Deutsche Postbank AG, Bonn
Annual Financial Statements (HGB)
as of December 31, 2009

2009

Postbank

Deutsche Postbank AG, Bonn
Annual Financial Statements for the Period Ended December 31, 2009 and Management Report for Fiscal Year 2009

Deutsche Postbank AG Management Report

I Business and Environment

Organization and management

Business activities

Deutsche Postbank AG (Postbank) provides financial services for retail and corporate customers as well as other financial services providers based 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.

Key locations

The headquarters of Postbank is located in Bonn and – for parts of the Financial Markets division – in Frankfurt am Main. Postbank also maintains a network of 852 branches across Germany. The subsidiary BHW Bausparkasse AG is domiciled in Hameln.

In European regions outside Germany, Postbank is represented in its retail banking business in Luxembourg and in Italy. Postbank conducts private mortgage lending in the Indian market through a subsidiary.

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.

Group management at Postbank

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

The central profitability target for the capital market-oriented management of the Postbank Group is the expectation of returns on equity in accordance with IFRSs, as measured by return on equity (RoE) before and/or after taxes.

This includes profit after tax, a parameter that allows reconciliation from profitability to efficiency. Through the use of the fundamental earnings components of total income and administrative expenses, the cost income ratio (CIR) can be determined as the central benchmark for income and productivity management, and, as a result, for efficiency. It measures the ratio of administrative expenses to total income before the allowance for losses on loans and advances.

As the most critical parameter used to assess and manage earnings power, total income includes in particular 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 conducted in a similar manner to the way it is performed on the Group level, in which expectations for returns are measured on the basis of RoE before taxes. The allocation of equity to the segments is based on their risk capital requirements.

The previously mentioned income and expense figures serve as 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.

The variable remuneration of employees and executives in the Postbank Group is closely linked to this management system. It is based on loss/profit before tax and the CIR. As a result of new regulatory requirements for our executives and risk takers, a sustainability factor will be used to calculate a portion of the variable remuneration in the future, the so-called earnings component (which makes up 30% to 40% of variable remuneration). The earnings component itself is evaluated after the end of the fiscal year, withheld, and then evaluated according to the sustainability factor in the following third year. At that time, where appropriate, it becomes due and is paid out. This sustainability factor is based on the concept of economic value added and further anchors value-focused, sustainable thinking in the incentive system at Postbank.

I Disclosures in accordance with section 289(4) of the HGB and explanatory report

Share capital, voting rights, and transfer of shares

Postbank's share capital amounted to €547,000,000 as of December 31, 2009 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 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 the general statutory provisions and the Company's Articles of Association, which do not limit either of the two. Article 17 of Deutsche Postbank AG's Articles of Association 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 %

The Federal Republic of Germany holds an 80 % equity interest in KfW Bankengruppe, which in turn holds an interest of around 30.5 % in

Deutsche Post AG, which has an interest in Postbank of around 39.5 %. In addition, Deutsche Bank AG notified us in writing on March 9, 2009, that it holds a 25 % stake plus one share in Deutsche Postbank AG.

The free float traded on the stock exchanges therefore amounts to around 35.5 % of Postbank's share capital. According to the disclosures received by us in accordance with section 21(1a) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) as of December 31, 2009, the Company is not aware of any other shareholders that directly or indirectly hold more than 10 % of the share capital.

Powers of the Management Board to issue or repurchase shares
On April 22, 2009, the Annual General Meeting of Postbank adopted the following resolutions:

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions by up to a total of €273,500,000 up to April 21, 2014, by issuing new, non-voting no-par value registered shares against cash and/or non-cash contributions (including mixed non-cash contributions) (Authorized Capital). This authorization can be exercised in full or in part. Shareholders are generally granted pre-emptive subscription rights. The new shares may also be subscribed by a bank determined by the Management Board or by a banking consortium stipulated by the Management Board and subject to the obligation that they then be offered to shareholders for subscription (indirect pre-emptive subscription rights).

Moreover, the Management Board is authorized to increase the Bank's share capital contingently by up to €164,100,000 by issuing up to 65,640,000 new no-par value registered shares (Contingent Capital 1). The contingent capital increase serves to issue shares to the holders and/or creditors of convertible bonds and/or bonds with warrants, participating bonds and/or profit participation certificates (or combinations of these instruments) and is only to be performed insofar as option rights and/or conversion rights are used and/or the conversion obligation is met.

The specific provisions governing Authorized Capital and Contingent Capital I are contained in our Articles of Association, which are available on our website.

On April 22, 2009, the Annual General Meeting of Postbank renewed the Management Board's global authorization to purchase own shares. Accordingly, the Management Board is authorized to purchase own shares up to a total of 10 % of the share capital.

First, the Company is thus authorized to purchase and sell own shares for the purpose of securities trading in accordance with section 71(1) no. 7 of the *Aktiengesetz* (AktG – German Stock Corporation Act) up to October 21, 2010. The holdings of shares to be purchased for this purpose may not exceed 5% of the Company's share capital at the end of any given day. In addition, shares purchased on the basis of this authorization together with other shares of the Company that the Company has already purchased and still holds may not account for more than 10 % of the share capital at any time.

Second, the Company is authorized in accordance with section 71(1) no. 8 of the AktG to purchase own shares amounting to up to a total of 10 % of the share capital existing at the date the resolution is adopted, up to October 21, 2010. This figure includes shares that the Company has already purchased and still holds. The Management Board may only utilize shares purchased on the basis of the authorization for purposes other than sale via the stock exchange or via an offer to all shareholders if the purposes concerned are specified in the authorization. The approval of the Supervisory Board is required in each case.

In the year under review the Bank made use of its authorization to purchase own shares to a small degree. A total of 12,292 shares with a market value of €176,000 were acquired. The resale of these treasury shares led to a loss of €12,000. At the balance sheet date, Postbank did not hold any treasury shares.

The details are provided in the motions resolved by the Annual General Meeting on agenda items 6 and 7 of the Annual General Meeting on April 22, 2009, which are also available on the Company's website.

It is common practice among listed German stock corporations for the Annual General Meeting to reissue the authorization to purchase own shares every year. The Management Board and the Supervisory Board will propose to the Annual General Meeting on April 29, 2010 that this authorization be renewed.

Appointment and dismissal 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 prove to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and Deutsche Bundesbank before the intended appointment of members of the Management Board that the proposed members have sufficient theoretical and practical knowledge of the Bank's business as well as managerial experience.

Amendments to the Articles of Association
Postbank's Articles of Association may be amended in accordance with the provisions of sections 119(1) no. 5 and 179 of the *Aktiengesetz* (German Stock Corporation Act). Under these provisions, amendments to the Articles of Association require a resolution by the Annual General Meeting. 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) of the Articles of

Association, 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, votes 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
Deutsche Postbank AG has entered into sales agreements with Talanx Aktiengesellschaft and its subsidiaries PBV Lebensversicherung AG (formerly BHW Lebensversicherung AG), Postbank Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft. These agreements cover the brokerage and sale of insurance products from Talanx 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, Postbank 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 Deutsche Postbank AG (change of control), whereby such control may be acquired either directly by way of the direct acquisition of control of Deutsche Postbank AG, or indirectly by way of the acquisition of control of an entity that controls Deutsche Postbank AG either directly or indirectly. Should PBV Lebensversicherung AG, Postbank 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 Deutsche Postbank AG and the remuneration generated by this, which is of material importance for the Company's business operations.

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

Declaration on corporate governance in accordance with section 289a HGB

The corporate governance declaration is accessible on our website at www.postbank.de/ir.

Remuneration of the Management Board and the Supervisory Board

Structure of the remuneration of the Management Board in fiscal year 2009
The overall structure of the remuneration of the Management Board as well as significant contract components are stipulated by the Supervisory Board of Deutsche Postbank AG and regularly reviewed.

The Executive Committee of the Supervisory Board discusses the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG, taking into account the Company's performance, the sector, and the prospects for the future.

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 situation, and the tasks of the 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 linked to performance.

Overall remuneration consists of fixed components and a performance-related component.

The base pay (fixed components), other compensation and pension commitments are not linked to performance. The base pay is paid as a monthly salary in twelve equal installments.

The standard performance-related (variable) component consists of the annual bonus.

The annual bonuses awarded to members of the Management Board are paid according to the achievement of quantitative and/or qualitative targets. These targets form part of a target agreement established at the start of each fiscal year. The size of the bonuses is based on the degree to which predetermined target values are reached or exceeded.

The size of the bonus is capped on the basis of individual agreements. The maximum annual bonus is granted where the upper target value specified for the fiscal year is reached. The variable remuneration component can exceed the fixed remuneration component.

The Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance.

New structure of the remuneration of the Management Board
In fiscal year 2009, the Supervisory Board intensively reviewed the remuneration system for the Management Board of Deutsche Postbank AG and approved adjustments to the remuneration system, taking new statutory and regulatory requirements into account. In the future, remuneration of the Management Board will be more strongly oriented on sustainable corporate development.

Overall remuneration will continue to consist of fixed and performance-related components.

The base pay (fixed components), other compensation and pension commitments are not linked to performance. Base pay is paid as a monthly salary in twelve equal installments.

The annual bonus is linked to performance.

The annual bonuses awarded to the members of the Management Board are based on the achievement of quantitative and/or qualitative targets. These targets form part of a target agreement established at the start of each fiscal year (base year). The size of the bonuses is based on the degree to which predetermined target values are reached or exceeded. The size of the bonus continues to be capped on the basis of individual agreements.

In the future, the annual bonus will no longer be paid out in full on an annual basis, even when the targets agreed on have been reached.

Instead, 60 % of the annual bonus calculated on the basis of target attainment will be subject to the proviso of sustainable Group performance. Sustainability of the Group's performance will be determined three fiscal years after the base year (sustainability phase). The long-term component will not be paid out until after the sustainability phase has ended and only if the relevant sustainability criterion to be established by the Supervisory Board has been met. If the sustainability criterion is positive or equal to or better than in the base year during the sustainability phase, then the long-term component will be paid in the fourth year after the base year. Otherwise, the payment is forfeited without compensation. Remuneration of the Management Board is thus affected by negative developments in the Company during the entire measurement period (malus system).

Remuneration of the Supervisory Board

Article 15 of the Articles of Association of Deutsche Postbank AG establishes the remuneration system. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of fixed and performance-related components, 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 chair and deputy chair as well as membership of a committee are reflected in the remuneration.

The breakdown of the remuneration paid to a full Supervisory Board member who is not a member of any of the Supervisory Board committees is as follows: The annual fixed component amounts to €15,000, while the annual performance-related 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 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 current fiscal year exceeds the consolidated net profit per share for the fiscal year preceding the current fiscal year.

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 to the annual financial statements.

Employees

At the end of 2009, Deutsche Postbank AG employed 4,450 full-time equivalents, about 390 fewer than as of December 31, 2008. This figure includes an increase of approximately 120 full-time equivalents resulting from the transfer of employees from the Resources department of BHW Bausparkasse AG and PB Filialvertrieb AG to Deutsche Postbank AG and a decrease of approximately 560 full-time equivalents resulting from the outsourcing of retail banking call center activities to PB Direkt GmbH, the new call center subsidiary. Adjusted for these transfers in the Resources department and the outsourcing of call center activities, the headcount in Postbank AG increased by around 50 employees compared with the end of 2008. Approximately 37 % of the total number of employees are active civil servants. Around 12 % of our employees have part-time employment contracts.

Deutsche Postbank AG 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 2009

Global economy

At the beginning of 2009, the world's economy was experiencing its most deeply reaching recession in decades. As a result of the financial market crisis, companies dramatically cut back on their investments. Industrial production suffered an unparalleled reversal. International trade was hit hardest by the crisis, however. Many countries reacted to this extreme situation by initiating sweeping rescue programs in an attempt to stabilize the economy. These programs appeared to have a positive impact during the course of the year: the global economy and trade recovered from the previous setbacks. Nonetheless, global economic output contracted by 0.8 % in 2009 after growing by 3 % during the previous year.

In 2009, the United States experienced its worst economic downturn in 60 years. Gross capital expenditures were dramatically affected, plunging by about 18 %. The contraction in imports and exports was also exceptionally severe. Despite government-sponsored incentives like tax breaks and cash-for-clunkers programs, private consumption fell below the previous year's level. The economic problems were restricted to the beginning of the year. By the second half, the economy had already recovered. But this improvement could not prevent the gross domestic product (GDP) from slipping 2.6 % overall in 2009.

The emerging countries of Asia were indeed affected by the global economic crisis. But they were able to get back on their feet much faster than other regions. By spring, impressive growth rates were being generated once again. China set the pace, with a massive infrastructure program underpinning the domestic economy. Even though exports plunged by 16 %, growth in 2009 GDP slipped only slightly to 8.7%. Japan was hit particularly hard by the plunge in international trade at the start of the year as a result of its extensive dependency on exports. In 2009, exports sank nearly 25 % compared with the previous year. Faced with these business conditions, companies made drastic cuts in their investments. Despite the economic recovery that occurred as the year progressed, GDP fell measurably in 2009 by 5 %.

The global economic and financial market crisis also triggered a deep recession in the euro zone at the beginning of 2009. Exports collapsed. Companies made investment cuts whose speed and extent were unprecedented. Unemployment rose substantially, leading consumers to cut back on their spending. Not least because of the sweeping government stimulus programs, the economy began to stabilize in the spring, and a moderate economic recovery followed in the second half of the year. But this recovery was not nearly strong enough to offset the previous slump. As a result, GDP fell by 3.9 % in 2009.

German economy experiences its worst postwar recession

The German economy was hit particularly hard by the global economic crisis. In 2009, GDP plunged 5.0 % from the previous year's level, even though positive growth rates began to be generated in the second quarter compared with the previous quarter. Germany's extensive reliance on exports proved to be its Achilles' heel during the global recession. In the winter period of 2008/2009, exports plunged steeply. Year-on-year, exports fell 14.2 % in 2009. Because the decrease was much smaller for imports, foreign trade was responsible for 3.0 percentage points of the drop in GDP. During the crisis, companies also dramatically lowered their gross capital expenditures and inventories. The latter resulted in a negative impact on GDP growth of 0.9 percentage points. Investments in machinery and equipment were cut by 20.5 %. By contrast, investments in construction proved to be comparatively stable, dropping only 0.8 %. This was not least the result of a government-funded infrastructure program, which contributed to a 5.2 % increase in public-sector investments in construction. By contrast, investments in residential construction dropped by 0.8 % and in commercial construction by about 3 %.

Private consumption in Germany grew by a real 0.2 % in 2009 and turned out to be a stabilizing factor during the crisis. The slight increase was stimulated by the government-funded cash-for-clunkers program, which fueled a large increase in spending for transport and telecommunications. Private households also benefited from the high level of price stability. At an annual average of 0.4 %, the inflation rate was at its lowest level since German reunification. The German job market proved to be astonishingly robust in face of the extent of the steep economic downturn. On average, the number of unemployed people increased only by 155,000 workers during the year. The unemployment rate rose by 0.4 percentage points to 8.2 %. At the same time, the number of hours worked dropped in nearly all economic areas as a result of the wide-scale use of shortened workweeks, the reduction of hours in working-time accounts and temporary workweek cutbacks governed by collective-bargaining agreements.

In general, macroeconomic developments in Germany and other major economies were much more unfavorable in 2009 than we had expected at the time of our last Annual Report.

Market developments

At the beginning of 2009, financial markets were in a state of paralysis that was triggered by the collapse of the U.S. investment bank Lehman Brothers in September 2008 and was further intensified by ever-clearer signs of the immense global recession. Conditions worsened in nearly every market segment well into March. But as spring began, the sweeping government economic-rescue packages and the strategy of leading central banks to provide market participants massive amounts of liquidity at extremely reasonable conditions had a positive impact. These efforts were supported by the gradual economic recovery that occurred as the year progressed. Investor wariness and market players' distrust of one another slowly faded. By year's end, the resulting decline in risk aversion and the large amount of available liquidity had noticeably settled financial markets. During the year, risk premiums in virtually all market segments fell below the level demanded before the financial crisis escalated in the fall of 2008.

At the beginning of the year, stock market prices came under massive downward pressure. Deeply reduced earnings expectations and worries about a substantial jump in the number of insolvencies sent leading stock indexes of industrial nations plunging more than 25 % through March. Financial stocks were hit particularly hard once again as the financial crisis led to a continued need for substantial writedowns and adjustments at banks. As the economic stabilization began and the sweeping steps taken by governments and central banks to prop up the economy and financial markets took hold, a reversal occurred. The leading stock indexes quickly rebounded from their bottoms. By year's end, indexes had risen dramatically. The DAX climbed about 24 % during the year. The EURO STOXX 50 and the S&P 500 followed suit, rising +21 % and +23 %, respectively. These factors also had a positive effect on the prices of other securities. Risk premiums for corporate bonds did indeed rise at first. But they ended 2009 well below the levels seen at the beginning of the year, and they frequently were below the levels immediately before the finance crisis began to escalate in the fall of 2008.

In response to the weak economy and the financial-market crisis, leading central banks introduced extremely expansive monetary policies in 2009. The Federal Reserve in the United States kept its key interest rate at nearly 0 % throughout the year. In addition, it provided large amounts of liquidity by taking unconventional steps, particularly the direct purchase of securities.

The European Central Bank (ECB) cut its key rate from 2.5 % at the beginning of the year to 1 % in May and kept it at this level for the remainder of the year. Beginning in June, it opened bidding on 12-month refinancing operations for the first time and launched a program to purchase covered bonds in July. As a result of these unconventional steps, the monetary policy in the euro zone was even more expansive than the key interest rate of 1 % indicated. Subsequently, very short-term money-market rates fell below this level. During the second half of the year, these rates were closely oriented on the deposit-facility rate, which was reduced to 0.25 %.

Fears of a prolonged economic crisis and the related flight into the safe havens of government bonds caused capital market interest rates in the euro zone to fall to historical lows at the turn of the year 2008/2009. As signs of economic stabilization emerged and the appetite for risk increased once again as a result, these rates tended to move upward beginning in April despite the continued cuts made in key interest rates. After reaching an interim high in June, the upward movement eased considerably in the second half of the year. By the end of 2009, the yield of 10-year German bunds was about 3.4 %, more than 0.4 percentage points above the previous year's level. By contrast, the yield of 10-year U.S. government bonds climbed considerably over the same period by about 1.6 percentage points to a good 3.8%. As a result, the yield curves steepened significantly in both the euro zone and the United States during the year.

Foreign-exchange markets were affected in particular by the widely alternating appetite for risk among investors and market players. During the first months of 2009, the dollar profited from its role as a "safe haven," a development that caused the euro to fall from about $1.40 at the beginning of the year to $1.25 in March. Once the financial markets recovered strongly, the security factor moved increasingly into the background. As a result, the euro climbed above the level of $1.50. By year's end, it stood at about $1.43, 2.7 % above the rate at the end of the previous year.

The markets tended to move in the direction that we expected in the last Annual Report. We had anticipated for 2009 a modest rise in yields in the euro zone and a steepening of the yield curve. The cuts in key interest rates and the drop in money-market interest rates were much more extensive than forecast.

Sector situation

Since the financial-market crisis erupted in mid-2007, the volume of writedowns, adjustments and losses caused by distressed assets at financial institutions around the world has totaled about $1.7 trillion. During the same period, these institutions raised about $1.5 trillion in fresh capital, some of which was provided by government-backed relief funds, to strengthen their equity base. Overall, tensions eased in 2009 compared with the previous year. While financial institutions had to absorb considerably more than $1,000 billion in writedowns, adjustments and losses for the entire year of 2008, this figure amounted to less than $340 billion in 2009. Because the reporting season for financial institutions for fiscal year 2009 has not been concluded yet, this total may indeed rise for 2009. But it should remain considerably below the 2008 level overall and thus underscore an easing of tension on financial financial markets. After some U.S. banks began in the first half of 2009 to repay portions of the government support they had received, various European lending institutions followed their example in the second half of the year. But even after two years, the global financial-market crisis cannot yet be assigned to the history books. In 2009, 140 banks in the United States filed for bankruptcy, almost six times as many as in the previous year. This was the largest wave of insolvencies since 1992.

In Germany, various private and public-sector banks utilized government economic bailout funds in 2009 in connection with the global financial-market crisis in the banking sector.

In analyzing business developments at German banks, we considered, as we did in the previous quarter, the banks listed in Deutsche Börse's Prime Standard with the exception of Hypo Real Estate. Overall, a mixed picture emerges from a comparison of business results from the first three quarters of 2009 with those of the previous year's period. All banks were indeed able to increase net interest income. But all of them raised their allowances for losses on loans and advances, and just one bank was able to boost its net interest income following its allowance for losses on loans and advances year-on-year. Net fee and commission income fell at nearly all institutes, and just one bank was able to cut administrative expenses. Half of the banks improved their net trading income or increased their return on equity. With one exception, all banks lowered their cost-income ratios and reported a post-tax profit. In operational terms, only half of the banks were operating at a profit. On the stock market in the fourth quarter, the four German banks were unable to continue performing as well as they did in the previous two quarters. All four saw their shares fall in the fourth quarter of 2009. In terms of the unweighted average, their stock prices dropped about 15 % during this period, significantly underperforming the DAX, which rose 5 %. The stock prices of all four banks remain considerably below the individual levels they reached before the financial crisis began in mid-2007.

The banking landscape in Germany continues to be characterized by the three-pillar structure of private banks, savings banks and co-operative banks. During the fourth quarter, no consolidation activities among the individual pillars were observed. Within the private-banking pillar, the takeover of Sal. Oppenheim jr. & Cie. KGaA by Deutsche Bank took concrete shape as expected. Both parties in the transaction agreed on the conditions in a framework agreement. The acquisition is scheduled to be completed in the first quarter of 2010.

Significant events at Postbank in 2009

On February 5, 2009, Postbank issued its third *Jumbo Hypotheken-pfandbrief* with a volume of €1 billion and a five-year term.

On July 3, 2009, Postbank issued its first *Öffentlicher Pfandbrief* with a volume of €1 billion. On August 20, 2009, the total was increased to €1.5 billion.

Deutsche Bank announced on March 9, 2009, that it now held a stake of 25 % plus one share in Postbank. The shares were primarily acquired during the completion of a transaction with Deutsche Post AG.

The Annual General Meeting of Deutsche Postbank AG was held on April 22, 2009, in Frankfurt. All motions were approved by large majorities.

At its meeting on May 29, 2009, the Supervisory Board of Deutsche Postbank AG appointed Stefan Jütte to become the new Chairman of the Bank's Management Board effective July 1, 2009. Before making the appointment, the Supervisory Board and the previous Chairman of the Management Board, Wolfgang Klein, decided under amicable conditions and in mutual agreement that he would step down on June 30, 2009, after nine years of successful service at Postbank. Dirk Berensmann, the Management Board member serving as COO for the IT/Operations division, and the Supervisory Board of Postbank reached an agreement on the end of his responsibilities effective May 29, 2009. He was succeeded on May 30, 2009, by Mario Daberkow, who previously oversaw Transaction Banking at Postbank in his capacity as Executive Manager.

On November 25, 2009, Postbank announced as part of a sharpening of its strategic focus that it intended to achieve an operating return on equity after taxes of about 13 % over the medium and long term. To strengthen its equity base, Postbank intends to retain its earnings through 2012.

Postbank sold its call center units to Postbank Direkt GmbH, Bonn, as part of an asset deal, effective as of the conclusion of September 30, 2009.

Postbank Privat Investment GmbH, Bonn, was sold to KAS Bank N.V., Amsterdam, effective July 31, 2009.

Significant events after the reporting date

There were no significant events after the reporting date.

Postbank's investment focuses in 2009

Investment focuses of Postbank in 2009 consisted of strategic projects in our customer business as well as the introduction of refined models to measure risk and to optimize liquidity-management systems.

Investments in measures to achieve SEPA compliance and to implement legal and regulatory requirements, including the Payment Service Directive and the consumer-loan regulation as well as the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Modernization Act), Basel II and the flat tax, also moved forward. Planning for the creation of a strategic reporting architecture was also initiated.

To improve the approach to customers, partnership projects designed to ensure national availability of cash to customers were started. In addition, work continued on the project called "strategic branch-network management," in which Postbank branches are being modernized.

