

Deutsche Postbank Group
Interim Management Statement
as of September 30, 2012

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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 September 30, 2012, and those for the corresponding prior-year period or, in the case of balance sheet disclosures, the figures as of December 31, 2011.

Macroeconomic Development

Following sound growth in the first half of the year, the German economy showed increasing signs of a slowdown in the third quarter of 2012, despite growth in industrial production. The Ifo Business Climate Index has fallen steadily in recent months, order intake has declined appreciably, and it seems likely that companies have further scaled back investment in machinery and equipment. At the same time, private consumption has probably risen only moderately. Exports, on the other hand, remained a source of momentum. German companies managed to largely offset weak demand from other euro zone countries, some of which are experiencing a severe recession, by a significant increase in sales volumes outside of the euro zone. Nevertheless, economic output in the third quarter is expected to have only improved slightly overall. Growth in employee numbers came more or less to a standstill, while unemployment rose at a moderate but constant level. The European Central Bank cut its benchmark interest rate to a record low of 0.75 % in July 2012 to bolster the economy in the euro zone.

The ongoing difficult business environment continued to represent a challenge for German banks in the third quarter of 2012. Pressure on margins in the traditional banking business is likely to have continued on the back of stiff competition for customers and sustained low interest rates. The banks are expected to have reduced risk-weighted assets further ahead of stricter regulatory requirements.

Business Performance

Customer business

Postbank's customer business made good progress in an overall difficult environment in the first nine months of 2012. We are addressing the current interest rate environment by expanding our new lending. For example, we increased our new installment loan business by just under 15 % year-on-year to €1.25 billion. We also recorded further growth in the private mortgage lending segment. Including disbursed home savings loans, new business rose by 10 % as against the previous year to €6.6 billion in the first three quarters. As a result, the total private mortgage loan portfolio grew to €74.2 billion, approximately €300 million more than at the end of the previous year. In the deposit business, we developed another innovative product – the Gold-Sparbuch. Our customers have invested over €300 million in this product since its launch. Overall, savings deposits amounted to €54.0 billion as of September 30, 2012, following €54.8 billion at the end of 2011.

Income statement

Postbank generated a profit before tax of €393 million in the first nine months of 2012, following only €12 million in the same period last year. Profit before tax in the third quarter of 2012 amounted to €146 million.

Net interest income was €2,052 million in the first nine months of 2012, down €105 million year-on-year. This was due mainly to continuing very low interest rate levels, which is causing ever-increasing challenges for deposit-rich banks such as Postbank. Furthermore, net interest income was impacted by a negative contribution from hedging (hedging result) compared with the prior year. We also recorded lower interest income from our portfolio of investment securities which we scaled back considerably compared with the previous year as part of our de-risking strategy.

Net trading income declined by €72 million year-on-year in the first three quarters of 2012, to €-71 million. This decline is attributable to measurement effects in the structured credit substitution business and a negative contribution from hedges of foreign currency liquidity, which will reverse over the term of the instruments concerned. Use of the fair value option to manage interest rate risk at BHW Bausparkasse also generated a negative result.

Net income from investment securities amounted to €27 million, following €-449 million in the previous year. We completely liquidated our exposure to Greek government bonds in the third quarter. The total negative effect recognized from this item in 2012 was €35 million.

Net fee and commission income amounted to €880 million in the first nine months of 2012, a decrease of €71 million as against the comparable prior-year period. This decrease, which we had expected, was due among other things to the difficult conditions on the securities markets and the lower income from Transaction Banking after payment processing for the former Dresdner Bank was transferred to Commerzbank in April 2011.

The allowance for losses on loans and advances amounted to €286 million, almost unchanged compared with the first nine months of 2011 (€281 million). This stable trend is due to the solid portfolio structure in the area of international commercial real estate finance and in retail lending, with its significant proportion of highly collateralized German real estate loans.

Administrative expenses amounted to €2,210 million following the first three quarters of 2012 (previous year: €2,363 million), down €153 million or 6.5% on the prior-year period which had been characterized by various special factors.

Total assets

Postbank's total assets rose slightly to €199.1 billion as of September 30, 2012, following €192.0 billion at the end of the last fiscal year and €196.5 billion on June 30, 2012.

The assets side of the balance sheet reflects our continued reduction of capital market investments and risk. The total volume of investment securities declined by an additional €4.4 billion as against December 31, 2011, to €42.1 billion. Loans and advances to other banks rose from €20.3 billion at the end of 2011 to €31.4 billion. They primarily comprise collateralized money market transactions.

