

2014

POSTBANK GROUP
REPORT OF THE SUPERVISORY BOARD 2014

REPORT OF THE SUPERVISORY BOARD

Ladies and gentlemen,

During fiscal year 2014, Deutsche Postbank AG (hereinafter also referred to as Postbank) continued to perform well against its competitors despite challenging business conditions. In general, the economic situation in Europe stabilized but the economy is not expected to make a fast, broad recovery in the near future. As the previous years, 2014 was characterized by continuing pressure on interest rates and margins. The European Central Bank expects interest rates to remain consistently low in the coming years. Historically low yield levels, narrow margins, even more regulatory requirements combined with costs for the reimbursement of consumer loan processing fees had a negative impact on the business performance of the German banking and financial services industry in 2014. The Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) have been implemented, and additional regulatory requirements are now in the pipeline. Increasing consumer protection requirements and the implementation of new regulatory requirements alongside the low yield level as well as continuing pressure on margins will once again pose major challenges to the German financial services industry in 2015.

Postbank's business model has continued to prove itself even under these difficult conditions. The start of the next phase of Postbank's management agenda made an essential contribution to a satisfying result in this tough market environment.

Further progress was made in Postbank's integration into the Deutsche Bank Group in the past fiscal year. We took important steps into the future not only by pooling the service companies of Postbank and Deutsche Bank in a shared platform holding, but also by merging the direct bank activities of Postbank and norisbank at a shared location. Moreover, Postbank has intensified its cooperation with Deutsche Post, strengthened the corporate banking business and pooled the home savings business activities of the Deutsche Bank Group under the BHW brand.

As part of our intensive and constructive working relationship, the Management Board informed us in a regular, timely and comprehensive manner during fiscal year 2014 about all issues concerning the Company's strategy, planning, the financial and economic performance of the Bank, the risk position, the risk management system, the internal control system and compliance. Together with the Management Board, we also discussed changes to the remuneration system, strategic measures and regulatory developments as well as important business transactions and projects. Deviations between the course of business and the plans and targets in individual segments were explained to us and reasons given. We discussed at length the Company's strategic focus as well as all measures requiring the approval of the Supervisory Board that were presented to us. Where required by law, the Articles of Association or the Bylaws, we passed resolutions after thorough examination and discussion. When it was necessary to consider issues outside regularly scheduled meetings, decisions were made by means of written procedures. In addition, the Chairmen of the Supervisory Board, the Audit Committee and the Risk Committee were also informed by the Management Board about important business transactions and forthcoming decisions between meetings of the Supervisory Board. The Chairman of the Supervisory Board also stayed in constant touch with the Chairman of the Management Board.



Main subjects of discussion by the Supervisory Board

The Supervisory Board held a total of six regularly scheduled meetings and one extraordinary meeting during fiscal year 2014. In all meetings of the Supervisory Board, we were informed by the Management Board about the Bank's current economic and business situation, the performance of the individual business divisions, risk development and risk management as well as new statutory and regulatory requirements. During a one-day closed meeting, we joined the Management Board in taking a close look at Postbank's business and risk strategies and then thoroughly discussed these issues.

Other focal points of discussions during the year under review were Postbank's risk structure, the impact of current and future regulatory changes and the restructuring of the Management Board's remuneration system. We also held extensive discussions with the Management Board about the Bank's ongoing integration into the Deutsche Bank Group and carefully examined in particular the establishment of the joint GmbH (a German liability company) for the provision of banking services. The members of the Supervisory Board regularly received information about the Company's current situation.

In fiscal year 2014, all Supervisory Board members, with the exception of Lawrence A. Rosen, attended at least half of the meetings of the Supervisory Board and its committees.

During the regularly scheduled meeting held on February 6, 2014, we resolved on the Management Board's target achievement in fiscal year 2013 and intensively discussed Management Board targets for fiscal year 2014. In addition, we extensively addressed the new requirements for the structure of remuneration systems, which are based on the CRD IV Implementation Act, and the corresponding amendments of the *Kreditwesengesetz* (KWG – German Banking Act). The Management Board informed us about the status of preparations of the Company's annual financial statements. The Supervisory Board also made personnel planning decisions. As part of equity investment-related issues, shareholder representatives on the Supervisory Board passed a resolution on co-determination at Postbank subsidiaries. During the meeting, we were also informed about the current state of the outsourcing audit report of the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) and the disposal of a property.