Net Assets, Financial Position, and Results of Operations

Income statement

Tough conditions on international financial and real estate markets as well as in the real economy continued in fiscal year 2009. Germany had to cope with record drops in economic output in the first half of the year in particular. Weak growth in the global economy also extended to international real estate markets, particularly in the U.S.A. and the United Kingdom.

The adverse conditions in the business environment also impacted Postbank's earnings situation. Even though customer business performed well, particularly in the Retail Banking and Corporate Banking segments in Germany, the income statement was hit by negative effects from the Bank's risk positions caused by the unfavorable external factors. However, the impact from these special factors was significantly lower than in the previous year, with the result that Postbank reported a loss after tax of €492 million for fiscal year 2009 (previous year: loss of €1,170 million).

Although the earnings situation was adversely affected in 2009 by the situation in capital markets and the need for allowances for losses on loans and advances, customer business performed well overall. The Bank managed to improve its market position and gain market share in various core business segments. It managed to achieve significant increases in volume, particularly in savings business. Sustained volatility in capital markets led our customers to continue to display a lack of purchasing appetite in securities and the long-term endowment insurance business.

Individual items

Net interest income

In fiscal year 2009, net interest income was 20.7% down year-on-year at €1,848 million.

The low interest rate level together with a sharp drop in short-term interest rates during 2009 poses a challenge for deposit-rich banks such as Postbank in terms of net interest income from savings and demand deposits. Although the pressure on margins in these product areas eased during the course of 2009, it did not disappear altogether compared with 2008. At the same time, we are benefiting from the steeper yield curve in comparison to 2008, for example from the natural maturity structure of our customer business with its relatively short-term deposits and long-term oriented loan business.

In this difficult environment, net interest income fell by €485 million. It should be noted here that net interest income in 2008 was higher than would otherwise have been the case owing to special factors in the fourth quarter.

The increase in savings volume in tough market conditions allowed us to achieve significant reductions in short-term interbank refinancing.

Current income of €345 million resulted almost entirely from special fund payouts and was down by €63 million overall.

Net fee and commission income

Net fee and commission income amounted to €435 million in fiscal year 2009, down by €103 million on the previous year. The increase in net fee and commission income in payment transactions as well as in lending and guarantee business was partially offset by an increase in expenses on brokerage commissions. There was a reduction in securities and insurance business owing to customer caution. Income from the savings account management fees introduced in 2008 fell sharply in line with our forecasts.

Net income from financial operations

Net income from financial operations climbed by €129 million year-on-year and amounted to €160 million.

Income from financial instruments included realized measurement gains from interest rate derivatives amounting to €931 million (previous year: loss of €852 million) and unrealized measurement losses on financial derivatives amounting to €886 million (previous year: gains of €792 million).

The improvement in net income from financial operations is largely attributable to the foreign exchange gain of €82 million (previous year: loss of €40 million). In addition to the effect of a fall in hedging costs, there was a positive impact in this case, in particular, from the control exercised over the currency risk inherent in special funds. In 2009, this risk was controlled in full by the Bank's Treasury department and no longer by the special funds themselves.

Administrative expenses

Administrative expenses decreased in the year under review by €29 million to €2,311 million (previous year: €2,340 million). This included a decrease in personnel expenses of €52 million. The fall in this figure is attributable to the staff-related provisions of €38 million in fiscal year 2008. Other non-staff operating expenses rose by €23 million in the year under review to €1,624 million (previous year: €1,601 million). This increase is essentially attributable to negative one-time effects, such as the first-time payment to BCB Bank AG for services rendered covering a whole year, the payment made since October 2009 to PB Direkt GmbH, and impairment losses on property. We will continue to push ahead with our cost management program in order to counter the economic pressure on the earnings situation.

Net measurement gains/losses

In fiscal year 2009, there was a sharp reduction in the allowance for losses on loans and advances related to securities in the amount of €119 million (previous year: a reduction of €1,132 million). This was a consequence of the easing in the negative effects of the financial-market crisis on structured credit products and a continuation in the low level of interest rates. Fiscal year 2009 therefore saw a significant decline in the considerable adverse impact from structured credit products experienced in 2008.

At €–550 million, net measurement losses in the lending business improved in the year under review, up €284 million on the previous year. In view of the overall economic situation and the tense conditions in real estate markets, the Bank carried out a comprehensive review of risk positions in the fourth quarter. The main outcome was that specific valuation allowances related to commercial real estate finance were increased.

Following a random sampling examination conducted by the Deutsche Prüfstelle für Rechnungslegung e.V. (Financial Reporting Enforcement Panel, FREP), the FREP was of the opinion that an addition to the allowance for losses on loans and advances in the lending business of €55 million posted in fiscal year 2009 ought to have been recognized at the end of 2008. To prevent any delay to the year-end closing process for 2009, the Bank decided to agree with this opinion, particulary as it results in no change to net profit/loss when viewed across both reporting periods. As a consequence, the writedowns and adjustments to loans and advances in fiscal year 2009 included €55 million that was attributable to fiscal year 2008.

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

Writedowns amounting to €435 million (previous year: €687 million) were recognized as part of a review of the carrying amounts of investments for Postbank subsidiaries. Writedowns and provisions for anticipated losses on fixed-income securities amounting to €92 million (previous year: €136 million) were also recognized.

Other income

Net other income and expenses amounted to €382 million, following €620 million in the previous year. Other operating income included income from reimbursements of personnel and non-personnel expenses amounting to €255 million. Rental income amounting to €61 million (previous year: €45 million) was also reported. In fiscal year 2009, the Bank sold its call center units to Postbank Direkt GmbH. This generated sale proceeds of €20 million.

Expenses from loss absorption

In fiscal year 2009, Postbank incurred expenses amounting to €18 million (previous year: €5 million) for the settlement of losses arising in connection with profit and loss transfer agreements with subsidiaries and equity investments.

Loss before tax

Loss before tax amounted to €459 million in fiscal year 2009, after a loss of €1,057 million in the previous year.

Taxes on income

Taxes on income amounted to €33 million (previous year: €113 million). Of this amount, €1 million arose following the completion of a tax audit for the periods from 1998 to 2000 and 2001 to 2004.

Loss for the period

The loss for the period was €492 million (previous year: €1,170 million).

Changes in the balance sheet structure

Total assets

Total assets as of the reporting date of December 31, 2009 were €177.2 billion, €16.3 billion lower than the previous year. One of the main features of this development on the asset side was the reduction in securities as part of our program to improve risk structure and earnings quality.

On the liabilities side, there was an increase in deposits from customers as a result of the growth in this area, and a decrease in deposits from other banks.

Loans and advances to customers

As a consequence of increased volumes in our commercial financing and retail banking business, loans and advances to customers rose to €70.5 billion, a year-on-year increase of 1.8 %.

Money and capital market investments

Money and capital market investments – loans and advances to other banks and bonds – declined to €83.5 billion and were therefore €18.4 billion below the figure as of December 31, 2008.

Postbank continued to scale back its volume of securities in accordance with its program to improve risk structure and earnings quality and, as a result, reduced securities by €13.6 billion.

Loans and advances to other banks amounted to €29.2 billion, around €5.2 billion lower than at the end of 2008. The main reasons for this decrease were a reduction in securities repurchase agreements of €3.2 billion and a decrease in term deposits of €1.3 billion.

Due to customers

In the year under review, amounts due to customers increased by 14.4% and reached €114.7 billion, up €14.5 billion on the prior-year figure. In particular, savings deposits with a three-month withdrawal notice period enjoyed increasing popularity and rose by €14.2 billion to €49.1 billion. Of this increase, €11.3 billion was attributable to our "Gewinnsparen" product. There was also an increase of €6.0 billion in demand deposits. On the other hand, there was a decline of approximately €5.9 billion in the "Kapital plus" and "Kapital plus direct" products.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks and debt securities in issue, were reduced by €30.3 billion to €50.5 billion.

The Bank's sound refinancing situation resulting from its strong deposit business on the one hand and the asset-side reduction of investment securities on the other enabled a significant reduction in deposits from other banks, which fell by €31.5 billion to €34.7 billion. For the most part, these comprise liabilities arising from repo and open market transactions.

Debt securities in issue rose by €1.2 billion to €15.8 billion. This increase was attributable to *Jumbo Hypothekenpfandbriefe* issued in 2009 with a volume of €1 billion and to the placement of the first public-sector *Jumbo Pfandbrief* with a total volume of €1.5 billion.

Equity

Equity amounted to €1,650 million as of December 31, 2009, compared with €2,154 million at the end of 2008.

In the year under review, the loss for the period was €492 million compared with a loss of €1,170 million in 2008.

Creditors under silent participations and parts of the holders of profit participation rights shared in this loss in the amount of €13 million. In addition, Postbank reduced the share premium by €479 million, enabling it to report a balance sheet profit of zero.

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 were either taken or omitted on the instructions of or in the interests of DPAG or its affiliated companies."

Risk Report

Summary overview of risk exposure

Following the turbulence of 2008, the crisis in the financial markets spread to the real economy in 2009. Even though central bank intervention and a return of confidence resulted in a considerable improvement in bank liquidity, there was a significant deterioration in the creditworthiness of many borrowers. Spread markets and risk premiums substantially improved in the second half-year accompanied by rallying stock markets. In contrast, even though the sharp downswing in the world economy came to an end, economic growth from the low levels in Germany and the prime western countries was moderate. The reaction of Deutsche Postbank AG (referred to below as Postbank) to this market environment was prudent and the level of exposures was not increased in order to avoid vulnerability to setbacks on the capital markets. In present value terms, the Bank was able to take profits on narrowing spreads. In net interest income, the adverse effect of very low interest rates on customer business margins was held in check by the favorable impact of low interest rates on funding. Each of these two risks can bring either significant potential opportunities or losses in present value terms.

In 2009, as in the previous year, the income statement was to a high extent dominated by risks which materialized in the SCP (Structured Credit Products) portfolio, albeit less than in 2008. As expected, loan losses were heavier than in past years. Retail business, again as expected, was robust, whereas corporate loans, above all commercial real estate finance in foreign markets and to a certain extent in Germany, were significantly affected by restructurings, rescues and defaults. Postbank expects additional adverse impacts on the income statement for 2010, albeit at levels below 2009.

Postbank's liquidity continues to be solid as a result of its relatively stable refinancing base consisting of customer deposits.

Building on the experience it has gained during the course of the crisis, Postbank critically appraised the structures, instruments and processes for risk management and control for the relevant types of risk in 2009. Methods and processes are consistent with current statutory and regulatory requirements. Postbank has already closely analyzed the planned introduction of more stringent regulatory controls. The dialog with bank supervisory authorities was again intense in 2009. It included discussions regarding the introduction of advanced models for determining capital requirements and the management of interest rate risk. The German Financial Reporting Enforcement Panel's (Deutsche Prüfstelle für Rechnungslegung e.V.) activities included an on-site audit in early 2010 of all impaired individual exposures (see Notes, page 50). Improvement potential in risk management processes as determined by internal and external audits was promptly addressed and corrective action taken which, together with new regulatory measures, will also mark 2010.

Postbank will also introduce ongoing improvements in risk management through investment in IT infrastructure, more intensive training for the implementation of new procedures and a sharper focus on the risk/return ratio thus creating an environment for advanced methods of risk measurement. Further details are given in the sections below.

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

No risks that could impair Postbank's development or even jeopardize its continued existence as a going concern have been identified among the risk types described below.

Organization of risk management

Taking risks in order to generate earnings is a core function of Postbank's business activities. To this end, Postbank has a risk management organization that serves as the basis for risk- and earnings-oriented overall bank management by identifying all key risks and risk drivers and measuring and evaluating these independently. The risk management system aims to accept normal banking risk within a defined framework strictly reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating business.

Risk management for the Bank is primarily the responsibility of head office and controlled decentralized units. Unless otherwise noted, all items in the Risk Report specifically relate to these Bank functions. Compliance with regulatory requirements relating to subsidiaries is always assured.

Responsibilities and risk strategy

The Group Management Board is responsible for the Bank's risk profile and risk strategy, its risk-bearing capacity concept, the appropriate organization of risk management, for monitoring the risk content of all transactions, and for risk control. The Management Board regularly informs the Supervisory Board of Postbank's risk and capital profile.

As required by MaRisk (Minimum Requirements for Risk Management), Postbank's risk strategy is consistent with business policies and takes into account all significant areas of business and types of risk. In addition to an overarching risk strategy, Postbank's Management Board has resolved specific subrisk strategies for market, credit, liquidity, business, and operational risks.

The nature and extent of the risks taken, as well as the strategy for managing such risks, depend on the strategies defined by the business divisions in line with Postbank's risk appetite. They are documented within the scope of the risk strategies that are based on the business strategies. Postbank's areas of activity comprise the Retail Banking, Corporate Banking, Transaction Banking, and Financial Markets divisions. Postbank will introduce more stringent risk allocation procedures in 2010, for example by introducing a Bank Risk Committee (see the following section).

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

Risk Committees

The following chart illustrates the composition of the Committees and their areas of responsibility:

Composition and tasks of the Risk Committees	Credit Risk Committee	Market Risk Committee	Operational Risk Committee
Members of the Management Board/Executive Managers	Resources/Lending Financial Markets Retail IT/Operations Chief Risk Officer	Financial Markets Finance Resources/Lending Chief Risk Officer	IT/Operations Resources/Lending Branch Sales Chief Risk Officer
Frequency of meetings	At least quarterly	At least monthly	Half-yearly
Tasks	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 Credit Risk Committee is responsible for the strategic management of counterparty credit risk, while the Market Risk Committee is responsible for the strategic management of market and liquidity risk. This includes a more detailed breakdown of the global limit made available by the Group Management Board in each case. The Operational Risk Committee defines the operational risk strategy and decides on how the risk capital for operational risk is to be allocated to the business divisions. In addition, it lays down the framework for managing operational risk and defines the minimum requirements to be met.

At the beginning of 2010, the Management Board approved the establishment of a Bank Risk Committee, which will assist the Management Board in matters regarding Group-wide risk management particularly with respect to the determination of risk appetite, risk allocation and the related income targets.

Centralized risk monitoring and management

One of the core tasks for 2009 was assuring the consistency of procedures with the CRO (Chief Risk Officer) structure established in the previous year within the Bank's risk processes. It was for this reason that new staff was employed and the organization further developed. The Chief Risk Officer is responsible throughout the Bank for risk monitoring functions. He reports regularly to the Group Management Board and the Supervisory Board on Postbank's overall risk position. In terms of the organizational structure, the CRO is responsible for the Risk Management, Risk Controlling, and Lending Policy departments. Since August 1, 2009, the CRO and the departments mentioned have been assigned to the Group Management board department. The CRO is a voting member of the Market Risk, Credit Risk, and Operational Risk Committees.

The Risk Management unit is continuing to expand overall bank risk management and its integration with the Finance division's bank management activities. The goal is to optimize economic capital and risk allocation for the entire Bank based on the reports and data provided by the Risk Controlling, Controlling and Reporting units. This entailed the development of management tools in 2009 for the more stringent risk/return controls to be implemented in 2010. Other important activities included analyses of and recommendations on processes and responsibilities relating to market risk management, the expanded use of Bank-wide stress testing and the introduction of the Bank Risk Committee. The responsibility of the Risk Management unit, which is still in development, is to derive appropriate measures with respect to planning and the management of business divisions based on an analysis of Postbank's risk profile.

Risk Controlling is the independent, Bank-wide risk monitoring unit for all risk types. Risk Controlling is responsible for methods and models used for risk identification, measurement, aggregation, and limitation. In addition, Risk Controlling is responsible for the design and regular preparation of the risk-bearing capacity report at Group level.

The Lending Policy department lays down the credit framework for the retail and mortgage lending businesses as well as the lending guidelines for Corporate Banking and Financial Markets. MaRisk and the requirements of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) are authoritative in this context, in addition to the internal management objectives.

It is intended to enhance the structure of the CRO units in 2010 and to align them even more closely with the risk types and overarching risk management functions. The goal is to improve the convergence of process definitions and monitoring functions across the various risk types.

Risk management

Responsibility for risk management in connection with position-taking activities at an operational level is spread across several units at Postbank, primarily the Financial Markets division, the Domestic/Foreign Credit Management units, the credit functions within Retail Banking and the London branch.

The Financial Markets division is responsible for the Bank-wide management of market and liquidity risk at the operational level. To this end, it is broken down into the Treasury, Credit Treasury, Liquidity Management, and Capital Markets departments. The Treasury department manages interest rate risk, equity risk, currency risk, and spread risk arising from government bonds, covered bonds and corporate financial bonds in the banking book. The Credit Treasury department is responsible for performing active portfolio management to control the other credit spread risk. The Liquidity Management department is responsible for the central management of liquidity risk, focusing on ensuring continuous solvency and controlling liquidity maturity transformation. With the exception of the interest rate trading book, responsibility for which has been assigned to the Treasury department, all market risks in the trading book are managed by the units within the Capital Markets department.

The risk factors for new products and product modifications are systematically identified in line with the MaRisk using a New Products/New Markets (NPNM) process and documented in a product database. The resulting risks are included in Postbank's risk measurement and monitoring system.

Further developments in risk management

In addition to the enhancement and consolidation of the CRO structure, other major organizational measures were taken during the year under review. Particularly in view of the financial market crisis, the methods, systems, and processes discussed in this Report, and the reporting system that builds on them, are subject to continuous review and improvement in order to meet market, business and regulatory requirements.

As part of credit risk monitoring, we have supplemented and expanded processes, reporting lines and escalation mechanisms that enable monitoring of counterparty and issuer risk and categorization of exposure by the various sectors, customer groups and individual borrowers. In this connection, a project has been launched for the more intensive monitoring and limiting of risk concentrations in the lending business through active credit portfolio management (see the section entitled "Overarching risk management" on page 14) and for the implementation of new MaRisk requirements. In the areas of market risk and liquidity risk, concentration risk is identified, monitored, and managed primarily through stress tests and sensitivity analyses.

Further progress was made in 2009 particularly as regards the program to introduce advanced risk models for market, credit and operational risks. The aim of the program is to increase convergence between internal risk management and regulatory capital requirements, as well as to optimize the risk management systems and processes. Following regulatory approval, it is planned to also use the risk models for all the above-mentioned risk types to determine the regulatory capital in accordance with the SolvV.

The A-IRBA project (Advanced Internal Ratings-Based Approach for which in-house estimates of default-related losses are used) also addressed, within the framework of developing and validating models, underlying credit procedures (especially early warning systems, intensive handling and collateral management) in fiscal year 2009. Certain of the procedures have been changed and additional improvements will be introduced in 2010.

As part of the "Internal Market Risk Model" project, the value at risk measurement used for market risk switched, initially with regard to the trading book, from the variance-covariance approach previously used to a Monte Carlo simulation during the year under review. This is designed to ensure more adequate inclusion of option risks, among other things. In addition, the foundations were laid for greater differentiation of risk management according to risk types. Moreover, we largely implemented a new market data delivery system aimed at further increasing the uniformity and quality of the market data used throughout the Bank, which will become operational in 2010.

In fiscal year 2009, Postbank enhanced its internal operational risk reporting system to include quantitative elements such as the utilization of the VaR (value at risk) limits assigned to the business divisions, as well as additional information on, for example, AMA-related (AMA – Advanced Measurement Approach) risk indicators and the results of scenario analyses. The AMA model is already in use and it is intended to apply for approval to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) in 2010.

In the first half of 2009, Postbank refined its risk-bearing capacity concept, concentrating in particular on the calculation of the risk cover amount.

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Risk types
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).

- Credit risk
  Potential losses that may be caused by a deterioration in the creditworthiness of, or default by, a counterparty (e.g., as a result of insolvency).

- Liquidity risk
  Illiquidity risk is the risk of 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 risk of increased refinancing costs as a result of closing gaps caused by changes in the Bank's refinancing curve.

- 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 also includes legal risk.

- Investment risk
  Potential losses due to fluctuations in the fair value of equity investments, to the extent that these are not already included in other types of risk.

- Real estate risk
  The risk of loss of rental income, writedowns to the going concern value, 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. This concept also includes model risk, which arises from modeling customer products with undetermined capital and/or interest rate commitments (primarily savings and checking account products), as well as strategic and reputational risk.

Overarching risk management

Risk-bearing capacity

The Postbank Group's risk-bearing capacity is assessed from the perspective of investor protection and serves as the foundation for the system used to limit material risks. The Group Management Board specifies its risk appetite by defining a probability for unexpected losses and an upper limit for losses (risk tolerance). Postbank considers its risk-bearing capacity as adequate to the extent that the risk cover amount exceeds allocated risk capital and the current level of overall risk (VaR). Risk potential at a confidence level of 99.93 % is used for the protection of prior-ranking investors. When calculating the risk cover amount, additional discounts and limit buffers are used to account for estimating uncertainties.

In 2009, the methods, systems and processes associated with the risk-bearing capacity concept were reviewed in detail in light of the lessons learned from the financial market crisis, among other things, and certain subareas were revised, for example with respect to stress tests, the eligibility for inclusion of the various components of the risk cover amount, and risk-bearing capacity. The risk-bearing capacity concept is continuously reviewed and, if necessary, amended as and when new information comes to hand.

The key action performed in this area during the financial market crisis was to implement a recession scenario as a stress test for examining the risk-bearing capacity; in this, all key risk types to which Postbank is operationally exposed (credit, market and operational risks) were subjected to defined stress tests in order to guarantee an overall risk assessment. The continuing development of the integrated stress tests for the Bank as a whole is an ongoing, dynamic process that is performed in keeping with changes in market trends and in Postbank's risk profile. In addition to the stress tests of all risk types for the Bank as a whole, risk type-specific sensitivity analyses and stress tests are also performed.

Risk capital

In order to ensure Postbank's long-term risk-bearing capacity, Postbank's Management Board only allocates a portion of the risk cover amount for risk taking in accordance with its risk tolerance. This amount is known as risk capital and represents a limit for Postbank's overall risk. Risk capital is determined and allocated to the individual risk types on at least a quarterly basis by the Group Management Board. The Risk Committees allocate the risk capital in more detail. Operating limits are derived with reference to risk capital allocated to credit, market and operational risks.

Other risks are handled by making deductions from capital. Liquidity risk is not explicitly included in the risk-bearing capacity and, as a result, is not backed by economic risk capital. Postbank pursues active liquidity management and control to prevent the risk of illiquidity. Postbank has adequate sources of liquidity as well as a collateral portfolio consisting of ECB-eligible securities for potential stress situations. The risk of increased refinancing costs caused by transforming maturities (liquidity maturity transformation risk) is, at the moment, implicitly covered by risk capital partially allocated to business risk and partially to market risk. To further improve management of this risk type, it is planned to implement a separate limit for liquidity maturity transformation risk in 2010.

Since simply adding up the risk capital requirements for the individual types of risk would lead to the overall risk being overestimated, correlations between the different types of risk are taken into account as part of risk aggregation. Experience has shown that there is a high correlation between market and credit risks. Business risk, real estate risk, and investment risk generally exhibit medium to high correlations with the other risk factors. Only in the case of operational risk do we assume a low correlation to all other risk types.

Risk capital allocation takes both potential fluctuations in economic capital and stress scenarios across all risk classes into account. The unexpected loss is quantified in order to calculate the utilization of the economic risk capital. Postbank uses uniform parameters to measure individual risks that have been classified as material. These parameters are oriented on the value at risk (VaR) approach, i.e., on the loss (less the expected gain/loss) that will not be exceeded for a 99.93 % level of probability within the given period (holding period: usually one year; market risk: 90 days).

Risk limitation

At Postbank, risk exposures are limited for the risk types included in the risk-bearing capacity primarily through the total risk capital allocated and, for the specific risk types, on the basis of derived VaR limits. Depending on the risk type concerned, these are supplemented by product, volume, and sensitivity limits in order to limit the risk concentration of individual risk types above and beyond the risk exposures themselves. Potential fluctuations in economic capital and sensitivity analyses are taken into account when allocating limits and risk capital.

Operational limits are established for the market and credit risks backed by risk capital and directly manageable in the day-to-day business. Market risk is managed by allocating 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 through definition of a target portfolio. The volume of retail business is controlled through target vs. actual comparisons.