On the liabilities side of the balance sheet, amounts due to customers grew slightly, totaling €135.0 billion as of September 30, 2012, compared with €134.1 billion at the end of 2011. Deposits from other banks rose by €5.0 billion to €25.0 billion.

At €6,138 million, recognized capital was up €429 million as against December 31, 2011. The Tier 1 capital ratio was 11.3 %.

Outlook

Please see our previous publications, and in particular the Report on Expected Developments in the annual report and the half-yearly financial report, for information on business developments at the Postbank Group in fiscal year 2012.

We currently expect that the net interest income and net fee and commission income operating earnings lines will be below the results for fiscal year 2011 in 2012. Cumulatively, net trading income and net income from investment securities will make a negative contribution to earnings in full-year 2012 due to the continued drive to reduce investment securities in the fourth quarter. Given the macroeconomic conditions, Postbank expects a largely stable development of the allowance for losses on loans and advances in 2012 compared with 2011. Postbank expects that administrative expenses will decline tangibly in 2012 compared with the past fiscal year. As a result of even stricter cost management, the reduction could turn out to be greater than envisioned in the Report on Expected Developments found in the annual report.

Based on its encouraging performance in the first nine months of 2012, we believe that Postbank will achieve clearly positive results in the current fiscal year and beyond, and that it will continue to extend its strong market position in the retail, business, and corporate customers sectors.

Key Group Figures (IFRSs) as of September 30, 2012

Income statement	Jan. 1 – Sept. 30, 2012 €m	Jan. 1. – Sept. 30, 2011 €m
Net interest income	2,052	2,157
Allowance for losses on loans and advances	-286	-281
Net interest income after allowance for losses on loans and advances	1,766	1,876
Net fee and commission income	880	951
Net trading income	-71	1
Net income from investment securities	27	-449
Administrative expenses	-2,210	-2,363
Other income/other expenses	1	-4
Profit before tax	393	12
Income tax expense	-64	-6
Profit from ordinary activities after tax	329	6
Non-controlling interests	0	0
Consolidated net profit	329	6

Balance sheet extract	Sept. 30, 2012 €m	Dec. 31, 2011 €m
Total assets	199,082	191,982
Cash reserve	1,361	3,652
Loans and advances to other banks	31,427	20,322
Loans and advances to customers	110,727	110,740
Allowance for losses on loans and advances	-1,848	-1,826
Trading assets	9,452	6,892
Investment securities	42,132	46,480
Deposits from other banks	25,043	20,024
Due to customers	135,013	134,126
Debt securities in issue	10,882	12,727
Trading liabilities	11,135	8,591
Hedging derivatives	2,181	1,817
Provisions	2,601	2,557
Subordinated debt	5,165	5,438
Equity	6,138	5,709
a) Issued capital	547	547
b) Share premium	2,010	2,010
c) Retained earnings	3,248	3,037
d) Consolidated net profit	329	111
Non-controlling interests	4	4

Other key figures		Jan. 1 – Sept. 30, 2012	Jan. 1 – Sept. 30, 2011
Cost/income ratio	%	76.5	88.8
Return on equity before taxes	%	8.7	0.3
Earnings per share ¹	€	1.50	0.03
Headcount (FTEs)	thousand	19.14	19.8
		Sept. 30, 2012	Dec. 31, 2011
Risk-weighted assets	€bn	57.1	57.1
Tier 1 capital ratio	%	11.3	10.8

Long-term ratings	Sept. 30, 2012	Dec. 31, 2011
Fitch	A+ /outlook stable	A+ /outlook stable
Moody's	A2/outlook stable	A1/outlook negative
Standard & Poor's	A /outlook positive	A /outlook negative

¹Based on 218.8 million shares

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This Interim Management Statement contains forward-looking statements that relate to macroeconomic developments (in particular the development of money and capital market rates), the business and the net assets, financial position and results of operations of the Postbank Group. Forward-looking statements by definition do not depict the past and are in some instances indicated by words such as "believe", "anticipate", "predict", "plan", "estimate", "aim", "expect", "assume" and similar expressions. Forward-looking statements are based on the Company's current plans, estimates, projections, and forecasts and are therefore subject to risks and uncertainties that could cause actual development or the actual results or performance to differ materially from the development, results or performance expressly or implicitly assumed in these forward-looking statements.

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

The English version of the Interim Management Statement constitutes a translation of the original German version. Only the German version is legally binding.