Deutsche Postbank

2009 Group Annual Report

2009

Postbank

Postbank Group in figures 2009

		Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008[1]
Consolidated income statement			
Total income	€m	3,088	2,288
Administrative expenses	€m	−2,864	−2,969
Loss before tax	€m	−398	−1,064
Consolidated net profit/loss	€m	76	−886
Total cost/income ratio	%	92.7	129.8
Return on equity			
before tax	%	−7.8	−23.3
after tax	%	1.5	−19.4
Earnings per share	€	0.35	−5.26

		Dec. 31, 2009	Dec. 31, 2008[1]
Consolidated balance sheet			
Total assets	€m	226,609	231,219
Customer deposits	€m	111,067	95,077
Customer loans	€m	108,971	101,228
Allowance for losses on loans and advances	€m	1,641	1,323
Equity	€m	5,251	4,952
Tier 1 ratio	%	7.6	7.2
Headcount (FTEs)	thousand	20.86	21.13
Long-term ratings			
Moody's		Aa3	Aa2
	outlook	rating under review	stable
Standard & Poor's		A–	A–
	outlook	positive	positive
Fitch		A+	A
	outlook	stable	negative
Information on Postbank shares		Dec. 31, 2009	Dec. 31, 2008
Share price at the balance sheet date	€	22.88	15.50
Share price (Jan. 1 – Dec. 31)	high €	26.86	67.10
	low €	6.81	12.19
Market capitalization on December 31	€m	5,006	3,391
Number of shares	million	218.8	218.8

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

Milestones in fiscal year 2009

February 5, 2009	Postbank issued its third *Jumbo Hypothekenpfandbrief* with a volume of €1 billion and a five-year term.
March 9, 2009	Deutsche Bank AG announced that it holds a 25 % stake plus one share in Postbank. The shares were primarily purchased in the transaction with Deutsche Post AG.
April 22, 2009	Postbank's Annual General Meeting was held in Frankfurt am Main. All motions were approved by large majorities.
May 29, 2009	At its meeting, the Supervisory Board of Deutsche Postbank AG appointed Stefan Jütte to become the new Chairman of the Bank's Management Board effective July 1, 2009. Before this appointment was made, the Supervisory Board and the Chairman of the Management Board at the time, Wolfgang Klein, decided under amicable conditions and by mutual agreement that he would step down on September 30, 2009, after nine years of successful service at Postbank. Dirk Berensmann, Management Board Member serving as COO for the IT/Operations division, and the Supervisory Board of Postbank reached an agreement on the end of his responsibilities effective May 29, 2009. He was succeeded on May 30, 2009 by Mario Daberkow, who previously oversaw Transaction Banking at Postbank in his capacity as Executive Manager.
July 3, 2009	Postbank issued its first public-sector *Pfandbrief* with a volume of €1 billion. On August 20, 2009, the total was increased to €1.5 billion.
November 26, 2009	Postbank announced as part of a sharpening of its strategic focus that it intended to achieve an operating return on equity after taxes of about 13 % over the medium and long term. To strengthen its equity base, Postbank intends to retain its earnings through 2012.

Financial Calendar 2010

March 15, 2010	Publication of 2009 Group Annual Report
April 29, 2010	Annual General Meeting, Frankfurt am Main
May 12, 2010	Interim Report for the first quarter, analyst conference call
August 4, 2010	Interim Report for the first half-year, analyst conference call
November 11, 2010	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
2009 Group Annual Report

The Postbank Group, with 14 million customers and around 21,000 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.

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.

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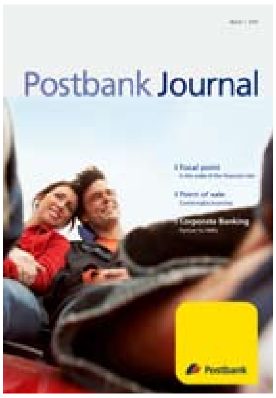

Fiscal Year 2009

Key

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Ladies and gentlemen,

The year of 2009 was a difficult one for nearly all industry and service sectors, and the banking industry was no exception. Although the financial markets did show the first signs of normalization after the escalation of the crisis at the end of 2008, the effects increasingly began impacting the real economy in 2009 and have led to substantially increased risk provisioning primarily in the corporate sector and in commercially-used real estate finance.

These adverse conditions in the business environment also impacted earnings in the Postbank Group. Even though customer business performed well, particularly in the German Retail Banking and Corporate Banking segments, the income statement was hit by negative effects from the Bank's risk positions caused by the unfavorable external factors. As expected, the extent of these crisis-related negative effects was considerably less than in 2008. Postbank was thus able to end fiscal year 2009, taking positive tax effects in account, with a consolidated net profit of €76 million after experiencing a substantial loss in the previous year. In 2009, the loss before tax remained an unsatisfying €398 million. This figure, however, does not take into account the development of spread and market interest rates, which contributed to substantial present value increases in banking book investment securities. Such increases have not been recognized in the consolidated income statement. This positive development is also reflected in the consolidated statement of comprehensive income, which must be reported under IFRSs.

In 2009, the customer business experienced a generally successful year in its key product and business areas in spite of the persistently tough competition. In Retail Banking, we concentrated during the year under review particularly on our critically important savings business and succeeded in gaining significant shares of the market. Thanks to the strong inflow of new money, total volume rose 16.5 % to €57.2 billion. We view this trend as an expression of customer confidence in Postbank. In the lending business, we played a major role in safeguarding the loan supply in Germany. Our customer loans business grew by 7.7 %. A key contribution to this development was made by our SME lending business, which rose by €1.6 billion even with strict adherence to our criteria for granting loans. Thanks to our good liquidity situation, among other things, we were able to fill gaps left behind by other banks.

We intend to reinforce and expand our good position in customer business by drawing upon the "Postbank4Future" strategy program that we announced at the end of 2009. The implementation of this program will result in a systematic focus on our product range and, as a result, a streamlining of processes. This step will return us to our roots as a provider of traditional banking products and services that stand out for their security, accessibility, clarity and transparency.

Thanks to the new direction of our product portfolio and the resulting business opportunities, Postbank will expand its service and advisory role. One major focus of this work will be increasing customer satisfaction by taking such steps as improving accessibility and cash withdrawal opportunities. Details about these plans can be found in this Annual Report.

Slimming the product range and streamlining processes will also create other opportunities for increasing efficiency, and we intend to systematically exploit this potential. Our strategic program aims in this respect at a further reduction of our administrative costs by 2012.

We will continue with the program begun in the prior year to reduce our risk exposures by decreasing investment securities by almost 13%. The strengthening of our equity base will also continue to be a focus of our strategic activities. The steps taken since the outbreak of the financial market crisis have already resulted in an increase in our Tier 1 ratio and a reduction in its volatility. At the end of 2009, the ratio was 7.6 %, or 0.4 of a percentage point above the level of December 31, 2008. To reach our target of 10 % by the end of 2012 pursuant to the current valid definition, we will intensely work on the introduction of refined risk measurement models. Moreover, Postbank intends to fully utilize the profits generated in fiscal years 2009 to 2012 to reinforce its equity base. For that reason, we will recommend to the 2009 Annual General Meeting that once again no dividend be paid. We hope that you, our shareholders, will understand.

Postbank's shares performed well last year. With a gain of about 48 % to €22.88, the Postbank share outperformed both the DAX and MDAX in 2009, following the severe drop in share price in the previous year. In a direct market comparison with the average of European banks that, like Postbank, concentrate on Retail Banking, Postbank's share performed significantly better, rallying at around 18 percentage points higher than the competitors'.

We are confident that for 2010 Postbank will be able to report a profit before tax once again. Diminishing negative effects from the capital-market crisis, a reduction in the allowance for losses on loans and advances compared with 2009, forceful cost management and, above all, our solid revenue streams from our customer business should contribute to this effort. The prerequisites for achieving this goal, however, are capital markets and a macroeconomic environment that see no measurable slowdown. I pledge to you that we are intensely working both in and out of the framework of our strategy program to measurably improve Postbank's earnings situation.

I would like to thank you for the support you have provided to Postbank and would welcome your continued trust in us.

Bonn, March 15, 2010

Sincerely,

Stefan Jütte
Chairman of the Management Board

Management Board of Deutsche Postbank AG

From left:
Mario Daberkow, Horst Küpker, Hans-Peter Schmid, Michael Meyer, Marc Hess, Stefan Jütte (Chairman), Ralf Stemmer

Shareholders and Stock:
Postbank shares perform well

Stock markets record significant gains

Global stock markets for 2009 as a whole presented a pleasing picture. Rather than displaying a linear trend, however, market performance was characterized by erratic fluctuations. After stock markets fell to fresh multi-year lows during the first months of the year as a result of the steep economic downturn, sentiment turned in March. Massive intervention from global central banks, supervisory officials and governments — in particular low interest policies and economic stimulus packages — helped restore faith in the capital markets. At the same time, early indicators and economic data continuously improved beginning in the spring of 2009. Since then, investors have recovered their risk appetite and many of them have ventured out of the safe havens of sovereign bonds and money markets. Germany's blue-chip DAX and mid-cap MDAX indexes closed the year of 2009 with gains of about 24 % and 34 %, respectively.

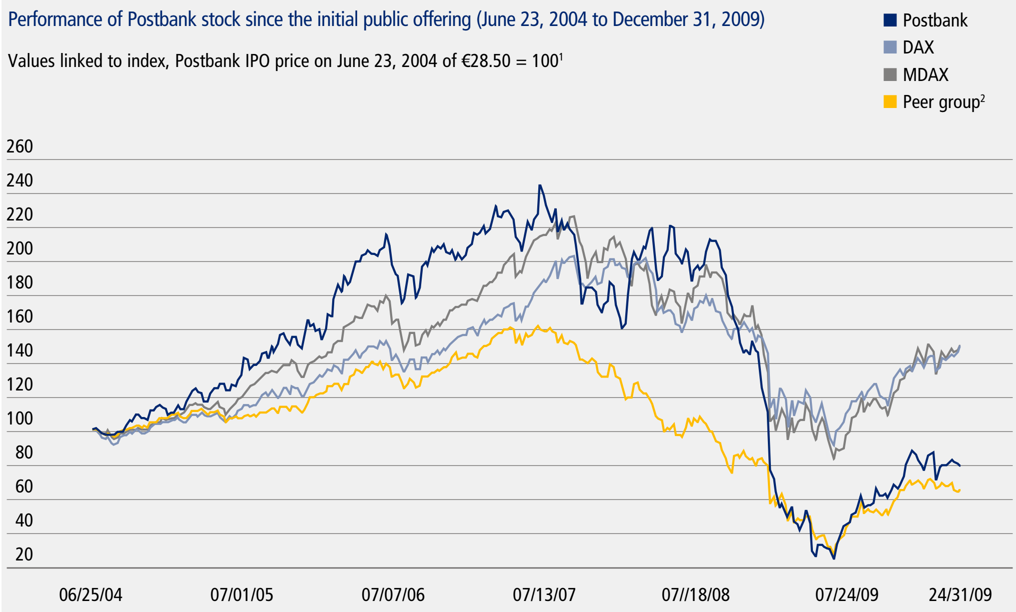
After the steep share price declines of the prior year, bank stocks outperformed the broad market in 2009, but also displayed significantly more volatility. Initially, everything seemed to point to another crisis year. Financial sector indexes such as the Euro Stoxx bank index had plunged by about 40 % at the start of March. Despite historically low valuations, market participants displayed scant interest given daunting concerns about the potential liabilities still facing companies. In March, the stabilization measures previously mentioned began showing an effect. Bank shares, which had been put under particularly high pressure since the start of the financial crisis, staged an above average recovery during the year. The Euro Stoxx bank index gained about 49 % for the entire year of 2009, with the rally led by investment bank stocks.

Postbank shares advance substantially

After a clear decline in the share price performance in 2008, the Postbank share in 2009 substantially outperformed both the DAX and the MDAX, with a gain of about 48 %, rising from €7.38 to € 22.88. In a direct peer-group comparison with the average of European banks that, like Postbank, focus on the retail business, our share likewise performed significantly better, rallying at around 18 percentage points higher than competitors'.

Performance of Postbank stock since the initial public offering (June 23, 2004 to December 31, 2009)

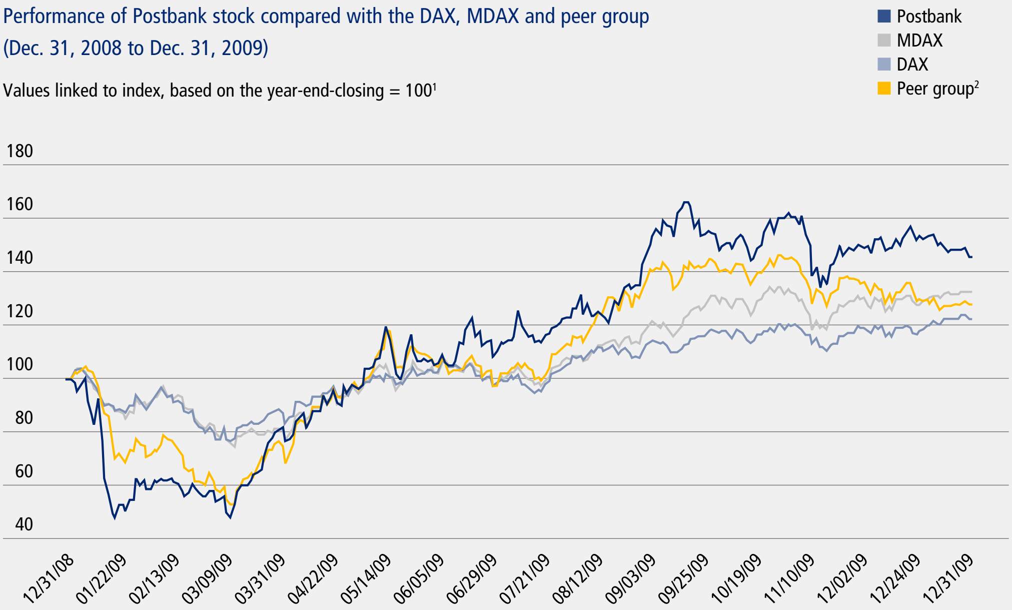
Values linked to index, Postbank IPO price on June 23, 2004 of €28.50 = 100[1]



Source: Bloomberg, Postbank; key see page 9

Performance of Postbank stock compared with the DAX, MDAX and peer group (Dec. 31, 2008 to Dec. 31, 2009)

Values linked to index, based on the year-end-closing = 100[1]



Source: Bloomberg, Postbank

[1]Performance of Postbank stock and peer group excluding dividend
[2]Banco Espirito Santo, Banco Popolare, Banco Popular, Erste Bank, Royal Bank of Scotland, Svenska Handelsbanken, Swedbank, Unicredit

Our stock data		2004	2005	2006	2007	2008[1]	2009	+/– in 2009
Year-end closing price	€	32.50	49.00	63.97	60.75	15.50	22.88	47.6 %
High[2]	€	34.18	50.84	65.45	74.72	67.10	26.86	–60.0 %
Low[2]	€	27.73	32.16	48.21	43.41	12.19	6.81	–44.1 %
Earnings per share	€	2.65	3.00	4.24	5.22	–5.26	0.35	
Price/earnings ratio[3]		12.3	16.3	15.1	11.6	–	65.4	
Number of shares	million	164.0	164.0	164.0	164.0	218.80	218.80	unchanged
Market capitalization[3]	€m	5,330	8,036	10,491	9,963	3,391	5,006	47.6 %
Beta factor (relative to the DAX)		0.60	0.73	0.95	1.03	0.94	1.25	
Equity including revaluation reserve	€m	4,766	5,061	5,207	5,225	4,952	5,251	6.0 %
Return on equity after taxes		9.4 %	10.3 %	14.0 %	16.6 %	–19.4 %	1.5 %	
Total dividend (2009: proposal)	€m	205	205	205	205	0	0	0
Dividend per share (2009: proposal)	€	1.25	1.25	1.25	1.25	0	0	0
Dividend yield[2]			2.6 %	2.0 %	2.1 %	–	–	–
Annual performance[3] excluding dividend		14.0 %	50.8 %	30.6 %	– 5.0 %	–74.5 %	47.6 %	

[1]Prior-period figures restated
[2]2004: June 23 to December 31
[3]Based on the year-end closing price

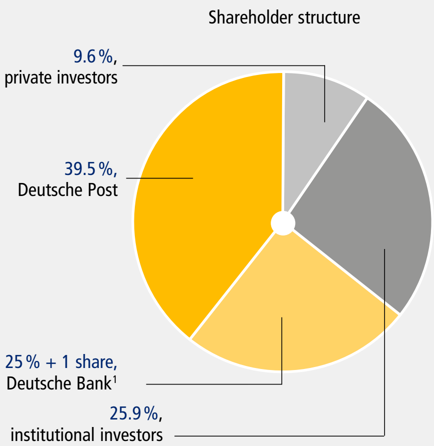
First stage of stock acquisition by Deutsche Bank concluded

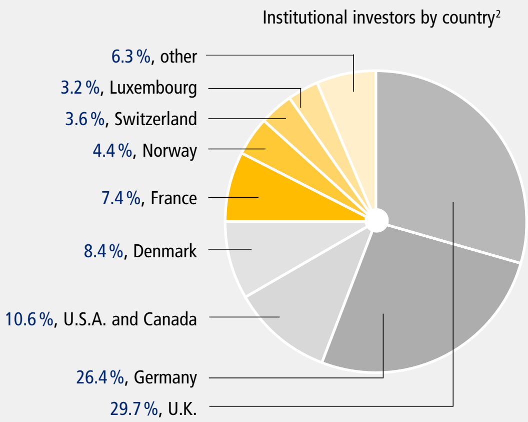
In the first half of 2009, Postbank's shareholder structure changed fundamentally. Our long-standing major shareholder Deutsche Post AG (hereinafter: Deutsche Post) sold a share package to Deutsche Bank AG (hereinafter: Deutsche Bank), with the result that the latter became a new major shareholder of Postbank.

After Deutsche Post announced in September 2008 the conclusion of an agreement covering the sale of its Postbank shares to Deutsche Bank, both parties announced an altered three-step transaction structure in January 2009. Afterwards, as a first step, Deutsche Bank acquired 22.9 % of Postbank from Deutsche Post in the course of a share exchange at the start of March 2009. Deutsche Bank then informed us that it held an indirect share of 25 % plus one share in Postbank as of March 6, 2009. The two parties agreed to implement the transfer of Deutsche Post's remaining share package of 39.5 % via a mandatory exchangeable bond (amounting to 27.4 %) and option rights (12.1 %). With these two tools, Deutsche Bank can acquire a majority stakeholding in Postbank over the medium term.

As the following chart representing Postbank's shareholder structure as of December 31, 2009, shows, institutional investors accounted for 25.9 % of the company's stock at the end of the reporting period (compared with 23.7 % at the end of 2008). Private investors' confidence in Postbank also remains high. After their share of Postbank's stock more than doubled from 5 % to about 12 % in 2008, they still held nearly 10 % of the shares at the end of 2009 – a relatively high ratio compared with previous years.

Shareholder structure of Deutsche Postbank AG





[1]As of March 6, 2009, according to a notification from Deutsche Bank dated March 9, 2009
[2]The chart refers to identified investors. Source: D.F. King, as of December 31, 2009

Endorsement by Annual General Meeting

Our shareholders also reaffirmed their trust in our company at the Annual General Meeting. For the first time since the initial public offering in 2004, the Annual General Meeting was held in the Jahrhunderthalle event hall in Frankfurt am Main, Germany's banking center, on April 22, 2009. Following a compact general debate, the Annual General Meeting endorsed all items on the agenda by a majority of more than 90%. These resolutions strengthen Postbank's flexibility and scope of action.

As early as 2008, we had already begun gearing our business model more closely toward retail, business and corporate customers; in 2009 we consistently pressed on with this process. The "Postbank4Future" strategy program builds upon these efforts and is described in more detail in this Annual Report. It also includes plans to retain profits to strengthen Postbank's equity base. One result of this program will be the company's proposal at this year's Annual General Meeting to refrain from disbursing a dividend for fiscal year 2009. Our Annual General Meeting will again be held at the Jahrhunderthalle in Frankfurt am Main on April 29, 2010.

Transparency fosters trust

Postbank is committed to open communications with shareholders, analysts and interested investors. In addition to the regular financial reporting in the context of quarterly and annual reports, we provide comprehensive information to retail investors through the shareholder hotline listed below and shareholder forums held by the German shareholder association *Deutsche Schutzvereinigung für Wertpapierbesitz* (DSW). We maintain an intense dialogue with institutional investors primarily through conferences and regular roadshows. Transparent and comprehensible information is also the key focus of our talks and conferences with analysts from more than 30 banks and securities houses.

Our home page also provides transparency at www.postbank.com. Aside from up-to-date information, shareholders and other interested persons can find ordering opportunities and extensive downloads as well as new technological information tools such as news feeds and podcasts. We will also be happy to answer any questions you may have regarding the Postbank share at our shareholder hotline (phone: +49 (0) 228 920 18003).

Strategy:
Postbank4Future – Making things simple.

Interview with Stefan Jütte

Mr. Jütte, you took over the management of Postbank in mid-2009, a time of turbulence for the entire financial sector. How do you personally evaluate your first eight months on the job?

The job was and is a real challenge. But I am enjoying it very much. I have been acquainted with the bank for years, and this enabled me to quickly get my bearings. I would also like to take this opportunity to express my sincere gratitude to my colleagues on the Management Board and all employees who have given me such tremendous support.

And how does the bank's balance sheet look? After-tax results were marginally positive in 2009, but the pre-tax results showed a loss once again.

There is no question that such results are very dissatisfying. The persistently difficult capital-market environment resulted in further impairments on our capital market portfolios, particularly in the structured credit portfolio. In the fourth quarter, we also purposefully examined our risk exposures relating to commercial real estate finance and the structured credit portfolios where we have recalibrated the measurement parameters. This produced other noticeable negative effects. In the future, however, this decision is expected to have a positive impact and reduce the overall volatility in our income statement. In the lending business, however, despite the examination we conducted, we have remained within the range announced previously, and were affected much less extensively than other banks as a result of our business focus on retail-banking customers in Germany.

"We have to simplify things again, with comprehensible products and customer-friendly processes."

Speaking of the retail banking business – how did it perform in operating terms in 2009?

We performed well with our core products. We made significant gains particularly in our savings business once again and added market share. Our lending business was also good to us in 2009. Our new business in private mortgage lending was indeed somewhat less than the previous year, but we were able to significantly expand both our portfolio and our profitability in this product area. All in all, it was a good year for the operating business.

This is also reflected in earnings from the customer business adjusted for the impact of the financial market crisis. Revenues from this business in 2009 almost remained at the good level achieved in the previous year. Nonetheless, the current low level of interest rates continues to put pressure on net interest income. In this highly competitive business segment of the German market, growth of net fee and commission income can only be achieved step-by-step. This situation is unlikely to change much in the years ahead.

How is Postbank responding to these challenges?

In the second half of 2009, we subjected our strategic approach to intense scrutiny. One clear result of this review was that our overall business strategy, broken down into the business divisions of Retail Banking, Corporate Banking, Transaction Banking and Financial Markets, remains the right one. But it was also clear that we must take other approaches if we are to respond appropriately to the dramatic changes occurring in the banking market, including customer behavior, and to the impact on our earnings situation. At the end of the year, we bundled the results of our review into our strategy program called "Postbank4Future".

Would you briefly explain the key points to us?

Certainly. The program focuses primarily on retail banking. We intend to systematically position ourselves as a bank that offers the essentials – and in this way secure our market position as the leading retail bank in Germany for the long term. Among other things, this means that we intend to become "simpler" once again, with a leaner, more transparent product range. In connection with a realignment of our distribution channels and further improvement of our customer service, we will be able to expand our market position. But this would not be a serious effort if we just relied on increasing revenues in the future. We have also been systematically managing costs in recent years – but through the simplification of our product range and through the associated streamlining of our internal processes, we have an opportunity to become even more efficient. This will result, however, in a reduction in personnel that will be carried out in a socially acceptable manner.

Improvements in products and service – that will be good news to customers. How quickly will they see the changes?

Very soon. In 2010, for instance, we will introduce a redeveloped checking account that will demonstrate our market leadership in product innovation as well. In addition, we will significantly streamline the product range in our savings business and make it more transparent. People interested in savings will quickly notice the improved structure and increased clarity. We also intend to significantly improve customer service, starting with the expansion of our cash-provision network and extending all the way to the acceleration of work processes in our Finance Centers. To put it concisely, we want our customers to be even more satisfied. And we will soon achieve this thanks to the obvious improvements.

That is a lot of activity in Retail Banking. What about the other business divisions?

We do not see any pressing need for changes in our other market segments. In Corporate Banking, we are well positioned with our SME strategy. We do not have to invent something new here. In Transaction Banking, we are also well positioned with our leadership role in the German market. We are certain that new customers will follow on the heels of HSH Nordbank, which we gained as a new customer in 2009. As a result of this new customer, we have been able to partially offset another customer's planned termination of our business relationship. Financial Markets is also successfully doing business in another demanding market environment and has significantly helped improve our risk profile in past years.

An important subject. What sort of progress has been achieved by the risk-optimizing steps taken in 2008?

This work is right on schedule. We are concentrating on three areas here: First, maintaining our strong liquidity position. In this area, the bank is still profiting from its strong deposit business, which we expanded substantially in 2009. We also have an opportunity to issue *Pfandbriefe*, an option that largely frees us from expensive uncovered refinancing.

Second, we are working hard to reduce our capital-market portfolios. After the complete liquidiation of our equity holdings in the previous year, we reduced our investment securities by 12.9 % in 2009. Thanks to the balance that has now been achieved between customer deposits and loans, we will have decreased our portfolio by about 45 % by the end of 2013 compared with mid-2008.

