Deutsche Postbank
2008 Group Annual Report

Service is ...

Postbank

Postbank Group in figures 2008

		Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007 [1]
Consolidated income statement			
Total income	€m	2,288	4,244
Administrative expenses	€m	–2,969	–2,937
Loss/profit before tax	€m	–974	992
Consolidated net loss/profit	€m	–821	856
Total cost/income ratio	%	129.8	69.2
Cost/income ratio in traditional banking business	%	136.7	67.0
Return on equity			
before tax	%	–21.3	19.2
after tax	%	–18.0	16.6
Earnings per share	€	–4.87	5.22

		Dec. 31, 2008	Dec. 31, 2007
Consolidated balance sheet			
Total assets	€m	231,282	202,913 [1]
Customer deposits	€m	95,077	89,703
Customer loans	€m	101,228	89,622
Allowance for losses on loans and advances	€m	1,232	1,154
Equity	€m	5,019	5,225 [1]
Tier 1 ratio in accordance with Basel II (excluding CAP)	%	7.4	6.9
Headcount (FTEs)	thousand	21.13	21.47
Long-term ratings			
Moody's		Aa2/outlook stable	Aa2/outlook stable
Standard & Poor's		A–/outlook positive	A–/outlook stable
Fitch		A–/outlook stable [2]	A/outlook stable
Information on Postbank shares		Dec. 31, 2008	Dec. 31, 2007
Share price at the balance sheet date	€	15.50	60.75
Share price (Jan. 1 – Dec. 31)	high €	67.10	74.72
	low €	12.19	43.41
Market capitalization on December 31	€m	3,391	9,963
Number of shares	million	218.8	164.0

Postbank's Key Performance Indicators [3]		2007	2008	2010 target
Customers				
Number of core customers	million	4.6	4.9	5.2
Core customers using ≥ 3 products	%	40	39	47
Branch Sales				
Branch sales force productivity index 2006 = 100	%	114	123	150
Mobile Sales				
Percentage of finance managers selling 3 – 5 product categories	%	54	50	> 60
Number of mobile advisers	Number	4,260	4,166	5,000
Finance managers productivity index 2006 = 100	%	110	122	140
Corporate Banking				
Domestic sales force productivity index 2005 = 100	%	107	127	135
Total income in Corporate Banking division [4], 2005 = 355	€m	395	496	500
SME loans	€bn	3.5	5.4	5.0

[1] Prior-period figures restated (see Note 6)
[2] As of February 20, 2009
[3] Future development of KPIs may be subject to quarterly volatility
[4] Excl. effects of the financial market crisis

Milestones 2008

January 9, 2008	Postbank issues its first *Jumbo Hypotheken-Pfandbrief*, putting its strong refinancing base on an even broader foundation.
February 12, 2008	All shares of BHW minority shareholders become property of Postbank.
February 19, 2008	Klaus Zumwinkel resigns as Chairman of the Supervisory Board of Postbank; Frank Appel appointed by the court as a member of Postbank's Supervisory Board.
March 3, 2008	Frank Appel elected Chairman of the Supervisory Board.
May 8, 2008	Annual General Meeting, Deutsche Postbank AG, with greater than 92 % adoption of agenda items; dividend unchanged at €1.25 per share.
July 1, 2008	Horst Küpker appointed Management Board member responsible for Financial Markets. He replaces Loukas Rizos, who left Postbank of his own volition and by mutual agreement on June 30, 2008.
September 12, 2008	Deutsche Bank announces participation in Deutsche Postbank AG; the two banks also announce extensive cooperation.
November 13 to 26, 2008	Implementation of capital increase, resulting in gross proceeds of approximately €1 billion and the issuing of 54.8 million new shares, 99.3 % of which were acquired by Deutsche Post AG, increasing its interest in Deutsche Postbank AG to approximately 62.3 %.
Fourth quarter 2008:	Supervisory Board reduces Management Board from nine to seven members: Guido Lohman leaves Postbank effective November 30, 2008. Michael Meyer assumes his responsibilities and heads new Retail board department in which Product Marketing and Mobile Sales have been bundled. Mario Daberkow resigns from Postbank's Management Board, but remains Chairman of the Management Board of BCB Betriebs-Center für Banken AG. In addition, he is responsible for Postbank's Banking Organization as Executive Manager and managing director. A new position – that of Chief Risk Officer – is created in the Lending board department. It was filled on November 25, 2008 by Ralf Kauther, who has the rank of an Executive Manager.

Financial Calendar 2009

March 9, 2009	Publication of 2008 Annual Report
April 22, 2009	Annual General Meeting, Frankfurt am Main
May 5, 2009	Interim Report for the first quarter, analyst conference call
July 30, 2009	Interim Report for the first half-year, analyst conference call
November 5, 2009	Interim Report for the third quarter, analyst conference call

No responsibility is taken for the correctness of this information – the right is reserved to make changes at short notice.

Deutsche Postbank AG
2008 Group Annual Report

The Postbank Group, with 14.1 million customers and around 21,100 employees, is one of the largest financial service providers in Germany. In addition to our core business with private customers, we also serve corporate customers and are active in the fields of transaction banking and financial markets.

... offering transparence from the start.

The positive development of our operating business in the past few years can be attributed in particular to an attractive range of products tailored to the needs of our target groups and the structure of our sales organization, which is unique on the German banking market. We intend to build on these strengths to further enhance our innovativeness and service quality. Our goal is to continue to stay one step ahead of the market, with innovative new products and processes as well as excellent services.

To a much greater degree, however, we owe our success to our clients, who have given us their trust. Trust is established through transparency and dialog. That’s why we want to use this annual report to provide clear information about us and our business. We also want to show that we understand – and fulfill – our role as a customer-oriented service company.

Contents

Postbank Group 2008

Key

123 Cross-reference with page number

@ Reference to Internet

Reference to service

Fiscal Year 2008


P. 38


P. 28

Ladies and Gentlemen,

The year 2008 was the most difficult year experienced by the financial sector for a long time now. Extreme turbulence rocked the financial markets throughout the course of the year. The situation escalated in the third quarter after the failure of the U.S. investment bank Lehman Brothers. This resulted in massive widening of volatility and risk premiums in nearly all asset classes and ended in fears of a financial system crisis. Around the world, the banking industry experienced radical changes with sensational acquisitions and far-reaching government aid packages. Extensive intervention measures by governments and central banks have meanwhile done much to stabilize the situation.

The crisis on the global financial market also led to significant challenges for the sector in Germany. Despite our comparatively conservative risk profile resulting from our high proportion of retail business, Postbank had to absorb very strong pressure on earnings and equity due to the massive turbulence on the capital markets. We have responded systematically to the lasting change that is emerging in the business environment for banks after the collapse of Lehman Brothers, drawing up an entire package of measures. We will now focus our business model even more intensely and more quickly than previously planned on our activities with private, business and corporate customers, and reduce capital market risks and portfolios. This will further sharpen the Bank's risk profile. In the fourth quarter, we concentrated on strengthening Tier 1 capital, reducing risks and lowering the future volatility of the Tier 1 ratio. We accomplished this by substantially increasing our equity base in close cooperation with our majority shareholder Deutsche Post, posting a Tier 1 ratio of 7.4 % at the close of the year as compared with 5.5 % as of September 30. In the process, the volatility of the Tier 1 ratio was significantly decreased, for example through extensive realization of hidden liabilities. This has also led to the consequence that we have to recommend to this year's Annual General Meeting that no dividend be paid.

As a result of the extraordinary effects, which became especially noticeable in the second half of the year, we are posting a loss after tax of €821 million for the past fiscal year. This result is very painful, but positive developments in the Bank's operative core business segments have made me confident about the future. We will continue to pursue our business model resolutely and maintain our focus in order to make the Bank even less vulnerable to developments on the capital markets in the future. In addition, we have put together a package of measures to further enhance our efficiency. After the international financial markets have calmed, I am convinced that this approach will help restore our previous earnings power.

One important factor will be continuing to boost the quality of our earnings by increasing the share of earnings components from our customer business. These earnings components developed positively in the 2008 fiscal year – despite the financial market crisis and economic downturn that became especially noticeable towards the end of the year. Net interest income rose by 11.4 % compared to 2007, while net fee and commission income remained stable at the prior year's high level with €1.4 billion. Although several negative one-time effects were registered in the fourth quarter, the increase in administrative expenses as compared to the previous year was minimal thanks to our strict cost management.

Our strong customer base and our very powerful sales channels provide an excellent foundation for future sustainable growth. In the past year, the number of core customers – customers who make intensive use of our products and services – rose from 4.6 million to 4.9 million. We will continue doing everything possible to further improve our relationships with our customers. The measures initiated to cement customer relationships, including those in the Corporate Banking segment, are already clearly taking effect. Postbank was able to further establish itself as a core bank for German SMEs. Despite the difficult environment in 2008, we did not limit loans to this customer group and were at the same time careful to adhere to our conservative risk criteria. Our SME lending business experienced considerable growth, already surpassing the €5 billion goal set for 2010. In the Transaction Banking segment, we are systematically working to expand our service offer to the European market.

The progress made in customer business in 2008 is attributable in great part to the exceptionally high level of commitment demonstrated by our employees, whom I would like to thank warmly here on behalf of the entire Management Board. Despite the additional strain from external circumstances, our employees unwaveringly devoted their experience and motivation to further implementing our strategy. They are the cornerstones of our success, both now and in the future.

Our share price performance was a reflection of the generally unfavorable developments on the capital market in 2008, centering in particular on bank shares. The DJ Eurostoxx Banks index, for example, dropped by 64 % over the course of the year. Shares of banks listed on the DAX performed somewhat worse, falling an average of 78 %. Development of the Postbank share price, propelled by takeover rumors until mid-2008, was also highly unsatisfactory. It fell sharply to €15.50 at the close of 2008, down approximately 74 % as compared to the previous year.

We expect underlying conditions on the market to remain extremely difficult for the current fiscal year. The financial market crisis and its impact on global economic development will continue to pose great challenges for our sector. Viewed relatively, Postbank should benefit from its comparatively traditional business model here and the primary focus of its loan portfolio on Germany.

However, we anticipate that the continuing tense situation on the markets will have a negative impact on our financial position in the current fiscal year as well. Assuming that macroeconomic deterioration is no worse than currently forecast, however, we do expect the overall negative impact to be considerably smaller than in 2008.

The critical banking market situation will further intensify our systematic focus on our customers and our reduction of capital market-based risks and portfolios. These measures, we feel, will place us in a good position to meet the change to be expected in the market environment for banks. We will closely watch future developments in the competition and at the same time continue to actively shape the German retail banking market. Our business model for the period after the crisis is now more important than ever, in a phase that will leave its stamp on generations to come. We will optimize and expand our leading position, whether in cost leadership, products, customer approach – in short our entire philosophy. And that is one of the reasons we will retain our aim of sustainably generating a return on equity after taxes of 13 % to 15 % in the mid-term future.

Ladies and gentlemen, Postbank is celebrating its 100th anniversary in 2009. We are a young bank with a long tradition. Little has changed in Postbank's fundamental philosophy over the course of the past century. We are passionately devoted to retail banking customers in Germany, but feel just as traditionally bound to our corporate and business customers. In the interest of our customers, shareholders and employees, we will maintain our successful business model in the future as well. Deutsche Bank's entry as a shareholder in Postbank will not change our fundamental focus. However, the cooperation agreement between Postbank and Deutsche Bank, involving measures such as the sale of each other's products, offers many starting points for further strengthening the position of both companies.

Dear shareholders, I would like to extend my sincere gratitude for your trust and for standing by Postbank in these difficult times. I assure you that we will continue doing everything possible to substantially improve Postbank's earnings situation. It is my hope you will continue with us on our path into the future.

Bonn, March 9, 2009

Sincerely,

Wolfgang Klein
Chairman of the Management Board

Management Board of Deutsche Postbank AG

From left:
Dirk Berensmann, Stefan Jütte, Horst Küpker, Michael Meyer, Marc Hess, Wolfgang Klein (Chairman),
Hans-Peter Schmid, Ralf Stemmer

Shareholders and Stock:
Postbank shares significantly affected by ongoing financial market crisis

Stock markets suffer heavy hits

The continuing financial market crisis combined with the sharp economic downturn in the second half of 2008 have sent global stock markets into a tailspin. In the course of the year, the declining economic trend spread from the U.S.A. to more and more countries. Stock markets were already under pressure at the beginning of the year from the turbulence on the financial markets, the economic slowdown in the U.S.A., and increasing commodity prices. International stock markets overall suffered heavy losses in 2008. Even the DAX, which is dominated by industrial companies, fell by 40 %.

Financial stocks were hit even harder by this development. Bank stocks were already noticeably under pressure during the year because of increased writedowns on U.S. real estate loans and structured credit portfolios. The downward trend accelerated following the bankruptcy of U.S. investment bank Lehman Brothers in the third quarter of 2008. The European bank index (Dow Jones EURO STOXX Banks) dropped 64 % in the course of the year. Valuations of European shares – in particular of banks – deteriorated badly. Price/earnings ratios and price/book valuations based on analyst estimates reached historic lows.

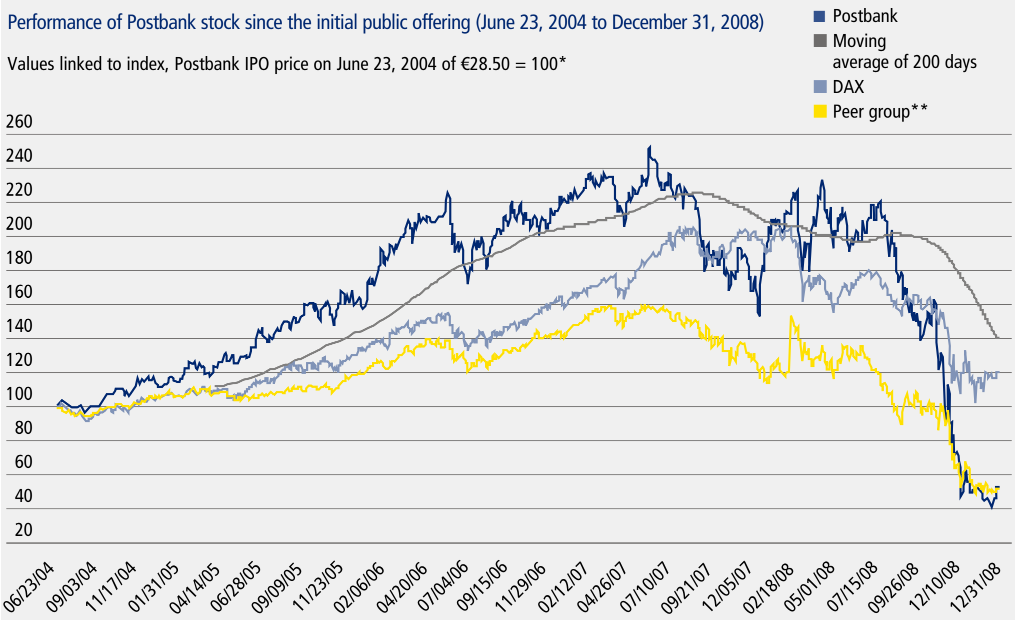
Postbank shares under the influence of the crisis

The performance of Postbank shares too was marked by this clear downward trend. In the first half of 2008, Postbank's share price was buoyed by takeover speculation. In the second half of the year, however, such speculation significantly diminished and the increasing negative effects from the financial market crisis on the income statement led to noticeable declines. Postbank's share price unfortunately declined by about 74 % in full-year 2008, and closed at €15.50.

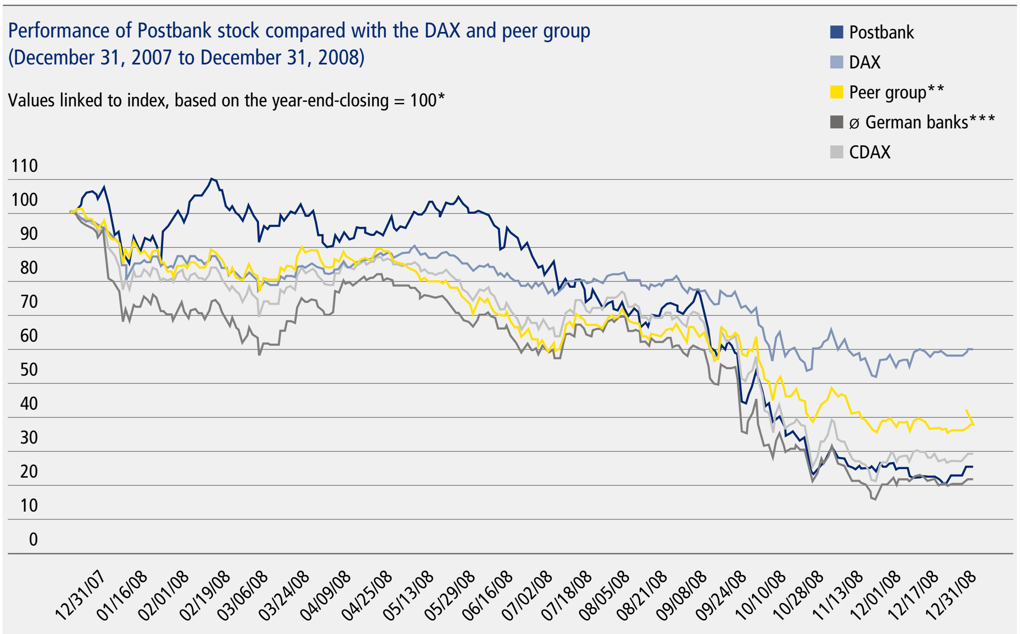
The following charts show the performance of Postbank shares:

Performance of Postbank stock since the initial public offering (June 23, 2004 to December 31, 2008)

Values linked to index, Postbank IPO price on June 23, 2004 of €28.50 = 100*



Source: Bloomberg, Postbank; key see page 11



Source: Bloomberg, Postbank

* Performance of Post/Postbank stock and peer group excluding dividend

** Banco Popular, Banco Popolare, Swedbank, Svenska Handelsbanken, Alliance & Leicester, Banco Espirito Santo, Erste Bank, Unicredito, Royal Bank of Scotland

*** Commerzbank, Deutsche Bank, Hypo Real Estate

For comparison: Our peer group of European banks that, like Postbank, focus on retail banking saw their share prices drop by an average of 63 %. Share prices of German banks (Commerzbank, Deutsche Bank, and Hypo Real Estate) fell even further, sliding by an average of 78 %.

I Shareholder structure substantially changes

Postbank's shareholder structure will be substantially changed by the sale of the shares held by our long-time majority shareholder Deutsche Post AG to Deutsche Bank AG. In September 2008, both parties agreed fundamentally to the share transfer. The agreement, adjusted in January 2009, permits Deutsche Bank initially to acquire 22.9 % of Deutsche Postbank AG in the course of a share exchange. Agreement on a mandatory exchangeable bond was reached for the transfer of an additional 27.4 % of the shares. In addition, options have been agreed that allow the stake to be increased by another 12.1 %. In the short term, Postbank will have thus secured itself two significant "anchor shareholders", whereas Deutsche Bank has the option of acquiring a voting rights majority in the Company in the mid-term.

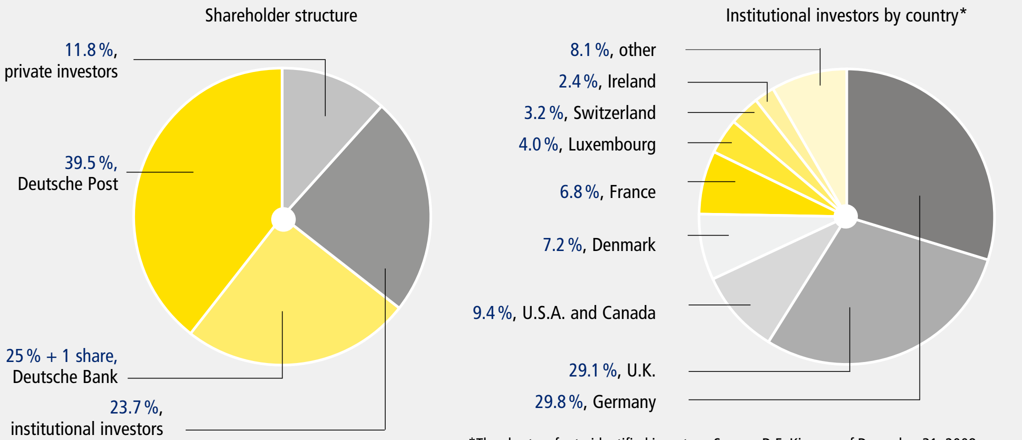
In the second half of 2008, the development of the shareholder structure was dominated by the implementation of a capital increase with subscription rights. The transaction aimed at strengthening Postbank's capital base against the backdrop of the financial market crisis. In the process of the rights issue, 54.8 million new shares were issued, resulting in gross proceeds of approximately €1 billion. Between November 13 and 26, 2008, shareholders were entitled to acquire one new share for every three old shares held, at an issue price of €18.25. In line with a contractual agreement, Deutsche Post AG acquired a total of 99.3 % or 54.4 million new shares from the issue.

As a result, Deutsche Post's majority stake in Postbank increased from 50 % plus one share to around 62.3 % in November 2008. The cash inflows from the capital increase led to an increase of the regulatory Tier 1 ratio by 1.4 percentage points.

The Postbank shareholder structure – after the above-mentioned legal transfer of the 22.9 % stake of Deutsche Post AG to Deutsche Bank AG that was announced by both parties in February 2009 – is presented below.

In addition to the two anchor shareholders, institutional investors hold 23.7 % of shares (after 45.1 % at the end of 2007). Moreover, interest in Postbank among private investors rose significantly in the past year. A mid-year analysis of our shareholder structure showed that the number of shares held by private shareholders had already increased from approximately 5 % to over 6 % at that time. Although the total number of shares grew by around a third, the number of shares held by private investors will rise by around 12 % after the 22.9 % transfer to Deutsche Bank AG.

Shareholder structure of Deutsche Postbank AG
(after legal transfer of 22.9 % of shares held by Deutsche Post AG to Deutsche Bank AG)



*The charts refer to identified investors. Source: D.F. King, as of December 31, 2008

Approval by Annual General Meeting

Postbank's shareholders gave their broad approval to our business strategy at the Annual General Meeting on May 8, 2008 in Cologne: All agenda items were passed with a majority of over 92 % in each case. The "Next Step" strategic program that we presented at the end of 2007 and additional measures described in this report have enabled us to sharpen the focus of our business model. In order to further strengthen the Bank's capital base, these measures include recommending to this year's Annual General Meeting that no dividends be paid for fiscal year 2008. Our next Annual General Meeting will be held on April 22, 2009 in the Jahrhunderthalle in Frankfurt am Main. We have compiled a list of other Postbank dates for 2009 in the Financial Calendar at the beginning of the Annual Report.

C3

Our stock data		2004	2005	2006	2007*	2008	+/– in 2008
Year-end closing price	€	32.50	49.00	63.97	60.75	15.50	–74.5 %
High**	€	34.18	50.84	65.45	74.72	67.10	–10.2 %
Low**	€	27.73	32.16	48.21	43.41	12.19	–71.9 %
Earnings per share	€	2.65	3.00	4.24	5.22	–4.87	
Price/earnings ratio***		12.3	16.3	15.1	11.6	–	
Number of shares	million	164.0	164.0	164.0	164.0	218.80	54.8
Market capitalization***	€m	5,330	8,036	10,491	9,963	3,391	–66.0 %
Beta factor (relative to the DAX)		0.60	0.73	0.95	1.03	0.94	
Equity including revaluation reserve	€m	4,766	5,186	5,207	5,225	5,019	–5.5 %
Return on equity before taxes		14.0 %	14.6 %	18.9 %	19.2 %	–21.3 %	
Total dividend (2008: proposal)	€m	205	205	205	205	0	
Dividend per share (2008: proposal)	€	1.25	1.25	1.25	1.25	0	
Dividend yield***			2.6 %	2.0 %	2.1 %	–	
Annual performance** excluding dividend		14.0 %	50.8 %	30.6 %	24.0 %	–74.5 %	
Annual performance** including dividend		14.0 %	54.6 %	33.1 %	26.5 %	–72.4 %	

* restated
** 2004: June 23 to December 31
*** based on the year-end closing price

An end-to-end service … for our shareholders too

Postbank offers an end-to-end service for private and institutional shareholders and investors. We actively seek communication with investors and analysts. We maintained an intense dialog with private investors via our shareholder hotline mentioned below and at various shareholder forums held by the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW). We stayed continually in contact with institutional investors at regular roadshows and investor conferences, which allowed us to hold more than 300 one-on-one meetings in 2008 alone. Analysts from more than 30 banks and securities houses also track and comment on the Postbank Group's business development and prospects. In addition to the numerous discussions with analysts, we respond to new requests for information by providing detailed data in analyst presentations on a continuous basis.

This information and these presentations are also available for all market participants at www.postbank.com/IR. Shareholders and people interested in Postbank can also use this website to order up-to-date information (IR releases) as well as quarterly and annual reports, or to access information online. Various independent comparative studies have repeatedly praised the quality of our online service. For example, the latest survey of all DAX and all MDAX companies' offerings by Kirchhoff Consult AG rated our online annual report as "very good." In particular, it described the service functions as "very good" and the website's design as "outstanding."

We hope you will find this service useful and if you have any questions about Postbank stock, you can call our shareholder hotline as always at +49 (0)228 920 18003.

Service is ...

... helping dreams come true with personalized solutions.

So many people, so many dreams. We have a special affinity for those who have the courage and drive to make things happen, who set goals for themselves and lay well-considered plans for reaching them. As a reliable financial partner, we want to be there for such people, now and in the future. For personal dreams and business ventures. Our customers tell us where they want to go, and we show them the best way to get there – and are glad to help along the way.

Strategy:
Even greater focus on customer business

Interview with Wolfgang Klein

Mr. Klein, as a result of the financial market crisis, the year of 2008 was an enormously challenging one for the entire banking sector. How would you describe it from Postbank's point of view?

We performed well in our operating business during the past year, which was the toughest one that our sector has experienced in decades. We further solidified our market position in our core operating businesses. We made further strides in implementing our strategy that places our operating customer business at the center of our activities. And, we accomplished something that is critically important during these turbulent times: We succeeded in preserving our customers' trust in the quality and security of Postbank.

Postbank reported a significant loss for 2008. Why was the Bank, with its strong focus on retail banking, hit so hard by the financial market crisis?

To put it quite frankly: Our earnings performance in 2008 was very disappointing. But business conditions on international capital markets dramatically deteriorated during the year, particularly after the U.S. investment bank Lehman Brothers collapsed. As a result, money markets nearly dried up and the risk premium for all asset classes widened massively. Postbank's capital market portfolios were affected – despite a relatively conservative risk profile – by these unpredictable developments, a fact that had a major negative impact on earnings.

Why does Postbank have capital market portfolios at all?

There are various reasons for this. The portfolios were the result in part of business activities from past years. But they are also necessary in order to manage a bank balance sheet. Until Postbank acquired BHW in 2006, it had a significant surplus in deposits because we were primarily active in the savings and checking account business. We invested this surplus in the capital market. In doing so, we employed a very conservative investment strategy and focused on good ratings provided by rating agencies. The lion's share of this money was invested in government bonds and *Pfandbriefe*. In addition, we invested a relatively small share in structured credit products. But we only accepted structures that carried at least a rating of A. From today's perspective, this was naturally a mistake. The capital market crisis has also taught us that even gilt-edged asset classes like government bonds and *Pfandbriefe* are not spared from the massive widening of risk premiums – and, as a result, from falling prices and valuation corrections. But a business bank that, like Postbank today, has a good balance between customer deposits and loans needs a certain portfolio of capital market investments. After all, the different maturities on both sides of the balance sheet can be harmonized only through such investments.

What have you learned from the crisis?

We will focus our business model even more intensely than before on our activities with private, business and corporate customers. We are already well positioned in this business. We have created a one-of-a-kind platform in Germany and Europe, and earned an excellent competitive position. To buttress this position, we are intensely working on our "Next Step" strategic program that we launched at the end of 2007. We will also continue to reduce capital-market-induced risks and portfolios in order to further optimize the Bank's risk profile.

Which specific steps do you intend to take in your effort to optimize the risk profile?

Our plan of action to increase earnings quality and to sharpen the risk profile has three central topics.
First, our strong liquidity position will be maintained. In this area, Postbank clearly profits from its strong customer business and the high amount of deposits related to it. Thanks to our extensive amount of mortgage loans, we are able to issue *Pfandbriefe*. We did this very successfully in the past year. And we are likely to issue further *Pfandbriefe* this year – following the successful start at the beginning of February. But we will do this only if the relatively high refinancing costs normalize. The issuance of *Pfandbriefe* enables us to become largely independent from borrowing uncollateralized liquidity on the money and capital markets.
Second, as previously mentioned, the reduction of our capital market portfolios will be systematically continued. As a result of the currently balanced ratio between customer deposits and customer loans, we can significantly reduce capital market portfolios acquired in the past. We will gradually continue this policy in years to come. Altogether, I assume that by 2013 we will be able to reduce our investment securities by up to 45 % compared with the total held in mid-2008. The complete liquidation of our equity holdings made an initial contribution to this effort during the fourth quarter of 2008.
Third, we intend to strengthen our core capital and lower its volatility. This was also the focal point of the final quarter of last year: Working closely with our majority shareholder, Deutsche Post, we have significantly strengthened our equity base. Following this difficult year, our Tier 1 ratio is 7.4 %, above the final level for 2007. In the process, the volatility of the capital ratio was reduced significantly, for example by means of a comprehensive realization of hidden liabilities recognized in profit or loss in connection with the complete liquidation of our equity holdings.

Will anything change for Postbank customers as a result of the new actions you are taking in response to the financial market crisis?

Nothing will change for our customers. Postbank will remain a reliable, stable banking partner, something that it has been for 100 years now. We will continue to focus completely on the customer and his or her needs. This is what has made us strong, and this approach will be the basis of our future success.

Has Postbank's risk-governance structure proven itself during the crisis?

Fundamentally, yes. But starting points for further developing the monitoring, reporting and management systems that are in place can always be derived from the experience of such crises. We have already made gradual adjustments or refinements to our risk-management systems and organization, and are pursuing that further. The organization of risk management was also further optimized. As part of this work, the function of the Chief

Risk Officer was established. Group-wide, we have bundled the coordination of fundamental decisions in regard to risk taking as well as risk monitoring functions within this position's area of responsibility.

What sort of progress have you made in the implementation of your strategic program "Next Step" in Retail Banking?

A central component of "Next Step" was the value-oriented focus of our sales capacities on Postbank's core customers. These are customers who have made us their preferred finance partner and with whom we have generated around three-quarters of our value proposition up to now. As a first step in 2008, we successfully assigned all core customers to specific contact persons in our branch network or mobile sales organization. We also succeeded in raising the number of core customers from 4.6 million to 4.9 million. As a result of these gains, we took a major step toward achieving our goal of 5.2 million core customers by 2010. But we must intensify multi-category sales within this customer group. The necessary programs are being prepared at the moment. I expect to achieve significant progress here during the current year.

Is the success reflected in sales results as well?

In many areas, our customer business developed very encouragingly during 2008 despite the tough environment. We achieved particularly good growth in our savings business and added market share. These gains clearly show that we continue to enjoy the unbroken trust of our customers in Germany as a solid bank that provides fair, transparent products. By the way, this trend accelerated during the first weeks of this year.
We are also moving ahead in our lending business: In the area of private mortgage loans, we continued to expand our volume and strengthened our position as Germany's largest mortgage lender. In our consumer lending business, we set a record for new business and markedly expanded our loan portfolio with innovative processes and services. All in all, it was a good year for our operating business.

Postbank is not known for retail banking alone. Is the Corporate Banking business growing as planned?

It definitely is. Our goal is to be among the Top 5 banks for 3,000 of our 30,000 corporate customers by 2010. The figure has already reached 2,000. Cross-selling within this customer group, which is made up primarily of small and mid-sized enterprises, is to be increased as well. We are already way ahead of schedule on one of our sub-goals: The SME loan volume reached the €5 billion level in 2008 – two years earlier than planned. This proves that Postbank can serve as a lender even when times are tough.

Last year, you talked about the Europeanization of Transaction Banking. What has happened in this area since then?

Over the past year, we have further optimized our organization. As part of this work, we bundled all payment transaction units and employees in one company. In taking this step, we fulfilled further important requirements for our desired partner strategy and the shift to business in other European countries. We are confident that we will be able to win new customers for our platform, even in the face of increasing cost pressure in the banking sector.

The year of 2009 is a special one for Postbank as it celebrates its 100th anniversary. What does this event mean to you personally?

One hundred years of Postbank. This is something of which I am really proud. I also view our long, successful history as a major obligation to uphold the tradition and values that have been the heart of our Bank for 100 years now. Very little has changed in Postbank's philosophy during this century. We passionately work to assist our German retail banking customers in particular. As part of our tradition, we are also committed to our corporate and business customers. We will continue to employ our successful business model for the good of our customers, shareholders and employees in the future.

During the Bank's anniversary year, you are gaining a new major shareholder, Deutsche Bank. What do you expect from the announced close partnership with Deutsche Bank?

The investment by Deutsche Bank as a shareholder will initially change nothing in our basic approach. But the partnership between Postbank and Deutsche Bank will create many opportunities that will strengthen the market position of both banks. One goal already under consideration is to establish a closer working relationship in the investment funds business. We intend to profit from Deutsche Bank's expertise in this area. In return, our plans call for Postbank's skills in the area of private mortgage lending and consumer loans to be used in the sales network of Deutsche Bank. In terms of joint procurement and the area of IT, the partnership will offer benefits for both sides, and we can use them for the good of our shareholders.

Revenues generated by the partnership will certainly help you reach your mid-range financial targets. Are you sticking to these goals despite the continuing financial market crisis?

Yes, we believe that we will generate a return on equity after taxes of 13 % to 15 % over the medium term. To do so, though, we will need for business conditions in the financial markets to return to normal and for the economy to stabilize. The reduction of capital-market-induced risks and portfolios will help improve earnings quality because we will be less dependent on income from capital market transactions.

Service is …

… not needing lengthy explanations.

When you know someone well – their history and personal circumstances – lengthy explanations are not needed for understanding. That is precisely what we strive for: saving our customers time and trouble, putting them on the fast track to optimum solutions. We have therefore created a whole new basis for our customer relationships. In keeping with our “Next Step” strategy, we offer each of our core customers a personal adviser as a set contact for all of their banking issues. Short communication paths instead of long waits – an integral part of our service concept.

Retail Banking:
From product bank to customer bank – focus on service

We have consistently pursued our "Next Step" strategic program to expand Postbank's position as the leading retail bank in Germany in 2008, placing our primary focus on strengthening the partnership with our 4.9 million core customers. As a result, we have seen our market shares increase in nearly all product categories even though competition remains challenging. Our cooperation agreement with Deutsche Bank offers additional potential for growth.

Key to success

In total, Postbank serves 14.1 million customers (14.5 million in 2007) with 856 branches, over 4,000 mobile advisers and high-performance direct sales channels. It thus remains the bank with the largest number of customers in Germany. Driven by value, we focus our customer support capacities on our 4.9 million core customers (previous year: 4.6 million), a figure we seek to increase to 5.2 million by 2010. Keeping these customers satisfied with Postbank is therefore an important strategic building block. Advisory quality and service are the key competencies we seek to improve and to demonstrate to our customers.

In order to increase service quality, every core customer was assigned to an adviser in mobile sales, branch sales or direct sales in the first half of 2008. We hope this will foster even greater customer retention, a parameter we continually monitor with the help of a cross-selling indicator. At present, 39.4 % of our core customers currently use three or more Postbank products. Our goal is to boost this figure to 47 % by 2010. Of course, our approximately 9.2 million customers with potential can expect the same constant high level of service and performance as well. We will also strive to convert this group into core customers.

We measure and report progress in the implementation of our strategic program using key performance indicators (KPIs). These important figures and the accompanying developments in Retail Banking in 2008 are described below.

Service is being where customers are

As a multi-channel bank, Postbank's highly customer-focused structure is characterized by simple and convenient access channels. Banking services are offered throughout Germany in 856 Postbank branches and an additional 5,144 Deutsche Post retail outlets. 4,166 independent sales representatives in our mobile sales force as well as 143 home savings and mortgage loan specialists from the branches visit customers where they typically prefer to discuss their financial affairs: at home. We are available around the clock via telephone and online banking. Customers of independent financial service providers have access to selected products in third-party sales under the DSL brand.

Branch Sales is pioneer of innovative branch concepts

An integral part of our customer service is being where our customers are. This aspiration was the basis for the project "Filiale im Wandel" ("Changing Branches") that arose within the scope of our strategic program and made us a pioneer of innovative branch concepts. Fifteen branches in high-traffic locations were redesigned in 2008. Over time, the most important branches will follow suit, together with simultaneous location optimizations. The goal is to boost awareness of our banking and advisory services, among other things. Increasing sales figures clearly indicate that this new concept has been successful. Systematic training measures for our employees have also made a decisive contribution to this positive development.

The availability of postal services in our branches remains an important component of our business model. The high amounts of customer traffic that these services generate is an important factor in the branches' sales success. At the same time, this concept offers Deutsche Post excellent customer proximity in attractive locations. We intend to continue holding fast to this one-of-a-kind model in the banking landscape in the future as well.

Service and advisory quality further enhanced in Mobile Sales

The mobile sales force of the Postbank Group, an important component in our multi-channel strategy, is composed of 3,644 financial advisers and 522 investment advisers grouped into one organizational unit within Postbank Finanzberatung AG. This makes Postbank the bank with the largest mobile sales force in Germany. Our advisory services provide a comprehensive, needs-oriented focus on private mortgage lending, asset building and retirement provisions.

Once again, targeted consolidation measures and individual training offers significantly enhanced advisory quality. This success is evidenced, among other things, by the rise in adviser productivity to 122 % in 2008 (following 100 % in the base year 2006). The proportion of mobile advisers in multi-category sales has also continually risen, growing to 50.4 % after 40 % in 2006. Very good customer survey results confirm good customer proximity and the positioning of personal advisory services on site, both during and outside of normal banking hours.

Awarding-winning relaunch in online banking

The totally redesigned Postbank website was named the "best finance website" in the German-speaking regions by ibi Research GmbH, which examined the websites of 300 German financial service providers in cooperation with the University of Regensburg. In September 2008, the PASS Consulting Group declared Postbank the best online bank in Germany. The success of the relaunch is further evidenced by the 3.35 million unique visitors (12/2008, Nielsen Netratings) to the site, based on which Postbank remains by far the most frequented financial website of any single institution in Germany.

Telephone banking continues to gain popularity

More than 3.8 million customers (previous year: approx. 3.7 million) and some 24.1 million calls per year make Postbank one of Germany's leading banks in the retail banking business in terms of telephone banking. A modern voice portal, optimized in the year under review with new technology, assists our employees in answering customer inquiries. In addition, we are fostering the sales competency of our telephone advisers with targeted employee training courses.

Share of Internet business in third-party sales remains high

In third-party sales under our DSL brand, with the help of independent financial service providers, we are generating additional business with mortgage loans and increasingly with consumer loans and checking accounts as well.

Sales of mortgage loans climbed slightly by 3.1 % in 2008 as compared to the previous year. Approximately 45 % of this business was generated through Internet sales. Consumer loans under the DSL brand very nearly doubled. Checking accounts have only been available via this channel since mid-2007, making a year-on-year comparison not yet possible. In the future, we expect an additional increase in sales as a result of the technical optimizations carried out in 2008 and additional partnerships initiated to promote product sales.

Cooperation agreements create additional innovative access channels

The first cooperation agreement of its kind in Germany was signed with Deutsche Shell AG in fall 2008. Starting in summer 2009, we will equip up to 1,300 service stations in Germany with secure cash register systems. We thus offer our partner Shell comprehensive management of all cash activities, while our customers benefit from an additional opportunity for free cash withdrawal in particular in non-urban areas lacking a close-meshed net of ATM machines.

The successful cooperation agreement with Tchibo (nearly 20,000 checking accounts sold in 2008) was expanded at the end of the year to include the VISA motif card, the "Postbank Privatkredit" (consumer loan) and "Postbank Autokredit" (car loan). Our partnership agreement with HUK-COBURG Versicherungsgruppe has been highly satisfactory, resulting in the sale of 18,600 new checking accounts thus far.

Cooperation with Deutsche Bank

As part of the acquisition of shares in Postbank by Deutsche Bank AG, the two companies have reached an extensive cooperation agreement. Postbank and Deutsche Bank AG are planning to work together closely in the funds, lending and mortgage lending business in particular. They will also team-up in procurement and IT in order to create economies of scale. Together, the two banks have one of the largest branch networks in the German financial services sector and highly complementary product offers. Selling each other's financial service products offers both partners attractive earnings potential. For example, it is envisaged that Postbank will enable customers to make even more intensive use of DWS and X-Markets investment products in the future. In return, Deutsche Bank AG branches are, for example, planning to offer Postbank mortgage lending products. The cooperation agreement between the institutions also presents interesting possibilities for cash withdrawal and other services.

Encouraging sales despite difficult market conditions

The German financial services sector has been increasing its focus on the retail business. The rise in competition engendered by this move was further intensified by the financial crisis. Despite these difficult conditions, Postbank was still able to further expand its market position in nearly all product categories.

Retail Banking information

New business		2008	2007
New customers	thousand	781	1,000
New checking accounts	thousand	572	587
New mortgage lending business incl. portfolio acquisitions	€bn	12.2	12.4
New private lending business	€bn	1.62	1.13
Total home savings – written	€bn	12.4	11.2
New securities business	€bn	2.5	3.1
Book		**2008**	**2007**
Customers	million	14.1	14.5
Checking accounts	million	5.0	4.9
Savings deposits	€bn	49.1	43.9
Home savings deposits	€bn	15.9	16.6
Private mortgage lending book incl. portfolio acquisitions	€bn	72.7	68.0
Private loan book	€bn	3.0	2.3
Volume of securities accounts	€bn	9.5	11.5

Checking business stabilizes at previous year's high level

A total of 572,300 private checking accounts were newly opened in 2008, almost on par with last year's high level. The checking account thus remains one of the most important instruments for acquiring new customers. The number of private checking accounts reached 5.0 million (4.9 million in the previous year), making Postbank the market leader in checking accounts in Germany, with a market share of 5.7 %. We are confident of being able to further expand this excellent position in the future thanks to the product's attractive price-value ratio and diverse service aspects.

High cash inflows in savings business

Competition on the deposit market was further intensified by the financial market crisis. Postbank was nonetheless able to successfully underpin its strong market position in this difficult competitive environment, thanks in part to our high level of brand awareness in the savings sector as well as attractive products and our strong selling power.

As part of our strategy announced in late 2007, we have set ourselves the goal of further increasing our savings deposits with attractive products at market-based conditions. For the most part, we succeeded in doing just that in 2008. In total, we attracted new savings deposits of €12.2 billion, up 58 % in year-on-year comparison. Our savings volumes reached €49.1 billion, compared with €43.9 billion in 2007. Our market share thus rose to 9.4 % after reaching 8.1 % at the end of 2007. The overall savings volume, including home savings deposits (€15.9 billion after €16.6 billion in the previous year) thus totaled €65 billion, up €4.5 billion over 2007.

We intend to further develop the savings business and expand our leading position on the market with a series of product ideas and campaigns such as those being implemented for "Postbank Gewinn-Sparen" since January 1, 2009.

Mortgage lending increases noticeably at year's end

The market for private mortgage lending in Germany has continued to shrink in the year under review. The total volume of outstanding residential construction loans to dependent employees and other private individuals dropped from €791.6 billion at the end of 2007 to €787.3 billion as of December 31, 2008. New loans to private households (incl. extensions) fell even more sharply to €176.4 billion, a decrease of 2.9 % in a year-on-year comparison. At the same time, competition on the market remained pronounced.

In 2008, Postbank recorded a positive development overall. Following a slight decline in the first three quarters, self-generated new business including paid home savings loans rose substantially by 10.0 % in the fourth quarter in all sales channels to €2.2 billion. For 2008 as a whole, self-generated new business rose by 2.0 % to €10.0 billion. Portfolio acquisitions amounted to €2.2 billion, after €2.6 billion in 2007.

The private mortgage lending book grew by €4.7 billion to €72.7 billion, including portfolio purchases equal to last year's amount of €9.9 billion. Postbank was able to significantly increase its market share here to 9.2 % at the end of the year under review after reaching 8.6 % as of December 31, 2007.

As part of the optimization of our asset/liability management in 2008, we began focusing our sales channels even more strongly on the private mortgage lending market segments that permit use of collateral within the scope of issuing *Pfandbriefe*. The benefits of this kind of refinancing can be passed on to our customers.

Growth of new business in home savings

The home savings business under the BHW brand is a fixed component of Postbank's product range. In 2008, new total home savings written totaled €12.4 billion after €11.2 billion in 2007. With an overall market share of 11.1 %, BHW Bausparkasse thus remains the second-largest player on the German market.

A series of campaigns, e.g. for the "Portmoney" package for young people just embarking on their careers and for the "Wohn-Riester" product, certified in the middle of the fourth quarter, contributed to the positive developments. The introduction of the new Riester-subsidized home loan and savings contract "BHW Förder maXX" and the Riester-subsidized "BHW Förder Baudarlehen" as of November 1, 2008, caused business to surge at the end of the year. The new Riester products for home savings and mortgage lending for the purchase of owner-occupied residential property should continue to revive this product segment in 2009.

Consumer loans see market share gains

Development in the installment loan business was especially encouraging, with clear growth in volume paired with for the most part unchanged risk costs. Despite a difficult market environment, new business was up 43.4 % to €1.62 billion.

Thanks to the success of the branch sales network, call center and Internet sales channels as well as the new products "Minutenkredit" (quick loan, up to €3,000 for a maximum of 36 months) and "Autokredit" (car loan), we were able to decouple ourselves from the market, which declined 29.9 % in 2008. Important new business is meanwhile also being generated under the DSL brand, in particular through third-party sales, amounting to €0.4 billion in 2008, almost twice as much as in the previous year. Our consumer loan book thus grew 30.4 % to €3.0 billion.

Securities business suffering under financial market crisis

The intensification of the crisis on the financial market in mid-September 2008 also left its mark on the securities business. Gross cash inflows declined by 19.4 % to €2.5 billion. Our "Vermögensmanagement Plus" umbrella fund concept proved its worth in this difficult time. The concept offers three differently structured investment funds for various opportunity/risk profiles with asset management based on a mathematical investment model. As a result of early shifting into money market and fixed income securities, performance was significantly better than in investment funds with fixed proportions of risk and yield instruments.

Guarantee funds were able to buck the negative trend; we successfully launched four funds with an overall volume of €295 million in the year under review. Attributable primarily to the prevailing market conditions, our customers' securities account holdings shrank 17.4 % to €9.5 billion and the number of securities accounts decreased 3.6 % to 930,000.

Substantial increase in sales of insurance through branches

In the insurance business, we have been pursuing a purely cooperation-based strategy since the sale of our insurance equity investments to the Talanx Group in the fall of 2007. Our partners are Talanx (in particular for life insurance products) and HUK-COBURG (non-life insurance products).

New life insurance business in 2008 saw a market-induced drop of 7 % below the previous year's level. At the same time, sales at the branches increased 52 %. Mobile Sales, consisting of finance managers and investment advisers, contributed approximately 60 % to the success in total sales.

Non-life-insurance products from HUK-COBURG, of which automotive insurance was particularly successful, led to 47,500 contracts in 2008.

Outlook

We seek to reach the ambitious goals of our "Next Step" strategic program by continually expanding the quality and quantity of our sales channels. Competition will likely remain intense in the retail banking business.

Our goal is to further increase the number of our core customers to 5.2 million by 2010, while simultaneously boosting the share of customers who use three or more of our products from the current level of 39.4 to 47 %.

In our sales channels, the focus will remain on increasing the productivity of our advisers and enhancing advisory quality through additional training measures and other activities. We have set clear goals for ourselves here. By 2010, we seek to boost productivity in Mobile Sales by 40 % and in Branch Sales by 50 % in comparison to the base year 2006.

Postbank expects competition to remain fierce in the savings arena as well. We are confident of being able to successfully implement our strategy with the help of new product variants and continue to increase the volume of savings deposits.

In mortgage lending, we expect the increasing importance of construction projects for creating energy savings and the great need for modernization and renovation of residences in Germany to drive business. The economic stimulus package from the German Federal government could also have a positive impact here. Our focus on mortgage loans with cover-pool eligible loans can lead to a slight decline in the volume of new business paired with a simultaneous increase in profitability.

Overall, Postbank is well positioned in the retail banking business to continue gaining market shares and expanding its business model in terms of value.

Retail Banking[1]

Segment result	2008 €m	2007 €m
Total income	3,332	3,435
Administrative expenses	–2,156	–2,210
Profit before tax	912	935
Cost/income ratio	64.7 %	64.3 %
Return on equity before taxes	41.1 %	32.4 %

146

[1] see Note 40

Service is …

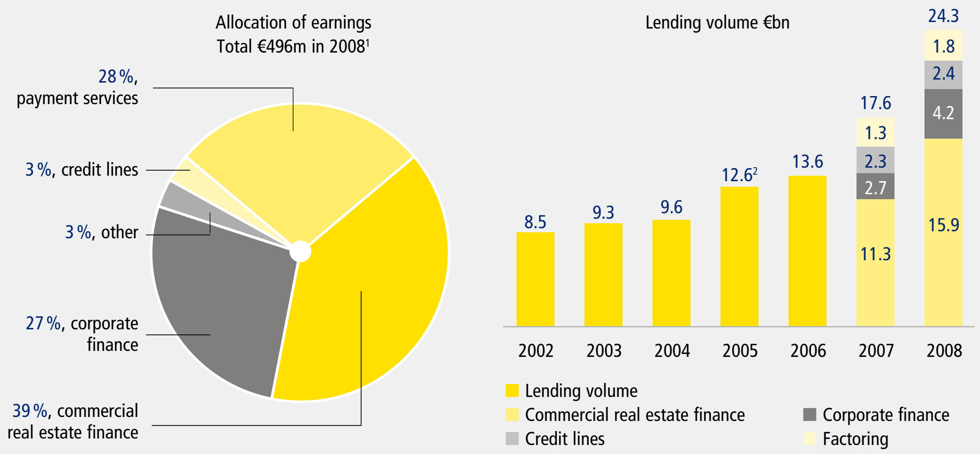
… responding flexibly to customers’ needs.

When new challenges present themselves and small wishes become large ones, customers require a financial concept that grows along with them. From a banking partner with the flexibility they need. A partner who can offer good products and terms, a wide range of services, and innovative as well as convenient modes of access. As such, we gladly confess that we are proud of the numerous awards we have earned from independent institutes, e.g. for our service quality, online banking and our capabilities as a multi-branch bank.

Corporate Banking:
Stable partnerships as the basis for risk-conscious growth

Despite the crisis on the financial markets, business with our approximately 30,000 corporate customers is developing well. We have further refined our innovative payment transaction solutions and made additional risk-conscious expansions to our loan portfolio. In this way, Postbank has strengthened its position as a high-performance, reliable partner in payment transaction processing and in corporate financing offers specially intended for SMEs, in domestic and international commercial real estate finance, as well as in leasing and factoring. Furthermore, we offer attractive investment opportunities and customer-focused advisory services to assist in optimizing balance sheet structures.