Postbank amended its procedures for including operational risk in the internal risk-bearing capacity concept at the start of the third quarter of 2009. The calculation of the capital requirements for operational risk is now based on a newly developed internal quantification model. This model is used for calculating the utilization of the limit allocated to operational risk on a quarterly basis. As is normal practice for the banking sector, the loss distribution approach is used to determine operational value at risk at the 99.93 % confidence level for which parameters required by section 284 of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) are employed such as internal loss data, external loss data (obtained from the ORX data consortium), scenario analyses and Postbank-specific business and control factors.

In the case of limit exceedances, action must be taken to mitigate risk; alternatively, the limits for operationally limited risks can be increased – even 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. OpRisk Committee members receive quarterly reports on the utilization of defined VaR limits for the Bank as a whole and each business segment. When limits are exceeded by a business segment, the OpRisk Committee decides on how to proceed whereas the Group Management Board performs this function in the event of Bank-wide VaR limits being exceeded.

The other risk types are not managed using operating limits. Rather, the risk capital attributed to them is deducted from the risk cover amount. The Risk Controlling unit regularly monitors the propriety of deductions.

As long as the limits assigned to the individual risk types are not exceeded at Bank level and the aggregated limits and deductible amounts are lower than the risk cover amount, risk-bearing capacity, based on the correlations assumed by the Bank, is assured.

Risks are only assumed within limits that are in line with the Bank's risk-bearing capacity. This is designed to ensure that risks that could jeopardize the Bank's existence are avoided. In light of the financial market crisis, the risk situation remained tight in 2009. Whereas in the case of market risk the decline in market volatility seen in 2009 also tended to lead to lower limit utilization, credit risk (expected loss and unexpected loss) in particular is rising continuously due to the economic situation and the rating downgrades that have occurred.

Risk concentrations

Postbank responded to the financial market crisis as well as to the revision of the MaRisk that took effect on August 14, 2009 by initiating a project designed to enhance its management of risk concentrations in the lending business, the ongoing implementation of which will also be one of the prime conceptual objectives for 2010. The objective is systematic credit portfolio management that identifies and reports risk concentrations at the borrower unit level as well as at sector level (sectors, regions, categories of collateral, etc.) and that limits such concentrations by a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account.

Current risk concentrations at a confidence level of 99.93 % are particularly perceptible with respect to "A" rated banks as well as in the structured credit portfolio (SCPs).

Concentrations of liquidity, market, and other risks are identified and monitored by using sensitivity analyses and stress tests. Limits take the form of volume or gap limits, which are monitored on an ongoing basis, while the risks are managed in the course of day-to-day management (e.g., via hedging).

Due to its business model as a retail bank operating primarily in Germany, Postbank is also subject to earnings risk, i.e. to the risk that actual retail business earnings will be lower than planned. The monitoring of this earnings risk is performed with the assistance of the Controlling department as part of the planning process and involves monitoring risk concentration using sensitivity analyses, statistical techniques and taking other appropriate action.

Risk reporting

Postbank's risk reporting system addresses risk-bearing capacity and risk utilization. Risk-bearing capacity is assessed on a quarterly basis and presented in a separate report. Risk utilization for the individual risk types is presented in a large number of regular, specific reports. Depending on the importance of the respective risk type, reports are prepared on a daily, weekly, monthly or quarterly basis. Reports are usually addressed to the Group Management Board and/or the responsible members of the Risk Committees, as well as the operating units. In addition, the Supervisory Board receives summaries of these reports. Recipients are thus kept informed of changes in relevant parameters in a timely manner. Risk Controlling is responsible for the methodology and content of risk reporting.

In addition to regular management reports, rules have been established for an ad hoc early warning reporting system that differentiates between different types of risk.

Regulatory requirements

Capital requirements

Since the SolvV entered into force on January 1, 2007, Postbank has calculated its capital on the basis of Basel II. In a letter dated December 21, 2006, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) granted Postbank approval to adopt the Basic IRB Approach for calculating capital requirements and the IRB Approach for calculating the capital requirements with respect to its retail business; in a further letter dated December 11, 2007, this approval was extended to cover the calculation of additional portfolios using internal ratings systems. As a result, regulatory capital requirements for credit operations are now aligned more closely with economic risk. Accordingly, loans must now be backed by equity on a risk-weighted basis, i.e., depending on the borrower's credit rating and, where applicable, collateral. In addition, operational risk is also backed by equity.

As of the reporting date of December 31, 2009, Postbank calculated the regulatory capital requirements for the following portfolios (grouped by exposure class in accordance with the SolvV) on the basis of internal ratings:

- Central governments: countries
- Institutions: banks
- Corporates: domestic corporate customers, foreign corporate customers, domestic commercial lending, foreign commercial lending, purchased corporate loans, insurers
- Retail business: Postbank 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
- Other non-credit assets.

In the central governments, institutions and corporates exposure classes, Postbank has used internal estimates of probabilities of default; in addition, the Bank has used internal estimates of expected loss rates and conversion factors for its retail business.

Postbank uses the CRSA for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following:

- Overdrafts and collection activities in the retail banking business
- Business from discontinued operations
- Exposures to business partners from the public sector of the European Economic Area.

In addition, 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.

Postbank uses the regulatory standardized approach to calculate capital requirements for market risk. As part of its program to introduce advanced risk models, Postbank is in addition preparing to deploy the internal market risk model used to measure and manage market risk in order to also determine the capital requirements for market risk in accordance with the SolvV.

To date, Postbank has used the standardized approach for calculating capital requirements for operational risk. This is the basis for the planned implementation of an Advanced Measurement Approach (AMA). The goal is to apply for approval to the BaFin and Deutsche Bundesbank in the first quarter of 2010, so as to be able to use the internal capital model for calculating regulatory capital requirements as well once approval has been granted.

With regard to the disclosure requirements pursuant to sections 319 to 337 of the SolvV in conjunction with section 26a of the KWG, Postbank published its Pillar III Disclosures in accordance with Basel II on its website on March 31, 2009 and August 31, 2009.

Liquidity requirements

Postbank meets the regulatory liquidity requirements pursuant to 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 regulatory Standardized Approach in accordance with sections 2 to 8 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" (see the chapter entitled "Liquidity risk" for further information).

Minimum Requirements for Risk Management (MaRisk)

The *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management), which took effect as of January 1, 2007, replace the previous *Mindestanforderungen an das Kreditgeschäft* (MaK – Minimum Requirements for Credit Transactions), the *Mindestanforderungen an das Betreiben von Handelsgeschäften* (MaH – Minimum Requirements for the Trading Activities of Credit Institutions), and the *Mindestanforderungen an die Ausgestaltung der Internen Revision* (MaIR – Minimum Standards for Auditing Departments of Credit Institutions). The MaRisk extends these regulations to include in particular the issues of interest rate risk in the banking book, as well as liquidity risk and operational risk. The primary purpose of MaRisk in terms of its content is to establish adequate management and control processes based on a bank's overall risk profile. In addition, MaRisk resulted in the regulatory fulfillment of the qualitative Pillar II requirements in accordance with Basel II.

With effect from December 31, 2009, Postbank had already implemented a large proportion of the additional requirements resulting from the revised version of the MaRisk published on August 14, 2009 with respect to the integration of the supervisory bodies, the treatment of risk concentrations, risk management at Group level, and the requirements to be met by the remuneration system. In the case of isolated requirements implementation will only be completed in the course of 2010.

Monitoring and managing market risk

Definition of risk

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

Organization and risk strategy

The responsibility for performing centralized risk management tasks at Postbank lies with the Management Board. The Management Board has delegated market risk management to the Market Risk Committee (MRC), which is monitored by the Supervisory Board.

Postbank has established clear rules with regard to responsibility for market risk management. As a general rule, operational market risk management is performed centrally by Postbank's Financial Markets division.

Risk Controlling functions as an independent monitoring unit. Risk Controlling is responsible for operational limit monitoring and reporting, in addition to the methods and models used for risk identification and measurement.

Postbank has laid down the basis for dealing with market risk, among other things, in its overarching risk strategy. The risk capital made available for taking on market risk limits the scope of the market risk that can be taken on to a level that is reasonable and desirable for Postbank from an earnings perspective. Unwanted market risk is hedged or reduced where it makes economic sense to do so and where this is possible given the tight market conditions resulting from the financial market crisis. When market risk is intentionally taken or retained, this is done with the goal of generating income. Postbank thus enters into interest rate, equity, currency, spread, commodity, and volatility risks in its banking and trading books as an additional source of income.

Risk management and control

Postbank makes use of a combination of risk, earnings, and other inputs to manage its market risk. Changes in the value of market risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. 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. Sensitivity indicators and maturity structures are other management indicators used.

In addition, market risk exposures are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements both on the present values and on the income statement and balance sheet items. Concentration risk is taken into account separately when measuring market risk. This is done, for example, during regular scenario analyses by quantifying the effects of exposure class-, rating-, or currency-specific stress tests. In addition, sensitivity analyses that identify risk concentrations, among other things, for all Postbank portfolios are performed in the course of daily monitoring of market risk. Instruments used in this context include gap analyses and credit spread sensitivity analyses by asset class and credit rating, and analyses of Postbank's exposure to equities and foreign currencies.

In light of the financial market crisis, Postbank started actively reducing its market risk exposure in 2008; this cautious risk strategy was systematically maintained in the equities area in 2009. In the interest rates area there was a greater focus on the assets side again. To reduce its exposure to extreme capital market volatility, Postbank intends to cut its holdings of investment securities, primarily as a result of instruments maturing.

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

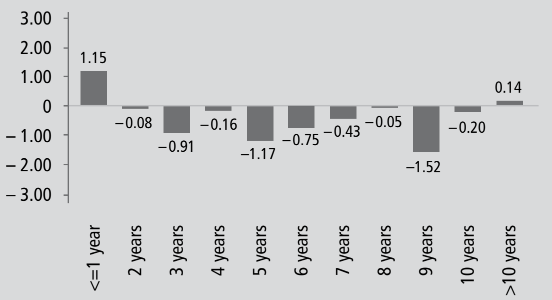
Interest rate risk management

Interest rate risk – a significant component of market risk – is the term used to denote the changes in the fair value of interest-sensitive financial instruments resulting from a change in market rates of interest. 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 the variable interest customer deposits, for which the moving averages model is used, as well as the customer loan business. Special modeling rules and deposit base definitions supplement the monitoring and management concept. When measuring interest rate risk, option models are used to account for material statutory and contractual early loan repayment rights, offers of new loans and extensions to existing ones, and loan payment delinquencies. The option models and statistical modeling techniques used for this were extended and further enhanced in 2009. 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.
In accordance with MaRisk, those elements of capital available to the Bank without time limit are excluded from the determination of interest rate risk.

As a matter of principle, operational management of all market risk is performed centrally by Postbank's Financial Markets division. The following chart presents Postbank's open interest rate positions as of December 31, 2009 in the form of a basis point value (bpv) graph. Positions with a negative value represent an asset-side interest rate risk, which means that there is a surplus of assets. In the same way, positive values indicate a surplus of liabilities.

Postbank's interest rate positions (bpv) as of December 31, 2009

bpv in €m



Monitoring market risk using value at risk

Postbank uses the value at risk concept to quantify and monitor the market risk it assumes. Value at risk (VaR) in the banking book is calculated using the variance-covariance method. In October 2009, a Monte Carlo process was adopted for VaR calculations for all trading book positions. Risk capital allocation is based on a historical observation period of 250 trading days, a holding period of 90 trading days, and a confidence level of 99.93 %. Operational management, however, is based on a confidence level of 99 % and a holding period of 10 days (banking book) or 1 day (trading books). The risk factors taken into account in the VaR include yield curves, equity prices, commodity prices, foreign exchange rates, and volatilities, along with risks arising from changes in credit spreads. Correlation effects between the risk factors are derived from historical data.

The VaR of a portfolio thus describes the potential decline in fair value that will not be exceeded in that portfolio in a period of ten trading days with a probability of 99%. The calculation is applied consistently to all portfolios in the trading book and the banking book regardless of their presentation in the balance sheet, and transforms heterogeneous types of market risk into a single measure of risk, the VaR. The risk limits derived when the risk-bearing capacity is calculated are scaled accordingly.

Limiting risk

At Postbank, market risk is monitored using a system of risk limits based on the value at risk methodology. The aggregate limits are set by the Group Management Board and allocated by the Market Risk Committee to the individual operating units as sublimits. These are dynamic outcome-based limits; any losses incurred reduce the limit, while gains replenish it, at a maximum, to the originally defined level. End-of-day risk measurement and monitoring are used for the whole Bank; additional intraday monitoring is carried out for the trading portfolios.

Backtesting

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, but for the same portfolio (clean mark-to-model backtesting). Evaluation uses the "traffic light" color code model published by the Bank for International Settlements (BIS). The Management Board is informed of the backtesting results in the monthly reports. The current "Internal Market Risk Model" project laid the foundation for discontinuing the use of current mark-to-model backtesting in favor of a marking-to-market procedure which is planned to be implemented in 2010.

The backtesting results at all portfolio levels eased and normalized significantly in the course of the year in comparison to 2008. The VaR premiums that were introduced temporarily in the fourth quarter of 2008 in response to the dramatic increase in the market risk factors were abolished again in the first quarter of 2009, as the rapid rise in volatility was successively reflected in VaR measurements. At the 2009 year-end, backtesting (one-sided binomial test in accordance with the Basel traffic light approach) produced results within the statistically expected ranges ("green" traffic light). This confirms the fundamental appropriateness of the VaR methodology applied.

Stress testing

In addition to the VaR calculations, scenario analyses are performed at regular intervals to permit the separate analysis of extreme market movements. These analyses quantify the effects of extraordinary events and extreme market conditions (worst-case scenarios) on Postbank's balance sheet positions. The scenario analyses and stress tests are performed for all material risk factors in the interest rate, spreads, currency, and equity risk types. The assumptions underlying the stress tests are validated on an ongoing basis. The stress parameters were completely revised in 2009 in light of the financial market crisis in order to account for the market volatility observed and are currently being reviewed to assure compliance with new MaRisk requirements. The effects of the scenarios are compared with the limits allocated for each risk. The Group Management Board, the members of the Market Risk Committee, and the Supervisory Board are kept regularly informed of the results of the scenario analyses. The scenario analyses performed in the year under review indicated that Postbank's risk-bearing capacity would have been assured even if the tense market situation continued to worsen.

Appropriate market terms

In addition to monitoring market risk, Postbank also checks all trades when they are entered into to ensure that market prices have been applied (market conformity verification). This is supervised 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, 2009 and January 1 to December 31, 2008 (confidence level of 99%, holding period of 10 days):

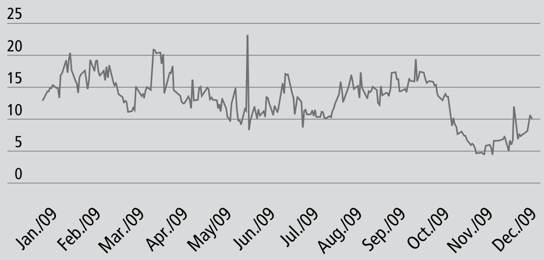
Value at risk trading book	2009 €m	2008 €m
VaR at year-end	9.8	13.4
Minimum VaR	3.9	7.6
Maximum VaR	22.5	23.6
Average VaR	12.5	12.3

In line with Postbank's business strategy, the level of market risk is largely determined by the interest rate risk (including spread risk) in the banking book. In addition, equity price risk and volatility risk is assumed in order to diversify risk in the banking book and generate short-term price gains in the trading portfolio. Currency risk is rather of lesser significance.

The following chart illustrates the development of value at risk for the trading book over the course of fiscal year 2009:

VaR trading book 2009

VaR in €m



In the course of 2009, the pronounced volatility in the trading book was used flexibly during positioning on the interest rate and equities markets. The VaR in the trading book was at a comparable level to 2008, and was moderate overall.

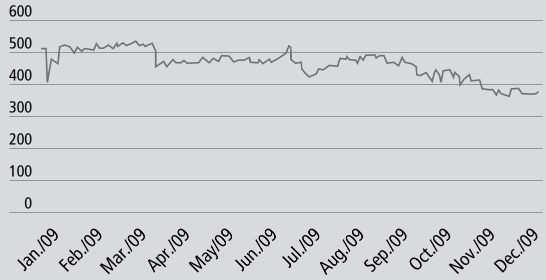
The value at risk for the banking book (confidence level 99%, holding period 10 days), which accounts for by far the largest portion of market risk, amounted to €365.2 million as of December 31, 2009 (for comparative purposes: December 31, 2008: €513.0 million).

Value at risk banking book	2009 €m	2008 €m
VaR at year-end	365.2	513.0
Minimum VaR	348.6	116.1
Maximum VaR	538.3	514.0
Average VaR	461.5	235.1

The calculation incorporates all market risk-bearing positions in the banking book.

VaR banking book 2009

VaR in €m



VaR in Postbank's banking book is trending downwards again following the rise experienced in the prior year as a result of the crisis. The risk measurements continue to reflect the substantial rise in the risk inputs used that occurred in the course of the financial market crisis.

Risk reporting

Postbank uses a variety of regular reporting instruments that provide detailed information on the market risk assumed:

- The daily report serves to inform the Group Management Board and the position managers about the positions entered into, limit utilization, and the economic profit/loss of the positions before the start of each trading day.

- The weekly report is addressed to the position managers and summarizes the significant changes in the market and in the positions. The daily and weekly reports are regularly discussed with the position managers and provide the basis for operational management.

- The monthly report provides a comprehensive overview of the change in market risk within the reporting period and is addressed to the Group Management Board. In addition to current results and risk indicators, this report also contains the results of stress testing and backtesting, which are carried out on a regular basis. Information is also provided on the interest rate risk in the banking book in the event of a specified interest rate shock along with additional interest rate scenarios; the figures are broken down by portfolio and currency.

- The monthly MRC report addressed to the Market Risk Committee presents risk indicators in an aggregated form (VaR, interest rate sensitivities, stress test results), and present value or periodical results by management unit and indicates their impact on the income statement.

- The quarterly risk report to the Supervisory Board summarizes the key risk indicators. It also presents the results of the sensitivity and stress test analyses.

Monitoring and managing credit risk

Definition of risk

Postbank defines credit risk (or counterparty credit risk) as risks arising from potential loss that may be caused by changes in the creditworthiness of, or a default by, a counterparty (e.g. as a result of insolvency). Four types of credit risk are distinguished:

- Credit or default risk
  The risk of possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating.

- Settlement risk
  The risk of possible losses during the settlement or netting of transactions. Settlement risk always exists where cash, securities, or other traded assets are not exchanged at the same time.

- Counterparty risk
  The risk of possible losses arising from default by a counterparty and hence the risk to unrealized gains on executory contracts. The risk involved is replacement risk.

- Country risk
  The risk of possible losses arising from political or social upheaval, nationalization and expropriation, a government's non-recognition of foreign debts, currency controls, and devaluation or depreciation of a national currency (transfer risk).

Organization and risk strategy

The Management Board has responsibility for risk management. It has delegated the management of credit risk to the Credit Risk Committee (CRC) whereas the Loan and Equity Investments Committee provides monitoring on behalf of the Supervisory Board.

Postbank has established clear rules with regard to responsibility for credit risk management. The Credit Risk Committee (CRC) is responsible for strategic structural management. As a general rule, operational credit risk management is performed centrally by the Domestic Lending and Foreign Lending units. Risk Controlling functions as an independent monitoring unit. Risk Controlling is responsible for operational limit monitoring and reporting, in addition to the methods and models used for risk identification, measurement, and management. The Lending Policy department is responsible for the issuance of standards regarding the treatment of credit risk exposure and targets for risk management at portfolio level.

Postbank manages its counterparty credit risk on the basis of the credit risk strategy approved annually by the Management Board. The credit risk strategy contains targets for the risk profiles as well as target returns for individual credit products.

Postbank uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on corporate customers, banks, countries (central and regional governments and local authorities) and retail in addition to related risk concentrations. The target portfolio has been constructed to reflect 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 finance, an individual profitability analysis is additionally performed on the basis of the return on equity, the ratio of the risk-adjusted net margin to the equity tied up. Due to its high degree of risk diversification, the retail business is not part of the target portfolio, but is managed instead using the expected net margin less the expected risk.

The management and monitoring of counterparty credit risk and hence the implementation of the credit risk strategy are performed on the basis of individual risks on the one hand, and the entire portfolio on the other.

Risk management and control

Managing individual risks

Credit approval procedures

The credit guidelines contain detailed targets for all lending transactions. Credit approvals are subject to an established system of competencies, which act as a framework within which decision-making individuals or bodies are authorized to enter into lending transactions. Responsibility for the approval of loans is dependent on the loan size and, for corporate customers and transactions in the Financial Markets division, additionally on the credit rating of the specific borrower or debtor. An important feature of the credit approval procedure is the separation between market (sales/trading), back office divisions and risk management in accordance with the regulatory parameters (MaRisk). A permissible exception according to banking regulatory law from the strict separation of functions is the standardized credit approval process in business not relevant for risk purposes, which Postbank defines as private residential construction finance up to €1 million, other retail credit products as well as loans for up to €750,000 in the Corporate Banking division, to which simplified and standardized processes are applied.

Scoring and rating

Postbank makes use of internal rating systems authorized for 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 regularly during the credit approval process.

The Risk Controlling Credit Risk unit is responsible for designing, implementing, and monitoring the functionality of the internal rating systems. The process of monitoring the rating systems includes assessing their predictive quality and correct application, their calibration and validation, and incorporating the results of the monitoring activities into the internal reporting system. All rating systems must be authorized by Postbank's Management Board. The Management Board receives regular management reports on the effectiveness of the rating systems as well as their results. The Bank's credit risk management in 2010 will be focused on the ongoing development, continual validation and, where necessary, recalibration of the scoring and rating systems. In order to assure the advanced approach is fully and prospectively in compliance with the Solvency Regulation (SolvV), the Bank has decided to make significant investment in new quantitative credit risk controlling personnel.

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. 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. The credit conversion factor (CCF) is calculated to determine the proportion of outstandings under open credit lines at the time of default.

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

All internal ratings and scorings are presented using a uniform master scale, which assigns each rating or scoring result to a rating class on the master scale, 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 is based on standard core analyses comprising the following aspects: stability of the model formula/the estimated parameters 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.

In addition, the allocation of the rating classes used in Postbank's master scale to default probabilities and the results of the input estimates (PD, LGD, CCF) are reviewed annually by the Risk Controlling Credit Risk department. 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 decision process, among other things, these ratings and scores serve 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 via the standard risk costs (see following section), along with other variables.

Risk/return key performance indicators

When calculating Postbank's expected loan losses, the average standard risk costs are factored into the advance calculation on an individual loan basis. This system 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 in the form of a return on equity (RoE) ratio for exposures to corporates. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management

Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. 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. Room for improvement was identified and appropriate action taken in 2009 particularly with respect to the ongoing and timely valuation of immovable collateral in highly volatile markets, uniform documentation and data input into a consolidated database. The Bank also intends to enhance its standardized processes for the acceptance and management of other collateral in order to improve its position.

The fundamental decision on the approval and application of types of collateral instruments to mitigate credit risk is a component of business and credit risk strategies. The protection instruments principally used by Postbank consist of real estate liens to secure real estate financing, guarantees and credit derivatives, and financial collateral and other physical collateral.

The back office division is 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. In the event that a borrower becomes insolvent on a long-term basis, the collateral is realized.

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 additionally monitored using the fair value fluctuation concept produced by the Zentraler Kreditausschuss (ZKA – German Central Credit Committee), while the front office and back office divisions perform qualitative monitoring of the relevant sectors and real estate markets on an ongoing basis. In the case of loans and property values in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified valuation specialists, or a new appraisal is performed by real estate experts.

In order to improve collateral management, Postbank intends to introduce a client collateral administration system for which a preliminary study has been initiated.

Credit monitoring and problem loan procedures

For non-standardized loans, credit risks are monitored by means of credit assessments carried out at least once annually and whenever events occur that could affect the creditworthiness of a borrower. The controls are carried out by the operational lending units in the back office in accordance with banking regulatory requirements and, in the case of trading transactions, by Risk Controlling in addition.