During the financial statements meeting held on March 24, 2014, we approved the 2013 annual and consolidated financial statements of Postbank. This step was taken after our own thorough deliberation, examination and earlier discussion with the auditor, and reflects the recommendation of the Audit Committee. To that end, the Management Board and the auditor also informed us during the meeting about key findings in 2013. In addition,

we approved the Report of the Supervisory Board to the Annual General Meeting in accordance with sections 171(2) and 314(2) of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the Annual Corporate Governance Statement included in the Corporate Governance Report. Using updated mid-term planning as our basis, we passed a resolution on the 2014 targets of the Management Board. As part of equity investment-related issues, a decision was made in accordance with section 32 of the *Mitbestimmungsgesetz* (MitbestG – German Co-Determination Act) to formally approve the conduct of office of the Management Boards and Supervisory Boards of BHW Holding AG, Betriebs-Center für Banken AG and Postbank Filialvertrieb AG. Other issues addressed by the Supervisory Board during the meeting included the risk position of the Bank as a whole, the human resources and social report and changes to the Risk Committee bylaws. The Supervisory Board and the Management Board also jointly examined and discussed the status of key ongoing projects. At this meeting we also discussed the agenda for the Annual General Meeting held on July 9, 2014, and approved by written vote the motions regarding the agenda items. Moreover, the Supervisory Board resolved the first update of the Declaration of Conformity with the German Corporate Governance Code and the election proposals for the election of shareholders in this written procedure.

In connection with the 2014 Annual General Meeting, the Supervisory Board held two regularly scheduled meetings on July 8 and 9. In the meeting held on July 8, we received information on the organizational details of the Annual General Meeting. We were also informed by the Management Board of the 2014 first quarter figures and discussed these results with its members. In addition to regular reports from the committees and the risk reporting, we discussed in detail the regulations of the German Corporate Governance Code regarding criteria to consider when determining management board remuneration (vertical comparison of remuneration) as well as protection against dilution as it pertains to phantom shares. Resolutions were passed where necessary. Moreover, we jointly discussed the current status of key ongoing projects with the Management Board.

The meeting of July 9 that followed the Annual General Meeting focused on new appointments and/or reappointments for committees due to the change on the Supervisory Board. Moreover, the Supervisory Board resolved a second update of the Declaration of Conformity with the German Corporate Governance Code.

In our extraordinary meeting held on October 2, 2014, upon recommendation of the Nomination, Executive, and Compensation Control Committees and following discussion, we appointed Susanne Klöss-Braekler (responsible for the Product board department) and Ralph Müller (Chief Operating Office board department) to the Management Board, effective November 1, 2014. We also resolved their Management Board contracts through 2017.

In the meeting held on November 4, the Management Board informed us about business developments and the risk position of Postbank as part of its regular reporting responsibilities. They also presented the human resources and social report. In addition, the Supervisory Board and Management Board jointly examined and discussed key ongoing projects.

In its last meeting of the year held on December 17, 2014, the Supervisory Board focused on business performance, business planning for 2015, Postbank's business and risk strategy, the Declaration of Conformity in accordance with section 161 of the AktG as well as the Management Board remuneration system. The Management Board informed us about the Company's current financial situation. Together with the Management Board, we discussed business planning for 2015 and Postbank's business and risk strategies for 2015. After extensive discussion, we approved the submitted business plan for 2015. During the meeting we also discussed statutory amendments in the wake of the CRD IV Implementation Act and amendments to the German Corporate Governance Code and passed relevant resolutions wherever necessary. In this context, we also discussed appointment and selection criteria for persons in the senior management level. With regard to remuneration of Management Board members, we passed resolutions on the remuneration comparison and modified the Management Board remuneration system.

In the past fiscal year, we only exercised our voting authority once by means of written procedures.

Conflict of interest

In addition to the conflicts of interest listed and proactively reported in the Declaration of Conformity, no additional conflicts of interest of Supervisory Board members were reported in fiscal year 2014. The Supervisory Board is also not aware of any additional ones.

Work of the committees

To carry out its work in fiscal year 2014, the Supervisory Board of Postbank formed seven committees. The following members serve on the Supervisory Board and its committees:

Members of the Deutsche Postbank AG Supervisory Board and its committees

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

Executive Committee (section 10 of the Supervisory Board Bylaws)		Human Resources Committee (section 13 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen von Heydebreck	Frank Bsirske (Chair)	Stefanie Heberling
Frank Bsirske (Deputy Chair)	Eric Stadler	Rainer Neske (Deputy Chair)	Tessen von Heydebreck
		Susanne Bleidt	Renate Treis

Risk Committee (section 11 of the Supervisory Board Bylaws)		Nomination Committee (section 14 of the Supervisory Board Bylaws)	
Werner Steinmüller (Chair)	Bernd Rose	Rainer Neske (Chair)	Frank Bsirske
Edgar Ernst (Deputy Chair)	Renate Treis	Tessen von Heydebreck	Eric Stadler
Stefanie Heberling	Wolfgang Zimny	(Deputy Chair)	