Corporate Banking: Earnings and lending volume



[1]Without negative effects from the financial market crisis; [2]including acquisitions of PB London and PB Capital NY

Continued success for SME market offensive

With Corporate Banking in Germany now numbering some 30,000 customers, we have further expanded Postbank's position as a core bank for the small and medium-sized sector. The volume of new loans (without factoring and leasing) rose sharply from €1 billion in the previous year to approximately €1.7 billion in the year under review. The demand for capital investment loans and overdraft facilities was especially high. The portfolio of loans to SMEs, including receivables from factoring and leasing, grew from €3.5 billion at the close of 2007 to €5.4 billion at the end of 2008. Thus, in the past year, we have already exceeded the goal of €5.0 billion that was originally planned for 2010.

The systematic drive to develop the sales organization in terms of both quality and quantity led to greater intensity of customer care and an associated increase in customer retention. This can also be seen in the sales productivity index in the Corporate Banking business, which rose to 127 % in 2008 compared with the base year 2005 (100 %) and should reach 135 % by 2010. As part of our holistic approach to advisory service, we also offer our customers an extensive range of investment and risk management products. The extremely stable level of investment volumes demonstrate that our customers view us as a solid company even under changed market conditions. Our product solutions – including derivative hedging instruments for interest rate and currency management as well as conventional financial forms – make optimum financial management for our clients possible.

Further development of our payment transaction solutions

Our customers in the area of payment transaction management include some 90 % of DAX-listed companies and approximately 70 % of MDAX companies. In order to meet the needs of these for the most part globally operating corporations and the international requirements of small and medium-sized businesses, the Bank continually invests in the expansion of its innovative cross-border payment transaction platform. We have used this platform as a basis to establish cross-border cash management products in the payment transaction product segment – above and beyond the planned introduction of SEPA – for liquidity management and for local presence or participation in local markets. We have implemented the amended market standards (EBICS) for electronic customer interfaces and further expanded our services.

Tapping opportunities in commercial real estate finance

Commercial real estate finance constitutes a second key pillar of Corporate Banking, both nationally and internationally. Three factors form the foundation for Postbank's growth in this segment at home and abroad: Our long-standing business relationships, our expertise – acknowledged by customers and consortium partners alike – and our willingness and ability to finance loans even in difficult market conditions. As in the last few years, we once again further expanded our customer base in 2008 to include first-rate names in the real estate business and a series of national and international consortium partners.

Overall, the Group's commercial real estate finance in the year under review totaled €15.9 billion, up some 40 % on the previous year. This growth took place in particular in the area of loans covered by debt service, which offer moderate debt financing rates and attractive margins. Here, the focus of new business was Germany and selected Western European markets.

In the United States, business was expanded very selectively in 2008. At around $2 billion, volumes were lower than those of the previous year. We concentrated primarily on the financing of rental properties in prime locations with first class leasers. A liquidity-based withdrawal of many competitors allowed us to improve our risk/return profile noticeably.

In the U.K. and Western Europe, the Postbank London Branch increased its portfolio of commercial real estate loans from €2.1 billion to €2.5 billion in the course of 2008. Here too we function as a selective, non-volume-driven provider with long-standing customer relationships and strict risk criteria, financing properties only in selected market segments and locations.

Difficult economic environment for activities in the U.S.A. and U.K.

Since the acquisition of PB Capital in 2001, Postbank has been selectively active in North America, primarily in the segments of commercial real estate financing, public sector finance, as an investor in syndicated loans and in the market for corporate bonds.

With its emphasis on commercial real estate finance in the U.K. and Western Europe, the Postbank London Branch very clearly increased its earnings. London's treasury activities, focused on refinancing and currency and interest rate hedging for real estate customers, also made an encouraging contribution to profits.

PB Factoring continues robust business growth

The successful development seen in the past several years continued in 2008 for PB Factoring. The volume of receivables submitted rose by €3 billion in year-on-year-comparison to nearly €10 billion. PB Factoring thus concluded fiscal year 2008 with a satisfying result. This development was fostered by the steadily increasing acceptance of factoring as a financial service and the associated increase in interest in modern financing instruments among company owners. The further strengthening of cooperation with partners, whom PB Factoring was able to win over in competition due to its quality of processing and high service level, was an additional success factor.

Postbank Leasing remains on course for growth

With new business worth some €140 million, Postbank Leasing further expanded the important role it plays in our range of Corporate Banking service and solution offers. Systematic customer orientation as well as a focus on logistics goods and high-quality production systems have enabled the company to tap market potential and take positions formerly occupied by competitors who have left the field. Despite the increased sensitivity to risk among end customers, Postbank Leasing sees good chances for a stable, continuous development in 2009.

Outlook

Our goal is to achieve further growth in Corporate Banking as a core bank for the German middle market and to position ourselves as an efficient and reliable partner for our customers. In the process, we can rely on our strengths – our strong customer base, broad product range, and a skilled and highly motivated workforce.

We will continue to boost our visibility in the market with specific event-based promotions and to drive forward business with our corporate customers by introducing product innovations, especially in payment transactions and financial management, and by further improving the quality of our regional sales operations. By 2010 we intend to belong to one of the five core banks for 3,000 of our 30,000 corporate customers.

On the payment transactions side we have set ourselves the goal of further optimizing our process and cost structures. We are also aiming to expand our access channels for the receipt and delivery of payment transaction orders and information in 2009.

In commercial real estate finance, a change in transaction volumes in our target markets has become noticeable since the second half of 2008 at the latest, and may have an impact on new business. In the U.S. and the U.K. in particular, both real estate assets as well as the demand for real estate will likely remain under pressure. Because of Postbank's traditional focus on more conservative, high-equity investor groups – e.g. special real estate funds for which the current market situation offers attractive entry opportunities and with whom we have close and long-standing business relationships – we are nonetheless confident that we will be able to exploit business opportunities that will arise in 2009. We will, however, continue to pursue our conservative risk policy consistently.

Corporate Banking[1]

Segment result	2008 €m	2007 €m
Total income	164	382
Administrative expenses	–171	–163
Profit before tax	–58	191
Cost/income ratio	104.3 %	42.7 %
Return on equity before taxes	–14.1 %	50.5 %

146

[1]see Note 40

Transaction Banking:
Excellent market position successfully maintained

The Postbank Transaction Banking business encompasses all processing services for payment transactions, accounts and loans. State-of-the-art technologies ensure industrialized processes and thus utmost efficiency. They also enable us to provide all of our processing services to third parties, including three other large banks. With a market share in Germany of over 20 %, Postbank maintained its leading position in 2008 and established itself as a forerunner in consolidation. Our outstanding references already make Postbank a major player on the European market.

Bundling of payment transaction processing

We have been offering external clients highly professional operational domestic and international payment transaction services as well as tracing and internal account services through our subsidiary Betriebs-Center für Banken AG (BCB) since 2004. In January 2008, the product portfolio was expanded to include processing of Single Euro Payments Area (SEPA) transactions. Clients include Dresdner Bank AG, Deutsche Bank AG and Bayerische Hypo- und Vereinsbank AG (HVB). Postbank furthermore outsourced processing of its own payment transactions to BCB as of July 1, 2008. Bundling all payment transaction services in one company has further enhanced our efficiency and created the basis for offering our payment transaction services throughout the entire European market.

Increasing transaction volumes

BCB processed a total of some 7.7 billion transactions in 2008. The increase of 3.7 % in a year-on-year comparison is attributable primarily to organic growth in paperless payment transactions. In keeping with expectations, the number of paper-based payment transactions continued to decrease, constituting a mere 2.1 % of the total transaction volume in the year under review. In Germany, Postbank's market share for payment transaction processing was once again over 20 %, as in the previous year.

Industrialization further developed

The Transaction Banking business division at Postbank was dominated by a series of IT innovations in 2008, with gradual introduction of the Single Euro Payments Area (SEPA) beginning on January 28. The first step encompassed the processing of standard European SEPA transfers. In May, the old Kordoba system was replaced with the multiclient-enabled VIPayment system for processing of international transactions. Furthermore, in the second quarter we successfully launched the Payment Engine developed together with SAP for processing domestic and SEPA payment transactions. This state-of-the-art IT platform has multi-client capabilities and is designed for industrial style processing of large transaction volumes.

Extensive back-up solutions protect us against operational risks. In addition, events in production are systematically recorded and analyzed, with the results serving as the basis for implementation of preventative measures. A rate of loss of just 0.00002 of one-tenth of one percent for all transactions attests to the outstanding quality of our services. In addition, our process standardization and documentation as well as our quality management for nearly all clients are certified in accordance with DIN EN ISO 9001 ff.

Credit Services further optimized

In Credit Services, state-of-the-art IT also ensures industrialized processing of mortgage lending and installment loans for the Postbank Group. Once a credit decision has been made, all processing activities are executed on our SAP platforms. Standardized processes and concentration at just a few locations guarantee maximum efficiency.

We also boosted productivity in the loan processing units in 2008. Site consolidation, for example, further streamlined the workflow processes for private mortgage financing while at the same time raising quality standards. The implementation of BauFi-Online software, which permits direct digital submission of mortgage lending applications by sales staff, has meanwhile significantly reduced the throughput time for mortgage financing requests.

In the installment loan business, front-end applications were further tailored to the requirements of the sales channels. In branch sales, approvals directly at the point of sale (POS) are standard, including automatic payout. If direct approval is not possible, back-office units ensure that a decision is made and technical processing completed shortly.

In addition, the processing of existing loans was further expanded and intensive support introduced for cases at risk of default. Comprehensive advising and support of customers with anticipated or acute payment difficulties led to a further improvement of our recoveries.

Transaction Banking[1]

Segment result	2008 €m	2007 €m
Total income	344	354
Administrative expenses	–312	–331
Profit before tax	48	36
Cost/income ratio	90.7 %	93.5 %
Return on equity before taxes	–	–

146

[1] see Note 40

I Outlook

Our industrialized transaction banking operations on state-of-the-art IT platforms for domestic, SEPA and international payment transactions are structured for growth. The cost pressure triggered by the crisis on the financial markets could provide additional impulses among credit institutions for outsourcing of payment transaction activities.

We already hold a 5 % share of the European market as a whole. Our goal is to develop a joint European offering together with one or several partners in the form of partnerships, equity interests or joint ventures. The introduction of SEPA transfers in January 2008 created the legal basis for a common European payments area. In further stages, uniform standards are to be introduced for direct debits (November 2009) and card payments (2010) and implemented in national law by 2010.

Postbank is also excellently positioned in credit processing. German banks are still very cautious about outsourcing loan processing and administration to external service providers, but we are confident that a market will arise in the foreseeable future. Competitive pressure, which has been increasing for years now, and the impact of the crisis on the financial markets will create a demand for more economical solutions and a new way of thinking.

Financial Markets:
Reorganization promises positive development

The Financial Markets division is responsible for Postbank's money market and capital market activities. It safeguards the net interest margin contribution from customer business and thus minimizes the market risk from such business (see the Risk Report for details). The importance of safeguarding and managing the Bank's liquidity, likewise a responsibility of the Financial Markets division, has grown to such an extent that a dedicated department was created for this purpose in the year under review.

75

Moreover, it is the task of Financial Markets to optimize the risk/return ratio and generate income from the conscious, controlled assumption of market risk within narrow, predefined limits. In the future, the division will also increasingly offer its expertise to help develop new products for retail and business customers.

Treasury – major impact caused by illiquid markets and the reduction of shareholdings

In addition to safeguarding the net interest margin contributions as mentioned above, the Treasury department is primarily responsible for managing the Bank's interest rate risk using traditional securities such as bunds and *Pfandbriefe* (mortgage covered bonds). Derivative financial instruments are also used as an integral component of modern overall bank management. While interest rate management again generated clearly positive earnings contributions in 2008, the massive widening of spreads due to the illiquidity of the markets led to significant negative effects on market values that are largely temporary but remain in place. This impacted not only *Pfandbriefe*, but also EU government bonds, thus erasing the positive interest rate trend. Negative effects also resulted from our shareholdings, which we fully liquidated in the course of the year as part of our moves to cut risk.

Liquidity Management – first issue of *Pfandbriefe* to broaden the funding base

Another central task of the Financial Markets division is to ensure Postbank's solvency at all times – including under stress conditions. The Liquidity Management department is responsible for funding activities on the money and capital markets, as well as for optimizing the liquidity risk structure throughout the Group. As a retail bank, Postbank enjoys a strong funding base in its customer business and therefore has a relatively limited dependence on the money and capital markets.

To broaden its funding options, in December 2007 Postbank was issued the *Pfandbrief* license for which it had applied from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority). Subsequently, Postbank issued its first *Pfandbriefe* in January and May 2008 with a volume of €1.5 billion and €1.0 billion respectively. *Jumbo Pfandbriefe* will remain Postbank's most important strategic funding instrument in 2009 due to their leading position in the financing of privately used residential properties in Germany.

Credit Treasury – management of financial investment securities affected by the crisis

The credit substitution business resulting from Postbank's historic balance sheet structure (deposit surplus) is invested in a series of structured products, among other things. The focus here is on a risk reduction strategy that is tailored to individual investments. Credit Treasury is also responsible for diversifying credit risk by transferring risk to the capital markets. Credit Treasury's tasks also include the development, structuring, and marketing of securitization transactions for its own and third party accounts as an integral part of the Bank's capital, risk, and portfolio management.

Capital Markets – uniform market presence increases earnings

The Capital Markets department essentially comprises the equities, foreign exchange, interest rates, and commission trading segments. As part of a reorganization of the department launched in 2008, all trading activities were bundled and, in the interest rates segment in particular, a uniform market presence for Postbank was created along the entire yield curve. In the equities and foreign exchange segments, uniform management allowed the department to further expand its customer business, and to continuously increase customer acceptance of Postbank as a direct trading partner.

Luxembourg – encouraging performance despite financial market crisis

Deutsche Postbank Int. S.A. (PBI), consolidated in the Financial Markets segment, took another step forward in its operating business in the year under review, especially in the private customers segment. PBI's own investment company Deutsche Postbank Vermögens-Management S.A. (PBVM), for example, launched the successful guarantee and PB Vermögensmanagement Plus funds. In the corporate customers segment, PBI performed well and the fields of interest rate and currency management also made an extremely positive earnings contribution. For more information please see PBI's own annual report, which is available in electronic form on the Group's homepage at www.postbank.de/ir.

@

Financial Markets[1]

Segment result	2008 €m	2007 €m
Total income	103	270
Administrative expenses	−92	−83
Profit before tax	–14	190
Cost/income ratio	89.3 %	30.7 %
Return on equity before taxes	–2.2 %	37.2 %

146

[1]see Note 40

Asset Management – innovation in a difficult overall market environment

The Asset Management unit was not immune to the negative trends in fund business worldwide in the year under review. In 2008, it recorded outflows of funds from assets under management for institutional investors in the form of special investment funds, as well as from our retail funds for private investors. Restructuring by institutional investment funds and substantial shifts of our private customers reduced the fund assets under management at Postbank Privat Investment from €11.8 billion in the previous year to around €1.8 billion. Lower inflows of funds contrasted with extremely high redemptions of unit certificates, in particular in the money market fund, defensive fund of funds, and capital preservation fund. Since July 2008, Postbank has offered institutional investors the chance to invest in the newly formed PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen. The Bank launched in the year under review a total of four new guarantee funds in the form of retail investment funds in cooperation with PBI. These new funds enable Postbank to include forward-looking topics such as climate protection. The umbrella fund Postbank Vermögensmanagement Plus, which was launched in fiscal year 2007, again performed well with its three special funds "Ertrag", "Wachstum," and "Chance" (Return, Growth, and Opportunity).

Outlook

Going forward, the key task of the Financial Markets division will continue to be ensuring effective risk management for the entire Postbank Group. 2009 will be an important milestone in the consolidation of the money and capital markets. The focus will therefore be directed towards the further optimization of asset allocation as a key part of risk management and on the active management of market price and spread risks. Moreover, Financial Markets will continue to be the innovation driver for product development in the various customer segments.

Service is …

… being available 24 hours a day.

Is there anything better than knowing that someone is taking good care of all of your needs? We don't think so. That's why we are here for our customers 24 hours a day. At our 856 branches during the day. Represented by our mobile advisers on visits to customers' homes in the evenings. And of course around the clock via Internet and telephone. Customers and potential customers seeking financial advice will find it at Postbank. Anytime.

Report of the Supervisory Board

In the past fiscal year 2008, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. In addition to regularly advising and monitoring the Management Board, the Supervisory Board was involved in important Company decisions. In fiscal year 2008, the Management Board regularly informed the Supervisory Board in a timely and comprehensive manner of all issues concerning the Company's planning, business development, risks, risk management and compliance, strategic measures, as well as important business transactions and projects. Deviations between the course of business and the plans and targets prepared were explained to the Supervisory Board and reasons given. All measures requiring the approval of the Supervisory Board were discussed at length, as was the Company's strategic focus. Where required by law, the Articles of Association and the Bylaws, the Supervisory Board passed resolutions after thorough examination and discussion. The Chairman of the Supervisory Board was also informed about important business transactions and forthcoming decisions between meetings of the Supervisory Board, and kept in constant contact with the Chairman of the Management Board.

Main subjects for discussion by the Supervisory Board

In fiscal year 2008, the Supervisory Board received information at five meetings and through regular submission of documents concerning the Bank's current financial and strategic situation, business developments in the individual divisions, risk development, compliance and active risk management, as well as new products. The crisis on the financial market was the subject of all meetings in the period under review. The Management Board regularly provided the Supervisory Board with detailed information about Deutsche Postbank AG's important commitments, their possible impact on the Bank and measures undertaken. Individual topics were intensively scrutinized and discussed by the Supervisory Board. With the exception of Axel Nawrath, all Supervisory Board members attended more than half of the meetings of the Supervisory Board that took place in the fiscal year during their time in office. Axel Nawrath was unable to take part in the Supervisory Board meeting held since the brief period following his appointment due to his commitments to the German Federal Ministry of Finance.

After Klaus Zumwinkel resigned his position as Chairman of the Supervisory Board of Deutsche Postbank AG as of February 19, 2008, the Supervisory Board of Deutsche Postbank AG reconstituted itself in the meeting on March 3, 2008, and appointed Frank Appel as the new Chairman. The full Supervisory Board also decided on replacement appointments to the Supervisory Board committees made necessary by Klaus Zumwinkel's departure. At the same meeting, the Supervisory Board also approved the annual and consolidated financial statements of Deutsche Postbank AG after extensive discussions. This followed a prior consultation with the Audit Committee, which recommended approval. Other subjects that formed the basis for discussions and decisions by the Supervisory Board were issues of importance to the Management Board, the joint report on Corporate Governance, the agenda and proposed resolutions for the 2008 Annual General Meeting, the HR and audit reports and a change in the Bylaws of the Supervisory Board.

In the second Supervisory Board meeting following the Annual General Meeting on May 8, 2008, the Supervisory Board first confirmed Frank Appel, who was appointed a member of the Supervisory Board in a by-election by the Annual General Meeting pursuant to the guidelines of the German Corporate Governance Codex, as Chairman of the Supervisory Board and resolved to reconstitute the Supervisory Board committees. An additional focal point of the meeting was the ongoing development of Transaction Banking in European payment transactions (SEPA). Due to the extensive information received at the meeting, the Supervisory Board granted its approval in July 2008 for the outsourcing of Postbank's payment transactions to BCB AG.

In addition to standard issues, current developments in the financial market crisis in particular were among the subjects of discussion and resolution in the third meeting of the Supervisory Board on September 26, 2008. The Chairman of the Supervisory Board furthermore informed the Board of the impact of the crisis on the business model and the results of the Company. The Chairman also informed the Board of the sale of shares to Deutsche Bank AG by Deutsche Post AG.

In the extraordinary meeting on October 27, 2008, the Supervisory Board – based on the Management Board's decision made on the same day – approved the increase in Deutsche Postbank AG's share capital by issuing new shares after the Management Board of Deutsche Postbank AG explained the necessity of the capital increase to the Supervisory Board in detail and following intensive consultation and discussion by the full Supervisory Board. Taking the interests of shareholders especially into account, the Supervisory Board rigorously questioned the necessity of and alternatives to the capital increase, and discussed the details of the share issue. After a deliberation process that weighed the course of the financial market crisis and the good of the company, the Supervisory Board deemed the need for a capital increase to exist, and unanimously approved the measure.

In the last meeting of the fiscal year on November 28, 2008, the Supervisory Board focused in particular on business and mid-term planning, and on the future strategic alignment of Deutsche Postbank AG. Additional topics discussed at the meeting included consultation regarding amendments to the Corporate Governance Codex and issues of importance to the Management Board. The Management Board explained the new strategy to the Supervisory Board, which engaged in detailed, comprehensive discussion on measures and future business policy tasks, in particular in light of the financial market crisis. The Supervisory Board declared itself in favor of systematic concentration on the customer business. Finally, in this meeting, the Supervisory Board decided on reorganization of the Deutsche Postbank AG divisions following the integration of the previously independent Mobile Sales division into the Retail Banking division and the Services division into the IT/Operations division.

Topics to be discussed and resolved at the meeting on March 3, 2009, to discuss Postbank's balance sheet included the annual and consolidated financial statements, the agenda items for the Annual General Meeting on April 22, 2009, the Corporate Governance Report, and issues of importance to the Management Board and Supervisory Board. Risk reporting and the audit and compliance reports continued to be items on the agenda.

Work of the committees

The Supervisory Board established six committees to enable it to work in greater detail. Their task is to prepare the passing of resolutions in the Supervisory Board by offering decision-making recommendations. In addition, the Supervisory Board has transferred certain decision-making powers to the respective committees in so far as it is legally permissible and within their competence. The committee chairs report regularly to the full Supervisory Board about the work of their committees.

Members of the Deutsche Postbank AG Supervisory Board and its committees as of December 31, 2008:

Supervisory Board

Frank Appel (chair)	Rolf Bauermeister	Peter Hoch	Elmo von Schorlemer
Michael Sommer (deputy chair)	Wilfried Boysen	Elmar Kallfelz	Torsten Schulte
John Allan	Henry Cordes	Ralf Krüger	Eric Stadler
Wilfried Anhäuser	Edgar Ernst	Hans-Dieter Petram	Gerd Tausendfreund
Marietta Auer	Annette Harms	Bernd Pfaffenbach	Renate Treis

Executive Committee (section 10 of the Supervisory Board Bylaws)

Frank Appel (chair)	Ralf Krüger
Michael Sommer (deputy chair)	Torsten Schulte

Human Resources Committee (section 13 of the Supervisory Board Bylaws)

Michael Sommer (chair)	Hans-Dieter Petram
Frank Appel (deputy chair)	Torsten Schulte

Loan and Equity Investments Committee (section 11 of the Supervisory Board Bylaws)

Ralf Krüger (chair)	Peter Hoch
Edgar Ernst (deputy chair)	Elmar Kallfelz
Marietta Auer	Renate Treis

Nomination Committee (section 14 of the Supervisory Board Bylaws)

Frank Appel (chair)	Ralf Krüger

Audit Committee (section 12 of the Supervisory Board Bylaws)

Peter Hoch (chair)	Wilfried Anhäuser
Edgar Ernst (deputy chair)	Gerd Tausendfreund

Mediation Committee (section 15 of the Supervisory Board Bylaws)

Frank Appel (chair)	Elmar Kallfelz
Michael Sommer (deputy chair)	Ralf Krüger

The Executive Committee is responsible, among other things, for preparing the appointment and withdrawal of members of the Management Board, agreeing, amending and terminating contracts of employment for members of the Management Board, granting loans to members of the Management and Supervisory Boards, addressing specific topics of overriding importance as well as fundamental questions about the Company's strategic direction. The committee met four times last year. The meetings focused in particular on discussing and preparing appointments to the Management Board and resignations, the renewal of loans extended to executive bodies and reviewing the efficiency of the Supervisory Board. The decision-making competence previously held by the Executive Committee in regard to remuneration of the Management Board was transferred to the full Supervisory Board in keeping with the new recommendations in the German Corporate Governance Codex. In its meeting on November 28, 2008, the full Supervisory Board voted unanimously to adapt the Bylaws of the Supervisory Board.

The Loan and Equity Investments Committee is responsible for credit decisions, fundamental questions about the granting of loans in general, the granting of loans to executive bodies as long as this does not fall within the responsibility of the Executive Committee, and certain investment decisions. It met a total of six times and, in line with its remits, discussed the approval of new loans, the extension of existing loans and increases in the lending limit for various individual loans and credit facilities. In addition, the Loan and Equity Investments Committee received reports on credit risk and regularly discussed the credit risk strategy. The focus of the Loan and Equity Investments Committee's work in the period under review was on consultation related to the financial market crisis. In all meetings in the past fiscal year, the Management Board provided detailed information to the Loan and Equity Investments Committee of developments related to the crisis and their impact on Deutsche Postbank AG.

The Human Resources Committee addressed Deutsche Postbank AG's human resources structures and human resources development policies. The committee met once in fiscal year 2008. In the Human Resources Committee meeting, the reports on human resources given by the Management Board focused on human resources development within the Group, the age structure of Deutsche Postbank AG as well as the planned educational and training concepts.

The Audit Committee is assigned the issues of accounting, risk management and auditing. It met five times in the period under review. The meetings – at which the auditors were present – focused on providing extensive support to the examination of the annual financial statements, as well as discussions of accounting and risk monitoring. The Audit Committee furthermore examined Deutsche Postbank AG's risk control procedures in detail and reviewed reports on audit results prepared by the Auditing department. Pursuant to the new recommendations in item 7.1.2 of the German Corporate Governance Codex, the Audit Committee discussed the half-yearly report 2008 and the interim report as of September 30, 2008, with the Management Board prior to publication.

The Nomination Committee formed in November 2007 due to the addition of item 5.3.3 to the Corporate Governance Codex met once in the past fiscal year.

The Mediation Committee did not meet in the period under review.

Audit of the annual and consolidated financial statements

The auditors elected by the previous year's Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the annual financial statements of Deutsche Postbank AG and the consolidated financial statements, including the respective management reports, for fiscal year 2008 and issued an unqualified audit opinion. They also examined the Management Board's report on relations with affiliated companies (dependent company report) prepared in accordance with section 312 of the *Aktiengesetz* (German Stock Corporation Act). The auditors reported on the results of this audit and issued the following audit opinion:

"On completion of our audit in accordance with professional standards, we confirm that
1. the factual statements made in the report are correct,
2. the compensation paid by the Company for the transactions listed in the report was not inappropriately high, nor were any disadvantages compensated."

Moreover, in accordance with section 317 para. 4 HGB (German Commercial Code), the auditors performed an audit of the risk early warning system to be set up in accordance with section 91 para. 2 of the *Aktiengesetz* and confirmed that the Management Board has taken measures to satisfy the requirements associated with the risk strategy, risk-bearing capacity, risk control and risk monitoring, including the establishment of a suitable risk early warning system.

Deutsche Postbank AG's annual financial statements, the consolidated financial statements, the management reports, the proposal for the appropriation of the net retained profit, the Management Board's dependent company report and the auditor's reports were made available to all Supervisory Board members and were examined by the Supervisory Board.

The Supervisory Board discussed these documents in the presence of the auditors, who reported on the key findings of their audit in the Supervisory Board meeting and answered questions. The Chairman of the Audit Committee reported on the results of the Audit Committee's examination of the annual and consolidated financial statements in the meeting of the Supervisory Board.

The Supervisory Board took note of and concurred with the results of the audit of the annual financial statements and the dependent company report. The final results of the Supervisory Board's examination did not give rise to any objections to Deutsche Postbank AG's annual financial statements or the consolidated financial statement, which were both approved. Deutsche Postbank AG's annual financial statements are thus adopted. Furthermore, the final results of the Supervisory Board's examination did not give rise to any objections to the declaration made by the Management Board at the close of the dependent company report.

Changes in the Management Board and Supervisory Board

The following changes took place in the Deutsche Postbank AG Management Board in fiscal year 2008.

Loukas Rizos resigned his seat as member of the Management Board responsible for the Financial Markets division as of June 30, 2008. The Supervisory Board appointed Horst Küpker to succeed him in this position effective July 1, 2008 as a member of the Management Board.

Guido Lohmann resigned his position as member of the Deutsche Postbank AG Management Board responsible for the Mobile Sales division and Mario Daberkow resigned his position as member of the Deutsche Postbank AG Management Board responsible for the Services division as of November 30, 2008. Mario Daberkow was appointed Executive Manager of Deutsche Postbank AG on December 15, 2008.

Marc Hess, previously Executive Manager of the Finance division and CFO, was appointed member of the Management Board responsible for the Finance division effective January 1, 2009.

Klaus Schlede left the Deutsche Postbank AG Supervisory Board as of May 8, 2008. In his place, John Allan was elected as a member of the Supervisory Board by the Annual General Meeting on May 8, 2008.

To prevent conflicts of interest with his new position as State Secretary in the German Federal Ministry of Finance, Jörg Asmussen resigned his seat on the Deutsche Postbank AG Supervisory Board on May 27, 2008. Axel Nawrath was appointed by court order to succeed him on June 27, 2008.

Due to his appointment to the Select Committee pursuant to the *Finanzmarkstabilisierungsfondsgesetz* (Financial Market Stabilization Fund Act), Axel Nawrath resigned his seat on the Supervisory Board on October 24, 2008, with immediate effect. In his place, the Bonn Local Court (Amtsgericht Bonn) appointed Henry Cordes as a member of the Supervisory Board by court order on November 19, 2008.

Corporate governance

The requirements of the German Corporate Governance Code were also important for the Supervisory Board. In 2003, the Management Board and Supervisory Board decided to follow all the recommendations of the Corporate Governance Code. We also intend to implement all the recommendations of the Corporate Governance Code in the version dated June 6, 2008. The Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* was last issued by the Management Board and the Supervisory Board on November 28, 2008, and subsequently made permanently available to shareholders on the Company's website. Further details on the topic of corporate governance, including the wording of the declaration, are presented in the Corporate Governance report (see page 46).

46

Against the background of the exploratory process for securing the future of Deutsche Postbank AG, Wolfgang Klein, member of both the Board of Management of Deutsche Post AG and the Management Board of Deutsche Postbank AG, stepped down temporarily from his Board position at Deutsche Post AG effective June 25, 2008 and resigned from it on November 10, 2008. Strictly as a precautionary measure, Mario Daberkow and Ralf Stemmer have put aside their duties at Deutsche Post AG.

The Supervisory Board wishes to thank the Management Board, employee representatives and all Group employees for their successful work.

Bonn, March 3, 2009

The Supervisory Board

Frank Appel
Chairman

Corporate Governance

Central idea

For Deutsche Postbank AG, good corporate governance means managing companies in a responsible manner based on defined values.

Corporate governance encompasses the entire management and supervisory system of a company, and in particular the efficient cooperation between the Management Board and the Supervisory Board, the transparency of corporate activity and the regard for shareholders' interests. With this in view corporate governance is discussed by the Management Board and Supervisory Board at least once a year. Good corporate governance promotes the trust of all parties involved or interested in a company, and of all its investors, customers, and employees.

It is not just about complying with or following standards – but living a corporate culture. This is why Deutsche Postbank AG complies with all the recommendations of the German Corporate Governance Code.

Annual General Meeting and shareholders

The shareholders exercise their rights in the Annual General Meeting; as a rule, this is convened once a year by the Management Board, which also circulates the agenda and publishes the required reports and documents at the same time. The documents and the notice convening the Annual General Meeting are available for download on the Internet. The proceedings of the Annual General Meeting are likewise broadcast on the website, except for the plenary discussions. Every no-par value share entitles its holder to one vote. Shareholders may exercise their voting rights themselves, via a proxy of their choice, or via a Company proxy acting on their instructions. The proxy voters may be contacted throughout the Annual General Meeting until the vote is taken. The resolutions by the Annual General Meeting are adopted 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 adopted by a simple majority of the share capital represented.

On May 8, 2008, the Annual General Meeting of Deutsche Postbank AG approved the online transmission of information to shareholders.

Management and control structure

Deutsche Postbank AG is structured in accordance with the dual board system, under which the Management Board is responsible for management tasks and the Supervisory Board for supervisory and advisory duties. The Management Board and Supervisory Board are in regular close communication as required by good corporate management and to achieve sustained growth in enterprise value. The chairmen of the Supervisory Board and the Management Board in particular are in regular contact.

Management Board

The Management Board has sole responsibility for the management of the Company. The Management Board members share joint responsibility for corporate management. The Chairman of the Management Board coordinates the work of the board members.

The Management Board of Deutsche Postbank AG currently consists of eight members, who have joint responsibility for managing the Company's business in line with uniform objectives, plans, and guidelines. Deutsche Postbank AG is divided into board departments, in which the members of the Management Board act on their own responsibility but always in the collective interest of the Company. The Management Board develops the Company's business goals, its basic strategic focus, corporate policy, and the Group's organizational structure, and agrees on these with the Supervisory Board.

For our Shareholders
Our Business Divisions
Our Responsibility
Group Management Report
Consolidated Financial Statements
Other Information

The majorities required for adopting resolutions within the Management Board, the issues requiring discussion by the entire Management Board, and the responsibilities of the individual Management Board members are governed by the Bylaws of the Management Board.

Supervisory Board

The Supervisory Board appoints, monitors, and advises the Management Board and is directly involved in decisions of fundamental importance for the Company. The Chairman of the Supervisory Board coordinates its work. It consists of 20 members with relevant professional experience. Ten of them are elected by the Annual General Meeting in individual elections or appointed by the courts as replacements until the next election, in accordance with the provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act). Ten further members are elected by employees in accordance with the *Mitbestimmungsgesetz* (German Codetermination Act) of 1976. Seven of these Supervisory Board members must be employees of the Company, including one executive employee. The other three members must be representatives of unions represented at the Company. To support it in its duties, the Supervisory Board has established six committees which report to it on their work at regular intervals. These are the Executive, Audit, Human Resources, Loan and Equity Investments, and Mediation Committees as well as the Nomination Committee, which was established in 2007. The Report of the Supervisory Board contains further details on the composition, function, and meeting agendas of the Supervisory Board and its committees (see page 40).

40

Interaction between the Management Board and Supervisory Board

The cooperation of the executive bodies is governed by the Company's Articles of Association, which are resolved by the Annual General Meeting, the Bylaws of the Supervisory Board and Management Board, and the resolutions of the executive bodies in line with the relevant legal regulations. These lay down how the Supervisory Board should perform its supervisory and advisory duties. The Bylaws of the Supervisory Board contain a list of transactions requiring approval. The Management Board's information and reporting duties are laid down in both the Bylaws of the Management Board and those of the Supervisory Board.

Transparency

Deutsche Postbank AG strives to provide its customers, owners, employees, and the public with comprehensive and up-to-date information. It does this on a regular basis using appropriate communication channels. To guarantee maximum transparency, and to justify and reinforce the public's trust, new information is disclosed to all interest groups simultaneously in the interests of fair disclosure. To this end, Deutsche Postbank AG publishes annual and quarterly reports and communicates through press releases, Investor Relations releases and conferences, ad hoc disclosures, disclosures required by section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Company reports, or the Company's website (www.postbank.de). Both current and historical data in German and English can be downloaded there. The dates of the principal recurring publications are published sufficiently in advance in the Financial Calendar on our website.

@

The members of the Management Board and Supervisory Board are obliged to act in the Company's interests and must disclose any conflicts of interest to the Supervisory Board without delay. If significant conflicts of interest arise, the period of office is terminated early. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest that have arisen and how they were addressed. Outside activities pursued by the members of the Management Board have to be approved by the Supervisory Board.

165

A list of the offices held by members of the Management and Supervisory Boards can be found on page 165, Note 58.

Accounting and auditing

The Postbank Group prepares its accounts in accordance with International Financial Reporting Standards (IFRSs). Deutsche Postbank AG's annual financial statements are prepared within 90 days in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). Interim reports are published within 45 days of being discussed by the Audit Committee with the Management Board.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected as the auditors for fiscal year 2008 by last year's Annual General Meeting. The auditors' independence is reviewed and ensured, including for services already delivered or agreed. The Postbank auditors are also subject to internal rotation. In addition, the auditors are required to inform the Company's executive bodies directly of any anomalies, and to document any errors in their audit. In particular, they must report immediately any grounds for impaired independence during the audit and any findings that affect the Supervisory Board or indicate inaccuracies in the compliance declaration. Details of the auditors' total remuneration can be found on page 170, Note 59.

170

Compliance

Postbank strives continually to further enhance its internal compliance. The primary focus of the Postbank's Compliance Program is to ensure adherence to statutory securities and capital market provisions. In the interests of its customers, shareholders and employees, Deutsche Postbank AG has created a compliance organization designed to support the Management Board in its concerns for compliance with statutory provisions and internal guidelines. The Compliance Office has issued a comprehensive policy that outlines for executive bodies and employees the statutory provisions related to insider dealings and insider law, and that defines a legal framework in which deposit and investment business may be performed. In order to sharpen the awareness for compliance risk and to provide basic knowledge of compliance provisions, employees receive instruction through classroom training or learning clips.

The Management Board regularly receives essential information. Likewise, the Management Board and the Compliance Officer report to the Supervisory Board and, in particular, the Audit Committee at least once a year.

Risk management

The principles of responsible corporate management are applied at Deutsche Postbank AG in dealing with risks. Deutsche Postbank AG has defined and established an extensive risk management system in line with the requirements of company and banking supervision law, in order to recognize, analyze, monitor, control, and manage in a timely manner risks arising from its business activities. The system is also designed to generate the information relevant to Deutsche Postbank AG's risk situation at regular intervals. In order to increase its efficiency, risk management is implemented at three different levels: in the Management Board, in the Risk Committee, and in the respective operating units for risk management. In accordance with MaRisk (Minimum Requirements for Risk Management), reports and strategies on different risk types are presented to and discussed by the Supervisory Board. Both specific and portfolio risks are managed. Postbank compares the risks with the expected return on the business activities to allow it to judge whether they are in proportion to each other given its strategic business goals. The risk management system is continuously reviewed on the basis of current developments and adapted if necessary. The effectiveness of the system is reviewed by Internal Audit. Furthermore, Deutsche Postbank AG created the position of Chief Risk Officer (CRO) in November 2008 to further promote integrated management of all bank risks.

75

For further explanations and information on risk management, please see the Risk Report on page 75.

Remuneration report for 2008

In this report, Deutsche Postbank AG publishes the principles used to determine the remuneration of the Management Board and the Supervisory Board. In accordance with statutory provisions, the requirements of the Deutsche Rechnungslegung Standard (DRS 17 – German Accounting Standards/GASs) "Report on the Remuneration of Executive Bodies", and the recommendations of the Corporate Governance Code, the report further explains the level of remuneration and the structure of the remuneration systems.

Remuneration is presented for each individual in a way that is generally understandable. It is divided into fixed and performance-related components.

Also shown are monetary remuneration components received by members of the Management Board for outside activities, benefits in the event of termination of their membership of the Management Board, and pension commitments. Details of shareholdings, loans, disclosure requirements under the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), and D&O insurance policies are also included.

Remuneration of the Management Board

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 member in question. Remuneration is calculated so that it is competitive with regard to national and international standards and hence offers an incentive for dedicated and successful work. It therefore complies with the requirements of section 87 of the *Aktiengesetz* (AktG – German Stock Corporation Act).

The level of remuneration is linked to performance; overall remuneration consists of a fixed and a performance-related component. The fixed component (base pay) and other compensation are not linked to performance. The fixed component is paid as a monthly salary in 12 equal installments. The standard performance-related (variable) component consists of the annual bonus.

The annual bonus awarded to the Chairman of the Management Board is determined by the Executive Committee of the Supervisory Board on the basis of the Company's business development after due assessment of the circumstances.

The annual bonuses awarded to the other 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. 50 % of them are corporate targets for Deutsche Postbank AG and are dependent on the earnings KPIs of the Company (corporate performance bonus). The remaining 50 % relate to individual quantative and/or qualitative targets of the respective board members (personal performance bonus). 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 Executive Committee of the Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance (special performance-related bonus).

Otherwise, in order to create an incentive, the ratio of potential variable remuneration to fixed remuneration is calculated so that variable remuneration can exceed fixed remuneration.

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

The ten active members of the Management Board received remuneration totaling €16,174.3 thousand (previous year: €10,529.0 thousand) in fiscal year 2008. Of this amount, €4,309.3 thousand related to fixed components (previous year: €4,469.8 thousand), and €11,865.0 thousand to bonuses (previous year: €6,059.2 thousand).

The performance-related component includes payment of a one-time premium (special bonus) to board members in connection with the acquisition of an investment in the Company in the amount of €11,515.0 thousand; the premium (special bonus) was promised in May 2008. 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 (previous year: €10,529.0 thousand).

An annual bonus (corporate and personal performance bonus) will not be paid for fiscal year 2008.

The fixed component includes "other compensation" worth €175.3 thousand (previous year: €189.8 thousand) in total. 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.

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

Management Board remuneration in 2008	Fixed remuneration component		Perfomance-related component		Total[1]
	Fixed component € thousand	Other compensation € thousand	Annual bonus € thousand	Special bonus € thousand	€ thousand
Wolfgang Klein (Chairman)	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 board members 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) will not be paid for fiscal year 2008.

Management Board remuneration in 2007	Fixed remuneration component		Perfomance-related component	Total
	Fixed component € thousand	Other compensation € thousand	€ thousand	€ thousand
Wolfgang Klein (Chairman since July 1, 2007)	687.5	45.7	797.7	1,530.9
Wulf von Schimmelmann (Chairman until June 30, 2007)	555.0	14.6	825.0	1,394.6
Dirk Berensmann	500.0	23.9	742.3	1,266.2
Mario Daberkow	250.0	14.5	339.4	603.9
Henning R. Engmann (until March 31, 2007)	125.0	7.8	200.0	332.8
Stefan Jütte	512.5	14.2	761.1	1,287.8
Guido Lohmann (since July 1, 2007)	125.0	9.8	161.5	296.3
Michael Meyer (since July 1, 2007)	175.0	6.9	219.9	401.8
Loukas Rizos	550.0	19.5	1,067.3	1,636.8
Hans-Peter Schmid	400.0	16.5	464.0	880.5
Ralf Stemmer	400.0	16.4	481.0	897.4
Total	4,280.0	189.8	6,059.2	10,529.0

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 Management Board member Stefan Jütte are different, however. The pension benefits for Stefan Jütte amount to a maximum of 50 % of pensionable income. The Chairman of the Management Board has already reached the maximum of 60 % of his pension benefits.

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.

If Dirk Berensmann, Hans-Peter Schmid, or Ralf Stemmer leave the Management Board before the end of their contractual term due to termination of contract by Postbank, the pension benefits shall be calculated as if they had fulfilled their contract as planned, unless Postbank terminates the employment relationship for good cause.

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, Guido Lohmann, 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 and bears interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. The current interest rate is 6 %. 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 are adjusted by 1 % p.a.

Members of the Management Board Michael Meyer 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

	Percentage of final salary as of Dec. 31, 2008 %	Maximum percentage of final salary %	Service cost for pension obligations €
Wolfgang Klein (Chairman)	60.00	60.00	180,264
Dirk Berensmann	58.00	60.00	162,226
Stefan Jütte	29.39	50.00	218,926
Hans-Peter Schmid	0	60.00	234,188
Ralf Stemmer	0	60.00	54,085

Hans-Peter Schmid and Ralf Stemmer have not yet completed their respective waiting periods. As of the end of fiscal year 2008, they therefore have no entitlement to an old-age pension under these arrangements. Ralf Stemmer's previous pension arrangements will take effect before the expiry of the waiting period.

	Contribution amount for 2008 €	Pension account balance as of Dec. 31, 2008 €	Service cost for pension obligations €
Horst Küpker (since July 1, 2008)	184,597	190,135	90,027
Michael Meyer	87,500	337,755	70,729

The remuneration paid to former members of the Management Board and their dependants amounted to €16.42 million (previous year: €4.95 million).

The defined benefit obligation (DBO) for current pensions, calculated in line with international accounting principles, totals €43.30 million.

Other

In the year under review, the members of the Management Board have received no benefits from third parties that were either promised or granted in view of their position as a member of the Management Board.

Apart from the benefits specified above, no member of the Management Board has been promised any further benefits upon termination of employment.

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. 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 memberships of committees, are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board without membership in 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 fiscal year 2010 exceeds the consolidated net profit per share for fiscal year 2007. This remuneration is payable following the end of the 2011 Annual General Meeting.

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 incurred in the exercise of their office. Any value-added tax on the Supervisory Board remuneration and on any out-of-pocket expenses is reimbursed. 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 four percent of contributions made on the lowest issue price of the shares. In addition, remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member.

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 2008 amounted to €526.2 thousand (previous year: €996 thousand). As concerns earnings-related remuneration, the Supervisory Board only received the fixed remuneration.

In fiscal year 2008, the Supervisory Board received reimbursement of out-of-pocket expenses amounting to €17.5 thousand.

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

	Fixed remuneration € thousand	Variable remuneration (annually) € thousand	Variable remuneration (long-term) € thousand	Attendance allowance in € thousand	Total € thousand	Entitlement to remuneration with long-term incentive effect* € thousand
Frank Appel	45.5	–	–	2.5	48.0	45.5
Michael Sommer	45.0	–	–	1.8	46.8	45.0
John Allan	9.8	–	–	0.5	10.3	9.8
Wilfried Anhäuser	22.5	–	–	2.5	25.0	22.5
Jörg Asmussen	6.1	–	–	0.3	6.4	6.1
Marietta Auer	22.5	–	–	2.5	25.0	22.5
Rolf Bauermeister	15.0	–	–	1.3	16.3	15.0
Wilfried Boysen	15.0	–	–	1.3	16.3	15.0
Henry Cordes	1.8	–	–	0.3	2.1	1.8
Edgar Ernst	30.0	–	–	3.5	33.5	30.0
Annette Harms	15.0	–	–	1.3	16.3	15.0
Peter Hoch	37.5	–	–	3.5	41.0	37.5
Elmar Kallfelz	25.1	–	–	3.0	28.1	25.1
Ralf Krüger	37.5	–	–	3.5	41.0	37.5
Axel Nawrath	4.9	–	–	0.0	4.9	4.9
Hans-Dieter Petram	19.9	–	–	1.3	21.2	19.9
Bernd Pfaffenbach	15.0	–	–	1.3	16.3	15.0
Klaus Schlede	7.9	–	–	0.8	8.7	7.9
Thorsten Schulte	27.4	–	–	2.0	29.4	27.4
Eric Stadler	15.0	–	–	1.3	16.3	15.0
Gerd Tausendfreund	22.5	–	–	2.5	25.0	22.5
Renate Treis	22.5	–	–	2.5	25.0	22.5
Elmo von Schorlemer	15.0	–	–	1.3	16.3	15.0
Klaus Zumwinkel	7.0	–	–	0.0	7.0	7.0
Total	485.4	–	–	40.8	526.2	485.4

* The basis for the measurement of the entitlement to remuneration with a long-term incentive effect is the provision which must be recognized.

Peter Hoch received remuneration of €25 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 members of the Management Board and Supervisory Board

In fiscal year 2008, 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.

At the balance sheet date, loans of €70.4 thousand (previous year: €931 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2008, loans amounting to €528.38 thousand at the balance sheet date were granted to Management Board members who retired in 2008. No other contingent liabilities had been 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, individual Management Board members are required to contribute own funds to costs if a claim is made. This contribution is between approximately 10 % and 40 % of the fixed annual salary.

Efficiency review

The efficiency review of the Supervisory Board is conducted on the basis of self-evaluation and, if necessary, through additional consultations by Supervisory Board members commissioned to do this. In conjunction with the Supervisory Board office, specific suggestions for improvement are regularly elaborated in a systematic effort to further increase the efficiency of its work.

Changes to the Code

Deutsche Postbank AG's executive bodies revisited the issues and provisions of the German Corporate Governance Code on several occasions in the past fiscal year. Deutsche Postbank AG comprehensively complies with the latest recommendations of the German Corporate Governance Code as amended on June 6, 2008. In accordance with the new recommendation under section 7.1.2 of the German Corporate Governance Code, the half-yearly financial statements for 2008 and the interim report as of September 30, 2008 were discussed by the Audit Committee and the Management Board prior to publication. Issues relating to the remuneration of the Management Board are now resolved by the entire Supervisory Board. The Executive Committee submits proposals for resolutions in this respect. Finally, the Management Board and Supervisory Board of Deutsche Postbank AG resolved to comply with the recommendations on severance payment caps when entering into Management Board contracts in future.

Suggestions by the German Corporate Governance Code

Deutsche Postbank complies voluntarily with the suggestions of the Code as amended June 6, 2008, with the following exceptions:

- The following parts of the Annual General Meeting are broadcast on the Internet: the statements by the Chairman of the Meeting, the Report of the Supervisory Board, and the speech by the Chairman of the Management Board. To enable an unhindered debate, the plenary discussions are not broadcast.
- The variable part of the Management Board's remuneration does not include any components with a long-term incentive effect or any risk-related components; however, 50 % of this remuneration is based on the Company's performance.

Declaration of Compliance

The Supervisory Board and the Management Board issued the following joint declaration of compliance in accordance with section 161 of the AktG (German Stock Corporation Act) on November 28, 2008:
"The Management Board and the Supervisory Board of Deutsche Postbank AG state that since the last declaration of compliance dated November 30, 2007 all the recommendations of the 'Government Commission of the German Corporate Governance Code' in the version dated June 14, 2007 have been complied with and that they intend to continue to comply with all the Code's recommendations in the version dated June 6, 2008."

IT/Operations:
Re-design of IT landscape successfully completed

Postbank's highly efficient IT platform was re-implemented from the ground-up in 2005 and has been continuously developed ever since. The introduction of SAP Payment Solution in 2008 also brought modernization of the payment transaction systems to a successful conclusion. After this last major step for the time being toward a re-design of the IT landscape, Postbank can now focus on further strengthening its strong performance in customer business.

Main focus for 2008

In addition to implementing numerous new statutory provisions, IT activities in 2008 focused on the optimization of our organizational structure, the further development of multi-channel banking as well as the development and introduction of new products, among other things. Infrastructure concentrated on two key issues: The relocation of the mainframe computer from Hameln to Bonn and Frankfurt was a significant step toward data center consolidation, and the BS2000 mainframe technology was shut-down at the end of the year after applications were successfully updated.

Organizational structure optimized

In early 2008, our IT was reorganized, especially in infrastructure areas, to bring it in closer alignment with best practice processes. This led to a new increase in efficiency. Previously oriented on platforms, the organizational structure now focuses on the bundling of planning tasks and overarching competencies. In the project business, a total of 102 projects and some 600 smaller tasks were completed in the context of three extensive releases (bundled production releases made in stages), which significantly increased efficiency in applications development.

Projects supported and successfully completed

In product marketing and the sales channel, various projects for implementing the new core customer concept were completed. First, a new customer segmentation was achieved that involved allocating customers to the sales channels. The product range was also optimized and further developed, and included new credit card products as well as product variants of Postbank consumer loans, and cooperation products from the area of insurance. Preparations were also made to place BHW Bausparkasse AG in a position to offer the new home savings plan with Riester subsidies just in time for the market launch of the "Riester Förderung" pension provision products.

Considerable project expense was required for the introduction of the flat tax on investment (*Abgeltungssteuer*) on January 1, 2009, as part of the *Unternehmenssteuerreformgesetz* 2008 (German Corporate Tax Reform Act 2008).

New IT solutions were also developed that provided important support for Postbank's goal of becoming a core bank for corporate customers in general and SMEs in particular. The main focus was on providing support for the lending business with an expansion of the product range and the establishment of an automatic reference interest rate management.