In the area of individual lending to corporate customers and mortgage lending in excess here 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 qualitative and quantitative risk indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of risk indicators to enable the early 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, the individual loan is mandatorily transferred to the watch list; 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 Lending and to the Credit Risk Committee. 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.

As a reaction to the crisis in the financial markets and the resultant deterioration of the credit standing of many clients and counterparties, Postbank reviewed its procedures during the year under review and introduced adjustments. The changes relate particularly to the identification and documentation of exposures at risk of impairment or in need of restructuring. A corporate loan intensive handling unit has already been created in the Lending division. It is responsible for the standardized application of the watch list and the adjustment of relevant procedures for the early recognition of risks and the detection of losses.

Managing credit risk at portfolio level

Portfolio management

In addition to monitoring individual risks, Postbank calculates the credit value at risk (CVaR) for all exposures subject to credit risk. The credit value at risk 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. In accordance with the risk-bearing capacity concept, CVaR, as a measure of the unexpected loss from credit risk, must be backed by risk capital.

In contrast, the expected loss of a portfolio is the average default amount expected within 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 rating and the term of the counterparty or transaction. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

CVaR is measured using a credit risk model that allows the consistent capture of all credit risks. CVaR 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 CVaR, all loans and advances are recorded together with their future cash flows and discounted to the observation date, thus allowing the loan loss risk to be measured over a one-year observation period, as well as 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 recovery rates.

External input parameters for the calculation of CVaR include constantly updated rating agency data, migration tables derived from this data, sector/product default probabilities and correlations, credit spreads (risk premiums for various rating categories/grades), as well as the volatility of these parameters in a Monte Carlo simulation. Homogeneous, granular receivables are aggregated when calculating the CVaR and are not computed at individual transaction level. These relate in particular to retail products.

The updated portfolio and market data are used to compute the CVaR of the loan portfolio every quarter. For individual products/business divisions with special risk structures, the CVaR is calculated daily. The CVaR in the total loan portfolio is lower than the sum of the individual CVaRs for the business divisions because of diversification effects. The utilization of the CVaR limits made available to individual profit centers by the Credit Risk Committee and that of the aggregate credit risk limit is monitored on an ongoing basis.

In addition to the CVaR calculations, the loan portfolio is subject to regular stress testing and sensitivity analyses across all risk classes with the aim of quantifying losses that might arise from extreme events. Improvements in the identification of risk-relevant borrower relationships in the portfolio model and the portfolio management systems are being promptly implemented.

Portfolio structure

The following table provides an overview of the key credit risk indicators for the various profit centers as of December 31, 2009 (calculated on November 30, 2009) as compared to the end of 2008. Since the CVaR including portfolio effects is not calculated at the level of Deutsche Postbank AG, the portfolio structure is presented at Group level in the following table.

Credit risk	Volume		Expected loss		CVaR[1]	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Corporate Banking	28,422	25,860	127	77	228	205
Retail Banking	46,162	46,067	278	213	186	199
Financial Markets	141,800	142,903	440	210	1,755	848
Other (banks/local authorities)	4,530	6,056	3	4	101	108
BHW	39,417	34,173[2]	104	66	68	63
Total (incl. portfolio effect)	260,331	255,060	952	570	1,765	877

[1] Confidence level 99.93%; due to diversification effects, the CVaR in the Group loan portfolio is lower than the sum of the individual CVaRs for the business divisions

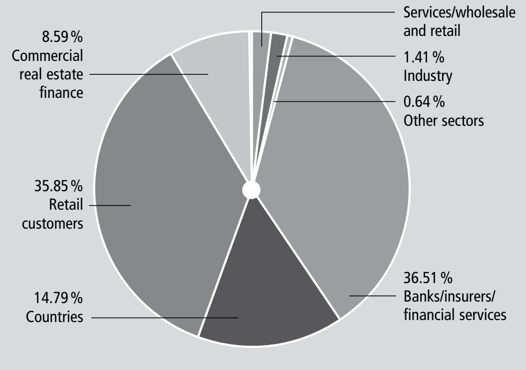
[2] The portfolio of trust activities of BHW Bausparkasse AG is only shown under Retail Banking, while previously this item was also shown under BHW, 2008 figures restated

The total portfolio fell slightly by 0.8% in 2009, from €262.5 billion at the end of 2008 to €260.3 billion. The expected loss rose by 67% as against December 31, 2008 while the unexpected loss doubled. The increase in the figures for the expected loss and the unexpected loss is primarily due to higher loss expectations for each rating class (allocation of rating classes to expected loss with reference to the Postbank master scale, which has been adjusted) as a result of the economic environment and the rating downgrades caused by the financial market crisis as well as to an additional rise in risk concentrations, particularly with respect to "A" rated banks managed by the Financial Markets division (see section "Risk concentrations" in the chapter "Overarching risk management"). A further year-on-year decline in loans to banks and local authorities and an increase in loans to corporate customers can be observed.

Sector structure of the loan portfolio

Overall, the sector distribution of the credit-risk bearing instruments, measured in terms of volume, has a balanced structure and continues to present a stable picture. 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 broadly diversified holdings of investment securities are dominated by 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 service providers. A target portfolio has been defined as part of the credit risk strategy that has been optimized in terms of diversification and that serves to manage investments in the non-retail area.

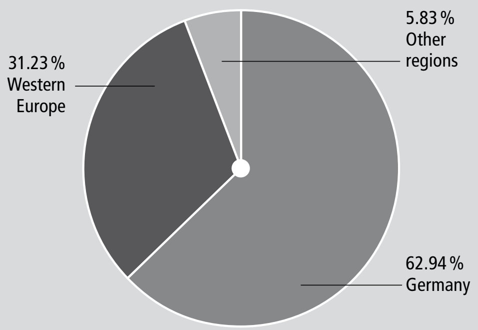
Sector structure



Regional distribution of the loan portfolio

Postbank has established country-specific limits for credit allocation in order to manage country risk. The levels of country limits are substantially determined by internal and external ratings, and by the economic strength of the particular country measured by 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 regional distribution of the credit volume indicates a concentration on the domestic German market in line with Postbank's strategy.

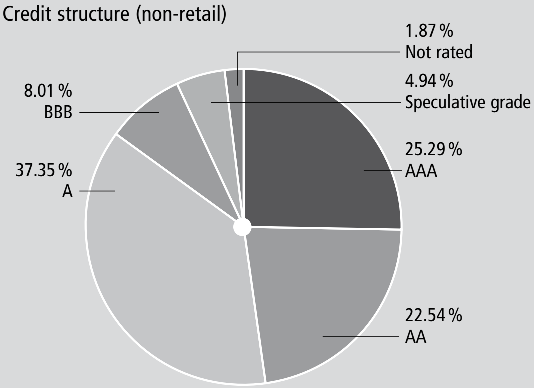
Regional distribution



Credit structure of the loan portfolio

The breakdown of rating categories in the loan portfolio demonstrates Postbank's conservative orientation. The following chart shows the rating structure of the loan portfolio for non-retail business. Good, investment-grade rating categories predominate.

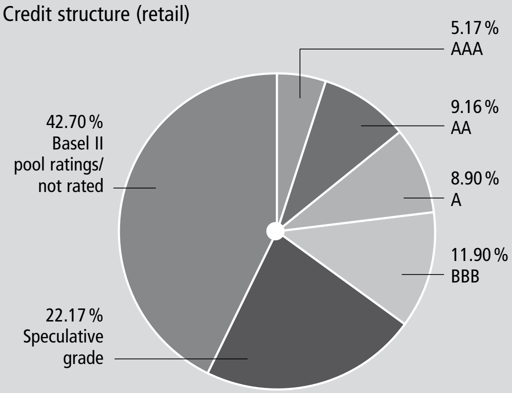
Credit structure (non-retail)



Compared with year-end 2008, the table shows an increase in the A rating category. There has been an overall deterioration of borrowers' creditworthiness as a result of the crisis in the financial markets. The current rating distribution for loans and advances to other banks, corporates, and countries is within the target rating distribution category as specified in the credit risk strategy, and thus within the required range.

Postbank's retail business shows a favorable credit structure, as shown in the following chart. 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 each new transaction is rated on an individual basis.

Credit structure (retail)



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 has 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 FitchRatings) and generally have a rating of BBB- or better at the time of acquisition. There is no internal rating model for these positions.

Originator

In addition to acting as an investor, Postbank also acts as an originator. The synthetic securitization transactions involving the securitization of residential mortgage loans in Germany not only reduced regulatory capital requirements but also diversified risk. As of the reporting date, Postbank had the "PB Domicile 2006-1" transaction with a volume of €1,985 million in its portfolio. Postbank also structured the PB Consumer 2008-1 and PB Consumer 2009-1 originator securitizations as traditional securitizations; no significant transfer of risks had taken place as of the reporting date, however.

Risk reporting

Postbank uses a variety of reporting instruments for presenting credit risk:

- The credit risk report, which is submitted quarterly to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board, provides information on the development of the current loan portfolio and on the default history at the level of individual transactions. In addition to presenting loan portfolio and credit risk indicators, the report includes details of the largest exposures aggregated by individual borrowers and the largest exposures in default, as well as the utilization of risk limits.

- The credit monitoring report is prepared quarterly at the same time as the credit risk report and contains additional detailed information at business division and product level regarding the management of credit risk by the operating units. The credit monitoring report is approved by the Credit Risk Committee.

- The credit matrix provides detailed information on credit risk at portfolio level (CVaR, rating distributions, sector distributions, concentration risks, limit utilization, target/actual portfolios), some of which is also included in the credit risk report and the credit monitoring report in an aggregated form. The Credit Risk Committee also approves the credit matrix on a quarterly basis.

- To monitor the performance of the risk classification procedures at the level of individual loans (rating and scoring models), model monitoring reports are prepared by business division on a monthly to quarterly basis. The aim of these reports is to analyze and document the performance of the rating and scoring models using a brief validation process. Compliance with the model, i.e., its proper application, is also examined.

- At the level of individual loans, the watch lists are another instrument for reporting larger and impaired exposures.

Environmental risks

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.

Postbank understands that identifying and quantifying environmental risk must form part of its 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

Definition of risk

Postbank distinguishes between two types of risk in liquidity risk management: illiquidity risk and liquidity maturity transformation risk. Illiquidity risk is defined as the risk of being unable to meet its current or future payment obligations, either in the full amount due, or as they fall due. Liquidity maturity transformation (LMT) risk describes the risk of increased refinancing costs due to a change in the Bank’s refinancing curve.

Organization and risk strategy

The responsibility for performing centralized risk management tasks lies with the Management Board. The Management Board has delegated liquidity risk management to the Market Risk Committee (MRC), which is monitored by the Supervisory Board.

Postbank has established clear rules with regard to responsibility for liquidity risk management. As a general rule, operational liquidity risk management is performed centrally by the Financial Markets division. In the event of a liquidity shock, the Liquidity Crisis Committee has clear responsibility and authority over all Postbank units responsible for portfolios.

Risk Controlling functions as a Bank-wide independent monitoring unit. It is responsible for operational limit monitoring and reporting, in addition to the methods and models used for risk identification, measurement, and management.

Postbank has laid down the basis for dealing with liquidity risk, among other things, in its overarching risk strategy.

The goal of liquidity management is to ensure that Postbank is solvent at all times – not only under normal conditions, but also 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. To guard against unexpected cash outflows, an extensive portfolio consisting of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly. To ensure the additional diversification of its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*.

In keeping with the increasing importance of liquidity management, a project was set up in 2007 to successively enhance liquidity risk management. This was completed according to plan at the end of 2009. As a result, Postbank has laid important foundations for differentiated liquidity management in keeping with the requirements derived from the “Principles for Sound Liquidity Risk Management and Supervision”. The current enhancement of the liquidity management concept takes into account the ongoing regulatory debate and in particular the structural liquidity position monitored over the course of several years. This concept is scheduled to be implemented operationally in 2010.

In the year under review, Postbank met 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, at all times.

Risk management and control

The Liquidity Management department in the Financial Markets division is responsible for the central management of liquidity risk, focusing on ensuring continuous solvency and managing liquidity maturity transformation.

The management process is based on a number of pillars. Risk Controlling assesses Postbank’s liquidity status each business day on the basis of funding matrices and cash flow forecasts, and risk management is performed on the basis of the liquidity status. Risk management is also based on a series of more far-reaching analyses of liquidity management, in addition to regular liquidity and issue planning. Risk management activities focus above all on ensuring solvency at all times, even in stress situations. To ensure this, the Bank’s liquidity positions are subject to a series of stress tests at least once a month. These simulated calculations reflect external changes in a variety of market factors, anxious reactions of customers, and structural changes in funding resources. The stress tests also identify and analyze risk concentrations with respect to Postbank's specific liquidity situation, e.g., with respect to its savings and demand deposits or its access to the collateralized and uncollateralized money markets.

The results of the stress tests show that the liquidity position remains solid, despite the substantially tougher market conditions engendered by the financial market crisis. This is due not least to the further increase in customer deposits and the Bank's extensive portfolio of ECB-eligible securities.

The following overview reflects Postbank's liquidity status as of December 31, 2009 on a cumulative basis, showing expected cash inflows/outflows and available liquidity sources for the subsequent twelve months in accordance with the principles of internal liquidity management.

The expected values for cash outflows from liabilities with no fixed capital commitment, 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 data and assumptions show that Postbank has significant liquidity surpluses across all maturity bands, which underscores its solid cash position.

Postbank's liquidity status

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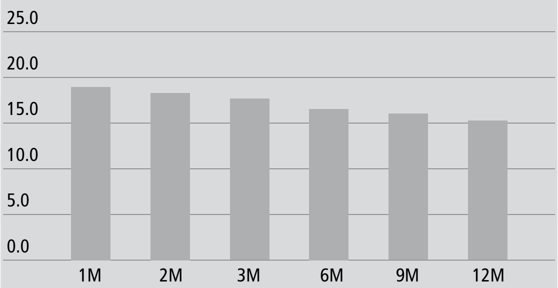

Risk reporting

Postbank regularly uses a variety of instruments to report liquidity risk. The tense market situation, however, has led us to enhance these instruments and, in some cases, supplement them with ad hoc analyses for individual key items. The standard reports are described in more detail below:

- Risk Controlling informs the Group Management Board, the members of the Market Risk Committee and the Liquidity Management department daily on the liquidity status, including limit utilizations. A detailed reconciliation of cash inflows and outflows with available sources of liquidity is provided.

- Supplementing this, the Liquidity Management department uses a separate monthly report to inform the Market Risk Committee of the market situation and of the Bank's liquidity status and refinancing activities.

- The Group Management Board and the members of the Market Risk Committee receive monthly liquidity status overviews, including the established scenario analyses and stress tests.

- Monthly information on liquidity ratios in accordance with the LiqV is sent to the Group Management Board as part of the Management Board information system.

- The Supervisory Board is informed on a quarterly basis of the liquidity situation, including in the defined stress situations.

Monitoring and managing operational risk

Definition of risk

Postbank defines operational risk in accordance with section 269 of the SolvV as the risk of loss resulting from inadequate or failed internal processes and systems, people, or external events. This definition also covers legal risk, but not reputational or strategic risk.

To date, Postbank has used the standardized approach to calculate capital requirements for operational risk. An internal audit confirmed that the requirements under the SolvV qualifying the Bank to apply the standardized approach were met; the BaFin and Deutsche Bundesbank were notified of this.

In 2008, the Group Management Board resolved to introduce an Advanced Measurement Approach (AMA). Implementation work started in the second half of 2008 and continued in 2009. The internal quantification model for operational risk developed as part of the AMA implementation project went live on July 1, 2009. Since then, the economic capital requirements for operational risk both for the Bank as a whole and for the four business divisions individually have been determined using the internal capital model. A scorecard was developed to assess the quality of operational risk management in the business divisions so as to enable qualitative modifications to the capital amounts calculated for the business divisions; this also represents a material incentive to improve operational risk management. As a flanking measure, the processes and methods already established were enhanced in 2009 in line with the regulatory requirements for the AMA; scenario analysis was implemented in all business divisions, and an IT-based activity tracking system was established. The AMA implementation project is scheduled for completion in the first quarter of 2010. It is planned to submit the application for approval to the BaFin and Deutsche Bundesbank at the end of the first quarter of 2010.

Organization and risk strategy

Postbank's Management Board is responsible for the management, control, and monitoring of operational risk. The Operational Risk Committee (ORC) commissioned by the Management Board defines the strategy and framework for managing operational risk. Day-to-day management of operational risk is the responsibility of the individual Postbank units.

Strategic parameters for managing operational risk are part of the overall strategy. The objective is to use suitable measures to limit operational risk to a minimum. The operational risk strategy comprises principles relating to active security such as process transparency, unambiguous rules regarding authorizations and powers, and appropriate security guidelines on the one hand, and to passive security in the form of appropriate emergency planning and adequate financial cover on the other. In addition, the operational risk strategy was expanded to include four quantitative elements in 2009:

- Establishment of a VaR limit for operational risk at the overall Bank level;
- Allocation of economic capital for operational risk at the level of the internal business divisions;
- Establishment of reporting thresholds for structural loss trends per business division ("typical loss");
- Establishment of reporting thresholds for low-volume, high-frequency losses.

Operational risk is fully integrated into Postbank's risk-bearing capacity concept. At the beginning of the third quarter of 2009, Postbank amended the procedure for including operational risk in the internal risk-bearing capacity concept. The calculation of operational risk is now based on the newly developed internal quantification model. The new model is used for calculating the utilization of the limit allocated to operational risk on a quarterly basis. 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 internal quantification model, Postbank uses the following methods:

- Structured capture of internal losses of €1,000 or more
- 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 activity tracking system to reduce operational risk.

The regular training of local risk managers and upgrading the software solutions deployed is also managed centrally. The "OpRisk Framework" and the "Manual for Operational Risk Control in the Postbank Group" describes both the methods used and the primary responsibilities of those involved in the risk control process. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

Risk management and control

Management of operational risk remains a key task of the individual operating units.

For each division or subsidiary, a two-tiered organizational structure with decentralized OpRisk managers has been established to supplement the central risk control process and support the respective managers in risk prevention.

In 2009, the main loss driver for Postbank was external fraud, for which a significant increase was recorded as against the previous year. The main focus here was on high-frequency losses such as credit card fraud, phishing, and transfer and credit fraud. In such cases, losses are often only minor but frequent. A task force has been set up to limit these losses and has instituted a number of measures. In addition, a Bank-wide Fraud Group was set up with the express goal of reducing the loss and fraud ratio, and the related loss volume. 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. Another focus is on raising the awareness of the employees involved in the relevant processes, in order to ensure systematic and widespread early identification of cases of fraud. In addition, measures are being taken to adapt processes and the relevant IT systems to the change in the risk situation.

To date, Postbank has used the Standardized Approach for calculating the weighting required for operational risk. The weightings for operational risk are calculated for internal purposes – in contrast to the regulatory provisions – each quarter. The following table shows the partial weightings broken down by business segment.

Business segment in accordance with the SolvV	Weighting for operational risk	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Corporate finance	–	–
Trading and sales	27	28
Retail banking	269	253
Corporate banking	38	33
Payment transactions and processing	1	1
Agency services	1	1
Asset management	–	–
Retail brokerage	8	9
Total for Deutsche Postbank AG	344	325

Risk reporting

In fiscal year 2009, Postbank enhanced its internal operational risk reporting system to include quantitative elements such as the utilization of the VaR limits assigned to the business divisions, as well as additional information on, for example, AMA risk indicators and the results of scenario analyses. In addition, ad hoc reporting was expanded to include additional recipients (e.g., the heads of the business divisions) and events (e.g., losses in excess of €500,000). Moreover, the members of the Fraud Group, which was set up in mid-2009, receive a monthly report on fraud trends.

Postbank reports regularly on operational risk and loss at management level:

- The members of the Operational Risk Committee (ORC) are informed on a monthly basis of losses incurred and of selected indicators that have exceeded the defined tolerance threshold, as well as of utilization levels for warning thresholds for typical losses in the individual business divisions and utilization levels for warning thresholds relating to high-frequency losses.

- Above and beyond this, the members of the ORC are informed on a quarterly basis of the utilization of the defined VaR limits at the level of the Bank as a whole and of the business divisions; in addition, they are provided with the results of the self-assessment every six months.

- The Group Management Board receives a current summary of the losses recorded each month as well as the results of the scenario analysis on an annual basis.

- At a local level, individual managers at the various levels receive reports tailored to meet their informational needs.

ORC members and the heads of the business divisions receive ad hoc reports without delay in the case of material losses that exceed a predefined level or of serious risks.

Monitoring and managing investment risk

Definition of risk

Investment risk comprises potential losses due to fluctuations in the fair value of strategic equity investments.

Equity investments are defined as all equity interests recognized in the single-entity financial statements of Deutsche Postbank AG under "equity investments" and "investments in associates" as well as investments in companies pursuant to section 16(2) and (4) of the *Aktiengesetz* (AktG).

Organization and risk strategy

The Bank's Group Management Board is responsible for strategic management of the equity investment portfolio.

The ongoing monitoring and control of investment risk within the Bank is performed by various central units. Investment management coordinates the supervision of the business activities of subsidiaries and other investees in keeping with the investment strategy, in particular by providing support for the executive bodies. Postbank exercises influence on the business and risk policies of its equity investments in particular through shareholder and supervisory bodies, where it is usually represented by members of the Management Board.

As of the reporting date of December 31, 2009, Deutsche Postbank AG held a total of 61 direct and a large number of indirect equity investments. In fiscal 2009, the number of investments in associates/equity investments had not changed materially over the previous year.

Postbank sees these holdings predominantly as strategic investments that reflect the Postbank Group's product and service areas, and as a source of internal services for the Postbank Group. A number of these equity investments are managed as Postbank units. Several central functions such as accounting, finance, controlling, legal affairs, personnel, and internal audit are performed by the responsible organizational units at Postbank in some instances. The relevant lending departments of Deutsche Postbank AG monitor investment risks that have a near-credit or credit-substituting nature.

As before, Postbank currently has no shareholdings in other companies in the sense of a private equity or an investment strategy.

Postbank has established a procedure to ensure the adequate management and monitoring of key investment risks at Group level. These also include the interests held by Deutsche Postbank AG 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. Deutsche Postbank AG has no interests in SPEs designed for asset outplacement.

Consequently, all material equity investments are integrated in Postbank's operational management of risk at Group level. Since they are included in risk monitoring at an operational level, the equity investments are analyzed annually for their significance and risk, and where necessary additional equity investments are fully integrated.

Risk Controlling regularly monitors the limits of materiality defined for risks within the equity investment portfolio and keeps the Management Board and the Risk Committees informed of this.

Risk management and control

Material risks (particularly market, credit, and liquidity risks) associated with strategic subsidiaries and equity investments are integrated in the operational and strategic risk management and risk monitoring systems. The operational risk and business risk associated with the majority interests are included in Postbank's corresponding management and monitoring system. The residual investment risk is deducted from the available risk capital.

Ongoing liaison between the companies and the appropriate specialist areas of the Bank also contributes to the timely identification of business and risk developments. To this end, the equity investments are allocated to the relevant board departments.

Equity investments are subject to an impairment test at quarterly intervals. In accordance with the principles for valuing equity investments and shares in companies laid down by the Institut der Wirtschaftsprüfer, this review is primarily based on the application of the *Ertragswertverfahren* (income capitalization approach).

The large number of existing management and monitoring systems, 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.

Risk reporting

In the context of the management and monitoring systems, regular reports are also prepared on the risk relating to the strategic equity investments and subsidiaries included in these systems. In addition, Postbank uses a variety of regular reporting instruments for investment risk:

- The key earnings figures of all subsidiaries included in the consolidated financial statements are reported to Postbank's Management Board on a quarterly basis.
- As a shareholder, Deutsche Postbank AG is also continuously informed about the development of the risk situation at the respective subsidiaries at the meetings of their executive bodies (Supervisory Board, Administrative Board, Shareholders' Meetings, etc.).

