2013

POSTBANK GROUP

INTERIM MANAGEMENT STATEMENT AS OF MARCH 31, 2013

Postbank

PRELIMINARY REMARKS

This document is an interim management statement within the meaning of section 37x of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in conjunction with section 37y of the WpHG and GAS 16, and contains consolidated figures in accordance with the IFRSs. Unless otherwise stated, the following comments represent a comparison between the figures as of March 31, 2013, and those for the corresponding prior-year period or, in the case of balance sheet disclosures, the figures as of December 31, 2012.

MACROECONOMIC DEVELOPMENT

The German economy remained subdued overall in the first three months of 2013. Although key leading indicators, such as the ifo Business Climate Index, started the year on the same upward trend seen at the end of 2012, they had fallen back somewhat by the end of the period. German industrial production and order intake also point at best to marginal growth in economic output in the first quarter of 2013. Exports were again impacted by the ongoing recession in a number of eurozone countries that are key trading partners for Germany. However, residential housing construction has progressed well so far, and continues to benefit from the favorable lending conditions and pent-up demand for new construction. Germany's labor market was also in robust form at the beginning of the year, despite the generally lackluster economic growth. Not least due to the continued economic weakness in the eurozone, the European Central Bank (ECB) decided to reduce the benchmark interest rate to the record low of 0.50 % in early May.

The ongoing difficult business environment continued to challenge German banks in the first quarter of 2013. Continual pressure on margins in the traditional banking business is likely to have resulted from stiff competition for customers and sustained low interest rates. According to the Deutsche Bundesbank the assets of German banks decreased in the first quarter of 2013.

BUSINESS PERFORMANCE

Customer business

Postbank's customer business performed encouragingly well in the first quarter. The new installment loan business grew by around 25% compared with the first quarter of the previous year, to €491 million. The installment loan portfolio increased from €4.4 billion at the end of 2012 to €4.6 billion. The Bank also continued the previous year's strong performance in the checking account business, securing more than 100,000 new accounts in the first quarter of 2013. With a total of more than 5.1 million private checking accounts, Postbank is still by far the leading provider on the German market. The volume of savings deposits grew by around €1.6 billion compared to the end of 2012, to €55.8 billion. In the home savings business, which Postbank operates under the BHW brand, home savings deposits rose by around 0.6 % since the beginning of the year to approximately €18.2 billion. New mortgage lending business, including disbursed home savings loans, was down roughly 4.5 % on the strong prior-year figure, at around €2.1 billion in the period under review. The private mortgage lending portfolio, including purchased portfolios, amounted to €73.8 billion as of March 31, 2013, as against €74.0 billion at the prior year-end.

Income statement

In the first quarter of 2013, Postbank generated net consolidated profit amounting to €66 million (previous year: €64 million). Profit before tax reached €85 million, €4 million less than in the equivalent prior-year period.

Total income rose by 16.1% to €1,080 million. This includes various positive and negative non-recurring effects such as the sale of our North American subsidiaries and their deconsolidation.

As we expected, net interest income was down, declining by 13.8 % or €94 million to €586 million. In addition to other non-recurring effects, this development was mainly attributable to the sale of PB (USA) Holdings, Inc. already mentioned in the 2012 Annual Report. The year-on-year comparison is also negatively impacted by the lower interest income from the portfolio of investment securities, which we scaled back in 2012 as part of the de-risking strategy. In addition, net interest income is negatively impacted by the continued low interest rate levels which represent challenges for all deposit-rich banks.

At €3 million, net trading income was slightly positive, compared with a loss of €39 million in the first quarter of the previous year. There was an improvement year-on-year in both the contribution from hedges of foreign currency liquidity, which evens out over the term of the instruments concerned, and the contribution from the use of the fair value option to manage interest rate risk at BHW Bausparkasse.

The net income from investment securities of €211 million (first quarter of 2012: €–10 million) includes the deconsolidation and disposal effects from the sale of our US subsidiaries to Deutsche Bank AG effective January 1, 2013.

The €19 million or 6.4% year-on-year decline in net fee and commission income to €280 million was attributable, among other things, to greater caution among German investors toward securities and to a slight decline in income from the postal services provided at branches.

The allowance for losses on loans and advances decreased by €16 million year-on-year to €84 million due, in particular, to the disposal and deconsolidation of PB Capital Corporation. In addition, the retail lending business, with its significant proportion of highly collateralized German real estate loans, continued to have a stabilizing effect on the allowance for losses on loans and advances.

Administrative expenses increased to €915 million in the period under review, compared with €735 million in the first quarter of 2012, mainly due to the writedown of intangible assets in the amount of €180 million which also had a negative impact on the cost/income ratio. Excluding this effect, the administrative expenses would have remained unchanged.