The liquidity management project for the Financial Markets division focused on the optimization of interfaces and the further development of reporting in accordance with the requirements of the Basel Committee on Banking Supervision (sound practice). In addition, the program for the implementation of Basel II (new equity regulations of the Basel Committee on Banking Supervision) was successfully completed.

The modernization of the performance summary for sales (VER) for the Finance division in 2008 included the integration of data from the various sales channels (customers with and without advisers in the branch network and mobile sales force) and the incorporation of various sales channels (branch network, sales force, direct channels) into a management model oriented on customer value.

Payment Solutions and VIPayment are Transaction Banking projects completed in 2008 that were substantially supported by IT. More detailed information can be found in the Transaction Banking chapter.

Quality management further improved

Since the beginning of 2007, continual improvements in process maturity in Postbank Systems application development have been oriented on the Capability Maturity Model Integration (CMMI). The CMMI model is used to increase the quality of processes and development results; it is also used to reduce development risks. Postbank Systems successfully completed the certification for CMMI Level 2 process maturity at the start of 2008, and has become the first IT financial service provider in Germany to obtain this official certification.

Outlook

In 2009 as well, a significant share of the project portfolio will once again be devoted to implementation of regulatory requirements and enhancement of risk management. This includes the annual tax certificate that must be prepared for the year 2009 as of January 1, 2010, as part of the new flat tax as well as new functionalities for liquidity management.

The Basel II project is preparing the application of the IRB Advanced Approach (approach to capital requirements for loans based on internally established ratings) and new statutory requirements were also implemented.

The introduction of an internal model for calculation of and capital requirements for market risk, with its goal of improving Postbank's capital ratio, will be of great significance. A great share of the implementation work will be done in 2009 and the project itself completed in 2010.

Employees:
HR strategically on course in 2008 despite adverse circumstances

Quality-focused, sustainable HR management is long term in nature. That means the full impact of developments initiated today will first be felt in the mid- to long-term future. In very few fiscal years, however, have the underlying economic conditions changed as quickly and as drastically as in 2008. Such a dynamic environment makes it – and made it – especially challenging for HR management to consistently bring our set goals, employee needs and the economic framework in line with one another.

Workforce declines slightly

At the end of 2008, the Postbank Group employed 21,127 full-time equivalents, some 350 fewer than as of December 31, 2007. In total, this number includes approximately 7,300 civil servants, who make up approximately 34 % of all employees. An estimated one-fourth of our employees have part-time contracts.

Despite the significant increase in civil servants' pay based on provisions in federal law, staff costs were kept stable compared with the previous year thanks to far-sighted collective bargaining settlements and optimized management of personnel deployment.

Despite the sale of Deutsche Post AG's majority interest in Deutsche Postbank AG that characterized 2008, and the accompanying uncertainty, Postbank recorded no increase in staff turnover. Thus, the Postbank Group could continue to establish itself as an employer attractive to its employees in 2008 as well. The level of identification employees have with the company also turned up in the Employee Opinion Survey, which was successfully carried out worldwide for the first time.

Collective bargaining goals for 2009 achieved

Economically acceptable compromises were reached following this year's intensive collective bargaining negotiations for Deutsche Postbank AG, Postbank Firmenkunden AG, parts of BCB AG and PB Filialvertrieb AG. Satisfactory results and planning security for Postbank were obtained by balancing a combination of wage increases, a long validity period on the one hand and the demand for job security on the other.

Postbank's payment transaction operations, involving some 1,400 employees, were transferred to BCB AG effective as of July 1, 2008. In order to ensure that this transfer of payment transaction operations went smoothly, on-schedule and with no interruption in operability, an extensive compendium of rules and standards for the reconcilement of interests and accompanying collective wage regulations and regulations concerning Works Constitution Law was provided for the reorganization measure.

Postbank relies on internal training during times of economic crisis

Employee training and thus also the internal recruiting of employees through training is of great significance for Deutsche Postbank AG. One method that has proven especially effective is using special recruiting and training programs to draw employees' attention to positions that they would not have otherwise considered. For example, Deutsche Postbank AG is successfully conducting a modular training program in controlling to cover the increasing demand for qualified individuals. Participants in the program have the opportunity over several months to familiarize themselves with the department and its subject matter during the orientation phase, which consists of training modules and lecture phases.

An additional component of HR development is the Junior Management Program, a multi-year program accompanying full-time work in which individuals with high potential in the Postbank Group are given the opportunity to further develop their management skills. Participants come from all companies of the Group and complete a modular training program that is individually tailored to their needs. The program qualifies them to assume HR responsibilities.

In addition, eLearning has assumed a sharply increasing level of significance in the Postbank Group's mix of training opportunities. For example, proof of expert knowledge within the scope of the EU Insurance Mediation Directive (IMD) had to be brought forward for a majority of employees by the close of 2008. Thanks to an e-learning program, attestations of expert knowledge were obtained for 10,600 employees of the Postbank Group well before the transition period ended. This type of learning has proven to be ideal, in particular for employees in the branches.

Employees

	Dec. 31, 2008	Dec. 31, 2007
Number of employees (full-time equivalents)	21,127	21,474
Part-time employees	5,422	5,608
Percentage of female FTEs	58 %	58 %
Percentage of male FTEs	42 %	42 %
Percentage of civil servants	34 %	35 %

In the area of vocational training, Postbank is a socially responsible company. In 2008, Postbank offered 354 new positions for trainees throughout Germany, bringing the number of junior staff in the Postbank Group to 842 as of Dec. 31, 2008. In 2009, the number of positions for trainees will remain at the same high level as that of the year under review. Postbank is pursuing a cross-company Group training policy that includes close cooperation with the Frankfurt School of Finance & Management. Postbank covers a large share of its personnel needs with its own junior staff, and was thus in the position to offer jobs to 90% of all trainees who completed their training in 2008.

Five years ago, Postbank introduced an innovative HR marketing tool, the Finance Award, under the motto "Banking in the future". The goal was to promote research and teaching and to identify talented young people early in their careers. In 2008, Postbank sought ideas related to the "opportunities and risks of hedge funds." In 2009, the theme of the competition will be "lessons from the financial crisis." The winning entries are published by the Frankfurter Allgemeine Zeitung in the annals of the FAZ Verlag, where they are available to the broader public.

Workflow-supported HR processes

The effectiveness and efficiency of our business processes – including internal HR processes such as filling of job vacancies and the reassignment of employees – are decisive success factors for Deutsche Postbank AG. Timely, need-based provisioning of personnel is one of the key requirements for ensuring a consistently high level of quality in the customer business.

In order to meet these needs, HR guarantees processing times and quality levels for internal personnel processes. This was accomplished by consistent standardization of personnel processes and the Group-wide introduction of a web-based workflow in 2008, allowing executive management to define their personal requirements on-site and participants to handle their respective steps in the process cross-company and sometimes simultaneously.

Outlook

In 2009, our primary focus will be keeping staff costs stable compared with 2008. Our objective is to meet increasing demands with our existing personnel. With a cross-company HR management concept, we are balancing the natural tension among the very different personnel requirements of the departments and the overall objective of a stable personnel cost structure for the bank. Thus, for example, the sales and production channels are being strengthened at the expense of internal functions.

Sustainability:
Devoted to the environment and climate protection

In light of climate debate and the financial crisis, corporate sustainability in business operations and responsible action towards shareholders, customers, employees, society and the environment have become increasingly important values for major banks. As Germany's largest retail bank, Postbank committed itself to the guiding principle of "sustainable development" for the first time publicly back in 2006.

Trust through transparency

At Postbank, responsible action is embedded in the Corporate Values and in the Code of Conduct of Deutsche Post World Net. We have presented our activities and commitments to the broader public on a central information platform since 2006 (www.postbank.de/nachhaltigkeit) and in the year under review we again expanded our sustainability reporting: We are reporting for the first time in accordance with the internationally recognized "G3" standards set by the Global Reporting Initiative (GRI).

Established as one of Europe's leading sustainable banks

For several years now, Postbank has engaged in active sharing of information and experiences on topics related to "responsibility" and "environmental and climate protection." One of the ways we did this was by participating in the DHL International Green Day and the UNEP FI/VfU Roundtable in fiscal year 2008. Postbank has also been a member of the Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V. (VfU – Association for Environmental Management in Banks, Savings Banks, and Insurance Companies) since 2005 and became a signatory to the international Carbon Disclosure Project (CDP) in 2006. In November 2008, Postbank joined the "FinanzForum: Klimawandel" (Climate Change Financial Forum), an advisory council founded by the German Federal Ministry of Education and Research. In January 2009, Postbank declared its support for the United Nations Global Compact.

The continual improvement of our sustainability ratings and inclusion in globally-oriented stock indices demonstrate that Postbank has become one of Europe's leading banks in the field of sustainability:

Indices		Listed since
FTSE4good Indices Europe & Global		March 2006
Ethical Index €uro		January 2007
ASPI Eurozone (Advanced Sustainable Performance Index)		December 2007
ESI Pioneer Global Index (Ethibel Social Index)		April 2008
Anlageuniversum Bank Sarasin (Switzerland)		October 2008

Ratings	Rankig result
SAM Research (2007)	Above industry average
SiRi (2007)	Above industry average
Scoris DAX 30 rating (2007)	Rank 18 (best DAX security to be listed for the first time in 2006)
Vigeo (2007)	Above industry average

Social responsibility

Social integration

In 2004, Postbank entered into a partnership with Aktion Mensch to promote integrative projects in the field of child and youth welfare. Since then we have been able to donate approximately €785,000 to Aktion Mensch through proceeds from our "Postbank Gewinn-Sparen" banking product, €127,000 of that sum in fiscal year 2008 alone. In addition, ten soccer tournaments – under the name "Cool down, kick off – street soccer for tolerance" – were held in 2008 for the fifth year in a row, focusing on fairness, dialog skills and civil courage. Nearly 3,000 children in 50 cities throughout Germany have participated in the tournaments since the inception of the partnership.

Support for schools and universities

Postbank presented the fifth Postbank Finance Award in 2008. Endowed with €70,000, it is the largest university award in the field of financial science in Germany (cf. "Employees" chapter). In addition, the Chemnitz University of Technology and Postbank teamed up for the first time in November 2008 to offer the "wissen.schafft.arbeit" prize, endowed with €20,000, for SMEs.

Several cooperation agreements with secondary schools have been established at our sites in Bonn and Hameln. In 2008, for the first time, we were able to give students from our partner school in Bonn the chance to get a closer look at the world of work through school internships.

Postbank receives Service Innovations Award

In March 2007, Postbank introduced 60plus, a customer advisory council composed of 1,500 seniors, to accommodate the demographic change in society and be able to better satisfy the needs and wants of older customers. Postbank was honored for this initiative with the first Service Innovations Award presented by the Deutsche Institut für Service-Qualität in the category of "Interactivity in customer relationships".

Contribution to environmental and climate protection

Postbank took major steps forward in terms of environmental and climate protection in fiscal year 2008. In April, the Bank committed itself to the GOGREEN climate protection program of Deutsche Post World Net. In accordance with that program, we intend to reduce our emissions of greenhouse gases (CO2) by 30 % as of 2020 as compared to 2007 levels. To achieve this goal, Postbank has established a Sustainability & Climate Protection Competence Center and adopted environmental guidelines. Since January 2009, all of our major sites have run on electricity from regenerative sources.

Based on an environmental analysis of several major sites in 2007, Postbank laid the groundwork in 2008 for certification of its environmental management system in accordance with DIN ISO 14001, an internationally recognized environmental standard. Effective as of early 2009, Postbank appointed a representative for environmental management and environmental managers in the divisions and at the sites. Our employees also made contributions to environmental protection in 2008 by submitting several hundred ideas on "climate fitness" in the framework of our idea management program.

We also actively foster environmental and climate protection with our products:

- The "PB Dynamik Vision" investment fund is one of the largest sustainability funds in Germany.
- In June and July 2008, we offered our customers the capital-guaranteed climate protection fund "PB Dynamik Klima Garant", which reached an excellent deposit volume for a climate fund.
- Since July 2007, BHW has been offering financing solutions for measures to reduce energy consumption in private residences in the form of the "Öko-Konstant-Darlehen" loan. BHW is thus helping customers to contribute actively to climate protection.
- Our Postbank Finance Centers offer environmentally friendly paper products, green electricity contracts, climate-neutral mail and parcel services as well as energy efficient lamps during promotional drives.

Outlook

In 2009, Postbank intends to formulate a set of corporate values and a code of conduct in order to further refine our understanding of responsible action. In addition, we will seek to have our environmental management system certified in accordance with DIN ISO 14001. We also intend to further intensify our social commitments and set targeted areas of focus for them.

Contents

Fiscal Year 2008

Deutsche Postbank AG Group Management Report

I Business and Environment

Macroeconomic environment in 2008

Global economic slowdown

Global economic growth slowed noticeably in 2008. Although the global economy was still robust at the beginning of the year, the declining trend, which originated in the U.S.A., spread to more and more countries and regions during the course of the year. The period of extremely high oil prices had hit on industrialized countries particularly hard. The escalation of the financial market crisis in September provided further fuel for the negative trend. Global economic output in 2008 rose only by 3.4 % as compared with around 5 % in the previous year.

The U.S. economy performed extremely poorly throughout 2008, dragged down by the prolonged real estate crisis, the spike in oil prices, and the crisis on the financial markets. As a result, investments in construction and in machinery and equipment were slashed. Consumer spending hovered barely above stagnation for 2008 as a whole and in fact declined in the second half of the year. In contrast, exports helped bolster the U.S. economy although momentum from this slowed considerably in the second half of the year due to the global economic downturn. Gross domestic product (GDP) grew by only 1.3 % in 2008; this was the lowest increase recorded since the recession in 2001.

Even Asia was unable to escape the global trend. Following a positive start to the year, economic growth eased continuously. China's GDP growth in 2008 decreased to 9.0 % due to a clear decline in export momentum, although exports still finished up 17.2 % year-on-year. Japan was also particularly hard hit by the global slowdown due to its high dependence on exports. Foreign business lost traction, with companies slashing investments due to lower sales forecasts. This tipped the country into a marked recession. GDP declined in the year under review by 0.4 %.

After a good start to 2008, the euro zone economy began to slump as of the second quarter. Consumer spending was hit by the high oil prices and the related surge in inflation. Exports were increasingly hampered by the extremely strong euro. In this environment, companies also eventually decreased their investments. Although oil prices fell substantially in the second half of the year and the euro dropped sharply, the positive impetus that could have been expected failed to materialize because of the escalation of the financial market crisis. This meant that the recessionary trends not only continued until the end of the year, but in fact gathered momentum. Taken together, those factors led to an increase in euro zone GDP in 2008 of only 0.9 %, far below the previous year's growth of 2.6 %.

German economy in recession

Germany's economic output grew by 1.3 % in 2008. Although this was clearly more than the figure for the euro zone as a whole, it was significantly lower than the 2.5 % recorded in the previous year. In addition, the relatively positive result was due to the extremely dynamic development seen at the beginning of the year. The German economy also entered into recession in the spring. As a result of the massive appreciation of the euro in the first half of the year and the significant slowdown in the global economy, exports recorded only muted growth in 2008. Consequently, foreign trade did not make any notable contribution to growth, in contrast to previous years. Consumer spending in Germany was hit by the sharp increase in energy and food prices and remained flat year-on-year, despite the existence of conditions that could have led to a substantial increase. Unemployment fell temporarily to below the 3 million mark in the year under review, the first time since 1992. On average, 500,000 fewer people were registered as unemployed than in 2007. The unemployment rate dropped during the course of the year from 8.2 % to 7.6 %.

Investments painted a comparatively bright picture in 2008. Gross capital expenditure grew by 4.1 %, almost as much as in the previous year. The trends in individual subsegments were similar to those in 2007; while significant growth was seen in investment in machinery and equipment (5.3 %) and commercial construction (6.7 %), investment in residential construction recorded growth of only 0.7 %. Growth in all segments slowed massively over the course of 2008 after a good start to the year due to special factors. Investment in machinery and equipment began to drop during the second half of the year, while investment in construction still saw moderate growth in the same period.

In general, macroeconomic developments in Germany, as in other major economies, were much more unfavorable in 2008 than we had predicted.

Market developments

The crisis that started with the U.S. mortgage market impacted almost all financial markets around the world in 2008. In contrast to the previous year, falling share prices were not limited to assets linked to U.S. mortgages. In particular, the bankruptcy of the U.S. bank Lehman Brothers in September 2008 led to a great deal of further uncertainty among investors and fostered mutual distrust among financial market players. The result was the complete collapse of the money markets. Only massive intervention by the central banks and extensive government aid packages prevented this having a devastating impact on the financial sector and the real economy. Increasing fears of a global recession intensified the downward trend on the markets.

Stock market prices in particular were under pressure from the beginning of the year. The turbulence on the financial markets, the economic slowdown in the U.S.A., and increasing oil prices led to marked losses in the first half of the year. The trend accelerated sharply in the fall following the bankruptcy of U.S. investment bank Lehman Brothers in mid-September. The DAX lost 40 % during the course of the year, while the EURO STOXX 50 was down 44 % and the S&P 500 38.5 %. Financial stocks again came under massive pressure. The spillover of the U.S. mortgage crisis onto the financial markets led to additional substantial writedowns and impairments at banks. However, shares of companies in other sectors also dropped significantly in 2008. The economic slump triggered a broad downward correction of earnings expectations, which put even more pressure on share prices. The changed economic outlook also impacted the prices of other securities. Risk premiums for some corporate bonds rose to new heights during the course of 2008. Even prime-rated bonds, including *Pfandbriefe* and bank and government bonds, were affected by this development. As a result, trade in these securities came to almost a complete standstill. The markets became illiquid for most positions, which was reflected in a significant widening of the bid/offer spreads and a clear drop in volumes.

The weak U.S. economy and the crisis in the financial markets prompted the U.S. Federal Reserve to cut its key interest rate from 4.25 % at the beginning of the year to 2 % in April 2008 and to almost 0 % at the end of the year. The European Central Bank (ECB), on the other hand, kept its key interest rate at 4 % due to strong price increases in the first six months of the year and even increased it to 4.25 % in July. The euro zone's growing interest rate advantage drove up the euro to approximately $1.60, an all-time high. A sharp turnaround in monetary policy then occurred in the second half of the year, facilitated by an unexpected decline in inflation due to falling commodity prices. Inflation in the euro zone fell from 4 % in the middle of the year under review to 1.6 % at the end of the year, bringing it back into line with the Bank's stability target. In view of the massive deterioration in the economic environment, the ECB used its freedom to cut interest rates, reducing its key interest rate to 2.5 % by the end of December. The ECB's turnaround in interest rate policy also heralded a trend reversal in the euro – it fell to as low as €1.23 as against the dollar at times. The euro closed the year at $1.40, 5.2 % lower than its opening price.

The euro zone's relatively good economic performance at the beginning of the year, the sharp increase in inflation, and the prospect of interest rate increases by the ECB initially led to an increase in capital market yields in the euro zone in the first half of the year. However, government bond yields ultimately plummeted due to the worsening financial market crisis, easing inflation, and the sharp interest rate cuts by the ECB. At the end of 2008, the yield on 10-year German bunds was at a new record low of just under 3 %, around 1.4 percentage points lower than at the end of 2007. In contrast, the yield on 10-year U.S. government bonds fell by 1.8 percentage points in the same period, to just over 2 %.

Market developments failed to match our expectations in the year under review. When the 2007 Annual Report was published, we were anticipating constant interest rates and a trend towards rising yields for the euro zone in 2008.

Sector situation

The performance of the financial sector in 2008 was dominated by the global financial market crisis. Financial institutions worldwide had writedowns of €1,048 billion in the period between the onset of the crisis in mid-2007 and the end of the past fiscal year. Banks raised €894 billion in fresh capital during the same period to strengthen their equity base. Banks and brokers have borne the brunt of the crisis, accounting for 75 % of the writedowns. The remaining 25 % is attributable to insurers and the U.S. mortgage lenders Fannie Mae and Freddie Mac, which have now been nationalized. The effects can be broken down by region as follows: America, with almost 70 %, is followed by Europe, with just under 28 %. Asian institutions, with 3 % or €31 billion, have the lowest share of writedowns to date.

Banks' share price performance in 2008 clearly reflects the effects of the financial market crisis, substantially underperforming the market as a whole since the turn of the year 2007/2008. While the DAX, for example, lost around 40% in the period up to the end of 2008, the unweighted mean loss recorded by the shares of the six German banks listed in Deutsche Börse's Prime Standard was almost 80 % in the same period. The interim reports for the first nine months of the listed banks revealed the clear impact of the crisis. All five private banks (excluding IKB) listed in Deutsche Börse's Prime Standard reported a significant drop in both pre- and post-tax profit for this period, and in some cases even a loss. Almost all institutions registered a decline in the return on equity after taxes in the double-digit percentage range as well as significant slumps in net fee and commission income and proprietary trading. Although almost all banks reduced their administrative expenses, they were unable to offset the decline in operating income. As a result, their cost/income ratios deteriorated considerably compared with the prior year period. After 59.4 % in the first nine months of 2007, the unweighted mean climbed in the first nine months of 2008 to 77.9%. The results for Q3/2008 were particularly weak due to the pressure of the worsening financial market crisis. More than half of all institutions were forced to report a loss after tax. All banks revised their forecasts for Q4/2008. Most now expected further losses before or after tax. Individual institutions even admitted the possibility of a significant loss for full-year 2008.

The rescue measures initiated in many countries following the bankruptcy of U.S. investment bank Lehman Brothers are slowly having an effect. Insolvencies of systematically significant financial institutions have been prevented. In Germany, the Federal government's rescue measures have been bundled in the *Sonderfonds Finanzmarktstabilisierung* (SoFFin – Special Fund for Financial Market Stabilization). The fund has a maximum volume of €480 billion, with €400 billion available for the assumption of guarantees and €70 billion for recapitalization and the assumption of risk. If required, the funds available for recapitalization and the assumption of risk can be increased by an additional €10 billion with the approval of the Bundestag's Budget Committee. According to SoFFin, 150 inquiries regarding rescue package funds had been received by the beginning of December. This resulted in 15 applications, four of which were decided as of December 31, 2008. Guarantees totaling €90 billion had been approved by the beginning of December. In addition, one bank was granted a silent partner contribution of €8.2 billion.

There were no additional major mergers or acquisitions in the German banking landscape between mid-October and the end of December 2008. Germany's banking landscape continues to be dominated by the three-pillar structure comprising private banks, savings banks, and cooperative banks.

Lending in Germany showed signs of a slight recovery during the first nine months of the year under review. Loans to companies and private customers increased by €66 billion to €2,355 billion compared with the year-end 2007. However, the trends in the individual subsegments were extremely disparate. The trend in corporate lending remained positive. Lending in this segment rose by €73.6 billion up to the end of the first nine months of 2008 to total €946.7 billion. In contrast, the trend towards debt reduction continued among the self-employed. However, loans in this area fell only slightly, dropping €4.1 billion to €382.4 billion. Lending to dependent employees and other private individuals also saw a slight decline. The volume of loans here fell by €2.9 billion in the first three quarters of 2008, to €1,012.3 billion. Installment loans reported a rise of €1.1 billion. Debit balances on checking accounts increased by €0.7 billion. In contrast, residential construction loans declined in the same period by €2.0 billion. New business also performed less well than in the previous year. The volume for 2008 was €176.4 billion, compared with €181.8 billion in the prior year. Lending reflected the in some cases extremely disparate macroeconomic developments of last year. Investment in Germany in commercial construction and in machinery and equipment rose significantly in the period up to the middle of the year. In contrast, consumer confidence was hit in the first half of the year by exploding energy prices, which was reflected in muted performance by retail banking business. The worsening financial market crisis probably also exacerbated this trend. The low demand for residential construction loans corresponds to the low demand for residential real estate. As a result, investment in residential construction in Q3/2008 was still slightly below that for the final quarter of 2007.

In contrast to previous years, insolvencies in all debtor segments fell in the period from January to October 2008. The number of corporate insolvencies declined by 5.5% year-on-year to 24,679. Consumer insolvencies decreased significantly by 8.3% to 82,106. Other insolvencies saw a drop of 7.3%. Overall, this led to a reduction in the total number of insolvencies of 7.6%, to 130,187. Total expected insolvency losses fell by €0.7 billion in the same period to €25.2 billion. In the case of corporate insolvencies, the reduction continued the trend seen in the past year, although the pace of the reduction decreased year-on-year as expected. At least during the first half of 2008, the improvement was probably due to the relatively good economic situation. The number of consumer insolvencies declined year-on-year for the first time since the introduction of the new *Insolvenzordnung* (German Insolvency Regulation) in 1999; in the period up to October 2008, the figure was down approximately 8 % compared with the prior year.

Significant events at Postbank in 2008

On January 9, 2008, Postbank launched its first Jumbo *Hypothekenpfandbrief* with a volume of €1.5 billion. Despite the difficult market environment, the issue was a resounding success. The mortgage bond was placed with a wide range of investors in Germany and abroad at very attractive conditions for Postbank. Another Jumbo *Hypothekenpfandbrief* with a volume of €1 billion was issued in May 2008. Issuing *Pfandbriefe* puts our strong refinancing structure on an even broader base. As a firmly entrenched player in the covered bond market, Postbank intends to make regular use of the ensuing opportunities in the future.

The squeeze-out of the minority shareholders of BHW Holding was entered in the commercial register on February 12, 2008, upon which all shares belonging to minority shareholders became the property of Postbank. They received a cash payment of €15.11 per no-par value share. Some former minority shareholders have instituted proceedings at the Berlin Regional Court with the aim of reviewing the appropriateness of the cash settlement.

On February 18, 2008, Klaus Zumwinkel resigned his position as Chairman of the Supervisory Board of Postbank. He played a decisive part in making Postbank the leading retail bank in Germany. During his time in office as Chairman of the Supervisory Board, he and the Management Board of Postbank made decisive contributions to setting a course that will lead the Bank to further sustainable growth in the future. Frank Appel was appointed by the court as a member of Postbank’s Supervisory Board on February 19, 2008, elected Chairman of the Supervisory Board at a meeting of the Supervisory Board on March 3, 2008 and finally elected by the Annual General Meeting on May 8, 2008.

The Annual General Meeting of Deutsche Postbank AG was held in Cologne on May 8, 2008. All agenda items were approved by the shareholders and passed with a majority of over 92 % in each case. The dividend of €1.25 per share – unchanged as against the previous year – was distributed on the following day, May 9, 2008.

Klaus Schlede left the Supervisory Board of Deutsche Postbank AG as of May 8, 2008. The Annual General Meeting on May 8, 2008 elected John Allan to succeed him as a member of the Supervisory Board.

Jörg Asmussen resigned from his seat on the Supervisory Board of Deutsche Postbank AG on May 27, 2008 in order to avoid a conflict of interest with his new position as State Secretary in the Federal Ministry of Finance. Axel Nawrath was appointed by the court to succeed him as Supervisory Board member on June 27, 2008.
Horst Küpker was appointed a member of the Management Board with responsibility for the Financial Markets division effective July 1, 2008. He replaces Loukas Rizos, who left Postbank of his own volition and by mutual agreement as of June 30, 2008.

On September 12, 2008 it was announced that Deutsche Bank AG is to acquire a minority interest of 29.75 % in Deutsche Postbank AG from Deutsche Post AG. The transaction is expected to close in the first quarter of 2009. In addition, Deutsche Bank AG and Deutsche Post AG agreed options that will allow a further increase in Deutsche Bank’s stake at a later date.

In the course of the announcement of the transaction, Deutsche Bank AG and Deutsche Postbank AG resolved to cooperate in their customer business. The final details are expected to be agreed and published in the first quarter of 2009.

Against the background of his appointment to the steering committee in accordance with the *Finanzmarktstabilisierungsfondsgesetz* (Act on the Special Fund for Financial Market Stabilization) Axel Nawrath resigned from his seat on the Supervisory Board with immediate effect on October 24, 2008. On November 19, 2008, the local court of Bonn appointed Henry Cordes to succeed him as member of the Supervisory Board.

Postbank implemented a capital increase with the approval of the Supervisory Board. 54.8 million new shares were issued, resulting in gross proceeds of approximately €1 billion. Between November 13 and 26, 2008, shareholders were entitled to acquire one new share at an issue price of €18.25 for every three old shares held. In line with a contractual agreement, Deutsche Post AG acquired a total of 99.3 % or 54.4 million new shares from the issue. On completion of the capital increase, its interest in Deutsche Postbank AG's share capital was approximately 62.3 %. In this context, it was announced that the Board of Management is planning to recommend to shareholders at the Annual General Meeting in April 2009 that no dividend be paid for fiscal year 2008, in order to further strengthen the bank's capital base.

In the fourth quarter of 2008, the Supervisory Board resolved to streamline the Group's management structure. As a result, the size of the Management Board was reduced from ten to eight members.

Product Marketing and Mobile Sales were bundled in the new Retail board department which is headed by Michael Meyer. Guido Lohmann left the Postbank Group effective November 30, 2008.

A new position – that of Chief Risk Officer – was created in the Lending board department. It was filled on November 25, 2008 by Ralf Kauther, who has the rank of an Executive Manager.

In addition, responsibilities for service and settlement functions throughout the Group were bundled and transferred to Dirk Berensmann as Chief Operating Officer (COO). In the course of the reorganization, Mario Daberkow resigned from Postbank's Management Board by mutual consent. He will continue to drive forward Postbank's partner strategy for European transaction banking, where he has played a decisive role in past years, as Chairman of the Management Board of BCB Betriebs-Center für Banken AG. In addition, he will be responsible for Postbank's Banking Organization as Executive Manager and managing director.

Significant events after the reporting date

On January 14, 2009, Deutsche Bank AG and Deutsche Post AG announced an amendment to the structure of the Postbank investment agreement. Under this amendment, the agreement will be implemented in three stages. In the first step, Deutsche Bank will acquire 22.9 % of Deutsche Postbank AG. An additional 27.4 % or so of the shares will be transferred to Deutsche Bank AG under the terms of a mandatory exchangeable bond after a period of three years. Furthermore, the parties have call and put options for 26.4 million shares.

Marc Hess has been a full member of Deutsche Postbank AG's Management Board since January 1, 2009; in this capacity he is responsible as before for the Finance board department, as Chief Financial Officer.

Postbank's investment focuses in 2008

Postbank's investments in 2008 focused on the implementation of statutory requirements such as the flat tax, a program to introduce advanced risk models and a project for the further development of liquidity risk management.

Moreover, we implemented our new branch concept at additional locations as part of our "Next Step" strategic program. In our customer business, we invested in optimizing the processes handling consumer loans, for example. In the Transaction Banking and Services areas, further investments were also made in a number of IT systems, such as the extension of the Payment Solution platform and the decommissioning and provision of IT infrastructure components.

Organization and management

Disclosures in accordance with section 289(4) and section 315(4) of the HGB and explanatory report

The Deutsche Postbank AG Group ("Postbank") offers financial services to private and corporate customers, with Germany as its primary focus.

Share capital, voting rights, and transfer of shares

Postbank's share capital amounted to €547,000,000 as of December 31, 2008 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 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 German Federal Government 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 62.3 %.

The free float traded on the stock exchanges therefore amounts to around 37.3 % 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, 2008, 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

The Management Board is authorized, with the approval of the Supervisory Board, to increase the Bank's share capital by up to €41,000,000 up to March 24, 2009 by issuing new, no-par value non-voting registered shares (preference shares) against non-cash contributions (Authorized Capital I). Shareholders' pre-emptive subscription rights are disapplied. Authorized capital is commonly used as an acquisition currency by German companies. The utilization of Authorized Capital I enables the Company to make acquisitions flexibly and without using the capital markets.

The Management Board, with the approval of the Supervisory Board, fully utilized Authorized Capital II, which was established in accordance with the Articles of Association, and increased the share capital by a total of €137,000,000 by issuing no-par value registered shares against cash contributions. Shareholders were granted pre-emptive subscription rights.

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

On May 8, 2008, 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 November 7, 2009. 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 November 7, 2009. 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.

The details are provided in the motions resolved by the Annual General Meeting on agenda items 7 and 8 of the Annual General Meeting on May 8, 2008, 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 22, 2009 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 a cooperation agreement with Deutsche Post AG in the area of financial services in the Deutsche Post AG sales network. This agreement may be terminated by either party giving three years' notice to the end of the year, but at the earliest as of December 31, 2012. If Deutsche Post AG intends to relinquish its majority shareholding in Deutsche Postbank AG via a sale or as a result of a corporate action, it may demand that the agreement be amended. If a corresponding amendment does not come about within in a reasonable time, Deutsche Post AG may terminate the cooperation agreement in writing giving two years' notice to the end of the calendar month. Should Deutsche Post AG terminate the cooperation agreement, this could impact Deutsche Postbank AG's branch sales, which are of fundamental importance to the Company's business activities.

Furthermore, Deutsche Postbank AG has entered into sales agreements with Talanx Aktiengesellschaft and its subsidiaries PBV Lebensversicherung AG (formally 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.

Remuneration of the Management Board and the Supervisory Board

Remuneration of the Management Board

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.

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. Remuneration is reviewed on a regular basis.

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 competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. It therefore complies with the requirements of section 87 of the *Aktiengesetz* (AktG – German Stock Corporation Act).

The level of remuneration is performance-linked; overall remuneration consists of a fixed and a performance-related component.

The fixed component (basic salary), other compensation, and pension commitments are not performance-linked. The fixed component is paid as a monthly salary in twelve equal installments.

The standard performance-related (variable) component consists of the annual bonus. The size of the bonus is capped on the basis of individual agreements.

To date, no long-term incentive plan or similar form of remuneration has been established for members of the Management Board. Deutsche Postbank AG has neither launched a stock option program, nor does it currently intend to do so.

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

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 memberships in committees, are reflected in the remuneration.

The fixed component amounts to €15,000, while the variable 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 for fiscal year 2008 amounting to €300 for each 1 % by which the consolidated net profit per share for fiscal year 2010 exceeds the consolidated net profit per share for fiscal year 2007. This remuneration is payable following the end of the 2011 Annual General Meeting.

For further information on and explanations of the remuneration of the Management Board and Supervisory Board, please see the corporate governance report and Note (56) of the notes to the consolidated financial statements. 158

Employees

At the end of 2008, the Postbank Group employed 21,127 full-time equivalents, about 350 less than as of December 31, 2007. In total, this number includes approximately 7,300 civil servants, equivalent to a 35 % share of civil servants among all employees. Around 25 % of our employees have part-time employment contracts.

For our Shareholders
Our Business Divisions
Our Responsibility
Group Management Report
Consolidated Financial Statements
Other Information

Despite the significant increase in pay for civil servants in accordance with federal law regulations, we were able to hold our staff costs stable as compared with the previous year.

In 2009, we will focus primarily on maintaining stable staff costs as against 2008. The goal is to meet the increasing demands with existing staff.

Net Assets, Financial Position, and Results of Operations

Income statement

Fiscal year 2008 was dominated by extreme market turbulence resulting from the financial market crisis. The situation on the capital markets escalated in the second half of the year in particular, following the collapse of U.S. investment bank Lehman Brothers. These developments had a major impact on the Postbank Group's income statement. A loss before tax of €974 million was recognized for full-year 2008. The fourth quarter was most severely affected, with a loss before tax of €866 million. This was mainly due to one-off charges that we took as part of the active reduction of capital market risks and portfolios – such as the complete liquidation of our equity portfolio – that we announced. These measures sharpen the Bank's risk profile, making it less vulnerable to extreme market developments in the future.

In contrast, Postbank's customer business recorded a positive performance overall especially in Retail Banking, despite the continuing tough competition and the difficult economic environment during the second half of the year in particular. New business was encouraging in all key product areas, allowing us to further cement our good market position. Our "Next Step" strategic action program is taking effect, and its implementation is being driven forward in all divisions.

Although developments on the capital markets significantly affected Postbank's income statement in the second half of the year in particular, the Company recorded a clear positive trend in its operating earnings lines. Core income figures – net interest income and net fee and commission income – were up year-on-year. Net trading income and net income from investment securities were hit hard by the market turbulence; this was the deciding factor behind the clear loss for the year. We kept administrative expenses almost steady as a result of efficiency gains and strict cost discipline despite the increase in inflation, although additional provisions and amortization of intangible assets and property were recorded. Allowances for losses on loans and advances were higher than in the previous year due to additional negative effects resulting from the financial market crisis, whereas a relative decline was recorded in the customer business compared with the strong growth in volume.

The loss before tax in 2008 was €974 million (profit before tax of €992 million in the comparable prior-year period). The return on equity before taxes decreased in line with this and was negative in 2008, after 19.2 % as of December 31, 2007. The cost/income ratio for the Bank as a whole rose to 129.8 %, up from 69.2 % in 2007.

Unless otherwise stated, the comments below represent a comparison with the adjusted figures for fiscal year 2007 and the previous quarters in 2008 (see Note 6). 125

The following is a closer look at the individual items

Net interest income

Despite the challenge posed by a yield curve that remained mainly flat – or that was at times inverted – in 2008, net interest income in 2008 increased by a substantial €255 million year-on-year to €2,495 million. The positive volume trend was the main driver for a clear increase in interest income. By contrast, current income from equities and other non-fixed-income securities declined as expected due to the portfolio liquidation in 2008. The higher interest expense, in particular from liabilities, reflects the volume-based strategy in our savings business, among other things. We continued to offer our customers attractive conditions in 2008 by continuously increasing the average interest earned, thus strengthening our good position in the competition for savings deposits. We were able to significantly increase the savings volume. In spite of this, volume performance remains slightly below our expectations due to the continuing highly competitive environment. Overall, Postbank profited in the current capital market environment from its strong customer deposit base and its successful *Pfandbrief* issues in the year under review. As a result, the increase in the cost of capital market refinancing triggered by the financial market crisis resulted in only a moderate increase in our interest expense during refinancing.

Net interest income in Q4/2008 also profited considerably from a number of one-time and end-of-year effects. For example, short-term interest rate trends in particular had a positive impact on the interest expense for our short-term refinancing, on gains and losses from faster repricing of short-term liabilities than of the respective assets, and on net gains/losses on hedges.

Net income from investment securities

Net trading income and net income from investment securities were clearly negative due to the impact of capital market developments.

Net income from investment securities amounted to €–1,249 million, after €294 million in 2007. When comparing the figures for the two years, it must be noted that 2007 included the disposal of our equity investments in insurance companies.

The extent of the decline is due to a number of different factors caused by the financial market crisis: Impairments on our structured credit substitution business amounted to €156 million in the year under review. In 2007, when the financial markets were comparatively less badly hit by the financial crisis, the figure amounted to €112 million. In addition, net income from investment securities in the year under review included writedowns totaling €336 million on our exposure to Lehman Brothers, which was granted creditor protection. Moreover, we wrote down our holdings in Icelandic banks to the tune of €35 million, with €14 million being recognized in Q4/2008. Interest rate movements – which took on crash-like forms at times in the course of the year – also significantly limited the opportunities for generating positive earnings contributions from our shareholdings. In addition, the prices of our interest-bearing investment securities were hit by a sharp widening of spreads – even prime-rated bonds such as government bonds and *Pfandbriefe*. This also led to a significant rise in the correlation with risks from equity holdings. This is one of the reasons why we decided to liquidate our entire shareholdings, primarily in Q4/2008, as part of the moves announced to reduce capital market risks. This measure was part of the action plan for the strategic optimization of our earnings quality and the risk profile presented in the Q3/2008 report. As a first step, the focus was on measures to strengthen the Tier 1 ratio and to mitigate risks or decrease the future volatility in our Tier 1 ratio. In order to achieve the targeted risk reduction, this significant one-time effect on earnings from the comprehensive realization of hidden liabilities was consciously accepted. In total, liquidation of our equities holdings in Q4/2008 impacted net income from investment securities by €581million.

Net trading income

The difficult market conditions also affected net trading income in 2008. The Bank's underlying net trading income profited from the gains from our swap positions, which we used for hedging and for managing the banking book as part of our asset/liability management. However, net income from the measurement of embedded derivatives from the structured credit substitution business was clearly negative. The net gain/loss on derivatives carried in the trading portfolio and the banking book includes income from the asset/liability management (see Note 4 (g)) amounting to €554 million (previous year: €337 million). The significant widening of credit spreads and increased default risk experienced during the escalation of the financial market crisis impacted this item by a total of €786 million. €388 million of this alone occurred in Q4/2008, in the course of which there was particularly drastic widening of spreads. In addition, net remeasurement losses on embedded derivatives in holdings of mainly government-backed promissory note loans amounting to €133 million were recognized in net trading income, with €106 million being recorded in Q4. As a result, total net trading income declined from €281 million in 2007 to €–389 million in the year under review.

118

Net fee and commission income

Net fee and commission income amounted to €1,431 million in fiscal year 2008, up slightly by €2 million on the previous year. As expected, given our greater focus on the sale of financial services and the ongoing substitution of the traditional mail business, the encouraging increase in net fee and commission income in our banking business (up 10 % to €749 million) was offset almost completely by a continued decline in income from the sale of postal services and new services at our branches and from Transaction Banking.

The increase in net fee and commission income from the banking business mirrors our efforts to provide more intensive support for our core customers, which we intend to strengthen further as part of our "Next Step" strategic program.

Total income

Total income in 2008 fell by 46.1 % year-on-year, to €2,288 million. While net trading income and net income from investment securities fell significantly by €2,213 million to €–1,638 million due to the influence of the financial market crisis, operating earnings lines, net interest income, and net fee and commission income climbed by 7.0 % to €3,926 million.

Allowances for losses on loans and advances

At €408 million in 2008, allowances for losses on loans and advances were up by €70 million or 20.7 % as against 2007. The figure includes allowances for losses on loans and advances to Lehman Brothers (€35 million) and Icelandic banks (€17 million). Adjusted for these effects, allowances for losses on loans and advances would only have increased by around 5.3 % year-on-year. In contrast, the total credit extended to customers rose sharply by 12.9 % in the same period. This good development overall was mainly due to the still robust macroeconomic environment in the first half of 2008 – in particular in Germany, our core market. In addition, Postbank remained unaffected by larger specific valuation allowances – in contrast to many other banks – which we regard as confirmation of our conservative lending policy. Given the clear slowdown in the economy, we recognized purely precautionary collective specific valuation allowances on our mortgage lending portfolio in the second half of 2008.

Administrative expenses

Administrative expenses again recorded an encouraging performance in 2008, growing by a mere 1.1 % to €2,969 million, despite significantly higher inflation and a number of extraordinary factors. This includes provisions for staff costs of approximately €38 million recognized in Q4 as a precautionary measure for instruments that we can use if necessary to increase staff turnover. In addition, impairment losses on property and software applications totaling approximately €51 million were recognized at the end of the year, leading to non-recurring effects on administrative expenses.

Cost developments benefited from the effects of the efficiency initiatives that we have implemented over the past years: full synergy potential from the integration of BHW has now been realized and integration expenses are no longer being incurred, while we also have a pronounced cost culture. Postbank again proved that it can continuously increase volumes in its customer business while maintaining sustained strict cost discipline.

Other income

Net other income and expenses amounted to €115 million, following €23 million in the previous year. The development can be attributed, among other things, to the absence of the expenses incurred in the previous year for special projects and the share of Deutsche Postbank AG's profit or loss for the period attributable to silent participations and certain profit participation rights recognized in this item.

Loss/profit before tax

Loss before tax amounted to €974 million in fiscal year 2008, after a profit of €992 million in the previous year.

The income taxes item amounted to a positive figure of €154 million due to the loss recognized. It should be noted in this context that a significant proportion of the losses realized in the year under review are not tax-deductible.

Consequently, net loss for the year amounted to €821 million after a net profit of €856 million. This corresponds to earnings per share of €– 4.87 (previous year: €5.22).

Segment Reporting

Retail Banking

In the Retail Banking segment, profit before tax amounted to €912 million in 2008, after €935 million in the previous year. However, it should be noted that in 2007 the figure still included the earnings contributions from BHW Lebensversicherung AG and BHW Bank AG, which have since been sold or fully integrated.

Net interest income continues to be the dominant earnings component, accounting for more than 68.3 % of total revenues for the segment. However, it fell by 4.8 % year-on-year during the year under review to €2,276 million. This development is primarily due to the predicted initial effects of our savings strategy aimed at a sustainable increase in the deposit volume on the one hand, and to the continued intense competition for retail deposits on the other. We continue to predict that the additional interest income from the newly generated volumes will more than offset the initial margin reduction in the current fiscal year. The currently very low short-term interest rates could, however, negatively impact net interest income. In addition, there are no longer any contributions from BHW Lebensversicherung AG which we sold in Q3/2007.

Net income from investment securities amounted to €–2 million in 2008, whereas it had totaled €50 million in 2007 – mainly as a result of the business activities of BHW Bank AG and BHW Lebensversicherung AG.

Net trading income – generated exclusively by BHW Bausparkasse AG which is allocated to this segment – amounted to €25 million in 2008, after €5 million in the prior-year period.

Net fee and commission income grew by 4.6 % to €1,033 million. The increase in income from the sale of financial services – for instance the significant improvement in net fee and commission income from the insurance business and from installment loans – more than compensated for the expected €36 million decrease in income from the sale of postal services and from the sale of third-party products in our branches.

As a result, total income in Retail Banking decreased slightly by 3.0 % to €3,332 million.

Administrative expenses declined by 2.4% to €2,156 million compared with full-year 2007. This is primarily attributable to the positive effects of the completed integration of BHW and the branches, and efficiency gains in the back-office units.

The very solid economic situation in Germany, especially during the first nine months of 2008, as well as the associated low unemployment rate and consumers' good financial situation, together with the conservative structure of our credit portfolio, with a clear focus on highly collateralized mortgage finance in Germany, contributed significantly to a positive trend on the allowance for losses on loans and advances. This amounted to €288 million, down €4 million on the prior-year figure, despite a precautionary increase in collective specific valuation allowances.

Net other income and expenses increased by €22 million to €24 million. This is mainly due to the sale of the insurance companies and the merger of BHW Bank AG.

The cost/income ratio deteriorated slightly from 64.3 % to 64.7 %. The return on equity before taxes rose to 41.1 % (32.4 % in the previous year).

Corporate Banking

The effects of the financial market crisis attributable to this segment in the amount of €333 million – including part of the writedowns on our Lehman Brothers exposure – led to a decline in profit before tax in the Corporate Banking segment in 2008 of €249 million to €–58 million. Our operating business was, in contrast, encouraging overall. The positive growth in volumes and higher margins made key contributions to the increase in net interest income. This increased significantly by 33.6 % to €390 million.

The impact of the financial market crisis caused a cumulative decrease in net trading income and net income from investment securities of €319 million to €–333 million. Net fee and commission income remained almost unchanged year-on-year at €107 million (previous year: €104 million), so that total income decreased by €218 million to €164 million.

Administrative expenses rose slightly in line with the increasing business volume by 4.9 % to €171 million. The allowance for losses on loans and advances rose from €28 million in the previous year to €52 million in 2008, due mainly to the significant expansion in business mentioned above and precautionary writedowns on individual foreign exposures.

The cost/income ratio was 104.3 %, after 42.7% in 2007, while the return on equity before taxes was negative, after 50.5 % in the prior year.

Transaction Banking

Profit before tax in the Transaction Banking segment increased by €12 million to €48 million. As paper-based transactions continued to fall, net fee and commission income also dropped by €10 million to €340 million. This was overcompensated by a significant reduction in administrative expenses by €19 million to €312 million – mainly due to the completion of the integration of HVB Transaction Banking in 2007. The segment's other income rose by €3 million to €16 million. The cost/income ratio thus decreased slightly from 93.5 % in the previous year to 90.7 %.

Financial Markets

Profit before tax in the Financial Markets segment fell by €204 million to €–14 million. One main reason for this development was the significant drop in net income from investment securities. This earnings component fell by €111 million to €–110 million, primarily as a result of writedowns on portfolios affected by the financial market crisis. Net trading income also fell sharply by €78 million to €–6 million. This is due to the impact of the embedded derivatives in the holdings of our Luxembourg subsidiary as well as loss from foreign currency hedging. The segment's net interest income increased by €48 million to €162 million, due mainly to the good development at the subsidiary PBI, Luxembourg, consolidated in this segment. Total income thus fell by €167 million to €103 million. Administrative expenses increased by €9 million to €92 million, and the allowances for losses on loans and advances also increased from €4 million to €–22 million due to writedowns on our exposures to Lehman Brothers and the Icelandic banks. These developments are reflected in the increase in the cost/income ratio from 30.7 % to 89.3 %. The return on equity before taxes was negative in fiscal year 2008, after 37.2 % in 2007.

Others

The loss before tax in the Others segment grew from €360 million in 2007 to €1,862 million in 2008. This development can be attributed to the effects of the financial market crisis on the banking book positions reported in this segment. These relate to impairments (€82 million) and fluctuations in value from embedded derivatives (€676 million) in the structured credit business and from guaranteed promissory note loans (€133 million) on the one hand, and to writedowns on our exposure to Lehman Brothers (€136 million) on the other. Hidden liabilities on equity holdings amounting to €576 million realized in the course of risk reduction in Q4 and impairments on equity and fund holdings amounting to €97 million were also recognized during the course of the year. These negative effects mainly relate to net income from investment securities and net trading income, which together fell by €1,673 million to €–1,212 million. €529 million of this relates to net trading income, which dropped to €–316 million. Net income from investment securities fell by €1,144 million to €–896 million. It should be noted here that last year's figures were positive due to recognized gains from the disposal of our equity investments in insurance companies.

The Others segment's net interest income rose by €225 million to €–337 million. This was mainly due to sharp cuts in short-term interest rates during the course of the year, especially in the fourth quarter, that triggered a decline in refinancing costs for these maturities and led to a positive net gain on hedges, among other things. Net fee and commission income fell slightly by €10 million to €–106 million. Administrative expenses increased from €150 million to €238 million. This development is mainly due to one-time writedowns of property and software in the fourth quarter as well as to the recognition of provisions for staff costs.

The allowance for losses on loans and advances rose by €24 million to €–46 million due to the impact of our exposure to Lehman Brothers. In contrast, net other income and expenses was clearly positive and amounted to €77 million, following €9 million in the previous year.

Total Assets

Total assets

Total assets rose from €202.9 billion at the end of 2007 to €231.3 billion as of December 31, 2008. On the assets side, this was mainly due to the significant increase in loans and advances to customers and an increase in investment securities. On the liabilities side, amounts due to customers grew in particular, as did securitized liabilities. Trading assets and liabilities rose in the fourth quarter in particular due to the clear drop in interest rates. Now that Postbank has reduced its historical deposit surplus, it has a balanced balance sheet structure in the customer business.

Loans and advances to customers

Loans and advances to customers increased significantly by 14.4 % as against the end of 2007 to €105.3 billion. The growth driver in the retail business – as in the previous year – was the mortgage lending business. Volumes in the installment loan business, which we expanded in accordance with strict risk criteria, also increased encouragingly. In addition, we increased the volumes of our commercial financing business, primarily in our domestic German market and other selected European countries. In return, we continued to reduce our legacy portfolios of low-margin public-sector receivables in the period under review by €1.3 billion to €2.2 billion.

Money and capital market investments

Money and capital market investments – investment securities, trading assets, and loans and advances to other banks – increased year-on-year by a total of €15.2 billion or 14.8 % to €118.3 billion.