Monitoring and managing real estate risk

Definition of risk

Real estate risk relates to Postbank's real estate holdings and comprises the risk of loss of rental income, writedowns to the going concern value, and losses on sales.

Organization and risk strategy

The Bank's Group Management Board is responsible for strategic management of the real estate portfolio.

The ongoing monitoring and control of risks from real estate holdings at Postbank is performed on a uniform basis by the Real Estate Management unit, which is attached to the Real Estate, Support, Security department of Postbank's Resources/Lending division. In particular, Real Estate Management coordinates the management of the service providers active in the area of facility and property management and performs overarching cost coordination in line with the uniform real estate strategy. Real Estate Management prevents the risk of loss of rental income, writedowns to the going concern value, and disposal losses thanks to space management and the active marketing of superfluous space, as well as to long-term resource allocation.

The properties in the Treasury portfolio are primarily those used by Deutsche Postbank AG itself.

Risk management and control

Properties are reappraised every three to four 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 (6th edition) published by the Royal Institution of Chartered Surveyors (RICS), London), the reappraisal is based primarily on a determination of 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 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.

Risk reporting

In the context of the management and monitoring systems, regular reports are also prepared on the risk relating to real estate owned by the Bank:

- The Real Estate, Support, Security department submits monthly reports to the board member responsible for Resources/Lending that are largely devoted to real estate topics. In addition, he receives reports every two weeks on key issues relating to real estate risk.
- The Resources/Lending board member receives reports on key indicators for real estate as part of the Group-wide KPI system.
- The Bank's Group Management Board is informed of the size of the real estate risks as part of the quarterly risk-bearing capacity report.

Monitoring and managing business risk

Definition of risk

Business risk refers to unexpected declines in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. They arise when expenses cannot be reduced in line with a decline in income (excess fixed costs) or when expenses increase unexpectedly. Such declines in earnings can be caused by both internal and external factors, such as unfavorable economic changes or political decisions leading to a change in customer behavior. The following types of risk are covered by business risk:

- Model risk
  The risk from unexpected declines in volume or falling margins that cannot be fully covered by modeling customer products with undetermined capital commitments and/or variable interest rates.
- Residual business risk
  Other unexpected volume or margin declines not covered by model risk. This includes:
  - Strategic risk
    The risk that earnings targets will not be achieved because of the insufficient focus of Postbank on the relevant business environment (which may have changed abruptly). Strategic risk may therefore result from an inadequate strategic decision-making process, from unforeseeable discontinuities on the market, or from the inadequate implementation of the chosen strategy. In the area of strategic risk, Postbank further distinguishes between internal risk, which arises from inadequate strategic procedures, and external risk, which is caused by unexpected market developments.

- 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 and risk strategy

The Group Management Board is responsible for managing business risk. The Management Board has resolved a specific subrisk strategy for business risk based on the overarching risk strategy. In the event of strategic risk, it has a duty to take appropriate measures to counteract undesirable developments as they occur. The approval of the Supervisory Board may also be required, depending on the scope of the strategic decision.

Risk Controlling calculates business risk on a quarterly basis at the least; the results are taken into account in the risk-bearing capacity report as a deductible item from risk capital. The risk capital requirements for model risk are measured monthly and are reported to the Group Management Board and the Market Risk Committee.

Risk management and control

While model risk primarily affects savings and checking account products in Retail Banking, it also occurs in Corporate Banking. Risks from modeling customer transactions with undetermined cash flows result in particular from the definition of theoretical scenarios for customer products with unknown interest rate and capital commitments (primarily savings and checking accounts, overdrafts) in order to manage interest rate and liquidity risks. These scenarios are designed in such a way as to appropriately reflect the repricing and capital commitment behavior of these customer products. Over time, 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) which could endanger the ability to generate stable net interest income in the long term and impair the liquidity situation.

Residual business risk is estimated by way of an earnings at risk model (EaR) with a confidence level established in the risk-bearing capacity concept and a one-year horizon. Business risk calculation is based on historical variance analyses of the periods. In contrast to VaR, which measures fluctuations in present value, the EaR model is based on fluctuations in income from one period to another. In order to measure the effects caused by a fluctuation in income and expenses beyond the period in question, business risk is scaled using a sustainability factor.

Market and competition analyses are continually prepared by Controlling and the business divisions in order to identify potential risks and to develop appropriate countermeasures as part of an early warning system.

Risk reporting

Postbank uses a variety of regular reporting instruments for business risks:

- The Management Board is informed of the size of the business risk in the risk-bearing capacity report on a quarterly basis.

- The Management Board is informed of the development of model risk in the monthly risk report.

- The monthly Market Risk Committee report informs the MRC of specific business risks arising from model risk.

- The change in volume of the customer products with unknown interest rate and capital commitments is monitored via daily reports.

- At Postbank, there are several forms of strategic risk reporting. For example, the Management Board receives regular reports on the results of the market and competition analyses, quarterly reviews of business performance, and the monthly and quarterly Management Board information system reports. Additionally, strategic risk and developments are presented and discussed in depth during the planning process.

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 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 line with 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, and

- compliance with the legal provisions applicable to the Company.

Postbank's Management Board has defined principles, procedures, and measures for implementing the tasks to be performed by the internal control system.

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 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, and Resources/Lending divisions are the main units involved in the preparation of the guidelines.

Financial reporting is performed primarily by the departments within the Finance division, 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 units in the Group Management division, whose main tasks are as follows:

- Coordination of the Declaration of Compliance as defined by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act),

- provision of certain disclosures relating to the notes,

- provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks.

With regard to the financial reporting process, the Resources/Lending division 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

- Decisions on specific valuation allowances relating to domestic and foreign loans

- 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 (including the right to demand information), 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.

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 in particular the effectiveness and appropriateness of the internal control system 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 adopted.

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 applicable 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 the issuance of guidelines. The quality of the annual financial statements is assured by means of corresponding inspections in the Accounting division.

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. Dual control is exercised over all postings of transactions entailing technical and/or organizational separation.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and 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 SAP for posting its ledgers. In addition, specific data processing tools are used which are controlled as a 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 postings are subject to dual control.

Internal Audit

The Internal Audit unit is a key element of the business and process-independent 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 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 a particular risk are audited annually.

Internal Audit provides for suitable audit measures in its annual audit plan that are designed to assure the appropriateness of the internal rating systems, including adherence to the minimum requirements for use of the rating systems.

Audit planning and the determination of audit cycles employ appropriate tools based on a procedure that was established a number of years ago and that has been proven effective. A 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 multi-year audit plan and the annual program for the following fiscal year, which Internal Audit is commissioned to implement by the Management Board.

Regularity audits and system examinations are conducted regularly as part of the annual program. Internal Audit also carries out special examinations under particular circumstances, and performs audit and consulting activities for the introduction and implementation of material projects. A separate process was set up in the course of the fiscal year to determine the materiality of 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

In its Circular 22/2009 dated December 21, 2009, the BaFin laid down new criteria for banks' remuneration systems.

The remuneration systems have been adjusted to comply with the general requirements specified in the Circular. The adjustments will take effect in 2010. 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 placed on remuneration systems for managing directors and employees in high-risk positions, the remuneration systems are designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. Postbank intends to implement these changes by April 2010, insofar as this is possible under civil, employment, and company law.

Pending proceedings

An allegation made by the Monopoly Commission is the subject of a request for information submitted to the German federal government by the European Commission in response to a complaint from a third party. The allegation is that Deutsche Post AG contravenes the prohibition on state aid enshrined in the EU Treaty by allowing Deutsche Postbank AG to use Deutsche Post outlets at below market rates. In the opinion of Deutsche Post AG and Deutsche Postbank AG, this allegation is incorrect and the fee paid by Deutsche Postbank AG complies with the provisions on competition and state aid stipulated in European law.

The European Commission also asked the Federal Republic of Germany to comment on the sale of its entire interest in Deutsche Postbank AG to Deutsche Post AG concluded in 1999. However, the Commission had already investigated the acquisition of Postbank as part of the state aid legal proceedings concluded by the decision of June 19, 2002. At the time, it explicitly concluded that the acquisition of Postbank involved "no grant of state aid".

The German government has already argued before the European Commission that the allegations are in its opinion unfounded. Nevertheless, with regard to the two allegations relating to the requests for information, no assurance can be given that the Commission will not find that the facts of the case constitute state aid.

On September 12, 2007, the European Commission initiated a formal investigation against the Federal Republic of Germany concerning possible subsidies to Deutsche Post AG. The investigation will focus on whether Germany, using state resources, overcompensated Deutsche Post AG or its legal predecessor Deutsche Bundespost POSTDIENST for the cost of providing universal services between 1989 and 2007 and whether the Company was thereby granted state aid incompatible with EU law. According to the decision opening the investigation, the Commission intends to examine all public transfers, public guarantees, statutorily granted exclusive rights, the price regulation of letter mail services, and the public funding of pensions for civil servants during the period in question. Also to be investigated is the cost allocation within Deutsche Post AG and its predecessor between the regulated letter service, the universal service and competitive services. This also relates to the cooperation agreements between Deutsche Post AG and Deutsche Postbank AG as well as between Deutsche Post AG and the business parcel service marketed by DHL Vertriebs GmbH.

Deutsche Postbank AG and Deutsche Post AG hold that the new investigation lacks any factual basis. All public transfers associated with the privatization of Deutsche Bundespost, the public guarantees and the funding of pension obligations formed part of the subject matter of the state aid procedure closed by the decision of June 19, 2002. That decision did not identify the measures concerned as incompatible state aid. Deutsche Postbank AG and Deutsche Post AG are further of the opinion that the statutorily granted exclusive rights and the regulated letter prices do not fulfill the legal criteria to be considered a form of state aid in the first place. Deutsche Postbank AG also shares the opinion of Deutsche Post AG that the internal allocation of costs with its subsidiaries is consistent with EU state aid rules and the case law of the European Court of Justice. Nonetheless, based on an overall appraisal the possibility of the Commission finding a case of incompatible state aid cannot be ruled out.

Report on Expected Developments

Global economy

At the beginning of 2010, the global economy is going through a fragile recovery process. This recovery is being underpinned to a substantial degree by extremely expansive monetary policies and an array of sweeping government programs. It is therefore not yet possible to say that the recovery process is self-sustaining and the risk that economic momentum will soon abate is accordingly higher. As a result of these factors, we are rather cautious in our estimations about economic growth. At 3.5 %, global economic output may increase at a slower pace in 2010 than it did in the years that preceded the crisis. In 2011, growth of global GDP is likely to be somewhat slower than in the current year.

In the United States, it appears that the economic recovery will continue in 2010. Investments in machinery, equipment and residential construction should rise from a very low base level. Growth in private consumption will most likely be somewhat weak. The continuingly high levels of household debt and the initial further rise in unemployment that is likely may slow momentum noticeably in this area. From today's perspective, foreign trade – unlike previous years – is not expected to generate further expansive energy overall. At 2.1 %, GDP growth is likely to be rather modest in 2010 as a result. For 2011, we expect growth to slow somewhat as the impact of the government stimulus programs recedes.

The Japanese economy may profit from the rebound in world trade, with exports expected to rise considerably. As the economy picks up, private households may increase their consumption once again. At 1.7 %, GDP should grow at a sound pace in 2010. As a result of a slowdown in foreign trade, however, GDP growth in 2011 should decline considerably. In China, economic growth in 2010 is expected to remain at a high level. But if the government steps in to prevent the economy from overheating, growth in 2011 should slow measurably.

The euro zone's economy is expected to rebound in 2010, fueled by exports and gross capital expenditures. Against the backdrop of an expected initial rise in unemployment and weak wage growth, private consumption will amount to hardly more than stagnation. The momentum generated by exports and gross capital expenditures could slacken again as the year proceeds if the support provided by the economic recovery programs diminishes. For that reason, we are expecting moderate GDP growth of 1.7 % for 2010. A slowing global economy and increasing pressure to consolidate government budgets will likely mean a slight increase in GDP growth in 2011.

Economic outlook for Germany

The German economy, because it is export-oriented, may receive a considerable boost from the global recovery in 2010. Exports should grow significantly faster than imports. As a result, foreign trade would then make a measurable contribution to GDP growth. Amid these conditions, investments in machinery and equipment should rise from a low level. Furthermore, the government's infrastructure program will produce its full impact in 2010. Combined with moderate growth in residential construction, this should result in a modest recovery in construction investments. But private consumption is not expected to generate any momentum. First, the unemployment rate is likely to rise. And, second, a negative rebound effect resulting from the German government's cash-for-clunkers program is emerging. At 2.2 %, GDP growth in Germany is nevertheless expected to be significantly higher in 2010 than in the euro zone as a whole thanks to the momentum generated by foreign trade. In 2011, the expiration of the government's economic recovery programs and the weakening pull of the global economy will result in a light slowdown in economic growth.

Markets

In 2010, central banks may move forward with their efforts to end their highly expansive monetary policies. The initial focal point should be their retreat from unconventional measures, including the direct purchase of securities and long-term refinancing activities. We expect the U.S. Federal Reserve to announce its first interest rate increase at mid-year. The key U.S. interest rate should climb to 1 % by the end of 2010. As a result of a modest recovery in the economy and continuing high level of price stability, the ECB should have enough leeway to keep its key interest rate at today's very low level of 1% somewhat longer. For that reason, we expect an interest rate increase of 1.5 % in the euro zone in the final quarter of 2010.

The continued economic recovery and a normalization of inflation rates should initially produce higher yields in large currency regions during the first half of the year. In these circumstances, the yield on 10-year German bunds could increase up to 3.75 %. Over the rest of the year, the economic slowdown that we expect to see again is likely to bring down long-term yields once more. Because key interest rate increases in the euro zone will most likely be small, we anticipate a slight flattening of the yield curve for the entire year of 2010. By historical standards, however, it will still remain very steep.

The decline in risk premiums for corporate bonds may continue in 2010, but still at a significantly slower rate. Moreover, the risk of a setback in corporate spreads will rise alongside the expected economic fluctuations. We expect no unequivocal trend here overall.

Sector outlook

During their Pittsburgh summit in September 2009, the G-20 countries agreed on a series of requirements for banks that are designed to lower the probability of future financial crises. In addition to a long-range toughening of requirements governing the quality of capital, another key decision involves the introduction of an upper limit on the leverage ratio. Limits on the leverage ratio, which reflects the ratio of total assets to equity are primarily used by Anglo-Saxon countries. Depending on the design, such upper limits could have a significant impact on German banks if they are introduced. In contrast to other countries, bank-oriented financing plays a significant role in Germany. In particular, German banks with a high amount of retail and corporate banking generally have a relatively high leverage ratio while maintaining comparatively good balance-sheet quality on the asset side. This ratio can be substantially lowered only by increasing bank capital or reducing the number of loans issued. For this reason, a significant macroeconomic impact on lending cannot be ruled out if a firm upper limit on the leverage ratio is introduced. On the other hand, a leverage ratio used as an additional regulatory indicator in terms of Pillar II of Basel II could make it possible to identify undesirable trends at individual banks. Generally speaking, possible regulatory changes could have a significantly negative impact on the banking industry and Postbank. At the moment, it is not yet clear when and to what extent the much-discussed changes will be put into effect. In particular, substantial tightening of capital requirements could result in a diminished ability to generate revenues as well as additional needs for capital and, thus, a reduction in the return on equity. In its planning, Postbank assumes that tougher requirements governing available equity resources and the leverage ratio will be introduced in a measured way in consideration of the business models and over a period of three years.

Despite the obvious signs of a moderate economic recovery, the business climate for German banks in 2010 can be described as only somewhat positive. Many banks may indeed be able to continue increasing their net interest income because they are profiting from the steepness in the yield curve. But the continuing low level of interest rates poses a challenge in terms of net interest income for deposit-rich banks like Postbank. This challenge must be met by further reductions in interest expenses. A flattening of the yield curve could restrict the previously described opportunity to generate additional net interest income. A sudden withdrawal of the massive amounts of liquidity provided by central banks could trigger reactions on money and capital markets, dealing a blow to the spreads of banks, governments and companies. There is also a threat that the financial crisis could generate a debt crisis and/or high inflation rates in some countries. Markets and economies have not yet entered a phase of stability. Our current outlook assumes that no major setbacks or disruptions will occur.

However, in terms of the risk of further loan defaults among retail and institutional customers, additions to allowances for losses on loans and advances may remain high at first among the majority of banks and absorb at least a portion of the potential gains in net interest income. A significant reduction of allowances for losses on loans and advances to the respective pre-crisis levels cannot be expected to occur for the time being. Risks continue to exist in the international commercial real estate business, particularly in such instances when follow-up financing in international market segments can be arranged only at a considerably reduced price level. This can have a negative impact on both the allowances for losses on loans and advances of the participating banks and on price trends in the affected real estate markets, putting a tremendous strain on the banks' earnings situation.

As a result of the expected challenging capital market climate, proprietary trading and investment banking may generate rather small contributions to earnings. In addition, there is a risk that individual banks will still have to take further writedowns on toxic securities. For this reason, a majority of German banks may be able to achieve only moderate growth in their operating earnings.

In years to come, long-term revenues of many banks may remain below the levels of the pre-crisis years as a result of the economy's weak growth rates. The expected toughening of regulatory requirements for banks could negatively impact the long-range recovery process of the sector as well.

The three-pillar structure of Germany's banking landscape is likely to remain in place. No cross-pillar consolidation efforts are in sight. Mergers of the Landesbanks (or public-sector banks), some of which have been battered by the global financial-market crisis, are also nowhere on the horizon.

Expected financial situation

Investment focuses of Postbank

As part of the "Postbank4Future" (P4F) strategic program, the Bank is investing in the expansion and modernization of its sales channels as well as in the optimization of customer systems. Postbank continues to work on expanding its network of ATMs, both with partners and through the development of its own ATM locations. Customer service is being further improved by the installation of multifunctional machines in the branches. The implementation of legal requirements like consumer-loan regulation, the flat tax and SEPA as well as the area of reporting remain the focal point of investments. The optimization of processes and systems will be a key focus of investments in 2010 as well.

Goals of Postbank

Expected results of operations at Postbank

In 2010 and 2011, the global economy is expected to experience a slight recovery. The effects of the multifaceted stimulus programs introduced by governments are expected to continue. Business conditions on capital markets are likely to remain fragile. Because business bankruptcies are expected to remain at above-average levels and conditions on international real estate markets are likely to remain challenging, the need for allowances for losses on loans and advances in the banking industry will probably remain high. The following estimation of Postbank's probable direction uses a basis scenario. It does not include the possible effects of potentially severe setbacks and disruptions on international capital and real estate markets detailed in the section on the sector outlook.

Postbank is well positioned to meet existing challenges, with a continuing good development in its operating earnings, its stable and sustainable revenue streams from its customer business as well as its solid refinancing base. The concentration of the business model on retail, business and corporate customers that has been initiated will be systematically continued. In this effort, the "Postbank4Future" strategy program will generate valuable momentum toward improving the market position, particularly in Retail Banking. The Bank will maintain its strategy of lowering capital market risks and portfolios in future quarters.

Given the expected trends in the Bank's customer business and external economic environment, we foresee a slight rise in the core operating earnings components of net interest income and net fee and commission income during the ongoing fiscal year and 2011 despite the persistently low levels of interest rates and the slowly rising transaction volume in the securities and fund business. As part of our strategy program, we will once again intensify our cost management substantially. Given the expected gains in efficiency generated by the streamlining of our product range and by the consolidation of overhead functions, we expect that, by 2012, we will be able to reduce the workforce in a fair manner by about 2,000 employees to a total of 19,000.

Trends in net income from financial operations and net measurement gains and losses will be influenced to a large extent by developments in the money and capital markets as well as – based on the negative effects recorded in our structured loan portfolio – by the economic situation and by the number of business insolvencies. Should macroeconomic trends not deviate noticeably from expectations, the overall negative impact from net income from financial operations and net measurement gains and losses should be significantly less in future periods than in 2008 and 2009, resulting in improvements in these income-statement items. This trend could be upset by several factors, including defaults and downgrades of individual issuers with broad impact, even in an otherwise intact market situation.

We expect the high level of the allowance for losses on loans and advances to continue, particularly as a result of prolonged difficult business conditions in international real estate markets. In the area of commercial real estate lending, we expect measurable – albeit lower – negative effects in 2010 than in 2009. From today's perspective, these negative effects should significantly decline in 2011.

Based on our current normal scenario, the allowance for losses on loans and advances should remain at a relatively moderate level in future quarters compared with other banks. In this area, Postbank is profiting to a large extent from its Germany-based, highly collateralized private mortgage loans.

In summary, we expect that extraordinary effects in fiscal years 2010 and 2011 as well as in future periods may decline gradually from the levels experienced in the two previous years. On the basis of solid revenue streams from customer business and systematic cost management, we should be able to generate positive results once again.