Third, we are continuously working to strengthen our core capital. We succeeded in doing so last year. At the end of 2009, our Tier 1 ratio was 7.6 % – an appropriate level for a bank that focuses on retail banking and that has such an outstanding liquidity position in particular as we do. During the crisis, Postbank has demonstrated that it is capable of successfully doing business with a low Tier 1 ratio – compared with banks employing different business models – while simultaneously expanding its lending volume. Against the backdrop of current discussions about new regulations for the banking industry, we intend to further increase the Tier 1 ratio by 2012. Our target here is 10 % – based on currently valid definitions. Key steps in this process will be the introduction of advanced risk measurement procedures by the end of 2010 and the decision to stop paying a dividend to our shareholders through 2012. We consider this step to be essential because of the stricter regulatory requirements that are expected, and I hope that our shareholders will understand the reasons for it.

Let's turn our attention to another subject: Deutsche Bank became a major shareholder about a year ago. What sort of progress have you made in this partnership?

Very good progress. Together, we have developed a series of ideas and put the corresponding measures into motion. The results, both in the working relationship in the customer business, settlement and procurement show that we will achieve our goals. In the customer business, we have primarily been able to expand our respective product ranges with complementary products of the other company. Here, Postbank benefits from its relationship with Deutsche Bank especially in the area of investment products. In return, we have made credit products available to Deutsche Bank. Joint procurement activities and improvements within the lending process are examples of the kind of successful work we are doing together in downstream units. In the months ahead, we will concentrate on deepening the working relationship further and learning from our experiences.

One final question: What can shareholders expect from Postbank in years to come?

Our sustainable, mid-term target is a return on equity of about 13 % after taxes. Our strategic program will make a major contribution to this effort. In one reflection of this, our administrative costs will be cut by 5 % through 2012 compared with 2008. Given the bank's operating earnings power and its growing customer business, I am confident that we will achieve this goal. One critical factor, however, will be the regulatory changes that are still not clearly defined. They could have a major impact on banks' profitability.

The year of 2010 will certainly not be a "normal year" – the allowance for losses on loans and advances is likely to remain elevated compared with non-crisis years, and we are likely to see additional, but noticeably smaller, writedowns in our structured credit portfolio. The chances are good that Postbank will once again be clearly in the black in 2010.

Retail Banking:
Strategic decisions having an impact

With some 14 million customers, Postbank has evolved into Germany's leading retail bank. Our success is based on our products and our four sales channels: Our national network of 852 branches, over 4,000 mobile advisers as well as direct sales through call centers and the Internet. We bundle all business related to retail customers and business customers in the the Retail Banking segment. The following section provides an overview of developments in our retail banking business in 2009.

Checking business stable at a high level

We attract and retain the greatest share of our customers through our anchor product of checking accounts. In sales, the focus lies increasingly on the value and soundness of new accounts. Even within a difficult market environment, around 454,000 new checking accounts were opened, almost 21 % less than in the previous year. The number of private checking accounts managed by us in 2009, 4.94 million, remained at the stable high level of the previous year. In 2010, we will again drive forward the checking business with a new and attractive product design.

Savings volumes reach record level

In addition to checking accounts, savings accounts are another major core product at Postbank. The total volume of €57.2 billion in savings deposits at the end of the year marked a new record for us, and we view this positive development as a reflection of customer confidence in Postbank in a highly competitive market. Key reasons in particular for this growth were our "Postbank Gewinn-Sparen" and "Postbank Aktiv-Sparen", two focus products that served as the centerpiece of our marketing efforts in the first quarters. At the end of the year under review, the market share in the traditional savings business stood at 6.4 % compared with 4.9 % in the previous year.

Additional Retail Banking information

New business		2009	2008
New checking accounts	thousand	454	572
New savings deposits (gross)	€bn	17.1	12.2
New mortgage lending business	€bn	8.3	10.0
New private lending business	€bn	1.45	1.62
Total principal disbursed	€bn	9.7	10.1
New securities business	€bn	2.0	2.5

Book		2009	2008	Market shares in the book	2009	2008
Checking accounts	million	4.94	4.98	%	5.3[1]	5.4
Savings deposits	€bn	57.2	49.1	%	6.4	4.9
Home savings deposits	€bn	16.1	15.9	%	13.2	13.4
Private mortgage lending book incl. portfolio acquisitions	€bn	73.8	72.7	%	9.3	9.2
Private loan book	€bn	3.6	3.0	%	2.5	2.3
Volume of securities accounts	€bn	11.1	9.5	%	n.a.	n.a.

[1]Last available market data as of Dec. 2008, presumed constant market volume for the end of 2009

Business in new home savings gains market share despite sinking volumes

In 2009, the German home savings market was characterized by a decline in business – partially due to pull-forward effects resulting from a change in the German government's housing bonuses in 2008. Overall the principals disbursed in relation to new business in the home savings market declined by 10.3 % compared with the prior year. Postbank is represented in this market by its subsidiary BHW Bausparkasse AG, which was able to partially decouple itself from the weak market development and increase its market share from 10.2 % in 2008 to 10.9 %. This was accomplished by generating €9.7 billion in principals disbursed in the new home-savings business, a figure that nevertheless reflects a 4.2 % drop compared with the prior year's €10.1 billion. Riester-promoted home savings, recently introduced, underpinned this development.

Mortgage financing increases profitability in new business

New business in mortgage financing, including paid home-savings loans but excluding portfolio acquisitions, totaled €8.3 billion, nearly 17 % below the level of the previous year. This decrease was expected and resulted primarily from a change in our management of new business, which emphasizes the acquisition of new business that is suitable for cover funds. By doing so we were able to register a satisfying development in profitability in new business. Under the BHW Bausparkasse AG brand, we thus concentrate in particular on loans with low average volumes that are primarily used by our customers for renovation and remodeling projects. The DSL Bank brand is active in the cooperation-partner business and focuses on the financing of mortgages, purchases and refinancing with higher average volumes.

In 2009, Postbank's mortgage-loan portfolio increased by 1.5 % year-on-year to €73.8 billion, while improving slightly for the overall market, up 0.3 % to €788.1 billion. Our market share thus rose to 9.3 % at the end of 2009, after 9.2 % at the close of the prior year.

Installment loan book climbs considerably

Germany's weakened economic situation led us to take a more selective approach to new installment loan business in 2009. At the same time, the economic conditions were also associated with an overall reduction in demand among customers. The percentage of consumer car loans saw a positive change in 2009, fueled by the German government's cash-for-clunkers program. They rose from 5.1 % in 2008 to 9.1 %. We also bolstered our cooperation business with various partners, including Tchibo, the price-comparison portal Check24, and eBay. In all, new business declined by 10.5 % to €1.45 billion. But the book climbed 20.0 % to €3.6 billion and led to an expansion of market share of 2.5 % (previous year: 2.3 %). We noted the assessment of the German magazine "Focus Money" in 2009 with satisfaction. In August, it rated the "Postbank Privatkredit" (private loan) as "very good" and ranked it second in the overall standings as a result of the very high level of advisory services and the attractive definition of terms.

Securities business bouncing back

With a new business total of €2.0 billion – a decrease of 20 % year-on-year – the financial market crisis in 2009 had a clear impact on the securities business in the form of a noticeable lack of buying interest among our customers. But a capital-market recovery in the second half of the year led to an observable increase in the sales of securities. Moreover, the volume of securities accounts maintained at Postbank climbed considerably. For the first time, the sales channels of Postbank offered a DWS step-up bond in the year under review, i.e., a bond with predetermined increases in interest, from X-Markets, a business unit of Deutsche Bank. We intend to complement our own product portfolio with products of strong partners again in the future.

Outlook

With around 14 million customers, Postbank is a one-of-a kind multi-channel operation that is well-positioned to challenge the tough competition that endures on the retail banking market. The "Postbank4Future" strategy program announced at the end of 2009 aims at consolidating and expanding our competitive position, in particular among our core products of checking, savings, home savings, mortgage lending and retirement provisions. Here we intend to precisely adapt our products and processes to better serve the needs of our customers. We will further strengthen our sales and service infrastructure as well as enter into new types of cooperation, especially in the area of nationwide cash withdrawal provisions.

Retail Banking[1]

Segment result	2009 €m	2008 €m
Total income	3,222	3,427
Administrative expenses	–2,136	–2,220
Profit before tax	770	929
Cost/income ratio	66.3 %	64.8 %
Return on equity before taxes	34.9 %	41.9 %

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[1]see Segment comments in the Group Management Report, p. 53, and/or Note 40, p. 133.

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Corporate Banking
German SME market remains focus of the business strategy

In the Corporate Banking segment, Postbank bundles the services it provides in its business with corporate customers located primarily in Germany as well as in the area of national and international commercial real-estate finance.

Further strengthening of our SME business

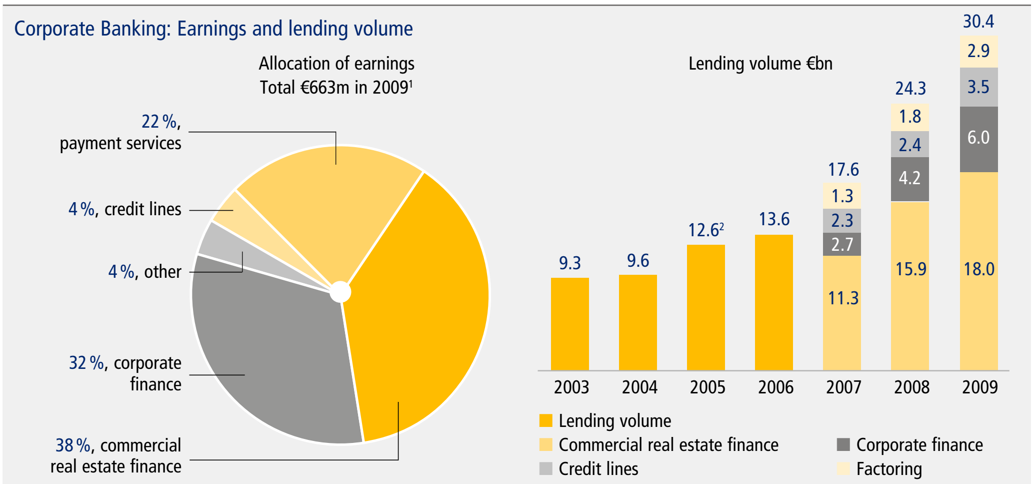
Postbank offers its approximately 30,000 corporate customers a comprehensive portfolio of credit products, and investment and capital market options as well as payment transaction, factoring and leasing solutions. The core target group is German small and mid-sized enterprises, which we serve as a reliable, high-performance partner drawing on some 200 corporate customer advisers across Germany. In recent years, we have continuously expanded the product range tailored specifically to this target group and increased the share of customers who consider us their core bank to over 2,000. These are customers who consider Postbank an essential, long-term partner and one of the TOP FIVE banks with which they conduct the majority of their banking business in the key fields of payment transactions, investment management and/or finance.

Increased demand for alternative forms of financing in the lending business

Our intensified relationships with customers have also enabled us to further expand our lending business that we conduct on the basis of conservative guidelines. As a result, we increased the volume of SME loans issued in Germany by the end of 2009 to more than €7.0 billion (previous year: €5.4 billion) and in the process helped compensate for the lending restraint among some competitors resulting from a crisis-related shortage of liquidity.

In our new business with mid-term and long-term loans (excluding factoring and leasing), volumes experienced a moderate uptick to €1.9 billion. We increased our business with overdraft facilities and money-market loans to €3.5 billion. This represents a gain of more than 46 % over the previous year.

During this past fiscal year, changed market behavior resulting from the financial market crisis prompted customers to increasingly select alternatives to traditional lending products. PB Factoring profited in particular from this trend and in a year-on-year comparison raised the volume of receivables submitted by over 33 %. As another reaction to the economic downturn in 2009, demand for Postbank's advisory services increased significantly. In many cases, new approaches to laying a solid financial foundation were created for customers. Postbank was able to develop innovative solutions to hedge interest-rate and currency risks by more closely dovetailing activities with its subsidiary in Luxembourg. We responded to customer needs that extended beyond this area by introducing international guarantees and international cash management, which allowed us to significantly expand the range of products available in our international business.



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

Investment volume climbs steeply

The investment volume of our corporate customers rose substantially in 2009. At the end of the year under review, corporate-customer deposits totaled about €19.0 billion, nearly 43 % above the previous year's total of €13.3 billion. The reason for this increase was the high volumes of liquidity that were held in reserve by companies in the course of the financial market crisis and distributed across various banks as a result of investment decisions. Here, Postbank's corporate banking was able to profit to a considerable degree from customer trust.

Continuous expansion of payment transaction services

The provision and development of payment transaction solutions round out the range of services offered by Postbank's Corporate Banking business division. To meet the needs of these largely export-oriented companies, Postbank continuously invests in the expansion and optimization of its processes and cost structures.

Commercial real estate finance

In the area of commercial real estate finance, Postbank is internationally represented by a subsidiary in the United States and a branch in Great Britain in addition to its primary business activities in the German and European markets. Business in the area of commercial real estate finance is characterized by today's continuing difficult market conditions and the associated increase in the need for allowances for losses on loans and advances. In new business, we responded to these conditions by issuing loans very selectively and focusing in particular on highly collateralized lending with stable cash flows. As a result, the volume of new business in the year under review, at €4.0 billion, was at a much lower level than in 2008 (€6.8 billion). Volumes rose during fiscal year 2009 by 13 % to €18.0 billion.

Outlook

Our goal in Corporate Banking is to bolster and expand our position as an important and reliable partner of German SMEs. One aspect of our strategic growth is to continuously increase the share of corporate customers who consider us their core bank.

The best conditions for accomplishing this goal are our stable customer relationships and our highly motivated and qualified employees. The strides we have achieved in recent years will help us to successfully serve as a solid partner for our customers in Corporate Banking in future years as well.

In the area of national and international commercial real estate finance, we do not anticipate any significant improvement in the situation on global real estate markets during 2010. In new business, we will once again have a very selective approach going forward.

Corporate Banking[1]

Segment result	2009 €m	2008 €m
Total income	456	160
Administrative expenses	–180	–171
Profit before tax	–26	–153
Cost/income ratio	39.5 %	106.9 %
Return on equity before taxes	–4.8 %	–37.4 %

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[1]see Segment comments in the Group Management Report, p. 54, and/or Note 40, p. 133.

Transaction Banking:
Excellent market position maintained

Drawing on state-of-the-art technology Postbank's Transaction Banking business offers all processing services related to payment transactions, accounts and loans. Since 2004, we have been providing payment transaction processing services through our subsidiary Betriebs-Center für Banken AG (BCB), also on behalf of third parties. With a market share of over 20 %, BCB maintained its leading position in the processing of payment transactions in 2009 as well. During the summer, HSH Nordbank was acquired as a client, and the Postbank Group has been handling payment transactions on their behalf since February 2010.

Transaction volumes constant

Similar to the previous year, BCB handled around 7.6 billion transactions in fiscal year 2009. As expected, the number of paper-based payment transactions continued to decline. Following the start of the first phase of the Single Euro Payments Area (SEPA) with the introduction of the SEPA money transfer in January 2008, the first increases in quantity could be observed in 2009. As expected, though, this did not yet result in any significant volume. In 2010, the harmonization of Europe-wide payment transactions will enter the next phase with the scheduled introduction of the SEPA direct debit option, a step that will lead to its more widespread use. The necessary preparations have been initiated at BCB.

Credit Services minimize risks

Postbank's Credit Services handle mortgage lending and installment loans on behalf of the Postbank Group. Standardized processes and a focus on a select number of locations provided for very high quality and productivity in the reporting year as well. The department responded to the troubled economic environment in 2009 by refining its dunning and collection activities. In order to provide optimal assistance to customers having payment difficulties, we accompany our clients from early on and offer personal support in the search for solutions. This strategy helps to reduce the default risks for the Bank.

Outlook

Since February of this year, BCB has been gradually assuming payment transaction processing on behalf of its new client, HSH Nordbank, with some 200 million transactions annually. By the end of 2010, BCB will be responsible for handling HSH Nordbank's entire domestic and foreign payment transactions.

The client Commerzbank has announced plans to handle independently once again the payment transactions of recently acquired Dresdner Bank. This plan will be carried out in stages starting in 2010 and, according to current information, be concluded during the second quarter of 2011. BCB AG took over payment transaction processing for Dresdner Bank in 2004.

Transaction Banking[1]

Segment result	2009 €m	2008 €m
Total income	323	344
Administrative expenses	–317	–312
Profit before tax	39	48
Cost/income ratio	98.1 %	90.7 %
Return on equity before taxes	–	–

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[1] see Segment comments in the Group Management Report, p. 54, and/or Note 40, p. 133.

Financial Markets:
Issuing of Pfandbriefe greatly interests investors

The core responsibilities of the Financial Markets segment include safeguarding the net interest margin contribution from the customer business, the generation of additional income through active risk management as well as the management of Postbank's liquidity risks.

As "the bank's bank," the Treasury department manages risks resulting from the customer business and is also responsible for handling the major share of Postbank's investment securities on the capital market. In addition, the Liquidity Management department safeguards the bank's liquidity at all times and ensures it by issuing *Pfandbriefs* (covered bonds) and jumbo bonds, among other things. Securities impacted by the volatility of markets are managed by the Credit Treasury department using risk-minimization strategies. The aim is to liquidate these commitments. Diversifiable credit risks are structured and transferred to the capital markets. The Capital Markets department bundles all of Postbank's trading activities. The subsidiaries of the Financial Markets segment in Frankfurt am Main and Luxembourg are responsible for the administration and management of retail and special funds. In addition, the Luxembourg subsidiary as a registered universal bank does business with retail and corporate customers, among other things. As part of Postbank's sharpened focus on its core areas of expertise, the subsidiary Postbank Privat Investment Kapitalanlagegesellschaft was sold to a Dutch bank.

I Postbank retail funds are top performers

In a performance comparison of retail funds conducted by Feri Trust, four Postbank funds were named among the top performers in their respective categories (sustainability: "PB Dynamik Vision"; capital preservation: "Deutsche Postbank Protekt Plus 1"; mixed funds (conservative) "Deutsche Postbank Europafonds Plus" as well as European pension funds: "Deutsche Postbank Europafonds Renten"). German retail funds earned an average of 3.4 stars according to Morning Star and were awarded first place, in contrast to selected capital investment companies. If the retail funds of Deutsche Postbank International S.A. in Luxembourg are included, Postbank funds received an average of 3.23 stars and fifth place.

I *Pfandbriefe* a good source of refinancing

Postbank's leading position on the German private mortgage lending market enabled the Bank to use these broadly diversified mortgage loans as mortgage bond cover for *Pfandbriefe*. With a AAA Best Rating from the rating agencies S&P, Moody's and Fitch, *Pfandbriefe* are an attractive source of refinancing for Postbank's lending business. The issuing of *Pfandbriefe*, including private placements demanded primarily by German institutional investors, covers the majority of the Bank's refinancing need on the capital market. In February 2009, Postbank was the first German issuer to issue a mortgage *Pfandbrief* with a maturity of five years and a volume of €1.0 billion after the deterioration of the financial market crisis in the fall of 2008. Postbank announced its public *Pfandbrief* debut bond with a volume of €1 billion at the start of July 2009 and by August was already able to increase this amount by 500 million to €1.5 billion thanks to extremely high investor interest and a very good share price performance.

Financial Markets[1]

Segment result	2009 €m	2008 €m
Total income	178	103
Administrative expenses	–90	–92
Profit before tax	60	–14
Cost/income ratio	50.6 %	89.3 %
Return on equity before taxes	8.1 %	–2.2 %

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[1] see Segment comments in the Group Management Report, p. 54, and/or Note 40, p. 133.

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Report of the Supervisory Board

Dear shareholders,

The financial and economic crisis continued to strongly affect the sector in 2009. Changes in customer demands and a difficult market environment continue to pose tough challenges to Deutsche Postbank AG. Despite this difficult setting, Postbank was able to further expand its savings and checking accounts business in 2009. The Bank also intends to sharpen its profile over the next three years with its "Postbank4Future" strategy program as well as sustainably consolidate its position as the leading retail customer bank in Germany with an extensive package of measures. Despite, or perhaps exactly because of, its hundred year tradition, Postbank is developing ever more innovative customer-oriented solutions, such as the partnerships with Shell and OBI established in 2009 to expand the cash withdrawal opportunities. The cooperation projects for the sale of Postbank shares – launched shortly after the conclusion of the transaction between Deutsche Post DHL and Deutsche Bank – look very promising for both sides in the areas of securities and transactions.

In the past fiscal year 2009, 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, we were involved in important Company decisions. In fiscal year 2009, the Management Board regularly informed us 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 us and reasons given. We discussed at length all the measures requiring the approval of the Supervisory Board as well as the Company's strategic focus. Where required by law, the Articles of Association and the Bylaws, we 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 2009, the Supervisory Board received information at four 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 us with detailed information about Deutsche Postbank AG's important commitments, their possible impact on the Bank and measures undertaken. We intensively scrutinized and discussed the individual topics. 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.

At the first meeting on March 3, 2009, we also approved the 2008 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 contract issues concerning the Management Board, the joint report on Corporate Governance, the agenda and proposed resolutions for the 2009 Annual General Meeting, a report on the status of the cooperation with Deutsche Bank as well annual compliance and audit reports.

In its second meeting on May 29, 2009, the Supervisory Board discussed and passed resolutions in particular on replacement appointments to the Management Board necessitated by the departure of Wolfgang Klein as well as the plan to reallocate duties. Other items on the meeting agenda were risk reporting including risk strategy and the report on the status of various projects in Payment Transactions and Retail Banking.

In addition to standard issues, the new call center strategy in particular was among the subjects of discussion and resolution in the third meeting of the Supervisory Board on September 25, 2009. Postbank has bundled its essential call center units into one company.

In the last meeting of the fiscal year on November 25, 2009, we 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 Code and issues of importance to the Management Board, including an adjustment to the Management Board remuneration system in accordance with

Vorstandsvergütungsangemessenheitsgesetzes (VorstAG – Management Board Remuneration Adequacy Act) and the *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management in Banks). The Management Board explained the new "Postbank4Future" strategy and engaged in detailed, comprehensive discussions with us about measures and future business policy tasks, in particular in light of the financial market crisis.

Topics to be discussed and resolved at the meeting on March 10, 2010, included the 2009 annual and consolidated financial statements, the agenda items for the Annual General Meeting on April 29, 2010, the Corporate Governance Report, and issues of importance to the Management Board and Supervisory Board. Risk reporting and risk strategy as well as the audit and compliance reports continued to be items on the agenda.

We held committee votes in writing by means of seven circulated documents and exercised codetermination rights at subsidiaries within the Postbank Group.

Work of the committees

We established six committees to enable us 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, we have transferred certain decision-making powers to the respective committees insofar as it is legally permissible and within our 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, 2009:

Supervisory Board			
Frank Appel (chair)	Wilfried Boysen	Peter Hoch	Torsten Schulte
Michael Sommer (deputy chair)	Henry Cordes	Elmar Kallfelz	Eric Stadler
Wilfried Anhäuser	Edgar Ernst	Ralf Krüger	Werner Steinmüller
Marietta Auer	Annette Harms	Hans-Dieter Petram	Gerd Tausendfreund
Rolf Bauermeister	Tessen v. Heydebreck	Lawrence A. Rosen	Renate Treis

Executive Committee (section 10 of the Supervisory Board Bylaws)	
Frank Appel (chair)	Tessen v. Heydebreck
Michael Sommer (deputy chair)	Eric Stadler

Human Resources Committee (section 13 of the Supervisory Board Bylaws)	
Michael Sommer (chair)	Hans-Dieter Petram
Frank Appel (deputy chair)	Renate Treis

Loan and Equity Investments Committee (section 11 of the Supervisory Board Bylaws)	
Werner Steinmüller (chair)	Elmar Kallfelz
Edgar Ernst (deputy chair)	Ralf Krüger
Marietta Auer	Renate Treis

Nomination Committee (section 14 of the Supervisory Board Bylaws)	
Frank Appel (chair)	Ralf Krüger
Tessen v. Heydebreck	

Audit Committee (section 12 of the Supervisory Board Bylaws)	
Peter Hoch (chair)	Elmar Kallfelz
Edgar Ernst (deputy chair)	Werner Steinmüller
Wilfried Anhäuser	Gerd Tausendfreund

Mediation Committee (section 15 of the Supervisory Board Bylaws)	
Frank Appel (chair)	Tessen v. Heydebreck
Michael Sommer (deputy chair)	Elmar Kallfelz

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 seven times last year. The meetings focused in particular on discussing the new *Vorstandsvergütungsangemessenheitsgesetzes* (VorstAG), the plan to reallocate duties, the renewal of loans extended to executive bodies and reviewing the efficiency 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 four 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. 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 financial market 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 2009. 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, compliance, the internal control system and auditing. It met eight 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 internal Auditing department. Pursuant to the recommendations in item 7.1.2 of the German Corporate Governance Code, the Audit Committee discussed the half-yearly report 2009 and the interim report as of September 30, 2009, with the Management Board prior to publication.

The Nomination Committee held a meeting 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 2009 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,
3. there were no circumstances that would indicate a materially different assessment of the measures listed in the report to that given by the Management Board."

Moreover, in accordance with section 317 (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code), the auditors performed an audit of the risk early warning system to be set up in accordance with section 91 (2) of the *Aktiengesetz* and confirmed that the Management Board has taken measures to satisfy the requirements associated with 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 us.

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.

We 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 our 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 our 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 2009.