Audit Committee (section 12 of the Supervisory Board Bylaws)		Compensation Control Committee (section 15 of the Supervisory Board Bylaws)	
Christian Ricken (Chair)	Karl von Rohr	Rainer Neske (Chair)	Tessen von Heydebreck
Edgar Ernst (Deputy Chair)	Bernd Rose	Frank Bsirske (Deputy Chair)	Eric Stadler
Timo Heider	Gerd Tausendfreund		

Mediation Committee (section 16 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen von Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

The Executive Committee is responsible for, among other things, preparing the appointment and withdrawal of members of the Management Board with due consideration for the recommendations of the Nomination Committee, preparing the financial statements, amending and terminating the employment contracts for members of the Management Board, and granting loans to members of the Management Board and Supervisory Board. It is also responsible for preparing decisions related to corporate governance, the monitoring of compliance with the Declaration of Conformity, special issues of overriding importance, and fundamental questions about the Company's strategic direction. The committee met six times during the year under review. The meetings focused on personnel planning

on the Management Board, including the design of Management Board member contracts, their modification based on the CRD IV Implementation Act and the granting of loans to members of executive bodies of the Postbank Group. During its meetings, the Executive Committee also prepared resolutions for the Supervisory Board and approved the assumption of offices by Management Board members in other companies.

The Risk Committee is responsible for monitoring risk appetite, profile and strategy as well as consultation related to these areas. It also addresses fundamental questions related to the remuneration system and the setting of terms and conditions in the customer business. Its decisions touch on the issuance of loans to members of executive bodies, key loan decisions, special investment decisions and fundamental issues related to the issuance of loans. The Risk Committee met five times in 2014, with one meeting held together with the Audit Committee. During those meetings, the Management Board provided regular comprehensive information to the Risk Committee on developments related to key financial figures and risk indicators. In line with its remit, the committee discussed the current market environment and the respective risk situation and made decisions on the approval of new loans, the extension of existing loans and increases in the lending limits for various individual loans and credit facilities. The Risk Committee also conferred with the Management Board on the risk strategy, the portfolio strategy and structures as well as measures to manage risks. Moreover, the committee intensively discussed changes to regulatory requirements in order to derive measures to improve risk management and risk culture. In this context, the committee examined the way in which remuneration system incentives take into account the risk, capital and liquidity structures and discussed whether terms had been defined adequately in the customer business. To be able to efficiently advise the Supervisory Board and the Management Board with regard to overarching topics, the Risk Committee worked closely with the Audit Committee.

The Audit Committee is assigned the issues of accounting, risk management, compliance, internal audit, the internal control system and audit of the financial statements. It met seven times in the period under review. One committee meeting was held jointly with the Risk Committee to discuss outsourcing. The meetings – at which the auditor was present – focused on providing extensive support to the examination of the annual and consolidated financial statements for 2013 and interim reports as well as discussions of accounting. The half-yearly report and the interim management statements for 2014 were discussed with the Management Board before their release in accordance with the recommendations in section 7.1.2 of the German Corporate Governance Code (DCGK). During the period under review, the Audit Committee examined the effectiveness of Postbank's risk management system, the internal control system and the audit system. The committee was involved in the issuance of audit contracts and defined the focal points for the audit of the annual financial statements for the fiscal year. In the process, the committee assured itself of the autonomy of the auditor pursuant to the guidelines of the DCGK. Furthermore, the committee also conducted a thorough examination of the findings of the auditor, the work of Internal Audit, questions regarding compliance, accounting and legal risks, as well as of special reviews that had been conducted and objections raised by supervisory authorities. The committee intensively supported the handling of the examination findings during the entire reporting year. The Management Board regularly informed the Audit Committee about changes in regulatory conditions and their impact on Postbank as well as about the

implementation status of projects related to these issues. The committee prepared its own resolutions when necessary or submitted a resolution recommendation to the Supervisory Board.

The Human Resources Committee addresses the structures of Deutsche Postbank AG's human resources activities and the principles of human resources development. The committee met twice in fiscal year 2014. In those meetings, the human resources reports of the Management Board focused on the human resources strategy and development within the Group. In this regard, issues such as diversity, the age structure at Deutsche Postbank AG together with demography, planned educational and training concepts including talent management, and information on personnel cost and workforce management were addressed.

The Nomination Committee prepares the recommendation of the Supervisory Board for the election or appointment of shareholder representatives to the Supervisory Board by the Annual General Meeting. Because of legislative changes related to CRD IV, the area of responsibility was expanded under a decision made on December 17, 2013. The committee assumes additional responsibility for assisting the Supervisory Board with the task of identifying candidates for the Management Board and senior management positions as well as of complying with related principles. It defines the goals related to the composition of the Supervisory Board and monitors the achievement of these goals. In addition, the Nomination Committee regularly examines the structure, size and composition of the Management Board and Supervisory Board. It also evaluates the expertise, skills and experience of individual board members as well as the respective board as a whole. In fiscal year 2014, the Nomination Committee met five times. The meetings focused on the preparation of election proposals for the Annual General Meeting for the election of shareholder representatives to the Supervisory Board as well as succession planning of the Supervisory Board and the Management Board including proposals for the appointment of two new Management Board members. As part of an evaluation and an examination of efficiency, the committee focused intently on the structure, size and composition of the Management Board and Supervisory Board as well as the expertise, skills and experience of individual board members and the respective board as a whole. In addition, the principles for the selection criteria for the second managerial level were discussed.