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 includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Bonn, February 23, 2010
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow

Marc Hess

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Balance Sheet as of December 31, 2009 – Deutsche Postbank AG, Bonn

Assets

	Previous year					Previous year
	€	€m	€	€	€	€m
1. Cash reserve						
a) Cash balance				872,744,766.12		910
b) Balances with central banks				3,596,464,382.34		2,173
of which: with the Deutsche Bundesbank	3,594,423,584.01	2,172			4,469,209,148.46	
2. Loans and advances to other banks						
a) Payable on demand				4,822,474,731.98		2,856
b) Other loans and advances				24,371,167,597.84		31,506
of which:						
mortgage loans	803,610,075.49	820				
public-sector loans	253,564,594.06	268			29,193,642,329.82	
3. Loans and advances to customers						
of which:						
mortgage loans	29,200,697,312.72	27,863				
public-sector loans	2,743.313,462.95	2,182			70,487,163,818.94	69,225
4. Bonds and other fixed-income securities						
a) Money market securities						
aa) Public-sector issuers			-.--			0
of which: eligible as collateral with the Deutsche Bundesbank	-.--	0				
ab) Other issuers			3,531,276,742.56	3,531,276,742.56		6,867
of which: eligible as collateral with the Deutsche Bundesbank	3,531,276,742.56	2,925				
b) Bonds						
ba) Public-sector issuers			21,116,329,509.18			22,095
of which: eligible as collateral with the Deutsche Bundesbank	20,955,575,395.15	21,932				
bb) Other issuers			29,592,393,681.15	50,708,723,190.33		38,377
of which: eligible as collateral with the Deutsche Bundesbank	24,475,011,811.46	33,600				
c) Own bonds				77,066,591.60		245
Principal amount	84,173,425.92	252			54,317,066,524.49	
5. Equities and other non-fixed-income securities					633,911,726.29	974
6. Equity investments						
of which:						
in other banks	1,171,593.72	1				
in financial services providers	-.--	0			15,520,244.39	17
7. Investments in affiliated companies						
of which:						
in other banks	552,332,765.28	552				
in financial services providers	17,046,461.58	5			13,609,923,630.66	13,689
8. Trust assets						
of which: trustee loans	937,328,208.09	1,011			1,045,431,888.24	1,085
9. Intangible assets					36,921,050.15	39
10. Property and equipment					574,276,563.79	603
11. Other assets					804,640,499.52	1,395
12. Prepaid expenses						
a) From issuing and lending business				197,497,875.53		240
b) Other				1,812,817,118.51	2,010,314,994.04	1,202
Total assets					**177,198,022,418.79**	**193,498**

Equity and Liabilities

	Previous year €	Previous year €m	€	€	€	Previous year €m
1. Deposits from other banks						
a) Payable on demand				1,634,088,704.90		2,975
b) With an agreed maturity or withdrawal notice				33,094,121,326.52		63,292
of which:						
registered mortgage *Pfandbriefe* issued	82,512,659.53	730				
registered public-sector *Pfandbriefe* issued	654,390,094.42	1,876				
Pfandbriefe lodged with lenders as collateral for loans received:						
registered mortgage *Pfandbriefe*	0.00	0				
and registered public-sector *Pfandbriefe*	0.00	0				
Registered bonds (mixed cover) per DSL Bank Transformation Act (DSLBUmwG)	1,136,455,335.03	1,135			34,728,210,031.42	
2. Due to customers						
a) Savings deposits						
aa) With an agreed withdrawal notice of three months			48,875,959,077.78			34,663
ab) With an agreed withdrawal notice of more than three months			177,417,791.74	49,053,376,869.52		361
b) Registered mortgage *Pfandbriefe* issued				1,020,486,144.18		414
c) Registered public-sector *Pfandbriefe* issued				276,391,821.90		655
d) Registered bonds (mixed cover) per DSL Bank Transformation Act (DSLBUmwG)				13,393,977,305.79		13,411
e) Other amounts due						
ea) Payable on demand				38,528,467,517.43		31,260
eb) With an agreed maturity or withdrawal notice				12,405,923,561.64		19,447
of which:						
Pfandbriefe lodged with lenders as collateral for loans received:						
registered mortgage *Pfandbriefe* issued	0.00	10				
and registered public-sector *Pfandbriefe*	0.00	10			114,678,623,220.46	
3. Debt securities in issue						
a) Bonds issued						
aa) Mortgage *Pfandbriefe*			4,219,462,840.63			3,585
ab) Public-sector *Pfandbriefe*			1,736,549,439.73			0
ac) Bonds (mixed cover) per DSL Bank Transformation Act (DSLBUmwG)			134,454,761.60			124
ad) Other bonds			4,073,004,101.47	10,163,471,143.43		8,123
b) Other debt securities in issue				5,619,168,024.31		2,727
of which: money market securities	5,619,168,024.31	2,727			15,782,639,167.74	
4. Trust liabilities						
of which: trustee loans	937,328,208.09	1,011			1,045,431,888.24	1,085
5. Other liabilities					618,471,471.27	564
6. Deferred income						
a) From issuing and lending business				73,502,249.45		103
b) Other				984,050,221.19	1,057,552,470.64	1,086
7. Provisions						
a) Provisions for pensions and other employee benefits				591,734,501.13		577
b) Provisions for taxes				89,534,536.48		136
c) Other provisions				891,390,896.96	1,572,659,934.57	592
8. Subordinated debt					3,687,973,601.63	3,777
9. Profit participation certificates outstanding						
of which: due within two years	74,084,021.00	48			1,210,814,862.66	1,222
10. Fund for general banking risks					1,165,000,000.00	1,165
11. Equity						
a) Share capital				547,000,000.00		547
b) Capital contributions by typical silent partners				13,146,289.05		38
c) Share premium				1,090,499,481.11		1,569
d) Retained earnings				0.00		0
e) Balance sheet profit				0.00	1,650,645,770.16	0
Total equity and liabilities					**177,198,022,418.79**	**193,498**

	€	€	Previous year €m
1. Contingent liabilities			
a) Contingent liabilities on endorsed bills settled with customers	-.--		–
b) Liabilities from guarantees and indemnity agreements*	5,039,880,526.87		4,694
c) Liability from the provision of collateral for third-party liabilities	-.--	5,039,880,526.87	–
2. Other commitments			
a) Repurchase obligations from non-genuine securities repurchase agreements	-.--		–
b) Placement and underwriting obligations	-.--		–
c) Irrevocable loan commitments	7,150,386,818.78	7,150,386,818.78	20,446

* 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, 2009 to December 31, 2009

Comparative figures from January 1, 2008 to December 31, 2008

Expenses

		Previous year				Previous year
	€	**€m**	**€**	**€**	**€**	**€m**
1. Interest expense					4,425,813,069.85	6,111
2. Fee and commission expense					383,961,227.86	326
3. General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			466,438,276.54			516
ab) Social security contributions, pensions and other employee benefits			220,479,253.26	686,917,529.80		223
of which: for pensions	172,979,127.45	177				
b) Other administrative expenses				1,590,339,888.63	2,277,257,418.43	1,561
4. Depreciation, amortization and writedowns of intangible assets and property and equipment					33,397,454.89	39
5. Other operating expenses					95,455,329.17	53
6. Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks					668,730,013.77	1,398
7. Writedowns and adjustments of equity investments and investments in affiliated companies, and securities treated as fixed assets					526,528,843.90	823
8. Expenses from loss absorption					18,305,871.00	4
9. Extraordinary expenses					0.00	13
10. Taxes on income					33,075,195.71	113
11. Other taxes not reported under item 5					1,510,688.24	5
12. Profit transferred due to profit pooling, a profit and loss transfer agreement or a partial profit and loss transfer agreement					0.00	0
13. Net profit for the period					0.00	0
Total expenses					8,464,035,112.82	11,185

Income

		€	€	Previous year €m
1.	**Interest income from**			
	a) Lending and money market transactions	3,767,378,794.72		5,338
	b) Fixed-income and book entry securities	1,878,043,066.08	5,645,421,860.80	2,440
2.	**Current income from**			
	a) Equities and other non-fixed-income securities	17,293,556.94		29
	b) Equity investments	77,944.20		0
	c) Investments in affiliated companies	327,325,895.93	344,697,397.07	379
3.	**Income from profit pooling, profit and loss transfer agreements or partial profit and loss transfer agreements**		283,488,536.60	257
4.	**Fee and commission income**		818,500,306.88	864
5.	**Net income from financial operations**		160,434,757.41	31
6.	**Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets**		241,227,578.72	0
7.	**Other operating income**		478,635,116.30	677
8.	**Net loss for the period**		491,629,559.04	1,170
Total income			8,464,035,112.82	11,185

		€	Previous year €m
1.	**Net loss for the period**	−491,629,559.04	−1,170
2.	**Withdrawals from the share premium**	478,442,674.26	453
		−13,186,884.78	−717
3.	**Withdrawals from retained earnings**		
	a) from legal reserves	-.--	-.--
	b) from reserves for treasury shares	-.--	-.--
	c) from reserves provided for under the Articles of Association	-.--	-.--
	d) from other retained earnings	-.--	681
		0.00	681
4.	**Withdrawals from profit participation certificates outstanding**	11,319,338.79	23
5.	**Withdrawals from contributions by silent partners**	1,867,545.99	13
6.	**Additions to retained earnings**		
	a) to legal reserves	-.--	-.--
	b) to reserves for treasury shares	-.--	-.--
	c) to reserves provided for under the Articles of Association	-.--	-.--
	d) to other retained earnings	-.--	-.--
7.	**Balance sheet profit**	0.00	0

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Notes to the Annual Financial Statements of Deutsche Postbank AG for the Fiscal Year 2009

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, 2009.

The *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Modernization Act) has replaced the term *Realkreditinstitut* (mortgage bank) in RechKredV by *Pfandbriefbank*. Postbank has reported figures as of December 31, 2009 in the standard required format and has included the corresponding figures for the previous year.

II. 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 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 in the amount permitted by tax law for potential risks from loans and advances. A fund for general banking risks has also been set up in accordance with section 340g 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 and the requirement to reverse writedowns (section 340e(1) sentence 2 in conjunction with section 253(3) sentence 1 and section 280 HGB). Hedge accounting is applied where securities are hedged by forward or option contracts with matching amounts, currencies, or maturities. Any balance of unrealized gains or losses remaining after such gains and losses have been netted within hedge accounting are recognized in accordance with the imparity principle.

Where entered into for trading purposes, derivative products are measured at current market prices. Provisions are recognized for measurement losses. Measurement gains are not recognized.

In the Operating Liquidity Management and Trading Interest departments, Postbank measures the trading books on a portfolio basis. Interest rate futures, options on interest rate futures, interest rate swaps, forward rate agreements, and interest caps within the "liquidity optimization" and "trading interest" trading portfolios are measured at market prices. Any resulting measurement losses are offset against measurement gains in the portfolio. Any balance is recognized in income.

The risk-adjusted marking-to-market is used for the money market portfolios and the swap trading portfolio. The marking-to-market gain or loss calculated for each of these portfolios is reduced by the value at risk (VaR) determined in accordance with regulatory requirements (ten-day holding period, 99 % confidence level, one-year historical observation period). This ensures that anticipated gains from portfolios entailing risks are not reported in net income from financial operations. This risk-adjusted marking-to-market recognized in income is reflected by an adjustment item in the balance sheet that is reported either under other assets or under provisions.

Postbank has observed an increase in transaction volumes on the primary and secondary markets for European government bonds, *Pfandbriefe*, and bank and corporate bonds. As a result, it determined that an active market existed when valuing the relevant holdings in the third quarter (corporate bonds only) and the fourth quarter of 2009. Consequently, the fair values for these securities are no longer determined using a valuation model, but rather on the basis of observable market prices.

Fixed assets
In accordance with section 340e(1) HGB in conjunction with section 253(2) sentence 3 HGB, securities recognized as fixed assets are measured using the less strict principle of lower of cost or market. 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.

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

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

Equity investments in PB-Spezialinvestmentaktiengesellschaft mit Teilgesellschaftsvermögen (PB Spezialinvest) are reported under investments in affiliated companies and measured as current assets to ensure continuity and consistency in the measurement method.

Equity investments including investments in affiliated companies denominated in foreign currency are translated into euros using the respective historical exchange rate.

Intangible assets
Purchased intangible assets are carried at cost and reduced by straight-line amortization in accordance with amounts permitted under tax law.

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.

Low-value assets of an amount of up to €150 in cost are recognized in full as operating expenses in accordance with section 6(2) *Einkommensteuergesetz* (EStG – German Income Tax Act).

In accordance with section 6(2a) EStG, a collective item has been set up for low-value assets each costing more than €150 but not exceeding €1,000.

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

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 calculated using the effective interest method.

Debt securities in issue
During fiscal year 2009, Postbank issued its third *Jumbo Hypothekenpfandbrief*, the volume of this issue being €1 billion. The issue is a five-year *Pfandbrief* bearing annual interest of 3.75 %. Postbank also placed its first public-sector *Jumbo Pfandbrief* during fiscal year 2009. In this case, the total volume was €1.5 billion. This issue also has a maturity of five years and bears annual interest of 3.125 %.

Provisions
Provisions for pensions are calculated in accordance with actuarial principles using the Heubeck "2005 G mortality tables" with a discount rate of 6 % and in accordance with the entry-age normal method as permitted under German tax law for calculating obligations in respect of current pension payments and future pension benefits.

Adequate tax provisions and other provisions have been recognized to cover all identifiable risks and uncertain liabilities.

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 340h (1) sentence 2 HGB, assets and liabilities denominated in foreign currency are translated into euros at the middle spot rate prevailing at the balance sheet date. Forward contracts still open at the balance sheet date are measured at the forward rate prevailing at the balance sheet date.

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

In accordance with section 340h(2) sentence 2 HGB, balance sheet items and executory contracts denominated in foreign currency are classified as covered separately and measured in every currency. Accordingly, all gains and losses from currency translation were recognized in the income statement in accordance with section 340h(2) sentences 1 and 2 HGB. 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

Since March 9, 2009, Deutsche Bank has held a 25 % stake plus one share in Postbank. The shares were primarily purchased in the initial phase of the transaction with Deutsche Post AG.

Since that date, Deutsche Post AG has owned a 39.5 % stake in Postbank.

Postbank AG was included as an associate in the consolidated financial statements of Deutsche Post AG and Deutsche Bank AG as of December 31, 2009.

As a publicly listed German stock corporation, Postbank AG has prepared its annual financial statements for the year ended December 31, 2009 in accordance with HGB in conjunction with RechKredV requirements as well as the relevant AktG rules.

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

In the year under review, Postbank's equity and liquidity remained at all times within the parameters laid down by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) (sections 10, 10a, and 11 *Kreditwesengesetz* (KWG – German Banking Act).

The Postbank Group makes use of the waiver option under section 2a KWG for its single institution Deutsche Postbank AG, dispensing with the need to file single institution reports in connection with section 10 and section 13a KWG. The ratios specified by the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) are therefore complied with at Group level only.

B. Balance sheet and income statement disclosures

I. Assets

Affiliated companies	Dec. 31, 2009 €m	Dec. 31, 2008 €m
The following items include loans and advances to affiliated companies:		
Loans and advances to other banks	11,556	10,727
Loans and advances to customers	5,176	5,185
Bonds and other fixed-income securities	6,873	5,983
Other assets	335	347
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	54
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	21	21
Loans and advances to customers	0	0
Bonds and other fixed-income securities	76	0
Equities and other non-fixed-income securities	10	10

The increase in bonds and other fixed-income securities resulted primarily from long-term bonds acquired from BHW Bausparkasse AG.

Loans and advances to other banks	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Used as cover, with an agreed maturity or withdrawal notice	231	343
of which: at least three months but less than four years	0	0
of which: four years or more	231	343

Securities repurchase agreements

Reverse repos amounting to €3,941 million and buy-and-sell-back transactions amounting to €1,108 million are reported as loans and advances to other banks.

Securities purchased under agreements to resell are not reported in the balance sheet; interest of €235 million arising from such transactions is recognized as interest income.

Repos amounting to €6,158 million and sell-and-buy-back transactions amounting to €973 million are reported as deposits from other banks. Interest of €106 million arising from such transactions is recognized as interest expense.

Loans and advances to customers	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Used as cover, with an agreed maturity or withdrawal notice	20,038	15,599
of which: less than four years	99	48
of which: four years or more	19,939	15,551
Secured by mortgage charges	29,201	27,863
of which: used as cover	17,294	13,422
Public-sector loans	2,743	2,182
of which: used as cover	2,743	2,176

Bonds and other fixed-income securities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
This item includes negotiable securities totaling:	54,317	67,584
Money market securities Public-sector issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Other issuers		
listed money market securities	3,531	6,867
unlisted money market securities	0	0
Bonds Public-sector issuers		
listed bonds	20,783	21,260
unlisted bonds	333	835
Other issuers		
listed bonds	27,790	37,663
unlisted bonds	1,803	714
Securities not measured at the lower of cost or market	1,213	486
Own bonds		
listed own bonds	76	89
unlisted own bonds	1	156

Fixed assets include 19 securities with a carrying amount of €1,213 million (previous year: €486 million), for which writedowns amounting to €285 million (previous year: €180 million) would have been recognized if they had been measured at their quoted prices at the balance sheet date. These securities include eight asset-backed securities (carrying amount €238 million, fair value €114 million) issued in a country outside Europe, as well as three asset-backed securities (carrying amount €67 million, fair value €59 million) and two government bonds (carrying amount €778 million, fair value €704 million) issued in the European Union. In addition, the Bank holds six asset-backed securities (carrying amount €130 million, fair value €51 million) that were issued in Jersey, Channel Islands. Of these changes in value, a total of €47.2 million has been recognized as a provision for anticipated losses on the credit derivatives embedded in these instruments.

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 anticipated losses amounting to €136 million was recognized for the credit default swaps separated from the synthetic CDOs in accordance with IDW ERS HFA 22.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Equities and other non-fixed-income securities		
This item includes negotiable securities totaling:	593	283
of which: listed securities	282	283
of which: unlisted securities	311	0
Securities not measured at the lower of cost or market	0	0

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Equity investments		
This item includes negotiable investments totaling:	5	7
of which: listed	5	7
of which: unlisted	0	0
Investments in affiliated companies		
This item includes negotiable investments totaling:	3,701	13,334
of which: listed	0	0
of which: unlisted	3,701	13,334

Statement of changes in assets

	Historical cost Jan. 1, 2009	Additions	Disposals	Changes in exchange rates/ deferred interest	Cumulative depreciation, amortization and writedowns	Residual value Dec. 31, 2009	Depreciation, amortization and writedowns in fiscal year 2009
	€m	€m	€m	€m	€m	€m	€m
Bonds and other fixed-income securities	6,817	0	−676	−26	−81	6,034	−44
Equity investments	21	3	−4	0	−4	16	0
Investments in affiliated companies	14,372	392*	−37	0	−1,118	13,609	−435
Property and equipment	1,002	2	−8	0	−422	574	−30
Intangible assets	52	1	0	0	–16	37	−3
Total	22,264	398	–725	−26	−1,641	20,270	−512

*Addition + reversal of writedown

Effective July 31, 2009, Postbank Privat Investment GmbH, Bonn, was sold to KAS Bank N. V., Amsterdam, with a gain on disposal amounting to €4.2 million.

With effect from the end of September 30, 2009, Postbank sold its call center units to Postbank Direkt GmbH, Bonn, under an asset deal. Other operating income of €20.1 million was generated from a sale price of €20.3 million.

The BCB AG’s share premium was increased by way of a non-cash contribution (€21,299 thousand). Postbank assigned all its shares in BCB Processing GmbH to BCB AG as a non-cash contribution (€21,299 thousand). Betriebs-Center für Banken Processing GmbH therefore became a wholly owned subsidiary of BCB AG from January 1, 2009.

The additions to investments in affiliated companies also include the purchase of BHW Direktservice GmbH (€3,955 thousand) and the capital increases of Postbank Direkt GmbH (€20,833 thousand), PB (USA) Holdings, Inc. (€102,311 thousand), and Postbank Finanzberatung AG (€8,156 thousand).

The disposals of investments in affiliated companies relate to quarterly repayments of the limited partner shares in DSL Portfolio GmbH & Co. KG (€5,437 thousand).

DSF Deutsche System Finanzplan Gesellschaft für Finanzdienstvermittlung mbH (€30 thousand) was merged into PB Sechste Beteiligungen GmbH, the transaction being entered in the commercial register on June 24, 2009. From this date, the company ceased to exist.

The writedowns and adjustments of investments in affiliated companies relate to PB (USA) Holdings, Inc. (€102,001 thousand), Postbank Finanzberatung AG (€14,507 thousand), BHW Holding AG (€250,744 thousand) and BCB AG (€67,394 thousand). In addition, previous writedowns of the subpools of assets of PB Spezialinvest totaling €236,378 thousand were reversed.

Additions to equity investments relate to the capital increase in Eurogiro Holdings A/S (€54 thousand) and the subsequent costs for the investment in Hypoport AG (€3,090 thousand).

Disposals comprise the sale of shares of Visa Inc., USA (€3,893 thousand), the shares in Thüringer Landgesellschaft (€19.5 thousand), and the contractually agreed repayment of the silent partner contribution in MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG (€231 thousand).

The writedowns on equity investments relate to Hypoport AG (€366 thousand) and Fernkälte Geschäftsstadt Nord GbR (€11 thousand).

Property and equipment includes land and buildings amounting to €512 million used in Postbank’s own operations, and operating and office equipment amounting to €10 million.

Intangible assets primarily comprise the goodwill of the London branch and the securities accounts business taken over from BHW Bank AG. On the basis of anticipated useful life, these assets will be amortized over 15 years.

Other assets	Dec. 31, 2009 €m	Dec. 31, 2008 €m
This item primarily includes the following:		
Receivables arising from non-bank business	344	350
Claims to tax reimbursement	265	112
Collection documents	128	2
Claims to reimbursement against PB Lebensversicherung AG (Talanx)	56	52
Adjustment item portfolio measurement	0	672
Adjustment item from foreign currency translation	0	147
Variation margin	0	55

Under other assets, Postbank primarily reports the loans and advances to Postbank Filialvertrieb AG (€199 million) and PB Firmenkunden AG (€74 million).

Prepaid expenses	Dec. 31, 2009 €m	Dec. 31, 2008 €m
This item includes:		
Close-out payments on micro swaps	1,648	1,057
Prepaid premiums on loans and advances	106	147
Prepaid issue costs/discounts	73	75
Investment allowances	38	49

Remaining maturities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Other loans and advances to other banks	24,371	31,505
less than 3 months	15,684	20,881
3 months to 1 year	2,841	3,761
1 to 5 years	2,022	3,140
more than 5 years	3,824	3,723
Loans and advances to customers	70,487	69,225
less than 3 months	12,261	13,950
3 months to 1 year	4,767	4,809
1 to 5 years	22,983	19,610
more than 5 years	28,169	28,726
without fixed maturity	2,307	2,130

Bonds and other fixed-income securities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Amounts due in the following year	6,604	13,271

Foreign currency assets	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Total amount of assets denominated in foreign currency	13,402	22,050

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trust assets	1,045	1,085
This item includes:		
Loans and advances to customers	974	1,024
Loans and advances to other banks	71	61

The traditional focus 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.

II. Equity and liabilities

Affiliated companies	Dec. 31, 2009 €m	Dec. 31, 2008 €m
The following items include amounts due to affiliated companies in unsecuritized form:		
Due to customers	4,314	491
Deposits from other banks	324	4,932
Other liabilities	158	126
The following items include amounts due to affiliated companies in securitized form:		
Debt securities in issue	0	0
Subordinated debt	1,605	1,605
Profit participation certificates outstanding	30	30
Other long-term investees and investors		
Deposits from other banks	0	0
Due to customers	0	0
Other liabilities	0	0

Other liabilities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
This item is primarily composed of:		
Liabilities arising from non-bank business	211	164
Tax liabilieties	174	197
Adjustment item from currency translation	99	0

Deferred income	Dec. 31, 2009 €m	Dec. 31, 2008 €m
This item includes:		
Close-out payments on micro swaps	836	903
Upfront payments on trading swaps	99	77
Discount accruals arising on loans and advances	57	80
Issue costs/premium accruals on bonds issued	14	20
Par structure bonds acquired at par	5	65

Provisions	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Other provisions include:		
Employee-related provisions	108	130
Provisions for anticipated losses on derivatives	667	352

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) KWG due to the short maturities; an extraordinary right of termination has not been granted to the creditor.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Expenses (including proportionate interest and premiums) incurred by subordinated debt amounted to:	179	215

Remaining maturities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Deposits from other banks with an agreed maturity or withdrawal notice	33,094	63,292
less than 3 months	8,962	41,635
3 months to 1 year	17,425	15,495
1 to 5 years	2,149	1,878
more than 5 years	4,558	4,284

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Savings deposits with an agreed withdrawal notice of more than 3 months	169	191
3 months to 1 year	51	53
1 to 5 years	118	138
more than 5 years	0	0
Other amounts due to customers with an agreed maturity or withdrawal notice	27,097	33,926
less than 3 months	5,489	6,626
3 months to 1 year	3,449	10,176
1 to 5 years	3,830	3,708
more than 5 years	14,329	13,416

Debt securities in issue	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Bonds issued		
Amounts due in following year	2,215	5,160
Other debt securities in issue with an agreed maturity or withdrawal notice	5.619	2.727
less than 3 months	4.632	2.048
3 months to 1 year	987	679

No assets have been transferred as collateral for the liabilities.

Foreign currency liabilities	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Total amount of liabilities denominated in foreign currency	13,885	22,595

Open market transactions	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Securities with repurchase agreements were pledged as collateral to the Land Central Bank collateral pool as part of open market transactions	6,000	21,715

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trust liabilities	1,045	1,085
This item includes:		
Trust funds (transmitted loans)	489	513
Special-purpose funds	443	447
Deposits from other banks	55	68
Special fund of the state of Mecklenburg-Western Pomerania	46	45
Retired farmers' pension fund	12	12

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Profit participation certificates outstanding	1,211	1,222
This item includes:		
Bearer profit participation certificates outstanding	567	575
Registered profit participation certificates outstanding	644	647

The Bank is under an obligation to ensure that those certificate holders who participated in the net loss for the year are treated on a priority basis in the following three years before any allocation is made to other retained earnings, and that the contribution reduced by such loss participation is replenished.

Equity

Postbank's issued capital as of December 31, 2009 was €547 million divided into 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 is 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.

The Annual General Meeting on April 22, 2009 approved the contingent increase in share capital of up to €164.1 million by issuing up to 65,640,000 new no-par value registered shares (Contingent Capital I). Furthermore, the share capital was conditionally increased by up to 109,400,000 no-par value registered shares to be granted to the holders or creditors of convertible bonds and/or bonds with warrants, income bonds, and/or profit participation rights (Contingent Capital II).

In addition, the Management Board was authorized at the Annual General Meeting on April 22, 2009 to purchase own shares for the purposes of securities trading in accordance with section 71(1) no. 7 of the *Aktiengesetz* (AktG – German Stock Corporation Act) up to a total of 5% of the relevant share capital, or for other purposes in accordance with section 71(1) no. 8 of the AktG up to a total of 10% of the share capital. In accordance with the legal provisions, the aggregate number of own shares held may not account for more than 10% of the share capital. The authorizations took effect at the end of the Annual General Meeting and are valid until October 21, 2010. The authorization to purchase own shares in accordance with section 71(1) no. 8 of the AktG existing at the time of the Annual General Meeting, which was valid for a limited period until November 7, 2009, is revoked as of the time when the new authorization became effective.