Marc Hess was appointed member of the Management Board responsible for the Finance division, effective January 1, 2009.

Wolfgang Klein resigned his seat as Chairman of the Management Board of Deutsche Postbank AG on June 30, 2009. The Supervisory Board appointed Stefan Jütte to succeed him in this position effective July 1, 2009, as Chairman of the Management Board.

Dirk Berensmann resigned his seat as member of the Management Board responsible for the IT/Operations division as of May 29, 2009. The Supervisory Board appointed Mario Daberkow to succeed him in this position effective May 30, 2009, as a member of the Management Board.

The following changes took place in the Supervisory Board in fiscal year 2009:

Bernd Pfaffenbach resigned from his seat as member of the Supervisory Board of Deutsche Postbank AG following the end of the Annual General Meeting on April 22, 2009. The time in office of Elmo von Schorlemer came to an end following the end of the 2009 Annual General Meeting. The Annual General Meeting elected Tessen von Heydebreck and Werner Steinmüller to succeed him on the Supervisory Board of Deutsche Postbank AG.

The times in office of Wilfried Boysen, Peter Hoch and Ralf Krüger were extended by vote by the 2009 Annual General Meeting. Henry Cordes, previously appointed by the court as a member of the Supervisory Board, was appointed in a by-election by the 2009 Annual General Meeting.

John Allan resigned from his seat on the Supervisory Board of Deutsche Postbank AG, effective September 1, 2009. On September 10, 2009, the local court of Bonn appointed Lawrence A. Rosen to succeed him as member of the Supervisory Board.

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 18, 2009. The Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* was last issued by the Management Board and the Supervisory Board on December 18, 2009, 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 26).

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

Bonn, March 10, 2010

The Supervisory Board

Frank Appel
Chairman

Annual Corporate Governance Statement (including the Corporate Governance report)

In this statement Postbank reports on its principles of corporate governance, pursuant to section 3.10 of the German Corporate Governance Code and/or Section 289a of the *Handelsgesetzbuch* (HGB – German Commercial Code). This statement includes the declaration of compliance, the statements on corporate governance practices, a description of the operating principles and composition of the Management Board and Supervisory Board as well as fundamental corporate governance structures.

Declaration of compliance

For Postbank, good corporate governance means managing companies in a responsible manner based on defined values. In this respect the management bodies at Postbank attach importance to implementing the German Corporate Governance Code (CGK) as comprehensively as possible. Deutsche Postbank AG unrestrictedly complies with the Code's latest recommendations as amended on June 18, 2009. Thus, the new requirements under section 4.2 of the CGK on the remuneration system for Management Board members were already implemented as of January 1, 2010.

The Supervisory Board and the Management Board issued the following joint declaration of compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) in December 2008:

"The Management Board and the Supervisory Board of Deutsche Postbank AG state that since the last declaration of compliance dated November 28, 2008, all the recommendations of the 'Government Commission of the German Corporate Governance Code' in the version dated June 6, 2008 have been complied with and that they intend to continue to comply with all the Code's recommendations in the version dated June 18, 2009."

The suggestions of the CGK were also implemented – with one exception: The Annual General Meeting will be broadcast on the internet only up to the moment the plenary discussions start.

Corporate governance practices

To implement corporate governance practices, Postbank has formulated a company vision and a mission as well as a table of corporate values that are meant to serve as guiding principles for determining the long-term orientation of company policy. The Bank's vision and mission specify a normative framework for strategic and operational corporate governance and thus provide a model in equal measure for Management Board,executives and employees.

Postbank's corporate values are recorded in the Code of Conduct, and provide principles to guide the business activities of employees in the Postbank Group. The code is binding for the Group's executive employees. The letter and the spirit of these values are reflected in Postbank guidelines and provisions (for example in the organizational handbooks and working instructions) that determine daily business life. The code mirrors Postbank's obligation to act responsibly, ethically and lawfully.

It has also been supplemented with a Supplier Code of Conduct.

The following seven corporate values form the cornerstone of our corporate culture:

- To deliver excellent quality
- To create sustainable added value for our customers
- To foster openness
- To act according to clear priorities
- To act in an entrepreneurial way
- To act with integrity internally and externally
- To accept social responsibilities

In addition, Postbank has pledged itself to the concept of sustainability. It acts responsibly in relation to its shareholders, customers and employees, as well as to society and the environment. In 2006, Postbank committed itself to the principle of sustainable development. In January 2009, the Bank applied to join the UN Global Compact, worldwide the most respected voluntary obligation of major companies to adhere to the principles of sustainable and responsible business practices.

Postbank's commitment is regularly reviewed by external rating agencies. In 2009, the Bank was awarded the Prime Standard in the area of Corporate Responsibility by the oekom research agency. The awarding of this hallmark of excellence means that Postbank currently belongs to the top 20 % of banks who perform best in relation to upholding their corporate responsibility. Postbank has also been environmentally certified in accordance with ISO 14001 by TÜV Rheinland. The certificate confirms that Postbank's environmental management system is oriented on continual improvement of its ecological performance.

Operating principles of the Management Board and Supervisory Board

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 shareholders exercise their rights related to company issues in the Annual General Meeting.

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 seven 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. The board departments of Postbank are divided as follows: Group Management, Finance, Retail Banking, Branch Sales, IT/Operations, Financial Markets and Resources/Lending.

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. The Group Management Board makes decisions on issues that are of particular significance and scope for the company or the Group. Moreover, issues that a member of the Management Board presents to the Group Management Board for resolution are decided by the Group Management Board.

To promote efficient decision management, the Management Board has established committees with the power to make their own decisions or to make preparations for decisions. The Cost Management committee is responsible for cost and budget target adherence. Decisions on acquisitions or sales of companies are prepared by the Corporate Development committee. The Retail Committee is entrusted with the implementation of the retail strategy and with sales channel controlling. The committees generally meet monthly and report to the Group Management Board.

The Credit Risk Committee, the Market Risk Committee and the Operational Risk Committee are responsible for risk management and risk monitoring of the respective risks. In addition, the Bank has decided to entrust the Bank's Risk Committee as an additional body with the task of advising the Group Management Board in the context of the determination of the Bank's risk appetite, risk-bearing capacity, the Bank's risk strategy as a whole as well as deciding on recommendations to limit and manage the Bank's risk strategy as a whole. It will begin its work at the start of 2010.

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 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. 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 22).

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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.

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. For the purpose of good corporate management and to achieve sustained growth in enterprise value, the Management Board and Supervisory Board are in regular close communication as required by relevant questions of planning, business development, the risk position, risk management, compliance and strategic measures. The chairmen of the Supervisory Board and the Management Board in particular are in regular contact.

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. Conflicts of interest are to be reported to the Supervisory Board. Fundamental conflicts of interest, and not only temporary ones, in the person of a Supervisory Board Member lead to an termination of the period of office.

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.

I Other corporate governance principles

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.

158 A list of the offices held by members of the Management and Supervisory Boards can be found on page 158, 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 2009 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 163 the compliance declaration. Details of the auditors' total remuneration can be found on page 163, Note 59.

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, Postbank 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.

The effectiveness of the compliance function is reviewed annually by Internal Audit and the auditors.

Risk Management

The Postbank Group monitors and manages its risks through Group-wide risk management. Deutsche Postbank AG is fully integrated into this process.

The principles of responsible corporate management are also applied at Deutsche Postbank AG in dealing with risks. Postbank has installed 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 Postbank'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 and monitoring. 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 from business activities with the risk-bearing capacity of the Group 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.

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For further explanations and information on risk management, please see the Risk Report on page 57 ff.

Remuneration report for 2009

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.

Structure of the remuneration of the Management Board in fiscal year 2009

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

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

The level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial situation, and the tasks of the board members in question. Remuneration is calculated so that it is appropriate and competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. The level of remuneration is linked to performance.

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

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

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

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

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

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

Remuneration of the Management Board in fiscal year 2009

The nine active members of the Management Board received fixed remuneration totaling €4,159.8 thousand (previous year: €4,309.3 thousand) in fiscal year 2009. The fixed component includes "other compensation" totaling €196.2 thousand (previous year: €175.3 thousand). This additional remuneration relates primarily to the use of management cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, other compensation is available to all members of the Management Board equally; the amount varies depending on different personal circumstances. No annual bonus was paid for fiscal year 2008.

Total remuneration for the nine active members of the Management Board was €4,159.8 thousand (previous year: €16,174.3 thousand).

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

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

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

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

Management Board remuneration in 2009

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

Management Board remuneration in 2008

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

[1] Includes payment of a one-time premium (special bonus) to 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 (previous year: €10,529.0 thousand). An annual bonus (corporate and personal performance bonus) was not paid for fiscal year 2008.

New structure of the remuneration of the Management Board

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

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

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

The annual bonus is linked to performance.

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

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

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

Pension commitments

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

A pension shall be paid if the member of the Management Board leaves our service as a result of disability, death or old age. As a rule, old-age pensions are paid from the age of 62.

Under the standard pension commitments valid until February 28, 2007, pension rights generally accrue after at least five years of service. In the case of disability, this minimum waiting period may be waived in part.

The size of the pension depends on the length of service and the amount of pensionable remuneration. Only the fixed component of remuneration (base pay) is pensionable. The basic rule is that pension benefits of 50 % relating to the percentage of final salary accrue to members of the Management Board after five years of service. Benefits accrue at a constant rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 %) relating to the percentage of final salary is generally reached after ten years of service. The arrangements in the case of Chairman of the Management Board Stefan Jütte are different, however. The pension benefits for Stefan Jütte amount to a maximum of 50 % of pensionable income. The pension commitments further include rules for the payment of a transitional allowance for board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

Should the Management Board contract be terminated by Postbank prior to the expiration of the regular contractual term in the cases of Mario Daberkow, Hans-Peter Schmid and Ralf Stemmer, the pension shall be calculated as if the Management Board contract had been fulfilled until its regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of board member Mario Daberkow shall be measured from the first conclusion of a Management Board employment contract effective as of November 1, 2005.

Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

In May 2007, the Executive Committee of Deutsche Postbank AG's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed after March 31, 2007, from the previous final salary-based pension system to a defined contribution plan. The pension commitments of the members of the Management Board appointed after that date, Marc Hess, Michael Meyer and Horst Küpker, are therefore based on the following basic system: A benefit contribution is granted for each eligible year of service. This benefit contribution is credited to a virtual pension account that bears interest annually at the relevant interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and entitlements from pension commitments are vested immediately. Pensions have a 1 % p.a. adjustment rate.

Members of the Management Board Michael Meyer, Marc Hess and Horst Küpker have the right to choose between regular pension payments and a lump-sum capital payment.

Pension commitments for individual members of the Management Board

	Pension commitments		
	Percentage of final salary as of Dec. 31, 2009 %	Maximum percentage of final salary %	Service cost for pension obligations €
Stefan Jütte (Chairman)	25.50	50.00	0
Hans-Peter Schmid	0	60.00	222,646
Ralf Stemmer	50.00	60.00	70,392
Mario Daberkow	0	60.00	93,165

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

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

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

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

Remuneration of the Supervisory Board

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting it in line with the Corporate Governance Code. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of fixed and performance-related components, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Deutsche Postbank AG. The positions of chair and deputy chair as well as membership of a committee are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board who is not a member of a committee is as follows: The fixed component amounts to €15,000, while the variable annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect amounting to €300 for each 1% by which the consolidated net profit per share for the second fiscal year after the current fiscal year exceeds the consolidated net profit per share for the fiscal year prior to the current fiscal year.

The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one and a half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses and any value-added tax expenses incurred in the exercise of their office. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €250 for each meeting of the full Supervisory Board or of one of the committees.

The amount of the Supervisory Board's remuneration is capped in several aspects: Neither of the two variable components may exceed the value of the fixed annual remuneration. Furthermore, the short-term variable component may not exceed in total 0.5% of the Company's net retained profit less 4% of 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 concerned.

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

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

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

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

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

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

No further payments or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to members' Supervisory Board activities, especially consulting and arrangement services. This does not apply to the remuneration of employee representatives as set out in their respective employment contracts.

Shareholdings of the members of the Management Board and Supervisory Board

In fiscal year 2009, the aggregate shareholdings of all members of the Management Board and Supervisory Board amounted to less than 1 % of the shares issued by the Company.

As of the balance sheet date, loans of €950.4 thousand (previous year: €70.4 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2009, no loans had been granted as of the balance sheet date to Management Board members who left the Company in the course of the year. No other contingent liabilities were entered into.

D&O insurance

The members of the Management Board and of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the Corporate Governance Code, the individual Management Board and Supervisory Board members are required to pay a deductible if a claim is brought. The deductible amounts were changed in line with the requirements of Section 93 AktG and section 3.8 of the German Corporate Governance Code effective January 1, 2010.

Employees:
Workforce successfully implements corporate strategy

Successful HR work lies in the details where all the different threads are tightly interwoven. This concept applies to both personnel strategy and the principles of its implementation as well as to the work with each individual employee. The Resources/Lending division at Postbank oversees company-wide human resources planning and management, the training and professional development of employees and managers as well as all matters related to a person's employment.

Workforce declines slightly

At the end of 2009, the Postbank Group employed 20,857 full-time equivalents. This figure includes around 200 full-time equivalents who were brought on board in 2009 during the consolidation of BCB Processing GmbH and the integration of two subsidiaries who have not yet been consolidated, BHW Direkt GmbH and PB easytrade GmbH, into PB Direkt GmbH, the new call center subsidiary The number of employees declined by around 470 full-time equivalents at the end of 2009, compared with the remaining month of fiscal year 2008. We also employ about 7,019 civil servants, who make up about 33 % of employees, and roughly one-quarter of our employees work part time.

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Staff costs rose only moderately year-on-year – despite the increase in payments to the Pensionssicherungsverein (the Pension Insurance Association), the wage increases that took effect on January 1, 2009, at PB Filialvertrieb AG and at Deutsche Postbank AG as well as several subsidiaries, and the provisions made for restructuring measures. You will find details about these matters in the Management Report of this Annual Report (see p. 52).

For a number of years now, the staff-turnover rate in the Postbank Group has been very modest. In the year under review it was 3.7%. The average length of a person's employment at the company was approximately 22 years in 2009. These figures represent how strongly employees identify with the company and how attractive the Postbank Group is as an employer. The latter is also demonstrated by a special distinction received in 2009. For the second consecutive year, Deutsche Postbank AG received the exclusive seal "Top Employer" from the independent market research company CRF. The Bank ranks eleventh among all participating companies and remains one of Germany's most attractive employers.

HR development: Training programs in Retail Banking remain the focus

At Postbank, human resources development focuses on the particular demands of retail banking, which among other things is characterized by the heavy flow of customer traffic at our branches. Here Postbank calls upon its subsidiary PB Vertriebsakademie GmbH as a one-stop provider of all training programs at the Postbank Group. All of the Group's sales channels can take advantage of its management and specialty courses as well as its sales-related skills training to be applied to interaction with customers. In addition to classroom-based courses, the Bank also utilizes decentralized forms of training like e-learning tools and "on-the-job training" to obtain the maximum benefit at an increased level of cost efficiency. Approximately 42 % of all training courses are now done through these latter measures.

Vocational training as a career springboard in the Postbank Group

An important component of HR management is the training of young people. In 2009, Postbank offered 354 new training positions across Germany (previous year: 354) and employed a total of 864 junior staff members as of December 31, 2009 (previous year: 842). In 2010, we intend to maintain the level of training positions that we offered during the previous year in spite of the overall reduction in the workforce. This is a critical contribution toward ensuring the future of the company, since Postbank meets a significant share of its personnel needs with its own junior staff. In 2009, as in previous years, about 90 % of all trainees who successfully completed their training received a job offer.

Outlook

Postbank continuously works to increase customer service satisfaction and the efficiency of its processes. In doing so, it becomes more cost efficient. As part of the strategic program announced in November 2009, the Bank will be able to adjust its personnel needs through the end of 2012 to 19,000 full-time equivalents. Here, Postbank will take advantage of normal turnover and employees' willingness to change positions within the Group. This will enable the planned measures to be carried out in a socially acceptable manner. In a related action, the "Sidestep" program was initiated in 2009, giving interested employees who work in the back office or administrative positions the opportunity to gain additional qualifications and work in one of the 852 Postbank Finance Centers. A limited number of severance-pay and early-retirement packages will be offered as well.

Employees

	Dec. 31, 2009	Dec. 31, 2008
Number of employees (full-time equivalents)	20,857	21,127
Part-time employees	5,507	5,422
Percentage of female FTEs	58 %	58 %
Percentage of male FTEs	42 %	42 %
Percentage of civil servants	33 %	34 %

Sustainability:
Assuming social responsibility through sustainable action

Corporate sustainability is steadily gaining in significance in public discussions, and the financial crisis has given further impetus to this process. In 2006, Postbank made a public commitment to the guiding principle of sustainable development: Our efforts are focused on assuming our responsibility for the environment and society.

A sustainable commitment in a global context

To keep track of the latest ideas and trends in the area of sustainability, Postbank promotes dialogue that delves deeply into the issues of responsibility and environmental and climate protection. One forum for this dialogue is the Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V. (VfU – the Association for Environmental Management in Banks, Savings Banks, and Insurance Companies), an organization that we joined in 2005. In November 2008, we also became a member of the "FinanzForum: Klimawandel" (Climate Change Financial Forum), an advisory council of the German Federal Ministry of Education and Research. Through its former majority shareholder, Deutsche Post DHL, Postbank was also committed to the UN Global Compact from mid-2006 to the end of 2008. In January 2009, we signed our own pledge to the compact.

Postbank has integrated an environmental management system internally that is based on four pillars:

- Environmental guidelines
- Environmental organization
- Environmental handbook
- Environmental program

Thus, for example, the environmental guidelines are a collection of principles and associated responsibilities for dealing with environmental issues and questions at Postbank. The goal is to anchor the environmental guidelines in our dominant culture and our company policies. As part of our environmental program, we have set ourselves the goal of reducing by 2012 the carbon emissions from our business operations by 20 % compared with 2007. We intend to achieve this aim through such measures as using 100 % green electricity at our major locations, and have already implemented this particular measure as extensively as possible.

Assuming social responsibility, however, means much more to us than this. In one reflection of our commitment, we have held collection and fund-raising drives for charitable projects sponsored by Deutsche Welthungerhilfe (German World Hunger Assistance). Our employees have donated more than €335,000 to these initiatives. To promote education, we have long-running partnerships with several secondary schools at our sites in Bonn and Hameln. Since 2004, we also have been presenting the "Postbank Finance Award," which bestows €80,000 in prize money annually and is thus the largest university award in Germany. In the company, too, we have given the issue of sustainability the priority that it deserves. In Postbank's Code of Conduct sustainability is explicitly anchored in our corporate values as a cornerstone of our corporate culture.

In the area of sustainability, Postbank has moved forward in recent years and assumed a position among the leading banks in Europe. This is reflected by our position in sustainability rankings and in our inclusion in globally oriented stock indices.

Transparency in environmental and climate protection

During the year under review, we successfully pressed ahead with our environmental and climate protection activities. After we laid the necessary foundation in 2008, Postbank's environmental management system received ISO 14001 certification from TÜV Rheinland in the spring of 2009. We are pleased to have gained this certification because it serves as further evidence of Postbank's environmental consciousness and focus on the future – also in terms of communications with investors, business partners and rating agencies. We also served as a partner for the week-long campaign called "Klima und Finanzen" (Climate and Finances) sponsored by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety that was held in January 2010.

Sustainability-focused bank products and services

Postbank's broad range of offerings includes a series of products designed particularly for customers who consider environmental consciousness to be a critical factor in their decision making:

- The "Postbank Dynamik Vision" investment fund established in 2001 invests in companies listed in the Dow Jones World Sustainability Index and the DJ Euro Sustainability Index. It is one of Germany's largest sustainability funds.
- The closed capital-guaranteed investment fund "Postbank Dynamik Klima Garant" invests in companies that develop technologies that are designed to prevent or reduce climate change and themselves actively engage in climate protection.
- With its "BHW Öko Konstant 10," the Postbank subsidiary BHW offers its customers a financial incentive to employ energy-conserving technology when building new homes.
- As part of a "best select" approach, the Postbank Group brokers various promotional offers for the Kreditanstalt für Wiederaufbau (KfW). In this role, we are one of KfW's largest cooperation partners, and our share of KfW new business in the area of living/energy is around 7 %.
- In Postbank Finance Centers, we have been offering our customers since 2003 – at that time still as Deutsche Post retail outlets – the opportunity to obtain electricity from our cooperation partner LichtBlick, a company that produces its power from renewable energy sources. In February 2009, we also began to offer the environmentally friendly gas products sold by LichtBlick.
- Since August 2009, we have been selling energy-efficient LED lights to customers in the larger Postbank Finance Centers to go along with energy-saving lighting.
- In our Postbank Finance Centers, we also sell environmentally friendly stationery (Blauer Engel, FSC, PEFC) and DHL's climate-neutral services.

Sustainability reporting

Since 2006, we have been reporting on our activities in and commitment to sustainability on a central platform, www.postbank.com/sustainability. This platform is broken down into current information, strategy and management, customers, employees and society. The Sustainability Report is available here as well.

Outlook

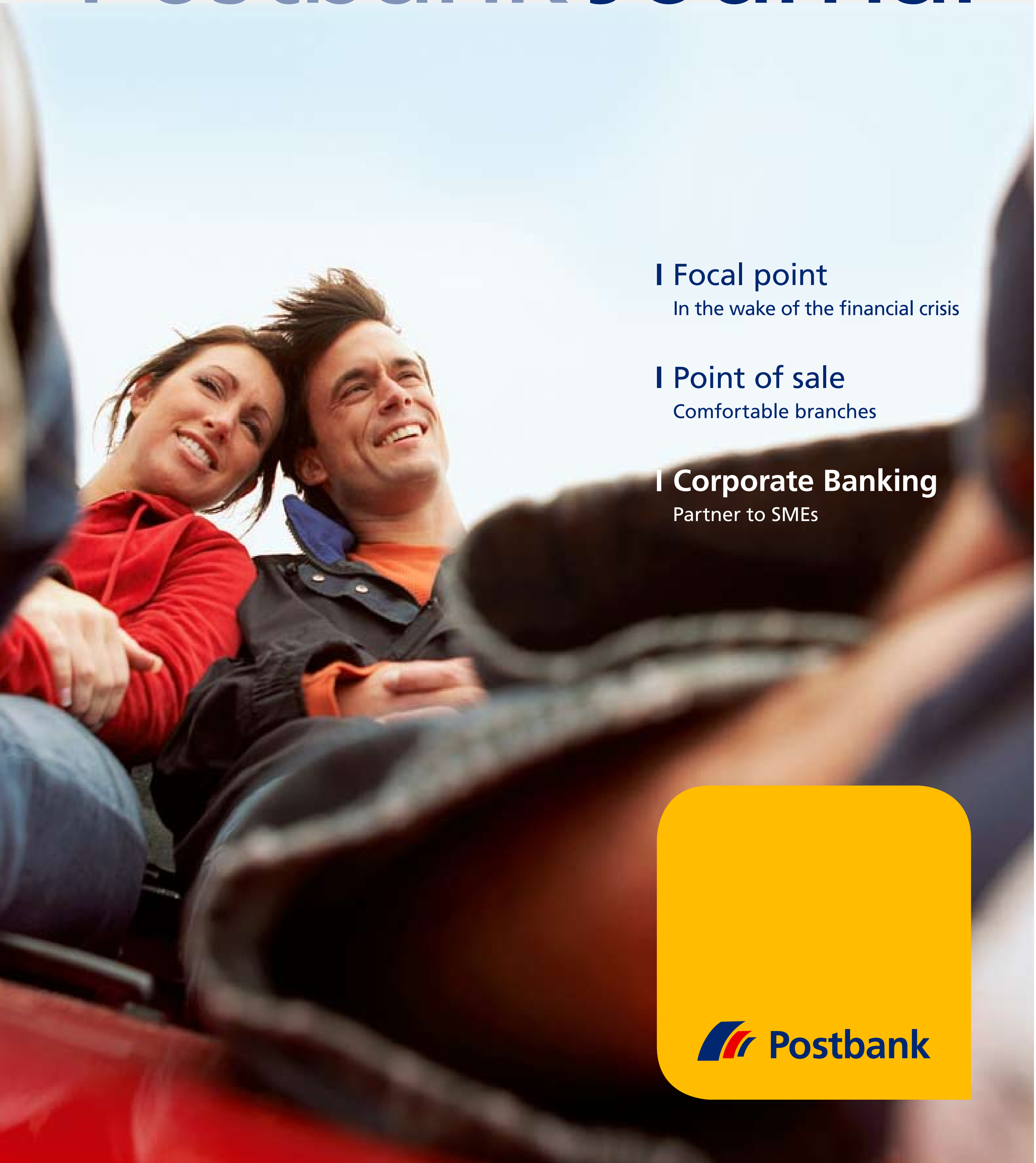
Postbank's goal for 2010 is to continue to enhance its environmental management system. In this context, we will once again request to be audited under DIN ISO 14001. We also intend to intensify sustainable activities within our sphere of influence and to strengthen our commitment to society.