Investment securities rose by 21.1 % or €14.5 billion to €83.1 billion. Given the increasing turbulence on the capital markets, we invested at the beginning of 2008 in ECB-eligible securities after refinancing on the interbank market. In the process, we selectively added to our portfolio of German government bonds and, among other things, prime-rated *Pfandbriefe* due to their function as a "safe haven." In view of the ongoing crisis on the financial markets, we strengthened our liquidity position, which had further improved as a result of these measures, by means of significant holdings of prime-rated securities over the course of the year. In order to reduce the volatility in our revaluation reserve, we also started systematically hedging and partially reducing our investment securities holdings in the second half of the year. An important step here was the complete liquidation of our equity holdings in Q4/2008. The increase in investment securities in the fourth quarter (+ €1.8 billion) compared to the holdings reported on September 30, 2008 is mainly due to the portfolios' positive market development as a result of the massive fall in interest rates on the one hand, and positive value adjustments resulting from the measurement of subportfolios within our investment securities portfolio using a discounted cash flow method on the other (see Note 4 (h) and the comments on equity). 119

Trading assets rose by 66.7 % or €6.6 billion to €16.6 billion in 2008. This is due in particular to a sharp increase in the fair values of trading book derivatives, which increased in value thanks to the drastic interest rate cuts in the fourth quarter. This was not associated with any increase in the Bank's risk position due to the nearly balanced trading portfolio. In contrast, we reduced our holdings of bonds and other fixed-income securities in the trading book in the course of the year in view of the ongoing turmoil on the capital markets.

Loans and advances to other banks declined by a total of €5.9 billion to €18.7 billion.

Amounts due to customers

On the liabilities side, amounts due to customers increased by an encouraging €6.8 billion to €117.5 billion. In contrast to the overall market trend, the classic savings deposits remained almost unchanged at €35.0 billion. Home savings deposits remained almost stable – in keeping with the nature of this long-term business – and totaled €16.2 billion after €16.9 billion at the end of 2007.

Total retail banking deposits, which are disclosed in the amounts due to customers item, rose year-on-year by €4.0 billion to €81.8 billion.

Money and capital market liabilities

Money and capital market liabilities – deposits from other banks, securitized liabilities, and trading liabilities – increased in line with assets from €76.3 billion to €96.1 billion.

Deposits from other banks were expanded slightly by €1.6 billion to €62.8 billion in connection with the above-mentioned increase in our holdings of highly liquid, low-risk investment securities – a precautionary measure taken to additionally strengthen our liquidity position. This move was primarily implemented using repo and open market transactions. We used the *Pfandbrief* license we were granted in December 2007 to refinance our customer business during the course of 2008 by issuing two *Jumbo Hypothekenpfandbriefe* with a total volume of €2.5 billion.

Securitized liabilities rose by a total of €6.8 billion to €16.3 billion.

Trading liabilities rose significantly by €11.4 billion to €17.0 billion. Derivatives in the trading portfolio reported as liabilities rose by an amount similar to the increase in trading assets.

Equity

Equity amounted to €5,019 million as of December 31, 2008, compared with €5,225 million at the end of 2007. The revaluation reserve amounted to €–724 million after €–556 million as of December 31, 2007 and €–1,927 million as of September 30, 2008.

Issued capital and the share premium were strengthened significantly by the capital increase implemented in Q4/2008 by almost €1 billion. A total of 54.8 million shares were issued, increasing the issued capital from €410 million to €547 million and the share premium by €850 million to €2,010 million.

The development of the revaluation reserve was dominated in 2008 by another significant widening of the spreads for nearly all asset classes, including prime-rated *Pfandbriefe* and bank and government bonds. As a result, trade in these instruments almost came to a complete standstill. The markets became illiquid for most positions, which was reflected in a significant widening of the bid/offer spreads and a clear drop in traded volumes. This resulted in major distortions in pricing of the asset classes concerned. In turn, this significantly impacted on the present values of our securities holdings, despite their prime-rated quality.

Given the continuing illiquidity of the market, the fair values of the investment grade securities affected were measured as of October 1, 2008 using a discounted cash flow (DCF) model. Spreads were used to discount the cash flows, which include the expected losses and a risk component that appropriately reflect the changes that have occurred in the markets.

In addition, interest-bearing non-structured securities of around €34.8 billion were reclassified in accordance with IAS 39.50E within the banking book from the available-for-sale category to loans and receivables. As a result of these measures, there was a noticeable positive effect and a significant fall in the volatility of the revaluation reserve (see also Notes 4, 5 and 23 in the notes to the consolidated financial statements).

116
124
133

We achieved additional positive effects on the revaluation reserve with our announcement that we would be recognizing hidden liabilities from equities through profit or loss within our risk reduction program. We were able to completely liquidate the equity holdings in Q4/2008. Consequently, the further decline in the stock markets after the balance sheet date had no negative effects on Postbank's capital position.

Due to securities in Postbank's portfolio of structured credit products additional fluctuations in value in the revaluation reserve amounting to €–272 million were also recorded during the course of the year. The changes in value shown in this item in the fourth quarter were up only slightly on the end of Q3 due to its comprehensive transfer to the income statement, despite the massive widening of spreads.

The Tier 1 ratio in accordance with Basel II was 7.4 % as of December 31, 2008, following 6.9 % at year-end 2007 and 5.5 % as of September 30, 2008. The negative revaluation reserve has already been deducted in full in this calculation, as Postbank already determines its regulatory capital in accordance with IFRSs, in contrast to many other banks.

We are assuming that the measures taken by us in the year under review have laid the foundations for significantly reducing the sensitivity of our Tier 1 ratio to the extreme fluctuations associated with the capital market crisis. In particular, the reclassification of interest-bearing non-structured securities from the available-for-sale category to the loans and receivables category will positively influence the stability of the revaluation reserve. Moreover, the complete liquidation of our equity holdings means that this asset class will also not have any further negative effects on the Company's capital and financial position. Furthermore, the Tier 1 ratio should benefit from expected pull-to-par effects from our portfolios and, in the medium term, from the introduction of enhanced models for measuring risk.

In 2007, Postbank ensured compliance with the transitional provision under section 339(3) – (5) of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) by recognizing an additional risk asset capital charge (cap provision). This transitional provision has no further effects on the capital ratios as it is designed to set a minimum capital requirement, and therefore no additional RWA capital charge needs to be recognized.

Report on Post-Balance Sheet Date Events

From December 31, 2008 until the adoption of the annual financial statements by the Management Board on February 13, 2009 there were no events subject to reporting requirements.

Risk Report

Effects of the financial market crisis

Effects of the financial market crisis on the Deutsche Postbank Group's risk position and risk management

In fiscal year 2008, the intensity of the crisis on the global financial markets increased significantly, resulting in substantial challenges for banks' risk management systems. The extreme volatility on the money and capital markets clearly affected earnings at the Postbank Group, significantly impacting its regulatory capital ratios and economic risk-bearing capacity.

The Company reacted to the historically unprecedented market turbulence by adapting and enhancing its existing risk management systems and organization. Key areas of activity in this respect were closer management of the available for sale category, changes in the value of which affect the revaluation reserve and hence directly impact the Bank's regulatory capital. Liquidity management between the various Group units was also coordinated more closely. The pool of securities eligible for central bank refinancing was again increased significantly, in order to guarantee the ability to act at short notice even in the case of unforeseen events. The existing stress tests were supplemented by additional extreme scenarios.

The risk management organization was further enhanced: Postbank created the function of a Chief Risk Officer in the Lending division, thus bundling the risk functions within a single board department. As part of the reorganization of the Financial Markets division, an independent Liquidity Management unit was also established, which is responsible for Group-wide liquidity management. Against the backdrop of the crisis on the financial markets, the overall framework for risk allocation was analyzed in-depth using a number of scenarios in a specific project; this led to realignments in a number of areas.

In this context, management has taken strategic action to further sharpen Postbank's risk profile in the future and to emphasize its customer business to an even greater extent going forward.
To achieve this, capital market risks and portfolios will successively be reduced further. As part of this action plan, the Bank already liquidated its equity holdings in the fourth quarter, thus helping to significantly reduce the volatility of its revaluation reserve.

The following sections describe the effects of the financial market crisis on the Deutsche Postbank Group's risk position and risk management, and the countermeasures taken by the Company.

Organization of risk management

Taking risks in order to generate earnings is a core function of the Postbank Group's business activities. One of the Postbank Group's core competencies is to take on normal banking risks within a defined framework, while at the same time maximizing the potential return arising from them. To this end, the Postbank Group has established a risk management organization as the basis for risk- and earnings-oriented overall bank management. 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 returns.

The Group Management Board is responsible for risk strategy, the risk-bearing capacity concept, the appropriate organization of risk management, monitoring the risk content of all transactions, and risk control. In conjunction with the Risk Committees, the Group Management Board has defined the underlying strategies for activities on the financial markets and the other business sectors of the Group. The following graphic 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	I Lending I Financial Markets I Product Marketing I Services I Chief Risk Officer	I Financial Markets I Lending I Product Marketing I Finance I Chief Risk Officer	I IT/Operations I Resources I Services I Branch Sales I Chief Risk Officer
Tasks	I Allocate credit risk limits I Define limit system I Resolve amendments to risk classification procedures I Define standard risk costs	I Allocate market and liquidity risk limits I Manage strategic focus of the banking book I Discuss the Bank's earnings and risk positions	I Define operational risk strategy I Define minimum requirements for Group units I Define operational risk parameters

In accordance with the requirements of MaRisk (Minimum Requirements for Risk Management), the risk strategy is consistent with the business strategy and takes into account all significant areas of business and types of risk. In addition to an overarching, Group-wide risk strategy, Postbank's Management Board has resolved specific sub-risk strategies for market, credit, liquidity, and operational risks.

The nature and extent of the risks taken, as well as the strategy for managing such risks, depends on the individual business divisions, whose actions are prescribed within the scope of the business strategy. Postbank's areas of activity comprise the Retail Banking, Corporate Banking, Transaction Banking, and Financial Markets divisions.

Thanks to our broadly diversified customer portfolio, the concentration risk in the portfolio of the Postbank Group tends to be low. As part of credit risk monitoring, we have established processes, reporting paths, and escalation mechanisms that enable monitoring of counterparty and issuer risk and categorization of exposure by the various sectors, customer groups, and single borrowers.

Responsibility for risk management within the Group is spread across a number of units, chief among them Financial Markets, the Credit Management Domestic/International departments, the Retail Banking credit functions and, at a local level, the subsidiaries BHW Bausparkasse AG, Deutsche Postbank International S. A., PB Capital Corp. and PB Factoring GmbH, as well as the London branch.

Risk Controlling is the independent, Group-wide risk monitoring unit. At an organizational level, this department reports to the Chief Risk Officer within the Lending division. Risk Controlling is responsible for methods and models used for risk identification, measurement, and limitation. In cooperation with the Risk Controlling units at the BHW Bausparkasse AG, Deutsche Postbank International S. A. and PB Capital Corp. subsidiaries, as well as Postbank's London branch, the department is responsible for risk control on an operational level and reporting at Group level.

The Internal Audit unit is a key element of the Postbank Group'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.

In the fourth quarter of 2008, Postbank introduced the position of Chief Risk Officer (CRO) with the aim of strengthening risk management throughout the Group and bundling responsibilities within risk monitoring and management. In future, the Chief Risk Officer will be responsible throughout the Group for risk monitoring and management functions in the back office division. In line with this reorganization, Risk Controlling and the Lending Policy departments have been assigned to the CRO who is a voting member of the Risk Committees (i. e., Market Risk Committee, Credit Risk Committee, and Operational Risk Committee). Furthermore, the Financial Markets division was reorganized in fiscal year 2008. In addition to the Treasury and Capital Markets departments, the Liquidity Management and Credit Treasury departments were restructured. The Treasury department manages interest rate risk, equity risk, currency risk, and spread risk arising from government bonds, covered bonds, and financials in the banking book. For the trading book, these risks are managed by the Capital Markets division. The Liquidity Management department is responsible for the central management of liquidity risk, focusing on ensuring liquidity maturity transformation and continuous solvency in the Group. The Credit Treasury department is responsible for performing active portfolio management to control the Postbank Group's other credit spread risk.

In fiscal year 2008, Postbank enhanced its internal reporting system to include further information on the monitoring and limiting of liquidity risk both at Group level and at the level of the local units.

The methods, systems, and processes discussed in this Annual Report are subject to continuous review and enhancement in order to meet market, business and regulatory requirements. In particular, a program was established as planned in the year under review for the introduction of advanced risk models for market risk, credit risk, and operational risk. The aim 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, the plan is to also use the results for all the above-mentioned risk types for regulatory capital requirements in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation).

Key information on risk exposure is discussed regularly with the Supervisory Board on the basis of a standardized reporting form.

Risk types

The Postbank Group distinguishes between the following risk types:

- Market risk

  Potential losses from financial transactions that may be triggered by changes in interest rates, spreads, volatility, commodity prices, foreign exchange rates, and equity prices.
- 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 – 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 describes the risk of a loss occurring due to a change in our own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period for a certain confidence level.
- Operational risk

  The risk of loss resulting from inadequate or failed internal processes and systems, people, or external events. This also includes legal risk.
- Investment risk

  Investment risk comprises 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
  Real estate risk relates to the real estate holdings of the Deutsche Postbank Group and comprises the risk of loss of rental income, writedowns to the going concern value, and losses on sales.
- Collective risk
  A specific business risk resulting from the home savings business of BHW Bausparkasse AG, comprising the negative impact of (non interest-related) deviations in the actual behavior of home savings customers from their forecast behavior.
- Business risk
  The 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 unknown capital and interest rate commitment periods (primarily savings and checking account products), as well as strategic and reputational risk.

Risk capital and risk limiting

The Bank'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 total funds available to the Bank to cover its risks are known as the risk cover amount. Postbank's risk-bearing capacity concept fulfills the regulatory requirements and provides input parameters for management.

The Postbank Group considers itself as having adequate risk-bearing capacity, assuming that the probability of it servicing its prior-ranking liabilities is in line with its target rating. The concept for determining the risk cover amount is based on the consolidated balance sheet under IFRSs. The risk cover amount available for covering all risks consists of recognized capital less goodwill, subordinated debt, the revaluation reserve, the other fair value of financial instruments, and expected gains in the planning period.

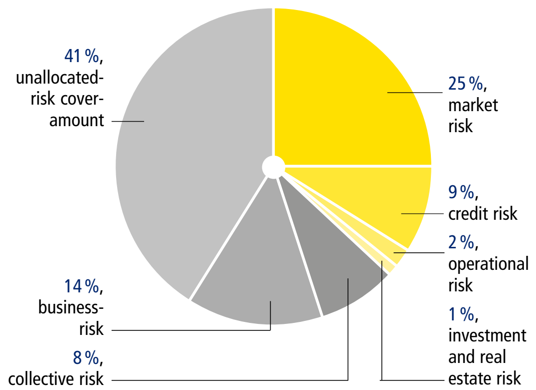
In order to ensure Postbank's long-term risk-bearing capacity, the Postbank Group's Management Board only allocates a portion of the risk cover amount for risk taking. This amount is known as risk capital and represents a limit for the Postbank Group's overall risk. Risk capital is determined and allocated to the risk categories on at least a quarterly basis by the Group Management Board. The Risk Committees then allocate the funds further.

The Postbank Group possesses sufficient liquidity reserves to cover the risk of illiquidity. In addition, the Postbank Group maintains a collateral portfolio consisting of ECB-eligible securities for potential stress situations. At present, the liquidity maturity transformation risk is implicitly limited via the risk capital made available to meet business risks. Separate limitation of liquidity maturity transformation risk is currently being planned.

Since simply adding up the risk capital requirements for the individual types of risk would lead to the overall risk being overestimated, correlations between types of risk are taken into account as part of risk aggregation. In general, we assume high correlations between market, credit, and collective risk. Business risk along with real estate and investment risk also 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.

The percentage allocation of the Postbank Group's risk cover amount by risk type after factoring in correlation effects is as follows for fiscal year 2008 (calculated as of December 31, 2008):

Breakdown of the Postbank Group's risk cover amount by risk type (authorized risk capital)



The unexpected loss is quantified in order to calculate the utilization of the risk capital. The Postbank Group uses uniform parameters to measure individual risks that have been classified as significant. 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). This confidence level is derived from the target A-grade rating.

Operational limits are established for the market risk and credit risk backed by risk capital that is directly manageable in the day-to-day business. Market risk for both the core business and for own-account transactions is managed by allocating limits for the relevant portfolios. For loans to banks, companies, and sovereigns (central and regional governments and local authorities), credit risk is managed by investing in a target portfolio that has been optimized to reflect risk and earnings aspects, in addition to risk limitation at portfolio level. Operational limits are not used to manage the remaining risk types, but rather the risk capital attributed to the risk types is deducted from the risk cover amount. Here too Postbank calculates the adequacy of the deductible amount on an ongoing basis.

As long as the limits assigned to the individual risk types are not exceeded at Group level and the aggregated limits and deductible amounts are lower than the risk cover amount, risk-bearing capacity is assured. The regulatory capital requirements (in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – Solvency Regulation), and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation)) are additional conditions that must be strictly observed when managing economic risk capital.

Risks are only assumed within limits that are in line with the Bank's risk-bearing capacity. This aims to ensure that risks that could jeopardize the Bank's existence are avoided. The financial market crisis created a very tense risk position in 2008. Market turbulence increased noticeably especially after U.S. investment bank Lehman Brothers Holdings Inc. applied for creditor protection in mid-September. In the fourth quarter, credit spreads in all asset classes widened again substantially in line with the escalating crisis of confidence in the financial sector, with trading in isolated market segments coming to a complete halt. The equity markets have also reacted to the heightening financial market crisis and increasingly gloomy economic prospects with significant price declines. The decline in fair values associated with the escalating crisis of confidence in the financial sector led to a corresponding decrease in risk cover components dependent on the capital market. At the same time, the VaR values rose significantly against the backdrop of the substantial increase in volatility in the course of the year, so that additional risk capital became necessary despite the measures taken to reduce the Bank's capital market portfolios in the second half of 2008 in particular.

Therefore, the utilization of the risk cover amount by the risk capital allocated increased by 5.4 percentage points in total as against the previous year. However, Postbank's risk-bearing capacity was assured at all times, even within the scope of the financial market crisis. As of December 31, 2008, 78 % of the risk limit was utilized with respect to market risk, in particular as a result of the strong increase in volatility over the course of the second half of the year and the effects of the financial market crisis. With regard to credit risk, the limit utilization after adjustment for losses that reduced the unallocated risk cover amount amounted to 74 %.

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 the Postbank Group's risk measurement and monitoring system.

Group-wide risk reporting

Postbank's risk reporting system provides an in-depth view of risk-bearing capacity and risk utilization. Risk-bearing capacity is assessed Group-wide 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 and specialized reports. The reports include all relevant subsidiaries of Deutsche Postbank AG, and are prepared on a daily, weekly, monthly, or quarterly basis, depending on the importance of the respective risk type. Group-wide 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 and comprehensive manner. The Risk Controlling department is responsible for the methodology and content of risk reporting at Group level.

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 *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) 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 IRB basic approach for calculating minimum capital requirements and the IRB approach for calculating the minimum 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. In addition, operational risk is now also backed by equity.

Since January 1, 2008, Postbank has exceeded the relevant regulatory threshold. For 2008, the coverage ratio calculated pursuant to section 67 of the Solvency Regulation (SolvV) for the portfolios calculated on the basis of internal ratings amounted to 90.6 % of the exposure values and 82.8 % of the risk-weighted exposure values (calculated on June 30, 2008). The coverage ratio represents the ratio of the total IRBA exposure values or IRBA risk-weighted exposure values to all exposure values or risk-weighted exposure values required to be included pursuant to section 67(4) of the SolvV. In addition to the portfolios of Deutsche Postbank AG calculated using the IRB approach in 2007, Postbank used internal ratings as the basis for reporting capital requirements for OTC derivative instruments, for a large proportion of the portfolios of PB Factoring GmbH, Bonn; BHW Bausparkasse AG, Hamelin; Deutsche Postbank International S.A., Luxembourg; the London branch; as well as PB Capital, Wilmington, Delaware, U.S.A.; and PB Realty, New York, New York, U.S.A..

As of the reporting date of December 31, 2008, Postbank calculated the regulatory capital requirements for the following portfolios (grouped by asset class in accordance with the SolvV) on the basis of internal ratings:

- Sovereigns: states
- Institutions: banks
- Corporates: domestic corporate customers, foreign corporate customers, domestic commercial lending, foreign commercial lending, purchased corporate loans
- Retail business: Postbank mortgage loans, BHW mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased loans
- Equity interests, if not excepted by section 338(4) SolvV
- Securitizations
- Other non-loan assets

In the sovereigns, institutions and corporates asset 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 has used the standardized approach to credit risk since January 1, 2008 for the portfolios not calculated in accordance with the IRB approach. These primarily relate to the following:

- Overdrafts and collection activities in the retail banking business,
- Portfolios of the other subsidiaries in the Postbank Group,
- Business from discontinued operations,
- Exposures to the Federal Republic of Germany, German regional governments, local authorities, and development banks and agencies not engaged in competitive activities.

In the case of securitization exposures, the IRB approach or the standardized approach to credit risk is applied on the basis of the underlying transactions. Capital requirements for securitizations are generally calculated on the basis of the ratings-based approach using external ratings, or via the supervisory formula approach. Postbank calculates capital requirements for equity investments held in the banking book that are not required to be consolidated from a supervisory perspective on a portfolio-specific basis, using internally assessed default probabilities. Risk weighting of the other equity investments and of the non-credit assets is performed using supervisory risk weightings.

In order to reach the exit threshold (i.e., a coverage ratio of 92 % of the exposure values or risk-weighted exposure values), measures are underway to convert the insurers and foreign local authorities portfolios as well as the portfolios held by Deutsche Postbank Home Finance Ltd., New Delhi, India, to the IRB approach.

For June 30, 2009 (Step 1) and December 31, 2010 (Step 2), Postbank is aiming to obtain approval to calculate capital requirements for counterparty risk using internal estimates of expected loss rates also in the case of non-retail portfolios based on the advanced IRB approach.

Postbank uses the regulatory standardized approach to calculate capital requirements for market risk. As from the second quarter of 2010, Postbank plans to introduce an internal market risk model for measuring and managing market risk, and, once approval has been granted, to use this for calculating regulatory capital requirements as well.

Postbank uses the standardized approach for calculating capital requirements for operational risk. This is the basis for the planned implementation of the advanced measurement approach (AMA). To this end, Postbank developed its own quantification model in 2007 that is now being internally validated and successively enhanced. The goal is to apply for approval to the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank at the beginning of 2010 and, once approval has been granted, to use the internal model for calculating external capital requirements as well.

@ 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 first Disclosure Reports pursuant to the SolvV on its website on March 5, 2008 and August 25, 2008. The Disclosure Report as of December 31, 2008 will be released on the website shortly after the publication of the annual financial statements.

Liquidity Requirements

Deutsche Postbank AG 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. Deutsche Postbank AG calculates its liquidity figures on the basis of the regulatory standardized method pursuant to sections 2 to 8 of the LiqV.

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 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.

The Postbank Group fulfills the requirements for managing bank-specific risks and ensuring risk-bearing capacity on an operational level as codified in the MaRisk.

Monitoring and managing market risk

Definition of risk

Market risk denotes the potential risk that may lead to losses in financial transactions due to changes in interest rates, spreads, volatilities, commodity prices, exchange rates, and equity prices. Changes in value are derived from daily marking to market, independently of their measurement for financial accounting purposes.

Organization and risk strategy

The responsibility for performing centralized risk management tasks at the Postbank Group 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.

The Postbank Group has established clear rules with regard to responsibility for market risk management. In general, Deutsche Postbank AG's Financial Markets division manages market risk centrally. Only BHW Bausparkasse AG, the foreign subsidiaries in New York and Luxembourg, and the London branch manage their risks independently using separately defined risk limits.

Risk Controlling functions as a Group-wide, 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 limitation.

The Postbank Group 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, equity, currency, spread, and volatility risk 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 parameters 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 addition, the increasingly inactive status of certain market segments made it necessary to institute a special process for regularly reviewing whether the market data available still enable adequate valuations to be made. As a result, prices derived from valuation models are used for specific portfolios. The management of market risk positions from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured on a value at risk basis. Risks from potential changes in spread have been fully integrated in risk measurement. Sensitivity indicators and gap structures are included as further management parameters. The potential negative effects on the positions of the "available for sale" (AfS) category are also analyzed on a regular basis. Changes in the value of these positions have a direct impact on the revaluation reserve and thus on the regulatory Tier 1 ratio. In addition, market risk positions are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements on present values and on the income statement and balance sheet items.

In light of the financial market crisis, Postbank set up a special project to analyze in-depth the overall framework for risk allocation using a number of scenarios and made realignments in a number of areas. In this context, it actively reduced its risk positions in the interest rate and equities areas.

To do justice to the relative significance of market risk to Postbank 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.

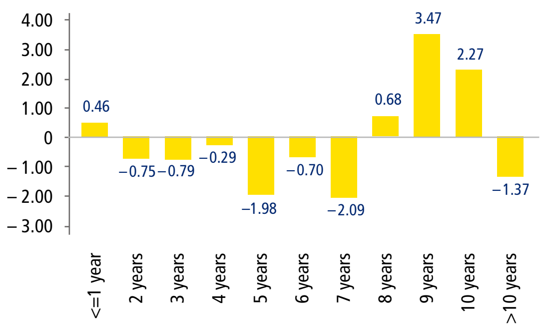
Management of interest rate risk

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 buckets. Assumptions are made in order to quantify the interest rate risk for customer transactions involving significant implicit options. Particularly important for Postbank in this connection are Deutsche Postbank AG's variable interest deposit business, for which the moving averages model is used, the exposures in BHW Bausparkasse AG's home savings collective, as well as the customer loans business. Special modeling rules and deposit base definitions form the basis for a modern risk management concept.

When measuring interest rate risk, option models are used to account for early loan repayment rights, where these are material. 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.

The following chart presents the Postbank Group's open interest rate positions as of December 31, 2008 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.

The Postbank Group's interest rate positions (bpv) as of December 31, 2008
bpv in €m



The chart shows that the surplus of assets as of December 31, 2008 is primarily concentrated in the medium maturity range. The surplus of liabilities in the 8 to 10-year bucket can be attributed essentially to the long-term positions in BHW Bausparkasse AG's home savings collective. Interest sensitivity was clearly reduced in the course of the year. In particular, the risk sensitivity of the AfS positions was managed extremely closely in order to limit the additional potential impact on the revaluation reserve and hence on the capital ratios. In this context, the reporting frequency was also increased.

Result of overall bank management using interest rate products

In its asset/liability management, Postbank focuses in particular on managing its interest rate risk (gap management); this is achieved using hedges, among other things. In the year under review, €554 million was recognized (previous year: €337 million). The present value produced as a result of overall bank management using interest rate products amounted to €702 million (previous year: €228 million) (cf. Note 4(g) Hedging derivatives).

Monitoring market risk using value at risk

The Postbank Group uses the value at risk concept to quantify and monitor the market risk it assumes. Value at risk (VaR) is generally calculated using the variance-covariance method. 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 variance-covariance method is applied consistently to all portfolios in the trading and 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

In the Postbank Group, 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. The extreme losses in fair value that occurred in the course of the financial market crisis, coupled with the sharp rises in VaR figures in individual portfolios, led to limits being exceeded temporarily. These limit exceedances were escalated in all cases in line with the defined procedures and remedied by Board decisions following an analysis of the action options. Risk measurement and monitoring are end-of-day 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 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. Particularly in the second half of the year, a dramatic increase in the volatility of the market risk factors led in individual subportfolios to a substantial increase in cases in which the actual fair value fluctuation was greater than the computed VaR. As a result, general VaR premiums were introduced for the portfolios affected in the fourth quarter; these led to a tangible improvement in the backtesting results. However, the backtesting performed in 2008 reveals results for the superordinate levels that, in total, are still within the statistically expected ranges, thus confirming 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 the Postbank Group's asset positions. The analyses also examine the effects on fair value and hence the effects on the balance sheet and income statement items at the overall Group level. 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 the Postbank Group'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, the Postbank Group 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

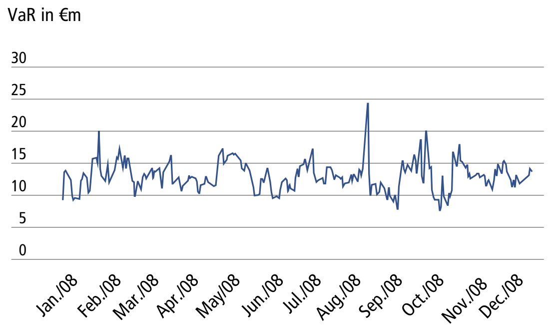
The following value at risk figures for the trading book were calculated for the Postbank Group for the period from January 1 to December 31, 2008 and January 1 to December 31, 2007 (confidence level of 99 %, holding period of 10 days):

Value at risk trading portfolio	2008 €m	2007 €m
VaR at year-end	13.8	7.9
Minimum VaR	7.7	3.0
Maximum VaR	23.9	16.1
Average VaR	12.9	7.8

In line with the business strategy of the Postbank Group, the level of market risk is largely determined in the banking book by the interest rate risk (including spread risk). 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, which is primarily incurred as a result of the business activities of Deutsche Postbank AG's foreign subsidiaries, is of lesser significance. Due to the extreme market situation, Postbank had completely liquidated the equity portfolio in Postbank's banking book at the end of the year.

The following chart illustrates the development of value at risk for our trading portfolio over the course of 2008:

VaR trading portfolio 2008



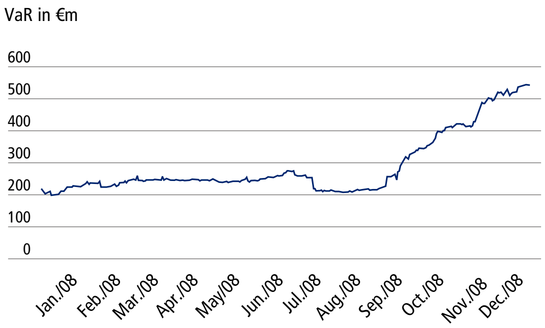
In the course of 2008, the pronounced volatility in the trading book was used flexibly during positioning on the interest rate and equities markets. Due to the clear increase in volatility, the VaR in the trading book fluctuated and was higher than in 2007, although at a moderate level overall.

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 €532.0 million as of December 31, 2008 (for comparative purposes: December 31, 2007: €208.5 million).

Value at risk banking portfolio	2008 €m	2007 €m
VaR at year-end	532.0	208.5
Minimum VaR	194.3	215.0
Maximum VaR	533.1	113.0
Average VaR	281.2	150.9

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

VaR banking book 2008



The clear increase in the value at risk is due primarily to the sharp rise in volatility across all asset classes in the course of the crisis on the financial markets – and especially after U.S. investment bank Lehman Brothers Holdings Inc. applied for creditor protection in mid-September. This effect clearly overshadowed the reduction in highly volatile capital market portfolios performed during the course of the year.

Risk reporting

The Postbank Group 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

The Postbank Group defines credit risk (or counterparty 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 responsibility for performing centralized risk management tasks at the Postbank Group lies with the Management Board. The Management Board has delegated the management of the credit risk to the Credit Risk Committee (CRC), which is monitored by the Loan and Equity Investments Committee of the Supervisory Board.

The Postbank Group manages its counterparty 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.

As another strategic risk management measure, the Postbank Group bases the aggregate composition of its loan portfolio for corporate customers, banks, and sovereigns (central and regional governments and local authorities) on a target portfolio. This portfolio has been constructed to reflect a balanced risk/return profile. The current portfolio of receivables is compared quarterly with the target portfolio. Any deviations identified are used on an ongoing basis in the management of the loan 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 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 Postbank Group's 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.

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. At the same time, the recovery rates in the case of default are estimated either individually (for mortgage loans) or globally (in the case of the 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.

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 sovereigns.

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.

In the context of implementing Basel II, Postbank has adapted the processes for designing, implementing, and monitoring the rating systems to adhere to the requirements for the use of internal rating systems. These include, in particular, regular reviews of the system's performance and the correct use of the rating systems, calibration and validation of the rating systems, and incorporation of the results of the monitoring activities into the 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.

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 as standard risk costs, along with other variables.

Risk/return key performance indicators

When calculating the loan losses expected in the Postbank Group, 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. 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

The risks assumed by banks in day-to-day operations can be mitigated using hedging instruments or netting processes.

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 Group standards, not only when the loan is granted but also during its term.

The decision as to whether to approve and apply a hedging instrument for credit risk mitigation is made by Postbank on the basis of its business strategy and credit risk strategy. The hedging instruments principally used by Postbank consist of physical collateral such as mortgage 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 comprises the recognition, verification and regular measurement, as well as the administration of the collateral offset. The exposure management systems provide electronic support for collateral management. The amounts recognized for collateral are reviewed at fixed intervals, depending on the type of collateral; 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 sovereigns (central and regional governments and local authorities), other public authorities, banking institutions, 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. Real estate collateral is appraised conservatively, with adequate consideration given to the potential risk of a loss in value. Depending on the underlying risk, collateral is monitored at varying intervals and with varying intensity. In the event that a debtor becomes insolvent on a long-term basis, the collateral is realized.

Loan collateral in the Corporate Banking segment that is secured by real estate liens is reviewed regularly, and at least annually, for impairment at the level of the properties concerned; in addition, market developments are monitored using the market volatility 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 reviewed at the latest after three years by independent, qualified loan specialists, or a new appraisal is performed by real estate experts.

For collateral taking the form of real estate liens in the private mortgage lending business, Postbank has developed a market volatility concept for monitoring the value of residential property. The system is based on statistical analyses of market indices and ad hoc analyses in the event of unusual changes in value and is used to verify the value of collateral annually.

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 risk level and concentration of risk are capped by limiting a borrower's individual loan or total exposure. State-of-the-art computer systems are used to capture and control risks. 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 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), which are defined for the individual product. 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.

At 14-day intervals the Postbank Group uses research information to perform creditworthiness assessments in particular in the financial service providers, corporates and structured financing segments in order to identify negative trends in their creditworthiness at a very early stage and to develop alternative strategies. These reviews are supported by a software application that estimates default probabilities on the basis of a large variety of market data.

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 credit specialist. The watch list also serves to capture and analyze changes in the quality of these loans. It is constantly updated by the various lending departments and submitted quarterly to the member of the Management Board responsible for lending. The largest individual exposures and loans that were approved by the Group Management Board are reported to the Group Management Board, the Credit Risk Committee, and the Loan and Equity Investments Committee of the Supervisory Board as part of the credit risk report.

Managing credit risk at portfolio level

Portfolio management

In addition to monitoring individual risks, the Postbank Group calculates the credit value at risk (CVaR) for all Group 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 losses based on credit risk that will not be exceeded within an interval of time of one year with a 99.93 % probability. In contrast, the expected loss indicated in the portfolio structure table is the expected value of losses arising from credit risks of the Postbank portfolio over a one-year horizon. Under Postbank's Group-wide 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 loan portfolio is the average default amount expected within a one-year period; this is calculated as the product of the default probability, the size of exposure, and the loss rate. 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 counterparties 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 Group loan portfolio every quarter. For individual products/business divisions with special risk structures, the CVaR is calculated daily. The CVaR in the Group 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 Group 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.

Portfolio structure

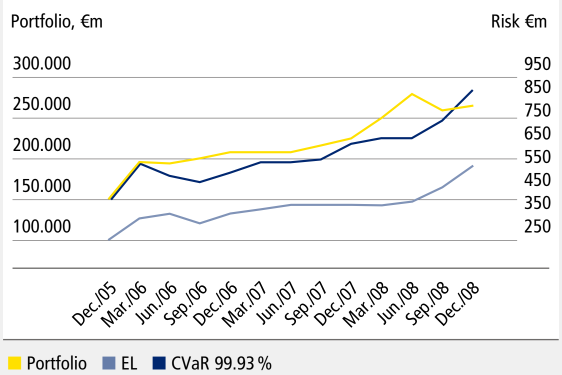
The most important parameters for describing the credit risks for the various profit centers as of December 31, 2008 (calculated on November 30, 2008) as compared to the end of 2007 are shown in the following table. The volume for the Group loan portfolio reported in this table deviates from the "maximum counterparty risk" shown further below due to two factors: firstly, the date used for calculating CVaR is the last day of the preceding month, and secondly, carrying amounts, fair values, or credit equivalent values are used to fully quantify the credit risk when calculating CVaR, depending on the item.

Credit risk	Volume		Expected loss		Credit VaR *	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Corporate Banking	25,860	18,670	77	55	205	181
Retail Banking	46,067	42,380	213	173	199	133
Financial Markets	142,903	112,494	210	109	848	606
Other (banks/local authorities)	6,056	7,828	4	4	108	121
BHW	41,622	41,965	66	73	63	57
Total (incl. portfolio effect)	262,508	223,337	570	414	877	661

*confidence level 99.93 %

The increase in the overall loan portfolio from €223,337 million by 17.5 % to €262,508 million is accompanied by a 37.7 % increase in the expected loss and a 32.7 % increase in the unexpected loss. The disproportionate increase in the expected loss and unexpected loss is the result of rating deteriorations brought on by the capital market crisis and an additional increase in concentration risk. A further year-on-year decline in Group loans to banks and local authorities and an increase in loans to retail and corporate customers and in the Financial Markets portfolios can be observed. In view of the planned growth in loan volumes, the expected loss and CVaR are expected to increase correspondingly in the current fiscal year as well. In contrast, the Financial Markets portfolios are scheduled to be reduced.

Overall bank portfolio and risk development over time



As of December 31, 2008, the maximum exposure to credit risk was as follows (compared with December 31, 2007):

Maximum counterparty risk[1]		
Risk-bearing financial instruments	Maximum counterparty risk exposure	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	16,573	9,940
Held for trading	16,573	9,940
Hedging derivates	474	421
Held for trading	474	421
Loans and advances to other banks	18,684	24,560
Loans and receivables	18,616	24,521
Available for sale	68	39
Loans and advances to customers	105,318	92,064
Loans and receivables	96,373	84,564
Designated at fair value	8,605	7,044
Held to maturity	340	456
Available for sale	0	0
Investment securities	83,058	68,582
Loans and receivables	68,859	26,600
Designated at fair value	0	0
Held to maturity	186	730
Available for sale	14,013	41,252
Subtotal	224,107	195,567
Contingent liabilities from guarantees	1,296	1,428
Other liabilities (irrevocable loan commitments)	23,205	23,480
Total	248,608	220,475

In contrast to the "Credit risk" table, the "Maximum counterparty risk" table breaks down the maximum exposure to credit risk in accordance with IFRS 7.36 (a) into categories of risk-bearing financial instruments. This figure is reported as a gross amount, since risk-bearing financial instruments are recognized and measured without accounting for credit risk mitigation techniques, recognized transactions are recorded at their carrying amounts, and the maximum counterparty risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. This representation contains no information on ratings or collateral as is the case with economic risk quantification in the "Credit risk" table.

[1] Prior-period figures restated (see Note 6)

125

Sector structure of the loan portfolio

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 following table illustrates the concentration of risk by sector and borrower group, broken down into risk category:

Risk concentration by sector and borrower group[1]

Risk-bearing financial instruments	Retail customers		Banks/ insurance/ financial services		Sovereigns		Services/wholesale and retail		Industry		Other sectors		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	215	209	15,728	9,271	17	14	128	148	172	165	313	133	16,573	9,940
Held for trading	215	209	15,728	9,271	17	14	128	148	172	165	313	133	16,573	9,940
Hedging derivates	0	0	429	385	25	26	13	5	0	0	7	5	474	421
Held for trading	0	0	429	385	25	26	13	5	0	0	7	5	474	421
Loans and advances to other banks	0	0	18,684	24,560	0	0	0	0	0	0	0	0	18,684	24,560
Loans and receivables	0	0	18,616	24,521	0	0	0	0	0	0	0	0	18,616	24,521
Available for sale	0	0	68	39	0	0	0	0	0	0	0	0	68	39
Loans and advances to customers	75,127	67,737	9,575	7,669	3,755	4,612	5,926	3,911	4,738	2,687	6,197	5,448	105,318	92,064
Loans and receivables	66,522	60,693	9,570	7,662	3,607	4,396	5,874	3,846	4,611	2,528	6,189	5,439	96,373	84,564
Designated at fair value	8,605	7,044	0	0	0	0	0	0	0	0	0	0	8,605	7,044
Held to maturity	0	0	5	7	148	216	52	65	127	159	8	9	340	456
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	0	0	49,585	46,388	26,873	15,078	875	739	4,152	4,048	1,573	2,329	83,058	68,582
Loans and receivables	0	0	44,252	22,276	19,369	2,014	778	119	3,569	1,258	891	933	68,859	26,600
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	0	0	186	709	0	21	0	0	0	0	0	0	186	730
Available for sale	0	0	5,147	23,403	7,504	13,043	97	620	583	2,790	682	1,396	14,013	41,252
Subtotal	75,342	67,946	94,001	88,273	30,670	19,730	6,942	4,803	9,062	6,900	8,090	7,915	224,107	195,567
Contingent liabilities	290	252	623	891	24	22	251	172	21	16	87	75	1,296	1,428
Other liabilities	19,021	19,113	481	34	32	35	575	971	589	667	2,507	2,660	23,205	23,480
Total	94,653	87,311	95,105	89,198	30,726	19,787	7,768	5,946	9,672	7,583	10,684	10,650	248,608	220,475

The Group's 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 domestic and international 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 serves to manage investments in the non-retail area.

[1] Prior-period figures restated (see Note 6)

Regional distribution of the loan portfolio

The Postbank Group 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 Group-wide 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. In the course of the financial market crisis, various country limits have been blocked to new business.

Risk concentration by geographical region[1]

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	3,776	5,127	11,256	3,740	1,541	1,073	16,573	9,940
Held for trading	3,776	5,127	11,256	3,740	1,541	1,073	16,573	9,940
Hedging derivatives	128	67	183	275	163	79	474	421
Held for trading	128	67	183	275	163	79	474	421
Loans and advances to other banks	9,445	13,941	7,856	8,328	1,383	2,291	18,684	24,560
Loans and receivables	9,377	13,902	7,856	8,328	1,383	2,291	18,616	24,521
Available for sale	68	39	0	0	0	0	68	39
Loans and advances to customers	88,825	80,147	12,346	9,154	4,147	2,763	105,318	92,064
Loans and receivables	79,880	72,647	12,346	9,154	4,147	2,763	96,373	84,564
Designated at fair value	8,605	7,044	0	0	0	0	8,605	7,044
Held to maturity	340	456	0	0	0	0	340	456
Available for sale	0	0	0	0	0	0	0	0
Investment securities	31,713	23,873	42,159	36,422	9,186	8,287	83,058	68,582
Loans and receivables	24,034	14,971	37,648	8,618	7,177	3,011	68,859	26,600
Designated at fair value	0	0	0	0	0	0	0	0
Held to maturity	176	666	10	16	0	48	186	730
Available for sale	7,503	8,236	4,501	27,788	2,009	5,228	14,013	41,252
Subtotal	133,887	123,155	73,800	57,919	16,420	14,493	224,107	195,567
Contingent liabilities	1,143	1,130	76	235	77	63	1,296	1,428
Other liabilities	21,093	21,989	1,256	345	856	1,146	23,205	23,480
Total	156,123	146,274	75,132	58,499	17,353	15,702	248,608	220,475

The regional distribution of the credit volume indicates a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe and North America, some of which were entered into by our foreign subsidiaries and branches. These exposures relate primarily to commercial real estate finance with a total volume of €15.9 billion. Of this figure, some €3.3 billion is attributable to exposures in the U.S.A. and €2.4 billion to exposures in the U.K..

[1] Prior-period figures restated (see Note 6)

125

Credit structure of the loan portfolio

The breakdown of rating categories in the Group loan portfolio demonstrates the conservative orientation of the Postbank Group. The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor for which impairment losses had been recognized as of the December 31, 2008 reporting date (with the exception of "contingent liabilities" and "other liabilities"). The higher rating categories predominate: 93 % of the rated portfolio is classified as investment grade (i.e. rated BBB or higher).

Credit quality of financial instruments in the non-retail business that are neither past due nor impaired[1]														
Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	417	2,447	12,337	5,040	2,419	1,622	300	180	167	207	718	235	16,358	9,731
Held for trading	417	2,447	12,337	5,040	2,419	1,622	300	180	167	207	718	235	16,358	9,731
Hedging derivatives	34	39	387	331	19	32	16	10	11	4	7	5	474	421
Held for trading	34	39	387	331	19	32	16	10	11	4	7	5	474	421
Loans and advances to other banks	643	933	3,570	8,005	12,877	13,719	1,212	386	270	38	18	1,479	18,590	24,560
Loans and receivables	643	933	3,502	7,966	12,877	13,719	1,212	386	270	38	18	1,479	18,522	24,521
Available for sale	0	0	68	39	0	0	0	0	0	0	0	0	68	39
Loans and advances to customers	513	814	2,818	3,018	5,843	3,620	10,754	7,806	6,877	5,858	642	81	27,447	21,197
Loans and receivables	472	724	2,715	2,903	5,764	3,535	10,711	7,725	6,803	5,773	642	81	27,107	20,741
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	41	90	103	115	79	85	43	81	74	85	0	0	340	456
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	34,823	25,351	25,806	20,870	12,126	15,634	5,194	1,742	2,290	1,484	1,643	2,682	81,882	67,763
Loans and receivables	26,553	11,850	24,441	7,040	10,929	5,342	4,330	628	1,060	645	732	955	68,045	26,460
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	186	590	0	92	0	48	0	0	0	0	0	0	186	730
Available for sale	8,084	12,911	1,365	13,738	1,197	10,244	864	1,114	1,230	839	911	1,727	13,651	40,573
Total	36,430	29,584	44,918	37,264	33,284	34,627	17,476	10,124	9,615	7,591	3,028	4,482	144,751	123,672

Compared with the 2007 year-end, portfolios were created predominantly in the highest rating categories (AAA and AA). The current rating distribution for loans and advances to banks, corporates, and sovereigns is in excess of the target rating distribution in line with the credit risk strategy.

Similarly, the following table illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the December 31, 2008 reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business shows a very favorable credit structure. 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 pool ratings are established by segment and are 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 quality of financial instruments in the retail business that are neither past due nor impaired[1]														
Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II Pool rating/ not rated		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	0	0	15	4	68	20	55	69	74	110	3	6	215	209
Held for trading	0	0	15	4	68	20	55	69	74	110	3	6	215	209
Loans and advances to customers	2,611	2,174	5,590	4,819	6,625	5,620	11,972	9,800	16,996	12,505	31,333	32,819	75,127	67,737
Loans and receivables	2,609	2,172	5,539	4,778	6,300	5,385	10,517	8,807	14,241	10,742	27,316	28,809	66,522	60,693
Designated at fair value	2	2	51	41	325	235	1,455	993	2,755	1,763	4,017	4,010	8,605	7,044
Total	2,611	2,174	5,605	4,823	6,693	5,640	12,027	9,869	17,070	12,615	31,336	32,825	75,342	67,946

[1] Prior-period figures restated (see Note 6)

Loans past due but not impaired
The following table shows those risk-bearing financial instruments that were past due in an amount of at least €100 but not impaired as of December 31, 2008:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired										Fair value of the collateral for financial instruments past due but not impaired	
	Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total			
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers	656	940	139	174	61	89	61	50	917	1,253	833	1,290
Loans and receivables	656	940	139	174	61	89	61	50	917	1,253	833	1,290
Total	656	940	139	174	61	89	61	50	917	1,253	833	1,290

Allowances for losses on loans and advances
The allowances for losses in the lending business comprise specific valuation allowances, collective specific valuation allowances, and portfolio impairment.

A specific valuation allowance is recognized if there is objective evidence that – taking into account any collateral – the estimated recoverable amount of the loans and advances is lower than their carrying amount, i.e., if a loan or advance is wholly or partly uncollectible and has therefore suffered permanent impairment. The amount of the specific valuation allowance is measured for the respective unsecured portions of the loans and advances as the difference between the carrying amount of the loans and advances and the fair value of estimated future cash flows, including cash flows from the realization of collateral. The fair value of the collateral held is calculated for each transaction on the basis of the estimated proceeds from the realization of the collateral, the time of realization, and the effective interest rate of the loan or advance. Loans in the Corporate Banking segment for which a specific valuation allowance has already been recognized, as well as all loans that have been placed on the watch list, are measured regularly, i.e., they are monitored continuously on the basis of defined risk indicators, which may lead to the recognition or reversal of a specific valuation allowance. They are also tested for impairment each quarter.

A collective specific valuation allowance is recognized for a portfolio of homogeneous loans with similar characteristics, to the extent that there is a need to recognize a valuation allowance within the portfolio. General ratios based on historical experience of loss rates are applied in measuring collective valuation allowances. The Postbank Group recognizes collective specific valuation allowances in the area of overdrafts and installment loans as well as credit card loans.

The following table shows all impaired financial assets as of the December 31, 2008 and December 31, 2007 reporting dates, broken down into loans and advances to customers for which specific valuation allowances have been recognized and investment securities for which impairment losses have been recognized. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment loss		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to other banks	94	0	52	0	42	0	–	–
Loans and receivables	94	0	52	0	42	0	–	–
Loans and advances to customers	1,827	1,877	1,180	1,154	647	723	949	922
Loans and receivables	1,827	1,877	1,180	1,154	647	723	949	922
Investment securities	1,176	819	624	130	552	689	–	–
Loans and receivables	814	140	488	67	326	73	–	–
Available for sale	362	679	136	63	226	616	–	–
Total	3,097	2,696	1,856	1,284	1,241	1,412	949	922

As a result of the financial market crisis, 2008 saw a substantial increase in the portfolio of impaired financial assets. These impairment losses could be attributed to securitizations and loans and advances to Icelandic banks and group companies of Lehman Brothers Holdings Inc.

The portfolio-based valuation allowances account for all loan losses that have occurred but that Postbank has yet to identify; this may be because the respective customer is still currently meeting his or her payment obligations, for example. Postbank factors in expected default probabilities, loss rates, and the estimated time between when the default occurs and when this is identified (the loss identification period (LIP) factor), depending on the type of product and customer group concerned in each case. Default probabilities and loss rates for defaults at the portfolio level are updated during the annual validation and recalibration of the IRBA rating systems; LIP factors are estimated on an individual basis in line with the relevant risk monitoring processes.

Securitization

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). Investor positions of the banking book are classified and measured as one of the two IFRS categories „loans and receivables" or „available for sale", depending on the intention and structure of the investment. Securitization exposures 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 exposures.

As of December 31, 2008, the total volume of the portfolio amounted to €6.3 billion. Due to a drastic rise in the risk indicators and initial cases of defaults among structured credit products, Postbank has further intensified monitoring of its SCP portfolios and now tests them for impairment on a monthly basis at least. Regular measurement of the portfolio resulted in the recognition of total impairment losses of €156 million in 2008, as well as measurement losses on embedded derivatives amounting to €786 million. This brings the aggregate impairment losses recognized in income for affected portfolios since the beginning of the financial market crisis in mid-2007 to €268 million, and the aggregate measurement losses recognized on embedded derivatives to €871 million. In addition, fair value changes amounting to €549 million were recognized in the revaluation reserve and thus in the Tier 1 capital.

For our Shareholders
Our Business Divisions
Our Responsibility
Group Management Report
Consolidated Financial Statements
Other Information

Postbank's securitization exposures as of December 31, 2008 were as follows:

Securitization exposures: volumes by rating category

	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
CMBSs	86	113	124	74	46	96	14	17	0	0	269	300
RMBSs	448	107	91	43	120	98	41	41	12	0	712	289
Corporate CDOs	574	757	275	1,258	173	398	829	407	920	79	2,772	2,900
Non-corporate CDOs	208	652	149	499	270	424	204	179	991	72	1,822	1,826
Other ABSs	423	376	110	47	5	128	101	112	69	56	708	719
Total	1,739	2,006	747	1,920	615	1,143	1,190	757	1,993	207	6,283	6,033

As of the reporting date of December 31, 2008, only a small number of securitization exposures (total nominal value: approximately €41 million) were hedged with monoliners.

