7	0.5	13.2
Edgar Ernst	30.0	34.5	64.5	30.0	4.8	34.8
Annette Harms	15.0	16.8	31.8	15.0	1.8	16.8
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	15.0	1.5	16.5	7.6	1.3	8.9
Tessen von Heydebreck	27.1	18.6	45.7	22.5	1.8	24.3
Peter Hoch	30.0	35.3	65.3	30.0	4.0	34.0
Elmar Kallfelz	30.0	31.5	61.5	30.0	5.0	35.0
Ralf Krüger	22.5	27.3	49.8	22.5	3.5	26.0
Hans-Dieter Petram	8.9	18.7	27.6	22.5	1.3	23.8
Bernd Pfaffenbach	–	1.5	1.5	–	–	–
Lawrence A. Rosen	15.0	6.4	21.4	15.0	1.8	16.8
Elmo von Schorlemer	–	1.5	1.5	–	–	–
Torsten Schulte	–	11.4	11.4	7.4	0.5	7.9
Michael Sommer	–	22.4	22.4	22.3	0.8	23.1
Eric Stadler	22.5	19.9	42.4	22.5	3.3	25.8
Werner Steinmüller[2]	–	–	–	33.8	3.5	37.3
Gerd Tausendfreund	22.5	26.5	49.0	22.5	3.8	26.3
Renate Treis	30.0	27.4	57.4	30.0	3.0	33.0
Total	388.5	437.1	825.6	490.6	56.6	547.2

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

[2]Under the Articles of Association of Deutsche Postbank AG, a claim to remuneration exists for the period following the acquisition of the majority interest in the Bank's capital. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling have waived their claim to remuneration in line with Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €26.2 thousand for his Supervisory Board work at the BHW Group, whereas Timo Heider received €19.5 thousand.

The employee representatives received remuneration in the amount of €506 thousand as set out in their respective employment contracts.

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

Shareholdings of the members of the Management Board and Supervisory Board

In fiscal year 2011, 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 €766.8 thousand (previous year: €863.1 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. The deductible amounts were changed effective January 1, 2010, in line with the requirements of section 93 of the AktG and section 3.8 of the German Corporate Governance Code.

VII. Forward contracts

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

The volume of unsettled derivatives subject to settlement risk, and currency, interest, and/or market risk from open and (in the case of counterparty credit risk) from closed positions, amounted to €295 billion as of December 31, 2011 (previous year: €811 billion).

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

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

The notional amounts represent the gross volume of all sales and purchases. The fair values of the individual contracts were calculated using recognized valuation techniques and do not reflect any netting agreements.

The derivative transactions in Postbank's trading portfolio (Table 4) are measured and recognized at fair value.

Table 1	Derivatives – broken down by volume					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Interest rate risk						
OTC products						
Interest rate swaps	274,782	749,957	7,645	23,581	−8,312	−25,424
FRAs	1,000	40,563	0	5	0	−9
Interest rate options						
Long calls	689	690	44	10	−1	0
Short puts	839	830	0	0	−80	−17
Caps, floors	1,301	1,040	6	5	−6	−8
Other interest rate forwards	0	0	0	0	0	0
Exchange-traded products						
Interest rate futures (Bund, Bobl, Schatz)	0	2,756	0	0	0	0
Interest rate options (Bund, Bobl, Schatz)	0	13	0	0	0	0
Subtotal	278,611	795,849	7,695	23,601	−8,399	−25,458
Currency risk						
OTC products						
Currency forwards/swaps	10,129	10,518	60	72	−6	−44
Cross-currency swaps	6,031	4,199	138	118	−338	−158
Currency options						
Long calls	0	10	0	0	0	0
Short puts	0	14	0	0	0	0
Other currency forwards	0	0	0	0	0	0
Exchange-traded products						
Currency futures	0	0	0	0	0	0
Currency options	0	0	0	0	0	0
Subtotal	16,160	14,741	198	190	−344	−202
Equity and other price risk						
OTC products						
Equity forwards	0	0	0	0	0	0
Equity/index options						
Long calls	0	0	0	0	0	0
Short puts	0	0	0	0	0	0
Other equity/index contracts	0	0	0	0	0	0
Exchange-traded products						
Equity/index futures	0	0	0	0	0	0
Equity/index options	46	119	2	4	0	0
Subtotal	46	119	2	4	0	0
Credit derivatives						
Calls	53	108	4	2	0	0
Puts	90	278	0	0	−10	−130
Subtotal	143	386	4	2	−10	−130
Total	294,960	811,095	7,899	23,797	− 8,753	−25,790