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
Sustainable Anlageuniversum Bank Sarasin (Switzerland)		October 2008

Ratings	Ranking result
Corporate Sustainability Rating (2009)	12th place among the industry's 79 business banks
Sustainable Asset Management (2008)	Above industry average
Scoris DAX-30-Rating (2007)	18th place (best DAX security to be listed for the first time in 2006)
Vigeo (2007)	Above industry average

March I 2010

Postbank Journal

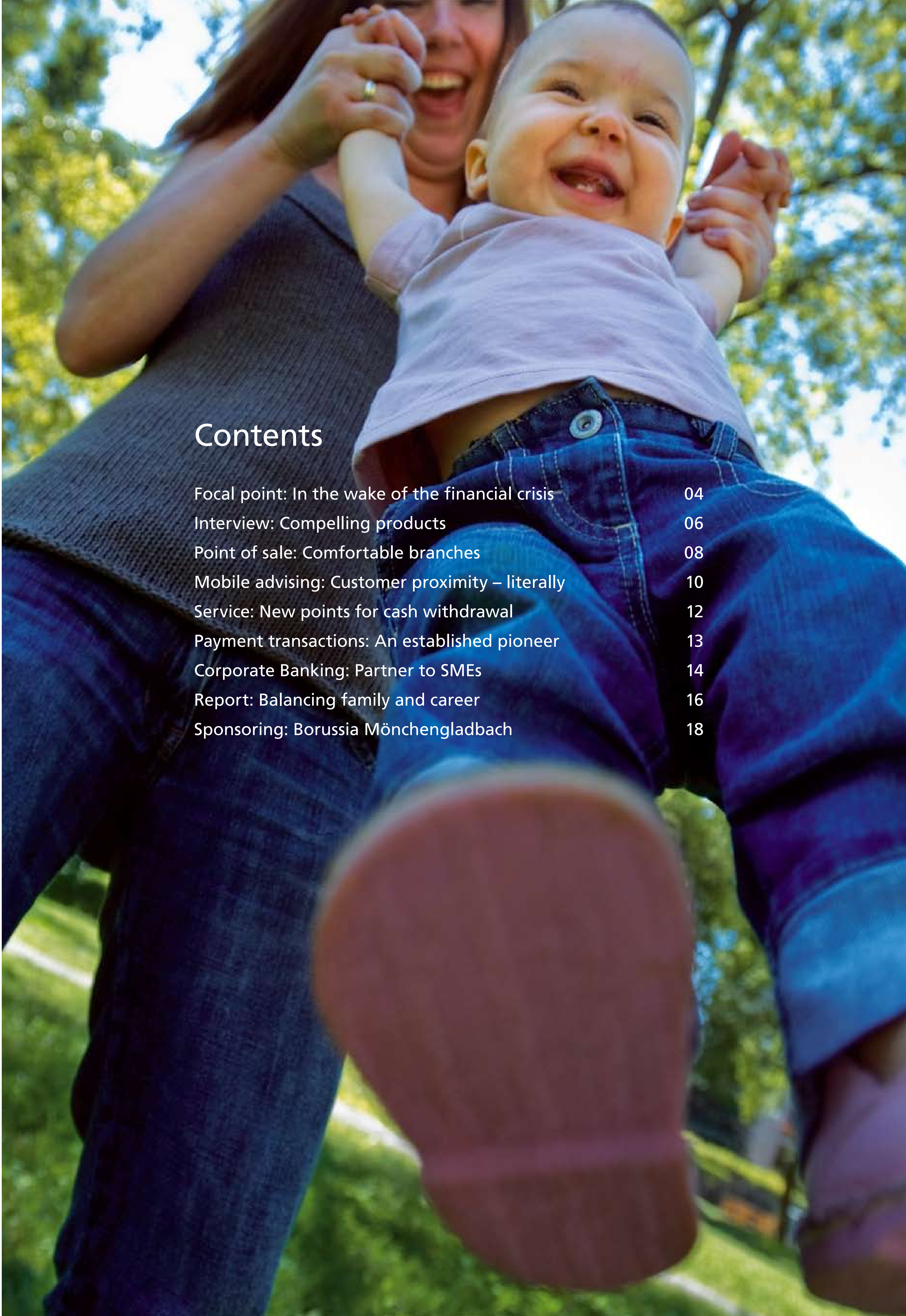


Focal point
In the wake of the financial crisis

Point of sale
Comfortable branches

Corporate Banking
Partner to SMEs

Postbank



Contents

Ladies and Gentlemen,

During preparation of the annual report, a colleague posed the following question: Do we really give our shareholders the chance to get to know us better in the sense of becoming personally acquainted? The idea became a spark of inspiration. After all, one thing is clear. Postbank, like every other corporation, does much more than its management report and financial figures alone tell.

What is our standpoint, for example, on topics that profoundly affect the financial sector? What is the reasoning behind certain strategic decisions? What is important to us as partners of our customers and as an employer? In the regular annual report, questions such as these can only be answered in a brief, matter-of-fact format. The idea for this supplementary journal was thus born. We hope it will leave you with a more colorful, more personal impression of Postbank.

I wish you pleasant reading.

Sincerely,

Stefan Jütte
Chairman of the Management Board

Underlying conditions for the economy and investors have changed in the wake of the financial crisis

Marco Bargel,
Chief Economist
at Postbank

In the wake of the turmoil caused by the financial crisis, a number of markets have begun making a clear recovery in 2009. These include in particular the stock markets, which were largely able to compensate for their previous losses over the course of the year. The price of fixed-income securities, in particular of corporate bonds and bonds from euro zone countries and emerging economies, also rose sharply in 2009.

Even though normality seems to have returned in many areas, the underlying conditions for the economy and capital markets have been lastingly changed by the financial crisis and its real economic consequences – and in particular by the changes in economic policy instituted in response to the crisis.

Corporate profits are increasing at a slower rate

The crisis was triggered by a global imbalance caused by the United States' role as a worldwide driver of consumption. Its consumption was financed by other countries, some of which generated enormous foreign trade surpluses with the United States. This imbalance can only be corrected through debt reduction and the sustained lower consumption rates by U.S. households that this requires. The flip side of the coin would be a return to global growth, as the United States is responsible for approximately one-third of all consumption worldwide. U.S. consumption is currently down approximately $450 billion annually in comparison to the boom years of 2003 to 2006. It is an illusion to believe that stronger domestic orientation among the Asian drivers of growth can quickly compensate for this decline in demand. China is currently responsible for just four percent of global consumption. Even if Chinese consumption were to grow another ten percent, that would equal just one percent of U.S. consumption. Debt reduction plays a key role in determining how long U.S. households must decrease their consumption in order to restore global balance. This is a very lengthy process that usually takes several years. With the United States no longer serving as a pacesetter for consumption, global growth rates will be significantly lower in the coming years. Increases of five percent, such as those seen in the pre-crisis years, will remain a thing of the past for the time being. Global growth rates of three to four percent are more probable in the next five years.

Lower earnings opportunities for financial institutions in the short term

The earnings potential of banks in particular could lastingly decrease as a result of the crisis. On one hand, financial institutions will be struggling with negative effects on the asset side for some time to come. Defaults and losses in conjunction with structured products have for the most part been absorbed, but the real economic consequences of the crisis have yet to be reflected in banks' balance sheets. The number of corporate insolvencies in 2010 will continue to grow as a delayed effect of the recession, while the financial situation in private households will further

deteriorate. This may be accompanied by an increasing number of defaults on loans.

On the other hand, additional burdens for the financial sector can also be expected in the form of economic policy. At the summit in Pittsburgh in late September 2009, the heads of the G20 countries agreed on far-reaching measures to prevent financial crises in the future. Banks are to be made more resistant to crisis through tougher requirements regarding the quality and quantity of their equity. As a result, the need for equity will increase, likely having an impact on the profitability of financial institutions. Ultimately, a simple law of economics comes into play here: the more restricted the ability to take risks, the lower the chance of earnings. That may mean, however, that earnings also display a higher degree of stability. The crisis will also force the German banking sector to become more efficient. The recent past has already seen isolated mergers of banks and even in a sector that to date has been very rigid – public sector banks – there are signs of movement. The potential for synergies of such mergers on the sales side are considerable and can strengthen the earnings power of banks in the long run.

The product is the hero

Postbank’s path to its customers

An interview with Michael Meyer
Management Board Member for
Retail Banking

Mr. Meyer, Postbank has become Germany’s number one retail bank. What are the product policies behind this success?

Our product portfolio is based on a combination of products we developed ourselves and products from well-known cooperation partners. Our proprietary products focus on the fields in which we have extensive experience and large market shares: checking accounts, savings products, mortgage lending and home savings in particular. The whole value-added chain is in our hands here, from market research through product design and pricing all the way to portfolio management. In the areas of insurance and funds, however, we turn to strong partners such as HUK Coburg, Talanx and DWS – all of them leaders in their markets.

What benefits do these cooperative partnerships offer?

Our model is so attractive because it benefits everyone involved, above all our customers. We want to provide them with the best products and solutions from all the different product areas – and our cooperative partnerships enable us to do just that. Postbank concentrates on its core competencies, the fields in which we offer top services, and selects partners who are outstanding in their respective areas of specialty for all other financial needs. As a result, we benefit from both the expertise and prominence of these external brands.

Will the new alignment introduced through the "Postbank4Future" program change this cooperative model in any way?

No, at the core nothing will change. The new strategy focuses on other aspects. It's like this: in the mid-term future, the retail market in Germany is expected grow by two to three percent per year. If we want our market share to continue expanding in the future, we have to understand our customers better than the competition and act accordingly. Ever since the start of the economic crisis, retail customers in particular have been looking for a financial partner who can shed light in the darkness of the financial jungle for them. That is expressly what we have committed ourselves to doing through the "Postbank4Future" program.

Which means …?

This means that we will be simplifying our product line and offering more service. At the same time, we must also lower administration and process costs in order to remain price leaders and to satisfy our shareholders' profit expectations.

"Simple, comprehensible and cost-effective – that's what our products need to be."

That was an important catchphrase. What does "simplifying the product line" mean?

We want to make financial choices as easy as possible for our customers. That's why we will soon be offering fewer variations of the assorted product types. That will make it easier to understand our offers without seriously reducing individuality, as confirmed by the members of our customer advisory council. Their feedback is very important to us and indicates that we are moving in the right direction with our product range. Simple, comprehensible and cost-effective – that's what our products need to be. We are therefore currently once again reviewing our entire product range for improvement potential. As a first result of this review, we will be adjusting the prices of our checking accounts and offering our checking customers product combinations that will enable them to benefit from extra services.

What kind of service can customers expect from Postbank?

We intend to further increase the strengths of our broad multi-channel structure. That's why we are going to further fine-tune the role distribution in sales. The branches will be responsible for our core products, while mobile sales will once again place greater focus on its traditional strengths – mortgage lending, home savings, investments and retirement planning. As direct banking channels, call centers and the Internet will support the other sales channels with a wide range of products. By the way, our website is a special source of pride for us. Customers have called it innovative and easy to use, and it was awarded the "Innovation Prize for Customer Orientation on the Internet" at the Euro Finance Week 2009 conference in Frankfurt. Here as well, we are continually striving to remain the yardstick by which the competition must measure itself.

A customer-friendly website is one thing – but what about on-site service? Catchphrase: white spaces on the cash withdrawal map …

You are right. The issue of cash withdrawal is one of the most frequent complaints voiced by our customers. That is why we are taking new, innovative paths here. In 2009, we launched cooperative partnerships with Shell and OBI. Naturally these are just the first of many strategic partnerships that will enable us to provide customers with more points for cash withdrawal. Together with the other improvements in products and service, we are thus creating excellent conditions for making Postbank an even more attractive banking partner. That should be evident in our future results as well.

Branches in change

A clearly structured and well-organized customer area, comfortable lounges with coffee machines and children's corners to ensure a pleasant wait for an appointment with an adviser, even a branch TV to deliver information on our products and supply the latest news – the new Postbank Finance Centers. Postbank has already redesigned twenty-eight of them throughout Germany in keeping with the new concept that was declared the winner of the "Best Branch Office 2009" contest sponsored by the German financial trade journal "Geldinstitute". Approximately twenty more branches will be renovated in 2010.

With the new design concept, Postbank wants to place greater focus on bank services without neglecting products from Deutsche Post and other partners. Postbank is thus catering to its customers' desire for more service, clearer orientation, more streamlined processes and contemporary design. Visually pleasing functionality has priority over trendy architecture; individual structural details are based on the size, layout and surroundings of the respective branches.

Reaching goals faster

To help customers handle their banking business even faster and avoid long waits, Postbank will be organizing its counters into Deutsche Post, DHL and Postbank service areas in the future. In the most recently renovated branches, for example, the service counters are color coded. Banking customers are asked to use the blue lane and postal customers the yellow lane. This reduces waiting times for both groups of customers, although all services are naturally still available at all counters. Branches with a large number of parcel pickups have also been equipped with their own DHL counter.

Advising zones provide privacy for customer talks

Asset building, retirement planning, lending, investment – separate advising zones are available for in-depth discussions during individual appointments. Glass elements that dampen sound while admitting ample light, as well as a closable door, ensure the necessary discretion for such talks. At the customer advisers' desks, a rotating monitor enables customers to share a view of the online advising system offering a wide range of sales support applications, from product information all the way to the forms needed for concluding a business deal.

A pleasant stay

In order to provide customers with even better service, Postbank has also installed new service points. These serve as additional contact points for customers

looking for advice, a brief advising session or to make an appointment. Other amenities in the new Postbank Finance Centers include seating groups with coffee machines and water dispensers as well as play areas for children.

Surveys indicate that customers and employees are very pleased with the furnishings and atmosphere of the newly renovated branches. The self-service zones alone have clearly boosted the image of the Financial Centers as banking branches.

Customer talks in modern advising zones

Self-service zones for financial and postal services

Financial solutions for the entire family

Klaus and Martina Schneider have fulfilled their life-long dream: In October, the couple and their two children moved into their own home located in a lush natural setting. "We had some great support on the journey. The BHW real estate adviser not only helped us find the right house, but also put us in touch with a financial advisor at Postbank who created exactly the right financing package for us."

Karl Ballrup, Martina Schneider's father, had recommended Postbank Finanzberatung. "I've been a Postbank customer for decades – and I've been involved in every type of financial matter," the 72-year-old said. "And I have to say, I've always had a good experience. Regardless of the investment and retirement matter I had on my mind – my investment adviser always came up with a good solution." Karl Ballrup and the Schneiders were especially happy that they could meet their adviser in the place where they feel most comfortable: at home. Martina Schneider said, "Because Klaus and I work during the day, this is ideal for us. We are undisturbed at home during the evening and have the time we need."

Everything from a single source

For customers like the Ballrups and the Schneiders, Postbank Finanzberatung, acting as Postbank's mobile sales operation, conducts around two million advisory meetings in customers' homes or in one of its more than 900 advisory centers each year, offering tailored financing concepts from a single source. "With our three sales branches of financial management, investment advising and real estate, we are capable of responding to the challenges, needs and life cycles of our customers at any time," said Hanno Schädel, Chairman of Postbank Finanzberatung. "The experts in all three areas work hand-in-hand and find just the right financial concept for their customers."

This is a demanding job that requires sensitivity as well as subject-matter expertise. Niels Brügmann, an investment adviser at Postbank, is one of the approximately 4,000 mobile advisers. "I really enjoy coming to understand people's needs and developing the right investment strategy," Brügmann said. He also knows that customer trust depends just as much on the quality of his advice as on the quality of the products that are recommended. "The standard to which we feel committed has proven itself particularly during the financial crisis: providing objective advice as well as offering a variety of first-class financial, insurance and pension-provision products at fair conditions."

Understanding customers is the key to success

"Skilled advising tailored specifically to people and their needs is also the key to success in financial management," said Beate Neff, sales director in the Black Forest city of Waldkirch and a contact person for matters concerning finances and pension provision. "It's the only way to establish long-term customer relationships." This also means taking the time needed for complex processes like mortgage lending. That's why meetings with customers are frequently held in the evening or on weekends, often right in the customers' home. "I'm happy when my customers are satisfied and feel that they are in good hands," Neff explained.

Michael Binder feels the same way about his work as Regional Director of BHW Immobilien in Bad Salzuflen. More than 300 qualified agents working in more than 200 real estate centers across Germany assist their customers with the purchase or sale of apartments, lots and houses – for their own use or as a capital investment – and broker vacation property in the most beautiful vacation regions of Germany. "Our agents offer a complete range of services, from the initial viewing of the property to the final notary-public contract. One unique feature of this work is the partnership with financial managers. As a result, customers have easy, direct access to a financing expert," said Binder, and he is convinced. "The integrated personal support is one of the main reasons why customers select us."

Satisfaction is shaped through personal contact

A personal commitment teamed with reliability and far-reaching expertise – this has a big impact in the market. Not only have the Schneiders and Karl Ballrup reached this conclusion, but so have market researchers in studies conducted by independent third parties. The customers of Postbank Finanzberatung express a high degree of satisfaction. This positive perception underscores the important role that mobile sales play as a personal contact partner within the multichannel bank strategy of Postbank.

Cash withdrawal made even easier

Day by day, Postbank is working to become an even more attractive partner for its customers – with easy-to-understand products and good conditions, exemplary service, as well as access channels and support options whose variety and frequency are unparalleled on the German market.

One important step in this direction, the availability of cash withdrawal points nationwide, was successfully taken in the form of a cooperative agreement with Shell. Our existing 7,000 CashGroup automated teller machines, 852 Postbank Finance Centers and several thousand Deutsche Post retail outlets have now been joined by cash stations at 1,300 Shell service stations. This cooperation has helped us to fill some remaining white spaces on our cash withdrawal map.

The new cash stations offer an impressive array of advantages: they are very conveniently located for drivers, offer ample parking, are easy to recognize via the Shell brand and are well secured at all times. In addition, Postbank customers can save time by combining two everyday necessities – filling up the car and withdrawing cash. As a special bonus, current account and SparCard savings account customers receive a discount of one cent per liter of fuel, even when they don't withdraw cash.

"In light of the many benefits for our customers, we are reviewing whether the cooperation concept could also be implemented with retail firms and other companies located at traffic hubs," said Michael Meyer, Management Board Member responsible for Retail Banking. "There are advantages for both retailers and companies. They especially appreciate the personal customer service in our Business Customers segment, which is the reliable partner for over 260,000 small companies, self-employed individuals, freelancers and manufacturers." Another cooperative partnership has already been successfully initiated with OBI, Germany's largest building supply store chain. After cash dispensing machines have been installed at 180 OBI stores, the do-it-yourselfers and gardening buffs among our customers will be able to shop and withdraw cash at the same time in 159 cities.

How does Integrated Cash Management (ICM) work?

For customers, Integrated Cash Management (ICM) works like an automated teller machine. Customers enter their PIN as usual into a card reader, in this case at a service station cash register. In contrast to the usual procedure, however, the cash is then dispensed to the Shell employee, who passes it on to the Postbank customer. This system provides security benefits, since Shell service stations are well-lit and full of customers even after most other stores have closed. Moreover, only Shell employees come into contact with the cash dispensing devices, thereby virtually excluding technical manipulation.

Postbank is a pioneer in payment transactions

Whether in our role as a partner to bank customers or as a service provider for other financial institutions, Postbank is the technology leader in payment transaction processing.

Our multi-award-winning online banking system, for example, has enabled real-time transfer of funds to other Postbank accounts since 2004. Just a few years ago, we pioneered development of the mobile TAN procedure now used by many of our competitors. Currently, Postbank is involved in the development of new, even more secure TAN procedures. We were the first bank to introduce its own user interface for iPhone banking, and are the leader in the further evolution of mobile and Internet-based banking services that make our customers' lives even easier.

Quality, security and speed are the hallmarks of more than just the services we provide for our bank customers, however. We bring our quality standards to bear in the processing of payment transaction for third-party banks as well. Our subsidiary BCB AG handles an average of 30 million transactions per day. The volume of funds moved is impressive: some €120 billion daily. Here, we offer our client banks individual solutions ranging from selected individual modules all the way to full-service packages. Thanks to industrial processing based on a modern, multiclient enabled IT platform and highly standardized processes, we satisfy our clients with efficient, competent and reliable solutions for payment transactions, account services and document management.

Postbank, the partner of German SMEs

Small and medium-sized enterprises (SMEs) are the backbone of the German economy. These businesses require reliable financial service providers, in particular in times of crisis. Postbank offers corporate customers exactly what they need for their day-to-day business activities.

The year 2009 left deep marks everywhere, including the balance sheets of German companies. Only a handful of sectors were left untouched by the severe economic slump. SMEs, large numbers of which also operate successfully on international markets, were hard hit by the global financial and economic crisis. Such enterprises are and will remain the backbone of the German economy. As drivers of innovation and jobs, they create over seventy percent of the country's jobs. The majority of the German population make their living from or through SMEs.

Supporting SMEs in their work is one of Postbank's main tasks. "In particular, this includes supplying these companies with liquidity," said Harald Roos, Management Board Member of PB Firmenkunden AG. In the recent past, Postbank has proven this claim with an SME campaign in the lending sector as well as targeted expansion of promotional loan offers. "We offer SMEs a wide range of financing opportunities for any time span," said Roos. In this context, he drew special attention to the syndicated and structured financing options, which are becoming increasingly significant among SMEs as well.

Postbank's partnership with SMEs goes far beyond just securing liquidity, however. "We offer companies exactly the financial services they need for their day-to-day business – custom tailored, comprehensible and always at conditions in line with the market," Roos went on to say. One area of focus is payment transactions. In 2009, Postbank launched the web-based International Cash Management system, an innovative solution that satisfies all the requirements of internationally operating SMEs. The service offer is rounded off by a wide variety of investment products that are in line with market requirements as well as by all of the modern options in the areas of interest rate hedging and currency management. "Here as well, we have purposefully aligned ourselves to the special needs of SMEs," said Roos.

However, it is the corporate customer advisers who truly bring this special partnership with SMEs to life. Companies place utmost trust in them as competent financial service brokers. "Our employees are well-versed in the business of the corporate customers," Roos said. "Reliability is an exclusively human factor."

A well-organized, family-oriented company

Charlotte (6), Nele (9) and Melia (4) share one thing in common: their mothers work for the Postbank Group. Maike Pannewitz and Angela Eckert one day found themselves confronted with the question of family or career. These two ladies chose both.

"The compatibility of children and career depends to a great extent on the company one works for, and in particular one's direct supervisors and colleagues," say all parents.

At Postbank, employees can always turn to Familienservice, the family services program of the Group, first and foremost as a source of support in emergencies. "When the kindergarten and school in Hamelin were closed because of a bomb scare, the Familienservice program immediately arranged supervision for my daughters," said BHW employee Maike Pannewitz. She also has words of praise for the vacation childcare program for children of Postbank employees.

These two Group-wide programs are augmented by parental assistance services that differ according to location. BHW in Hamelin and Postbank in Bonn, for example, cooperate with directly adjacent daycare facilities for children under the age of three.

When all else fails

Yet no matter how tightly knit a network of nurseries and kindergartens, nannies and grandparents one may weave – the moment of catastrophe will inevitably arrive. Work is piling up just as the kindergarten calls to say that the little one has developed a high fever and needs to be picked up right away. Nannies and grandparents can't be reached. At such moments, the only hope now is that colleagues and supervisors will understand. It is crucial that working parents don't feel like others will look at them askance when they must leave quickly in cases of family emergency or if they seldom stay late at work.

Angela Eckert, responsible for corporate design at Postbank in Bonn, confirms this. Ever since reducing her working time to eighty percent after her parental leave, she finishes work at three o'clock in the afternoon – on the dot because she has to pick up her daughter from kindergarten. "It works well," she said. Angela Eckert has to be flexible during peak workload times, "but that is seldom." In exchange, she can be sure that her colleagues and supervisor don't mind her leaving right away at quitting time. Angela Eckert's supervisor, for example, took her place in a full-day workshop in Frankfurt "without me even having to think about it."

Parents need the certainty of knowing that they can be there for their children without having a guilty conscience. Postbank seems to have created just such a corporate atmosphere.

Slightly reduced working hours give Angela Eckert and her daughter Melia time to play.

Balancing children and career is usually no problem for Maike Pannewitz – here with her daughters Charlotte and Nele.

Twelfth player joins the eleven "colts" from the Lower Rhine

Postbank and soccer – these are two things that belong together. After four years as a premium partner of the German Football Association (Deutscher Fußball Bund) and the German national team, Postbank is returning to its sponsoring roots in Borussia Park.

This is where Postbank celebrated the beginning of its World Cup soccer campaign in 2005, and set a world record at the same time. Under the direction of Franz Beckenbauer and Oliver Bierhoff, a total of 142,000 Postbank soccer balls were lined up in the stadium – a spectacular event that heralded the advent of the "2006 Summer Fairy Tale" soon to follow.

Just in time for the start of the Bundesliga 2009 soccer league season, Postbank took to the field as the main sponsor for Borussia Mönchengladbach. The agreement runs until 2011, with an option to extend until 2013, and is valid for both the first and the second leagues.

Postbank sought to sponsor a popular figure or group that would appeal to a large number of fans and not have a polarizing effect, such as a well-managed, traditional club that has done successful charity work with young people. "The team from Mönchengladbach has proven itself sensible and solid for years now. In times of economic crisis, that is an important statement in professional sports. We are happy to accompany Borussia on this path," said Stefan Jütte, Chairman of the Management Board of Postbank.

Borussia's president Rolf Königs views Postbank's entry onto the field as a milestone for his club as well. "We are extremely proud to have acquired a successful, large German corporation as our partner," he said. "Postbank has redefined soccer sponsoring in the past, generating high awareness and appeal. We are delighted with this cooperative partnership."

"We are extremely proud to have acquired a successful, large German corporation as our partner."

Rolf Königs, President of Borussia Mönchengladbach

2:0 for the new team

With both sides so enamored of each other, it comes as no surprise that the partnership has gotten off to a good start by scoring two big points. First, in July of 2009, Postbank began offering all Borussia fans a "Fohlen" account (the team is affectionately known as the "Fohlen" or "colts" among its fans) – a checking account in combination with VISA card featuring the Borussia logo. As an additional highlight, customers receive an original Borussia home jersey as a free gift when they open their account.