The volume of Postbank's investor positions in fungible commercial real estate loans (CBMSs) amounted to €269 million as of the reporting date. These positions consist almost exclusively of European CMBSs with a regional focus on the United Kingdom and Germany.

Originator

In addition to acting as an investor, Postbank is also on the market as an originator. The following synthetic securitization transactions involving the securitization of residential mortgage loans relating to Germany and Italy not only reduced regulatory capital requirements but also diversified risk. As of the reporting date, Postbank did not conduct securitization transactions relating to revolving counterparty risk.

PB Domicile 2006-1	€2,170 million	(Deutsche Postbank AG)
Provide Blue 2005-1	€1,024 million	(BHW Bausparkasse AG)
Provide Blue 2005-2	€2,509 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€1,197 million	(BHW Bausparkasse AG)

In the current fiscal year, Postbank also structured the PB Consumer 2008-1 originator securitization as a traditional securitization; no significant transfer of risks had taken place as of the reporting date.

Risk reporting

The Postbank Group 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 Group's 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 non-performing loans, 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. The Postbank Group 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 our customers, we believe 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

The Postbank Group 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 risk describes the risk of a loss occurring due to a change in our own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period.

Organization and risk strategy

The responsibility for performing centralized risk management tasks at the Postbank Group 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.

The Postbank Group has established clear rules with regard to responsibility for liquidity risk management. As a matter of principle, operational liquidity management is performed centrally by the Financial Markets division of Deutsche Postbank AG. Within defined risk limits, BHW Bausparkasse AG, the foreign subsidiaries in New York and Luxembourg, and the London branch manage their risks independently using uniform procedures and processes applied throughout the Group. The escalating financial market crisis and the related challenge of timely and flexible risk management have led us to intensify our Group-wide reconciliation processes even further. In the event of a liquidity shock, the Liquidity Crisis Committee has clear responsibility and authority over all Postbank units responsible for portfolios as well as all portfolio units at the subsidiaries and foreign branches.

Risk Controlling functions as a Group-wide, 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 limitation.

The Postbank Group 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. Liquidity risks are only taken within approved limits. 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. The size of this portfolio was again increased significantly in view of the considerable uncertainty among retail customers in particular and the extremely tight situation on the money market due to the financial market crisis. To ensure the additional diversification of its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector and standard mortgage bonds (*Öffentliche Pfandbriefe* and *Hypothekenpfandbriefe*). Under this license, two *Jumbo Pfandbriefe* were issued in the year under review.

The project set up at the end of 2007 to successively enhance liquidity risk management is proceeding according to plan and will be completed by the end of 2009.

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

Risk management and control

In the year under review, the Financial Markets division was reorganized. The Liquidity Management department is responsible for the central management of liquidity risk, focusing on ensuring liquidity maturity transformation and continuous solvency in the Group.

Risk Controlling assesses the liquidity status of the Postbank Group 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 focuses above all on ensuring solvency at all times, even in stress situations. To ensure this, the Bank's liquidity positions are subject to stress tests at least once a month. Severe market developments have meant that the scenarios examined in this context had to be supplemented with additional worst-case scenarios in the year under review in order to take better account of the potential cumulation of adverse liquidity effects. These simulated calculations reflect external changes in a variety of market factors, anxious reactions of customers, and structural changes in funding resources.

Despite the substantially tougher market conditions engendered by the financial market crisis, the liquidity position of the Postbank Group remains solid, thanks in particular to customer deposits, which are stable overall, and the Bank's extensive portfolio of ECB-eligible securities.

The following table shows the financial liabilities as of December 31, 2008 and December 31, 2007, broken down into residual maturity bands. The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with these requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are subject to call or have a short maturity of usually three months but that are available for the Bank for a longer period of time, statistically speaking.

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of December 31, 2008 presents the expected cash inflows/outflows and the available liquidity sources on a cumulative basis in accordance with the principles of internal liquidity management within a one-year horizon.

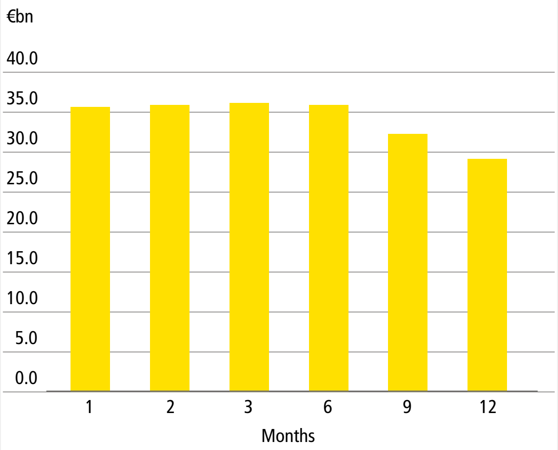
The expected values for cash outflows from liabilities with no fixed capital commitment, such as savings and checking accounts, the probability of utilization of irrevocable loan commitments, and the quality of the available fungible assets for ensuring liquidity are based in part on observed historical data and in part on assumptions that are subjected to regular validation.

These data and assumptions show that the Postbank Group has significant liquidity surpluses across all maturity bands, which underscores its solid cash position.

Liabilities by remaining maturity

Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Deposits from other banks	648	2,668	46,437	44,849	6,283	3,916	4,834	4,307	6,970	4,558	65,171	60,298
Due to customers	26,083	25,684	50,485	47,273	25,096	22,056	4,258	3,008	19,089	1,103	125,011	99,124
Securitized liabilities	0	0	9,415	2,042	3,813	1,445	4,785	8,374	1,533	3,931	19,547	15,792
Trading liabilities	0	0	80	487	3,046	953	12,411	1,935	4,763	2,446	20,300	5,822
Hedging derivatives	0	0	61	81	434	106	2,209	619	1,292	1,417	3,997	2,222
Subordinated debt	0	0	142	27	122	89	885	689	5,212	5,610	6,361	6,416
Other liabilities	2	0	700	186	20	326	57	66	48	25	826	602
Irrevocable loan commitments	23,205	23,480	0	0	0	0	0	0	0	0	23,205	23,480
Total	49,937	51,832	107,321	94,945	38,814	28,891	29,439	18,998	38,906	19,091	264,417	213,756

Liquidity status of the Postbank Group as of December 31, 2008



Risk reporting

The Postbank Group 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 Group Management Board, the members of the Market Risk Committee and the relevant liquidity management units are informed daily on the liquidity status including limit utilization at Group and unit levels.
- The Liquidity Management unit 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 receives monthly liquidity status overviews, including the established scenario analyses and stress tests at Group level.
- 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.

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.

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

In the year under review, the Group Management Board resolved to introduce an advanced measurement approach (AMA). Implementation work started in the second half of 2008. Additional preparations will be made in 2009. The goal is to apply for approval to the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank at the beginning of 2010 and, once approval has been granted, to use the internal model for calculating external capital requirements as well. External data are sourced from the DakOR data consortium. In addition, Postbank joined the international data consortium ORX in 2008. The first exchange of loss data will occur at the beginning of 2009.

Organization and risk strategy

The Management Board of the Postbank Group is responsible for the management, control, and monitoring of operational risk. The Operational Risk Committee (ORC) commissioned by the Management Board is in charge of establishing Group-wide principles. Day-to-day management of operational risk is the responsibility of the individual units within the Group.

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 Group-wide fundamental principles; these relate, for example, to active security such as process transparency, unambiguous rules regarding authorizations and powers, and appropriate security guidelines, as well as to passive security in the form of adequate financial cover. These principles comprise Group-wide standards that were defined by the ORC and must be observed by all organizational units, as well as principles that are the responsibility of the individual business divisions.

Operational risk is integrated into the Postbank Group's risk-bearing capacity concept. The weighting computed for operational risk is incorporated into the risk limitation process by deducting it from the available risk cover amount. At present, risk capital is not suballocated to the individual profit centers.

In 2008, the loss from operational risk amounted to €24.3 million (2007: €27.6 million). The main loss driver for Postbank was external fraud. Frequency losses such as skimming (credit card fraud) and transfer and credit fraud were particularly common. A task force has been set up to limit losses from skimming and has instituted a number of measures. For example, Postbank is replacing the cards issued with cards featuring higher security standards. Another focus is on raising the awareness of the employees involved in the relevant processes, in order to ensure systematic early identification of cases of fraud.

All operational risk management and monitoring activities are coordinated by the Market/Operational Risk department at Postbank headquarters to ensure a uniform approach throughout the Group.

Postbank uses the following OpRisk controlling methods across the Group:

- 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 system.

Postbank headquarters is also responsible for the regular training of local risk managers and upgrading the software solutions deployed. 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 units within the Group.

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.

Following the integration of all material business units in the Postbank Group into the controlling process in the period up to 2007, the focus of work in 2008 – in addition to preparatory work to introduce an advanced measurement approach (AMA) – was on further improving the quality of the data and of reporting. 2009 will see the definition of additional scenarios for the individual units in the Group together with the establishment of an electronic measures tracking system. These activities will build on the experiences gained with the methods already introduced.

Postbank uses 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 and the result is compared with the amount reserved for operational risk in the capital allocation process.

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, 2008 €m	Dec. 31, 2007 €m
Corporate finance	–	–
Trading and sales	23	32
Retail banking	390	385
Corporate banking	67	57
Payment transactions and processing	27	26
Agency services	1	1
Asset management	6	5
Retail brokerage	9	10
Total for Postbank Group	523	516

The Bank's internal quantification model for calculating operational value at risk (OpVaR) was successively upgraded to validate the weightings. It will be supplemented in 2009 by additional components required for regulatory reasons as part of the qualification process for the advanced measurement approach.

Risk reporting

The Postbank Group 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.
- The Group Management Board receives a current summary of the losses recorded each month.
- Additionally, the ORC is informed on a semi-annual basis of the results of the self-assessment.
- At a local level, individual managers at the various levels receive reports tailored to meet their informational needs.

ORC members receive ad hoc reports without delay in the case of material losses that exceed a predefined level.

Monitoring and managing investment and real estate risk

Definition of risk

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

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."

Real estate risk relates to the real estate holdings of the Postbank Group 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 and equity investment portfolio.

The ongoing monitoring and control of risks from equity investments within the Bank is performed by various central Group 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, 2008, Deutsche Postbank AG held a total of 65 direct and a large number of indirect equity investments. In fiscal 2008, the number of investments in associates/equity investments increased moderately 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 internal audit, accounting, controlling, legal affairs, and personnel, are performed by the responsible organizational units at Postbank in some instances. The relevant lending departments of Deutsche Postbank AG monitor risk arising from equity investments that have a near-credit or credit-substituting nature.

Deutsche Postbank AG currently has no shareholdings in other companies in the sense of a private equity or an investment strategy.

The Postbank Group has established procedures to ensure the adequate management and monitoring of key investment risks at Group level. 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.

The properties in the Treasury portfolio are primarily those used by Deutsche Postbank AG and BHW Bausparkasse AG.

Risk management and control

Material risks (particularly market, credit, and liquidity risk) associated with strategic subsidiaries and equity investments are integrated in the operational and strategic Group-wide 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, 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.

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.

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, the Postbank Group 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 collective risk

Definition of risk

BHW Bausparkasse AG's home savings business (collective business) is subject to the specific business risk known as collective risk. The general terms and conditions of home loan and savings contracts provide customers with diverse options for the savings and loan phase. The collective trend is based on estimates of future behavioral patterns of home savings customers, derived from years of experience and detailed structural analyses. Factors influencing customer behavior range from changes in the legal framework through general economic developments, to changes in the home savings customers' personal situations. Postbank defines collective risk as the negative impact of deviations in the actual behavior of home savings customers from their forecast behavior.

Organization and risk strategy

The Management Board is responsible for the strategic management of collective risk. The handling of collective risk is a component of the overarching Group risk strategy. BHW Bausparkasse AG is responsible for the decentralized operational management and monitoring of risks.

Risk management and control

BHW Bausparkasse AG uses a collective simulation model to quantify risk. The model captures planned new contracts and expected home savings customer behavior, such as savings habits, terminations, the financing of existing housing stock, home loan maturity dates, and principal repayments. Building on the individual contracts, the simulation model uses a broad range of behavioral parameters to calculate the statistically expected total cash flow and income statement/balance sheet data at the overall collective level on a quarterly basis for use in planning.

As a specialist institution, BHW Bausparkasse AG is subject to strict statutory and regulatory requirements laid down by the *Bausparkassengesetz* (German Building Society Act) and the BaFin, as the relevant federal authority. The validity of the model has been confirmed by auditors and accepted by the BaFin. In addition, quality assurance in the form of backtesting and target-actual comparisons is performed annually.

The complex simulation of the home savings business, which uses a large number of different parameters, derives assumptions as to the behavior of home savings customers given different interest rate scenarios from historical data series. This sophisticated statistical modeling could assess the relevant home savings parameters incorrectly, resulting in adverse effects on the results of operations and net assets.

The collective simulation incorporates both existing contracts and assumptions as to new business in the coming years. Material effects on the medium-term results of operations would occur if actual new business is significantly below the assumptions, as in this case the Bausparkasse would have access to a reduced volume of low-interest customer funds.

Additional risks result from the fact that the Bausparkasse's simulation assumes that the existing home savings tariffs will remain in force. If the Bausparkasse is forced to adjust its tariffs (e.g., to increase the interest it pays on deposits) as a result of market changes, this could lead to a deterioration in the medium-term results of operations.

Postbank considers the specific business risks arising from its home savings and loan business to be significant and has therefore reserved a conservatively measured lump-sum amount as part of its risk capital allocation. The goal is to arrive at a more differentiated assessment of collective risk in future using mathematical/statistical methods.

Risk reporting

The Postbank Group uses a variety of regular reporting instruments for collective risk:

- The monthly Market Risk Committee report informs the MRC of specific business risks arising from the collective.
- Monthly or, in some cases, quarterly reports providing an overview of the development of the collective are prepared within BHW Bausparkasse AG on the basis of key indicators for submission to the Management Board of BHW Bausparkasse AG.
- The collective risk currently estimated as a lump-sum amount is reported to the Management Board in the quarterly risk-bearing capacity report.

Monitoring and managing business risk

Definition of risk

Business risk refers to unexpected declines in earnings that 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 unknown capital commitments and variable interest rates.
- Residual business risk
  Other unexpected volume or margin declines not covered by model risk.
- Strategic risk
  The risk that earnings targets will not be achieved because of the insufficient focus of the Group 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 as a component of the Group 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 and the Market Risk Committee.

Risk management and control

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.

While model risk exists primarily for 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 risk. The cash flows for customer products bearing variable rates of interest are modeled in the theoretical scenario in line with the commonly used standard moving averages method. Assuming that a stable volume of customer deposits is available in the long term, the mix of moving averages aims to model portfolios of money and capital market transactions that 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.

The remaining business risks are not separately quantified in the risk-bearing capacity concept, but rather backed by risk capital in the aggregate. Market and competition analyses are continually prepared in order to identify potential risks and to develop appropriate countermeasures as part of an early warning system.

Risk reporting

The Postbank Group 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 Audit

The Internal Audit unit is a key element of the Postbank Group'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.

As part of the Bank's business monitoring system, Internal Audit audits all areas of Postbank as a matter of principle at least once every three years in accordance with the MaRisk. Areas that are exposed to a particular risk are audited annually. Internal Audit's responsibilities also extend, in a scaled-down form, to the subsidiaries of the Postbank Group and the branches acquired from Deutsche Post AG. Its activities in the subsidiaries range from control and advisory functions to full-scale Internal Audit procedures.

As a matter of principle, Internal Audit also reviews 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 important projects. Audit concepts are continuously adapted to reflect current changes in the Group and in 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. Given the implementation of advanced risk models, the Bank expanded its audit plans for this area in fiscal 2008 significantly.

Presentation of risk position

Uncertainty as to future developments has increased radically as a result of the ongoing crisis on the financial markets and the resulting extreme volatility on the money and capital markets, as well as the clear slowdown in the economy in large parts of the world. This represents an extreme challenge for risk management at banks. Economic risk-bearing capacity and regulatory capital ratios will remain under pressure throughout the sector – a situation exacerbated by the procyclical effects of Basel II.

In fiscal year 2008, the Postbank Group further expanded the structures, instruments, and processes for risk management and control in the relevant risk classes, and will continue to drive these activities forward in 2009. The methods and procedures used comply with the current statutory and regulatory requirements.

Given the historical pace of the slowdown and the fact that it is not yet clear whether the stimulus programs being introduced around the world and the concerted action by the central banks will be effective, it is difficult to assess how risks will develop in the future.

The turbulence clearly affected Postbank's capital market portfolios and hence its earnings situation in fiscal year 2008. Postbank's relatively conservative risk profile, with its focus on a well-diversified retail portfolio, was unable to prevent a significant impact being felt in the areas of both credit and market risk in 2008. Given the tight market environment, significant risk potential remains despite the measures already taken to reduce its capital market portfolios and risks.

The risks emanating from Postbank's portfolio of structured credit products are being analyzed systematically and intensively for potential defaults and monitored and managed on an ongoing basis using a dedicated project structure. The entire portfolio is regularly tested for impairment. Due to the ongoing turbulence on the capital markets and the substantial deterioration in the economic outlook, we are expecting further negative developments in the course of the year.

The recessionary trends in the customer loan business and the associated decline in the real estate markets may lead to a rise in default rates. This applies in particular to commercial real estate finance in several foreign markets, where the market environment must be expected to remain challenging. However, to date, only extremely isolated signs of potential delinquencies are visible in our portfolio. The relevant holdings are being monitored closely, allowing risk mitigation measures to be taken at an early stage if necessary.

The Retail Banking loan portfolios are generally well collateralized and also exhibit a high degree of granularity. At present, no anomalies are discernible overall from a credit risk perspective, despite the clear deterioration in the economic climate in Germany. However, potential effects on borrowers cannot be ruled out as the recession continues and deepens.

Following the liquidation of the equity portfolios in fiscal year 2008, the market risk exposure is primarily concentrated in the areas of interest rate and credit spread risk, with the focus being on counterparties with strong credit ratings.

Postbank's liquidity situation is sound thanks to its comparatively stable refinancing base of customer deposits. In view of the massive crisis of confidence and the fact that the absorptive capacity of the capital markets is still relatively limited, Postbank is also taking advantage of the extensive refinancing opportunities offered by the central bank.

No risks that could impair the Postbank Group's continued existence are currently discernible from the relevant risk types mentioned above.

Proceedings pending

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 as of January 1, 1999. However, the Commission has 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. 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.

Our Company has been assigned to the mandatory compensation scheme of the Bundesverband deutscher Banken (Association of German Banks). In connection with a current, major case of damage, special contributions to the compensation scheme cannot be excluded.

Report on Expected Developments

Global economy

The global economy is in a strong downturn at the beginning of 2009. There is great uncertainty as to how long and how bad this will be, since there has been no such conjunction of a recession and a severe financial market crisis since the end of the Second World War. The current majority view is that the global economy will stabilize by around the middle of the year as a result of slashing key interest rates by the central banks, the large number of governmental stimulus packages, and the support provided by lower oil prices. Nevertheless, the International Monetary Fund (IMF) only predicts an increase in global economic output of 0.5 % for 2009. This would be recession level for the global economy.

2009 will be a very difficult year for the U.S.A.. Unemployment has already skyrocketed, the downward trend in real estate prices is continuing, and companies are having major problems obtaining loans due to the financial market crisis. This is why it is to be expected that investments will drop significantly and consumer spending will also be lower year-on-year. In contrast, foreign trade is likely to have a positive impact in the form of falling imports. In addition, the planned government economic measures should have a limited stimulating effect. Nevertheless, the U.S.A. will presumably not be able to avoid a fall in GDP in 2009. We are predicting a reduction in economic output of 1.1 %.

Although Japan is less directly affected by the financial market crisis than other countries, the economy is likely to be hit hard by the global slowdown again in 2009 due to its heavy dependence on exports. This means that exports are not expected to have any further positive effects and companies are likely to continue to scale back their investments. As a result, Japan is also facing a fall in GDP in 2009. The Chinese economy is expected to continue to grow in 2009, although according IMF predictions GDP growth will not reach the same level as in previous years. In particular, weak global economic performance is likely to dampen export growth. In contrast, domestic demand is expected to profit from the extensive infrastructure program resolved by the government.

The economic downturn in the euro zone is set to continue in 2009. However, the ECB's sharp interest rate cuts, lower oil prices, the weaker euro, and state measures to support the economy will gradually have an effect over the course of the year. This might allow the economy to stabilize and to pick up towards the middle of the year. However, there is a significant risk that the recession will last longer. In particular, investments are likely to decline in 2009, as companies are expected to act very carefully due to the extremely unsettled environment. Foreign trade is also expected to have a negative impact due to weak global demand. In contrast, consumer spending should see moderate growth despite increasing unemployment, as real household incomes will increase due to the clear drop in inflation. However, euro zone GDP is expected to fall in 2009, the first time since the monetary union was founded. We are expecting a 1.6 % decline year-on-year.

Economic outlook for Germany

The German economy will in all likelihood also continue to decline. German exports are expected to fall due to weak global investments before picking up slightly in line with the stabilization of the global economy forecast for the course of the year. Nevertheless, foreign trade is likely to have a negative impact on GDP for the entire year. In addition, we expect companies to scale back investments. In turn, this is likely to lead to a negative trend on the labor market, which has been quite robust until now. However, consumer spending is likely to buck the general downturn, despite climbing unemployment. The inflation rate will drop significantly as a result of lower energy and commodity prices. This usually has a positive impact on consumer confidence, meaning that consumer spending should show moderate growth in 2009. Nevertheless, we believe that German GDP will fall by 1.9 % in 2009.

Markets
We estimate that the markets in the first half of 2009 will still be dominated by the global financial crisis and fears of a prolonged recession. This means that spreads – especially on the bond markets – will remain at their current very high levels for some time yet. At the same time, volatility on the financial markets will remain high. We believe that the trend towards a gradual, step-by-step normalization on the money markets will continue in 2009 once the governmental measures start to take effect.

The U.S. Federal Reserve is expected to leave its key interest rate at a very low level due to the extreme weakness of the U.S. economy. The weak economy and ongoing declining in inflation have given the ECB room to cut interest rates further, from 2.5 % to 2 % at the beginning of the year. We expect a further interest rate cut in the euro zone during the first half of 2009, resulting in a key interest rate of 1.5 %. This should then remain at this level for the rest of the year. The cuts in key interest rates, coupled with a slight reduction in the distortions on the money markets at the beginning of 2009, have led to a sharp decline in money market rates, which are likely to remain at this moderate level for the rest of the year. In contrast, capital market rates, which are currently very low due to the recession and the financial market crisis, should show a moderate rise. We therefore expect a trend towards a steepening of the yield curve in the euro zone.

Sector outlook
The majority of German banks are likely to have recorded significantly weaker earnings in 2008 than in the previous year. Many institutions are expected to record substantial losses. The effects of the global financial market crisis as well as the decline in many cases of net fee and commission income and net trading income have probably impacted earnings considerably. Under the influence of these negative effects lower or even no dividends are to be expected at numerous banks.

Net trading income and net income from investment securities are expected to continue to perform poorly, at least in the coming months, due to the ongoing adverse conditions in the capital markets. However, the volume of writedowns required as a result of the financial crisis is expected to be lower than in 2008. The spillover of the financial market crisis to the real economy is expected to considerably increase the need for loan loss allowances – especially at institutions with a strong focus on specific segments in the business customer and SME business, as well as on unsecured personal loans. Because of the structure of its loan book, Postbank is likely to be affected to a lesser extent. There is no prospect of a speedy recovery for investment banking in 2009. M&A and the new issues business show little signs of a renaissance. As a result, long-term earnings at many institutions will likely remain below the levels of recent years.

The bailout packages put together by governments and central banks are making an important contribution to stabilizing the financial sector. The goal is to prevent the collapse of "systemically significant" institutions. In many cases, however, governments are only providing support in return for a consideration, which may take the form of a direct stake in the financial institution concerned. This then allows governments to extort a direct influence on the banks' business strategy. In addition, there are indications of stronger regulation of the financial sector in the future. The magnitude of these measures should suffice to safeguard the financial system from further negative effects with potentially grave consequences for the flow of money and the development of the real economy. Over the next few weeks and months, the bailout packages should ease tension on the interbank market significantly, so that banks can increasingly resume the task of providing liquidity themselves. This would ensure that the process of granting loans to corporates, non-banks and private households does not suffer any long-term damage.

We believe that the individual segments of the credit business will again perform differently in 2009. The continuing recession is expected to depress the demand for loans from corporates in the first half of the year in particular. No clear upturn in machinery and equipment investment can be expected before the end of 2009 at the earliest. In contrast, the volume of consumer loans could stabilize in 2009, as consumer spending is hardly likely to drop any lower than in 2008. We feel that residential construction loans offer good opportunities for a moderate upturn, both for new business and for existing portfolios as recently prices for new residential buildings have finally picked up somewhat after years of stagnating or falling prices. At the same time, falling interest rates are likely to boost demand for residential construction loans. However, higher refinancing costs for the institutions because of the spreads, especially for *Pfandbrief* issues, are an offsetting factor.

Postbank's investment focuses in 2009
Postbank will focus its investments in 2009 on implementing statutory requirements and further expanding risk management. Our main priority is to continue the development of the program we started in 2008 to introduce advanced risk models, to finish the liquidity management project, to ensure SEPA compliance for our payments platform, and to implement the *Grundsätze zum Datenzugriff und zur Prüfbarkeit digitaler Unterlagen* (GDPdU – Principles Of Data Access and Auditability of Digital Documents) and the flat tax.

Goals for the segments
Postbank plans to further expand its business model tailored to the needs of retail customers, business customers and corporate customers on the basis of its "Next Step" strategic program. As part of the strategy development in 2007, measures were approved for our business divisions. We use key performance indicators to provide transparent information on the advances and goal achievements of these measures.

In the Retail Banking division, we are building on our large customer base, our strength in cost management, and a sales platform that is unique on the banking market. We want to provide our 14.1 million customers with a compelling proposition in the form of an even higher service level and our innovation leadership for products and processes. To do this, we will increase the focus of our sales capacity on our 4.9 million core customers – customers who handle the majority of their banking business through Postbank. We aim to increase our core customer base to a total of 5.2 million customers in the period up to 2010, and at the same time to better leverage the potential they offer through more intensive cross selling. Our goal is to increase the proportion of core customers who use three or more of our products and services from the current 39.4 % to 47 % by 2010.

We expect an increasingly important contribution from the quantitative and qualitative expansion of our sales channels. For example, we aim to increase branch employee productivity by 50 % by 2010 compared with 2006. We moved a good deal closer to our goal in the past fiscal year and managed to increase productivity by 10.9 % year-on-year. We also have ambitious goals for mobile sales – which is bundled under the umbrella of Postbank Finanzberatung AG – for the period up to the end of 2010. For example, we are aiming for a jump in productivity of 40 %. At the same time, we want to promote multi-category sales through intensive training measures. More than 60 % of our advisers should be in a position to sell three to five product categories. Parallel to this, we also want to increase the size of our mobile sales organization. However, we have abandoned our original goal of expanding the sales team to 5,000 advisers by 2010 for quality reasons; the sales team is currently 4,166 strong.

In 2009, we will also concentrate on structuring our alliance with Deutsche Bank in Retail Banking, with a particular focus on cooperation in the securities business and mortgage lending on the one hand, and generating economies of scale in back-office processes on the other. We expect medium-term positive earnings of €120 million to €140 million before tax from the partnership. This amount will be distributed roughly equally between the two companies.

We are planning a further increase in deposit volumes in the savings business on the basis of new and innovative product variants, despite the continuing tough competition. We will concentrate on new business in private mortgage lending – in response to changes to the banking market's situation – with cover-pool eligible loans. In this way, we will positively influence the value contribution of new business, while the high growth rates of new business may fall compared with the strong previous years.

In Corporate Banking, we continue to follow our strategy as a core bank for the German middle market and thereby position ourselves as a powerful and reliable partner for our customers. By 2010, we aim to be one of the top five banks for up to 3,000 of our total of 30,000 customers. Here too, we want to intensify cross selling. The success of this strategy can be seen from the fact that we were able to achieve the goal of having a middle-market lending volume of €5 billion by the end of 2008, instead of by 2010 as originally planned.

We believe that we can also further increase the credit volume in the Corporate Banking segment in 2009 while retaining our cautious risk policy. We are supported through our long and close business relationships with conservative and equity-rich groups of investors. We profit here from an overall better risk/return profile on the market.

Because of the difficult macroeconomic environment, a rise in loan loss allowances in the Corporate Banking segment compared with the historical lows of recent years cannot be ruled out. We believe that this development will affect Germany to a lesser extent than commercial finance in the U.S.A. and U.K., both of which have been hit harder by the financial and economic crisis.

In Transaction Banking, the cost pressure at banks recently triggered by the financial market crisis may provide additional incentives for outsourcing payment transaction activities. We are very much prepared for this with our state-of-the-art IT platforms for domestic, SEPA, and foreign payments. Our strategic planning continues to aim to establish a joint European offering with one or more partners in the form of partnerships, equity interests, or joint ventures.

Going forward, the key task of the Financial Markets division will continue to be ensuring effective risk management for the entire Postbank Group. Following the extremely challenging 2008, 2009 will be an important milestone in the consolidation of the money and capital markets. Our focus is directed towards the further optimization of asset allocation as a key part of risk management and on actively managing market and spread risks. Moreover, Financial Markets will continue to be the innovation driver for product development in the various customer segments.

Postbank's financial targets

Difficult conditions on the capital markets are expected to persist in 2009 and the economy also appears likely to cool down further. However, it is also to be expected that the measures to stabilize the financial system and to revive the economy being forced through at high speed by the governments will have an effect. Nevertheless, the banking system is likely to face further challenges. As a result, the level of income generated by many institutions is likely to remain below that seen in recent years.

In this environment, we will focus our business model even more strongly on our retail, business, and corporate customers. Given our ongoing strong operating performance – with stable revenue streams from our customer business and a sound refinancing base – we believe that we continue to be in a good position. As part of our "Next Step" strategic program, we will consistently enhance our customer business and support the measures we take in this area with clear, sustained stimuli at overall bank level. We will maintain our current strategy of clearly cutting back on capital market risks and portfolios. The goal in the medium term is to strengthen the customer business earnings lines – net interest income and net fee and commission income – whereas the volatile net trading income and net income from investment securities should play a significantly smaller role. We will further increase our cost management measures despite the sustained successes that we have already achieved in this area.

It is to be expected that the tight situation on the markets and the economic downturn will continue to have a negative impact on our results of operations in the current fiscal year. In particular, we forecast a further impact on our net trading income and net income from investment securities. Depending on macroeconomic developments, an increase in allowances for losses on loans and advances – especially in the case of exposures outside our domestic market – also appears likely. Assuming that there is no further macroeconomic deterioration over and above what is currently expected, we believe that the total impact will be significantly lower than in 2008.

We took account of the changed market environment during the course of 2008 and adjusted our mid-term financial goals. Based on our greater strategic focus on our business with retail, business and corporate customers, we are aiming to generate a sustainable return on equity of 13 % to 15 % after tax in the medium term once the macroeconomic environment has returned to normal.

Responsibility Statement

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

Bonn, February 13, 2009
Deutsche Postbank Aktiengesellschaft

The Management Board

Wolfgang Klein

Dirk Berensmann

Marc Hess

Stefan Jütte

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Consolidated Financial Statements in accordance with International Financial Reporting Standards for the period ended December 31, 2008

I Consolidated Income Statement for the period January 1 to December 31, 2008

	Note	2008 €m	2007[1] €m
Interest income	(7)	9,938	8,384
Interest expense	(7)	–7,443	–6,144
Net interest income	(7)	2,495	2,240
Allowance for losses on loans and advances	(8)	–408	–338
Net interest income after allowance for losses on loans and advances		2,087	1,902
Fee and commission income	(9)	1,683	1,675
Fee and commission expense	(9)	–252	–246
Net fee and commission income	(9)	1,431	1,429
Net trading income	(10)	–389	281
Net income from investment securities	(11)	–1,249	294
Administrative expenses	(12)	–2,969	–2,937
Other income	(13)	218	160
Other expenses	(14)	–103	–137
Profit before tax		–974	992
Income tax	(15)	154	–135
Loss/profit from ordinary activities after tax		–820	857
Minority interest		–1	–1
Consolidated net loss/profit		–821	856

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit/loss by the weighted average number of shares outstanding during the fiscal year. The average number of shares outstanding in fiscal year 2008 was 168,567,000 (previous year: 164,000,000).

	2008	2007[1]
Basic earnings per share (€)	–4.87	5.22
Diluted earnings per share (€)	–4.87	5.22

The diluted earnings per share are the same as the basic earnings per share because, as in the previous year, no conversion or option rights are outstanding, and hence there is no dilutive effect.

The Management Board will propose to the Annual General Meeting that no dividend be paid for fiscal year 2008. A dividend of €1.25 per share was paid in the previous year.

[1] Prior-period figures restated (see Note 6)

125

Consolidated Balance Sheet as of December 31, 2008

Assets	Note	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Cash reserve	(16)	3,417	3,352
Loans and advances to other banks	(17)	18,684	24,560
Loans and advances to customers	(18)	105,318	92,064
Allowance for losses on loans and advances	(20)	–1,232	–1,154
Trading assets	(21)	16,573	9,940
Hedging derivatives	(22)	474	421
Investment securities	(23)	83,058	68,582
Intangible assets	(24)	2,371	2,415
Property and equipment	(25)	879	927
Investment property	(26)	73	73
Current tax assets	(27)	162	117
Deferred tax assets	(27)	835	522
Other assets	(28)	670	529
Assets held for sale	(2)	–	565
Total assets		231,282	202,913

Equity and Liabilities	Note	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Deposits from other banks	(29)	62,790	61,146
Due to customers	(30)	117,472	110,696
Securitized liabilities	(31)	16,342	9,558
Trading liabilities	(32)	16,987	5,600
Hedging derivatives	(33)	2,693	873
Provisions		2,138	2,107
a) Provisions for pensions and other employee benefits	(34)	1,149	1,143
b) Other provisions	(35)	989	964
Current tax liabilities	(36)	192	122
Deferred tax liabilities	(36)	1,087	1,104
Other liabilities	(37)	826	835
Subordinated debt	(38)	5,736	5,603
Liabilities directly related to assets held for sale	(2)	–	44
Equity	(39)	5,019	5,225
a) Issued capital		547	410
b) Share premium		2,010	1,160
c) Retained earnings		3,280	2,797
d) Consolidated net loss/profit		–821	856
Minority interest		3	2
Total equity and liabilities		231,282	202,913

[1] Prior-period figures restated (see Note 6)

125

Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consoli-dated net loss/profit €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Dec. 31, 2006	410	1,160	3,051	–117	6	695	5,205	2	5,207
IAS restatement			–39				–39		–39
Balance at Jan. 1, 2007	410	1,160	3,012	–117	6	695	5,166	2	5,168
Dividend payment						–205	–205		–205
Appropriation to retained earnings			490			–490	–		–
Currency translation differences				–32			–32		–32
Changes in unrealized gains and losses, net of deferred taxes					–529		–529		–529
Consolidated net profit Jan. 1 – Dec. 31, 2007						870	870	1	871
IAS restatement					–33	–14	–47		–47
Treasury shares							–		–
Other changes							–	–1	–1
Balance at Dec. 31, 2007	410	1,160	3,502	–149	–556	856	5,223	2	5,225
For info.: Total of items in 2007 that change equity in accordance with IAS 1.96c				–32	–562	856	262	1	263
Dividend payment						–205	–205		–205
Appropriation to retained earnings			651			–651	–		–
Capital increase	137	850					987		987
Currency translation differences							–		–
Changes in unrealized gains and losses, net of deferred taxes					–168		–168		–168
Consolidated net loss Jan. 1 – Dec. 1, 2008						–821	–821	1	–820
Treasury shares							–		–
Other changes							–		–
Balance at Dec. 31, 2008	547	2,010	4,153	–149	–724	–821	5,016	3	5,019
For info.: Total of items in 2008 that change equity in accordance with IAS 1.96c				–	–168	–821	–989	1	–988

Changes in unrealized gains and losses, net of deferred taxes, include measurement and disposal gains and losses on available-for-sale financial instruments.

A more detailed disclosure of changes in the revaluation reserve may be found in Note 39.

145

Postbank did not hold any treasury shares as of December 31, 2008.

Consolidated Cash Flow Statement

	Note	2008 €m	2007[1] €m
Consolidated net loss/profit		−821	856
Non-cash items in consolidated net loss/profit and reconciliation to cash flow from operating activities			
Depreciation and writedowns of property and equipment, writedowns of investment securities, loans and advances, and reversals of impairment losses on these items		1,159	554
Changes in provisions	(34), (35), (36)	84	−1,418
Changes in other non-cash items		486	72
Gains on disposal of property and equipment and investment securities	(11)	627	−399
Other adjustments (net, primarily net interest income)		−2,479	−2,222
Subtotal		−944	−2,557
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		5,645	−8,461
Loans and advances to customers		−12,833	−5,751
Trading assets		−7,304	3,628
Hedging derivatives with positive fair values		−2,862	−69
Other assets		−499	−218
Deposits from other banks		1,653	13,692
Due to customers		6,787	9,685
Securitized liabilities		6,869	−5,939
Trading liabilities		11,399	1,966
Hedging derivatives with negative fair values		1,805	−152
Other liabilities		−9	49
Interest received		9,745	7,969
Interest paid		−7,426	−5,902
Dividends received		44	48
Income taxes paid		14	62
Net cash from operating activities		12,084	8,050

[1] Prior-period figures restated (see Note 6)

125

	Note	2008 €m	2007[1] €m
Proceeds from the disposal of			
Investment securities		27,586	7,717
Investments in subsidiaries	(2)	1	561
Property and equipment		12	0
Intangible assets		2	51
Payments to acquire			
Investment securities		–40,183	–14,218
Investments in subsidiaries		–23	–14
Property and equipment		–54	–69
Intangible assets		–55	–70
Net cash used in investing activities		–12,714	–6,042
Dividends paid		–205	–205
Net change in cash and cash equivalents from other financing activities		900	534
Net cash from financing activities		695	329
Cash and cash equivalents at start of period	(16)	3,352	1,015
Addition to basis of consolidation		–	–
Net cash from operating activities		12,084	8,050
Net cash used in investing activities		–12,714	–6,042
Net cash from financing activities		695	329
Effects of exchange rate differences		–	–
Cash and cash equivalents at end of period	(16)	3,417	3,352

Reported cash and cash equivalents correspond to the cash reserve.

The cash flow statement is prepared using the indirect method, under which net cash flow from operating activities is calculated on the basis of consolidated net profit/loss plus non-cash expenses less non-cash income in the fiscal year.

In addition, all income and expenses that are cash transactions but are not attributable to operating activities are eliminated. These payments are recognized in the cash flows used in/from investing activities or financing activities.

[1] Prior-period figures restated (see Note 6)

125

Table of contents

Notes

Basis of preparation

Income statement disclosures

Balance sheet disclosures

Other disclosures

Basis of preparation

(1) Basis of accounting

As a listed company, Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2008 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law under section 315a (1) of the HGB (German Commercial Code). The consolidated financial statements constitute an annual financial report within the meaning of section 37v of the WpHG (German Securities Trading Act).

175 The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2008).

Accounting and measurement are based on the going concern principle. Income and expenses are accrued. They are recognized and recorded in the period to which they relate.

The consolidated financial statements comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, and the Notes.

Unless otherwise indicated, all amounts are shown in millions of euros (€m).

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective Standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of provisions, and the ability to realize future tax benefits. When determining the intention to hold financial instruments, both business strategy and the current market conditions are taken into account. Where significant estimates were required, the assumptions made are explained in detail in the following Notes to the corresponding item. In individual cases, the actual values may differ from the assumptions and estimates made.

The management of interest rate, counterparty, and liquidity risks is described in the Risk Report (subsections "Monitoring and managing market risk," "Monitoring and managing credit risk," and "Monitoring and managing liquidity risk") as part of the Group Management Report. 79 82 93

The disclosures on risks from financial instruments (in accordance with IFRS 7) are presented in the Risk Report contained in the Group Management Report. 75

(2) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 43 (December 31, 2007: 43) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2008.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
BHW Holding AG, Berlin/Hamelin	100.0	
Deutsche Postbank Financial Services GmbH, Frankfurt am Main	100.0	
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn	100.0	
DSL Holding AG i.A., Bonn	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, U.S.A	100.0	
PB Factoring GmbH, Bonn	100.0	
PB Firmenkunden AG, Bonn	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank Systems AG, Bonn	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main (TGV 1-24)	100.0	
BHW Bausparkasse AG, Hamelin		100.0
BHW Gesellschaft für Vorsorge mbH, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin		100.0
BHW Immobilien GmbH, Hamelin		100.0
Deutsche Postbank Home Finance Ltd., New Delhi, India		100.0
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg		100.0
PB Capital Corp., Wilmington, Delaware, U.S.A		100.0
PB Finance (Delaware), Inc., Wilmington, Delaware, U.S.A		100.0
PBC Carnegie LLC, Wilmington, Delaware, U.S.A		100.0
Postbank Support GmbH, Cologne		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
Postbank Finanzberatung AG, Hamelin	23.3	76.7
PB Realty Corp., New York, U.S.A		94.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		90.0
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	
DPBI Immobilien KGaA, Munsbach, Luxembourg		10.01

A complete list of shareholdings in accordance with sections 313 and 287 of the HGB may be consulted in the electronic *Bundesanzeiger* (German Federal Gazette).

einsnull IT-Support GmbH was renamed Postbank Support GmbH on entry in the commercial register on January 16, 2008.

The resolution by the annual general meeting of BHW Holding AG on the transfer of the shares of the minority shareholders to the majority shareholder, Deutsche Postbank AG, was entered in the commercial register on February 12, 2008. Upon registration of the transfer resolution, the remaining 1.6 % of the shares held by the minority shareholders were transferred to Deutsche Postbank AG, which thus holds all shares of BHW Holding AG.

Betriebs-Center für Banken Verwaltungs GmbH was renamed PB Sechste Beteiligungen GmbH on entry in the commercial register on June 23, 2008. The company was deconsolidated as of June 30, 2008 due to its minor significance for the Postbank Group.

PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen was entered in the commercial register on July 8, 2008 and included in the consolidated financial statements for the first time. The 23 special funds, which were included in the financial statements until June 30, 2008, were incorporated in the Investmentaktiengesellschaft in July 2008.

On July 21, 2008, BHW Bank AG was merged into Postbank AG retroactively as of January 2, 2008.

As part of a portfolio acquisition, on July 11, 2008 Deutsche Postbank AG acquired the limited partner shares of Ariadne Portfolio GmbH & Co. KG, which was renamed DSL Portfolio GmbH & Co. KG on entry in the commercial register on October 15, 2008. Deutsche Postbank AG also acquired Ariadne Verwaltungs GmbH, which was renamed DSL Portfolio Verwaltungs GmbH on entry in the commercial register on October 15, 2008. Both companies were included in the consolidated financial statements for the first time.

Effective September 11, 2008, Betriebs-Center für Banken Payments & Services GmbH was merged into Betriebs-Center für Banken AG retroactively as of January 1, 2008.

BHW Home Finance Ltd. was renamed Deutsche Postbank Home Finance Ltd. effective September 26, 2008.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), which requires the consolidation of special purpose entities under certain conditions, a total of 24 (December 31, 2007: 23) sub-pools of assets belonging to PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen and a special fund which was launched in the year under review were included. In addition, a company formed to securitize installment loans, was incorporated into the basis of consolidation since January 2008.

BHW Bank AG's credit card and sales financing business, which was reported separately in the previous year in accordance with IFRS 5, was sold to Landesbank Berlin.

There were no other changes in the basis of consolidation. Overall, the changes in the basis of consolidation have had no material impact on the net assets, financial position, and results of operations of the Group.

(3) Consolidation methods

Complying with IAS 27.28, the consolidated financial statements of Deutsche Postbank AG have been prepared in accordance with uniform Group accounting and measurement policies.

Acquisition accounting uses the purchase method in accordance with IAS 27.22 in conjunction with IFRS 3. Recognition of the investments in subsidiaries at their carrying amount at the parent is replaced by the fair values of the assets and liabilities of the companies included.

Any goodwill arising from initial consolidation is tested for impairment once a year and written down if required.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as "minority interest." The value of such minority interest is determined on the basis of the fair values of the assets and liabilities attributable to them.

Intercompany receivables and liabilities, as well as income and expenses from intercompany transactions, were eliminated in accordance with IAS 27.24. Intercompany profits within the Group were eliminated in accordance with IAS 27.25.

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

The consolidation principles are unchanged as against the previous year.

(4) Accounting policies

Unless otherwise stated in the following, all accounting policies remained unchanged as against the previous year.

(a) Active market

The assessment of the accounting policies relating to financial instruments depends on whether an active market exists for them. Under IAS 39.AG71, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

(b) Loans and advances

As a rule, loans and advances to other banks and customers are reported at amortized cost ("loans and receivables" category). These also include money market lendings.

Postbank applies the fair value option exclusively to specific loan portfolios in the mortgage lending business that are hedged by interest rate derivatives. In accordance with this, financial assets may be designated at fair value through profit or loss, provided this leads – among other things – to the elimination or significant reduction of inconsistencies in measurement or recognition (accounting mismatches). Receivables are measured using the valuation technique. They are presented in the balance sheet under the "loans and advances to customers" item. Changes in fair value are reported in net trading income. The interest on portfolios allocated to the fair value option and the related interest rate swaps are reported in net interest income.

The maximum credit risk on the loan portfolios allocated to the fair value option is reduced by €2.2 billion by credit default swaps, because these loans are part of the reference pools of synthetic securitizations and this credit risk has been placed in the market in connection with the RMBS transactions. The credit default swaps that reduce the credit risk are exclusively financial guarantee contracts that are accounted for under IAS 37 or are measured only at the time of the recourse claim.

The fair values for the loan portfolios allocated to the fair value option are estimated based on the DCF process using the current swap yield curve and loan-specific risk premiums.

Risk premiums are measured on the basis of the estimated loss rates and default probabilities from the internal rating model (Basel II IRBA).

Impairments of loans and advances that are not designated at fair value through profit or loss are recognized separately in the allowance for losses on loans and advances, and deducted from assets.

The carrying amount of collateralized loans for which hedge accounting is used is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums and discounts including transaction costs are recognized in net interest income. Deferred interest on loans and advances, as well as premiums and discounts, are carried together under the relevant items of loans and advances. Premiums and discounts are deferred using the effective interest method.

At Postbank, the categorization of financial instruments by classes as required by IFRS 7.6 is derived from the classification of financial instruments in accordance with IAS 39 in connection with the relevant balance sheet items. In the interest of greater transparency, the class with the highest value, "loans and advances to customers – loans and receivables", is reported broken down by product group for Note 20 (IFRS 7.16) (private mortgage lending, home savings loans, commercial loans, public sector, installment credits, other loans and advances).

(c) Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4.

In accordance with IAS 17, leased assets are allocated to and recognized at the lessor or the lessee and the leases are classified as a finance or operating lease onthe basis of the risks and rewards incidental to ownership.

Where Postbank is the lessee in a finance lease, it carries the leased asset in the fair value amount it had at the beginning of the lease or at the lower present value of the minimum lease payments. The lease payments due are reported in the balance sheet under other liabilities. Writedowns of the leased assets are recognized in administrative expenses.

Where Postbank is the lessor of a finance lease, it discloses the receivable at its net investment value under loans and advances to other banks or loans and advances to customers. The lease installments due are recognized as interest income (interest component; recognized in income) and deducted from the receivables reported (principal redemption component; recognized in equity).

Postbank does not have any finance leases relating to real estate. Its leases for movable assets generally take the form of non-full payout leases with a put option. In such non-full payout leases, only part of the total investment costs is amortized within the basic term of the lease due to the fact that this is shorter than the standard useful life.

Where Postbank is the lessee of an operating lease of properties, it reports the lease installments paid in full as rental expense under administrative expenses.

Where Postbank is the lessor of an operating lease, it carries the leased asset at amortized cost under property and equipment. The lease installments received during the respective period are reported in other income; writedowns of the leased assets are carried under administrative expenses.

(d) Allowances and provisions for losses on loans and advances, writedowns and impairment

Identifiable credit risks are covered by recognizing specific valuation allowances (or collective specific valuation allowances). For risks that have arisen but not yet been identified, portfolio-based valuation allowances are recognized for groups of financial assets with similar default risk profiles, the amounts of which are determined on the basis of Basel II parameters (expected loss rates and default probabilities). The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It relates to writedowns of losses on loans and advances to other banks and customers.

A potential need to recognize impairment losses is assumed in the case of the following indicators: delinquency over a certain period, the initiation of enforcement measures, imminent insolvency or overindebtedness, applying for or opening insolvency proceedings, or the failure of restructuring measures.

A financial asset is impaired if its estimated recoverable amount is lower than its carrying amount, i.e., if a loan is presumed to be (partly) uncollectible. If this is the case, the loss on financial assets carried at amortized cost (IAS 39.63) must either be recognized through an indirect writedown (loan loss allowance) or by writing down the asset directly and recognizing the loss in net profit or loss (IAS 39.63).

In accordance with IAS 39.63 ff., the recoverable amount is determined using the following methods:

- discounted present value of estimated future cash flows (interest and principal payments as well as incoming payment amounts from the liquidation of collateral) from the financial asset;
- the market price, where there is an observable market price for the financial instrument, because marking-to-market reflects the greater counterparty risk.

Uncollectible loans and advances are written off directly against income in the appropriate amount; recoveries on loans previously written off are recognized in income.

Credit risk provisions are recognized for liabilities under sureties, other guarantees, and irrevocable loan commitments involving a default risk.

In the year under review, certain parameters for determining portfolio impairments and collective specific valuation allowances were adjusted to reflect the slowdown in the economy. Overall, the adjustments led to an increased portfolio-based valuation allowance (€25 million) and an increased collective specific valuation allowance (€15 million).

(e) Trading assets

Securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the positive fair values of banking book derivatives and derivatives relating to hedged items accounted for under the fair value option. These transactions are recognized at the trade date.

Trading assets are measured at their fair values. Remeasurement gains and losses as well as gains or losses on the sale or disposal of trading assets are recognized in net trading income. If there are publicly quoted market prices on an active market as defined by IAS 39. AG 71 ff., these are generally used as the fair value; if this is not the case, fair value is determined using recognized valuation models.

The interest on spot transactions and interest on swaps in portfolios allocated to the fair value option are recognized in net interest income. All other interest on swaps is reported in net trading income.

Postbank has separated the embedded derivatives in the synthetic collateralized debt obligations (CDOs) in accordance with IAS 39.AG30h and thus measured them separately through profit or loss. The fair values of the embedded derivatives increased significantly at the end of 2008 compared with the previous year due to market tensions; the resulting effects were insignificant in previous years.

The separated derivatives in synthetic SCP portfolios (structured credit products) are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of a positive fair value) or "trading liabilities" (in the case of a negative fair value). SCP portfolios held for trading are also carried under "trading assets." Detailed explanations on SCPs can be found in Note 4 (h) Investment securities.