Table 2	Derivatives – broken down by residual maturities							
Notional amounts in €m	Interest rate risk		Currency risk		Equity and other price risk		Credit derivatives	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Remaining maturities								
less than 3 months	48,790	79,094	9,532	10,329	46	119	0	20
3 months to 1 year	51,880	83,153	2,362	1,472	0	0	45	24
1 to 5 years	72,898	265,060	3,850	2,529	0	0	98	189
more than 5 years	105,043	368,542	416	411	0	0	0	153
Total	278,611	795,849	16,160	14,741	46	119	143	386

Table 3	Derivatives – broken down by counterparties					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Counterparties						
Banks in OECD countries	293,417	809,092	7,798	23,709	−8,743	−25,658
Banks in non-OECD countries	0	189	0	0	0	−127
Other counterparties	1,543	1,814	101	88	−10	−5
Total	294,960	811,095	7,899	23,797	−8,753	−25,790

Table 4	Derivatives – held for trading					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Interest rate contracts	216,917	728,986	5,433	22,608	−5,547	−23,277
Currency contracts	8,182	2,483	29	28	−4	−27
Equity contracts	0	14	0	1	0	0
Credit derivate contracts	0	0	0	0	0	0
Total	225,099	731,483	5,462	22,637	−5,551	−23,304

VIII. Cover for bonds outstanding

- Register A and B: issues under the *Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten* (ÖPG – German Act on *Pfandbriefe* and Related Debt Instruments Issued by Public-Sector Credit Institutions), superseded by the *Pfandbriefgesetz* (PfandBG – German Pfandbrief Act)

- Register C: issues under the *Gesetz über die Umwandlung der Deutschen Siedlungs- und Landesrentenbank in eine Aktiengesellschaft* (DSLBUmwG – German Act on the Reorganization of Deutsche Siedlungs- und Landesrentenbank as a Stock Corporation)

- Register D and E: issues under the PfandBG.

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2011 €m	Dec. 31, 2011 €m	Dec. 31, 2011 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	25	6	19
Present value	28	6	22
Public-sector *Pfandbriefe* Register B			
Principal amount	728	572	156
Present value	786	628	158
Bonds Register C (mixed cover)			
Principal amount	15,342	13,475	1,867
Present value	16,993	15,869	1,124
Mortgage *Pfandbriefe* Register D			
Principal amount	8,355	7,159	1,196
Present value	9,810	8,022	1,788
Public-sector *Pfandbriefe* Register E			
Principal amount	2,776	1,898	878
Present value	2,968	2,020	948

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2010 €m	Dec. 31, 2010 €m	Dec. 31, 2010 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	876	10	866
Present value	955	11	944
Public-sector *Pfandbriefe* Register B			
Principal amount	908	669	239
Present value	977	737	240
Bonds Register C (mixed cover)			
Principal amount	17,089	13,967	3,122
Present value	18,382	15,564	2,818
Mortgage *Pfandbriefe* Register D			
Principal amount	7,820	5,716	2,104
Present value	8,676	6,232	2,444
Public-sector *Pfandbriefe* Register E			
Principal amount	2,713	1,948	765
Present value	2,917	2,038	879

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

Section 28(1) no. 1 to no. 3 of the PfandBG

Mortgage *Pfandbrief* issues outstanding and associated cover assets:

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk*	Present value of risk*
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 20010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Cover assets **	8,355.5	7,820.2	9,810.2	8,675.8	9,203.9	8,131.5
of which derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage *Pfandbriefe*	7,158.5	5,715.5	8,021.7	6,232.2	7,606.6	5,920.1
Excess cover in %	16.7	36.8	22.3	39.2	21.0	37.4

* Dynamic method

** Including additional cover assets in accordance with section 19(1) of the PfandBG

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

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk*	Present value of risk**
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Cover assets ***	2,776.4	2,712.6	2,968.1	2,916.8	2,868.2	2,782.5
of which derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Public-sector *Pfandbriefe*	1,898.0	1,948.0	2,020.4	2,038.2	1,958.3	1,958.3
Excess cover in %	46.3	39.3	46.9	43.1	46.5	42.1

* Including additional cover assets in accordance with section 20(2) of the PfandBG

** Dynamic method

***Prior-year amount adjusted from a low interest rate to a high interest rate scenario due to a change in the statutory requirements