The second big point was scored when Postbank and Borussia set another world record together. On November 7, they unveiled the largest diamond-shaped team logo in the world (covering an area of 100 m^2) in front of the north end of Borussia Park. The diamond is made from 10,000 fan photos that Postbank had taken during the season's opening celebration. "The idea of creating a huge diamond-shaped team logo is entirely new and builds a creative bridge to our fans in the best possible of ways," said Stefan Jütte. "We were naturally very pleased to be a part of it."

In summary: The eleven "colts" have now acquired a competent and reliable sponsor who will be there for them even in difficult economic times. In turn, Postbank has found a popular national representative with which it can appeal to customers throughout Germany via the topic of soccer. The partners will have the opportunity to benefit from each other for at least two years.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Deutsche Postbank AG Group Management Report

I Business and Environment

Organization and management of the Group

Business activities, important products, services and business processes

Deutsche Postbank AG (Postbank) provides financial services for retail and corporate customers as well as other financial services providers based primarily in Germany. The focus of its business activities is Retail Banking. Its work is rounded out by the business it conducts with corporate customers (payment transactions and financing), settlement services (Transaction Banking) as well as money market and capital market activities.

The Postbank Group has organized its activities into the divisions of Retail Banking, Corporate Banking, Transaction Banking and Financial Markets:

- In the Retail Banking division, Postbank offers retail and corporate customers standardized, reasonably priced banking and financial service products designed to meet typical needs. The focal point is placed on the traditional checking account and savings deposit business, home savings and mortgage lending products as well as consumer loans. The product range is complemented by offerings of securities (particularly funds) and insurance as well as retirement-provision schemes. As a multi-channel bank, Postbank offers its products in branches, through mobile sales, direct banking (Internet and mailings) and call centers as well as through the third-party sales of agents and cooperation partners. In a partnership with Deutsche Post AG, Postbank offers postal services in its network of branches. This business increases the number of daily visitors to the branches and generates fee and commission income.

- The Corporate Banking division provides Postbank's corporate customers with services revolving around payment transactions and corporate loans, commercial real estate financing, and factoring and leasing. Investment and capital market products complement the product range.

- The Transaction Banking division is responsible for conducting payment transactions, managing accounts, processing loans and providing related services. Services associated with payment transactions are provided by the Betriebs-Center für Banken AG (BCB), a wholly owned subsidiary, for both Postbank and outside financial institutions. Postbank provides services related to account management and loan processing only on an internal basis.

- The Financial Markets division performs the Postbank Group's money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by controlling interest rate risks and market risks. The Financial Markets division also manages the liquidity position of the Postbank Group. The Financial Markets division also oversees the banking activities conducted in Luxembourg and by several subsidiaries that oversee the administration and management of the Postbank brand's retail funds and special funds.

Key locations

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

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

In the divisions of Corporate Banking and Financial Markets, Postbank is also represented by subsidiaries in Luxembourg and New York as well as by a branch in London.

Fundamental sales markets and competitive position

In Retail Banking, Postbank conducts its business almost exclusively in Germany and is the largest single-entity institution when viewed in terms of the number of customer. Its major product fields are savings, checking accounts and private mortgage lending as well as home savings. Postbank is among the leaders in Germany in each of these areas, based on balance-sheet volumes. Private retirement-provision solutions, personal loans and the securities business round off the product range offered to retail customers. In these areas, Postbank offers some products and services as part of partnerships to other banks and insurance companies. Postbank's major competitors in the retail banking business in Germany are providers from the sector of savings banks and cooperative banks as well as major banks.

In addition to Retail Banking, Postbank is involved in the Corporate Banking business. As a mid-sized provider, we focus in this area in particular on German SMEs. Postbank is also currently the largest provider of the insourcing of payment-transaction services. With four clients (including recently added HSH Nordbank) and more than 7 billion transactions per year, it has achieved a good competitive position in a market characterized by a comparatively small number of providers.

Group management at Postbank

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

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

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

As the most critical parameter used to assess and manage earnings power, total income includes in particular net interest income as the key income indicator in the customer business.

On the segment level, Postbank directs its activities on the basis of a management-information system whose core component is management accounting by business division. In general, management is conducted in a similar manner to the way it is performed on the Group level, in which expectations for returns are measured on the basis of RoE before taxes. The allocation of equity to the segments is based on their risk capital requirements.

The previously mentioned income and expense figures serve as management parameters on the segment level. In the core business, the income drivers of volume, margins and risk as well as the contribution margin are also taken into account in management.

For operational management, the strategic and operational targets are further defined as key performance indicators (KPIs) on the basis of balanced scorecards and subjected to regular reviews. This assures that all business activities are focused on achieving company objectives.

The variable remuneration of employees and executives in the Postbank Group is closely linked to this management system. It is based on profit before tax and the CIR. As a result of new regulatory requirements for our executives and risk takers, a sustainability factor will be used to calculate a portion of the variable remuneration in the future, the so-called earnings component (which makes up 30 % to 40 % of variable remuneration).The earnings component itself is evaluated after the end of the fiscal year, withheld, and then evaluated according to the sustainability factor in the following third year.

At that time, where appropriate, it becomes due and is paid out. This sustainability factor is based on the concept of economic value added and further anchors value-focused, sustainable thinking in the incentive system at Postbank.

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

Share capital, voting rights, and transfer of shares

Postbank's share capital amounted to €547,000,000 as of December 31, 2009 and is composed of 218,800,000 no-par value registered shares. Each share conveys the same statutory rights and obligations and grants the holder one vote at the Annual General Meeting. No shareholder or group of shareholders is entitled to special rights, in particular those conveying powers of control.

The exercise of voting rights and the transfer of shares are based on the general statutory provisions and the Company's Articles of Association, which do not limit either of the two. Article 17 determines the requirements that must be met by shareholders to attend the Annual General Meeting and exercise their voting rights. The Company only regards as shareholders the persons entered as such in the share register. The Management Board is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

Equity interests in excess of 10 %

The Federal Republic of Germany holds an 80 % equity interest in KfW Bankengruppe, which in turn holds an interest of around 30.5 % in Deutsche Post AG, which has an interest in Postbank of around 39.5 %. In addition, Deutsche Bank AG notified us in writing on March 9, 2009, that it holds a 25 % stake plus one share in Deutsche Postbank AG.

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

Powers of the Management Board to issue or repurchase shares

On April 22, 2009, the Annual General Meeting of Postbank adopted the following resolutions:

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

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

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

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

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

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

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

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

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

Appointment and dismissal of Management Board members

The members of the Company's Management Board are appointed by the Supervisory Board for a maximum term of five years in accordance with section 84 of the AktG and section 31 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). Members may be reappointed or their term extended, in each case for a maximum of five years, insofar as this is permitted by the relevant statutory provisions. Under Article 5 of the Company's Articles of Association, the Management Board consists of at least two members. Otherwise, the Supervisory Board determines the number of members of the Management Board and can also appoint a Chairman of the Management Board and a Deputy Chairman of the Management Board, as well as alternate members.

Under section 24(1) no. 1 and section 33(2) of the *Kreditwesengesetz* (KWG – German Banking Act), the Bank must prove to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and Deutsche Bundesbank before the intended appointment of members of the Management Board that the proposed members have sufficient theoretical and practical knowledge of the Bank's business as well as managerial experience.

Amendments to the Articles of Association

Postbank's Articles of Association may be amended in accordance with the provisions of sections 119(1) no. 5 and 179 of the *Aktiengesetz* (German Stock Corporation Act). Under these provisions, amendments to the Articles of Association require a resolution by the Annual General Meeting. Under Article 19(3) of the Articles of Association, the Supervisory Board is also permitted to make amendments to the Articles of Association that relate exclusively to their wording. Under Article 19(2) of the Articles of Association, the resolutions by the Annual General Meeting are passed by a simple majority of the votes cast, in the absence of binding legal requirements to the contrary. Where the law prescribes a capital majority in addition to a voting majority, votes are passed by a simple majority of the share capital represented during the vote.

Material agreements of the Company that take effect in the event of a change of control following a takeover bid

Deutsche Postbank AG has entered into sales agreements with Talanx Aktiengesellschaft and its subsidiaries PBV Lebensversicherung AG (formerly BHW Lebensversicherung AG), Postbank Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft. These agreements cover the brokerage and sale of insurance products from Talanx and its above-mentioned subsidiaries by Postbank via its branch-based and mobile sales, call center, as well as via Postbank's Internet platform. PBV Lebensversicherung AG, Postbank Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft are entitled to terminate these sales agreements giving six months' notice if a third party that is not an affiliated company of one of the parties to the agreement gains control of Deutsche Postbank AG (change of control), whereby such control may be acquired either directly by way of the direct acquisition of control of Deutsche Postbank AG, or indirectly by way of the acquisition of control of an entity that controls Deutsche Postbank AG either directly or indirectly. Should PBV Lebensversicherung AG, Postbank Versicherung Aktiengesellschaft, or PB Lebensversicherung Aktiengesellschaft terminate the sales agreements, this could endanger or impact the brokerage and/or sale of the sales partners' insurance products by Deutsche Postbank AG and the remuneration generated by this, which is of material importance for the Company's business operations.

Compensation agreement in the case of a takeover bid

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

Remuneration of the Management Board and the Supervisory Board

Structure of the remuneration of the Management Board in fiscal year 2009

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

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

The level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial situation, and the tasks of the Board members in question. Remuneration is calculated so that it is appropriate and competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. The level of remuneration is linked to performance.

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

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

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

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

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

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

New structure of the remuneration of the Management Board

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

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

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

The annual bonus is linked to performance.

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

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

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

Remuneration of the Supervisory Board

The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of fixed and performance-related components, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Deutsche Postbank AG. The positions of chair and deputy chair as well as membership of a committee are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board who is not a member of a committee is as follows: The fixed component amounts to €15,000, while the variable annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect amounting to €300 for each 1 % by which the consolidated net profit per share of the second fiscal year after the current fiscal year exceeds the consolidated net profit per share for the fiscal year prior to the current fiscal year.

The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one and a half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee.

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

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Employees

At the end of 2009, the Postbank Group employed 20,857 full-time equivalents, about 270 fewer than as of December 31, 2008. This figure includes around 200 full-time equivalents who were brought on board during the consolidation of BCB Processing GmbH and the integration of two subsidiaries who had not yet been consolidated, BHW Direkt GmbH and PB easytrade GmbH, into PB Direkt GmbH, the new call center subsidiary. The number of employees thus declined by around 470 full-time equivalents, compared with the end of fiscal year 2008. The overall number includes some 7,000 civil servants, who make up about 33 % of employees. Around 25 % of our employees have part-time employment contracts.

Our external staff turn-over rate in 2009 was around 3.7 %. The average length of a person's employment at the company was approximately 22 years. Deutsche Postbank AG remunerates almost all of its employees on the basis of fixed and performance-related criteria that flow into a variable remuneration component.

Macroeconomic environment in 2009

Global economy

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

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

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

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

German economy experiences its worst postwar recession

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

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

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

Market developments

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

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

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

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

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

As a result, the yield curves steepened significantly in both the euro zone and the United States during the year.

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

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

Sector situation

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

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

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

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

Significant events at Postbank in 2009

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

On February 19, 2009, Postbank announced its preliminary annual results for 2008. The Annual Report was released on March 9, 2009.

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

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

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

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

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

Significant events after the reporting date

No significant events have occurred since the balance sheet date.

Postbank's investment focus in 2009

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

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

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

In Transaction Banking, preparations are under way to take over the payment-transaction processing of our new customer HSH Nordbank.

Net Assets, Financial Position, and Results of Operations

Income Statement

Tough conditions on international financial and real estate markets as well as in the real economy continued in the year under review. Germany suffered record falls in economic output in the first half of the year in particular. Weak growth in the global economy also extended to international real estate markets, particularly in the U.S.A. and the United Kingdom.

The adverse conditions in the business environment also impacted earnings in the Postbank Group. Even though customer business performed well, particularly in the Retail Banking and Corporate Banking segments in Germany, the income statement was hit by negative effects from the Bank's risk positions caused by the unfavorable external factors. However, the impact from these extraordinary factors was considerably less than in 2008. Taking into account positive tax effects, Postbank therefore ended fiscal year 2009 with a consolidated net profit of €76 million (previous year (restated): net loss of €886 million). The loss before tax was €398 million compared with a restated loss before tax of €1,064 million in 2008.

The figures for 2008 have been restated following a random sampling examination conducted by the Deutsche Prüfstelle für Rechnungslegung e.V. (Financial Reporting Enforcement Panel, FREP). The FREP was of the opinion that additions to allowance for losses on loans and advances of approximately €90 million posted during the first nine months of 2009 should have been recognized at the end of 2008. In order to avoid delaying the 2009 financial statement preparation process, the Company has concurred with this appraisal, particularly as it results in no change to net profit/loss when viewed across both reporting periods. The period shift led to an improvement in the profit before tax for 2009 and corresponded to a negative effect on last year's figures in the indicated amount (see also Note 6). 112

Postbank can look back on a positive fiscal year 2009 overall as far as customer business is concerned despite the challenging economic environment and a market that continued to be fiercely competitive. A significant feature of new business in Retail Banking was the sharp growth in savings business. Postbank was able to expand the deposit volume significantly, thereby also reinforcing its liquidity position, which was already strong. Postbank pushed ahead with growth in its retail and corporate customer lending business, exploiting gaps in the market left open by some of its competitors. Overall, the Bank managed to improve its market position and gain market share in various core business segments. Postbank intends to secure and enhance the success with Postbank4Future, its strategic program presented at the end of 2009.

The positive trend in customer business is only reflected to a limited extent in the income statement because of the adverse impact caused by the general business environment. Performance in the operating income lines – net interest income and net fee and commission income – was comparatively sound taking into account the difficult economic environment faced by Retail Banking. We were able to achieve considerable reductions in administrative expenses by continuing to apply rigorous cost management despite some additional burdens and one-time costs beyond our control, such as contributions to deposit protection schemes and the recognition of restructuring provisions. In contrast, we increased allowances for losses on loans and advances significantly year-on-year as a result of the overall economic slowdown and the continued uncertainty in international real estate markets. However, this increase remained within our forecasts for 2009. In international comparison, Postbank continued to show a relatively low need for allowances for losses on loans and advances in 2009 overall owing to the significant proportion of highly collateralized retail customer loans. Net trading income and net income from investment securities suffered some adverse impact, particularly from structured credit substitution business, although the extent of this impact was less than in 2008 in line with our forecasts.

Changes in the individual items in the income statement and balance sheet are explained in the following. Unless otherwise stated, the comments relate to the comparison with the restated figures for fiscal year 2008 or the previous quarters in 2009 (see also Note 6).

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Individual items

Net interest income

The low interest rate level and the sharp drop in short-term interest rates during 2009 represented a challenge for deposit-rich banks such as Postbank in terms of generating net interest income from savings and demand deposits. Although the pressure on margins in these product areas eased during the course of 2009, it still remained considerable compared with 2008. On the other hand, we are benefiting from the steeper yield curve in comparison to 2008, for example from the natural maturity structure of our customer business with its relatively short-term deposits and long-term loans.

In this tough environment, net interest income fell by €90 million year-on-year to €2,405 million, a decrease of 3.6 %. It should be noted here that net interest income in 2008 was higher than would otherwise have been the case owing to one-time factors in the fourth quarter of 2008. In addition, current income from equities and other non-fixed-income securities decreased significantly in 2009 by approximately €70 million following the complete liquidation of our equity holdings in 2008.

During the course of 2009, net interest income has steadily increased since the second quarter. This development was due to the positive impact from the steeper yield curve and the gradual fall in interest expense in line with low interest rates, among other things. As a result, net interest income in the last quarter of 2009 amounted to an encouraging €621 million, an increase of €43 million or 7.4 % on the third quarter.

Net income from investment securities

Net income from investment securities amounted to €–148 million as of December 31, 2009 (December 31, 2008: €–1,249 million). In 2008, a number of factors had had a considerable adverse effect on net income from investment securities, including the complete liquidation of equity holdings implemented as part of our program in the fourth quarter of 2008 to reduce our capital market investments and exposure to the associated risks.

In fiscal year 2009, impairment losses on structured credit products included in net income from investment securities amounted to €97 million. Some of these negative effects were attributable to a review and adjustment of certain input parameters for the mark-to-model measurement of our structured credit products, the input parameters concerned being related to market trends and forecasts. The effects impacted net trading income and net income from investment securities by a total of €–157 million in the fourth quarter. €–51 million of this amount was recognized under net income from investment securities. The step was intended to reduce the volatility resulting from this net income component in future periods.

In the previous year, impairments on our structured credit products had amounted to a total of €156 million. We also recognized write-downs of €170 million (previous year: €468 million) on securities, retail funds and equity investments.

In contrast, the overall trend as far as our banking book is concerned was encouraging. In the second half of the year we were once again able to realize limited gains on the sale of securities held in our portfolio.

Net trading income

The continuing volatility in the market also affected net trading income in fiscal year 2009. At the end of the year, net trading income amounted to €– 498 million compared with €-389 million in 2008.

The Bank's underlying net trading income profited from gains on our swap positions used for hedging and for managing the banking book as part of asset/liability management. Total income from this source amounted to €100 million (previous year: €554 million) (see also Note 10). However, a clear loss was recognized on the measurement of embedded derivatives from the structured credit substitution business. The total loss amounted to €652 million as against a loss of €786 million in 2008.

As in net income from investment securities, some of these adverse effects were attributable to a review and adjustment of input parameters for the mark-to-model measurement of our structured credit products. This additionally impacted the item by €106 million in the fourth quarter of 2009.

Overall, impairments on our structured credit substitution business amounted to €180 million in the fourth quarter of 2009 (previous year: €388 million) resulting in net trading income of €–149 million (previous year: €–406 million). Adjusted for the one-time effects mentioned above, net trading income would have benefited in the fourth quarter from a further noticeable decrease in the negative impact from the structured credit substitution business.

Net fee and commission income

In fiscal year 2009, net fee and commission income was €1,329 million compared with €1,431 million in 2008. In the second half of the year, this item reached €684 million, significantly higher than the figure of €645 million for the first half of the year. Despite continuous improvement over successive quarters in 2009, net fee and commission income failed to reach the good level achieved in 2008. The decrease in net fee and commission income reflects the general trend in the sector and is based on two significant factors.

First, particularly in the first half of 2009, continuing uncertainty on the part of retail customers led to a noticeable lack of customer appetite in the term life insurance and securities business, business that is based on a more long-term approach. As a result of these challenging conditions, net fee and commission income from the securities business fell by €32 million to €133 million. Consequently, total net fee and commission income from the banking business was €685 million, 8.5 % down on the prior-year figure.

Second, Postbank's net fee and commission income was also adversely affected from a structural point of view by a drop in receipts from the sale of postal services in our branches and a decrease in income from Transaction Banking. In total, the contribution from these units to net fee and commission income declined by €34 million compared with the previous year.

Total income

There was an encouraging increase in total income from €2,288 million in 2008 to €3,088 million for full-year 2009. The main reasons for this improvement were the lessening of the adverse impact from the financial crisis on net trading income and net income from investment securities together with the solid revenue streams from our customer business.

Allowances for losses on loans and advances

Allowances for losses on loans and advances amounted to €678 million in fiscal year 2009 compared with €498 million in 2008. As described above, the prior-year figure was retrospectively increased by €90 million as a result of a period shift relating to allowances for losses on loans and advances during the 2009 financial statements preparation process. However, allowances for losses on loans and advances were not reduced by the same amount during the first nine months of the year under review owing to the effect of unwinding. Only €84 million was deducted in 2009 from allowances for losses on loans and advances with the remaining €6 million being reported under net interest income (see also Note 6).

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The net addition ratio for allowances for losses on loans and advances in the customer loan business amounted to 63 basis points. Despite the increase, the ratio therefore continued to be maintained at a relatively moderate level compared with other German or European banks.

The development in allowances for losses on loans and advances in the lending business is a consequence of the economic slowdown and in particular the tense situation that continues to prevail on international real estate markets. Thus, the increase of €225 million in specific valuation allowances to €746 million is primarily attributable to commercial real estate finance exposures. We have also increased allowances for losses on loans and advances in other Corporate Banking business. Taking into account the weak overall economic growth in Germany, Postbank saw a comparatively moderate increase in the need for allowances for losses on loans and advances in the private lending business in the year under review. In this regard, Postbank benefits from the large proportion of highly collateralized private mortgage lending in its credit portfolio.

In the fourth quarter, allowances for losses on loans and advances rose to €308 million (previous year: €194 million), a sharp increase in the quarter-by-quarter comparison. Given the persistent difficulties in business conditions, the Bank carried out a review of risk positions in this quarter, particularly in the subportfolios in the U.S.A. and the United Kingdom. The outcome was a further adjustment in allowances for losses on loans and advances for this area of business in the fourth quarter.

Administrative expenses

In fiscal year 2009, there was a substantial drop of €105 million or 3.5 % in administrative expenses to €2,864 million. This development is all the more encouraging since there was a significant year-on-year rise of €50 million in cost items beyond our control, such as contributions to the Pensionssicherungsverein (German Pension Insurance Association) and the deposit protection fund. In addition, the discontinuation of the consolidated tax group with Deutsche Post caused an increase in administrative expenses of €17 million in 2009. In the fourth quarter, there were additional one-time charges of €25 million relating to impairment losses on property and €30 million resulting from the recognition of restructuring provisions.

The trend in costs demonstrates Postbank's rigorous approach to cost control and is particularly attributable to active management of other administrative expenses, which were reduced by €78 million to €1,295 million. Despite the recognition of the restructuring provisions mentioned above, there was a slight reduction in staff costs of €4 million to €1,406 million.

We will also continue to pay close attention to the management of costs as part of our Postbank4Future strategy program. Under this strategy, we are planning to bring down the level of costs by 2012 by around 5 % as compared to the 2008 year-end figure. This corresponds to a further reduction on top of the extensive cost cuttings achieved in 2009.

Other income

Net other income and expenses declined from €115 million in 2008 to €56 million in 2009. One notable reason for this decrease is the year-on-year fall in the share of Deutsche Postbank AG's profit or loss for the period attributable to silent participations and certain profit participation rights.

Profit/loss

In the year under review, the loss before tax amounted to €398 million compared with a loss before tax of €1,064 million in the previous year.

As regards income taxes, positive special factors resulted from the reversal of deferred taxes, after the underlying facts were clarified and a tax burden is no longer anticipated, and from tax-free income, among other things. The taxes item amounted to €475 million compared with €179 million in 2008. Postbank therefore generated consolidated net profit of €76 million following a net loss of €886 million in 2008.

At €298 million, total comprehensive income required to be reported under IFRSs was clearly positive (previous year: loss of €1,054 million) due to the positive changes in the present values of the positions held in the revaluation reserve. These changes are not recognized directly in income as the positions are held in the banking book.

Earnings per share was €0.35 (previous year: €–5.26).

The return on equity after tax was slightly positive at 1.5 % (previous year (restated): –19.4 %). The cost/income ratio was down to 92.7 % compared with the 2008 restated figure of 129.8 %.

Segment Reporting

In the first quarter of 2009, Postbank added the Consolidation segment to its segment reporting in the interest of greater transparency when reporting internal revenues and expenses between Postbank units that had previously been reported in the Others segment.

Additionally, some minor adjustments were made with respect to the allocation of income and expenses across the Others, Retail Banking and Corporate Banking segments. There were no changes to the Transaction Banking and Financial Markets segments.

We have restated the figures for 2008 in line with this in order to ensure comparability for the comments that follow. For an overview of the modifications made to segment reporting, please also refer to Note 40.

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Retail Banking

At €770 million, profit before tax in the Retail Banking segment was down €159 million on the strong figure achieved in 2008. Approximately €55 million of this decrease was due to factors that are unrelated to customer business.

Net interest income continued to be the dominant earnings component, accounting for more than 66 % of total revenues for the segment. In 2009, the yield curve and specifically the considerable drop in short-term interest rates presented a major challenge as regards the development of net interest income in Postbank's deposit business. These business conditions were the main reason behind the fall of €85 million in net interest income to €2,141 million. The segment was able to improve net interest income from quarter to quarter by means of a gradual reduction in the costs of liabilities. Net interest income in the fourth quarter was €551 million, €14 million up on the third quarter.

The segment's net trading income unrelated to customer business saw a year-on-year contraction of €57 million to €–32 million. The item includes the recognition of measurement changes from the application of the fair value option in hedging the mortgage loan portfolio at our subsidiary BHW Bausparkasse AG. As a consequence of the sharp fall in short-term interest rates at the start of 2009, these changes amounted to significant losses in contrast to the positive contribution to net trading income made by gains at the end of 2008. In net income from investment securities for the segment, income was offset by an equal amount of expenses. In 2008, there had been a net loss of €2 million.

Net fee and commission income amounted to €1,113 million and thus fell €65 million short of the figure generated in 2008. Over the whole of 2009, it was noticeable that our customers were taking a particularly cautious approach as a result of economic conditions. This applied particularly to our customers in the securities and funds business as well as in the endowment insurance business which is of a more long-term nature from a customer perspective. This led to a considerable fall in net fee and commission income in our banking business, particularly in the first quarter of 2009, although there was a gradual recovery over subsequent quarters. Total net fee and commission income in the fourth quarter was €296 million, which equates to an increase of 6.1 % on the third quarter. The segment continued to suffer the negative impact from the structural decrease in income from our business with postal services and new services at our branches. This income was down 4.8 % year-on-year.

As of December 31, 2009, total income for the segment was €3,222 million, €205 million below the prior-year figure.