119

(f) Securities lending and repurchase agreements

Postbank enters into both securities lending and genuine securities repurchase agreements. Securities sold under repo and sell-and-buy-back transactions (cash sales) are carried as securities in the consolidated balance sheet. Cash inflows from such transactions are carried in the balance sheet as deposits from other banks or amounts due to customers, depending on the respective counterparty. These cash inflows are disclosed in the amount of the purchase price received (net); prepaid expenses are recognized ratably for the repo rate to be paid. Interest payments are carried under interest expense.

Reverse repo and buy-and-sell-back transactions (cash purchases of securities) are carried as loans and advances to other banks or loans and advances to customers. The securities purchased are not carried in the balance sheet; interest arising from such transactions is carried under interest income.

IFRSs only require an obligation to return the securities to be recognized by the borrower if the securities are passed on to another party. The lender continues to recognize the securities.

(g) Hedging derivatives

The aim of asset/liability management at the Postbank Group is to manage the Bank's overall exposure in a way which minimizes risk while maximizing earnings, with a particular focus being placed on present value risk. Fair value hedges are used for this purpose.

A fair value hedge is a hedge of the exposure to changes in the fair value of financial assets and liabilities where these changes are based on market risk.

For interest-bearing securities and noncurrent receivables, the instruments used in fair value hedges are primarily interest rate swaps. For issues, cross-currency swaps and structured swaps are also employed to convert fixed-income or structured items into variable-rate exposures. Fair value hedges are used to hedge both individual items and homogeneous subportfolios. Shares are managed using derivatives with option features.

Hedging derivatives relate to those hedging instruments that meet the requirements for hedge accounting set out in IAS 39.

As a rule, a derivative held for hedging purposes may be allocated to a single hedged item or to several similar hedged items. Such hedges are generally known as microhedges.

IAS 39 restricts the use of hedge accounting. Under IFRSs, hedge accounting may only be used for hedging relationships that meet the requirements of IAS 39.88 ff. A hedging relationship ends when the hedged item or the hedging instrument expires, is sold or exercised, or if the hedge no longer meets the criteria for qualification for hedge accounting.

Derivatives entered into for the purposes of asset/liability management and derivatives from ineffective hedging relationships do not meet the conditions set out in IAS 39.88 ff., and thus are always recognized in income and disclosed at their fair value as banking book derivatives under trading assets/liabilities. These derivatives generally relate to interest rate swaps entered into to hedge net positions of receivables and liabilities. Under IFRSs, measurement gains and interest income from these items are recognized in net trading income.

The hedge accounting criteria must be satisfied at each balance sheet date and for each hedging relationship.

Effectiveness testing for all fair value hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument, supplemented by homogeneity testing of the subportfolios. Actual changes in the fair values of the hedged item and the hedging instrument are regularly compared retrospectively for each hedging relationship.

Derivatives used for asset/liability management are entered into primarily as microhedges (fair value hedges). If there are no effective microhedges, the changes in value of the derivatives used for asset/liability management are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective. New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled as part of active management of the fixed-rate position in the overall bank balance sheet (asset/liability management). The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges. Since July 1, 2008, effectiveness tests – and hence measurement in profit or loss – have been performed on a monthly rather than a quarterly basis as a result of further process optimization measures.

(h) Investment securities

Investment securities are composed of bonds not held for trading and other fixed-income securities, equities and other non-fixed-income securities, investments in unconsolidated subsidiaries, and other equity investments.

Investment securities are recognized at the settlement date. Investment securities are measured at cost at the time of initial recognition.

Loans and receivables (LaR) portfolios are recognized at amortized cost in the balance sheet.

Available-for-sale investment securities are subsequently measured at their fair values if the fair values can be reliably determined. Changes in the fair values of available-for-sale investment securities are recognized directly in the revaluation reserve in equity and are not recognized in income until the gain or loss is realized or impairment is identified. If hedge accounting is used for these investment securities, gains and losses from changes in fair value attributable to the hedged risk are recognized directly in income.

Postbank allocates financial instruments to the IFRS AfS category that were not acquired for selling in the near term or short-term profit taking, that were not designated as at fair value through profit or loss and that are not to be held to maturity. The financial instruments are also quoted on an active market – as defined in Note 4 (a) – at their acquisition dates.

Held-to-maturity bonds are carried at amortized cost.

Premiums and discounts are allocated directly to the financial instruments and accrued over the remaining maturity while applying the effective interest method.

Writedowns are charged in the event of significant or permanent impairment. The entity assesses at each balance sheet date whether there is objective evidence to impair assets.

Investments in unconsolidated subsidiaries and other equity investments are generally carried at cost as their fair value cannot reliably be determined. Writedowns are charged in the event of permanent impairment.

In the course of the credit substitution business, Postbank has invested in structured credit products. These include the following product categories: asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs).

The accounting treatment of SCP portfolios is determined by whether they can be classified as cash structures or synthetic structures. In the case of cash structures, the special purpose entity itself holds receivables and/or securities in its portfolio to secure the bonds that it has issued. By contrast, in the case of synthetic structures the credit risk associated with the portfolio of financial assets is usually synthetically transferred using a credit default swap (CDS). Combinations of cash and synthetic structures are accounted for in the same way as synthetic structures.

The Bank's trading portfolio contains a small volume of SCPs. Regardless of their structure, these transactions are classified as held for trading (HfT) in accordance with IAS 39. Banking book SCP portfolios with cash structures are classified as loans and receivables (LaR) in accordance with IAS 39, and those with synthetic structures are classified as available for sale (AfS) in accordance with IAS 39.

In accordance with IAS 39.11, CDOs not allocated to the trading portfolio must be assessed to determine whether a separable embedded derivative is present. Cash structures (LaR) do not contain separable embedded derivatives and are accounted for as a financial asset. By contrast, synthetic structures (AfS) are separated into a host contract and an embedded derivative. A simulation model is used for the separation of the embedded derivative and for the calculation of its fair value.

118

In the case of SCP portfolios in the banking book, the entire structured product (cash structures) and the host contract are reported in the "investment securities" balance sheet item if the embedded derivative (synthetic structure) is separated (see also Note 4 (e)).

The separated embedded derivatives and the SCPs in the trading portfolio are measured at full fair value. Embedded derivatives are measured using a default-based valuation model with a transaction-specific liquidity spread.

Changes in the fair value of embedded derivatives are presented in net trading income. The remaining fair value changes (i.e. of the host contract) are recognized directly in the revaluation reserve if no impairment is present. The value of the embedded derivative is subtracted from the fair value of the entire product.

The full fair value of SCP products is generally measured using published transaction or market prices. If no transaction or market prices are available, as is the case for the (majority of the) products currently in the portfolio, arranger or dealer quotes (indications) are used for measurement. Market-based indications of fair value are often unavailable in particular for CDOs during market periods with limited liquidity, which is currently the case for these products. Measurement is thus based on spread curves for defined CDOs depending on the collateral pool. This valuation technique is based on observable current market transactions (primary market issues) with similar risk profiles.

The Bank has clearly defined criteria that are continuously reviewed for deciding when spread-based measurement should be preferred to measurement using indications.

As mentioned above, synthetic SCPs must be separated into a host contract and an embedded derivative. The embedded derivative is separated and its fair value calculated using a simulation model that is based on portfolio loss distribution, taking into account the respective CDO structure. Postbank uses an internal model for this (which is similar to the S&P CDO Evaluator, Moody's CDO Net, and Fitch Vector).

For the purpose of measurement, the cash flows resulting from the CDO are forecasted and discounted using a discount rate for an equivalent maturity and risk. For this purpose default events relating to the underlyings in the pool designated as collateral are identified using a simulation technique and included in the invested tranche via a waterfall or against the current buffer. The Merton model is used to detect default for each underlying. The default thresholds are defined using the cumulative probability of default (Moody's) of the rating classes or using the development of the expected loss over time (RMBS/retail).

The measurement parameters used for the model are adapted for the current market conditions on the reporting date. For example, in the case of indirect subprime exposure the rating is updated to the reporting date by reducing it in various stages depending on the underlying.

Impairment losses due to changes in credit risk are only charged in the event of permanent impairment. The existence of permanent impairment is determined by certain objective evidence. IAS 39.59 gives some examples of such objective evidence, such as significant financial difficulty of the issuer or obligor, or a breach of contract such as a default or delinquency in interest or principal repayments. Postbank has expanded the objective evidence to define the presence of indirect subprime investments as a factor, and an impairment test must therefore be performed for all indirect subprime investments. Generally, all SCP portfolios are strictly monitored.

Where such objective evidence of permanent impairment exists, the following procedure must be followed: In the case of LaR portfolios, the difference between the current carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. In the case of AfS portfolios, the negative amount from the revaluation reserve must be reversed to the income statement.

Impairment in SCP portfolios is determined by analyzing the expected cash flows using an internal measurement model that reflects the current estimates of counterparty risk for the underlyings in the pool designated as collateral. The default events of the underlyings were simulated over time and included in the invested tranche using a waterfall or against the current buffer.

Rating migrations and the identification of the underlyings with default events enable an analysis of certain triggers for cash CDOs. Additional case-by-case analyses ensure that complex triggers, such as reversal triggers, are taken into account. The current estimate of counterparty risk for the underlyings is based on a products/markets/vintage matrix, reflecting the original rating, the current rating, and recovery expectations.

Changes in the fair value of embedded derivatives are presented in net trading income. The remaining fair value changes (i.e., of the host contract) are recognized directly in the revaluation reserve if no impairment is present. The value of the embedded derivative is subtracted from the full fair value, which was set by the arranger price or generated using the spread-based valuation. The value of the embedded derivative is determined by a market- and loss-based valuation technique that uses current input parameters adapted to the respective market situation.

Due to the drying up of the markets for securitization products, valuation techniques – which were enhanced as against the previous year – are used to measure the fair value of structured financial instruments (structured credit products – SCPs) allocated to the available-for-sale category (e.g. CDOs, consumer ABSs, commercial ABSs, CMBSs, RMBSs). In this context, Postbank uses a simulation model that is based on portfolio loss distribution, taking the respective securitization structure into account. The cash flows resulting from such products are forecasted taking into account the respective risks from the securitized portfolios and the structure of the securitizations, and are discounted using discount rates for equivalent maturities and risks. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. The actual values in specific cases may differ from the assumptions and estimates made.

In the case of interest-bearing securities, the bid-ask spreads identifiable from the indicative prices widened appreciably as the financial market crisis unfolded. The huge drop in liquidity available in the market led to a substantial decline in the trading volume; owing to the fact that the OTC market cannot be observed directly this was demonstrated by an analysis of the publicly available price indicators. While these indicative prices could still be used for measuring the fair values as of June 30, 2008, this was no longer possible in the second half of the year due to the continued widening of bid-ask spreads and the increasing volatility of the indicative prices. For this reason, as of October 1, 2008 Postbank no longer calculated the fair values of these bonds, which have an investment grade rating, using indicative prices; instead, a valuation technique is employed that uses as much input from the market as possible and relies on internal company data as little as possible. This valuation technique is a discounted cash flow method. The expected losses are initially determined on the basis of the cumulative default probabilities for each rating class and for each maturity that are observable on the market using current external ratings and then subtracted from the bonds' contractual cash flows. The default-based cash flows computed in this way are discounted using a risk-adjusted yield curve comprising a risk-free (basic) interest rate and a spread premium for the bonds' illiquidity that takes the risk exposure into account. In the process, changes in the market that had occurred in the mean time were accounted for appropriately.

As a result of a change in the estimation procedure used when measuring the impairment of retail fund units classified as available for sale, the non-permanent impairment losses have been presented as a reduction in the revaluation reserve of €16 million since the beginning of 2008.

The impairment losses are reported in "net income from investment securities."

(i) Intangible assets

Intangible assets are carried at amortized cost and relate primarily to internally generated and purchased intangible assets and purchased goodwill.

Intangible assets in the Postbank Group are only recognized in accordance with IAS 38.21-23 if it is probable that the expected benefit will flow to the entity and the cost can be reliably determined. Development costs for internally generated software are capitalized if the evidence under IAS 38.57 (a) – (f) can be provided. If the criteria for capitalization are not met, the expenses are recognized immediately in the income statement for the period when they arise. Intangible assets with a finite useful life are amortized using the straight-line method over a period of 5 to 10 years, recognized customer relationships over a period of 25 years, and beneficial contracts over a period of 12 years. The amortization period for intangible assets with a finite useful life is reviewed at least at the end of each fiscal year. Changes to expected useful lives are accounted for as changes in accounting estimates. The established "BHW" brand is constantly promoted through continuous investments in advertising. Postbank intends to use this brand name over the long term. The brand has an indefinite useful life.

Postbank has reviewed the useful lives of its purchased and internally generated capitalized software. The analysis indicated that two software products will be usable for a longer period because of their competitive market performance. The extension of the useful lives by 5 years to 10 years improved on earnings in the 2008 fiscal year by around €19 million before tax.

Purchased goodwill is not amortized. Instead, it is tested for impairment to determine whether an impairment loss must be recognized (IFRS 3.54).

Purchased goodwill and intangible assets with indefinite useful lives are tested for possible impairment at the balance sheet date (impairment test in accordance with IFRS 3.55 and IAS 36). This test is performed to ascertain whether the carrying amount exceeds the recoverable amount (value in use or fair value, whichever is higher). Recoverable amounts are calculated based on the value in use of the relevant segments (cash-generating unit) to which the purchased goodwill is allocated, and of the intangible assets. Value in use is calculated based on appropriate projections (management approach). The planning period covers 3 years. The planning period covers 3 years. The projections are based on a growth rate of 1 % and a discount rate of 9.5 %.

(j) Property and equipment

Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Determination of the useful life of an asset reflects physical wear and tear, technical obsolescence and legal and contractual restraints. Writedowns are charged in the event of additional impairment.

Property and equipment is depreciated using the straight-line method over the following periods:

	Useful life (years)
Buildings	40 – 60
IT systems	4 – 7
Other operating and office equipment	3 – 20

Ongoing maintenance and acquisition costs of up to € 150 are expensed in full as incurred. Replacement part costs for property and equipment are capitalized.

An omnibus item is created for low-value assets in the year of acquisition. One fifth of the omnibus item is reversed in the year of acquisition and the four subsequent fiscal years in each case, reducing profit.

(k) Investment property

IAS 40 (Investment Property) defines investment property as property held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of services or for administrative purposes or for sale in the ordinary course of business.

For mixed-use properties where less than 20 % of the total space is rented to third parties, no distinction is made between space used by third parties, to which IAS 40 is to be applied, and space used for operating purposes, which is accounted for under IAS 16. In such instances, the entire property is treated as an item of property and equipment. Rental income is reported under other income.

IAS 40 allows an option to measure investment property at fair value
136
or at amortized cost. Postbank has opted to measure it at amortized cost, and the necessary disclosures are contained in Note 25. The depreciation method and useful life correspond to those of land and buildings. The fair values are determined based on internal appraisals.

(l) Other assets

Prepaid expenses and all assets not allocated to other items of assets are carried under other assets.

(m) Liabilities

Liabilities and subordinated debt are carried at amortized cost (IAS 39.47).

The carrying amount of securitized liabilities that meet the requirements for hedge accounting is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums, discounts, and issue costs are recognized in net interest income by applying the effective interest method.

(n) Trading liabilities

Derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the negative fair values of banking book derivatives. Remeasurement gains and losses as well as gains or losses realized on the settlement of trading liabilities are recognized in net trading income. Derivatives carried under trading liabilities are recognized at the trade date. Interest rate derivatives relating to the hedged items accounted for under the fair value option are also reported here. In addition, short sales of securities are recognized at their negative fair value as far as this is permissible.

The separated derivatives in synthetic SCP portfolios are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of a positive fair value) or "trading liabilities" (in the case of a negative fair value). Detailed explanations on SCPs
119
can be found in Note 4 (h) Investment securities.

(o) Provisions

Provisions for pensions and other employee benefits

Occupational pensions are governed by defined benefit plans and defined contribution plans. Expenses for defined contribution plans mainly relate to payments made to Bundes-Pensions-Service für Post und Telekommunikation e. V. in the amount of € 115 million (previous year: € 111 million) and are recognized in administrative expenses. The defined benefit plans are funded by external plan assets and provisions for pensions and other employee benefits. The total defined benefit obligation for defined benefit plans corresponds to the present value of pension entitlements earned at the valuation date. It reflects expected compensation increases and forecasted pension growth and was calculated on the basis of actuarial reports in accordance with IAS 19. Pension obligations and pension expenses are calculated using the projected unit credit method.

The agreements underlying the pension obligations provide for a range of benefits, depending on the different groups of beneficiaries concerned, such as:

- old-age pensions starting at age 62 or 63, or for the severely disabled at age 60 at the earliest,
- disability pensions in the case of incapacity to work or a reduction in earning capacity,
- surviving dependents' pensions.

Pension obligations primarily reflect direct pension commitments. The nature and amount of the pension payments of those employees entitled to pension benefits are governed by the applicable pension rules (including pension guidelines and pension fund rules), which depend largely on the duration of the employment.

Postbank has assumed a direct occupational pension commitment for pensioners and employees admitted to the Bank's occupational pension plan who were previously insured with Versorgungsanstalt der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

Pension provisions are calculated using the following actuarial assumptions in Germany:

Discount rate	5.75 % p.a.
Salary growth	2.5 %
Pension growth	2.0 %
Fluctuation	4.0 % p.a.
Pensionable age	60 – 63 years
Mortality, disability, etc.	2005G Heubeck tables
Average expected return on plan assets	4.25 %

In the fiscal year, the discount rate was increased from 5.5 % to 5.75 % to reflect the development of capital market rates. All other assumptions remained unchanged as against the previous year. For the German Group companies, longevity was calculated for 2006, 2007, and 2008 using the 2005G mortality tables published by Prof. Klaus Heubeck.

The expected return on plan assets was determined by taking into account current long-term rates of return on bonds (government and corporate) and applying to these rates a suitable risk premium determined on the basis of historical market returns and current market expectations for a given plan's asset structure.

In accordance with IAS 19.92, actuarial gains and losses are not recognized as income or expense until the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed the greater of 10 % of the present value of the defined benefit obligation or of the fair value of plan assets at this time. The excess amount is amortized over the remaining working lives of the active employees and recognized in income.

Other provisions

Other provisions comprise obligations that must be recognized in accordance with IAS 37 or IAS 19 (excluding pension obligations). In accordance with IAS 37.36, the amount recognized as the provisions is the best estimate of the expenditure required to settle the present obligation. Provisions resulting in cash outflows after 12 months are recognized at their present value where the time value of money is significant. This applies in particular to provisions in the home savings business. These are discounted at rates valid on the balance sheet date with maturities and yields that match those of *Bundeswertpapiere* (Federal Government securities). Compounding during the year under review is reported in net interest income.

Provisions for uncertain obligations, for the reimbursement of arrangement fees, and for interest premiums payable retroactively in the case of unutilized loans, or of changes in interest rates or tariffs, are recognized for the home savings business in line with the different tariffs and conditions. These provisions are calculated as a percentage of the total potential liability, based on the statistical data available relating to customer behavior and taking into account the general environment likely to affect the business in the future.

Additions to provisions for interest premiums and changes in interest rates are reported in net interest income, while the creation of provisions for the reimbursement of arrangement fees is charged to net fee and commission income.

(p) Currency translation

In accordance with IAS 21.23, all foreign currency monetary items and equities denominated in foreign currencies that are classified as nonmonetary items in accordance with IAS 21.8 are translated into euros at the middle spot rate at the balance sheet date. There were no material nonmonetary items at the balance sheet date measured at (amortized) cost (in particular property and equipment, prepaid expenses, and deferred income) and translated at the historical rate in accordance with IAS 21.23(b). Foreign currency income and expenses are generally translated at the exchange rate at the end of the month.

Gains and losses resulting from the translation of monetary assets and liabilities are recognized in the income statement. Gains and losses on the translation of nonmonetary items are either taken directly to the revaluation reserve or recognized in net trading income, depending on the item's underlying measurement category.

The annual financial statements of Postbank's foreign subsidiaries prepared in foreign currencies are translated using the modified closing rate method (IAS 21.39). The resulting exchange differences are taken directly to equity.

(q) Income tax

Income taxes are recognized and measured in accordance with IAS 12. Deferred taxes are generally recognized for all temporary differences between the carrying amounts in the IFRS financial statements and the carrying amounts in the tax accounts (tax base). Deferred tax assets are recognized for tax loss carryforwards in the amount of probable future utilization.

Deferred tax items are carried under "deferred tax assets" in the case of assets and "deferred tax liabilities" in the case of liabilities.

Current and noncurrent deferred tax assets and liabilities are offset in accordance with IAS 12.74.

Income and expenses from deferred taxes are recognized under income tax separately from current tax income and expenses. Recognition depends on the accounting treatment of the underlying item. For example, deferred taxes are recognized in net profit or loss when the balance sheet item is itself recognized in net profit or loss. Deferred taxes are credited or charged to the revaluation reserve in equity when the balance sheet item is itself credited or charged directly to equity (IAS 12.61), e. g., in the case of remeasurement of available-for-sale securities.

In accordance with IAS 12.39, deferred tax liabilities for temporary differences associated with investments in subsidiaries, branches, and associates do not have to be recognized if the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Because both criteria are met in the case at hand, no deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries amounting to €25 million.

As of December 31, 2008, there were no more domestic tax loss carryforwards.

(5) New developments in international accounting under IFRSs

Amendments to IAS 39 and IFRS 7

In its amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets", which were issued on October 13, 2008, the IASB added another option to reclassify financial assets provided specific conditions are met. These amendments were transposed into European law by the Commission of the European Communities by virtue of Commission Regulation (EC) No. 1004/2008 dated October 15, 2008, and entered into force on October 17, 2008. The amendment brings IAS 39 closer to U.S. GAAP and narrows the gap between the accounting standards for financial instruments and the business policy objectives.

Postbank has altered its intention to hold a portion of the financial instruments in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It therefore reclassified financial instruments out of the available-for-sale category to the loans and receivables category in accordance with IAS 39.50E. In fiscal year 2008, financial instruments with a total nominal amount of €34.8 billion were reclassified at fair value at the relevant reclassification dates. Of this figure, foreign currency bonds with a principal amount of €1.6 billion were attributable to the third quarter and bonds issued by foreign sovereigns, banks, and corporates with a principal amount of €33.2 billion were attributable to the fourth quarter. Note 23 contains further disclosures pursuant to IFRS 7.12A.

133

Amendments resulting from Standards and Interpretations to be applied in future fiscal years

The principal Standards issued, the date of obligatory first-time adoption and the expected effects for Postbank are summarized below:

Standard	Date of first-time adoption	Description of amendments and their effects for Postbank
IFRS 8 Operating Segments	January 1, 2009 (endorsed by EU Regulation 1358/2007 of November 21, 2007)	IFRS 8 will supersede the provisions of IAS 14 on segment reporting. The new guidance implements segment reporting using the 'management approach'. The adoption of IFRS 8 from 2009 will not have any material effects for Postbank.
IAS 1 Presentation of Financial Statements (revised 2007)	January 1, 2009 (endorsed by EU Regulation 1274/2008 of December 17, 2008)	IAS 1 (revised) essentially contains changes to the presentation of the income statement and the statement of changes in equity. The adoption of the amended Standard will affect the presentation of financial statement components in particular.
IAS 23 Borrowing Costs	January 1, 2009 (endorsed by EU Regulation 1260/2008 of December 10, 2008)	IAS 23 (revised) eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. These must now be capitalized as part of the cost of the asset.
IAS 32 Financial Instruments: Presentation	January 1, 2009 (endorsed by EU Regulation 1126/2008 of November 3, 2008)	The new IAS 32 contains new guidance on distinguishing between equity and debt. According to currently available information, adoption of this Standard will not have any material effects for Postbank.
IFRS 3 Business Combinations	July 1, 2009	Among other things, the new IFRS 3 contains amendments in connection with the measurement of the cost of acquisition and the calculation of goodwill (option to use the full goodwill method), which in the case of acquisitions of companies will tend to lead to more frequent fair value measurements and greater volatility in equity and/or earnings.
IAS 27 Consolidated and Separate Financial Statements	July 1, 2009	The new IAS 27 eliminates the option of choosing between the 'economic entity model' and the 'modified parent company model' when interests are acquired after obtaining control in favor of the 'economic entity model'. Differences between the purchase price and the proportionate carrying amount are recorded in equity. Sales of interests without loss of control are accounted for as equity transactions, while those that do result in loss of control – including for the interests retained – are recognized in profit or loss. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the sale or acquisition of interests by Postbank.

In addition, an amendment to IAS 39 regarding eligible hedged items was issued. The amendments are required to be applied retrospectively for all fiscal years beginning on or after July 1, 2009. This will not give rise to any changes for Postbank.

The IASB made clarifications, amendments, and additions to 12 Standards as part of the Annual Improvements Project 2008. The amended Standards are required to be applied for all fiscal years beginning on or after January 1, 2009. Postbank does not anticipate any material effects from the new requirements.

(6) Restatement of prior-year and prior-quarter figures

In the year under review, additional measurement parameters were employed for the fair value measurement of mortgage loans. The retrospective adjustment led to a reduction of €57 million in loans and advances to customers and a decline of €22 million in deferred tax liabilities effective December 31, 2006. Overall, retained earnings fell by €35 million. The change in the measurement methodology resulted in a decline of €9 million in net trading income and an increase of €2 million in the deferred tax expense in 2007, reducing net profit for 2007 by €11 million overall.

In addition, starting in 2008 system support was provided for including loan commitments for these mortgage loans in fair value measurement. For 2008, this resulted in an increase in net trading income of €11 million and an increase in deferred tax liabilities of €3 million. Overall, this adjustment led to an increase in income of €8 million.

Postbank's acquisition of BHW led to the identification of hidden liabilities for intangible assets (liabilities whose carrying amount is lower than their negative fair value) during purchase price allocation in accordance with IFRS 3. Hidden liabilities had to be adjusted in 2006 and 2007 due to the transfer of intangible assets within the Group and disposals from the basis of consolidation. As a result, amortization of intangible assets amounting to €4 million was recognized retrospectively in retained earnings for 2006. In addition, €3 million was recognized as an expense in 2007.

Postbank now reports the amortization of intangible assets under administrative expenses, rather than under other expenses. The prior-year and prior-quarter figures were adjusted.

In the year under review, Postbank reviewed its investments in securitization positions in detail. In the course of this analysis, it transpired that synthetic CDOs had been allocated to cash CDOs in a few isolated cases. Since the synthetic CDOs were categorized as AfS, this adversely affected the revaluation reserve by €47 million before tax as of December 31, 2007. Investment securities and loans and advances to other banks fell by €24 million and €21 million respectively, while trading assets and trading liabilities rose by €4 million and €6 million respectively.

In the case of the retrospective changes, earnings per share, segment reporting, and the cash flow statement were adjusted accordingly.

Income statement disclosures

(7) Net interest income

	2008 €m	2007 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	6,245	5,437
Fixed-income and book-entry securities	3,377	2,491
Trading operations	202	347
Net gains/losses on hedges	28	–1
	9,852	8,274
Current income from:		
Equities and other non-fixed-income securities	75	103
Investments in associates	11	7
	86	110
	9,938	8,384
Interest expense on:		
Deposits	6,292	4,825
Securitized liabilities	641	587
Subordinated debt	307	280
Swaps	5	110
Trading operations	198	342
	7,443	6,144
Total	2,495	2,240

Interest income from lending and money market transactions includes €33 million (previous year: €34 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Interest expense on liabilities, securitized liabilities, and subordinated debt relates to financial instruments classified as liabilities at amortized cost.

Interest income and expenses on swaps used in a hedging relationship are reported as a net expense. The underlying transactions are hedging instruments that meet the qualification criteria for hedge accounting in accordance with IAS 39, amounting to €2 million (previous year: €54 million). In addition, this item includes €3 million (previous year: €56 million) in derivatives that hedge loans and advances designated under the fair value option.

The interest expense for the trading portfolio refers to imputed interest expenses.

Gains or losses from the remeasurement of fair value hedges are carried under net gains/losses on hedges, which are composed of the following items:

	2008 €m	2007 €m
Gains on the fair value remeasurement of hedged items	2,797	165
Losses on the fair value remeasurement of hedging instruments	–2,769	–166
Total	28	–1

(8) Allowance for losses on loans and advances

	2008 €m	2007 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	431	415
Portfolio-based valuation allowances	32	19
Cost of additions to provisions for credit risks	23	18
Direct loan write-offs	39	31
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	92	130
Portfolio-based valuation allowances	–	1
Income from the reversal of provisions for credit risks	4	3
Recoveries on loans previously written off	21	11
Total	408	338

€337 million (previous year: €323 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €19 million (previous year: €15 million) to guarantees, warranties, and irrevocable loan commitments.

€52 million of the transfers to specific valuation allowances was attributable to the credit exposures to Lehman Brothers and to Icelandic banks.

(9) Net fee and commission income

	2008 €m	2007 €m
Giro business	364	361
Securities business	165	136
Lending and guarantee business	116	111
Branch business	473	509
Other fee and commission income	313	312
Total	1,431	1,429

"Other fee and commission income" includes income from payment transaction services for third parties.

Net fee and commission income from trust activities amounted to €8 million (previous year: €8 million) and is reported in "Other fee and commission income".

Since the start of 2008, the fee and commission income and expense items attributable to Postbank Finanzberatung have been allocated more appropriately to the individual components of net fee and commission income.

(10) Net trading income

Quoted prices are generally used to establish the fair values of trading assets and trading liabilities. The fair values of unlisted products are established using the discounted present value method or suitable valuation models. In addition to trading income and expenses, net trading income also includes net remeasurement gains/losses on trading assets.

	2008 €m	2007[1] €m
Net income from sale of securities and loans	37	105
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	–48	–5
Equities	–	4
Loans (held for trading)	13	–6
	–35	–7
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	18,787	3,639
Loss on derivatives	–19,150	–3,445
	–363	194
Net gains/losses from application of the fair value option		
of which loans and advances to customers	433	–183
of which derivatives substantively linked to the fair value option	–422	186
	11	3
Foreign exchange loss	–33	–7
Net fee and commission income carried in the trading portfolio	–6	–7
Total	–389	281

The net loss on derivatives carried in the trading portfolio and the banking book includes income from swaps of €15 million (previous year: €4 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

The net loss on derivatives carried in the trading portfolio and the banking book includes income from the asset/liability management (see Note 4 (g)) amounting to €554 million (previous year: €337 million).

118

The net loss on derivatives also includes losses on the measurement of embedded derivatives from structured credit products of €755 million (previous year: €85 million), capital-guaranteed promissory note loans (CPPI) of €133 million (previous year: €19 million) and other promissory note loans of €31 million (previous year: €20 million).

	2008 €m	2007[1] €m
Net income from interest rate products	–5	90
Net gain/loss on derivatives carried in the trading portfolio and the banking book	–363	194
Net gain from application of the fair value option	11	3
Net income from equities	7	8
Foreign exchange loss	–33	–7
Net fee and commission income carried in the trading portfolio	–6	–7
Total	–389	281

(11) Net income from investment securities

Net income from investment securities contains net gains/losses from the sale and remeasurement of investment securities, investments in unconsolidated subsidiaries and investments in associates.

	2008 €m	2007 €m
Net income from loans-and-receivables investment securities	–486	–87
thereof net income from sale	2	–20
Gains on sale	59	10
Losses on sale	57	30
thereof net impairment loss	–488	–67
Net income from available-for-sale investment securities	–786	–36
thereof net income from sale	–650	27
Gains on sale	205	381
Losses on sale	855	354
thereof net impairment loss	–136	–63
Net income from loans to other banks	–	1
thereof net income from sale of loans and receivables	–	1
Net income from loans to customers	30	24
thereof net income from sale of loans and receivables	30	24
Gain/loss from the disposal of fair value hedges	–	3
Net income from investments in associates	–7	389
Total	–1,249	294

[1] Prior-period figures restated (see Note 6)

125

	2008 €m	2007 €m
Net income from bonds and promissory note loans	–6	–163
Net income from equities and other non-fixed-income securities	–612	198
Net income from investments in associates	–7	389
Impairment	–624	–130
Total	–1,249	294

€156 million (previous year: €112 million) of the net impairment loss on investment securities relates to structured credit products and €97 million to writedowns of equities and retail funds (previous year: €18 million). The remaining impairments were recognized in relation to the exposures to Lehman Brothers and Icelandic banks.

Securities were purchased at a transaction price of €150 million to avoid a trigger event in a structured securities portfolio. A loss of €11 million was incurred when the securities were recognized at fair value. The valution technique used for measuring the fair value (see Note 4 (h)) makes maximum use of market inputs in accordance with IAS 39.48 A.

119

(12) Administrative expenses

Consolidated administrative expenses are composed of staff costs, non-staff operating expenses and amortization, depreciation and writedowns of intangible assets and property and equipment. These expenses are composed of the following items:

	2008 €m	2007[1] €m
Staff costs		
Wages and salaries	1,092	1,053
Social security contributions	106	102
Expenses for pensions and other benefits	212	217
	1,410	1,372
Other administrative expenses	1,373	1,402
Amortization of intangible assets	95	81
Depreciation and writedowns of property and equipment	91	82
Total	2,969	2,937

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €117 million (previous year: €120 million) and pension expenses for defined benefit plans amounting to €78 million (previous year: €81 million).

Other administrative expenses relate primarily to IT costs of €288 million (previous year: €328 million); operating building and premises expenses of €154 million (previous year: €159 million); market communication costs of €149 million (previous year: €151 million); expenses for intragroup services received from Deutsche Post AG in the amount of €136 million (previous year: €128 million); and legal, consulting, and audit costs of €92 million (previous year: €102 million). €1 million of the other administrative expenses relates to investment property (previous year: €1 million).

125

[1] Prior-period figures restated (see Note 6)

Other administrative expenses include lease expenses of €150 million (previous year: €150 million), composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

Amortization and writedowns of intangible assets includes impairment losses of €23 million (previous year: €0 million).

Impairment losses of €21 million were charged on property and equipment in the year under review (previous year: €0 million).

(13) Other income

	2008 €m	2007 €m
Participation in loss by silent partnerships and profit participation certificates outstanding	37	–
Income from reversal of accruals	32	10
Income from property and equipment	27	20
Income from reversal of other provisions	22	45
Reimbursements from internal welfare institutions	19	19
Income from uncollectable transactions	6	6
Income from branch final settlement	–	10
Miscellaneous	75	50
Total	218	160

Income from property and equipment mainly comprises rental income of €22 million (previous year: €20 million), of which €1 million relates to investment property, and book gains of €3 million.

The miscellaneous item includes a large number of individual items.

(14) Other expenses

	2008 €m	2007[1] €m
Expenses for other taxes	11	13
Expenses from property and equipment	6	5
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	6	4
Expenses for special projects	–	23
Miscellaneous	80	92
Total	103	137

Expenses from property and equipment include losses on the disposal of property and equipment and intangible assets.

Expenses for other taxes relate primarily to land taxes amounting to €3 million (previous year: €4 million) and foreign wealth taxes amounting to €2 million (previous year: €0 million).

The miscellaneous item includes interest expense on payables to tax authorities in the amount of €7 million (previous year: €1 million).

The miscellaneous item includes a large number of individual items.

(15) Income tax

Income taxes in the Group were composed of the following items:

	2008 €m	2007[1] €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	26	22
Trade income tax	22	22
	48	44
Income/expense from prior-period income tax	86	20
	134	64
Expense from deferred taxes		
from temporary differences	–157	20
from the reversal of loss carryforwards	–131	51
	–288	71
Total	–154	135

The following reconciliation illustrates the relation between profit after tax and income tax expense:

	2008 €m	2007[1] €m
Profit from ordinary activities after tax	–820	857
Income tax expense	–154	135
Profit before tax	–974	992
Applicable tax rate	29.83 %	39.90 %
Expected income taxes	–291	396
Tax effects		
Effect of changes in tax rate	–3	–206
Effect of difference between applicable tax rates in Germany and abroad	–34	–17
Effect of tax-free foreign income	–	–
Effect of tax-free domestic income and non-deductible expenses	–3	7
Effect of previously unrecognized tax losses	–	30
Effect of prior-period taxes	71	77
Effect of equities and investments resulting from section 8b KStG	115	–158
Other	–9	6
	137	–261
Income tax expense	–154	135

If a corporation receives dividends or other income from an investment or if it generates a capital gain on the disposal of this investment, 95 % of this investment income remains tax-free for the receiving corporation in accordance with section 8b of the *Körperschaftssteuergesetz* (KStG – German Corporation Tax Act). This rule is based on the principle that dividends and capital gains on the disposal of shares in corporations remain tax-free provided that they remain within the corporations.

Such gains are therefore only taxed if they are distributed to ineligible recipients (natural persons or associations of persons) under the *Halbeinkünfteverfahren* (German half-income system). No distinction is made between domestic and foreign investments.

Balance sheet disclosures

(16) Cash reserve

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Cash	923	1,036
Balances with central banks	2,494	2,316
Total	3,417	3,352

€2,315 million (previous year: €2,247 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2008 was €1,935 million (previous year: €1,687 million).

(17) Loans and advances to other banks

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Domestic banks		
Payable on demand	935	581
Other loans and advances	6,415	10,128
	7,350	10,709
Foreign banks		
Payable on demand	2,241	1,020
Other loans and advances	9,093	12,831
	11,334	13,851
Total	18,684	24,560

€5,220 million (previous year: €6,868 million) of loans and advances to other banks is due after more than 12 months.

[1] Prior-period figures restated (see Note 6)

Loans and advances to other banks can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Loans and advances to other banks	10,547	12,845
(loans and receivables) thereof fair value hedges	863	1,516
Money market assets	8,069	11,676
Loans and advances to other banks (available for sale)	68	39
Total	18,684	24,560

Collateral received that can be unconditionally liquidated or can be unconditionally sold:

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Financial collateral	10,136	11,413	2,855	1,298
Non-financial collateral	–	–	–	–
Total	10,136	11,413	2,855	1,298

Collateral is utilized at standard market conditions.

As of December 31, 2008, receivables under repurchase agreements amounted to €8,271 million (previous year: €12,384 million). Postbank is the lender in such transactions. Securities purchased under agreements to resell relate to listed bonds of public-sector issuers, issuances by German and foreign banks, corporate bonds, and equities.

Loans and advances to other banks include fixed-interest loans in the amount of €12.4 billion (previous year: €18.2 billion) and variable-interest loans in the amount of €6.3 billion (previous year: €6.4 billion).

[1] Prior-period figures restated (see Note 6)

125

(18) Loans and advances to customers

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Private mortgage lending	69,370	64,715
Home savings loans	3,581	3,179
Commercial loans	24,277	17,553
Public sector	2,182	3,546
Installment credits	2,973	2,289
Other loans and advances	2,935	782
Total	105,318	92,064
thereof:		
Secured by mortgage charges	54,319	50,306
Public-sector loans	2,182	3,546

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Domestic customers	83,404	74,904
Foreign customers	21,914	17,160
Total	105,318	92,064

Loans and advances to customers without a fixed maturity amounted to 0.9 % of total assets (previous year: 1.3 %). These loans and advances have been allocated to the shortest maturity bucket in the maturity structure.

€78,577 million (previous year: €69,703 million) of loans and advances to customers is due after more than 12 months.

Loans and advances to customers include fixed-interest loans in the amount of €91.3 billion (previous year: €84.3 billion) and variable-interest loans in the amount of €14.0 billion (previous year: €7.7 billion).

Loans and advances to customers can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Loans and receivables	96,373	84,564
thereof fair value hedges	1,754	1,356
Held to maturity	340	456
Fair value option	8,605	7,044
Total	105,318	92,064

Loans and advances to customers include amounts due under finance leases of €325 million (previous year: €146 million). The gross investment value of the leases amounts to €280 million (previous year: €155 million).

The total amount of outstanding minimum lease payments is €276 million (previous year: €153 million) and has the following maturity structure:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
in the first year after the balance sheet date	61	40
in the second year after the balance sheet date	56	41
in the third year after the balance sheet date	42	35
in the fourth year after the balance sheet date	31	21
in the fifth year after the balance sheet date	19	11
more than five years after the balance sheet date	67	5
Total	276	153

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Outstanding minimum lease payments	276	153
Unguaranteed residual values	4	2
Total gross investment	280	155
Unearned finance income	49	17
Net investment	231	138
Present value of unguaranteed residual values	2	1
Present value of minimum lease payments	229	137

(19) Total credit extended

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Loans and advances to other banks	18,684	24,560
Loans and advances to customers	105,318	92,064
Guarantees	1,296	1,428
Total	125,298	118,052

(20) Allowance for losses on loans and advances

The allowance for losses on loans and advances covers all identifiable credit risks. Portfolio-based valuation allowances were recognized for the latent credit risk.

Risks have been provided for by an allowance for losses on loans and advances carried under assets, and by the recognition of provisions for credit risks.

The allowance for losses on loans and advances is composed of the following items:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Allowances for losses on loans and advances to other banks	52	–
Allowances for losses on loans and advances to customers	1,180	1,154
Total allowances for losses on loans and advances	1,232	1,154
Provisions for credit risks	48	39
Total	1,280	1,193

The allowance for losses on loans and advances carried under assets changed as follows in the year under review:

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Balance at Jan. 1	1,071	1,090	83	65	1,154	1,155
Reclassification in accordance with IFRS 5	–	–30	–	–	–	–30
Additions						
Allowance charged to the income statement	431	415	32	19	463	434
Disposals						
Utilization	260	236	1	–	261	236
Allowance reversed to the income statement	92	130	–	1	92	131
Unwinding	33	34	–	–	33	34
Currency translation differences	–1	4	–	–	–1	4
Balance at Dec. 31	1,118	1,071	114	83	1,232	1,154

Collective specific valuation allowances are also reported under the specific valuation allowances.

[1] Prior-period figures restated (see Note 6)

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Specific valuation allowances		
Private mortgage lending	394	390
Home savings loans	12	11
Commercial loans	222	213
Public sector	–	–
Installment credits	118	86
Other loans and advances	320	371
Portfolio-based valuation allowances	114	83
Total	1,180	1,154

The total amount of loans at the balance sheet date for which no interest payments are received was €951 million (previous year: €918 million). Writedowns were charged on loans with a total volume of €1,921 million (previous year: €1,877 million). The outstanding interest receivables accounted for by these loans amounted to €98 million at December 31, 2008 (previous year: €124 million).

€39 million of loans and advances was written off directly in the year under review (previous year: €31 million). Recoveries on loans written off amounted to €21 million (previous year: €11 million).

(21) Trading assets

Group trading activities consist of trading in bonds and other fixed-income securities, equities and other non-fixed-income securities, promissory note loans and foreign currencies, as well as derivatives. All trading assets are carried at their fair values.

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Bonds and other fixed-income securities		
Public-sector issuers	28	31
Other issuers	458	4.108
thereof money market instruments	–	1.292
	486	4.139
Equities and other non-fixed-income securities	18	161
Building loans held for trading	216	209
Positive fair values of derivatives carried as trading assets	15.209	5.155
Positive fair values of banking book derivatives	459	135
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	185	141
Total	16.573	9.940

€13,211 million (previous year: €7,404 million) of trading assets is due after more than 12 months.

€0.3 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term (previous year: €1.5 billion), while €0.2 billion (previous year: €2.6 billion) has a variable rate of interest (floaters).

The following amounts of bonds and other fixed-income securities, and equities and other non-fixed income securities carried as trading assets, are negotiable and listed:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities	456	4,109
Equities and other non-fixed-income securities	12	161

(22) Hedging derivatives

Hedges with positive fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	1	11
	1	11
Hedging derivatives on loans to customers		
Loans and receivables	2	13
	2	13
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	59	241
	59	241
Liabilities		
Deposits from other banks	27	17
Due to customers	14	14
Securitized liabilities	158	98
Subordinated debt	213	27
	412	156
Total	474	421

Hedging derivatives amounting to €301 million (previous year: €371 million) are due after more than 12 months.

[1] Prior-period figures restated (see Note 6)

125

(23) Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed income securities, investments in associates and investments in unconsolidated subsidiaries.

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Bonds and other fixed-income securities		
Public-sector issuers	26,617	15,124
Other issuers	55,855	50,937
	82,472	66,061
Equities and other non-fixed-income securities		
Equities	–	1,016
Investment fund shares	475	1,402
	475	2,418
Investments in associates	19	22
Investments in unconsolidated subsidiaries	92	81
Total	83,058	68,582

Bonds and other fixed-income securities contain collection documents amounting to €2 million (previous year: €6 million).

Investment securities amounting to €70.654 million (previous year: €61.453 million) are due after more than 12 months.

€56.7 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term (previous year: €41.6 billion), while €25.8 billion (previous year: €24.5 billion) has a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €6.3 billion (previous year: €6.3 billion).

Investment securities are classified as follows in accordance with the categories of financial instruments as defined in IAS 39:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	68,859	26,600
thereof fair value hedges	31,318	5,447
Held to maturity	186	730
Available for sale	13,427	38,731
thereof fair value hedges	7,290	14,633
	82,472	66,061
Equities and other non-fixed-income securities		
Available for sale	475	2,418
	475	2,418
Investments in associates (available for sale)	19	22
Investments in unconsolidated subsidiaries (available for sale)	92	81
Total	83,058	68,582

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Bonds and other fixed-income securities	80,118	64,042
Equities and other non-fixed-income securities	248	1,583
Investments in associates	7	9

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Liabilities	40,800	24,518
Contingent liabilities	–	–
Total	40,800	24,518

Investment securities are pledged as collateral in accordance with standard market conditions.

To enable it to enter into open market transactions, Postbank has pledged securities with an eligible value of €30 billion (previous year: €23 billion) as collateral to the European Central Bank. There were open market transactions amounting to €23 billion at the balance sheet date (previous year: €15 billion). The securities lodged as collateral are reported as investment securities.

[1] Prior-period figures restated (see Note 6)

Changes in the fair value of unhedged available-for-sale securities in the amount of €–992 million were charged to the revaluation reserve (previous year: €–562 million). €788 million (previous year: €–24 million) carried in the revaluation reserve was reversed to income in the period under review from the disposal of investment securities and the recognition of impairment losses.

Impairment losses totaling €624 million (previous year: €130 million) were recognized in fiscal year 2008 to reflect the economic performance of the financial instruments.

In the third quarter of 2008, Postbank altered its intention to hold a portion of the bonds in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It therefore reclassified foreign currency bonds with a nominal amount of €1.6 billion out of the "available-for-sale" category to the "loans and receivables" category as of July 1, 2008 at a fair value of €1.5 billion.

Postbank also reclassified a portfolio mainly comprising bonds issued by foreign sovereigns, banks, and corporates with a nominal amount of €33.2 billion out of the "available-for-sale" category to the "loans and receivables" category as of October 1, 2008 at a fair value of €32.9 billion.

As of December 31, 2008, all securities reclassified in accordance with IAS 39.50E had a fair value of €35.8 billion as well as a carrying amount of €35.8 billion.

Prior to the two reclassification dates, the changes in fair value recognized in the revaluation reserve for the bonds that were reclassified amounted to €–405 million before tax (previous year: €–358 million). Had Postbank not changed its intention to hold the bonds, the loss recognized in the revaluation reserve would have increased by a further €97 million up to December 31, 2008.

Given a nominal weighting of the reclassified bonds, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.3 %. The estimated cash flows that Postbank expects as of the date of the reclassifications amount to €44.9 billion. No impairments were charged on the reclassified bonds as of December 31, 2008. No bonds were sold during the reporting period.

From the dates of the reclassifications interest amounting to €392 million accrued.

(24) Intangible assets

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Acquired goodwill	1,631	1,631
Acquired software, concessions, industrial rights	649	607
Internally generated intangible assets and software	80	55
Advance payments on intangible assets and in-process intangible assets	11	122
Total	2,371	2.415

"Acquired software, concessions, industrial rights" includes the BHW brand in the amount of €319 million. €86 million (previous year: €90 million) was recognized for customer relationships and €59 million (previous year: €66 million) for beneficial contracts.

€1,577 million of acquired goodwill is attributable to the Retail Banking segment, while amounts of €33 million and €21 million respectively are attributable to the Financial Markets and Transaction Banking segments.

The "BHW" brand is allocated to the Retail Banking segment.

[1] Prior-period figures restated (see Note 6)

A comparison of historical cost cumulative depreciation with the prior-period amounts is presented below:

	Acquired goodwill €m	Acquired software, concessions, industrial rights[1] €m	Internally generated intangible assets and software[1] €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Historical cost					
Opening balance at Jan. 1, 2007	1,637	1,013	62	103	2,815
Changes in basis of consolidation	–	–23	–	–	–23
Additions	5	18	8	44	75
Reclassifications	–	10	12	–22	0
Disposals	–	83	–	3	86
Closing balance at Dec. 31, 2007	1,642	935	82	122	2,781
Changes in basis of consolidation	–	–	–	–	0
Additions	–	41	5	10	56
Reclassifications	–	60	36	–96	0
Disposals	–	28	–	2	30
Closing balance at Dec. 31, 2008	1,642	1,008	123	34	2,807

	Acquired goodwill €m	Acquired software, concessions, industrial rights[1] €m	Internally generated intangible assets and software[1] €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Amortization					
Opening balance at Jan. 1, 2007	11	294	12	0	317
Changes in basis of consolidation	–	–19	–	–	–19
Amortization	–	66	15	–	81
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	13	–	–	13
Closing balance at Dec. 31, 2007	11	328	27	0	366
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	57	16	23	96
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	26	–	–	26
Closing balance at Dec. 31, 2008	11	359	43	23	436
Carrying amount at Dec. 31, 2007	1,631	607	55	122	2,415
Carrying amount at Dec. 31, 2008	1,631	649	80	11	2,371

[1] Prior-period figures restated (see Note 6)

For our Shareholders
Our Business Divisions
Our Responsibility
Group Management Report
Consolidated Financial Statements
Other Information

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount[1] at Jan. 1, 2008 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2008 €m
Acquired goodwill	1,631	–	–	–	–	1,631
Acquired software, concessions, industrial rights	607	41	2	60	57	649
Internally generated intangible assets and software	55	5	–	36	16	80
Advance payments on intangible assets and in-process intangible assets	122	10	2	–96	23	11
Total	2,415	56	4	0	96	2,371

Amortization includes impairment losses on software amounting to €23 million.

The carrying amount as of December 31, 2008 of advance payments on intangible assets is €6 million (previous year: €83 million); the carrying amount of in-process intangible assets is €5 million (previous year: €39 million).

(25) Property and equipment

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Land and buildings	721	768
Operating and office equipment	141	148
Advance payments and assets under development	17	11
Total	879	927

[1] Prior-period figures restated (see Note 6)

125

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Historical cost				
Opening balance at Jan. 1, 2007	1,028	410	5	1,443
Changes in basis of consolidation	–	1	–	1
Additions	50	149	11	210
Reclassifications	3	1	–4	0
Disposals	2	61	1	64
Closing balance at Dec. 31, 2007	1,079	500	11	1,590
Changes in basis of consolidation	–	–	–	–
Additions	–	41	13	54
Reclassifications	1	6	–7	0
Disposals	9	70	0	79
Closing balance at Dec. 31, 2008	1,071	477	17	1,565

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2007	244	258	–	502
Changes in basis of consolidation	–	1	–	1
Depreciation	20	61	–	81
Additions	48	92	–	140
Reclassifications	–	–	–	–
Disposals	1	58	–	59
Closing balance at Dec. 31, 2007	311	352	–	663
Changes in basis of consolidation	–	–	–	–
Depreciation	41	50	–	91
Additions	–1	–1	–	–2
Reclassifications	–	–	–	–
Disposals	1	65	–	66
Closing balance at Dec. 31, 2008	350	336	–	686
Carrying amount at Dec. 31, 2007	768	148	11	927
Carrying amount at Dec. 31, 2008	721	141	17	879

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2008 €m	Additions €m	Disposals €m	Reclassi-fications €m	Depre-ciation €m	Carrying amount at Dec. 31, 2008 €m
Land and buildings	768	1	8	1	41	721
Operating and office equipment	148	42	5	6	50	141
Advance payments and assets under development	11	13	–	–7	–	17
Total	927	56	13	0	91	879

Additions and disposals reflect other adjustments to cost and cumulative depreciation.