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

	Cover assets	Cover assets	Mortgage *Pfandbriefe*	Mortgage *Pfandbriefe*
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
less than 1 year	449.7	673.7	0.0	100.0
from 1 to 2 years	496.6	447.9	1,500.0	0.0
from 2 to 3 years	667.4	469.0	1,010.0	1,500.0
from 3 to 4 years	480.9	565.8	1,000.0	1,010.0
from 4 to 5 years	350.4	557.1	40.0	1,000.0
from 5 to 10 years	3,700.7	3,197.2	2,476.0	1,391.0
more than 10 years	2,209.8	1,909.5	1,132.5	714.5
Total	8,355.5	7,820.2	7,158.5	5,715.5

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

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

	Cover assets	Cover assets	Public-sector *Pfandbriefe*	Public-sector *Pfandbriefe*
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
less than 1 year	267.1	676.0	158.0	50.0
from 1 to 2 years	269.9	56.4	25.0	158.0
from 2 to 3 years	630.6	269.9	1,500.0	25.0
from 3 to 4 years	310.4	341.3	0.0	1,500.0
from 4 to 5 years	363.7	664.5	10.0	0.0
from 5 to 10 years	825.7	441.8	95.0	105.0
more than 10 years	109.0	262.7	110.0	110.0
Total	2,776.4	2,712.6	1,898.0	1,948.0

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

Section 28(2) no. 1a of the PfandBG

Receivables used to cover mortgage *Pfandbrief* issues, by size category:

	Mortgage cover assets	Mortgage cover assets
	Dec. 31, 2011 €m	Dec. 31, 2010 €m
up and including €300,000	7,864.6	6,736.8
€300,000 to € 5 million	103.4	108.4
more than € 5 million	0.0	0.0
Total	7,968.0	6,845.2

Section 28(2) no. 1b and c of the PfandBG

Receivables used to cover mortgage *Pfandbrief* issues, by region in which the mortgaged properties are located and their type of use:

	Mortgage cover assets			
	Residential properties	Residential properties	Commercial properties	Commercial properties
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Total	7,967.0	6,845.2	1.0	0.0

	Mortgage cover assets			
	Residential properties	Residential properties	Commercial properties	Commercial properties
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Germany				
Apartments	2,214.3	2,130.5	0.0	0.0
Single-family houses	5,167.7	4,163.1	0.0	0.0
Multi-family houses	585.0	551.6	0.0	0.0
Office buildings	0.0	0.0	0.0	0.0
Trade buildings	0.0	0.0	0.0	0.0
Industrial buildings	0.0	0.0	0.0	0.0
Other commercial buildings	0.0	0.0	0.1	0.0
Buildings under construction	0.0	0.0	0.0	0.0
Construction sites	0.0	0.0	0.9	0.0
Total Germany	7,967.0	6,845.2	1.0	0.0

Section 28(2) no. 2 of the PfandBG

Total amount of payment arrears on mortgage receivables, overdue at least 90 days:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Total	0.0	0.0

Other cover assets

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Percertage of substitute cover (section 19(1) of the PfandBG)	387.5	975.0

Section 28(3) no. 1 of the PfandBG

Receivables used to cover public-sector *Pfandbrief* issues, by type of debtor/guaranteeing unit and its registered office (country):

	Public-sector cover assets	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Germany		
State	0.0	0.0
Regional authorities	745.0	500.0
Local authorities	0.0	0.0
Other debtors	1,786.4	1,212.6
Total Germany	2,531.4	1,712.6
Belgium		
State	0.0	200.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Belgium	0.0	200.0
France and Monaco		
State	50.0	200.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total France and Monaco	50.0	200.0
EU institutions		
State	95.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	100.0	0.0
Total EU institutions	195.0	0.0
Italy		
State	0.0	100.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Italy	0.0	100.0
Spain		
State	0.0	100.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Spain	0.0	100.0
Netherlands		
State	0.0	200.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Netherlands	0.0	200.0
Austria		
State	0.0	200.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Austria	0.0	200.0
Total	2,776.4	2,712.6

Section 28(3) no. 2 of the PfandBG

Total amount of payment arrears on public-sector receivables, overdue at least 90 days:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Total	0.1	0.0

X. Other disclosures

In accordance with section 2(4) of the *Postumwandlungsgesetz* (PostUmwG – German Postal Service Transformation Act), the German federal government guarantees settlement of all liabilities existing at the time of Deutsche Postbank AG's registration in the commercial register.

The government guarantee for savings deposits expired five years after the date of the entry in the commercial register.

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

XI. Declaration of compliance

On November 29, 2011, the Management Board and the Supervisory Board of Postbank together published the declaration of compliance with the German Corporate Governance Code for fiscal year 2011 required by section 161 of the AktG. The full wording of the declaration of compliance can be accessed on the Internet on our homepage at www.postbank.com.