Rigorous management of costs had a positive impact on the trend in administrative cost. Administrative cost for the year under review amounted to €2,136 million, a year-on-year improvement of €84 million. The long-term management of our administrative expenses is also one of the key elements in our Postbank4Future strategy program. In future, we will therefore continue to recognize the important role played by administrative cost in our standard retail banking business.

We also increased the allowance for losses on loans and advances in the retail banking business as a result of the weak economic environment in Germany in the year under review. The item increased by €41 million to €345 million. Overall, the quality of loans in the retail banking business remained comparatively stable, especially in our very granular and highly collateralized private mortgage lending portfolio.

Net other income and expenses rose by €3 million to €29 million, largely reflecting the effects of provisions recognized by the subsidiaries assigned to the segment.

In 2009, the cost/income ratio for the Retail Banking segment was 66.3 %, 1.5 percentage points up on the previous year. The return on equity before tax amounted to 34.9 % in 2009, down on the prior-year figure of 41.9 %.

Corporate Banking

Profit before tax generated by the Corporate Banking segment in 2009 was €–26 million, which corresponds to an increase of €127 million on 2008. This segment result includes the shift in allowances for losses on loans and advances between periods as described above. Total allowances for losses on loans and advances of approximately €90 million originally recognized in the first three quarters of 2009 were transferred retrospectively to 2008. The clearly positive trend in operating income made a key contribution to the improvement of the segment result. In addition, the segment benefited from an easing in the negative effects arising from securities portfolios allocated to the segment and from the structured credit substitution business compared with the corresponding effects in 2008 driven by the escalation in the financial market crisis. In contrast, there was an increase in allowances for losses on loans and advances owing to the significant economic slowdown and the ongoing difficulties in international real estate markets.

The segment saw a sharp rise of €157 million in net interest income to €543 million. The factors behind this increase included the substantial expansion in business volume and improved margins in new business.

Taken together, net trading income and net income from investment securities improved by €142 million to €–191 million owing to a decline in the negative effects of the financial market crisis. Net income from investment securities amounted to €–51 million compared with €–241 million in 2008, and net trading income was €–140 million compared with €–92 in 2008. The negative effects arising from our structured credit portfolio contained in the two items amounted to €157 million (of which €30 million in the fourth quarter), compared with €146 million in the corresponding prior-year period. The segment result included impairment losses of €50 million on other securities (previous year: €186 million). €35 million of this figure related to the fourth quarter of 2009.

At €104 million, net fee and commission income was down by €3 million year-on-year. Total income for the segment therefore amounted to €456 million, €296 million up on the previous year's figure.

There was only a slight increase of €9 million in administrative expenses to €180 million.

Allowances for losses on loans and advances were €300 million in full-year 2009, €157 million more than the restated figure for 2008. This increase was a consequence of the economic slowdown and in particular the ongoing difficulties in international real estate markets. Given the persistently tough business conditions, the Bank carried out a comprehensive review of risk positions in the fourth quarter, particularly in the subportfolios in the U.S.A. and the United Kingdom. Allowances for losses on loans and advances in the Corporate Banking segment in the fourth quarter totaled €183 million (previous year (restated): €112 million).

The cost/income ratio improved to 39.5 % in 2009 compared with 106.9 % in 2008, while the return on equity before tax rose from –37.4 % to –4.8 %.

Transaction Banking

At €39 million, profit before tax in the Transaction Banking segment was €9 million below the record level achieved in 2008. Net fee and commission income for the segment decreased by €18 million to €322 million as a result of a slight drop in transaction volumes compared with 2008 and the structural decline in paper-based bank transfers.

Administrative expenses rose to €317 million, a slight increase of €5 million. However, these expenses include restructuring provisions of €16 million recognized in the fourth quarter which dilute the true year-on-year change in this item. Adjusted for these one-off effects, administrative expenses would have shown a 3.5 % year-on-year improvement accompanied by an increase in profit before tax.

Net other income and expenses – which largely arises from the provision of services for third parties – saw some encouraging growth, the figure increasing by €17 million year-on-year to €33 million.

The cost/income ratio for the segment rose from 90.7 % in 2008 to 98.1 % in 2009.

Financial Markets

Profit before tax in the Financial Markets segment amounted to €60 million in fiscal year 2009 compared with a loss before tax of €14 million in 2008. The positive factors underlying this result were an increase in net trading income and an easing in the negative effects from the financial market crisis.

Net interest income for the segment fell by €37 million to €125 million, while net fee and commission income decreased by €30 million to €27 million. In contrast, net trading income climbed to €47 million, an increase of €53 million. There was also a significant improvement in net income from investment securities, which ended the year at €–21 million compared with €–110 million in 2008.

The segment result includes effects from the structured credit portfolio amounting to €–34 million. Of this amount, €–30 million is recognized within net trading income (of which €–14 million in the fourth quarter), and a further €– 4 million within net income from investment securities (of which €+3 million in the fourth quarter). In the prior year, negative effects of €38 million were recognized, of which €15 million related to net income from investment securities. In addition, impairments on securities of €20 million were recognized in the year under review (previous year: €83 million).

Allowances for losses on loans and advances amounted to €33 million as against €22 million in 2008 and related to writedowns of promissory note loans recognized in this item of the income statement.

Administrative expenses improved by €2 million to €90 million and the resulting cost/income ratio for this segment in 2009 was 50.6 % following 89.3% in 2008. Return on equity before tax rose accordingly from –2.2 % to 8.1 %.

Others

The Others segment reported a net loss for 2009 of €1,241 million, which represents an improvement of €633 million on 2008. This segment contains items not directly attributable to the other business segments, unallocated central function costs, and the result of Postbank's own-account transactions. This segment therefore had to bear a significant proportion of the negative effects from the financial market crisis.

The segment's net interest income declined by €215 million to €–496 million. The net interest expense is due among other things to disposals of banking book and trading book assets, contributions from asset/liability management, the transfer pricing system in place up to and including 2004, and the acquisition of the BHW Group and Postbank Filialvertrieb AG in 2006.

Net trading income for the segment saw an improvement of €43 million in 2009 to €–282 million. Net trading income was primarily impacted by losses on the measurement of embedded derivatives contained in structured credit products of €468 million (previous year: €676 million), €138 million of which relates to the fourth quarter of 2009. In addition, impairments on guaranteed promissory note loans of €133 million had been recognized in the previous year. In contrast, gains of €100 million from asset/liability management (previous year: €554 million), which arose from the use of derivative financial instruments, had a positive effect.

Net income from investment securities for the segment amounted to €–76 million, an improvement of €819 million on the previous year which had been heavily burdened by the negative impact of the financial market crisis. The contributing factors to this net loss included writedowns of structured credit products of €90 million (previous year: €93 million), €49 million of which relates to the fourth quarter of 2009. In addition, we recognized impairment losses on other debt instruments and retail funds of €96 million (previous year: €204 million), €17 million of which relates to the fourth quarter of 2009. In addition, in the previous year a loss of €581 million was attributable to the complete liquidation of our equity holdings.

Net fee and commission income for the segment fell by €9 million to €–42 million. Thus, total income for the segment amounted to €–896 million, up €638 million on the previous year's figure.

The segment's administrative expenses improved by €51 million to €922 million. The item primarily comprises corporate function costs of €329 million that cannot be directly allocated to the operating segments (previous year: €240 million). The main reasons for the rise in these expenses were higher deposit protection costs and increased contributions to the Pensionssicherungsverein (German Pension Insurance Association). Moreover, the segment's administrative expenses include IT and other service expenses of €424 million (previous year: €456 million), some of which are charged on to the operating segments and credited to other income in the Others segment.

Consequently, net other income and expenses amounted to €577 million compared with €662 million in the previous year.

Consolidation

As already explained in previous reports, this new segment – introduced in the first quarter of 2009 – encompasses the internal transactions between the Postbank Group's consolidated companies. It therefore generally reports a balanced result.

Key consolidation adjustments are made within net fee and commission income, and primarily comprise adjustments to payments for the provision of payment services for Postbank that are recognized in income for the Transaction Banking segment. Consolidation adjustments amounted to €–195 million in 2009 as compared to €–212 million in the previous year.

Additionally, consolidation adjustments made within administrative expenses amounted to €781 million (previous year: €799 million). This is primarily attributable to the cost allocation of IT and Transaction Banking services provided within the Group. Net income and expenses primarily eliminates income from internally invoiced IT services which is included as other income in the item of the same name in the Others segment.

Total Assets

Total Assets

Postbank's total assets declined to €226.6 billion, a decrease of approximately €4.6 billion compared with December 31, 2008. On the assets side of the balance sheet, we substantially reduced our portfolio of investment securities by €10.7 billion to €72.4 billion as part of our program to scale back our capital market investments and exposure to the associated risks. At the same time, we expanded our customer lending business by €5.7 billion to €111.0 billion.

On the liabilities side, we achieved further improvements in the quality of the source of funds. This resulted in a significant increase in amounts due to customers, particularly following the success of our savings business, the figure rising by €14.5 billion to €132.0 billion. At the same time, we were able to reduce deposits from other banks by €23.5 billion to €39.3 billion.

There was a further contraction in the balance sheet compared with September 30, 2009, the decrease over this period amounting to €12.7 billion.

Overall, the asset-side receivables demonstrate a good risk structure by both national and international standards. Our lending business is dominated by granular, highly collateralized German private mortgage loans, government bonds, covered bonds, and other prime-rated investments. At the same time, Postbank's extremely sound liquidity position, which is mainly the result of the large customer deposit base, means that it can largely avoid refinancing on the capital markets. In combination, the two factors enable Postbank to operate with a higher leverage ratio than other banks.

Loans and advances to customers

The portfolio of loans and advances to customers, which also includes securitized assets such as promissory note loans, grew by 5.4 % during the course of 2009 to €111.0 billion. Private mortgage lending saw a slight year-on-year increase of €0.8 billion to €70.2 billion.

This includes an increased reduction of the mortgage lending portfolios purchased during the past. In contrast, internally generated mortgage lending rose by 4.8 % to €65.8 billion. We were also able to expand our installment loan business by €0.6 billion or 20 % to €3.6 billion, while at the same time ensuring strict compliance with our risk criteria. Corporate Banking business was a further contributing factor to the growth in the loans and advances portfolio. During 2009, we were able to play a significant role in supplying lending to corporate customers, filling gaps left by other banks.

Money and capital market investments

The improved balance sheet structure was also reflected in Postbank's money and capital market investments comprising investment securities, trading assets, and loans and advances to other banks. As of December 31, 2009, we had achieved a considerable reduction in these items year-on-year by 9.3% to €107.3 billion.

Trading assets had increased by 23.5 % to €20.5 billion. This was due in particular to an increase in the positive fair values of trading book derivatives, which rose in value owing to the significantly lower interest rates in 2009 as against the end of 2008. There was a decline of €2.2 billion compared with September 30, 2009.

Loans and advances to other banks were reduced very substantially compared with the end of 2008, by 22.5 % to €14.5 billion.

In line with our strategy, investment securities also decreased significantly by 12.9 % to €72.4 billion compared with December 31, 2008. Investment securities include an appreciable portfolio of highly liquid securities that we hold as liquidity reserve.

Amounts due to customers

Amounts due to customers grew markedly by 12.3 % to €132.0 billion. The principal reason was the savings business, which was very successful in 2009. Savings deposits rose to €49.1 billion, €14.0 billion more than at the end of 2008 and €1.8 billion more than the figure as of September 30, 2009. Home savings deposits, which are of a very long-term nature, remained almost unchanged at €16.3 billion (previous year: €16.2 billion).

Money and capital market liabilities

Money and capital market liabilities comprising deposits from other banks, debt securities in issue and trading liabilities fell by 18.3 % to €78.5 billion in line with the change in corresponding assets.

The Bank's sound refinancing situation resulting from its strong deposit business on the one hand and the asset-side reduction of investment securities on the other enabled a significant reduction in deposits from other banks, which fell by 37.4 % to €39.3 billion. As a consequence of our successful *Pfandbrief* issues in 2009, there was an increase of 2.5 % in debt securities in issue to €16.7 billion. These liabilities are an important component in the Bank's sound funding position.

As already described under trading assets, the growth of 31.8 % in trading liabilities to €22.4 billion was largely attributable to changes in market interest rates in 2009.

Equity

As of December 31, 2009, recognized capital had grown to €5,251 million compared with €4,952 million at the end of 2008. The factors contributing to this improvement were the full retention of the consolidated net profit, specifically the revaluation reserve contained therein which had improved by €222 million to €–502 million as a result of a slight recovery in the capital markets since the end of 2008.

The Tier 1 capital ratio in accordance with Basel II was 7.6 % as of December 31, 2009, compared with 7.2 % based on the restated figures at year-end 2008.

Overall, the action taken by Postbank during the course of the financial market crisis to strengthen its capital position and improve its risk profile has played a key role in increasing and stabilizing the Tier 1 capital ratio. Despite the sustained volatility in economic conditions, the Bank has been able to increase the ratio by 2.1 percentage points compared with the low following the escalation of the financial market crisis in September 2008.

The Bank is planning to introduce even more sophisticated risk measurement models to further strengthen its capitalization. Moreover, Postbank intends to fully utilize the profits generated in fiscal years 2010 to 2012 for reinforcing its equity base. In this way, Postbank intends to gradually increase its Tier 1 capital ratio – as currently defined – to around 10 % by the end of 2012.

Report on Post-Balance Sheet Date Events

There were no events subject to reporting requirements from December 31, 2009 until the adoption of the consolidated financial statements by the Management Board on February 23, 2010.

Risk Report

Summary overview of risk exposure

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

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

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

Building on the experience it has gained during the course of the crisis, the Postbank Group critically appraised the structures, instruments and processes for risk management and control for the relevant types of risk in 2009. Methods and processes are consistent with current statutory and regulatory requirements. Postbank has already closely analyzed the planned introduction of more stringent regulatory controls. The dialogue with bank supervisory authorities was again intense in 2009. It included discussions regarding the introduction of advanced models for determining capital requirements and the management of interest rate risk. The German Financial Reporting Enforcement Panel's (Deutsche Prüfstelle für Rechnungslegung e.V.) activities included an on-site audit in early 2010 of all impaired individual
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exposures (see Note 6). Improvement potentials in risk management processes as determined by internal and external audits were promptly addressed and corrective action taken which, together with new regulatory measures, will also mark 2010.

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

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

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

Organization of risk management

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

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

Responsibilities and risk strategy

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

As required by MaRisk (Minimum Requirements for Risk Management), the Group's risk strategy is consistent with business policies and takes into account all significant areas of business and types of risk. In addition to an overarching risk strategy, Postbank's Management Board has resolved specific subrisk strategies for market, credit, liquidity, business, and operational risks. All strategies apply throughout the Group; the risk strategies adopted by individual Group units (e.g., BHW) are consistent with the Group risk strategy.

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

The Internal Audit unit is a key element of 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.

Risk Committees

The following graphic illustrates the composition of the Committees and their areas of responsibility.

The Credit Risk Committee is responsible for the strategic management of counterparty credit risk, while the Market Risk Committee is responsible for the strategic management of market and liquidity risk. This includes a more detailed breakdown of the global limit made available by the Group Management Board in each case. The Operational Risk Committee defines the operational risk strategy and decides on how the risk capital for operational risk is to be allocated to the business divisions. In addition, it lays down the framework for managing operational risk and defines the minimum requirements to be met by all Group units.

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

Centralized risk monitoring and management

One of our core tasks for 2009 was assuring the consistency of procedures with the CRO (Chief Risk Officer) structure established in the previous year within the Bank's risk processes. It was for this reason that new staff was employed and the organization further developed.

The Chief Risk Officer is responsible throughout the Group for risk monitoring functions. He reports regularly to the Group Management Board and the Supervisory Board on the Group's overall risk position. In terms of the organizational structure, the CRO is responsible for the Risk Management, Risk Controlling, and Lending Policy departments. Since August 1, 2009, the CRO and the departments mentioned have been assigned to the Group Management board department. The CRO is a voting member of the Market Risk, Credit Risk, and Operational Risk Committees.

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

Risk Controlling is the independent, Group-wide risk monitoring unit for all risk types. Risk Controlling is responsible for methods and models used for risk identification, measurement, aggregation, and limitation. In addition, Risk Controlling is responsible for the design and regular preparation of the Postbank Group's risk-bearing capacity report. In cooperation with the Risk Controlling units at the BHW Bausparkasse AG, Deutsche Postbank International S.A. and

Composition and tasks of the Risk Committees

	Credit Risk Committee	Market Risk Committee	Operational Risk Committee
Members of the Management Board / Executive Managers	Resources/Lending Financial Markets Retail IT/Operations Chief Risk Officer	Financial Markets Finance Resources/Lending Chief Risk Officer	IT/Operations Resources/Lending Branch Sales Chief Risk Officer
Frequency of meetings	At least quarterly	At least monthly	Half-yearly
Tasks	Allocate credit risk limits Define limit system Resolve amendments to risk classification procedures Define standard risk costs	Allocate market and liquidity risk limits Manage strategic focus of the banking book Discuss the Bank's earnings and risk positions	Define minimum requirements for Group units Define operational risk parameters Allocate risk capital amounts to the business divisions

PB Capital Corp. subsidiaries, as well as Postbank's London branch, the department is responsible for risk control on an operational level and for risk reporting at Group level.

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

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

Risk management

Within the Group, responsibility for risk management in connection with position-taking activities at an operational level 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.

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

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

Further developments in risk management

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

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

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

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

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

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

In the first half of 2009, Postbank refined the Group's risk-bearing capacity concept, concentrating in particular on the calculation of the risk cover amount, as well as adding a concept for ensuring a defined Tier 1 ratio. The details of the concept are given in the sections "Risk-bearing capacity" and "Risk capital" in the chapter "Overarching risk management".

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Risk types

The Postbank Group distinguishes between the following risk types:

- Market risk
  Potential financial losses triggered by changes in market prices (e.g., equity and commodity prices, foreign exchange rates) or changes in parameters that determine market prices (e.g., interest rates, spreads and volatility).
- Credit risk
  Potential losses that may be caused by a deterioration in the credit-worthiness of, or default by, a counterparty (e.g., as a result of insolvency).
- Liquidity risk
  Illiquidity risk is the risk of being unable to meet current or future payment obligations in the full amount due or as they fall due.

  Liquidity maturity transformation (LMT) risk is the risk of increased refinancing costs as a result of closing gaps caused by changes in the Bank's refinancing curve.
- Operational risk
  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. This also includes legal risk.
- Investment risk
  Potential losses due to fluctuations in the fair value of equity investments, to the extent that these are not already included in other types of risk.
- Real estate risk
  The risk of loss of rental income, writedowns to the going concern value, and losses on sales relating to properties owned by the Postbank Group.
- Collective risk
  Potential adverse effect of a divergence in the behavior of home savings customers from expectations. Collective risk arises in connection with the specific business risks relating to the home savings business of BHW Bausparkasse AG.
- Business risk
  Risk of a decline in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. This concept also includes model risk, which arises from modeling customer products with undetermined capital and/or interest rate commitments (primarily savings and checking account products), as well as strategic and reputational risk.

Overarching risk management

Risk-bearing capacity

The Bank's risk-bearing capacity is monitored from two different perspectives in parallel. It aims on the one hand to protect prior-ranking investors in a liquidation scenario (concept of investor protection) and on the other to ensure a defined Tier 1 ratio in accordance with the concept of a going-concern. The investor protection concept serves as the basis for limiting market, credit, and operational risks. Together with the concept of a defined Tier 1 ratio, the risk-bearing concept provides management with input parameters for managing economic and regulatory capital.

The Group Management Board specifies its risk appetite by defining a probability for unexpected losses and an upper limit for losses (risk tolerance).

The Postbank Group considers its risk-bearing capacity as adequate to the extent that the risk cover amount exceeds allocated risk capital and the current level of overall risk (VaR).

Risk potential at a confidence level of 99.93 % is used for the protection of prior-ranking investors. The determination of the risk cover amount for investor protection is based on the consolidated balance sheet under IFRSs. The risk cover amount available for covering all risks consists of the Bank's capital in accordance with IFRSs less goodwill, its subordinated debt in accordance with IFRSs and parts of the other reserves and liabilities associated with financial instruments including customer transactions, less net cost. Other reserves include additional reserves that are not reported on the face and in the notes to IFRS-compliant financial statements. These are prorated checking and savings-related reserves as well as those of the BHW Bausparkasse AG home savings collective as determined by replication models.

When calculating the risk cover amount, additional discounts and limit buffers are used to account for estimating uncertainties.

In 2009, the methods, systems and processes associated with the risk-bearing capacity concept were reviewed in detail in light of the lessons learned from the financial market crisis, among other things, and certain subareas were revised. These included, for example with respect to stress tests, the eligibility for inclusion of the various components of the risk cover amount, and, with respect to risk-bearing capacity, compliance with the minimum Tier 1 ratio. The risk-bearing capacity concept is continuously reviewed and, if necessary, amended as and when new information comes to hand.

The largely revised concept of risk-bearing capacity for the determination of defined Tier 1 ratio (going concern) entails a calculation of the difference between the regulatory capital and the minimum Tier 1 capital that is required according to the Postbank view. The resultant free Tier 1 capital and the planned income for the next three/twelve months are compared with the potential losses, at the 90 % confidence level, recognized in profit or loss and directly in equity arising from risks assumed over the same period, so as to ensure that the minimum Tier 1 ratio required to back the risk exposures is complied with at all times throughout the period under review. When predetermined amounts are reached ("red lights") an escalation to the Management Board is triggered.

The key action performed in this area during the financial market crisis was to implement a recession scenario as a stress test for examining the risk-bearing capacity; in this, all key risk types to which Postbank is operationally exposed (credit, market and operational risks) were subjected to defined stress tests in order to guarantee an overall risk assessment.

The continuing development of the integrated stress tests for the Bank as a whole is an ongoing, dynamic process that is performed in keeping with changes in market trends and in Postbank's risk profile. In addition to the stress tests of all risk types for the Bank as a whole, risk type-specific sensitivity analyses and stress tests are also performed.

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Risk capital

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 (as calculated in accordance with the concept of investor protection) for risk taking, in line with its risk tolerance. 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 individual risk types on at least a quarterly basis by the Group Management Board. The Risk Committees allocate the risk capital in more detail. Operating limits are derived with reference to risk capital allocated to credit, market and operational risks.

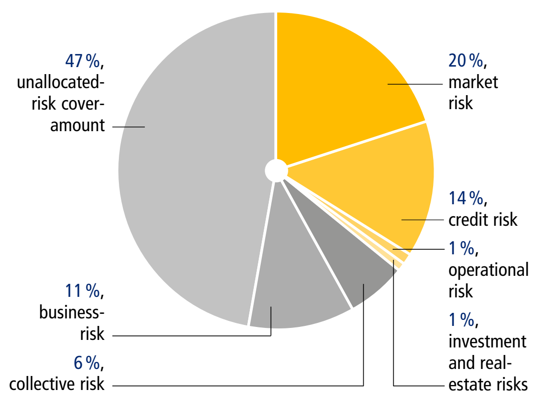
Other risks are handled by making deductions from capital. Liquidity risk is not explicitly included in the risk-bearing capacity and, as a result, is not backed by economic risk capital. Postbank pursues active liquidity management and control to prevent the risk of illiquidity. The Postbank Group has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

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

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

The percentage allocation of the Postbank Group's "investor protection" risk cover amount by risk type after factoring in correlation effects is as follows for fiscal year 2009 (calculated as of December 31, 2009):

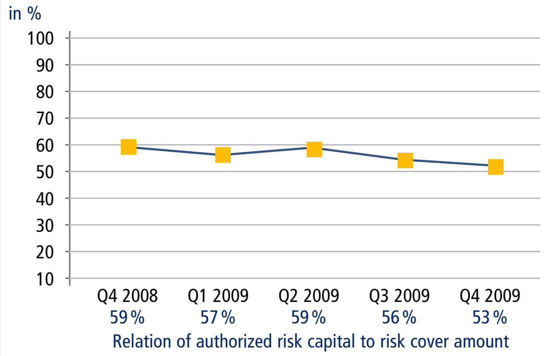
Breakdown of the Postbank Group's risk cover amount by risk type (authorized risk capital)



The risk capital allocated to credit risk was increased by €1 billion in 2009, while the risk capital allocated to market risk was reduced slightly in the second quarter of 2009. The absolute amount of "investor protection" risk cover and an allocation of the absolute amount of risk capital by risk type at December 31, 2009 and the previous year are given in Note 50. 147

Risk cover utilization measured in terms of the allocated risk capital amounted to 53 % as of the reporting date after adjustment for losses reducing the risk cover amount. This represents a slight improvement in the risk cover amount of 6 percentage points, both as against the H1 report and compared with December 31, 2008 (based on the original concept). The following graphic depicts the development of authorized risk cover capital compared to total risk cover amount.

Development of the relation of authorized risk capital to risk cover amount



Risk limitation

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

Operational limits are established for the market and credit risks backed by risk capital and directly manageable in the day-to-day business. Market risk is managed by allocating limits for the relevant portfolios. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and through definition of a target portfolio. The volume of retail business is controlled through target vs. actual comparisons.

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

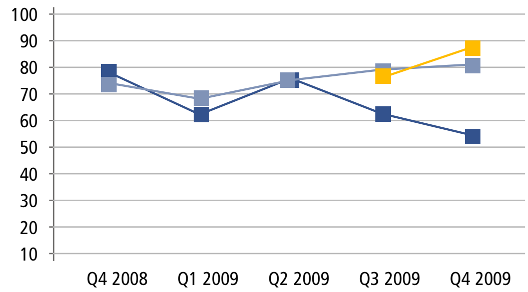
In the case of limit exceedances, action must be taken to mitigate risk; alternatively, the limits for operationally limited risks can be increased – even during the course of the year – at the expense of other risk types or of the unallocated risk cover amount. The Postbank Group's four business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter. OpRisk Committee members receive quarterly reports on the utilization of defined VaR limits for the Bank as a whole and each business segment. When limits are exceeded by a business segment, the OpRisk Committee decides on how to proceed whereas the Group Management Board performs this function in the event of Bank-wide VaR limits being exceeded.