At the balance sheet date, assets under development amount to €13 million (previous year: €8 million).

In 2008, the property and equipment for which Postbank acts as the lessor under an operating lease consisted of land and buildings.

	€m
Cost	711
Cumulative depreciation	288
Carrying amount at Dec. 31, 2008	423

(26) Investment property

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Historical cost		Cumulative depreciation	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Investment property	102	102	29	29

The carrging amounts of investment property changed as follows in the year under review:

	Carrying amount at Jan. 1, 2008 €m	Additions €m	Disposals €m	Reclassifications €m	Depreciation €m	Carrying amount at Dec. 31, 2008 €m
Investment property	73	–	–	–	–	73

The disclosures relating to investment property for fiscal years 2007 and 2008 are as follows:

	Third-party use %	Rental income €m	Direct operating expenses €m	Restraints on disposal €m	Disposal proceeds received €m	Contractual obligations €m
Investment property	100	1	1	–	–	–

The fair value of investment property amounts to €73 million according to the expert appraisals.

(27) Current and deferred tax assets

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Current tax assets	162	117
Deferred tax assets		
from temporary differences	527	372
from tax loss carryforwards	308	150
domestic	–	150
foreign	308	–
	835	522
Total	997	639

Deferred tax assets were recognized in connection with temporary differences relating to the following balance sheet items, and in connection with unused tax losses:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Assets		
Loans and advances	220	232
Allowance for losses on loans and advances	12	–
Trading assets	–	–
Hedging derivatives	22	–
Investment securities	367	200
Property and equipment	9	3
Other assets	157	18
Liabilities		
Amounts due to other banks and customers	53	75
Trading liabilities	2,330	1,440
Hedging derivatives	533	138
Provisions for pensions and other employee benefits	70	33
Other provisions	60	12
Other liabilities	–	2
	3,833	2,153
Tax loss carryforwards	308	150
Netted against deferred tax liabilities	3,306	1,781
Total	835	522

At December 31, 2008, there were no deductible temporary differences and tax loss carryforwards for which no deferred tax assets were recognized in the balance sheet.

[1] Prior-period figures restated (see Note 6)

125

(28) Other assets

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Prepaid expenses	452	363
Trade receivables	116	90
Advances to members of the mobile sales force	12	11
Receivables from tax authorities	12	10
Miscellaneous	78	55
Total	670	529

€323 million of prepaid expenses (previous year: €276 million) relates to prepaid brokerage commissions and €58 million (previous year: €48 million) relates to prepaid rent and lease expenses.

Other assets amounting to €377 million (previous year: €393 million) have a maturity of more than 12 months.

(29) Deposits from other banks

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Domestic banks		
Payable on demand	2,043	2,708
With an agreed maturity or withdrawal notice	42,700	37,125
	44,743	39,833
Foreign banks		
Payable on demand	1,533	584
With an agreed maturity or withdrawal notice	16,514	20,729
	18,047	21,313
Total	62,790	61,146

€368 million of the deposits from other banks is covered by fair value hedges (previous year: €783 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

€10,689 million (previous year: €11,454 million) of deposits from other banks is due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €57.7 billion (previous year: €54.2 billion) and variable-interest deposits in the amount of €5.1 billion (previous year: €6.9 billion).

As of December 31, 2008 securities repurchase agreements amounted to €14.8 billion (previous year: €8.7 billion).

(30) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Savings deposits		
With an agreed withdrawal notice of three months	34,663	34,588
With an agreed withdrawal notice of more than three months	361	408
	35,024	34,996
Home savings deposits	16,196	16,915
thereof: on terminated contracts	67	70
thereof: on allotted contracts	6	6
Other amounts due		
Payable on demand	26,891	26,589
With an agreed maturity or withdrawal notice	39,361	32,196
	66,252	58,785
Total	117,472	110,696
Domestic customers	110,293	105,281
Foreign customers	7,179	5,415
Total	117,472	110,696

€476 million of the amounts due to customers is covered by fair value hedges (previous year: €4,542 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

€32,729 million (previous year: €32,257 million) of amounts due to customers is due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €51.4 billion (previous year: €46.2 billion) and variable-interest deposits in the amount of €66.1 billion (previous year: €64.5 billion).

(31) Securitized liabilities

Amounts reported as securitized liabilities relate to bonds, including mortgage bonds *(Hypothekenpfandbriefe)* and public-sector mortgage bonds *(Pfandbriefe)*, and money market instruments (e.g. certificates of deposit, euro notes, commercial paper).

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Mortgage bonds *(Hypothekenpfandbriefe)*	3,675	11
Public-sector mortgage bonds *(Pfandbriefe)*	–	59
Other debt instruments	12,667	9,488
Total	16,342	9,558

€5,625 million of the securitized liabilities is covered by fair value hedges (previous year: €5,797 million).

Securitized liabilities only include financial instruments classified as liabilities at amortized cost.

€6,897 million (previous year: €7,393 million) of securitized liabilities is due after more than 12 months.

Securitized liabilities include fixed-interest liabilities in the amount of €13.7 billion (previous year: €6.2 billion) and variable-interest liabilities in the amount of €2.7 billion (previous year: €3.4 billion).

Repurchased own bonds amounting to €302 million (previous year: €100 million) were deducted directly from securitized liabilities.

(32) Trading liabilities

Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio and in the banking book as well as delivery obligations under securities sold short.

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Negative fair values of trading derivatives	14,638	4,955
Negative fair values of banking book derivatives	1,577	336
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	772	308
Delivery obligations under securities sold short	–	1
Total	16,987	5,600

€11,335 million (previous year: €4,881 million) of trading liabilities is due after more than 12 months.

[1] Prior-period figures restated (see Note 6)

(33) Hedging derivatives

Hedges with negative fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	38	34
	38	34
Hedging derivatives on loans to customers		
Loans and receivables	117	31
	117	31
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	2,357	267
Equities and other non-fixed-income securities	–	–
	2,357	267
Liabilities		
Deposits from other banks	–	6
Due to customers	–	51
Securitized liabilities	68	311
Subordinated debt	113	173
	181	541
Total	2,693	873

€2,270 million (previous year: €696 million) of hedging derivatives is due after more than 12 months.

(34) Provisions for pensions and other employee benefits

The provisions for pension obligations are as follows:

Reconciliation of the present value of obligations, fair value plan assets and net pension provisions at December 31	2008 Mio €	2007 Mio €
Present value of obligations of fully or partially funded benefits	660	698
Present value of obligations of non-funded benefits	733	729
Present value of total defined benefit obligation	1,393	1,427
Fair value of plan assets	–392	–392
Unrealized gains (+)/losses (–)	148	108
Net pension provisions	1,149	1,143

Change in present value of total defined benefit obligation	2008 €m	2007 €m
Present value of total defined benefit obligation at January 1	1,427	1,597
Current service cost, excluding employee contributions	25	34
Employee contributions	3	3
Interest cost	78	72
Pension benefits paid	–84	–71
Past service cost	–2	–14
Plan settlements	–	–
Transfers	–1	1
Changes in basis of consolidation	–	16
Actuarial gains (–)/losses (+)	–53	–210
Currency effects	–	–1
Present value of total defined benefit obligation at December 31	1,393	1,427

Change in plan assets	2008 €m	2007 €m
Fair value of plan assets at January 1	392	381
Employer contributions	7	16
Employee contributions	–	–
Expected return on plan assets	16	17
Gains (+)/losses (–) on plan assets	–6	–7
Pension benefits paid	–17	–26
Transfers	–	1
Changes in basis of consolidation	–	11
Plan settlements	–	–
Currency effects	–	–1
Fair value of plan assets at December 31	392	392

Plan assets primarily consist of pension fund contracts (81%, previous year: 80%), fixed-income securities (12%, previous year: 10%), other assets (6%, previous year: 9%), and equities (1%, previous year: 1%). None of the assets are used directly by the Postbank Group.

Gains and losses

Gains and losses on plan assets				
	2008 €m	2007 €m	2006 €m	2005 €m
Actual return on plan assets	10	10	15	6
Expected return on plan assets	16	17	16	3
Experience gains (+)/losses (–) on plan assets	–6	–7	–1	3

Gains and losses on defined benefit obligation				
	2008 €m	2007 €m	2006 €m	2005 €m
Experience gains (+)/losses (–) on defined benefit obligations	0	33	–12	–13
Increase (+)/decrease (–) in defined benefit obligations arising from changes in assumptions	53	177	91	–60
Total actuarial gains (+)/losses (–) on defined benefit obligations	53	210	79	–73

Change in net pension provisions		
	2008 €m	2007 €m
Balance at January 1	1,143	1,115
Pension expense	78	81
Pension benefits paid	–67	–45
Employer contributions	–7	–16
Employee contributions	3	3
Changes in basis of consolidation	–	5
Transfers	–1	0
Currency effects	–	–
Balance at December 31	1,149	1,143

Postbank expects payments in the amount of €55 million for net pension provisions in 2009, which are attributable to directly anticipated pension payments by the Company. Employer contributions of €6 million are also expected.

Pension expense		
	2008 €m	2007 €m
Current service cost	25	34
Interest cost	78	72
Expected return on plan assets	–16	–17
Recognized past service cost	–2	–14
Amortization of unrecognized gains (–)/losses (+)	–7	5
Effects of plan settlements	–	1
Other	–	–
Pension expense	78	81

In accordance with IAS 19.92, actuarial gains and losses are only recognized if they exceed the greater of 10% of the present value of the obligation and 10% of the fair value of the plan assets. The excess amount is amortized over the remaining working lives of the active employees and recognized in income. A profit of €7 million was recognized in the income statement in 2008 (previous year: loss of €5 million).

(35) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2008 €m	Changes in basis of consolidation €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2008 €m
Provisions for home savings business	710	–	217	1	223	715
Staff-related provisions	76	–	29	4	43	86
Provisions for credit risks	39	–	10	4	23	48
Risk compensation amounts of the Postbeamtenkrankenkasse (Postal Civil Service Health Insurance Fund)	6	–	–	3	–	3
Miscellaneous	133	–	51	14	69	137
Total	964	–	307	26	358	989

€685 million (previous year: €723 million) of recognized provisions is due after more than 12 months.

Provisions for home savings business changed as follows in the year under review:

	Balance at Jan. 1, 2008 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2008 €m
Provisions for home savings business					
for interest premiums	521	164	–	187	544
for reimbursement claims from arrangement fees	111	29	–	10	92
for changes in interest rates	76	23	–	18	71
Miscellaneous	2	1	1	8	8
Total	710	217	1	223	715

Miscellaneous other provisions include provisions for litigation costs amounting to €15 million (previous year: €13 million), provisions for jubilee benefits amounting to €8 million (previous year: €10 million) and provisions for year-end closing costs amounting to €3 million (previous year: €2 million).

(36) Current and deferred tax liabilities

	Balance at Jan. 1, 2008 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2008 €m
Current taxes	122	39	11	121	192
Deferred taxes[1]	1,104	–	1,739	1,722	1,087
Total	1,226	39	1,750	1,843	1,279

Provisions for current taxes relate to current payment obligations to the tax authorities.

[1] Prior-period figures restated (see Note 6)

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Assets		
Loans and advances	305	242
Allowance for losses on loans and advances	–	2
Trading assets	1,921	1,515
Hedging derivatives	110	102
Investment securities	1,482	344
Property and equipment	3	12
Other assets	167	272
Liabilities		
Amounts due to other banks and customers	111	91
Trading liabilities	–	–
Hedging derivatives	–	6
Provisions for pensions and other employee benefits	8	12
Other provisions	30	15
Other liabilities	256	272
	4,393	2,885
Netted against deferred tax assets	3,306	1,781
Total	1,087	1,104

(37) Other liabilities

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Liabilities from other taxes	243	188
Trade payables	116	99
Liabilities from expenses for management bonuses	79	77
Liabilities from expenses for services performed by Deutsche Post AG	73	81
Liabilities from expenses for outstanding invoices	56	75
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	54	46
Liabilities from expenses for commissions and premiums	52	43
Deferred income	45	42
Miscellaneous liabilities	108	184
Total	826	835

€64 million (previous year: €69 million) of other liabilities is due after more than 12 months.

[1] Prior-period figures restated (see Note 6)

125

(38) Subordinated debt

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Subordinated liabilities	2,774	2,778
Hybrid capital instruments	1,687	1,508
Profit participation certificates outstanding	1,237	1,262
Contributions by typical silent partners	38	55
Total	5,736	5,603

Subordinated debt only includes financial instruments classified as liabilities at amortized cost.

€5,426 million (previous year: €5,260 million) of subordinated debt is due after more than 12 months.

Due to the current maturity structure, only €3,597 million (previous year: €3,521 million) of the items reported as subordinated debt represents liable capital in accordance with the Basel Capital Accord.

The interest expense on subordinated liabilities amounts to €157 million (previous year: €142 million). Deferred interest not yet due amounting to €42 million (previous year: €30 million) is carried as subordinated debt and allocated to subordinated liabilities.

Hybrid capital instruments represent four issues in the form of Class B preferred securities that were issued by subsidiaries established for this purpose. The Class B preferred securities of Postbank Funding LLC I to IV are issued for an unlimited term and represent Tier 1 capital for banking regulatory purposes.

Deferred interest on hybrid capital instruments not yet due amounted to €13 million (previous year: €16 million); it is reported in hybrid capital instruments.

Holders of profit participation certificates receive an annual profit-related distribution ranking prior to shareholders' profit rights; the distribution right is reduced if and to the extent that no distributable profit is available.

The interest expense for 2008 on profit participation certificates outstanding totals €58 million (previous year: €55 million). Deferred interest not yet due amounting to €12 million (previous year: €48 million) is allocated directly to profit participation certificates outstanding.

Due to their contractual arrangements and economic substance, contributions by typical silent partners represent debt and are reported under subordinated debt in accordance with IAS 32.

A total of €2,183 million of the subordinated debt (previous year: €2,006 million) is hedged against changes in fair value, of which €496 million (previous year: €498 million) is attributable to subordinated liabilities and €1,687 million (previous year: €1,508 million) to hybrid capital instruments.

€4.4 billion of subordinated debt (previous year: €4.1 billion) is fixed-interest, while €1.3 billion (previous year: €1.6 billion) is variable-interest.

(39) Equity

	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Issued capital	547	410
Share premium	2,010	1,160
Retained earnings	4,153	3,502
Foreign currency translation reserve	–149	–149
Revaluation reserve	–724	–556
Retained earnings	3,280	2,797
Consolidated net loss/profit	–821	856
Minority interest	3	2
Total	5,019	5,225

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

Premiums from the issue of shares are reported in the share premium.

Undistributed profits from previous years are reported under retained earnings.

The foreign currency translation reserve contains the translation gain or loss from the consolidation of the subsidiaries reporting in foreign currency that arose as a result of acquisition accounting.

The profit or loss from the measurement of investment securities at fair value after deduction of deferred taxes is reported in the revaluation reserve. Any profit or loss is not recognized in the income statement until the asset has been sold or impaired.

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 €41 million up to March 24, 2009 by issuing new, non-voting no-par value registered shares (preference shares) against non-cash contributions (authorized capital I). This authorization can be exercised in full or in part. Shareholders' pre-emptive subscription rights are disapplied. The Management Board is authorized, with the consent of the Supervisory Board, to determine all additional rights attached to the shares and the conditions governing their issuance.

On October 27, 2008, the Management Board resolved, with the consent of the Supervisory Board on the same day, to exercise its authorization regarding authorized capital II and to issue 54,800,000 new no-par value registered shares, each with a notional value of €2.50 (New Shares). Pre-emptive subscription rights were only disapplied for a fraction of 133,334 New Shares.

The costs of the capital increase amounted to €13.7 million, which was deducted from the share premium.

The Management Board was authorized at the Annual General Meeting on May 8, 2008 to purchase own shares for the purposes of securities trading in accordance with section 71 (1) no. 7 of the AktG (German Stock Corporation Act) amounting to 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 amounting to up to a total of 10 % of the share capital. In accordance with the legal regulation, 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 November 7, 2009. The authorizations on the purchase of own shares in accordance with section 71 (1) no. 7 of the AktG as well as section 71 (1) no. 8 of the AktG existing at the time of the Annual General Meeting, originally restricted until November 9, 2008, were revoked when the new authorization became effective.

The gains or losses on the measurement of available-for-sale financial instruments reported in the revaluation reserve in equity changed as follows:

	Available-for-sale financial instruments 2008 €m	Available-for-sale financial instruments 2007[1] €m
Balance at January 1	–556	6
Remeasurement gains/losses	–988	–789
Available for sale, hedged (due to changes in credit risk)	4	–227
Available for sale, unhedged	–992	–562
Disposals and impairment	786	36
Available for sale due to impairment	136	63
thereof hedged financial instruments	–2	2
thereof unhedged financial instruments	138	61
Available for sale due to disposal/ hedge termination	650	–27
thereof hedged financial instruments	–2	60
thereof unhedged financial instruments	652	–87
Income tax recognized directly in equity	34	191
Balance at December 31	–724	–556

[1] Prior-period figures restated (see Note 6)

125

An amount of €786 million (previous year: €36 million) carried in the revaluation reserve was reversed to income from disposals and impairment on available-for-sale financial instruments in the year under review. In addition, the revaluation reserve decreased by €988 million (previous year: €789 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €34 million (previous year: €191 million) in the fiscal year under review to a closing balance of €334 million (previous year: €300 million); the revaluation reserve increased by a corresponding amount.

Other disclosures

(40) Segment reporting

Segment reporting by business division

The Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

In the Retail Banking business division, Postbank offers private and business customers a broad spectrum of banking and financial services. The product range encompasses checking and savings products, credit and debit cards, mortgage lending, installment credits, the home savings business, securities and securities accounts, and investment funds. Income from brokerage activities is also reported in this segment.

The result of this segment comprises the operating results of Postbank AG's retail banking, the BHW subgroup, Postbank Filialvertrieb AG, and VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH.

Postbank's Corporate Banking business division provides payment transaction services. Commercial finance, especially regarding real estate, factoring, leasing, and logistics finance, also belong to this business division. The result of this segment comprises Postbank AG's corporate banking business, PB Firmenkunden AG, PB Capital, Postbank Leasing GmbH, PB Factoring GmbH, the London Branch, and Deutsche Postbank International S.A.'s corporate banking business.

Proprietary trading activities and Deutsche Postbank International S.A.'s activities conducted from Luxembourg (excluding corporate banking) as well as fund management in general and for a number of Postbank's retail funds and special funds (Deutsche Postbank Privat Investment Kapitalanlagegesellschaft GmbH and Deutsche Postbank Financial Services GmbH) are allocated to the Financial Markets business division.

The Transaction Banking business division offers organizational and technical settlement and processing services for the Group as well as for other banks in the area of domestic and international payment transaction services. Intersegmental cost allocations accounted for 56 % of Transaction Banking income (previous year: 55 %).

"Others" contains consolidation adjustments, items not attributable to the businesses, unallocated overhead costs, and the result of Postbank's proprietary trading.

The net trading income in the Others segment includes losses on the measurement of embedded derivatives from structured credit products of €645 million (previous year: €78 million), capital-guaranteed promissory note loans (CPPI structures) of €–133 million (previous year: €–19 million), and other promissory note loans of €–31 million (previous year: €–20 million) that were not allocated to the Corporate Banking and Financial Markets segments.

€82 million (previous year: €103 million) of the net impairment loss on investment securities in the Others segment relates to structured credit products and €97 million to writedowns of equities and retail funds (previous year: €18 million). The net loss investment securities in the Others segment also includes a charge of €576 million relating to the reduction of the equities portfolio. In addition, the Other segment contains an allowance for losses on loans and advances of €–29 million (previous year: €0 million) on the loan exposure at Lehman Brothers.

Net trading income in the "Retail Banking" segment was changed to reflect the mortgage loans measured at fair value due to the change in the valuation method. The change in the amount of amortization of intangible assets and the change in the disclosure of the amortization of intangible assets under administrative expenses were recognized in the Others segment.

Assets and liabilities are allocated to the segments in their full amounts, resulting in the adjustment of the segment assets.

In addition to the results in the income statement of the companies allocated to the business divisions, imputation procedures for the originator-based calculation of the segment results are used. The allocation of net interest income from customer products to the segments follows the market rate method, under which the customer interest rate is compared with imputed money and capital market rates at matching terms. Administrative expenses are based on the results of cost center accounting. The level of the allowance for losses on loans and advances is measured according to established standard risk costs, i. e., expected losses.

Equity is allocated to the segments according to their risk capital requirements. Risk capital requirements are derived from Postbank's risk cover amount and define the extent of the permitted exposures to market risk, credit risk, operational risk, business risk, investment and real estate risks, and collective risks. The average IAS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

	Retail Banking[1]		Corporate Banking		Transaction Banking		Financial Markets		Others[1]		Group[1]	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Net interest income	2,276	2,392	390	292	4	4	162	114	–337	–562	2,495	2,240
Net trading income	25	5	–92	–9	–	–	–6	72	–316	213	–389	281
Net income from investment securities	–2	50	–241	–5	–	–	–110	1	–896	248	–1,249	294
Net fee and commission income	1,033	988	107	104	340	350	57	83	–106	–96	1,431	1,429
Balance sheet-related revenues	3,332	3,435	164	382	344	354	103	270	–1,655	–197	2,288	4,244
Administrative expenses	–2,156	–2,210	–171	–163	–312	–331	–92	–83	–238	–150	–2,969	–2,937
Allowance for losses on loans and advances	–288	–292	–52	–28	–	–	–22	4	–46	–22	–408	–338
Other income/expenses	24	2	1	–	16	13	–3	–1	77	9	115	23
Loss/profit before tax	912	935	–58	191	48	36	–14	190	–1,862	–360	–974	992
Cost/income ratio (CIR)	64.7 %	64.3 %	104.3 %	42.7 %	90.7 %	93.5 %	89.3 %	30.7 %	–	–	129.8 %	69.2 %
Return on equity before taxes (RoE)	41.1 %	32.4 %	–14.1 %	50.5 %	–	–	–2.2 %	37.2 %	–144.7 %	–26.3 %	–21.3 %	19.2 %
Segment assets	86,239	79,691	28,668	21,162	351	129	31,437	22,725	84,587	79,206	231,282	202,913
Segment liabilities	106,770	98,533	23,041	19,077	351	129	27,113	13,577	74,007	71,597	231,282	202,913

Since the settlement of payment transactions is not banking business in the traditional sense, we do not report the return on equity in our Transaction Banking business segment.

The allocation of assets and liabilities to the segments is based on the operating activities of the segments and the balance sheet items of the subsidiaries. For this purpose, loans and advances to other banks, loans and advances to customers, trading assets, and investment securities, and deposits from other banks, amounts due to customers, securitized liabilities, and trading liabilities are allocated to the business divisions according to their sources. The reconciliation to the consolidated balance sheet takes place in the Others segment.

[1] Prior-period figures restated (see Note 6)

Segment reporting by geographical region

	Assets[1]		Liabilities		Income[1]		Loss/profit before tax[1]	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Germany	192,954	170,463	192,954	170,463	2,406	3,954	–726	795
Others	38,328	32,450	38,328	32,450	–118	290	–248	197
Europe	30,241	26,220	30,241	26,220	108	206	25	151
U.S.A.	7,523	5,744	7,523	5,744	–242	70	–282	41
Asia	564	486	564	486	16	14	9	5
Total	231,282	202,913	231,282	202,913	2,288	4,244	–974	992

The results of the geographical regions are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the regions.

The Others segment contains the entities from the Europe, U.S.A. (PB Capital), and Asia (Postbank Home Finance) regions. The London Branch, the Luxembourg entities PBI and PB VM, and the branches of BHW in Italy, Luxembourg, and Belgium form part of the Europe region. The prior-year figures for the Europe region were restated with the results of the BHW branches.

Germany comprises all domestic business units including all consolidation adjustments.

The regions' assets and liabilities are reconciled in full to total assets and total equity and liabilities. The prior-period figures have been restated accordingly.

[1] Prior-period figures restated (see Note 6)

(41) Contingencies and other obligations

Contingent liabilities arise from past events that will lead to possible future obligations. These obligations arise from the occurrence of uncertain future events whose settlement amount cannot be estimated with sufficient reliability. Financial guarantee contracts are recognized in accordance with the net method.

Contingencies and other obligations were reduced by the allowance for losses on loans and advances recognized.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Contingent liabilities		
on guarantees and warranties	1,296	1,428
Other obligations		
irrevocable loan commitments	23,205	23,480
of which: building loans provided	5,426	5,665
Total	24,501	24,908

(42) Fair value of financial instruments carried at amortized cost or hedge fair value

The fair values of financial instruments carried at amortized cost or hedge fair value on the balance sheet are compared with their carrying amounts in the following table:

	Dec. 31, 2008		Dec. 31, 2007	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	3,417	3,417	3,352	3,352
Loans and advances to other banks (loans and receivables)	18,616	18,424	24,521	24,450
Loans and advances to customers (loans and receivables)	96,373	99,759	85,159	85,414
Loans and advances to customers (held to maturity)	340	340	456	456
Allowance for losses on loans and advances	–1,232	–1,232	–1,184	–1,184
Investment securities (loans and receivables)	68,859	67,754	26,600	25,922
Investment securities (held to maturity)	186	186	730	731
	186,559	188,648	139,634	139,141
Liabilities				
Deposits from other banks (liabilities at amortized cost)	62,790	62,476	61,146	60,935
Due to customers (liabilities at amortized cost)	117,472	118,009	110,740	110,335
Securitized liabilities and subordinated debt	22,078	20,496	15,161	14,753
	202,340	200,981	187,047	186,023

In general, fair value is calculated for all financial instruments. The only exceptions are items payable on demand and savings deposits with an agreed withdrawal notice of one year or less.

If there is an active market for a financial instrument, the fair value is expressed by the market or quoted exchange price at the balance sheet date. If there is no active market, the fair value is determined using recognized valuation techniques. The fair values of investment securities in an inactive market were calculated using the DCF method (see Note 4 (h)).

119

When calculating the fair value using the DCF method the liquidity spreads are determined on the basis of quoted swap spreads. An increase/decrease of 10 basis points in the liquidity spreads used would result in a decline/increase in the fair value of the holdings measured using the DCF method (notional value around €60 billion) of approximately 0.45 %.

(43) Revenue and expense items, gains and losses as defined by IFRS 7, and financial instruments in accordance with the measurement categories as defined by IAS 39

	Note	2008 €m	2007[1] €m
Interest income and expense	(7)		
Loans and receivables		8,176	6,226
Available for sale		1,403	1,572
Held to maturity		43	130
Liabilities at amortized cost		7,240	5,692
Net gains or losses	(10), (11)		
Held for trading		–394	271
Designated as at fair value		11	3
Loans and receivables		–456	–62
Available for sale		–786	–33

[1] Prior-period figures restated (see Note 6)

125

	Fair value hedges/option[1]		Unhedged[1]		Total[1]	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Assets	50.489	30.558	173.618	165.009	224.107	195.567
Loans and receivables	33,935	8,319	149,913	127,366	183,848	135,685
Loans to other banks	863	1,516	17,753	23,005	18,616	24,521
Loans to customers	1,754	1,356	94,619	83,208	96,373	84,564
Investment securities	31,318	5,447	37,541	21,153	68,859	26,600
Available for sale	7,290	14,633	6,791	26,658	14,081	41,291
Loans and advances to other banks	–	–	68	39	68	39
Investment securities	7,290	14,633	6,723	26,619	14,013	41,252
Held to maturity	–	–	526	1,186	526	1,186
Loans to other banks	–	–	–	–	–	–
Loans to customers	–	–	340	456	340	456
Investment securities	–	–	186	730	186	730
Held for trading	185	141	16,388	9,799	16,573	9,940
Trading assets	185	141	16,388	9,799	16,573	9,940
Fair value option	8,605	7,044	–	–	8,605	7,044
Loans to customers	8,605	7,044	–	–	8,605	7,044
Hedging derivatives	474	421	–	–	474	421
Liabilities	12,117	14,309	209,903	179,167	222,020	193,476
Liabilities at amortized cost	8,652	13,128	193,688	173,875	202,340	187,003
Deposits from other banks	368	783	62,422	60,363	62,790	61,146
Due to customers	476	4,542	116,996	106,154	117,472	110,696
Securitized liabilities	5,625	5,797	10,717	3,761	16,342	9,558
Subordinated debt	2,183	2,006	3,553	3,597	5,736	5,603
Held for trading	772	308	16,215	5,292	16,987	5,600
Trading liabilities	772	308	16,215	5,292	16,987	5,600
Hedging derivatives	2,693	873	–	–	2,693	873

(44) Derivatives

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

Derivatives on foreign currencies are mostly entered into in the form of currency forwards, currency swaps, cross-currency swaps, and currency options. Interest rate derivatives relate primarily to interest rate swaps, forward rate agreements, and interest rate futures and options; forward transactions in fixed-income securities are also occasionally entered into. Equity derivatives are entered into in the form of equity options and equity/index futures in particular. Credit derivatives (credit default swaps) mainly result from separated derivatives of synthetic CDOs.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

[1] Prior-period figures restated (see Note 6)

125

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Trading derivatives	665,517	519,151	15,853	5,431	16,987	5,599
Hedging derivatives	46,557	34,052	474	421	2,693	873
Total	712,074	553,203	16,327	5,852	19,680	6,472

The following table presents the open interest-rate and foreign currency, conditional and unconditional forward and option contracts of the Postbank Group at the balance sheet date.

			Fair value			
	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	4,858	2,273	168	35	106	50
Currency swaps	32,129	22,518	907	202	859	270
Total holdings of foreign currency derivatives	36,987	24,791	1,075	237	965	320
Interest rate derivatives						
OTC products						
Interest rate swaps	601,810	469,220	14,405	5,142	15,034	5,046
Cross-currency swaps	384	146	59	4	10	5
FRAs	12,028	5,723	18	–	11	2
OTC interest rate options	866	673	3	1	3	1
Other interest rate contracts	117	871	1	3	1	2
Exchange-traded products						
Interest rate futures	4,938	9,893	–	–	–	–
Interest rate options	–	490	–	1	–	–
Total holdings of interest rate derivatives	620,143	487,016	14,486	5,151	15,059	5,056

[1] Prior-period figures restated (see Note 6)

For our Shareholders | Our Business Divisions | Our Responsibility | Group Management Report | Consolidated Financial Statements | Other Information

	Notional amount		Fair value: Positive fair values		Fair value: Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	337	453	20	10	11	66
Exchange-traded products						
Equity/index futures	5	117	–	–	–	–
Equity/index options	25	259	1	2	–	1
Total holdings of equity/index derivatives	367	829	21	12	11	67
Credit derivatives						
Credit default swaps	8,020	6,515	271	31	952	156
Total holdings of credit derivatives	8,020	6,515	271	31	952	156
Total holdings of trading derivatives	665,517	519,151	15,853	5,431	16,987	5,599
of which: banking book derivatives	29,051	15,416	459	131	1,576	330
of which: derivatives relating to hedged items accounted for under the fair value option	24,994	12,767	185	141	772	308
Hedging derivatives						
Fair value hedges						
Interest rate swaps	41,967	32,560	346	410	2,641	621
Cross-currency swaps	1,068	1,338	117	10	51	252
Credit default swaps	169	154	11	1	1	–
Interest rate futures	3,353	–	–	–	–	–
Total holdings of hedging derivatives	46,557	34,052	474	421	2,693	873
Total holdings of derivatives	712,074	553,203	16,327	5,852	19,680	6,472

[1] Prior-period figures restated (see Note 6)

125

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values Dec. 31, 2008 €m	Positive fair values Dec. 31, 2007 €m	Negative fair values Dec. 31, 2008 €m	Negative fair values Dec. 31, 2007 €m
Remaining maturity				
less than 3 months	113	45	391	138
3 months to 1 year	60	5	32	39
from 1 to 2 years	54	18	58	131
from 2 to 3 years	8	15	139	67
from 3 to 4 years	9	7	162	29
from 4 to 5 years	12	23	178	69
more than 5 years	218	308	1,733	400
	474	421	2,693	873

	Trading and banking book derivatives			
	Positive fair values Dec. 31, 2008 €m	Positive fair values Dec. 31, 2007[1] €m	Negative fair values Dec. 31, 2008 €m	Negative fair values Dec. 31, 2007[1] €m
Remaining maturity				
less than 3 months	4,736	316	5,251	508
3 months to 1 year	356	144	401	211
from 1 to 2 years	404	147	467	233
from 2 to 3 years	456	205	537	201
from 3 to 4 years	659	198	788	193
from 4 to 5 years	958	270	1,310	336
more than 5 years	8,284	4,151	8,233	3,917
	15,853	5,431	16,987	5,599

The remaining maturity is the period between the balance sheet date and the contractual maturity of the asset or liability.

The following table presents the positive and negative fair values of derivatives by counterparties.

	Positive fair values		Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m	Dec. 31, 2008 €m	Dec. 31, 2007[1] €m
Counterparties				
Banks in OECD countries	15,994	5,720	18,769	6,132
Public institutions in OECD countries	–	–	–	–
Other counterparties in OECD countries	305	118	564	255
Non-OECD	28	14	347	85
	16,327	5,852	19,680	6,472

[1] Prior-period figures restated (see Note 6)

(45) Bonds outstanding

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Bonds outstanding		
Bonds issued	21,492	18,673
Registered mortgage bonds issued as collateral (*Namenspfandbriefe*)	10	10
Public-sector mortgage bonds (*Pfandbriefe*)/municipal bonds	10	12
Cover requirement for bonds outstanding	21,512	18,695

(46) Cover for bonds outstanding

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Mortgage bond cover *(Pfandbriefe)*		
Mortgage bonds requiring cover	1,168	1,423
Cover assets	2,143	2,583
Excess cover	975	1,160
Municipal bond cover		
Municipal bonds requiring cover	2,482	3,943
Cover assets	2,957	4,544
Excess cover	475	601
Cover for registered securities type C		
Registered bonds requiring cover	14,273	13,307
Cover assets	16,197	14,408
Excess cover	1,924	1,101
Cover for bearer instruments register D		
Mortgage bonds requiring cover	3,550	0
Cover assets	5,228	0
Excess cover	1,678	0
Cover for interest expenses on mortgage bonds *(Pfandbriefe)*		
Interest expenses on mortgage bonds	63	72
Interest income from cover assets	87	106
Excess cover	24	34
Cover for interest expenses on municipal bonds		
Interest expenses on municipal bonds	113	154
Interest income from cover assets	110	199
Excess cover	–3	45
Cover for interest expenses on registered securities type C		
Interest expenses on registered securities	632	582
Interest income from cover assets	735	655
Excess cover	103	73
Cover for interest expenses on bearer instruments		
Interest expenses on mortgage bonds register D	159	0
Interest income from cover assets	245	0
Excess cover	86	0

(47) Foreclosures and compulsory administration

	Dec. 31, 2008 Number	Dec. 31, 2007 Number
Foreclosures pending	889	1,161
Compulsory administration proceedings	587	764
Foreclosures completed	396	272

(48) Foreign currency volume

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Foreign currency assets	34,670	19,404
Foreign currency liabilities	34,734	19,191

(49) Risk-weighted assets and capital ratio

Postbank ensures the correct determination of liable capital and own funds at Group level. Its regulatory own funds in accordance with the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) were as follows:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Credit and counterparty risk	61,038	75,788
Market risk positions	9,100	12,225
Operational risk	6,450	3,063
Total capital charge	76,588	91,076
Additional capital charge in accordance with transitional provision	–	4,500
Tier 1 capital	4,997	5,455
thereof: hybrid capital instruments	1,615	1,651
Tier 2 capital	3,155	3,312
thereof: profit participation certificates outstanding	1,152	1,213
thereof: subordinated liabilities	2,445	2,308
Tier 3 capital	–	–
Eligible own funds	8,152	8,767
Tier 1 ratio in %	7.4	6.9
Effect of transitional provision in percentage points	–	–0.4
Capital ratio in %	10.6	9.6
Effect of transitional provision in percentage points	–	–0.4

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as quotients of available capital and risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of participatory capital and long-term subordinated liabilities after the deductions prescribed by law.

(50) Risk capital

The risk cover amount available for covering all risks primarily consists of recognized capital less goodwill, subordinated debt, the revaluation reserve, the hidden reserves and liabilities recognized, and expected gains in the planning period, adjusted for the planned net trading income, net income from investment securities, and net income from maturity transformation.

The regulatory capital requirements (regulatory capital adequacy in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – Solvency Regulation), and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation)) are additional conditions that must be strictly observed when managing economic risk capital.

In accordance with the requirements of the MaRisk (Minimum Requirements for Risk Management), the risk strategy is consistent with the business strategy and takes into account all significant areas of business and types of risk.

The following table shows the allocation of the Postbank Group's risk cover amount, broken down by risk types on the basis of the authorized risk capital, for fiscal years 2008 and 2007 before and after factoring in correlation effects and the unallocated risk cover amount (calculated as of December 31 for each year).

Risk capital by risk types	Allocated risk capital	
Capital and risk components	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Market risk	2,884	2,044
Credit risk	1,191	1,191
Operational risk	635	635
Investment and real estate risk	126	126
Collective risk	1,000	1,000
Business risk	1,893	1,893
Total before diversification	7,729	6,889
Diversification effects	1,332	1,276
Total after diversification	6,397	5,613
Unallocated risk cover amount	4,358	4,678
Total risk cover amount	10,755	10,291

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

75

(51) Maturity structure

As of December 31, 2008:

	Payable on demand €m	Less than three months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	3,176	8,236	2,052	597	603	332	1,440	2,248	18,684
Loans and advances to customers	3,134	15,247	8,360	6,823	7,415	7,805	9,319	47,215	105,318
Trading assets	2	2,934	426	501	630	681	997	10,402	16,573
Hedging derivatives	–	113	60	54	8	9	12	218	474
Investment securities	–	6,708	5,696	7,692	9,928	8,618	7,064	37,352	83,058
Current tax assets	–	–	158	–	–	–	4	–	162
Deferred tax assets	4	–	–	120	288	1	152	270	835
Other assets	98	118	77	45	37	37	30	228	670
Total	6,414	33,356	16,829	15,832	18,909	17,483	19,018	97,933	225,774
Deposits from other banks	3,576	40,837	7,688	810	1,080	1,428	1,629	5,742	62,790
Due to customers	25,263	48,962	10,518	1,298	2,096	3,155	5,127	21,053	117,472
Securitized liabilities	–	4,969	4,476	2,252	382	307	1,827	2,129	16,342
Trading liabilities	–	5,251	401	467	537	788	1,310	8,233	16,987
Hedging derivatives	–	391	32	58	139	162	178	1,733	2,693
Provisions	18	80	261	291	218	183	160	927	2,138
Provisions for pensions	–	19	36	92	71	70	69	792	1,149
Other provisions	18	61	225	199	147	113	91	135	989
Current tax liabilities	4	2	19	72	83	–	12	–	192
Deferred tax liabilities	5	–	148	53	327	–	348	206	1,087
Other liabilities	235	274	253	17	11	6	8	22	826
Subordinated debt	113	136	61	109	322	266	314	4,415	5,736
Total	29,214	100,902	23,857	5,427	5,195	6,295	10,913	44,460	226,263

150 The remaining maturities of derivatives are presented separately in a table in Note (44).

As of December 31, 2007[1]:

	Payable on demand €m	Less than three months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	1,601	14,055	2,036	1,623	772	679	1,844	1,950	24,560
Loans and advances to customers	3,362	10,413	8,586	7,177	5,852	6,627	7,085	42,962	92,064
Trading assets	1	967	1,568	1,691	456	346	301	4,610	9,940
Hedging derivatives	1	44	5	18	15	7	23	308	421
Investment securities	–	2,204	4,925	7,469	6,545	5,133	7,094	35,212	68,582
Current tax assets	–	3	79	35	–	–	–	–	117
Deferred tax assets	3	29	15	47	9	72	340	7	522
Other assets	71	68	34	47	38	48	27	196	529
Total	5,039	27,783	17,248	18,107	13,687	12,912	16,714	85,245	196,735
Deposits from other banks	3,293	41,068	5,332	2,515	830	898	1,299	5,911	61,146
Due to customers	26,589	45,538	6,312	1,755	1,811	3,451	5,439	19,801	110,696
Securitized liabilities	–	992	1,173	3,913	1,206	258	248	1,768	9,558
Trading liabilities	–	508	211	233	201	193	336	3,918	5,600
Hedging derivatives	–	138	39	131	67	29	69	400	873
Provisions	14	70	226	274	222	208	180	913	2,107
Provisions for pensions	–	19	50	94	80	78	77	745	1,143
Other provisions	14	51	176	180	142	130	103	168	964
Current tax liabilities	–	–	61	6	–	28	27	–	122
Deferred tax liabilities	5	–	5	6	5	425	511	147	1,104
Other liabilities	208	296	263	14	14	13	2	25	835
Subordinated debt	–	14	329	234	102	318	274	4,332	5,603
Total	30,109	88,624	13,951	9,081	4,458	5,821	8,385	37,215	197,644

(52) Subordinated assets

Assets are subordinated if their recovery as receivables ranks behind other creditors in the event of liquidation or bankruptcy of the issuer.

Loans and advances to other banks include subordinated assets of €21 million (previous year: €21 million).

(53) Other financial obligations

Commencing in 2000, Postbank pays 33 % of the gross compensation of its active civil servants and the notional gross compensation of its civil servants on leave of absence to a pension fund *(Unterstützungskasse)* established for this purpose in accordance with Article 4 Section 16 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganization Act). Postbank has no further obligations for benefits paid by the pension fund, which are the responsibility of the German government.

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

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

In accordance with the provisions of that company's articles of association, the investment in Liquiditats-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. (Association of German Banks).

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 private deposit-taking institutions in Germany – on the basis of the provisions of the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act).

[1] Prior-period figures restated (see Note 6)

In addition, Deutsche Postbank International S.A., Luxembourg, is a member of the "Association pour la Garantie des Dépôts Luxembourg" (AGDL), the Luxembourg deposit guaranty and investor indemnity fund.

Financial obligations under Postbank AG's operating leases involving non-cancelable leasing agreements relate to land and buildings and have the following maturity structures:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
in the first year after the balance sheet date	21	23
in the second year after the balance sheet date	17	22
in the third year after the balance sheet date	16	19
in the fourth year after the balance sheet date	14	15
in the fifth year after the balance sheet date	12	12
more than five years after the balance sheet date	59	65
Total	139	156

In addition, Postbank Filialvertrieb AG has annual obligations from rent and service charges of €85 million (previous year: €81 million).

(54) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Trust assets		
Loans and advances to other banks	61	51
Loans and advances to customers	1,024	1,123
	1,085	1,174
Trust liabilities		
Trust funds for transmitted loans	513	551
Special fund of the State of Mecklenburg-Western Pomerania	45	45
Retired farmers' pension fund	12	11
Special-purpose funds	515	567
	1,085	1,174

(55) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2008	Total 2007
Full-time		
Civil servants	6,460	6,661
Salaried employees	11,419	11,460
	17,879	18,121
Part-time		
Civil servants	940	1,005
Salaried employees	2,603	2,714
	3,543	3,719
	21,422	21,840

The employees are employed almost exclusively in Germany.

(56) Related party disclosures

In addition to the companies included in the consolidated financial statements, the Postbank Group has direct or indirect relationships with a wide range of Deutsche Post World Net subsidiaries and other investees and a small number of unconsolidated Postbank AG subsidiaries and other investees in the course of its ordinary business activities. Related parties are defined as the members of the Management Board and the Supervisory Board of Deutsche Postbank AG, and of the parent company Deutsche Post AG, and the close members of their families. Other related parties are Deutsche Post AG subsidiaries and other investees, including unconsolidated subsidiaries. In the course of ordinary business activities, all transactions for the provision of goods and services entered into with the aforementioned companies were conducted at standard market terms and conditions.

Business relationships with Deutsche Post AG

Deutsche Post AG and Postbank entered into a new cooperation agreement effective January 1, 2006. Under this agreement, Postbank will serve Postbank customers via its own branch-based sales network. In addition, under a supplement to the cooperation agreement dated October 30, 2007, Postbank sells postal services via its branch-based sales network on behalf of and for the account of Deutsche Post AG. The goal of the cooperation agreement is to measure the remuneration payable to Deutsche Post AG according to the value added contribution of the relevant underlying products. In addition to payment transactions, the products and services governed by the cooperation agreement relate in particular to checking accounts, money services, credit cards, consumer loans, the savings and investment fund business, mortgage lending and insurance products, and the provision of cash for and maintenance of ATMs and statement printers. Services provided between Postbank and Deutsche Post AG and the companies affiliated with Deutsche Post AG are reported as business relationships.

Business relationships with other related parties

All related parties that are controlled by Deutsche Postbank AG or on which the Group has significant influence are presented in the list of shareholdings, which includes disclosures on the interest held, equity, and profit or loss for the year by business area. The list of shareholdings can be found in the commercial register of the Bonn Local Court.

Related party transactions also include Deutsche Postbank AG 's membership of a defined contribution pension plan, the expenses for which relate mainly to payments made to Bundes-Pensions-Service für Post und Telekommunikation e.V. in the amount of €115 million (previous year: €111 million). Other disclosures relating to Bundes-
122 Pensions-Service für Post und Telekommunikation e.V. can be found in Note 4 (o) "Provisions".

Related party receivables

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers		
Deutsche Post AG	130	402
Subsidiaries	12	30
	142	432
Other assets		
Deutsche Post AG	35	24
Subsidiaries	1	2
Other related parties	2	4
	38	30

Loans and advances to Deutsche Post AG relate primarily to loans and overdrafts.

Loans and advances to subsidiaries primarily relate to Postbank AG's receivables from CREDA Objektanlage- und Verwaltungsgesellschaft mbH amounting to €7 million and from RALOS Verwaltungs GmbH & Co. Vermietungs-KG amounting to €4 million.

Related party payables

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Due to customers		
Deutsche Post AG	37	–
Subsidiaries	56	44
Other related parties	44	36
	137	80
Other liabilities		
Deutsche Post AG	80	95
Subsidiaries	2	2
Other related parties	8	4
	90	101
Subordinated debt		
Subsidiaries	101	141
	101	141

Amounts due to subsidiaries relate primarily to a term deposit by Postbank P.O.S. Transact GmbH and BHW Invest. S.A.R.L.R. at Deutsche Postbank International S.A. amounting to €21 million.

Amounts due to other related parties are primarily attributable to services exchanged between Deutsche Postbank International S.A. and Deutsche Post Pensionsfonds GmbH amounting to €31 million.

Other liabilities mainly result from the branch business as stipulated in the cooperation agreement.

The subordinated debt line item contains subordinated liabilities of BHW Bausparkasse AG and Deutsche Postbank AG to BHW Euro Finance B.V. in the form of subordinated promissory note loans.

Contingent liabilities from guarantees and warranty obligations to Deutsche Post AG amount to €7 million (previous year: €6 million). There are no contingent liabilities from other obligations, i.e., from irrevocable loan commitments or similar obligations to subsidiaries and associates.

Income and expenses from related parties

	Jan. 1 – Dec. 31 2008 €m	Jan. 1 – Dec. 31 2007 €m
Interest income		
Deutsche Post AG	35	24
Subsidiaries	12	4
Other related parties	3	4
	50	32
Interest expense		
Deutsche Post AG	–	1
Subsidiaries	9	8
Other related parties	1	1
	10	10
Fee and commission income		
Deutsche Post AG	479	520
Subsidiaries	2	4
Other related parties	–	1
	481	525
Fee and commission expense		
Deutsche Post AG	–	2
Subsidiaries	11	11
	11	13
Administrative expenses		
Deutsche Post AG	315	357
Subsidiaries	26	21
Other related parties	164	151
	505	529
Other income		
Deutsche Post AG	4	11
Subsidiaries	6	6
Other related parties	27	26
	37	43
Other expenses		
Deutsche Post AG	1	18
	1	18

The expenses of Deutsche Postbank to Deutsche Post AG are composed of the following items:

	2008 €m	2007 €m
Branch expense under cooperation agreement		
Commission for provision of the sales network	98	100
Minimum commission	10	–
Selling commission for new business	14	11
Maintenance of ATMs and statement printers	5	6
Corporate Banking transactions	6	6
Investment subsidies	3	4
	136	127
Cost of other business relationship		
Postage costs	61	65
Payroll services	4	5
Printing and enveloping costs	0	4
Other expenses	10	10
	75	84

Deutsche Postbank AG's income from Deutsche Post AG from other business relationships amounted to €83 million (previous year: €95 million), €59 million (previous year: €82 million) of which relates to reimbursements for advertising expenditure.

Expenses from the business relationships of Deutsche Postbank AG's subsidiaries with Deutsche Post AG primarily relate to administrative expenses of Postbank Filialvertrieb AG amounting to €103 million (previous year: €138 million).

Income from business relationships of Deutsche Postbank AG's subsidiaries with Deutsche Post AG primarily relate to fee and commission income from Postbank Filialvertrieb AG's branch business amounting to €417 million (prrevious year: €434 million).

Deutsche Postbank AG incurred expenses from other related parties primarily relating to rental expense and service charges which were reported in administrative expenses.

There were no acquisitions or sales of land, buildings, or other assets to related parties.

Lease expenses from renting from other related parties amounted to €64 million (previous year: €63 million), lease income from renting to other related parties amounted to €11 million (previous year: €11 million), and income from renting to unconsolidated subsidiaries of Postbank AG amounted to €2 million (previous year: €1 million).

There are no transfers to related parties under license agreements and no provisions for doubtful receivables relating to related parties were recognized.

Remuneration of the Management Board

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 member in question. Remuneration is calculated so that it is competitive with regard to national and international standards and hence offers an incentive for dedicated and successful work. It therefore complies with the requirements of section 87 of the *Aktiengesetz* (AktG – German Stock Corporation Act).

The level of remuneration is linked to performance; overall remuneration consists of a fixed and a performance-related component.

The fixed component (base pay) and other compensation are not linked to performance. The fixed component is paid as a monthly salary in 12 equal installments.

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

The annual bonus awarded to the Chairman of the Management Board is determined by the Executive Committee of the Supervisory Board on the basis of the Company's business development after due assessment of the circumstances.

The annual bonuses awarded to the other 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. 50 % of them are corporate targets for Deutsche Postbank AG and are dependent on the earnings KPIs of the Company (corporate performance bonus). The remaining 50 % relate to individual quantative and/or qualitative targets of the respective board members (personal performance bonus). 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 Executive Committee of the Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance (special performance-related bonus).

Otherwise, in order to create an incentive, the ratio of potential variable remuneration to fixed remuneration is calculated so that variable remuneration can exceed fixed remuneration.

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

The ten active members of the Management Board received remuneration totaling € 16,174.3 thousand (previous year: €10,529.0 thousand) in fiscal year 2008. Of this amount, €4,309.3 thousand related to fixed components (previous year: €4,469.8 thousand), and €11,865.0 thousand to bonuses (previous year: €6,059.2 thousand).