D. Members of Executive Bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Stefan Jütte, Bonn (Chairman)	
Mario Daberkow, Bonn	
Marc Hess, Bonn	
Horst Küpker, Bad Honnef	
Michael Meyer, Bonn	
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	
Hanns-Peter Storr, Bonn	since March 1, 2011
Frank Strauss, Bad Nauheim	since July 1, 2011

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2011, on supervisory boards or other supervisory bodies:

Stefan Jütte — Chairman

Function	Company
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Board of Directors	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Member of the Advisory Board (until December 31, 2011)	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Offices relinquished during the year

Member of the Supervisory Board (until July 21, 2011)	IVG Institutional Funds GmbH, Frankfurt am Main

Mario Daberkow

Function	Company
Chairman of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Chairman of the Advisory Board	Postbank Support GmbH, Cologne
Chairman of the Advisory Board (since May 6, 2011) Deputy Chairman of the Advisory Board (until May 5, 2011)	VÖB-ZVD Bank für Zahlungsverkehrs-dienstleistungen GmbH, Bonn
Deputy Chairman of the Advisory Board	Deutsche WertpapierService Bank AG, Frankfurt am Main
Deputy Chairman of the Board of Directors	Eurogiro A/S, Taastrup (Denmark)
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Marc Hess

Function	Company
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Member of the Supervisory Board	PB Spezial-Investmentaktiengesell-schaft mit Teilgesellschaftsvermögen, Frankfurt am Main

Horst Küpker

Function	Company
Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Supervisory Board	PB Spezial-Investmentaktiengesell-schaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Deputy Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Board of Directors	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Offices relinquished during the year

Deputy Chairman of the Supervisory Board (until July 31, 2011)	Postbank Finanzberatung AG, Hamelin

Michael Meyer

Function	Company
Chairman of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Chairman of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board	PB Spezial-Investmentaktiengesell-schaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin
Deputy Chairman of the Supervisory Board (since August 1, 2011) Chairman of the Supervisory Board (until July 31, 2011)	Postbank Finanzberatung AG, Hamelin
Deputy Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg

Deputy Chairman of the Advisory Board (since May 6, 2011) Chairman of the Advisory Board (until May 5, 2011)	VÖB-ZVD Bank für Zahlungsverkehrs-dienstleistungen GmbH, Bonn
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Board of Directors	VISA Deutschland e.V., Frankfurt am Main
Member of the Advisory Board	Proactiv Holding AG, Hilden
Member of the Advisory Board (since June 1, 2011)	Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Economic Advisory Board	HUK-Coburg Versicherungsgruppe, Coburg

Offices relinquished during the year

Chairman of the Board of Directors (until March 25, 2011)	Deutsche Postbank Home Finance Ltd., Gurgaon/New Delhi (India)

Hans-Peter Schmid

Function	Company
Chairman of the Supervisory Board	Bayerische Börse AG, Munich
Member of the Supervisory Board	Postbank Finanzberatung AG, Hamelin
Member of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin
Member of the Advisory Board	Proactiv Holding AG, Hilden

Ralf Stemmer

Function	Company
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin
Deputy Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Deputy Chairman of the Supervisory Board	PB Pensionsfonds AG, Hilden
Deputy Chairman of the Advisory Board	Postbank Support GmbH, Cologne
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Administrative Board	Bundesanstalt für Post und Telekom-munikation Deutsche Bundespost, Bonn

Offices relinquished during the year

Chairman of the Supervisory Board (until May 13, 2011)	Postbank Immobilien und Bau-management GmbH, Bonn
Member of the Board of Directors (until March 31, 2011)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (until March 31, 2011)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Hanns-Peter Storr — Member of the Management Board since March 1, 2011

Function	Company
Member of the Supervisory Board	norisbank GmbH, Berlin

Frank Strauss — Member of the Management Board since July 1, 2011

Function	Company
Member and Chairman of the Supervisory Board (both since August 1, 2011)	Postbank Finanzberatung AG, Hamelin
Chairman of the Supervisory Board	Deutsche Bank Bauspar AG, Frankfurt am Main
Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board (since November 1, 2011)	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board (since November 1, 2011)	BHW Holding AG, Berlin/Hamelin
Member of the Board of Directors (since August 1, 2011)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (since August 1, 2011)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