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

56 % of the market risk limit was utilized as of the reporting date of December 31, 2009. Despite a downward trend in risk limit utilization (December 31, 2008: 78 %), the volatility inputs used to calculate the VaR, which increased sharply as a result of the financial market crisis, continued in particular to put upwards pressure on the limit. Credit risk limit utilization was 80 % (December 31, 2008: 74%) after adjustment for losses reducing the unallocated risk cover amount.

The VaR (confidence level: 99.93 %) for operational risk at the level of the Bank as a whole, which was calculated on the basis of the internal quantification model, amounted to €490 million as of December 31, 2009. Utilization of the relevant limit amounted to 87 %. The risk-bearing capacity of the Postbank Group was therefore assured at all times. The following graphic depicts limit utilization for operationally managed risks over time:

Development of the limit utilization for operationally managed risk types
in %



	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Market risk	78 %	64 %	75 %	63 %	56 %
Credit risk	74 %	68 %	75 %	79 %	80 %
Operational risk				77 %	87 %

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, based on the correlations assumed by the Bank, is assured. The regulatory capital requirements (regulatory capital adequacy in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – German 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.

As of December 31, 2009, the risk/risk cover ratios to safeguard the defined Tier 1 ratio were 19 % (three month horizon) and 55 % (twelve month horizon). The available risk cover amount is sufficient for assuring the minimum Tier 1 ratio (green light).

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

Risk concentrations

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

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

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

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

Group-wide risk reporting

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

As a result of its use of the IRB Approach, Postbank has exceeded the relevant regulatory threshold since January 1, 2008. For 2009, the degree of coverage calculated in accordance with section 67 of the SolvV for the portfolios calculated on the basis of internal ratings amounted to 92.0 % of the exposure amounts and 82.7 % of the risk-weighted exposure amounts (calculated as of September 30, 2009). The degree of coverage represents the ratio of the total IRBA exposure amounts or IRBA risk-weighted exposure amounts to all exposure amounts or risk-weighted exposure amounts required to be included pursuant to section 67(4) of the SolvV. The portfolio, capital backing for which is calculated using internal ratings, changed in fiscal year 2009 insofar as foreign business partners from the public sector of the European Economic Area have been calculated using the Credit Risk Standardized Approach (CRSA) since January 1, 2009 and the "insurers" portfolio has been included in the calculations based on the Basic IRB Approach since July 1, 2009.

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

- Central governments: countries
- Institutions: banks
- Corporates: domestic corporate customers, foreign corporate customers, domestic commercial lending, foreign commercial lending, purchased corporate loans, insurers
- Retail business: Postbank mortgage loans, BHW mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased retail loans
- Equity claims, if not covered by the exception in section 338(4) of the SolvV
- Securitization positions
- Other non-credit obligation assets.

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

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

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

In the case of securitization positions, the IRB Approach or the CRSA is applied on the basis of the underlying transactions. Capital backing for securitization positions is generally calculated on the basis of the ratings-based approach using external ratings, or via the supervisory formula approach. Postbank uses a derived credit assessment for the PB Domicile 2006-1 securitization, which it originated. Securitization positions, for which a risk weight of 1,250 % is calculated, are deducted from capital.

Postbank calculates the capital backing for equity exposures allocated to the banking book that are not required to be consolidated or deducted from own funds for regulatory purposes on a portfolio-specific basis, using internally assessed default probabilities. Strategic equity exposures held prior to January 1, 2008 have been temporarily excluded from IRBA capital backing. Risk weighting of the other equity exposures and of the non-credit assets is performed using regulatory risk weights.

In addition, Postbank is currently in the process of implementing the changeover to the Advanced IRB Approach for calculating the capital backing for counterparty credit risk for the non-retail portfolios using internal estimates of expected loss rates.

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

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

With regard to the disclosure requirements pursuant to sections 319 to 337 of the SolvV in conjunction with section 26a of the KWG, Postbank published its Pillar III Disclosures in accordance with Basel II on its website on March 31, 2009 and August 31, 2009. The Disclosures as of December 31, 2009 will be made available on the website shortly after the publication of the annual financial statements.

Liquidity requirements

Deutsche Postbank AG meets the regulatory liquidity requirements in accordance with section 11 of the KWG in conjunction with the *Liquiditätsverordnung* (LiqV – German Liquidity Regulation), which entered into force on January 1, 2007. Deutsche Postbank AG calculates its liquidity ratios on the basis of the regulatory Standardized Approach in accordance with sections 2 to 8 of the LiqV. The processes for Group-wide identification, measurement, monitoring, and management of liquidity risk are based on the requirements formulated in the "Principles for Sound Liquidity Risk Management and Supervision" (see the chapter entitled "Liquidity risk" for further information).

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

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

New regulatory requirements in the wake of the financial market crisis

In 2009, the European Parliament and the European Commission resolved additions to the Capital Requirements Directive (CRD) that are to be implemented at national level by the end of 2010. The relevant draft amendments to the KWG, the SolvV, and the GroMiKV, among other things, were published by the German Federal Ministry of Finance on December 10, 2009. Postbank has already begun implementing the new capital adequacy and large exposure requirements.

On December 17, 2009, the Basel Committee published two consultation papers aimed at strengthening regulatory capital and liquidity regulations. From the end of 2012 onwards, these regulation will entail increased capital requirements, differentiated counterparty capital requirements, a leverage ratio, counter cyclical capital buffers, and minimum liquidity standards. In 2010, Postbank will take part in the planned consultations and the impact assessment.

Monitoring and managing market risk

Definition of risk

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

Organization and risk strategy

The responsibility for performing centralized risk management tasks at 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. BHW Bausparkasse AG, the foreign subsidiaries in New York and Luxembourg, and the London branch manage their risks independently using separately defined risk limits. To achieve this, the integration of the Market Risk Committees (MRCs) at the subsidiaries into the Group was increased in fiscal year 2009.

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 and measurement.

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 rate, equity, currency, spread, commodity, and volatility risks in its banking and trading books as an additional source of income.

Risk management and control

Postbank makes use of a combination of risk, earnings, and other inputs to manage its market risk. Changes in the value of market risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. In the case of inactive market segments, a special process has been instituted to regularly review whether the market data available still permits adequate valuations to be made. As a result, specific portfolios are marked to model. The management of market risk exposures from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured using value at risk. Risks from potential changes in spreads have been taken into account in risk measurement. Sensitivity indicators and maturity structures are other management indicators used.

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

In light of the financial market crisis, Postbank started actively reducing its market risk exposure in 2008; this cautious risk strategy was systematically maintained in the equities area in 2009. In the interest rates area there was a greater focus on the assets side again. To reduce the Bank's exposure to extreme capital market volatility, it is planned to cut its holdings of investment securities as of December 31, 2008, primarily as a result of instruments maturing, by up to 45 % by 2013. The amount of the reduction in 2009 was approximately 13 %.

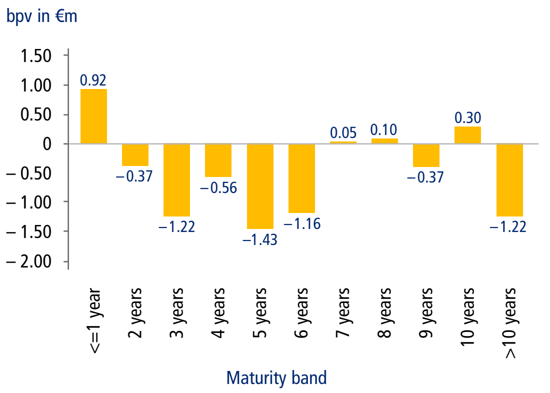
To account for the relative significance of market risk and the volatility of market movements, Postbank has defined escalation mechanisms for critical management parameters and for exogenous events. These mechanisms make it possible to react promptly to situations in which limits are approached or exceeded,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

Interest rate risk management

Interest rate risk – a significant component of market risk – is the term used to denote the changes in the fair value of interest-sensitive financial instruments resulting from a change in market rates of interest. Interest rate risks arise where there are differences in the amounts and interest rates of the interest-sensitive assets and liabilities for individual maturity bands. Specific behavioral assumptions are made on the basis of past behavioral patterns in order to quantify the interest rate risk for customer transactions involving significant implicit options. Particularly important in this connection are Deutsche Postbank AG's variable interest customer deposits, 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 supplement the monitoring and management concept. When measuring interest rate risk, option models are used to account for material statutory and contractual early loan repayment rights, offers of new loans and extensions to existing ones, and loan payment delinquencies. The option models and statistical modeling techniques used for this were extended and further enhanced in 2009. In the case of deposits without agreed maturities, investor behavior is modeled using the internal models and procedures for managing and monitoring interest rate risk. In accordance with MaRisk, those elements of capital available to the Bank without time limit are excluded from the determination of interest rate risk.

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

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



The chart shows that the surplus of assets as of December 31, 2009 is primarily concentrated in the medium and long-term (>10 years) maturity ranges. The surplus of liabilities in the 7, 8, and 10-year band can be attributed essentially to the long-term positions in BHW Bausparkasse AG's home savings collective as determined by data derived from collective simulations. Interest sensitivity is mainly the result of euro exposures and, to a significantly smaller extent, of U.S. dollar exposures; interest sensitivities to other currencies are immaterial. Interest sensitivity, which had been reduced significantly at the beginning of 2009, was clearly aligned with assets again in the course of the year due to the steepening yield curve. The changes in 8 to 10 year maturities were primarily the result of an adjustment to the model in the first quarter of 2009 for the quantification of the interest rate risk to which the BHW Bausparkasse AG home savings collective is exposed and the changed treatment of the components of capital made in mid-2009.

In particular, the risk sensitivity of the AfS positions was again managed extremely closely in order to limit the additional potential impact on the revaluation reserve and hence on the capital ratios. Interest rate risk analysis is an integral part of daily market risk measurement and, as a result, also forms part of the VaR analyses for market risk (trading book and banking book).

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

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

Limiting risk

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. There were no limit exceedances at Group level in 2009. End-of-day risk measurement and monitoring are used for the whole Bank; additional intraday monitoring is carried out for the trading portfolios.

Backtesting

The methods used to compute VaR are regularly tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the gains and losses arising from actual changes in fair value, but for the same portfolio (clean mark-to-model backtesting). Evaluation uses the "traffic light" color code model published by the Bank for International Settlements (BIS). The Management Board is informed of the backtesting results in the monthly reports.

The current "Internal Market Risk Model" project laid the foundation for discontinuing the use of current mark-to-model backtesting in favor of a marking-to-market procedure which is planned to be implemented in 2010.

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

Stress testing

In addition to the VaR calculations, scenario analyses are performed at regular intervals to permit the separate analysis of extreme market movements. These analyses quantify the effects of extraordinary events and extreme market conditions (worst-case scenarios) on the Postbank Group's balance sheet positions. The scenario analyses and stress tests are performed for all material risk factors in the interest rate, spreads, currency, and equity risk types. The assumptions underlying the stress tests are validated on an ongoing basis. The stress parameters were completely revised in 2009 in light of the financial market crisis in order to account for the market volatility observed and are currently being reviewed to assure compliance with new MaRisk requirements. The effects of the scenarios are compared with the limits allocated for each risk. The Group Management Board, the members of the Market Risk Committee, and the Supervisory Board are kept regularly informed of the results of the scenario analyses. The scenario analyses performed in the year under review indicated that the Postbank Group's risk-bearing capacity would have been assured even if the tense market situation continued to worsen. The greatest risks that emerge on application of Bundesbank stress tests, which are considered to be moderate, were those in connection with interest rates and spreads. The Group suffered a present value loss of €432 million (as of December 31, 2009) in the spread scenario (rating-related widening of spreads ranging from +10 bp for AAA ratings to +200 bp for CCC ratings). The most unfavorable of the interest rate scenarios analyzed (upwards shift with a peak in medium term maturities) resulted in a present value loss of €687 million.

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

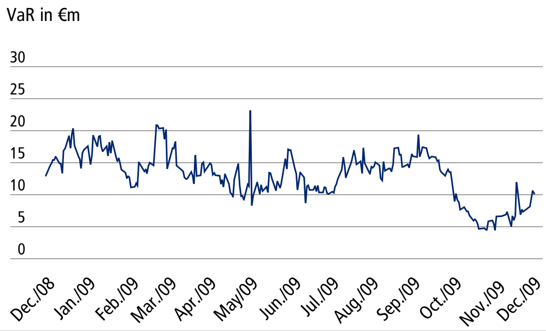
The following value at risk figures for the trading book were calculated for the Postbank Group for the period from January 1 to December 31, 2009 and January 1 to December 31, 2008 (confidence level of 99%, holding period of 10 days):

Value at risk trading book	2009 €m	2008 €m
VaR at year-end	10.3	13.8
Minimum VaR	4.4	7.7
Maximum VaR	23.2	23.9
Average VaR	13.1	12.9

In line with the business strategy of the Postbank Group, the level of market risk is largely determined by the interest rate risk (including spread risk) in the banking book. In addition, equity price risk and volatility risk is assumed in order to diversify risk in the banking book and generate short-term price gains in the trading book. Currency risk, which is primarily incurred as a result of the business activities of Deutsche Postbank AG's foreign subsidiaries, is of lesser significance. The present value risks in connection with foreign currency positions are inputs for daily market risk measurements and reports. The focus of their management is, in addition to present value considerations, the minimization of risks impacting the income statement as a result of foreign currency positions.

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

Value at risk trading book 2009



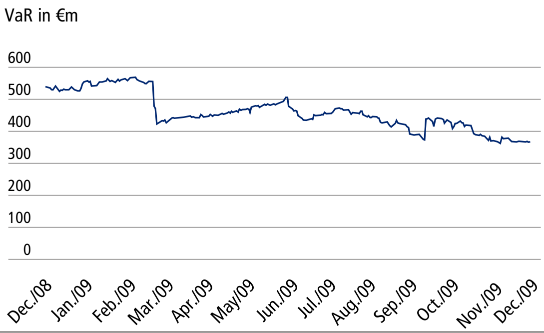
In the course of 2009, the pronounced volatility in the trading book was used flexibly during positioning on the interest rate and equities markets. The VaR in the trading book was at a comparable level to 2008, and was moderate overall.

The value at risk for the banking book (confidence level 99%, holding period 10 days), which accounts for by far the largest portion of market risk, amounted to €365.7 million as of December 31, 2009 (for comparative purposes: December 31, 2008: €532.0 million).

Value at risk banking book	2009 €m	2008 €m
VaR at year-end	365.7	532.0
Minimum VaR	362.5	194.3
Maximum VaR	565.0	533.1
Average VaR	458.8	281.2

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

Value at risk banking book 2009



VaR in Postbank's banking book is trending downwards again following the clear rise experienced in the prior year as a result of the crisis. However, the risk measurements continue to reflect the substantial rise in the risk inputs used that occurred in the course of the financial market crisis. Since a one-year history is used for risk parameters, these inputs are now entirely determined by observed values that reflect the renewed sharp rise in volatility in the period following the collapse of Lehman in September 2008.

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

- Credit or default risk
  The risk of possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating.
- Settlement risk
  The risk of possible losses during the settlement or netting of transactions. Settlement risk always exists where cash, securities, or other traded assets are not exchanged at the same time.
- Counterparty risk
  The risk of possible losses arising from default by a counterparty and hence the risk to unrealized gains on executory contracts. The risk involved is replacement risk.
- Country risk
  The risk of possible losses arising from political or social upheaval, nationalization and expropriation, a government's non-recognition of foreign debts, currency controls, and devaluation or depreciation of a national currency (transfer risk).

Organization and risk strategy

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

The Postbank Group has established clear rules with regard to responsibility for credit risk management. The Credit Risk Committee (CRC) is responsible for strategic structural management at the level of the Postbank Group. Operational credit risk management is performed centrally by the Domestic Lending and Foreign Lending units, and locally by the back office units at the subsidiaries. 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 management. The Lending Policy unit is responsible for the issuance of standards regarding the treatment of credit risk exposure and targets for risk management at portfolio level.

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

The Postbank Group uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on corporate customers, banks, countries (central and regional governments and local authorities) and retail in addition to related risk concentrations. The target portfolio has been constructed to reflect a balanced risk/

return profile and is used as the basis for structuring allocations to rating classes, sectors and regions. The current portfolio of receivables is compared quarterly with the target portfolio. In the case of corporate finance, an individual profitability analysis is additionally performed on the basis of the return on equity, the ratio of the risk-adjusted net margin to the equity tied up. Due to its high degree of risk diversification, the retail business is not part of the target portfolio, but is managed instead using the expected net margin less the expected risk.

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

Risk management and control

Managing individual risks

Credit approval procedures

The 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.

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

In Retail Banking, loans are approved, decisions to extend them are made, and terms are defined using the results of statistical scoring models and approval guidelines. The scoring models utilized at Postbank make use of internal and external information about the borrower and employ statistical methods to individually estimate the probability of borrower default (PD). The loss given default (LGD) is calculated to estimate the recovery rates individually, taking any eligible collateral into account, or globally, in the case of small-scale uncollateralized retail business. For retail checking products, Postbank uses an internal behavior scoring system that individually assesses default risk on the basis of historical account management data and additional external information. The credit conversion factor (CCF) is calculated to determine the proportion of outstandings under open credit lines at the time of default.

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

All internal ratings and scorings are presented using a uniform master scale, which assigns each rating or scoring result to a rating class on the master scale, as well as the default probability determined for that class. Postbank uses the terminology of the Standard & Poor's rating agency here. The rating and scoring methods are validated as part of Postbank's annual model validation process and during ongoing monitoring. The model validation is based on standard core analyses comprising the following aspects: stability of the model formula/the estimated parameters and the distributions, as well as the accuracy of the rating model, and the predictive power of the models. During the validation process, any changes in the loss history are taken into account by adjusting the inputs.

In addition, the allocation of the rating classes used in Postbank's master scale to default probabilities and the results of the input estimates (PD, LGD, CCF) are reviewed annually by the Risk Controlling Credit Risk unit. By including model validation in Postbank's processes, it is generally possible to derive business policy and model-specific measures directly from the results of the core analyses. Electronic records are maintained of all relevant input factors and rating results, enabling a continuous rating history to be kept for each customer and transaction.

In addition to supporting the loan decision process, among other things, these ratings and scores serve as a basis for calculating the "expected loss", i.e., the loss that is to be expected as a statistical average over a one-year period. They are factored indirectly into margin calculations via the standard risk costs (see following section), along with other variables.

Risk/return key performance indicators

When calculating 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 trans-

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actions to be evaluated during the advance calculation. The standard risk costs are priced in as a premium for the expected loss and are included in the profitability calculation in the form of a return on equity (RoE) ratio for exposures to corporates. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management

Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. As in the case of the underlying transactions with counterparties, the value of the collateral is continuously monitored on the basis of uniform Group standards, not only when the loan is granted but also during its term. Room for improvement was identified and appropriate action taken in 2009 particularly with respect to the ongoing and timely valuation of immovable collateral in highly volatile markets, uniform documentation and data input into a consolidated database. The Bank also intends to enhance its standardized processes for the acceptance and management of other collateral in order to improve its position.

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

The back office division is responsible for collateral management, which includes recognition of an instrument as collateral, its legal ranking and regular review and measurement, as well as the administration of the collateral taken into account. The exposure management systems provide electronic support for the management of immovable collateral. The amounts recognized as collateral are reviewed at fixed intervals, depending on the type of protection; as a rule, this occurs annually or at shorter intervals in the case of critical exposures.

Guarantees and credit derivatives must be irrevocable and unconditional in order to qualify as credit risk mitigation instruments when calculating the minimum capital requirements for credit and counterparty risk. Only guarantees by countries (central and regional governments and local authorities), other public-sector entities, banks, supranational organizations, and legal persons with a rating of at least A- are recognized. With regard to credit derivatives, guarantors and protection sellers are subject to the same risk classification, risk limitation, and risk monitoring procedures as borrowers.

Real estate liens are taken into account when calculating the possible loss arising from default on a loan. In the event that a borrower becomes insolvent on a long-term basis, the collateral is realized.

Loan collateral in the Corporate Banking segment taking the form of real estate liens is reviewed regularly, and at least annually, for impairment at the level of the properties concerned; in Germany, market developments are additionally monitored using the fair value fluctuation concept produced by the Zentraler Kreditausschuss (ZKA – German Central Credit Committee), while the front office and back office divisions perform qualitative monitoring of the relevant sectors and real estate markets on an ongoing basis. In the case of loans and property values in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified valuation specialists, or a new appraisal is performed by real estate experts.

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

Credit monitoring and problem loan procedures

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

In the area of individual lending to corporate customers and mortgage lending in excess here of €500,000 per borrower or borrowing entity, Postbank has implemented a credit monitoring process in accordance with banking regulatory requirements. The process enables higher-risk loans to be identified using qualitative and quantitative risk indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of risk indicators to enable the early identification of an increasing risk of default enables Postbank to take risk mitigation measures in a timely manner, to develop and implement loan restructuring plans with the borrower if necessary, or to arrange for settlement.

When a corporate loan is identified as having a higher risk, the borrower in question is placed on a watch list. In the case of hard risk indicators, the individual loan is mandatorily transferred to the watch list; if there are only soft risk indicators, the decision is made at the discretion of the relevant credit specialist. The watch list is constantly updated by the various lending departments and submitted quarterly to the member of the Management Board responsible for Lending and to the Credit Risk Committee. The largest individual exposures and loans that were approved by the Group Management Board are reported to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board as part of the quarterly credit risk report.

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

Managing credit risk at portfolio level

Portfolio management

In addition to monitoring individual risks, 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 credit risk losses that will not be exceeded within one year for a 99.93 % probability. 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 indicated in the "Credit risk" table is the expected amount of losses from credit risk in the Group portfolio, expressed in terms of the default amount expected within a one-year period. This is calculated approximately as the product of the default probability, the total size of exposure, and the loss rate. It depends on the rating and the term of the counterparty or transaction. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

CVaR is measured using a credit risk model that allows the consistent capture of all credit risks. CVaR is calculated on the basis of the migration behavior of borrower-specific creditworthiness and correlation effects within the portfolio, so as to quantify risks arising from an adverse concentration of borrowers in terms of their sector, size category, creditworthiness, and country. The probability of a rating change (migration) is continually updated and adjusted to reflect the changes observed in the current economic environment. In calculating CVaR, all loans and advances are recorded together with their future cash flows and discounted to the observation date, thus allowing the loan loss risk to be measured over a one-year observation period, as well as the effects on the present value of all changes in creditworthiness occurring outside the observation period. Credit risk is measured using current internal and external credit ratings as well as internally and externally calculated assumptions relating to recovery rates.

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

The updated portfolio and market data are used to compute the CVaR of the 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. Improvements in the identification of risk-relevant borrower relationships in the portfolio model and the portfolio management systems are being promptly implemented.

Portfolio structure

The following table provides an overview of the key credit risk indicators for the various profit centers as of December 31, 2009 (calculated on November 30, 2009) as compared to the end of 2008. The volume for the Group loan portfolio reported in this table differs from the "maximum counterparty credit risk" shown lower down in respect of two factors: Firstly, the date used for calculating CVaR is the last day of the preceding month and, secondly, carrying amounts or fair values, or credit equivalent amounts, are used to fully quantify the credit risk when calculating CVaR, depending on the item.

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

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

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

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

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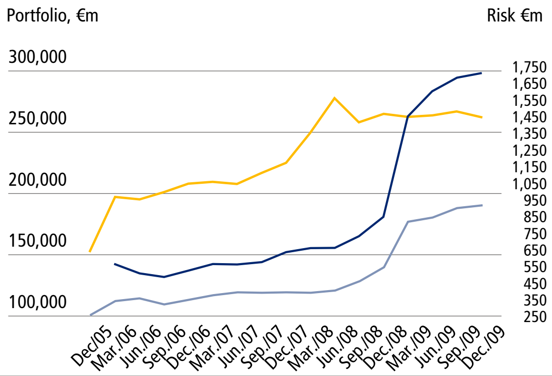
The following chart illustrates the increase of the CVaR and the expected loss as a result of the financial market crisis, together with the stagnation of the overall bank portfolio:

Overall bank portfolio and risk development over time



As of December 31, 2009, the maximum exposure to credit risk was as follows (compared with December 31, 2008):

Maximum counterparty risk		
Risk-bearing financial instruments	Maximum counterparty risk exposure	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets	20,471	16,573
Held for trading	20,471	16,573
Hedging derivatives	520	474
Held for trading	520	474
Loans and advances to other banks	14,467	18,684
Loans and receivables	14,467	18,616
Available for sale	0	68
Loans and advances to customers	111,043	105,318
Loans and receivables	102,408	96,713
Fair value option	8,635	8,605
Investment securities	72,359	83,058
Loans and receivables	59,401	68,859
Held to maturity	73	186
Available for sale	12,885	14,013
Subtotal	218,860	224,107
Contingent liabilities from guarantees	1,105	1,296
Other liabilities (irrevocable loan commitments)	21,964	23,205
Total	241,929	248,608

In contrast to the "Credit risk" table, the "Maximum counterparty credit 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 credit 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, in contrast to the economic risk quantification contained in the "Credit risk" table. In addition, reporting date variances exist between the two tables as of December 31, 2009.