In the year under review, the Bank only made a minimal use of the authorization to purchase own shares, acquiring 12,292 shares in total at a market price of €176,000. When these treasury shares were resold, Postbank incurred a total loss of €12,000. Postbank held no treasury shares as of the balance sheet date.

Changes in equity in 2009	Issued capital	Contributions by typical silent partners	Share premium	Retained earnings	Net profit/loss	Equity
	€m	€m	€m	€m	€m	€m
Balance at Jan. 1, 2009	547	38	1,569	0	0	2,154
Disposal of contributions by typical silent partners		–23				–23
Dividend payment						0
Appropriation to issued capital						0
Appropriation to share premium						0
Appropriation to retained earnings						0
Withdrawal from share premium			–479		479	0
Withdrawal from retained earnings						0
Withdrawal from profit participation certificates outstanding					11	11
Withdrawal from contributions by typical silent partners		–2			2	0
Net loss					–492	–492
Balance at Dec. 31, 2009	547	13	1,090	0	0	1,650

In view of the overall economic situation and the tense conditions in real estate markets, the Bank carried out a comprehensive review of its risk positions in the fourth quarter of 2009. As a result, the specific valuation allowances relating to the Bank's commercial real estate finance exposure were increased. Thus, Postbank reported a net loss of €492 million for the year ended December 31, 2009. Of this net loss for the period, €13 million was attributable to the silent partner creditors and some of the holders of profit participation rights. In addition, Postbank reduced the share premium by €479 million, to report a balance sheet profit of zero in the process.

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In accordance with section 10(4a) sentence 1 KWG in conjunction with section 10(4c) KWG, no unrealized reserves will be allocated to regulatory capital following the adoption of the annual financial statements.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Contributions by typical silent partners	13	38

Based on the principal amount of their contributions, the typical silent partners receive a share of profits for every fiscal year in which a net profit is generated in the amount of the percentage which 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 is to be deducted from the contributions of typical silent partners in the ratio of its carrying amount to the Bank's total liable equity reported in the balance sheet that participates in such loss. At the same time, the silent partners do not receive any consideration on their contributions. For fiscal year 2009, the silent partners participated in the net loss for the period in accordance with the contractual terms and conditions.The contractual terms and conditions applicable to the silent partners provide for the latter to be given preferred treatment within the following three years; accordingly, the contributions reduced by the loss absorption is to be replenished before the allocation of the reserves.

III. Contingent liabilities

Postbank reports a guarantee of €359 million issued to PB Capital Corp. (PB Capital). This consists primarily of rental guarantees for office space, guarantees for CP programs and guarantees for swaps and derivatives. This item also includes a guarantee of €2,247 million issued to PBI. This mainly covers exposures in the form of risk subparticipation agreements that exceed PBI's large exposure limits, among other things. In addition, the item includes a guarantee amounting to €1,160 million in favor of KFW as protection buyer under a senior guarantee as part of a securitization deal.

III. Other obligations

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Other obligations		
This item includes:		
Irrevocable loan commitments	7,150	20,446
thereof: building loans provided	2,178	3,016

In fiscal year 2009, lines of credit amounting to €12 billion that can be terminated immediately were no longer reported under irrevocable loan commitments.

V. Income statement

Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks largely comprise writedowns on structured credit products (SCP portfolios) amounting to approximately €480 million. As part of a random sampling examination that was conducted by the Deutsche Prüfstelle für Rechnungslegung e.V. (the Financial Reporting Enforcement Panel, FREP), the view was taken that the addition to the allowance for losses on loans and advances in the amount of €55 million posted during fiscal year 2009 should have been recognized as of the end of fiscal year 2008. In order to avoid delaying the preparation of the 2009 financial statements, the Bank has concurred with this appraisal, especially since the result remains unchanged when viewed across both reporting periods. As a consequence, writedowns and adjustments to loans and advances in fiscal year 2009 includes an amount of €55 million that is attributable to fiscal year 2008.

Other operating expenses include expenses in connection with settlement payments of €33 million to Munich Re, Ergo and Hamburg Mannheimer, partners in a cooperation agreement with Postbank. The settlement payments relate to Postbank's premature withdrawal from the sales cooperation agreement signed with these parties on March 21, 2005. Other operating expenses also include court and litigation costs of €11 million and payments made to the Bundesanstalt für Post und Telekommunikation (Federal Posts and Telecommunications Agency) amounting to €6 million.

Writedowns and adjustments of equity investments and investments in affiliated companies, and securities treated as fixed assets mainly comprise writedowns on the carrying amounts for the investments in PB (USA) Holdings, Inc. (€102 million), Postbank Finanzberatung AG (€15 million), BHW Holding AG (€251 million) and BCB AG (€67 million). Writedowns amounting to €92 million were also applied to fixed-income securities.

Taxes on income amounted to €33 million. Of this amount, €1 million is attributable to the findings of the tax audit for the years 1998 to 2000 and 2001 to 2004.

Other operating income includes €255 million in income from the reimbursement of personnel and non-personnel expenses. In fiscal year 2009, the Bank sold its call center units to Postbank Direkt GmbH. The proceeds from this disposal were €20 million. Other operating income also includes income from rental agreements and leases amounting to €61 million and income from the reversal of provisions amounting to €23 million.

Income by geographical region

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Germany	2,370	2,819
Others	73	82
Europe	73	82
Total	2,443	2,901

The total includes the following line items reported on the face of the income statement: net interest income, net fee and commission income and net income from financial operations.

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.

For information regarding potential risks from the (special) contributions to the mandatory compensation scheme of the Bundesverband deutscher Banken (Association of German Banks), please refer to the explanations in the Management Report.

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 €96 million.

Letters of comfort

The letters of comfort issued in favor of creditors of subsidiaries of Deutsche Postbank AG primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. Deutsche Postbank AG profits from these benefits since they have a positive impact on the enterprise value of the subsidiary concerned. These benefits are offset 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 accordance with the issuing 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.

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

In all the above cases, there is a risk that the Bank may become subject to the obligations 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 and home savings contracts under cooperation agreements with HUK Coburg, the Talanx Group, and BHW Bausparkasse.

II. Employees (average full-time equivalents)

	Total 2009	Total 2008
Employees		
Full-time	2,724	2,831
Part-time	266	270
Civil servants		
Full-time	1,477	1,924
Part-time	356	496
Subtotal	4,823	5,521
Trainees		
Vocational trainees	293	265
Management trainees	0	0
AIS students	14	15
	307	280
Total employees	5,130	5,801

III. Equity investments and investments in affiliated companies

	Equity interest	Equity	Net profit/loss
	%	€ thousand	€ thousand
Investments in affiliated companies			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	232,613	9,407
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	1,313	2,529
BHW Bausparkasse AG, Hamelin	100.0	983,674	0[1]
BHW Direktservice GmbH, Hamelin	100.0	3,851	879
BHW Eurofinance B. V., Arnheim, Netherlands	100.0	944	−5,307
BHW Financial Consultants Limited, Gurgaon, India	100.0	40	39[3]
BHW Financial S.r.l., Verona, Italy	100.0	687	62
BHW Gesellschaft für Vorsorge mbH, Hamelin	100.0	242,370	0[1]
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin	100.0	918,844	0[1]
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin	100.0	84,258	4,133
BHW Holding AG, Berlin/Hamelin	100.0	728,231	−211,446
BHW Immobilien GmbH, Hamelin	100.0	2,065	757
BHW Invest S.A.R.L., Luxembourg	100.0	35,595	130
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[1]
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	9	16
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	0	18
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	23	9
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	47	23
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	54	3
Deutsche Postbank Home Finance Limited, Gurgaon, India	100.0	59,525	6,656[3]
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg	100.0	–745	49
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	655,530	−81,818
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg	100.0	34,719	9,805
DSL Holding AG i.A., Bonn	100.0	54,695	–376
DSL Portfolio GmbH & Co. KG, Bonn	100.0	0	0
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	24	–1
easyhyp GmbH, Hamelin	100.0	106	–107
Iphigenie Verwaltungs GmbH, Bonn	100.0	23	–1
Miami MEI, LLC, Dover, Delaware, U.S.A.	0.0	0	0[7]
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	308,976	–166,727
PB Capital Corp., Wilmington, Delaware, U.S.A.	100.0	308,799	–166,726
PBC Carnegie LLC, Wilmington, Delaware, U.S.A.	0.0	0	0[7]
PB EuroTurks Finanzdienstleistungen GmbH i.L., Bonn	100.0	–	–[4]
PB Factoring GmbH, Bonn	100.0	11,546	0[1]
PB Finance (Delaware) Inc., Wilmington, Delaware, U.S.A.	100.0	177	0
PB Firmenkunden AG, Bonn	100.0	1,100	0[1]
PB Hollywood II Lofts, LLC, Dover, Delaware, U.S.A.	0.0	0	262[7]
PB Hollywood I Hollywood Station, LLC, Dover, Delaware, U.S.A.	0.0		[7,8]
PB Sechste Beteiligungen GmbH, Bonn	100.0	25	0
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main (TGV 1 – 24)	100.0	9,567,871	365,972
Postbank Beteiligungen GmbH, Bonn	100.0	25	0[1]
Postbank Direkt GmbH, Bonn	100.0	25	0[1]
Postbank Filialvertrieb AG, Bonn	100.0	55	0[1]
Postbank Finanzberatung AG, Hamelin	100.0	18,755	3,078
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[1]
Postbank Leasing GmbH, Bonn	100.0	500	0[1]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	7,093	4,611
Postbank Support GmbH, Cologne	100.0	759	0[1]
Postbank Systems AG, Bonn	100.0	51,573	0[1]

	Equity interest	Equity	Net profit/loss
	%	€ thousand	€ thousand
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[1]
Postbank Vertriebsakademie GmbH, Hamelin	100.0	770	281
SAB Real Estate Verwaltungs GmbH, Hamelin	100.0	23	0
2650 Virginia Avenue NW LLC, Dover, Delaware, U.S.A.	100.0		[8]
401 Mass Avenue Holdings, LLC, Dover, Delaware, U.S.A.	0.0		[7,8]
PB (USA) Realty Corp., New York, U.S.A.	94.7	1,185,843	51,638
RALOS Verwaltung GmbH & Co. Vermietungs-KG, Munich	94.0	0	383
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	0	3,842
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	12,280	2,932
Fünfte SAB Treuhand und Verwaltung GmbH & Co Suhl „Rimbachzentrum" KG, Bad Homburg v.d.Höhe	74.0	0	–107
EC EUROPA IMMOBILIEN FONDS NR. 3 GMBH & CO. KG, Hamburg	65.0	6,496	0
DVD Gesellschaft für DV-gestützte Dienstleistungen mbH & Co. KG, Cologne	51.0	2,798	2,405
Equity investments			
IG BAU Mitglieder-Service GmbH, Frankfurt am Main	50.0	93	10
IG BCE Mitglieder-Service GmbH, Hanover	50.0	133	11
Starpool Finanz GmbH, Berlin	50.0	201	1
Fünfte SAB Treuhand und Verwaltung GmbH & Co „Leipzig-Magdeburg" KG, Bad Homburg v.d.Höhe	40.7	0	–60
giropay GmbH, Frankfurt am Main	33,3	0	–197
Fünfte SAB Treuhand und Verwaltung GmbH & Co Dresden „Louisenstraße" KG, Bad Homburg v.d.Höhe	30.6	0	–45
SRC Security, Research & Consulting GmbH, Bonn	16.9	3,202	1,047
GENOPACE GmbH, Berlin	15.0	200	0
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	14.1		[8]
Quelle Bauspar AG, Fürth	14.1	41,310	560
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	11.0	36,428	2,028
Metallrente Pensionsfonds AG i.G., Stuttgart	10.0	–	–[4]
DPBI Immobilien KGaA, Munsbach, Luxembourg	10.0	353	115
LHA Anlagenverwaltungsgesellschaft mbH, Munich	10,0	142	–9
Hypoport AG, Berlin	9.8	21,569	3,194
SILEX Grundstücksvermietungsgesellschaft mbH & Co.Objekt Bad Schwalbach KG, Düsseldorf	9.5	0	–489[5]
SUSIK Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Rathaus Lübben KG, Düsseldorf	9.5	0	9[5]
MAXUL Beteiligungs GmbH & Co. Vermietungs-KG, Munich	9.0	0	1[6]
Eurogiro A/S, Taastrup, Denmark	8.6	755	–1,102[2]
SENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Sonderhausen KG, Düsseldorf	7.5	0	63
Niedersächsische Landgesellschaft mbH, Hanover	6.3	60.705	839
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bankakademie KG, Düsseldorf	6.0	–	–[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	0	–152[5]
TOSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Perleberg KG, Düsseldorf	5.5	0	–6
Von Gablenz Straße GmbH & Co. KG, Frankfurt am Main	5.2	–	–[4]
MFG Flughafen Grundstücks-Verwaltungsgesellschaft mbH & Co. BETA KG, Grünwald	4.6	–	–[4]
Fernkälte Geschäftsstadt Nord GbR, Hamburg	2.9	–	–[4]
ConCardis GmbH, Frankfurt am Main	1.5	–	–[4]
EURO Kartensysteme GmbH, 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 GmbH, 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 mbH, 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 exchange rate (Dec. 31, 2009) 1EUR = DKK 7.44
[3] Translated at the exchange rate (Dec. 31, 2009) 1 EUR = INR 66.67, fiscal year April 1, 2008 – March 31, 2009
[4] In accordance with sections 286 (3) sentence 1 and/or 313 (2) No. 4 of the HGB, no information on equity and the result is given since such information is of secondary significance for the presentation of the assets, liabilities, financial position and profit or loss of Deutsche Postbank AG and/or the Postbank Group.
[5] Percentage of voting rights: 5.0 %.
[6] Percentage of voting rights: 4.8 %.
[7] Percentage of voting rights: 100 %.
[8] The company was established in 2009. No financial statements are yet available.

IV. Remuneration of the Management Board

Structure of remuneration of the Management Board in fiscal year 2009

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

The Executive Committee of the Supervisory Board discusses the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG, taking into account the Company's performance, the sector, and the prospects for the future.

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 situation, and the tasks of the 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 linked to performance.

Overall remuneration consists of fixed components and a performance-related component.

The base pay (fixed component) and other compensation are not linked to performance. The base pay is paid as a monthly salary in twelve equal installments.

The standard performance-related (variable) component consists of the annual bonus.

The annual bonuses awarded to the members of the Management Board are paid according to the achievement of quantitative and/or qualitative targets. These targets form part of a target agreement established at the start of each fiscal year. The size of the annual bonuses is based on the degree to which predetermined target values are reached or exceeded.

The size of the annual bonus is capped on the basis of individual agreements. The maximum annual bonus is granted where the upper target value specified for the fiscal year is reached. The variable remuneration component can exceed the fixed remuneration component.

The Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance.

Level of remuneration of the Management Board in fiscal year 2009

The nine active members of the Management Board received fixed remuneration totaling €4,159.8 thousand (previous year: €4,309.3 thousand) in fiscal year 2009. The fixed component includes "other compensation" totaling €196.2 thousand (previous year: €175.3 thousand). This additional remuneration relates primarily to the use of management cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, other compensation is available to all members of the Management Board equally; the amount varies depending on different personal circumstances. No annual bonus will be paid for fiscal year 2009.

The nine active members of the Management Board received remuneration totaling €4,159.8 thousand (previous year €16,174.3 thousand) in fiscal year 2009.

The remuneration disclosed covers all activities performed by members of the Management Board within the Postbank Group.

Deutsche Postbank AG has neither launched a stock option program, nor does it currently intend to do so.

The Supervisory Board of Deutsche Postbank AG and the Chairman of the Management Board Wolfgang Klein, who stepped down as of June 30, 2009, decided under amicable conditions and by mutual agreement on the termination of the Management Board contract, a decision that was below the recommendations of the German Corporate Governance Code. The contractual relationship with Wolfgang Klein will be terminated prematurely on June 30, 2010. He received a fixed severance payment of € 2,937.5 thousand. Wolfgang Klein declined all entitlements to an annual bonus for fiscal year 2009.

Dirk Berensmann stepped down as the member of the Management Board responsible for the IT/Operations board department as of May 29, 2009. The Management Board contract with Dirk Berensmann would have regularly ended on December 31, 2009. Dirk Berensmann received neither a severance payment nor an annual bonus for fiscal year 2009.

Management Board remuneration in 2009

	Fixed remuneration component		Performance-related component	Total
	Fixed component € thousand	Other compensation € thousand	€ thousand	€ thousand
Stefan Jütte (Chairman since July 1, 2009)	700.6	14.9	0	715.5
Dirk Berensmann (until May 29, 2009)	208.3	10.2	0	218.5
Mario Daberkow (since May 30, 2009)	292.2	17.0	0	309.2
Marc Hess	500.0	35.3	0	535.3
Wolfgang Klein (Chairman until June 30, 2009)	437.5	13.0	0	450.5
Horst Küpker	500.0	32.8	0	532.8
Michael Meyer	425.0	20.4	0	445.4
Hans-Peter Schmid	400.0	26.1	0	426.1
Ralf Stemmer	500.0	26.5	0	526.5
Total	3,963.6	196.2	0	4,159.8

Management Board remuneration in 2008

	Fixed remuneration component		Performance-related component		Total
	Fixed compo-nent	Other compen-sation	Annual bonus	Special-bonus[1]	
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Wolfgang Klein	875.0	28.4	0	2,400.0	3,303.4
Dirk Berensmann	500.0	24.6	0	1,300.0	1,824.6
Mario Daberkow (until November 30, 2008)	241.7	15.2	0	900.0	1,156.9
Stefan Jütte	538.1	14.7	0	1,465.0	2,017.8
Horst Küpker (since July 1, 2008)	250.0	11.2	0	1,300.0	1,561.2
Guido Lohmann (until November 30, 2008)	229.2	19.1	0	900.0	1,148.3
Michael Meyer	350.0	16.8	0	1,300.0	1,666.8
Loukas Rizos (until June 30, 2008)	300.0	9.9	0	100.0	409.9
Hans-Peter Schmid	400.0	18.5	0	900.0	1,318.5
Ralf Stemmer	450.0	16.9	0	1,300.0	1,766.9
Total	4,134.0	175.3	0	11,865.0	16,174.3

[1] Includes payment of a one-time premium (special bonus) to members of the Management Board in connection with the acquisition of an investment in the Company in the amount of €11,515.0 thousand. Performance-related remuneration for fiscal year 2007 in the amount of €350.0 thousand is also included. Not including these payments, overall remuneration for the ten board members active in fiscal year 2008 amounted to €4,309.3 thousand (previous year: €10,529.0 thousand). An annual bonus (corporate and personal performance bonus) was not paid for fiscal year 2008.

New structure of the remuneration of the Management Board

In fiscal year 2009, the Supervisory Board intensively reviewed the remuneration system for the Management Board of Deutsche Postbank AG and approved adjustments to the remuneration system to meet new statutory and regulatory requirements. In the future, remuneration of the Management Board will be more strongly oriented to sustainable corporate development.

Overall remuneration will continue to consist of fixed and performance-related components.

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

The annual bonus is linked to performance.

The annual bonuses awarded to the members of the Management Board are based on the achievement of quantitative and/or qualitative targets. These targets form part of a target agreement established at the start of each fiscal year (base year). The size of the bonuses is based on the degree to which predetermined target values are reached or exceeded. The size of the bonus continues to be capped on the basis of individual agreements.

In the future, the annual bonus will no longer be paid out in full on an annual basis, even when the targets agreed on have been reached.

Instead, 60 % of the annual bonus calculated on the basis of target attainment will be subject to the proviso of sustainable Group performance. Sustainability of the Group's performance will be determined three fiscal years after the base year (sustainability phase). The long-term component will not be paid out until after the sustainability phase has ended and only if the relevant sustainability criterion to be established by the Supervisory Board has been met. If the sustainability criterion is positive or equal to or better than in the base year during the sustainability phase, then the long-term component will be paid in the fourth year after the base year. Otherwise, the payment is forfeited without compensation. Remuneration of the Management Board is thus affected by negative developments in the Company during the entire measurement period (malus system).

Pension commitments

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

A pension shall be paid if the member of the Management Board leaves our 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. In the case of disability, this minimum waiting period may be waived in part.

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. The basic rule is that pension benefits of 50 % relating to the percentage of final salary accrue to members of the Management Board after five years of service. Benefits accrue at a constant rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 %) relating to the percentage of 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, however. The pension benefits for Stefan Jütte amount to a maximum of 50 % of pensionable income. The pension commitments further include rules for the payment of a transitional allowance for 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 contract be terminated by Postbank prior to the expiration of the regular contractual term in the cases of Mario Daberkow, Hans-Peter Schmid and Ralf Stemmer, the pension shall be calculated as if the Management Board contract had been fulfilled until its regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of board member Mario Daberkow shall be measured from the first conclusion of a Management Board employment contract effective 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 after March 31, 2007, from the previous final salary-based pension system to a defined contribution plan. The pension commitments of the members of the Management Board appointed after that date, Marc Hess, Michael Meyer, and Horst Küpker, are therefore based on the following basic system: A benefit contribution is granted for each eligible year of service. This benefit contribution is credited to a virtual pension account that bears interest annually at the relevant interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and entitlements from pension commitments are vested immediately. Pensions have a 1 % p.a. adjustment rate.

Members of the Management Board Michael Meyer, Marc Hess, and Horst Küpker 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, 2009 %	Maximum percentage of final salary %	Service cost for pension obligations €
Stefan Jütte	25.50	50.00	0
Hans-Peter Schmid	0	60.00	222,646
Ralf Stemmer	50	60.00	70,392
Mario Daberkow	0	60.00	93,165

Mario Daberkow and Hans-Peter Schmid have not yet completed their respective waiting periods. As of the end of fiscal year 2009, they therefore have no entitlement to an old-age pension under these arrangements.

	Contribution amount for 2009 €	Pension account balance as of Dec. 31, 2009 €	Service cost for pension obligations €
Horst Küpker	125,000	334,043	97,303
Michael Meyer	87,500	456,335	71,825
Marc Hess	125,000	290,006	100,953

The remuneration paid to former members of the Management Board and their dependants amounted to €4.68 million (previous year: €16.42 million).

The defined benefit obligation (DBO) for current pensions, calculated in line with international accounting principles, totals €55.42 million.

V. 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 fixed and performance-related components, 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 chair and deputy chair as well as 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 component amounts to €15,000, while the variable 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 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 receives an attendance allowance of €250 for each meeting of the full Supervisory Board or of one of the committees.

The amount of the Supervisory Board's remuneration is capped in several aspects: Neither of the two variable components may exceed the value 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 the contributions made on the lowest issue price of the shares. In addition, remuneration for committee membership may not exceed twice the remuneration of the Supervisory Board member concerned.

Supervisory Board members receive the remuneration after the Annual General Meeting. Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding remuneration ratably.

The total remuneration paid to members of the Supervisory Board for fiscal year 2009 amounted to €536.3 thousand (previous year: €526.2 thousand). As concerns earnings-related remuneration, the Supervisory Board only received the fixed remuneration.