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

The new Compensation Control Committee, established in January 1, 2014, helps the Supervisory Board monitor the appropriate structure of the remuneration systems for the Management Board and employees and in particular compensation received by the heads of the Risk Control and Compliance units. Furthermore, it prepares proposals for resolutions on the remuneration of senior managers in terms of the impact these decisions will have on Postbank's risk position and risk management. It ensures that the internal control units and all other important units are included in the structuring of remuneration systems. The committee met six times in the fiscal year. The discussions focused on new requirements for

the structure of management board and employee remuneration systems, based on regulatory and statutory amendments in connection with the CRD IV Implementation Act as well as regulations of European law. The committee also extensively discussed the appointment of a Remuneration Officer and the report to be submitted by him or her. In addition to discussing the target achievement of the Management Board for fiscal year 2013 and the Management Board targets for fiscal year 2014, the committee also intensively deliberated the remuneration of the two newly appointed Management Board members as well as the standards of the German Corporate Governance Code for comparing remuneration.

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

Audit of the annual and consolidated financial statements

The auditor elected by the previous year's Annual General Meeting – Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf – audited the accounting, the annual financial statements of Deutsche Postbank AG and the consolidated financial statements, including the respective management reports, for fiscal year 2014 and issued an unqualified audit opinion for each one.

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

Deutsche Postbank AG's annual financial statements, the consolidated financial statements, the management reports, the Management Board's dependent company report and the auditors' reports were made available to all Supervisory Board members and were examined by us. Since there was no distributable net retained profit for the year under review, the Management Board did not submit to the Supervisory Board a proposal for the appropriation of that profit. Rather the net profit for the period as reported in the single-entity financial statements on the basis of the HGB had already been transferred to DB Finanz-Holding GmbH pursuant to the control and profit and loss transfer agreement.

The discussions were conducted in the presence of representatives of the auditor. They reported on the execution and key findings of the audit during the Supervisory Board meeting on March 23, 2015, and were available to provide supplemental information and answer questions. During that meeting, the Chairman of the Audit Committee reported on the results of that committee's examination of the annual and consolidated financial statements from March 12, 2015. We concurred with the results of the audit of the annual financial statements and the consolidated financial statements. The final results of our own examination did not give rise to any objections to Deutsche Postbank AG's annual financial statements or the consolidated financial statements.

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

Changes in the Management Board and Supervisory Board

Susanne Klöss-Braekler and Ralph Müller were appointed to the Management Board of Postbank effective November 1, 2014. Susanne Klöss-Braekler heads the Product board department and Ralph Müller the Chief Operating Office board department.

The following changes were made to the Supervisory Board:

Katja Langenbucher and Karl von Rohr were elected to the Supervisory Board by the Annual General Meeting on July 9, 2014. Wilfried Boysen and Peter Hoch left their positions on the Supervisory Board effective July 9, 2014.

On July 9, 2014, Tessen von Heydebreck and Werner Steinmüller were re-elected as members of the Supervisory Board.

We would like to thank the members who left their positions on the Supervisory Board – Wilfried Boysen and Peter Hoch – for their dedicated work and the constructive support they provided to the Company in the past years.

Corporate governance

The Management Board and the Supervisory Board of Deutsche Postbank AG also dedicated efforts to the German Corporate Governance Code during the reporting year. Last year's Declaration of Conformity dated December 17, 2013, was updated on May 22 and July 9, 2014, and is permanently available on the Company's website. The annual Declaration of Conformity in accordance with section 161 of the AktG was last issued by the Management Board and the Supervisory Board of Deutsche Postbank AG on December 17, 2014, and was made permanently available to Postbank shareholders on the Company's website. With the exception of the declared deviations, Postbank has been in compliance with all recommendations made by the Government Commission on the German Corporate Governance Code first in the version dated May 13, 2013, and recently in the version dated June 24, 2014, and will continue to do so in the future, with the exception of the declared deviations.

Detailed information about corporate governance and the text of the Declaration of Conformity dated December 17, 2014, can be found in the Corporate Governance Report, including the Annual Corporate Governance Statement, starting on page 30.

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

Bonn, March 23, 2015

The Supervisory Board



Rainer Neske
Chairman

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

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