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 since January 1, 2011)	
Hugo Bänziger, Member of the Management Board of Deutsche Bank AG, London	since February 1, 2011
Wilfried Boysen, businessman, Hamburg	
Edgar Ernst, President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling, Managing Director of Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft – Lower Rhine Region, Wuppertal	since May 24, 2011
Tessen von Heydebreck, previously Member of the Management Board of Deutsche Bank AG and current Chairman of the Board of Deutsche Bank Foundation, Berlin	
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Hans-Dieter Petram, consultant, Inning	until May 24, 2011
Lawrence A. Rosen, Member of the Board of Management of Deutsche Post AG, Bonn	
Werner Steinmüller, Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Dreieich	

2. Employee representatives
Frank Bsirske, Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)
Wilfried Anhäuser, Member of Postbank Filialvertrieb AG's Works Council, Kerpen
Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Unterhaching
Rolf Bauermeister, Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Annette Harms, Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg
Timo Heider, Chairman of the General Works Councils of BHW Bausparkasse AG and Postbank Finanzberatung AG, Hamelin
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council, Wachtberg
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

Offices held by members of the Supervisory Board of Deutsche Postbank AG as of December 31, 2011 on supervisory boards or other supervisory bodies:

Shareholder representatives

Rainer Neske	Chairman of the Supervisory Board since January 1, 2011

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

Hugo Bänziger	Member of the Supervisory Board since February 1, 2011

Function	Company
Chairman of the Supervisory Board	DWS Investment GmbH, Frankfurt am Main
Chairman of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Supervisory Board	EUREX Clearing AG, Frankfurt am Main
Member of the Supervisory Board	EUREX Frankfurt AG, Frankfurt am Main
Member of the Supervisory Board	EUREX Zürich AG, Zurich
Member of the Board of Directors	Deutsche Bank Trust Company Americas, New York (New York, U.S.A.)
Member of the Board of Directors	Deutsche Bank Trust Corporation, New York (New York, U.S.A.)

Wilfried Boysen

Function	Company
Chairman of the Supervisory Board (since June 8, 2011)	Hanse Marine-Versicherung AG, Hamburg
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Edgar Ernst

Function	Company
Member of the Supervisory Board	Gildemeister AG, Bielefeld
Member of the Supervisory Board	Österreichische Post AG, Vienna
Member of the Supervisory Board (since February 9, 2011)	TUI AG, Berlin and Hanover
Member of the Supervisory Board (since January 23, 2012)	Wincor Nixdorf AG, Paderborn

Tessen von Heydebreck

Function	Company
Member of the Supervisory Board	Dussmann Verwaltungs AG, Frankfurt am Main
Member of the Supervisory Board	Vattenfall Europe AG, Berlin

Peter Hoch

Function	Company
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin

Ralf Krüger

Function	Company
Chairman of the Supervisory Board	DIAMOS AG, Sulzbach
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Hans-Dieter Petram

Member of the Supervisory Board until May 24, 2011

Function	Company
Member of the Supervisory Board	Talanx AG, Hanover

Werner Steinmüller

Function	Company
Chairman of the Supervisory Board	Deutsche Bank Nederland N.V., Amsterdam
Chairman of the Supervisory Board (until August 1, 2011)	Deutsche Bank Portugal S.A., Lisbon
Member of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Advisory Council	True Sale International GmbH, Frankfurt am Main

Employee representatives

Frank Bsirske

Function	Company
Deputy Chairman of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Wilfried Anhäuser

Function	Company
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Rolf Bauermeister

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

Timo Heider

Function	Company
Deputy Chairman of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Deputy Chairman of the Supervisory Board	Pensionskasse der BHW Bausparkasse, Hamelin

Elmar Kallfelz

Function	Company
Member of the Administrative Board (until February 28, 2011)	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn

Gerd Tausendfreund

Function	Company
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

Renate Treis

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

Responsibility Statement

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

Bonn, February 14, 2012

Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow

Marc Hess

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

Frank Strauss

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Postbank AG, Bonn, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, February 15, 2012

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	Christoph Theobald
(German Public Auditor)	(German Public Auditor)

Contacts

Published by

Deutsche Postbank AG
Head Office
Investor Relations

Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany

Postfach 40 00
53105 Bonn, Germany

Phone: +49 228 920 - 0

Investor Relations

Phone: +49 228 920 -18003
E-mail: ir@postbank.de
www.postbank.com/ir

Design and layout

EGGERT GROUP, Düsseldorf

Coordination/editing

Postbank
Investor Relations

Translation

Deutsche Post Corporate Language
Services et al.

This 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 Deutsche Postbank AG. 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 Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

The English version of the Report constitutes a translation of the original German version. Only the German version is legally binding.