The total remuneration paid to the individual members of the Supervisory Board was as follows:

Members of the Supervisory Board	Remuneration for fiscal year 2009				Remuneration for fiscal year 2008			
	Fixed remuneration	Variable remuneration[1]	Attendance allowances	Total	Fixed remuneration	Variable remuneration[1]	Attendance allowances	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Frank Appel	52.5	–	2.8	55.3	45.5	–	2.5	48.0
Michael Sommer	45.0	–	1.8	46.8	45.0	–	1.8	46.8
John Allan	10.0	–	0.3	10.3	9.8	–	0.5	10.3
Wilfried Anhäuser	22.5	–	2.5	25.0	22.5	–	2.5	25.0
Jörg Asmussen	–	–	–	–	6.1	–	0.3	6.4
Marietta Auer	22.5	–	2.0	24.5	22.5	–	2.5	25.0
Rolf Bauermeister	15.0	–	1.0	16.0	15.0	–	1.3	16.3
Wilfried Boysen	15.0	–	1.0	16.0	15.0	–	1.3	16.3
Henry Cordes	15.0	–	0.8	15.8	1.8	–	0.3	2.1
Edgar Ernst	30.0	–	3.8	33.8	30.0	–	3.5	33.5
Annette Harms	15.0	–	1.0	16.0	15.0	–	1.3	16.3
Tessen von Heydebreck	14.9	–	2.0	16.9	–	–	–	–
Peter Hoch	32.3	–	3.0	35.3	37.5	–	3.5	41.0
Elmar Kallfelz	27.0	–	2.5	29.5	25.1	–	3.0	28.1
Ralf Krüger	28.6	–	2.5	31.1	37.5	–	3.5	41.0
Axel Nawrath	–	–	–	–	4.9	–	–	4.9
Hans-Dieter Petram	22.5	–	1.3	23.8	19.9	–	1.3	21.2
Bernd Pfaffenbach	4.6	–	0.0	4.6	15.0	–	1.3	16.3
Lawrence A. Rosen	4.6	–	0.5	5.1	–	–	–	–
Klaus Schlede	–	–	–	–	7.9	–	0.8	8.7
Elmo von Schorlemer	4.6	–	0.3	4.9	15.0	–	1.3	16.3
Torsten Schulte	26.8	–	2.3	29.1	27.4	–	2.0	29.4
Eric Stadler	16.6	–	1.5	18.1	15.0	–	1.3	16.3
Werner Steinmüller	24.5	–	2.8	27.3	0.0	–	–	–
Gerd Tausendfreund	22.5	–	3.0	25.5	22.5	–	2.5	25.0
Renate Treis	24.1	–	1.5	25.6	22.5	–	2.5	25.0
Klaus Zumwinkel	–	–	–	–	7.0	–	–	7.0
Total	496.1	–	40.2	536.3	485.4	–	40.8	526.2

[1] The reported variable remuneration includes the short- and long-term remuneration to be paid to the Supervisory Board members for the relevant fiscal year.

Peter Hoch received remuneration of €24 thousand for his work on the Supervisory Board of the BHW Group.

No further payments or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to members' 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 2009, 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 €950.4 thousand (previous year: €70.4 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2009, no loans were granted to members of the Management Board who left the Company in the course of the year. No other contingent liabilities were entered into.

D&O insurance

The members of the Management Board and 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 in line with the requirements of section 93 AktG and section 3.8 of the German Corporate Governance Code effective January 1, 2010.

VI. Forward contracts

Postbank uses derivatives to hedge positions as part of its asset/liability management. They 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 €809 billion as of December 31, 2009 (previous year: €681 billion).

The following table (Table 1) lists the current derivatives contracts broken down by their risk structure. In line with normal international practice the notional amounts are reported. This figure is a reference amount for determining mutually agreed settlement payments and does not represent recognizable receivables or liabilities.

Tables 2, 3 and 4 on the following page 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. Derivatives held for trading are shown separately.

The notional amounts represent the gross volume of all calls and puts. The fair values of the individual contracts are determined using recognized valuation models and do not reflect any netting agreements.

Table 1 — Derivatives – broken down by volume

	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Interest rate risk						
OTC products						
Interest rate swaps	697,744	624,878	19,494	14,753	–21,693	–16,698
FRAs	81,591	12,028	18	18	–25	–11
Interest rate options						
Long calls	200	0	2	0	0	0
Short puts	10	10	0	0	0	0
Caps, floors	964	167	6	1	–8	–1
Other interest rate forwards	0	0	0	0	0	0
Exchange-traded products						
Interest rate futures (Bund, Bobl, Schatz)	6,983	8,291	0	0	0	0
Interest rate options (Bund, Bobl, Schatz)	70	0	0	0	0	0
Subtotal	787,562	645,374	19,520	14,772	–21,726	–16,710
Currency risk						
OTC products						
Currency forwards/swaps	19,614	31,564	95	892	–213	–837
Cross-currency swaps	691	1,385	55	175	–2	–34
Currency options						
Long calls	15	192	0	7	0	–
Short puts	5	149	0	0	0	–5
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	20,325	33,290	150	1,074	–215	–876
Equity and other price risk						
OTC products						
Equity forwards	0	0	0	0	0	0
Equity/index options						
Long calls	0	40	0	0	0	0
Short puts	0	47	0	0	0	–1
Other equity/index contracts	0	0	0	0	0	0
Exchange-traded products						
Equity/index futures	0	5	0	0	0	0
Equity/index options	142	25	6	1	0	0
Subtotal	142	117	6	1	0	–1
Credit derivatives						
Calls	379	517	2	30	–3	–5
Puts	533	1,524	1	4	–142	–199
Subtotal	912	2,041	3	34	–145	–204
Total	808,941	680,822	19,679	15,881	–22,086	–17,791

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Remaining maturities								
less than 3 months	46,552	48,020	18,645	29,236	138	51	23	191
3 months to 1 year	123,298	66,701	1,026	3,284	0	0	101	413
1 to 5 years	218,093	171,727	306	436	4	66	435	659
more than 5 years	399,619	358,926	348	334	0	0	353	779
Total	787,562	645,374	20,325	33,290	142	117	912	2,042

Table 3	Derivatives – broken down by counterparties					
Notional amounts in €m	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Counterparties						
Banks in OECD countries	806,087	678,000	19,580	15,765	–21,937	–17,627
Banks in non-OECD countries	359	795	0	21	–140	–101
Other counterparties	2,495	2,027	99	95	–9	–63
Total	808,941	680,822	19,679	15,881	–22,086	–17,791

Table 4	Derivatives – held for trading					
Notional amounts in €m	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Interest rate contracts	716,527	580,248	18,789	14,333	–19,254	–13,850
Currency contracts	6,960	18,950	70	527	–61	–459
Equity contracts	24	30	1	1	0	0
Credit derivate contracts	0	0	0	0	0	0
Total	723,511	599,228	18,860	14,861	–19,315	–14,309

VII. Cover for bonds outstanding

	Cover assets Dec. 31, 2009 €m	*Pfandbriefe* outstanding Dec. 31, 2009 €m	Excess cover Dec. 31, 2009 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	1,013	119	894
Present value	1,091	126	965
Public-sector *Pfandbriefe* Register B			
Principal amount	1,181	895	286
Present value	1,264	979	285
Bonds Register C (mixed cover)			
Principal amount	16,796	14,335	2,461
Present value	17,936	15,638	2,298
Mortgage *Pfandbriefe* Register D			
Principal amount	6,649	5,041	1,608
Present value	7,243	5,495	1,748
Public-sector *Pfandbriefe* Register E			
Principal amount	2,380	1,728	652
Present value	2,563	1,784	779

	Cover assets Dec. 31, 2008 €m	*Pfandbriefe* outstanding Dec. 31, 2008 €m	Excess cover Dec. 31, 2008 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	2,143	1,168	975
Present value	2,267	1,211	1,056
Public-sector *Pfandbriefe* Register B			
Principal amount	2,957	2,482	475
Present value	3,089	2,591	498
Bonds Register C (mixed cover)			
Principal amount	16,197	14,273	1,924
Present value	17,284	15,430	1,854
Mortgage *Pfandbriefe* Register D			
Principal amount	5,228	3,550	1,678
Present value	5,669	3,802	1,867
Public-sector *Pfandbriefe* Register E			
Principal amount	0	0	0
Present value	0	0	0

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

A) Section 28(1) no. 1 to no. 3 PfandBG

1. Mortgage *Pfandbrief* issues outstanding and associated cover assets

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk	Present value* of risk
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
Cover assets **	6,649.1	5,215.2	7,243.2	5,655.8	7,723.7	6,141.4
of which derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage *Pfandbriefe*	5,040.5	3,550.0	5,495.2	3,802.8	5,768.9	3,951.2
Excess cover in %	31.9	46.9	31.8	48.7	33.9	55.4

* dynamic method
**including additional cover assets in accordance with section 19(1) 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
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
Cover assets **	2,380.2	0.0	2,563.5	0.0	2,680.6	0.0
of which derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Public-sector *Pfandbriefe*	1,728.0	0.0	1,783.6	0.0	1,857.6	0.0
Excess cover in %	37.7	0.0	43.7	0.0	44.3	0.0

* dynamic method
**Including additional cover assets in accordance with section 20(2) PfandBG

2. Maturity structure of mortgage *Pfandbrief* issues outstanding as well as fixed-interest periods of the relevant cover assets, including additional cover assets in accordance with section 19(1) PfandBG, by fixed-interest period or remaining maturity in the case of *Pfandbrief* issues

	Cover assets	Cover assets	Mortgage *Pfandbriefe*	Mortgage *Pfandbriefe*
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
less than 1 year	296.5	107.2	390.0	550.0
from 1 to 2 years	622.9	0.0	100.0	0.0
from 2 to 3 years	431.4	0.0	0.0	0.0
from 3 to 4 years	638.7	0.0	1,500.0	0.0
from 4 to 5 years	601.3	1,475.6	1,010.0	1,990.0
from 5 to 10 years	2,237.1	2,005.2	1,321.0	1,010.0
more than 10 years	1,821.2	1,627.2	719.5	0.0
Total	6,649.1	5,215.2	5,040.5	3,550.0

Maturity structure of public-sector *Pfandbrief* issues outstanding as well as fixed-interest periods of the relevant cover assets, including cover assets in accordance with section 20(2) PfandBG, by fixed-interest period or remaining maturity in the case of *Pfandbrief* issues.

	Cover assets	Cover assets	Public-sector *Pfandbriefe*	Public-sector *Pfandbriefe*
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
less than 1 year	184.7	0.0	0.0	0.0
from 1 to 2 years	451.5	0.0	50.0	0.0
from 2 to 3 years	56.3	0.0	158.0	0.0
from 3 to 4 years	273.2	0.0	0.0	0.0
from 4 to 5 years	353.6	0.0	1,500.0	0.0
from 5 to 10 years	893.2	0.0	20.0	0.0
more than 10 years	167.7	0.0	0.0	0.0
Total	2,380.2	0.0	1,728.0	0.0

B) Section 28(2) no. 1a PfandBG

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

	Mortgage cover assets	
	IV/2009 €m	IV/2008 €m
up and including €300,000	5,467.8	4,555.9
€300,000 to € 5 million	86.3	66.8
more than € 5 million	0.0	0.0
Total	5,554.1	4,622.7

B) Section 28(3) no. 1 PfandBG

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

	Public-sector cover assets	
	IV/2009 €m	IV/2008 €m
Germany		
State	0.0	0.0
Regional authorities	400.0	0.0
Local authorities	0.0	0.0
Other debtors	1, 180.2	0.0
Total Germany	1,580.2	0.0
Belgium		
State	200.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Belgium	200.0	0.0
France and Monaco		
State	200.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total France and Monaco	200.0	0.0
Ireland		
State	100.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Ireland	100.0	0.0
Italy		
State	200.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Italy	200.0	0.0
Spain		
State	100.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Spain	100.0	0.0
Total	**2,380.2**	**0.0**

C) Section 28(2) no. 1b and 1c 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
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
Total	5,554.1	4,622.7	0.0	0.0

	Mortgage cover assets			
	Residential properties	Residential properties	Commercial properties	Commercial properties
	IV/2009 €m	IV/2008 €m	IV/2009 €m	IV/2008 €m
Germany				
Apartments	2,101.1	2,012.1	0.0	0.0
Single-family houses	3,010.0	2,224.6	0.0	0.0
Multi-family houses	443.0	386.0	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	0.0	0.0
Buildings under construction	0.0	0.0	0.0	0.0
Construction sites	0.0	0.0	0.0	0.0
Total Germany	5,554.1	4,622.7	0.0	0.0

C) Section 28(3) no. 2 PfandBG

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

	IV/2009 €m	IV/2008 €m
Total	0.0	0.0

D) Section 28(2) no. 2 PfandBG

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

	IV/2009 €m	IV/2008 €m
Total	0.0	0.0

E) Substitute cover

	IV/2009 €m	IV/2008 €m
Percentage of substitute cover (section 19(1) PfandBG)	1,095.0	592.5
of which in cover assets in acc. with section 4(2) PfandBG	380.0	592.5

F) Foreclosure and compulsory administration proceedings pending as of the balance sheet date and foreclosures completed in the year under review

	IV/2009 €m	IV/2008 €m
Total	0.0	0.0

Disclosures relating to sections 28(2) sentence 1 and sentence 3 *Pfandbriefbankgesetz* (German Pfandbrief Bank Act) were required neither as of December 31, 2009 nor for the comparative period in 2008.

IX. Supplemental disclosures

In accordance with section 2(4) *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 entry in the commercial register.

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

Deutsche Postbank AG belongs to the deposit protection fund of the Bundesverband deutscher Banken e.V. (BdB – Association of German Banks) and the Entschädigungseinrichtung deutscher Banken GmbH (mandatory compensation scheme for all private deposit-taking institutions in Germany).

X. Declaration of compliance

The Management Board and the Supervisory Board together published on December 18, 2009 the declaration of compliance with the German Corporate Governance Code for fiscal year 2009 required by section 161 AktG. The declaration of compliance can be accessed on our website at www.postbank.de.

D. Members of Executive Bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Stefan Jütte, Bonn (Chairman since July 1, 2009)	
Wolfgang Klein, Bonn (Chairman)	until June 30, 2009
Dirk Berensmann, Unkel	until May 29, 2009
Mario Daberkow, Bonn	since May 30, 2009
Marc Hess, Bonn	since January 1, 2009
Horst Küpker, Bad Honnef	
Michael Meyer, Bonn	
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2009 on supervisory boards or other supervisory bodies:

Stefan Jütte	Chairman since July 1, 2009
Function	**Company**
Chairman of the Supervisory Board (since August 3, 2009) Member of the Supervisory Board (since July 14, 2009)	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Board of Directors (since July 1, 2009) Member of the Board of Directors (until June 30, 2009)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors (since July 1, 2009) Member of the Board of Directors (until June 30, 2009)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Member of the Supervisory Board	BVVG Bodenverwertungs- und verwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	IVG Institutional Funds GmbH, Wiesbaden
Member of the Management Board (since July 1, 2009)	Bundesverband deutscher Banken e.V., Berlin
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Offices relinquished during the year	
Chairman of the Supervisory Board (until September 30, 2009)	Postbank Leasing GmbH, Bonn
Chairman of the Supervisory Board (until September 30, 2009)	PB Factoring GmbH, Bonn
Member of the Board of Directors (until August 20, 2009)	Deutsche Postbank International S.A., Luxembourg
Member of the Supervisory Board (until November 30, 2009)	Betriebs-Center für Banken AG, Frankfurt am Main

Wolfgang Klein	Chaiman until June 30, 2009
Function	**Company**
Chairman of the Supervisory Board	Comma Soft AG, Bonn

Offices relinquished during the year	
Chairman of the Supervisory Board (until June 30, 2009)	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board (until June 30, 2009)	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Board of Directors (until June 30, 2009)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors (until June 30, 2009)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Deputy Chairman of the Supervisory Board (until June 30, 2009)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board (until June 30, 2009)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main

Member of the Management Board (until June 30, 2009)	Bundesverband deutscher Banken e.V., Berlin
Member of the Advisory Board (until June 30, 2009)	Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Advisory Board (until June 30, 2009)	Proactiv Holding AG, Hilden

Dirk Berensmann	Member of the Management Board until May 29, 2009

Function	Company
Offices relinquished during the year	
Chairman of the Supervisory Board (until May 29, 2009)	Postbank Systems AG, Bonn
Chairman of the Advisory Board (until May 29, 2009)	Postbank Support GmbH, Cologne
Chairman of the Advisory Board (from April 3, 2009 until May 29, 2009)	CREDA Objektanlage- und verwaltungsgesellschaft mbH, Bonn
Chairman of the Board of Directors (until May 8, 2009) Member of the Board of Directors (from May 9, 2009 to May 29, 2009)	Eurogiro Holding A/S, Taastrup (Denmark)
Member of the Supervisory Board (until May 29, 2009)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board (until May 29, 2009)	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board (until May 29, 2009)	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board (until May 29, 2009)	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board (until May 29, 2009)	Postbank Finanzberatung AG, Hamelin
Member of the Management Board (until May 29, 2009)	e-Finance Lab Frankfurt am Main, Frankfurt University

Mario Daberkow	Member of the Management Board since May 30, 2009

Function	Company
Member and Chairman of the Supervisory Board (since December 1, 2009)	Betriebs-Center für Banken AG, Frankfurt am Main
Member and Chairman of the Supervisory Board (since May 30, 2009)	Postbank Systems AG, Bonn
Member and Chairman of the Advisory Board (since May 30, 2009)	Postbank Support GmbH, Cologne
Deputy Chairman of the Advisory Board (since November 12, 2009) Member of the Advisory Board (since August 4, 2009)	Deutsche WertpapierService Bank AG, Frankfurt am Main
Deputy Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Deputy Chairman of the Board of Directors (since July 3, 2009) Member of the Board of Directors (since June 29, 2009)	Eurogiro A/S, Taastrup (Denmark)
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Offices relinquished during the year	
Chairman of the Advisory Board (until April 2, 2009)	CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn
Member of the Board of Directors (until July 1, 2009)	Eurogiro NCIP A/S, Taastrup (Denmark)

Marc Hess	Member of the Management Board since January 1, 2009

Function	Company
Member of the Supervisory Board (since July 3, 2009)	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-Investmentaktiengesellschaft 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-Investmentaktiengesellschaft 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
Deputy Chairman of the Supervisory Board (since November 6, 2009) Member of the Supervisory Board (until November 5, 2009)	Postbank Finanzberatung AG, Hamelin
Offices relinquished during the year	
Chairman of the Supervisory Board (until July 31, 2009)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn

Michael Meyer	

Function	Company
Chairman of the Supervisory Board (since January 1, 2009)	BHW Bausparkasse AG, Hamelin
Chairman of the Supervisory Board (since January 1, 2009)	BHW Holding AG, Berlin/Hamelin

Chairman of the Supervisory Board (since September 2, 2009) Member of the Supervisory Board (since July 1, 2009)	Postbank Direkt GmbH, Bonn*
Chairman of the Supervisory Board (since February 1, 2009) Member of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrs-dienstleistungen GmbH, Bonn
Member and Deputy Chairman of the Supervisory Board (since July 1, 2009)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Member and Deputy Chairman of the Supervisory Board (since July 30, 2009)	PB Spezial-Investmentaktiengesell-schaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, 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
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 (since March 3, 2009)	Proactiv Holding AG, Hilden
Member of the Economic Advisory Board (since July 1, 2009)	HUK-Coburg Versicherungsgruppe, Coburg

* previously easytrade services GmbH, Leipzig

Hans-Peter Schmid

Function	Company
Member of the Supervisory Board (since February 1, 2009)	Postbank Finanzberatung AG, Hamelin
Member of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Member of the Supervisory Board	Bayerische Börse AG, Munich
Member of the Management Board (since November 4, 2009)	Bankenvereinigung Nordrhein-Westfalen e.V., Düsseldorf

Ralf Stemmer

Function	Company
Chairman of the Supervisory Board	Postbank Immobilien und Bau-management GmbH, Bonn
Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Supervisory Board (since September 2, 2009) Member of the Supervisory Board (since July 1, 2009)	Postbank Direkt GmbH, Bonn*
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
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	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Danzas Deutschland Holding GmbH, Düsseldorf
Member of the Supervisory Board	DHL Freight GmbH, Düsseldorf
Member of the Administrative Board	Bundesanstalt für Post und Telekom-munikation Deutsche Bundespost, Bonn
Member of the Board of Directors (since September 1, 2009)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (since September 1, 2009)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Offices relinquished during the year	
Deputy Chairman of the Supervisory Board (until July 31, 2009)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn

* previously easytrade services GmbH, Leipzig

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives	
Frank Appel, Chairman of the Board of Management of Deutsche Post AG, Königswinter (Chairman)	
John Allan, Company Director, Virginia Water, U.K.	until September 1, 2009
Wilfried Boysen, businessman, Hamburg	
Henry B. Cordes, *Ministerialdirektor*, Federal Ministry of Finance, Berlin	
Edgar Ernst, management consultant, Bonn	
Tessen von Heydebreck, previously Member of the Board of Management of Deutsche Bank AG and current Chairman of the Board of Deutsche Bank Foundation, Berlin	since April 22, 2009
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Hans-Dieter Petram, Inning	
Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Wachtberg-Pech	until April 22, 2009
Lawrence A. Rosen, Member of the Board of Management of Deutsche Post AG, Bonn	since September 10, 2009
Elmo von Schorlemer, lawyer, Aachen	until April 22, 2009
Werner Steinmüller, Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Frankfurt am Main	since April 22, 2009

2. Employee representatives
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)
Wilfried Anhäuser, Chairman of Postbank Filialvertrieb AG's General 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
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council and member of Deutsche Post AG's General Works Council, Wachtberg
Torsten Schulte, Head of Customer Service Center of Postbank Direkt GmbH, Hessisch Oldendorf
Eric Stadler, Chairman of Deutsche Postbank 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, 2009 on supervisory boards or other supervisory bodies:

Shareholder representatives

John Allan	Member of the Supervisory Board until September 1, 2009

Function	Company
Chairman (since June 22, 2009)	DSGi plc, Hemel Hempstead
Member of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Non-Executive Director	National Grid plc, London
Non-Executive Director (since September 1, 2009)	3i plc, London
Member of the Board of Directors	ISS Holding A/S, Copenhagen

Wilfried Boysen

Function	Company
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Henry B. Cordes

Function	Company
Deputy Chairman of the Supervisory Board	TLG Immobilien GmbH, Berlin
Member of the Supervisory Board	Flughafen Berlin-Schönefeld GmbH, Berlin
Member of the Supervisory Board (until February 28, 2009)	T-Mobile International AG, Bonn

Tessen von Heydebreck	Member of the Supervisory Board since April 22, 2009

Function	Company
Member of the Supervisory Board (since January 1, 2009)	Dussmann Verwaltungs AG, Frankfurt am Main
Member of the Supervisory Board	Vattenfall Europe AG, Berlin
Member of the Supervisory Board (until April 30, 2009)	BASF S.E., Ludwigshafen

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
Chairman of the Supervisory Board (until June 4, 2009)	KMS AG, Frankfurt am Main
Chairman of the Supervisory Board (until June 4, 2009)	KMS Asset Management AG, Frankfurt am Main
Member of the Supervisory Board (until April 21, 2009)	Deutsche Post AG, Bonn
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne

Hans-Dieter Petram

Function	Company
Member of the Supervisory Board	Talanx AG, Hanover

Bernd Pfaffenbach	Member of the Supervisory Board until April 22, 2009

Function	Company
Member of the Supervisory Board	Lufthansa Cargo AG, Frankfurt am Main
Member of the Supervisory Board	KfW-IPEX Bank, Frankfurt am Main

Elmo von Schorlemer	Member of the Supervisory Board until April 22, 2009

Function	Company
Chairman of the Supervisory Board	Schneider Golling Die Assekuranzmakler AG, Düsseldorf
Deputy Chairman of the Supervisory Board	Finum AG, Essen
Deputy Chairman of the Supervisory Board	Finum Finanzhaus AG, Essen
Member of the Supervisory Board	Hannover Direkt Versicherung AG, Hanover

Werner Steinmüller	Member of the Supervisory Board since April 22, 2009

Function	Company
Chairman of the Supervisory Board	Deutsche Bank Portugal S.A., Lisbon
Member of the Supervisory Board	Deutsche Bank S.A.E., Barcelona
Member of the Supervisory Board	OOO Deutsche Bank, Moscow
Member of the Supervisory Board	ZAO „Deutsche Securities", Moscow
Member of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Advisory Board	True Sale International GmbH, Frankfurt am Main

Employee representatives

Michael Sommer

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

Annette Harms

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

Elmar Kallfelz

Function	Company
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn

Torsten Schulte

Function	Company
Deputy Chairman of the Supervisory Board	BHW Holding AG, Hamelin/Berlin
Member of the Administrative Board	Sparkassenzweckverband der Sparkasse Weserbergland, Hamelin

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 principal opportunities and risks associated with the expected development of the Company.

Bonn, February 23, 2010
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow

Marc Hess

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Auditors' Report

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 for the business year from January 1 to December 31, 2009. 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 24, 2010

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Christoph Theobald
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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