Total assets

Postbank's total assets declined sharply to €170.2 billion, compared with €188.0 billion as of December 31, 2012. This decline is largely attributable to the sale and deconsolidation of PB (USA) Holdings, Inc. Group.

The assets side of the balance sheet reflects our successful continued reduction of capital market investments and risk. The total volume of investment securities declined by an additional €3.1 billion as against December 31, 2012, to €33.9 billion. In the first quarter of 2013 we almost completely reduced the holdings of structured credit products (SCP) and high yield bonds included in that total. Loans and advances to other banks decreased from €28.3 billion at the end of 2012 to €25.0 billion due to the reduction in money market holdings.

On the liabilities side, the amounts due to customers declined from €131.7 billion at the end of 2012 to €126.4 billion as of March 31, 2013. Deposits from other banks rose by €0.9 billion to €18.2 billion over the same period.

Due to the introduction of a central counterparty for derivative clearing and the netting associated with the respective positions, prior-year figures were adjusted in the case of loans and advances to customers, trading assets and liabilities as well as the positive and negative fair values of hedging derivatives, leading to a significant reduction in total assets.

The Core Tier 1 ratio – based on the Basel II Tier 1 capital excluding hybrid instruments – rose from 9.0 % at the 2012 year-end to 9.9 % at the end of the first quarter of 2013. This success is largely thanks to a further reduction of risk-weighted assets as part of our de-risking program.

As expected, the Tier 1 capital ratio declined from 12.0 % at the end of 2012 to 10.0 % as of March 31, 2013. This development is due to the sale of Deutsche Postbank Funding LLC I–IV and Deutsche Postbank Funding Trust I–IV, as described in the Report on Post-Balance Sheet Date Events and the Report on Expected Developments of the 2012 Annual Report, which until December 31, 2012 had been included in the calculation of the Tier 1 ratio as hybrid capital.

Recognized capital was down €165 million as against December 31, 2012, at €5,815 million. This development is mainly attributable to the new requirements for the recognition of pension obligations (elimination of the corridor approach) as well as to changes in the currency translation reserve.

Outlook

Please see the Report on Expected Developments in the 2012 Annual Report for detailed information on business developments at the Postbank Group in fiscal year 2013.

KEY GROUP FIGURES (IFRSs) AS OF MARCH 31, 2013

Income statement	Jan. 1 – March 31, 2013 €m	Jan. 1 – March 31, 2012 €m
Net interest income	586	680
Allowance for losses on loans and advances	–84	–100
Net interest income after allowance for losses on loans and advances	502	580
Net fee and commission income	280	299
Net trading income	3	–39
Net income from investment securities	211	–10
Administrative expenses	–915	–735
Other income/other expenses	4	–6
Profit before tax	85	89
Income tax expense	–19	–25
Profit from ordinary activities after tax	66	64
Non-controlling interests	0	0
Consolidated net profit	**66**	**64**

Balance sheet extract	March 31, 2013 €m	December 31, 2012[1] €m
Total assets	**170,248**	**187,962**
Cash reserve	1,120	2,054
Loans and advances to other banks	25,036	28,297
Loans and advances to customers	104,800	105,615
Allowance for losses on loans and advances	–1,759	–1,745
Trading assets	2,835	4,764
Investment securities	33,904	37,027
Deposits from other banks	18,204	17,334
Due to customers	126,409	131,732
Debt securities in issue	7,780	9,436
Trading liabilities	3,247	5,953
Hedging derivatives	524	1,002
Provisions	2,282	2,974
Subordinated debt	4,723	3,196
Equity	**5,815**	**5,980**
a) Issued capital	547	547
b) Share premium	2,010	2,010
c) Retained earnings	3,188	3,140
d) Consolidated net profit	66	279
Non-controlling interests	4	4

[1] Prior-year figures adjusted

Other key figures		Jan. 1 – March 31, 2013	Jan. 1 – March 31, 2012
Cost/income ratio	%	84.7	79.0
Return on equity before taxes	%	5.5	6.2
Earnings per share[1]	€	0.30	0.29
Headcount (FTEs)	thousand	18.54	19.18
		March 31, 2013	**December 31, 2012**
Risk-weighted assets	€bn	47.49	54.50
Tier 1 capital ratio	%	10.0	12.0

Long-term ratings	March 31, 2013	December 31, 2012
Fitch	A+/outlook stable	A+/outlook stable
Moody´s	A2/outlook stable	A2/outlook stable
Standard & Poor´s[2]	–	A+/outlook negative

[1]Based on 218.8 million shares
[2]The S&P rating was discontinued as of December 31, 2012.

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.