The performance-related component includes payment of a one-time premium (special bonus) to board members in connection with the acquisition of an investment in the Company in the amount of €11,515.0 thousand; the premium was promised in May 2008. 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 (previous year: €10,529.0 thousand).

An annual bonus (corporate and personal performance bonus) will not be paid for fiscal year 2008.

The fixed component includes "other compensation" worth €175.3 thousand (previous year: € 189.8 thousand) in total. 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.

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

Management Board remuneration in 2008

	Fixed remuneration component		Performance-related component		Total
	Fixed component	Other compen-sation	Annual bonus	Special bonus[1]	
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Wolfgang Klein (Chairman)	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 board members 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) will not be paid for fiscal year 2008.

Management Board remuneration in 2007

	Fixed remuneration component		Performance-related component	Total
	Fixed component	Other compen-sation	Annual bonus	
	€ thousand	€ thousand	€ thousand	€ thousand
Wolfgang Klein (Chairman since July 1, 2007)	687.5	45.7	797.7	1,530.9
Wulf von Schimmelmann (Chairman until June 30, 2007)	555.0	14.6	825.0	1,394.6
Dirk Berensmann	500.0	23.9	742.3	1,266.2
Dr. Mario Daberkow	250.0	14.5	339.4	603.9
Henning R. Engmann (until March 31, 2007)	125.0	7.8	200.0	332.8
Stefan Jütte	512.5	14.2	761.1	1,287.8
Guido Lohmann (since July 1, 2007)	125.0	9.8	161.5	296.3
Michael Meyer (since July 1, 2007)	175.0	6.9	219.9	401.8
Loukas Rizos	550.0	19.5	1,067.3	1,636.8
Hans-Peter Schmid	400.0	16.5	464.0	880.5
Ralf Stemmer	400.0	16.4	481.0	897.4
Total	4,280.0	189.8	6,059.2	10,529.0

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 Management Board member Stefan Jütte are different, however. The pension benefits for Stefan Jütte amount to a maximum of 50 % of pensionable income. The Chairman of the Management Board has already reached the maximum of 60 % of his pension benefits.

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.

If Dirk Berensmann, Hans-Peter Schmid, or Ralf Stemmer leave the Management Board before the end of their contractual term due to termination of contract by Postbank, the pension benefits shall be calculated as if they had fulfilled their contract as planned, unless Postbank terminates the employment relationship for good cause.

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, Guido Lohmann, 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 and bears interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. The current interest rate is 6%. 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 are adjusted by 1% p. a.

Members of the Management Board Michael Meyer 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, 2008 %	Maximum percentage of final salary %	Service cost for pension obligations € thousand
Wolfgang Klein (Chairman)	60.00	60.00	180,264
Dirk Berensmann	58.00	60.00	162,226
Stefan Jütte	29.39	50.00	218,926
Hans-Peter Schmid	0	60.00	234,188
Ralf Stemmer	0	60.00	54,085

Hans-Peter Schmid and Ralf Stemmer have not yet completed their respective waiting periods. As of the end of fiscal year 2008, they therefore have no entitlement to an old-age pension under these arrangements. Ralf Stemmer's previous pension arrangements will take effect before the expiry of the waiting period.

	Contribution amount for 2008 € thousand	Pension account balance as of Dec. 31, 2008 € thousand	Service cost for pension obligations € thousand
Horst Küpker (since July 1, 2008)	184,597	190,135	90,027
Michael Meyer	87,500	337,755	70,729

The remuneration paid to former members of the Management Board and their dependants amounted to €16.42 million (previous year: €4.95 million).

The defined benefit obligation (DBO) for current pensions, calculated in line with international accounting principles, totals €43.30 million.

Other

In the year under review, the members of the Management Board have received no benefits from third parties that were either promised or granted in view of their position as a member of the Management Board.

Apart from the benefits specified above, no member of the Management Board has been promised any further benefits upon termination of employment.

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. 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 remuneration of a full member of the Supervisory Board without membership in 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 fiscal year 2010 exceeds the consolidated net profit per share for fiscal year 2007. This remuneration is payable following the end of the 2011 Annual General Meeting.

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 incurred in the exercise of their office. Any value-added tax on the Supervisory Board remuneration and on any out-of-pocket expenses is reimbursed. 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 four percent of contributions made on the lowest issue price of the shares. In addition, remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member.

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 2008 amounted to €526 thousand (previous year: €996 thousand). As concerns earnings-related remuneration, the Supervisory Board only received the fixed remuneration. In fiscal year 2008, the Supervisory Board received reimbursement of out-of-pocket expenses amounting to €17.5 thousand.

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

	Fixed remuneration	Variable remuneration (annually)	Variable remuneration (long-term)	Attendance allowance	Total	Entitlement to remuneration with long-term incentive effect*
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Frank Appel	45.5	–	–	2.5	48.0	45.5
Michael Sommer	45.0	–	–	1.8	46.8	45.0
John Allan	9.8	–	–	0.5	10.3	9.8
Wilfried Anhäuser	22.5	–	–	2.5	25.0	22.5
Jörg Asmussen	6.1	–	–	0.3	6.4	6.1
Marietta Auer	22.5	–	–	2.5	25.0	22.5
Rolf Bauermeister	15.0	–	–	1.3	16.3	15.0
Wilfried Boysen	15.0	–	–	1.3	16.3	15.0
Henry Cordes	1.8	–	–	0.3	2.1	1.8
Edgar Ernst	30.0	–	–	3.5	33.5	30.0
Annette Harms	15.0	–	–	1.3	16.3	15.0
Peter Hoch	37.5	–	–	3.5	41.0	37.5
Elmar Kallfelz	25.1	–	–	3.0	28.1	25.1
Ralf Krüger	37.5	–	–	3.5	41.0	37.5
Axel Nawrath	4.9	–	–	0.0	4.9	4.9
Hans-Dieter Petram	19.9	–	–	1.3	21.2	19.9
Bernd Pfaffenbach	15.0	–	–	1.3	16.3	15.0
Klaus Schlede	7.9	–	–	0.8	8.7	7.9
Thorsten Schulte	27.4	–	–	2.0	29.4	27.4
Eric Stadler	15.0	–	–	1.3	16.3	15.0
Gerd Tausendfreund	22.5	–	–	2.5	25,0	22.5
Renate Treis	22.5	–	–	2.5	25.0	22.5
Elmo von Schorlemer	15.0	–	–	1.3	16.3	15.0
Klaus Zumwinkel	7.0	–	–	0.0	7.0	7.0
Total	485.4	–	–	40.8	526.2	485.4

* The basis for the measurement of the entitlement to remuneration with long-term incentive effect is the provision which must be recognized.

Peter Hoch received remuneration of €25 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 2008, 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.

At the balance sheet date, loans of €70.4 thousand (previous year: €931 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2008, loans amounting to €528.38 thousand at the balance sheet date were granted to Management Board members who retired in 2008. No other contingent liabilities had been 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, individual Management Board members are required to contribute own funds to costs if a claim is made. This contribution is between approximately 10 % and 40 % of the fixed annual salary.

(57) Other disclosures

Deutsche Postbank AG's consolidated financial statements are included in the consolidated financial statements of Deutsche Post AG.

In accordance with section 2 (4) of the *Postumwandlungsgesetz* (PostUmwG – Postal Service Transformation Act), the German government guarantees settlement of all liabilities existing at the time of Deutsche Postbank AG's registration in the commercial register. The government guarantee for savings deposits expired five years after the date of registration in the commercial register.

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

Deutsche Postbank AG has issued guarantee bonds for its subsidiary PB Capital Corp., Delaware, U.S.A., in the amount of $830.1 million. These include a guarantee bond for the commercial paper program ($588.5 million), a guarantee bond for swaps ($235.9 million), and a rental guarantee for business premises in New York ($5.7 million).

(58) Members of executive bodies

Management Board

The members of the Management Board are:	
Wolfgang Klein, Bonn (Chairman)	
Dirk Berensmann, Unkel	
Mario Daberkow, Bonn	until November 30, 2008
Marc Hess, Bonn	since January 1, 2009
Stefan Jütte, Bonn	
Horst Küpker, Bad Honnef	since July 1, 2008
Guido Lohmann, Dülmen	until November 30, 2008
Michael Meyer, Bonn	
Loukas Rizos, Bonn	until June 30, 2008
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2008 on supervisory boards or other supervisory bodies:

Wolfgang Klein	Chairman
Function	**Company**
Member and Chairman of the Supervisory Board (since June 30, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	Comma Soft AG, Bonn
Chairman of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Deputy Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board (since April 15, 2008) Member of the Supervisory Board (since April 14, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Member of the Management Board	Bundesverband deutscher Banken e.V., Berlin
Member of the Advisory Board	Verband der Sparda-Banken e.V., Frankfurt am Main
Offices relinquished during the year	
Chairman of the Supervisory Board (until December 31, 2008)	BHW Holding AG, Berlin/Hamelin
Chairman of the Supervisory Board (until December 31, 2008)	BHW Bausparkasse AG, Hamelin
Offices relinquished in 2009	
Chairman of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin

Dirk Berensmann

Function	Company
Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Chairman of the Advisory Board	Postbank Support GmbH, Cologne*
Chairman of the Board of Directors	Eurogiro Holding A/S, Taastrup (Denmark)
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Postbank Finanzberatung AG, Hamelin
Member of the Management Board	e-Finance Lab Frankfurt am Main, Frankfurt University

New offices from 2009	
Member of the Supervisory Board (since January 1, 2009)	BHW Bausparkasse AG, Hamelin

*previously einsnull IT-Support GmbH, Cologne

Mario Daberkow — Member of the Management Board until November 30, 2008

Function	Company
Chairman of the Advisory Board	CREDA Objektanlage- und verwaltungsgesellschaft mbH, Bonn
Deputy Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Board of Directors (since May 9, 2008)	Eurogiro NCIP A/S, Taastrup (Denmark)

Offices relinquished during the year	
Chairman of the Supervisory Board (until September 11, 2008)	Betriebs-Center für Banken Payments & Services GmbH, Munich
Chairman of the Supervisory Board (until June 29, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main

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

Function	Company
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 (since April 14, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main

Stefan Jütte

Function	Company
Chairman of the Supervisory Board	Postbank Leasing GmbH, Bonn
Chairman of the Supervisory Board	PB Factoring GmbH, Bonn
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Member of the Board of Directors	PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.
Member of the Board of Directors	PB Capital Corp., Wilmington, Delaware, U.S.A.
Member of the Supervisory Board (since November 10, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BVVG Bodenverwertungs- und verwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	IVG Institutional Funds GmbH, Wiesbaden
Member of the Advisory Board	CorpusSireo Immobiliengruppe, Düsseldorf

Horst Küpker — Member of the Management Board since July 1, 2008

Function	Company
Member and Chairman of the Supervisory Board (since April 17, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Member and Chairman of the Supervisory Board (since April 4, 2008)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Supervisory Board (since April 15, 2008) Member of the Supervisory Board (since April 14, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Member and Deputy Chairman of the Supervisory Board (since July 1, 2008)	PB Firmenkunden AG, Bonn
Member and Chairman of the Board of Directors (since May 15, 2008)	Deutsche Postbank International S.A., Luxembourg
Member and Chairman of the Board of Directors (since May 15, 2008)	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Member of the Supervisory Board (since May 1, 2008)	Postbank Finanzberatung AG, Hamelin

Offices relinquished during the year	
Chairman of the Supervisory Board (until July 21, 2008)	BHW Bank AG, Hamelin

Guido Lohmann — Member of the Management Board until November 30, 2008

Function	Company
Offices relinquished during the year	
Chairman of the Supervisory Board (until November 30, 2008)	BHW Immobilien GmbH, Hamelin
Member of the Supervisory Board (until November 30, 2008)	Postbank Vertriebsakademie GmbH, Hamelin

Michael Meyer

Function	Company
Chairman of the Supervisory Board (since January 1, 2009) Member of the Supervisory Board (until December 31, 2008)	BHW Bausparkasse AG, Hamelin
Chairman of the Supervisory Board (since February 1, 2009) Member of the Supervisory Board (from May 1, 2008 to January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrs-dienstleistungen GmbH, Bonn
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 (since June 30, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Supervisory Board (since May 15, 2008)	Postbank Filialvertrieb AG, Bonn
Member of the Board of Directors	VISA Deutschland e.V., Frankfurt am Main

Offices relinquished during the year

Deputy Chairman of the Supervisory Board (until July 21, 2008)	BHW Bank AG, Hamelin

New offices from 2009

Member and Chairman of the Supervisory Board (since January 1, 2009)	BHW Holding AG, Berlin/Hamelin

Loukas Rizos

Member of the Management Board until June 30, 2008

Function	Company
Offices relinquished during the year	
Chairman of the Supervisory Board (until April 16, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Chairman of the Supervisory Board (until April 3, 2008)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Board of Directors (until May 14, 2008)	Deutsche Postbank International S.A., Luxembourg
Chairman of the Board of Directors (until May 14, 2008)	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Deputy Chairman of the Supervisory Board (until June 30, 2008)	PB Firmenkunden AG, Bonn
Member of the Supervisory Board (until April 30, 2008)	Postbank Finanzberatung AG, Hamelin

Hans-Peter Schmid

Function	Company
Member of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Member of the Supervisory Board	Bayerische Börse AG, Munich

Offices relinquished during the year

Member of the Supervisory Board (until June 29, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Member of the Supervisory Board (until April 30, 2008)	Postbank Finanzberatung AG, Hamelin

New offices from 2009

Member of the Supervisory Board (since February 1, 2009)	Postbank Finanzberatung AG, Hamelin

Ralf Stemmer

Function	Company
Chairman of the Supervisory Board	Postbank Immobilien und Baumanagement GmbH, Bonn
Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Deputy Chairman of the Supervisory Board	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, 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 Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, 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 Telekommu-nikation Deutsche Bundespost, Bonn

*previously einsnull IT-Support GmbH, Cologne

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 since March 3, 2008)	since February 19, 2008
Klaus Zumwinkel, Cologne	until February 18, 2008
John Allan, Member of the Management Board of Deutsche Post AG, Bonn	since May 8, 2008
Jörg Asmussen, Head of Department, Federal Ministry of Finance, Berlin	until May 27, 2008
Henry B. Cordes, *Ministerialdirektor*, Federal Ministry of Finance, Berlin	since November 19, 2008
Wilfried Boysen, Hamburg	
Edgar Ernst, management consultant, Bonn	
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Axel Nawrath, State Secretary, Federal Ministry of Finance, Berlin	from June 27, 2008 to October 24, 2008
Hans-Dieter Petram, Inning	
Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Wachtberg-Pech	
Klaus Schlede, Carabietta/Lugano	until May 8, 2008
Elmo von Schorlemer, lawyer, Aachen	

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, Member of Deutsche Post AG's European Works Council and General Works Council, Wachtberg
Torsten Schulte, Chairman of Deutsche Postbank AG's Group Works Council, 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 Chairman 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, 2008 on supervisory boards or other supervisory bodies:

Shareholder representatives

Frank Appel	Chairman of the Supervisory Board since March 3, 2008

Function	Company
Chairman of the Supervisory Board (until May 1, 2008)	Williams Lea Holding PLC
Member of the Board of Directors (until May 1, 2008)	Williams Lea Group Limited
Member of the Board of Directors (until May 1, 2008)	Exel Investments Limited
Member of the Board of Directors (until May 1, 2008)	Exel Limited
Member of the Board of Directors (until May 1, 2008)	Tibbett & Britten Group Limited

Klaus Zumwinkel	Chairman of the Supervisory Board until February 18, 2008

Function	Company
Chairman of the Supervisory Board (until February 29, 2008)	Deutsche Telekom AG, Bonn
Member of the Supervisory Board (until April 28, 2008)	Deutsche Lufthansa AG, Cologne
Member of the Supervisory Board (until December 31, 2008)	Arcandor, Essen
Member of the Board of Directors (until April 7, 2008)	Morgan Stanley, Delaware, U.S.A.

John Allan	Member of the Supervisory Board since May 8, 2008

Function	Company
Member of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Non-Executive Director	National Grid plc
Member of the Board of Directors	ISS Holding A/S

Jörg Asmussen	Member of the Supervisory Board until May 27, 2008

Function	Company
Chairman of the Administrative Board (since August 12, 2008)	Bundesanstalt für Finanzdienstleistungsaufsicht, Bonn
Member of the Supervisory Board (until May 27, 2008)	IKB-Deutsche Industriebank AG, Düsseldorf
Member of the Supervisory Board (until May 27, 2008)	Euler Hermes Kreditversicherungs-AG, Hamburg

Wilfried Boysen

Function	Company
Member of the Supervisory Board (since January 1, 2008)	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Henry B. Cordes
Member of the Supervisory Board since November 19, 2008

Function	Company
Deputy Chairman of the Supervisory Board	TLG Immobilien GmbH
Member of the Supervisory Board	T-Mobile International AG
Deputy Member of the Board of Trustees	Deutsche Museumsstiftung Post und Telekommunikation, Bonn
Member of the Supervisory Board	Flughafen Berlin-Schönefeld GmbH, Berlin
Member of the Supervisory Board (until May 2008)	DB Schenker

Edgar Ernst

Function	Company
Member of the Supervisory Board (until April 24, 2008)	Allianz Versicherungs-AG, Munich

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	KMS AG, Frankfurt am Main
Chairman of the Supervisory Board	KMS Asset Management AG, Frankfurt am Main
Chairman of the Supervisory Board	DIAMOS AG, Sulzbach
Member of the Supervisory Board	Deutsche Post AG, Bonn
Member of the Advisory Board	SIREO REAL Estate Asset Management GmbH, Heusenstamm

Axel Nawrath
Member of the Supervisory Board from June 27 to October 24, 2008

Function	Company
Member of the Supervisory Board	Deutsche Bahn AG, Berlin
Member of the Supervisory Board (since 2008)	Deutsche Bahn ML AG, Berlin
Member of the Supervisory Board (until October 2008)	KfW-IPEX Bank, Frankfurt am Main

Hans-Dieter Petram

Function	Company
Member of the Supervisory Board	Talanx AG, Hanover

Bernd Pfaffenbach

Function	Company
Member of the Supervisory Board	Lufthansa Cargo AG, Frankfurt am Main
Member of the Supervisory Board	KfW-IPEX Bank, Frankfurt am Main
Member of the Supervisory Board (until January 31, 2008)	Deutsche Bahn AG, Berlin

Klaus Schlede
Member of the Supervisory Board until May 8, 2008

Function	Company
Member of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Member of the Board of Directors	SWISS International AIR LINES AG, Basel, Switzerland
Member of the Supervisory Board (until May 15, 2008)	Deutsche Telekom AG, Bonn

Elmo von Schorlemer

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 (since December 2008)	Hannover Direkt Versicherung AG, Hanover
Member of the Supervisory Board (until December 2008)	VHV Allgemeine Versicherung AG, Hanover

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
Deputy Chairman of the Supervisory Board (until December 2007)	DGB Rechtschutz GmbH, Düsseldorf
Member of the Supervisory Board (until May 2008)	Salzgitter AG, Salzgitter

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

Rolf Bauermeister	
Function	**Company**
Member of the Supervisory Board (since May 6, 2008)	Deutsche Post AG, Bonn
Member of the Administrative Board (until November 30, 2008)	Deutsche BKK

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, Hameln/Berlin
Member of the Administrative Board (since June 2008)	Sparkassenzweckverband der Sparkasse Weserbergland

Gerd Tausendfreund	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse AG, Hameln
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

(59) Auditors' fee in accordance with section 314 (1) no. 9 of the HGB

	2008 €m	2007 €m
Audits of the financial statements	7.2	7.0
Other assurance of valuation services	5.2	3.1
Tax advisory services	0.6	0.1
Other services rendered to the parent company or subsidiaries	3.2	6.2
Total	16.2	16.4

(60) Declaration of Compliance with the German Corporate Governance Code

On November 28, 2008, the Management Board and the Supervisory Board of Deutsche Postbank AG together published the declaration of compliance with the German Corporate Governance Code for fiscal year 2008 required by section 161 of the *Aktiengesetz* (German Stock Corporation Act). The declaration of compliance can be accessed on the Internet on our homepage at www.postbank.com.

Responsibility Statement

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

Bonn, February 13, 2009
Deutsche Postbank Aktiengesellschaft

The Management Board

Wolfgang Klein

Dirk Berensmann

Marc Hess

Stefan Jütte

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Auditors' Report

We have audited the consolidated financial statements prepared by the Deutsche Postbank AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 18, 2009

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Susanne Beurschgens
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Other Information

Consolidated Income Statement – Quarterly Overview[1]

	2008				2007				2008	2007
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	2,636	2,475	2,510	2,317	2,215	2,101	2,081	1,987	9,938	8,384
Interest expense	–1,898	–1,897	–1,888	–1,760	–1,613	–1,561	–1,526	–1,444	–7,443	–6,144
Net interest income	738	578	622	557	602	540	555	543	2,495	2,240
Allowance for losses on loans and advances	–104	–143	–86	–75	–70	–92	–86	–90	–408	–338
Net interest income after allowance for losses on loans and advances	634	435	536	482	532	448	469	453	2,087	1,902
Fee and commission income	425	421	418	419	436	424	396	419	1,683	1,675
Fee and commission expense	–65	–59	–68	–60	–60	–67	–57	–62	–252	–246
Net fee and commission income	360	362	350	359	376	357	339	357	1,431	1,429
Net trading income	–406	–56	61	12	24	93	105	59	–389	281
Net income from investment securities	–700	–470	–80	1	2	184	38	70	–1,249	294
Administrative expenses	–808	–741	–718	–702	–752	–722	–727	–736	–2,969	–2,937
Other income	93	39	44	42	71	36	29	24	218	160
Other expenses	–39	–17	–21	–26	–59	–45	–24	–9	–103	–137
Loss/profit before tax	–866	–448	172	168	194	351	229	218	–974	992
Income tax	156	99	–51	–50	–28	53	–83	–77	154	–135
Loss/profit from ordinary activities after tax	–710	–349	121	118	166	404	146	141	–820	857
Minority interest	0	0	0	–1	0	0	0	–1	–1	–1
Consolidated net loss/profit	–710	–349	121	117	166	404	146	140	–821	856

[1] Q1 to Q3 2008 and prior-period figures restated (see Note 6)

Consolidated Income Statement – Multi-Year Overview

	2005 €m	2005 pro forma €m	2006 €m	2007[1] €m	2008 €m
Interest income	5,350	7,045	7,650	8,384	9,938
Interest expense	–3,675	–5,097	–5,496	–6,144	–7,443
Net interest income	1,675	1,948	2,154	2,240	2,495
Allowance for losses on loans and advances	–205	–286	–337	–338	–408
Net interest income after allowance for losses on loans and advances	1,470	1,662	1,817	1,902	2,087
Fee and commission income	801	1,560	1,623	1,675	1,683
Fee and commission expense	–102	–181	–216	–246	–252
Net fee and commission income	699	1,379	1,407	1,429	1,431
Net trading income	205	231	264	281	–389
Net income from investment securities	252	270	292	294	–1,249
Administrative expenses	–1,886	–2,870	–2,812	–2,937	–2,969
Other income	252	361	205	160	218
Other expenses	–273	–318	–232	–137	–103
Loss/profit before tax	719	715	941	992	–974
Income tax	–226	–225	–245	–135	154
Loss/profit from ordinary activities after tax	493	490	696	857	–820
Minority interest	–1	–1	–1	–1	–1
Consolidated net loss/profit	492	489	695	856	–821
Cost/income ratio (CIR)	66.6 %	75.0 %	68.3 %	69.2 %	129.8 %
Return on equity (RoE)					
before tax	15.0 %	14.9 %	18.9 %	19.2 %	–21.3 %
after tax	10.3 %	10.2 %	14.0 %	16.6%	–18.0 %

[1] Prior-period figures restated (see Note 6)

125

International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards (IFRSs) applied as of December 31, 2008

Standard[1]	Status	Original Title	German Title	Effective since[2]	Adopted by EU Regulation[3]
1. International Financial Reporting Standards (IFRSs)[4]					
1.1. International Accounting Standards (IASs)					
IAS 1	2005	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IAS 7	rev. 1992	Cash Flow Statements	Kapitalflussrechnungen	Jan. 1, 1994	1126/2008, Nov. 3, 2008
IAS 8	rev. 2003	Accounting Policies, Changes in Accounting Estimates and Errors	Bilanzierungs- und Bewertungsmethoden, Änderungen von Schätzungen und Fehler	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 10	rev. 2003	Events after the Balance Sheet Date	Ereignisse nach dem Bilanzstichtag	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 12	rev. 2000	Income Taxes	Ertragsteuern	Jan. 1,1998	1126/2008, Nov. 3, 2008
IAS 14	rev. 1997	Segment Reporting	Segmentberichterstattung	July 1, 1998	1126/2008, Nov. 3, 2008
IAS 16	rev. 2003	Property, Plant and Equipment	Sachanlagen	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 17	rev. 2003	Leases	Leasingverhältnisse	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 18	rev. 1993	Revenue	Erträge	Jan. 1, 1995	1126/2008, Nov. 3, 2008
IAS 19	2004	Employee Benefits	Leistungen an Arbeitnehmer	Nov. 1, 2005	1126/2008, Nov. 3, 2008
IAS 21	2005	The Effects of Changes in Foreign Exchange Rates	Auswirkungen von Änderungen der Wechselkurse	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 24	rev. 2003	Related Party Disclosures	Angaben über Beziehungen zu nahestehenden Unternehmen und Personen	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 27	rev. 2003	Consolidated and Separate Financial Statements	Konzern- und separate Einzelabschlüsse nach IFRS	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 28	rev. 2003	Investments in Associates	Anteile an assoziierten Unternehmen	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 31	rev. 2003	Interests in Joint Ventures	Anteile an Joint Ventures	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 32	rev. 2003	Financial Instruments: Disclosure and Presentation	Finanzinstrumente: Angaben und Darstellung	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 33	rev. 2003	Earnings per Share	Ergebnis je Aktie	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 34	1998	Interim Financial Reporting	Zwischenberichterstattung	Jan. 1, 1999	1126/2008, Nov. 3, 2008
IAS 36	rev. 2004	Impairment of Assets	Wertminderung von Vermögenswerten	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 37	1998	Provisions, Contingent Liabilities and Contingent Assets	Rückstellungen, Eventualschulden und Eventualforderungen	July 1, 1999	1126/2008, Nov. 3, 2008
IAS 38	rev. 2004	Intangible Assets	Immaterielle Vermögenswerte	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 39	2008	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IAS 40	rev. 2003	Investment Property	Als Finanzinvestition gehaltene Immobilien	Jan. 1, 2005	1126/2008, Nov. 3, 2008

[1–4] Key see side 176

176

International Financial Reporting Standards (IFRSs) applied as of December 31, 2008

Standard [1]	Status	Original Title	German Title	Effective since [2]	Adopted by EU Regulation[3]
1.2. International Financial Reporting Standards (IFRSs) [4]					
IFRS 3	rev. 2004	Business Combinations	Unternehmenszusammen-schlüsse	March 31, 2004	1126/2008, Nov. 3, 2008
IFRS 4	2005	Insurance Contracts	Versicherungsverträge	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRS 5	2004	Non-current assets held for sale and discountinued operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IFRS 7	2004	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2007	1126/2008, Nov. 3, 2008
1.3. Standard Interpretation Committee (SIC)					
SIC-12	2004	Consolidation – Special Purpose Entities	Konsolidierung – Zweckgesellschaften	Jan. 1, 2005	1126/2008, Nov. 3, 2008
1.4. International Financial Reporting Interpretation Committee (IFRIC)					
IFRIC 4	2004	Determining whether an arrangement contains a lease	Feststellung, ob eine Vereinbarung ein Leasing-verhältnis enthält	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRIC 10	2006	Interim Financial Reporting and Impairment	Zwischenberichterstattung und Wertminderung	Jan. 1, 2007	1126/2008, Nov. 3, 2008
2. Deutscher Rechnungslegungs Standard (DRS) [5] – German Accounting Standards (GASs)					
DRS 5-10	2005	n. r.	Risikoberichterstattung von Kredit- und Finanz-dienstleistungsinstitu-tionen	Jan. 1, 2005	n. r.
DRS 15	rev. 2005	n. r.	Lageberichterstattung	Jan. 1, 2003/Jan. 1, 2004/ Jan. 1, 2005	n. r.
DRS 15a	2007	n. r.	Übernahmerechtliche Angaben und Erläuterungen im Konzernlagebericht	Dec. 31, 2008	n. r.
DRS 16	2008	n. r.	Zwischenberichterstattung	Jan. 1, 2008	n. r.
DRS 17	2007	n. r.	Berichterstattung über die Vergütung der Organ-mitglieder	Dec. 31, 2008	n. r.
3. Kapitalmarktorientierte Vorschriften – Capital market-oriented provisions					
WpHG	2007	n. r.	Wertpapierhandelsgesetz; insbesondere § 37v bis § 37z	Jan. 1, 2007	n. r.
DCGK i.V.m. § 161 AktG	2008	n. r.	Deutscher Corporate Governance Kodex	Dec. 31, 2008	n. r.
FWBO	2008	n. r.	Frankfurter Wertpapier-börsenordnung	Aug. 15, 2008	n. r.

Key:

1 Not all pronouncements that exist as of the reporting date are listed, but only those that are relevant to the Postbank Group.

2 The date from which application is compulsory; voluntary, earlier application is often possible. Should Postbank voluntarily apply a pronouncement earlier, this is explicitly referred to in the Notes.

3 In accordance with section 315a (1) HGB in conjunction with the IAS Regulation (EU Regulation 1606/2002), Postbank is obliged to apply the IFRSs adopted by the EU (endorsement). The date shown corresponds to the date of approval by the European Commission (publication in the EU Official Journal follows shortly thereafter). As a rule, the date of application of the IFRSs adopted by the EU is the same date as given in the standards (see "Effective since" column). Should the EU adopt an IFRS in the period after the balance sheet date and before the day that the annual financial statements are signed, this IFRS may be applied in the annual financial statements (clarification by the European Commission at the ARC meeting on November 30, 2005).

4 IFRSs: a generic term for all financial reporting standards published by the International Accounting Standards Board (IABS). Also the name for new financial reporting standards issued by the IABS since 2003. The pronouncements issued up to 2002 continue to be referred to as International Accounting Standards (IASs). IASs are only renamed IFRSs if fundamental changes are made to standards.

5 Deutsche Rechnungslegungs Standards (German Accounting Standards-GASs) are applied if they pertain to items that are to be accounted for in accordance with section 315a HGB and are not already governed by IFRSs themselves.

6 On November 3, 2008, the European Commission adopted the consolidated version of all International Financial Reporting Standards (IFRSs) currently in force in the EU. This version contains all IFRSs that have been adopted to date, including the latest amendments adopted as of October 15, 2008, to ensure that the the companies must only draw on one legal instrument in the future. The consolidated version supersedes eighteen individual regulations to date and replaces Regulation no. 1725/2003 of September 29, 2003 as well as all other amendments made up to October 15, 2008.

Executive Bodies

Management Board

Wolfgang Klein, Bonn
Chairman

Dirk Berensmann, Unkel

Mario Daberkow, Bonn
until November 30, 2008

Marc Hess, Bonn
since January 1, 2009

Stefan Jütte, Bonn

Horst Küpker, Bad Honnef
since July 1, 2008

Guido Lohmann, Dülmen
until November 30, 2008

Michael Meyer, Bonn

Loukas Rizos, Bonn
until June 30, 2008

Hans-Peter Schmid, Baldham

Ralf Stemmer, Königswinter

Executive Managers

Mario Daberkow, Bonn
since December 15, 2008

Ralf Kauther, Bonn
since November 25, 2008

Supervisory Board

Frank Appel, Königswinter
Chairman,
Chairman of the Board of Management of Deutsche Post AG
since February 19, 2008

Klaus Zumwinkel, Cologne
Chairman,
Chairman of the Board of Management of Deutsche Post AG
until February 18, 2008

Michael Sommer*, Berlin
Deputy Chairman,
Chairman of the German Trade Union Federation

John Allan, Bonn
Member of the Board of Management of Deutsche Post AG
since May 8, 2008

Wilfried Anhäuser*, Kerpen
Chairman of the General Works Council of Postbank Filialvertrieb AG

Jörg Asmussen, Berlin
Head of Department, Federal Ministry of Finance
until May 27, 2008

Marietta Auer*, Unterhaching
Head of Department, Deutsche Postbank AG, Head Office

Rolf Bauermeister*, Berlin
Head of National Postal Services Group,
at ver.di Trade Union (national administration)

Wilfried Boysen, Hamburg

Edgar Ernst, Bonn
Management consultant

Henry B. Cordes, Berlin
Head of Department, Federal Ministry of Finance
since November 19, 2008

Annette Harms*, Hamburg
Deputy Chair of Deutsche Postbank AG's Works Council,
Hamburg Branch

Peter Hoch, Munich

Elmar Kallfelz*, Wachtberg
Member of Deutsche Post AG's European Works Council
and General Works Council

Ralf Krüger, Kronberg
Management consultant

Axel Nawrath, Berlin
State Secretary, Federal Ministry of Finance
from June 27 to October 24, 2008

Hans-Dieter Petram, Inning
Consultant

Bernd Pfaffenbach, Wachtberg-Pech
State Secretary, Federal Ministry of Economics and Technology

Klaus Schlede, Carabietta/Lugano
until May 8, 2008

Elmo von Schorlemer, Aachen
Lawyer

Torsten Schulte*, Hessisch Oldendorf
Chairman of Deutsche Postbank AG's Group Works Council

Eric Stadler*, Markt Schwaben
Chairman of Deutsche Postbank AG's Works Council

Gerd Tausendfreund*, Nidderau
Trade union secretary of the ver.di Trade Union

Renate Treis*, Brühl
Deputy Chair of Deutsche Postbank AG's General Works Council

*Employee representatives

Group Structure*

Deutsche Postbank AG

Group Management Wolfgang Klein	Finance Marc Hess	Retail Banking Michael Meyer	Branch Sales Hans-Peter Schmid
Corporate Development	Accounting and Taxes	Retail Banking and Cooperation Strategies	
Business and Banking Organization	Controlling	Product Management Accounts and Loans	
Corporate Principles / Standards and Sales Controlling	Investor Relations and Research	Product Management Investment and CRM	
Corporate Communication	Sales Channels Finance	Business Customers	
Internal Audit	Reporting and Systems	Call Centers, Direct Sales Channels	
		Third-Party Sales	
		Direct Banking	

Betriebs-Center für Banken AG		Postbank Finanzberatung AG	Postbank Filialvertrieb AG
		BHW Bausparkasse AG	
		Deutsche Postbank Home Finance Ltd.	
		BHW Immobilien GmbH	

*including selected subsidiaries

Lending Stefan Jütte	Financial Markets Horst Küpker	IT / Operations Dirk Berensmann	Resources Ralf Stemmer
Chief Risk Officer*	Capital Markets	Strategic Projects	HR Strategy
Risk Controlling	Treasury	Account Management	HR Operations
Credit Management Domestric	Liquidity Management	Financial Markets Operations	HR Management
Credit Management International	Credit Treasury	Branch Sales Service Field	HR Executives and HR Development
		Direct Sales Service Field	Legal Affairs
			Real Estate, Support, Security
			Employees and Trustee Customers

* CRO is authorized to issue instructions to the Risk Controlling department

PB Firmenkunden AG	Deutsche Postbank International S.A. Luxembourg	Postbank Systems AG	Postbank Vertriebs-akademie GmbH
PB Factoring GmbH	Deutsche Postbank Vermögens-Management S.A. Luxembourg		
Postbank Leasing GmbH	Deutsche Postbank Privat Investment Kapital-anlagegesellschaft mbH		
PB Capital Corporation	Deutsche Postbank Financial Services GmbH		

Amortized cost	The amount at which a financial asset or liability was measured at initial recognition, minus principal repayments, plus or minus the reversal of a premium/discount, and minus any writedowns for impairment or uncollectability.
Asset-backed securities	Securitized receivables from tradable securities based on pools of assets.
Associate	An enterprise that is included in the consolidated financial statements using the equity method rather than full or proportionate consolidation, and over whose business or financial policies a consolidated company has significant influence. At Postbank, such companies are alternatively proportionately consolidated.
Available for sale AfS	Financial assets that are available for sale (see Available-for-sale securities).
Available-for-sale securities	Securities which are not allocated to either the held for trading or the loans and receivables categories and, in the case of debt securities, which are not held to maturity. They are carried at fair value. Changes in fair values are generally recognized directly in the revaluation reserve in equity. If, due to lasting impairment, the fair value of a security is lower than its amortized cost, the difference between these amounts is recognized in expenses (see Impairment). Realized gains and losses are also recognized in income.
Backtesting	Procedure for monitoring the quality of value-at-risk models (VaR). Backtesting is used to check whether, retrospectively over a longer period of time, the estimated potential losses based on the VaR approach were actually exceeded substantially more regularly than would be expected given the confidence level applied (see Confidence level).
Cash flows	Inflows and outflows of cash and cash equivalents.
Cash flow statement	Calculation and presentation of the cash flow generated or consumed by an enterprise during a fiscal year as a result of its operating, investing, and financing activities, as well as an additional reconciliation of the cash and cash equivalents (cash reserve) at the beginning and the end of the fiscal year.
Cash flow hedge	Cash flow hedges are primarily taken to mean hedges against the risk associated with future interest payments from a variable-interest recognized transaction by means of a swap. They are measured at their fair values.
CDO	Collateralized debt obligations – Loans and other debt instruments that are secured by various assets.
CDS	Credit default swap – Financial instrument used for the purpose of assuming the credit risk of a reference asset (e.g., securities or loans). The buyer pays a premium to the seller and receives a compensation payment upon the occurrence of a predetermined credit event
CLO	Collateralized loan obligations – Securities that are backed by a pool of loan obligations as collateral
CMBS	Commercial mortgage-backed securities – Loans that are generally backed by commercial real estate mortgages

Commercial Paper Short-term, unsecured debt instruments with flexible maturities (max. 270 days) from prime-rated issuers. They allow companies to cover their short-term financing requirements directly via major issuers.

Confidence level The probability that a potential loss will not exceed an upper limit defined by value at risk.

Counterparty (default) risk This relates to the risk of loss due to changes in creditworthiness or default by a counterparty. Counterparty (default) risk includes credit (issuer) risk, country or transfer risk, and counterparty risk. Credit risk is defined as possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating. Country or transfer risk can arise during cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations. Counterparty risk denotes the risk of losses arising from default in the settlement of payment obligations or the untimely performance of payment obligations.

CPPI Constant proportion portfolio insurance – Capital-guaranteed promissory note loans

Currency risk The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Deferred taxes Income tax to be paid or received as a result of differences in the carrying amounts in the IFRS financial accounts and the tax base. At the date of recognition, deferred taxes do not yet represent actual amounts receivable from or due to tax authorities.

Derivative A financial instrument whose own value is dependent on the value of another financial instrument. The price of a derivative is derived from the price of an underlying equity, currency, interest rate, etc. These instruments provide wider options for risk management and control.

Discount The difference between the cost of a financial instrument and its notional value.

Discounted cash flow (DCF) The DCF method is a recognized appraisal approach for calculating fair value in inactive markets.

Effective interest method The amortization of differences between cost and notional value (premium/discount) using the effective interest rate of a financial asset or financial liability. The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability.

Embedded derivatives Embedded derivatives form part of an originated financial instrument and are inseparably linked with the instrument ("hybrid" financial instruments, such as equity-linked bonds). These components are legally and economically linked, but are accounted for separately under certain circumstances.

Equity method Method of accounting for investments in companies over whose business policies a consolidated company has significant influence (associates). Under the equity method, the investor's share of the net income/loss of the investee is credited/charged to the carrying amount of the investment. Distributions reduce the carrying amount by the investor's proportionate share of the distribution.

Fair value The positive/negative fair value of a financial instrument is the change in its fair value between the trade date and the balance sheet date due to increases or decreases in its market price.

Fair value (full fair value)	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of an asset or liability is often the same as its market price.
Fair value hedge	Fair value hedges primarily relate to fixed-interest balance sheet items (e.g. receivables, equities or securities), which are hedged against market risk by means of a derivative. They are measured at their fair values.
Fair Value Option (FVO)	In accordance with the fair value option, financial assets or financial liabilities may be (voluntarily) designated at fair value through profit or loss, provided this leads – among other things – to the elimination or significant reduction of inconsistencies in the measurement or recognition (accounting mismatches).
Financial instruments	These are in particular loans and receivables, interest-bearing securities, equities, investments, liabilities and derivatives.
German Accounting Standards (GASs)	Recommendations on the application of (German) consolidated accounting principles, published by the Deutscher Standardisierungsrat (DSR – German Accounting Standards Board/GASB), a body of the Deutsches Rechnungs-legungs Committee e. V. (DRSC – Accounting Standards Committee of Germany/Standard ASCG).
Hedge accounting	Presentation of the opposing performance of a hedging instrument (e. g. an interest rate swap) and the related hedged item (e. g. a loan). The objective of hedge accounting is to minimize the impact on the income statement of the measurement and recognition in income of gains and losses on the remeasurement of derivatives.
Hedge fair value	Remeasurement gains or losses on hedged items including determination of unhedged risk factors.
Hedges	Transactions whose change in fair value offsets the change in the fair value of the hedged item.
Hedging	A strategy by which transactions are entered into for the purpose of protecting against the risk of unfavorable price developments (interest rates, share prices).
Held-to-maturity investments	Financial assets with fixed or determinable payments and fixed maturity which an enterprise intends and is able to hold to maturity, with the exception of loans and advances originated by the enterprise.
Impairment	Amount by which the amortized cost of a financial instrument exceeds its estimated recoverable amount on the market.
International Financial Reporting Standards (IFRSs)	This is both the generic term for all financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and for new financial reporting standards issued by the IASB since 2003. Standards issued up to 2002 will continue to be published as International Accounting Standards (IASs). Only if fundamental changes are made to the existing IAS will it be renamed an IFRS.
Investment book	Risk positions which are not allocated to the trading book.
Investment property	Land and/or buildings held to earn rentals or for capital appreciation and not used in the production or supply of goods or services or for administrative purposes.
Liquidity risk	Describes the risk of being unable to meet current and future payment obligations, either as they fall due or in the full amount due. The funding risk arises when the necessary liquidity cannot be obtained on the expected terms when required.

Loans and receivables (LaR)	Loans and receivables are financial assets that are not quoted in an active market. These include in particular receivables and certain investment securities.
Market risk	Market risk refers to potential losses from financial transactions that may be triggered by changes in interest rates, volatility, foreign exchange rates, and share prices. The changes in value are derived from daily marking to market, irrespective of the carrying amounts of assets and liabilities.
Marking to market	Valuation of all of an enterprise's proprietary trading activities at current market prices including unrealized gains, ignoring their historical cost.
Netting agreements	Agreements whereby, under certain circumstances, receivables between two parties can be offset against each other, such as in the event of insolvency. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.
Net trading income	Balance of income and expenses from proprietary trading in securities, financial instruments (in particular derivatives), foreign currencies and precious metals valued at market prices.
Operational risk	Operational risk is defined by Basel II as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". Legal risks are also included here in accordance with the Basel II definition.
Option	Right to purchase (call option) or sell (put option) an underlying asset, such as securities or currency, from a counterparty (writer) at a predetermined price and at a specific date or during a specific period.
OTC derivatives	Non-standardized financial instruments (derivatives) which are traded not on a stock exchange, but directly between market participants (over the counter).
Portfolio	Similar transactions, particularly in securities or derivatives, grouped together according to price risk criteria.
Premium	The difference between the historical cost of a financial instrument and its notional value.
Rating	External rating: standardized evaluation of an issuer's creditworthiness and debt instruments carried out by specialist agencies. Internal rating: detailed risk assessment of every exposure associated with a debtor.
Recovery rate	The recovery rate indicates the percentage of a receivable that a creditor receives following the realization of collateral and other rights in the case of a debtor default, taking the economic loss into account.
Repos (repurchase agreements)	Agreements to repurchase securities (bona fide transactions under repurchase agreements; the subject of the agreement is still allocated to the borrower). From the perspective of the lender, such agreements are known as reverse repos.
Return on equity (RoE)	Fundamental ratio showing the relationship between the results of operations of an enterprise (net profit for the period) and the capital employed (net profit as a percentage of average capital employed over the period).

Revaluation reserve Changes in the fair values of available-for-sale financial instruments and the related deferred tax effects are recognized directly in the revaluation reserve in equity.

Reverse repos see Repos (repurchase agreements)

Securities loan The lending of fixed-income securities or equities; a distinction is made between closed term (retransfer of the same type and quantity of securities at an agreed date in the future) and open term (securities are made available until future notice) loans.

Securitization Replacing loans or the financing of various kinds of loans and advances by issuing securities (such as bonds or Commercial Paper).

Segment reporting Disclosure of an enterprise's assets and income, broken down by area of activity (division) and geographical area (region).

Sell-and-buy-back A combination of two purchase agreements, i.e. a separate agreement for each of the spot and forward trades.

Sustainability Companies commit to the guiding principle of sustainable development that encompasses responsibility for the social and ecological aspects of their business decisions. In addition, as corporate citizens, they actively address social and environmental issues and support their implementation by using targeted measures.

Swap Exchange of cash flows. Interest rate swap: exchange of flows of interest payments denominated in the same currency but with different terms (e.g. fixed/variable rates). Currency swap: exchange of cash flows and principal amounts denominated in different currencies.

Trading assets This balance sheet item contains securities, promissory note loans, foreign currencies, precious metals and derivatives held for trading and measured at their fair values.

Trading book A banking regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term in order to benefit from price and interest rate fluctuations. This also includes transactions which are closely associated with trading book positions, e.g. for hedging purposes. Risk positions not belonging to the trading book are allocated to the investment book.

Trading liabilities This balance sheet item contains derivatives used for proprietary trading with negative fair values and delivery obligations under securities sold short. They are carried at their fair values.

Underlying The original instrument on which a warrant, certificate, or forward contract is based. An underlying can be, for example, a share, currency, or a bond.

Unwinding Recognition in profit or loss of changes in the present value of expected future cash flows from impaired loans due to the passage of time.

Value-at-risk model (VaR)
VaR is a method of quantifying risks. VaR is currently used primarily in conjunction with the measurement of market price risks. In order to provide meaningful information, the holding period (e.g. 10 days) and the confidence level (see Confidence level) (e. g. 99.0 %) must also be disclosed. The VaR thus describes the potential future loss that will not be exceeded during the holding period with a probability equal to the confidence level.

Volatility
Price fluctuation of a security or a currency, often calculated in terms of standard deviation on the basis of historical performance, or implicitly on the basis of a price-setting formula. The higher the volatility, the higher the risk associated with holding the investment.

Contact Details

Deutsche Postbank AG
Head Office
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-35151
Internet: www.postbank.com
E-mail: direkt@postbank.de

Subsidiaries

Betriebs-Center für Banken AG
Eckenheimer Landstraße 242
60320 Frankfurt am Main, Germany
Phone: +49 69 689 76-0
Fax: +49 69 689 76-5099
E-mail: direkt@bcb-ag.de

Betriebs-Center für Banken Processing GmbH
Eckenheimer Landstraße 242
60320 Frankfurt am Main, Germany
Phone: +49 69 68 97 60
Fax: +49 69 156 22 011
E-mail: kundenservice@bcb-processing.eu

BHW Bausparkasse AG
Lubahnstraße 2
31789 Hameln, Germany
Postfach 10 13 22
31781 Hameln, Germany
Phone: +49 5151 18-0
Fax: +49 5151 18-3001
E-mail: info@bhw.de

BHW Immobilien GmbH
Lubahnstraße 2
31789 Hameln, Germany
Postfach 10 13 42
31763 Hameln, Germany
Phone: +49 5151 18-0
Fax: +49 5151 18-5101
E-mail: info@bhw-immobilien.de

Deutsche Postbank Financial Services GmbH
Ludwig-Erhard-Anlage 2–8
60325 Frankfurt am Main, Germany
Postfach 15 02 55
60062 Frankfurt am Main, Germany
Phone: +49 69 789 86-0
Fax: +49 69 789 86-58001
E-mail: info.pfs@postbank.de

Deutsche Postbank Home Finance Ltd.
Corp. Office, 201, 2nd Floor,
Vipul Agora, M.G. Road,
Gurgaon – 122002
India
Phone: +91 124 4724100
Fax: +91 124 4724101
E-mail: sales@deutschepostbank.co.in

Deutsche Postbank International S.A.
PB Finance Center
18–20, Parc d'Activité Syrdall
5365 Munsbach, Luxembourg
Postal address:
2633 Luxembourg, Luxembourg
Phone: +352 34 95 31-1
Fax: +352 34 95 32-550
E-mail: deutsche.postbank@postbank.lu

Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH
Ahrstraße 20
53175 Bonn, Germany
Postfach 22 22
53012 Bonn, Germany
Phone: +49 228 920-58800
Fax: +49 228 920-58809
E-mail: postbank.privatinvestment@postbank.de

easyhyp GmbH
Lubahnstraße 2
31789 Hameln, Germany
Phone: +49 800 044 8888
E-mail: info@easyhyp.de

PB Capital Corporation
230 Park Avenue
19 & 20th Floor
New York, NY 10169
U.S.A.
Phone: +1212 756-5500
Fax: +1212 756-5536
E-mail: ksachs@pb-us.com

PB Factoring GmbH
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 180 5090522
Fax: +49 180 5090533
E-mail: factoring@postbank.de

PB Firmenkunden AG
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 180 3040636
Fax: +49 180 3040696
E-mail: firmenkunden@postbank.de

Postbank Filialvertrieb AG
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-35151
E-mail: direkt@postbank.de

Postbank Finanzberatung AG
Lubahnstraße 5
31789 Hameln, Germany
Phone: +49 1803 2881
Fax: +49 5151 18-3001
E-mail: info@bhw.de

Postbank Leasing GmbH
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 1805 72 53-27
Fax: +49 1805 72 53-28
E-mail: leasing@postbank.de

Postbank P.O.S. Transact GmbH
Frankfurter Straße 71–75
65760 Eschborn, Germany
Phone: +49 6196 96 96-0
Fax: +49 6196 96 96-200
E-mail: info@postransact.de

Postbank Support GmbH
Edmund-Rumpler-Straße 3
51149 Köln, Germany
Phone: +49 2203 560-0
Fax: +49 2203 560-4009

Postbank Systems AG
Baunscheidtstraße 8
53113 Bonn, Germany
Postfach 26 01 46
53153 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-63010
E-mail: postbank.systems@postbank.de

VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH
Godesberger Allee 88
53153 Bonn, Germany
Postfach 26 01 32
53173 Bonn, Germany
Phone: +49 228 9377-0
Fax: +49 228 9377-599
E-mail: zvd@voeb-zvd.de

Contacts

Published by

Deutsche Postbank AG
Head Office
Investor Relations

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

Postfach 40 00
53105 Bonn, Germany

Phone: +49 228 920 - 0

Investor Relations

Phone: +49 228 920 180 - 03
E-mail: ir@postbank.de
www.postbank.com/ir

Design and layout

EGGERT GROUP, Düsseldorf

Coordination/editing

Postbank
Investor Relations

Translation

Deutsche Post Foreign Language Service et al.

Inner pages are printed
on 100 % recycled paper.

Print CO2 compensated
Ident-No. 090387

678 108 050

Deutsche Postbank AG 2008 Group Annual Report