As of December 31, 2009, Postbank improved the database relating to the following loan portfolio tables. Shifts occur in the tables as against the prior year's report due to the different classification criteria used. In order to assure comparability, certain prior-year figures were adjusted, in accordance with the footnotes relating to the following tables.

Sector structure of the loan portfolio

The following table illustrates the risk concentrations by sector and borrower group, broken down into exposure classes. Unlike in the previous reports, the CRE portfolio is now reported as a separate sector. The relevant prior-year figures have been restated. The perceptible shifts in the tables compared to the previous year were partially caused by the fact that instead of using the subsidiaries' sector-specific allocations, uniform, Group-wide sector allocations are now used.

Risk concentration by sector and borrower group[1]

Risk-bearing financial instruments	Retail customers		Banks/insurers/ financial services		Countries		Commercial real estate finance		Services/ wholesale and retail		Industry		Other sectors		Total	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets	212	216	19,666	15,726	105	17	95	40	103	109	14	171	276	294	20,471	16,573
Held for trading	212	216	19,666	15,726	105	17	95	40	103	109	14	171	276	294	20,471	16,573
Hedging derivatives	–	–	520	429	–	25	–	–	–	13	–	–	–	7	520	474
Held for trading	–	–	520	429	–	25	–	–	–	13	–	–	–	7	520	474
Loans and advances to other banks	–	–	14,332	17,896	103	–	32	788	0	0	–	–	0	0	14,467	18,684
Loans and receivables	–	–	14,332	17,828	103	–	32	788	0	0	–	–	0	0	14,467	18,616
Available for sale	–	–	–	68	0	–	–	–	–	–	–	–	–	–	–	68
Loans and advances to customers	79,915	75,281	2,144	2,236	2,467	3,620	16,661	14,724	5,054	3,455	2,577	2,089	2,225	3,913	111,043	105,318
Loans and receivables	71,292	66,676	2,144	2,236	2,465	3,620	16,661	14,724	5,054	3,455	2,577	2,089	2,215	3,913	102,408	96,713
Fair value option	8,623	8,605	–	–	2	–	–	–	–	–	–	–	10	–	8,635	8,605
Investment securities	–	–	43,850	49,581	25,012	26,873	–	29	1,784	850	960	4,152	753	1,573	72,359	83,058
Loans and receivables	–	–	37,651	44,248	19,118	19,369	–	4	1,264	778	742	3,569	626	891	59,401	68,859
Held to maturity	–	–	73	186	–	–	–	–	–	–	–	–	–	–	73	186
Available for sale	–	–	6,126	5,147	5,894	7,504	–	25	520	72	218	583	127	682	12,885	14,013
Subtotal	80,127	75,497	80,512	85,868	27,687	30,535	16,788	15,581	6,941	4,427	3,551	6,412	3,254	5,787	218,860	224,107
Contingent liabilities	32	290	713	623	–	24	74	93	125	158	89	21	72	87	1,105	1,296
Other liabilities	16,729	19,021	447	481	111	32	1,287	922	1,872	–68	1,226	461	292	2,356	21,964	23,205
Total	96,888	94,808	81,672	86,972	27,798	30,591	18,149	16,596	8,938	4,517	4,866	6,894	3,618	8,230	241,929	248,608

[1] Prior-year figures restated due to the addition of the "Commercial real estate finance" column

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 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 that serves to manage investments in the non-retail area.

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 were again blocked for new business in 2009.

Risk concentration by geographical region

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets	5,507	3,776	9,766	11,256	5,198	1,541	20,471	16,573
Held for trading	5,507	3,776	9,766	11,256	5,198	1,541	20,471	16,573
Hedging derivatives	132	128	259	183	129	163	520	474
Held for trading	132	128	259	183	129	163	520	474
Loans and advances to other banks	6,842	9,445	6,572	7,856	1,053	1,383	14,467	18,684
Loans and receivables	6,842	9,377	6,572	7,856	1,053	1,383	14,467	18,616
Available for sale	–	68	–	–	–	–	–	68
Loans and advances to customers	93,194	88,825	13,412	12,346	4,437	4,147	111,043	105,318
Loans and receivables	84,597	80,220	13,383	12,346	4,428	4,147	102,408	96,713
Fair value option	8,597	8,605	29	–	9	–	8,635	8,605
Investment securities	26,561	31,713	37,915	42,159	7,883	9,186	72,359	83,058
Loans and receivables	19,595	24,034	33,206	37,648	6,600	7,177	59,401	68,859
Held to maturity	73	176	–	10	–	–	73	186
Available for sale	6,893	7,503	4,709	4,501	1,283	2,009	12,885	14,013
Subtotal	132,236	133,887	67,924	73,800	18,700	16,420	218,860	224,107
Contingent liabilities	831	1,143	216	76	58	77	1,105	1,296
Other liabilities	20,541	21,093	976	1,256	447	856	21,964	23,205
Total	153,608	156,123	69,116	75,132	19,205	17,353	241,929	248,608

The regional distribution of the credit volume again reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe and in 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 €6.1 billion. Of this figure, some €3.0 billion is attributable to exposures in the United States and €3.1 billion to exposures in the United Kingdom.

Credit structure of the loan portfolio

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, 2009 reporting date (with the exception of "contingent liabilities" and "other liabilities").

Postbank, in principle, uses the same rating for risk management as for capital requirements, which is normally an issuer's rating instead of the rating of a specific issue. Postbank is in possession of a large portfolio of *Pfandbriefe* and similarly collateralized issues which are relatively low risk in nature. It is for this reason that issue ratings are shown in the following table. The distribution of ratings in the Group loan portfolio is a reflection of the Postbank Group's conservative approach. The higher rating categories predominate: 93 % of the rated portfolio is classified as investment grade (rated BBB or better).

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets	213	116	1,454	1,618	17,782	14,471	253	85	146	41	411	26	20,259	16,357
Held for trading	213	116	1,454	1,618	17,782	14,471	253	85	146	41	411	26	20,259	16,357
Hedging derivatives	–	34	15	387	475	19	–	16	–	11	30	7	520	474
Held for trading	–	34	15	387	475	19	–	16	–	11	30	7	520	474
Loans and advances to other banks	546	643	424	3,570	9,869	12,877	3,124	1,212	128	270	229	18	14,320	18,590
Loans and receivables	546	643	424	3,502	9,869	12,877	3,124	1,212	128	270	229	18	14,320	18,522
Available for sale	–	–	–	68	–	–	–	–	–	–	–	–	–	68
Loans and advances to customers	4,020	474	5,509	2,726	4,872	5,770	7,781	10,752	4,648	6,829	3,049	596	29,879	27,147
Loans and receivables	4,020	474	5,509	2,726	4,872	5,770	7,781	10,752	4,646	6,829	3,039	596	29,867	27,147
Fair value option	–	–	–	–	–	–	–	–	2	–	10	–	12	–
Investment securities	27,633	35,095	19,914	25,995	16,459	12,217	3,033	5,233	3,627	2,309	1,183	1,657	71,849	82,506
Loans and receivables	21,300	26,743	18,752	24,617	14,619	11,008	2,239	4,361	1,389	1,067	669	737	58,968	68,533
Held to maturity	–	186	–	–	32	–	41	–	–	–	–	–	73	186
Available for sale	6,333	8,166	1,162	1,378	1,808	1,209	753	872	2,238	1,242	514	920	12,808	13,787
Total	32,412	36,362	27,316	34,296	49,457	45,354	14,191	17,298	8,549	9,460	4,902	2,304	136,827	145,074

[1]Prior-year figures restated due to changes in the rating distribution

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

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, 2009 reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business shows a good credit rating 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 risk pools are established by segment and measured individually according to the relevant Basel II parameters. The proportion of portfolios covered by these pool ratings is declining gradually since each new transaction is rated on an individual basis.

Credit quality of financial instruments in the retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II Pool rating/ not rated		Total	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets	1	–	9	15	33	69	82	55	77	74	10	3	212	216
Held for trading	1	–	9	15	33	69	82	55	77	74	10	3	212	216
Loans and advances to customers	2,851	2,621	5,714	5,608	7,384	6,633	13,048	11,957	18,580	16,887	27,460	30,225	75,037	73,931
Loans and receivables	2,842	2,619	5,545	5,557	6,621	6,308	10,801	10,502	16,592	14,132	24,398	26,208	66,799	65,326
Fair value option	9	2	169	51	763	325	2,247	1,455	1,988	2,755	3,062	4,017	8,238	8,605
Total	2,852	2,621	5,723	5,623	7,417	6,702	13,130	12,012	18,657	16,961	27,470	30,228	75,249	74,147

Loans past due but not impaired

The following table shows those risk-bearing financial instruments that were not impaired as of December 31, 2009:

Time bands for financial instruments past due but not impaired[1]

Risk-bearing financial instruments and collateral	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		Fair value of the collateral for financial instruments past due but not impaired	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Loans and advances to other banks	11	–	–	–	–	–	–	–	11	–	–	–
Loans and receivables	11	–	–	–	–	–	–	–	11	–	–	–
Loans and advances to customers	941	1,300	223	239	389	284	385	500	1,938	2,323	1,688	2,062
Loans and receivables	816	1,300	168	239	312	284	313	500	1,609	2,323	1,480	2,062
Fair value option	125	–	55	–	77	–	72	–	329	–	208	–
Total	952	1,300	223	239	389	284	385	500	1,949	2,323	1,688	2,062

[1] Prior-year figures restated due to changes in the evaluation method

The method for determining past due items has changed since the previous report, and the prior-year figures have been restated. Determination of loans past due at BHW Bausparkasse AG is now based on a classification at customer rather than individual loan level. In addition, mortgage loans extended by BHW Bausparkasse AG that were past due for less than one month or in the amount of less than €100 are now also disclosed for the first time. The changes to the disclosure policy do not result in any increase in risk. This can be seen from the fact that the adjustment primarily affects the maturity band for arrears ≤ 3 months.

The carrying amount of financial assets that would have been past due or impaired, and the conditions of which have been renegotiated (renegotiated volume), is €972.2 million (December 31, 2008: €235.6 million).

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 is, therefore, permanently impaired. 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, are tested for impairment each quarter. There is an ongoing review of all exposures for objective evidence of impairment and, where needed, impairment tests are conducted.

A collective specific valuation allowance is recognized for a portfolio of homogeneous loans with similar characteristics, to the extent that there is objective evidence that the loans have become impaired and the amount of the impairment for each loan can be determined with reference to past statistics on loan performance. 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, credit card loans, and mortgage loans extended by BHW Bausparkasse AG which have been past due for three to six months.

The following table shows all impaired financial assets as of December 31, 2009 and December 31, 2008, broken down into loans and advances to other banks as well as 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[1]								
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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Loans and advances to other banks	136	94	64	52	72	42	–	–
Loans and receivables	136	94	64	52	72	42	–	–
Loans and advances to customers	4,189	1,917	1,577	1,270	2,612	647	2,307	949
Loans and receivables	4,133	1,917	1,575	1,270	2,558	647	2,255	949
Fair value option	56	–	2	–	54	–	52	–
Investment securities	1,006	1,176	496	624	510	552	–	–
Loans and receivables	918	814	485	488	433	326	–	–
Available for sale	88	362	11	136	77	226	–	–
Total	5,331	3,187	2,137	1,946	3,194	1,241	2,307	949

[1]Prior-year figures restated due to additions to allowance for losses on loans and advances of €90 million

As a result of the financial market crisis, 2009 saw a substantial increase in the portfolio of impaired financial assets. In the fourth quarter of 2009, the total portfolio, in particular commercial real estate finance, was subject to intensive review for which conservative standards were applied. This fact is also reflected in the increase. An impairment loss of €0.3 billion is due to the fact that retail loans for which collective specific valuation allowances have been recognized are included in this table.

At the end of January 2010, consequently within the period permitted for the measurement of balance sheet items for 2009, the Bank conducted an intensive risk-oriented review of all watch-list exposures in order to determine the existence of any impairment triggers and carried out the necessary impairment tests taking into account all information to hand at that date. The impairment tests of each exposure particularly included the effect of the persisting economic crisis on the probability of repayment and any likely recoveries.

This resulted in a significant increase in allowances for losses on loans and advances in the fourth quarter as a result of the difficult market environment, especially for CRE portfolios. This, however, did not lead to an increase in the Bank's expected full-year allowances that had already been determined by taking the impact of the crisis into account. Exposures were also identified for which allowances for loans and advances had been established in the first three quarters of 2009 but where the loan loss allowances should have been recognized in the 2008 financial statements. These allowances for losses on loans and advances have therefore been shifted to the 2008 reporting period.

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. The relevant LIP factors have been increased due to the high degree of uncertainty regarding the identification of losses in the turbulent real estate markets, in particular in the United States and the United Kingdom.

Securitization positions

Securitizing financial assets (asset securitization) makes it possible to transfer the underlying credit risk to third parties. Usually, entire exposure pools consisting of two or more subclasses of risk (tranches) entailing varying degrees of risk are transferred.

Postbank acts as both investor and originator in asset securitization transactions.

Investor

In the course of credit substitution transactions, Postbank has invested in structured credit products (SCPs), among other things. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs). Investor positions in 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 positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or FitchRatings) and generally have a rating of BBB- or better at the time of acquisition. There is no internal rating model for these positions. The portfolio is valued periodically using an internal valuation model that analyzes the individual portfolio components at underlying level.

The increased rates of defaults and losses relating to corporates and securitization exposures observed in 2009 led Postbank to revise parameters of the internal valuation model used to calculate portfolio loss distributions for its 2009 financial statements. The changes in the parameters have led to an increase in losses and defaults, that will stretch into 2011, in connection with refinancing instruments relating to securitizations, particularly synthetic securitizations.

As of December 31, 2009, the total volume of the portfolio amounted to €5.8 billion (December 31, 2008: €6.3 billion). The reduction in the size of the portfolio as against the December 31, 2008 level is primarily due to exchange rate effects and redemptions. SCP portfolios are very strictly monitored by Postbank and are subject to monthly impairment tests. Regular measurement of the portfolio using an in-house model resulted in the recognition of total impairment losses of €97 million in 2009, as well as measurement losses on embedded derivatives amounting to €652 million. These figures were within the range expected by the Bank. Many ratings were downgraded significantly in the first half of the year in particular. In the second half of 2009, the default of CIT and the monoliner FGIC led to losses in the corporate CDO portfolios. This brings the aggregate impairment losses recognized in income for affected portfolios since the beginning of the financial market crisis in mid-2007 to €365 million, and the aggregate measurement losses recognized on embedded derivatives to €1,523 million. For measurement details please see Note 4 (h).

Postbank's securitization positions as of December 31, 2009 were as follows:

Securitization exposures: volumes by rating category

Securitization exposures	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
CMBSs	47	86	84	124	104	46	19	14	27	0	281	269
RMBSs	310	448	159	91	138	120	39	41	42	12	687	712
Corporate CDOs	317	574	151	275	154	173	111	829	1,886	920	2,619	2,772
Non-corporate CDOs	0	208	95	149	74	270	111	204	1,351	991	1,630	1,822
Other ABSs	319	423	74	110	20	5	28	101	149	69	590	708
Total	993	1,739	562	747	490	615	308	1,190	3,455	1,993	5,809	6,283
thereof in the trading book	17	45	9	13	–	–	–	–	10	–	36	58

The regional focuses for the securitization positions are as follows:

Securitization exposures: volumes by regional focus

		CMBSs		RMBSs		Corporate CDOs		Non-corporate CDOs		Other ABSs[1]		Total	
		Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
in €m	Germany	83	64	150	124	–	–	–	–	55	70	288	258
	U.K.	96	94	126	178	31	32	–	–	85	76	338	381
	France	2	2	17	–	–	–	–	–	–	–	19	2
	Spain/Portugal	–	–	99	109	–	–	–	–	–	24	99	134
	Rest of Europe	94	103	247	239	450	440	229	291	24	23	1,045	1,096
	U.S.A.	5	6	44	52	491	517	969	1,098	304	376	1,814	2,050
	Others[2]	–	–	5	9	1,646	1,783	432	433	123	139	2,206	2,363
	Total	281	269	687	712	2,619	2,772	1,630	1,822	590	708	5,809	6,283
Relative distribution	Germany	30 %	24 %	22 %	17 %	–	–	–	–	9 %	10 %	5 %	4 %
	U.K.	34 %	35 %	18 %	25 %	1 %	1 %	–	–	14 %	11 %	6 %	6 %
	France	1 %	1 %	2 %	–	–	–	–	–	–	–	0 %	0 %
	Spain/Portugal	–	–	14 %	15 %	–	–	–	–	–	3 %	2 %	2 %
	Rest of Europe	34 %	38 %	36 %	34 %	17 %	16 %	14 %	16 %	4 %	3 %	18 %	17 %
	U.S.A.	2 %	2 %	6 %	7 %	19 %	19 %	59 %	60 %	51 %	53 %	31 %	33 %
	Others[2]	–	–	1 %	1 %	63 %	64 %	26 %	24 %	21 %	20 %	38 %	38 %
	Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

[1] Mainly Consumer ABSs und Commercial ABSs
[2] Or without a specific focus

As of the reporting date of December 31, 2009, only a small number of securitization positions (total nominal value: approximately €28 million) were hedged with monoliners. In addition, the CDO portfolio includes a number of structures with exposures to bond insurers. Given the ratings downgrades seen in this sector in 2009 and the uncertainty surrounding the future, additional negative effects are included in the 2010 planning.

The volume of Postbank's investor positions in fungible commercial real estate loans (CMBSs) amounted to €281 million as of the reporting date (December 31, 2008: €269 million). 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 also acts 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 credit risk.

PB Domicile 2006-1	€1,985 million	(Deutsche Postbank AG)
Provide Blue 2005-1	€809 million	(BHW Bausparkasse AG)
Provide Blue 2005-2	€2,147 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€1,066 million	(BHW Bausparkasse AG)

Postbank also structured the PB Consumer 2008-1 and PB Consumer 2009-1 originator securitization transactions as traditional securitization transactions, and the Provide Domicile 2009-1 originator securitization as a synthetic securitization; no significant transfer of risks has taken place so far.

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 exposures in default, as well as the utilization of risk limits.

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

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

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

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

Environmental risks

Postbank also takes into account environmental risk when making credit decisions. 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 its customers, Postbank believes that fulfilling current environmental standards and acting responsibly towards the environment are key factors for assessing corporate governance.

As a result, Postbank meets the requirements for sustainable and future-oriented management and complies with international guidelines such as the UN Global Compact.

Monitoring and managing liquidity risk

Definition of risk

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 (LMT) risk describes the risk of increased refinancing costs due to a change in the Bank's refinancing curve.

Organization and risk strategy

The responsibility for performing centralized risk management tasks 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. In general, Deutsche Postbank AG's Financial Markets division is responsible for the centralized operational management of liquidity risk. BHW Bausparkasse AG, the foreign subsidiaries in New York and Luxembourg, and the London branch manage their risks independently using uniform Group-wide procedures and processes. 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 which is responsible for operational limit monitoring and reporting, in addition to the methods and models used for risk identification, measurement, and management.

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. To guard against unexpected cash outflows, an extensive portfolio consisting of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly. To ensure the additional diversification of its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*.

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

In the year under review, Postbank met the regulatory liquidity requirements in accordance with section 11 of the KWG in conjunction with the *Liquiditätsverordnung* (LiqV – German Liquidity Regulation), which entered into force on January 1, 2007, at all times.

Risk management and control

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

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

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

The following table shows the financial liabilities as of December 31, 2009 and December 31, 2008, broken down into residual maturity bands. The order of the rows in the table has been modified as against the 2008 Risk Report in line with the provisions of the amendments to IFRS 7. 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.

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Non-derivative liabilities	55,753	49,937	85,856	107,179	36,866	35,334	24,851	14,819	28,079	32,852	231,405	240,121
Deposits from other banks	312	648	19,995	46,437	12,338	6,283	4,913	4,834	5,271	6,970	42,829	65,171
Due to customers	33,474	26,083	60,046	50,485	19,496	25,096	10,589	4,258	16,196	19,089	139,802	125,011
Debt securities in issue	0	0	5,108	9,415	3,437	3,813	7,231	4,785	3,499	1,533	19,275	19,547
Subordinated debt	0	0	54	142	1,585	122	2,093	885	3,091	5,212	6,823	6,361
Other liabilities	2	2	653	700	9	20	24	57	22	48	711	826
Contingent liabilities and other obligations[1]	21,965	23,205	0	0	0	0	0	0	0	0	21,965	23,205
Derivative liabilities	0	0	2,642	141	7,024	3,480	13,610	14,620	2,432	6,054	25,707	24,296
Hedging derivatives	0	0	216	61	516	434	1,557	2,209	681	1,292	2,969	3,997
Trading liabilities	0	0	2,426	80	6,507	3,046	12,053	12,411	1,752	4,763	22,738	20,300
Total	55,753	49,937	88,498	107,321	43,889	38,814	38,460	29,439	30,512	38,906	257,112	264,417

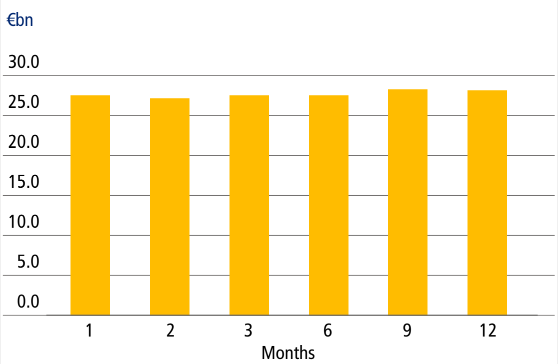
[1] As of December 31, 2008, the "Contingent liabilities" item includes only irrevocable loan commitments

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, 2009 presents the expected cash inflows/outflows and the liquidity sources available for the coming twelve months on a cumulative basis in accordance with the principles of internal liquidity management.

The expected values for cash outflows from liabilities with no fixed capital commitment, such as savings and checking account deposits, the probability of utilization of irrevocable loan commitments, and the quality of the fungible assets available for ensuring liquidity are based in part on observed historical data and in part on estimates that are validated regularly.

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

Liquidity status of the Postbank Group as of December 31, 2009



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 standard reports are described in more detail below:

- The Group Management Board, the members of the Market Risk Committee, and the relevant liquidity management units are informed daily by Risk Controlling on the liquidity status including limit utilization at Group and unit levels. A detailed reconciliation of cash inflows and outflows with available sources of liquidity is provided.
- Supplementing this, the Liquidity Management department uses a separate monthly report to inform the Market Risk Committee of the market situation and of the Bank's liquidity status and refinancing activities.
- The Group Management Board and the members of the Market Risk Committee receive monthly liquidity status overviews, including the established scenario analyses and stress tests 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.
- The Supervisory Board is informed on a quarterly basis of the Postbank Group's liquidity situation, including in the defined stress situations.

Monitoring and managing operational risk

Definition of risk

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

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

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

Organization and risk strategy

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 defines the strategy and framework for managing operational risk. 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 principles relating to active security such as process transparency, unambiguous rules regarding authorizations and powers, and appropriate security guidelines on the one hand, and to passive security in the form of appropriate emergency planning and adequate financial cover on the other. In addition, the operational risk strategy was expanded to include four quantitative elements in 2009:

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

Operational risk is fully integrated into the Postbank Group's risk-bearing capacity concept. At the beginning of the third quarter of 2009, Postbank amended the procedure for including operational risk in the internal risk-bearing capacity concept. The calculation of operational risk is now based on the newly developed internal quantification model. The new model is used for calculating the utilization of the limit allocated to operational risk on a quarterly basis. In the case of limit exceedances, the limit for operational risk is increased – including during the course of the year – at the expense of other risk types or of the unallocated risk cover amount. The Postbank Group's four business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter.

In addition to the internal quantification model, Postbank uses the following methods throughout 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 framework
- Definition of scenarios for evaluating specific risk situations
- IT-based activity tracking system to reduce operational risk

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

Risk management and control

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

In 2009, Deutsche Postbank Home Finance Ltd., Gurgaon, India, was fully integrated into the controlling process. This means that all areas of the Postbank Group have now been integrated.

In 2009, the loss from operational risk amounted to €34.7 million (2008: €24.3 million). The main loss driver for Postbank was external fraud, for which a significant increase was recorded as against the previous year. The main focus here was on high-frequency losses such as credit card fraud, phishing, and transfer and credit fraud. In such cases, losses are often only minor but frequent. A task force has been set up to limit these losses and has instituted a number of measures. In addition, a Bank-wide Fraud Group was set up with the express goal of reducing the loss and fraud ratio, and the related loss volume. One of the main focuses in the fight against fraud is to communicate all material cases of fraud in a timely manner throughout the Bank. Another focus is on raising the awareness of the employees involved in the relevant processes, in order to ensure systematic and widespread early identification of cases of fraud. In addition, measures are being taken to adapt processes and the relevant IT systems to the change in the risk situation.

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

Business segment in accordance with the SolvV	Weighting for operational risk	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Corporate finance	–	–
Trading and sales	6	23
Retail banking	386	390
Corporate banking	80	67
Payment transactions and processing	28	27
Agency services	1	1
Asset management	5	6
Retail brokerage	9	9
Total for Postbank Group	515	523

Risk reporting

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

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, as well as of utilization levels for warning thresholds for typical losses in the individual business divisions and utilization levels for warning thresholds relating to high-frequency losses.

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

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

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

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

Monitoring and managing investment risk

Definition of risk

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

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

Organization and risk strategy

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

The ongoing monitoring and control of investment risk within the Bank is performed by various central 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, 2009, Deutsche Postbank AG held a total of 61 direct and a large number of indirect equity investments. In fiscal 2009, the number of investments in associates/ equity investments had not changed materially over the previous year. Postbank sees these holdings predominantly as strategic investments that reflect the Postbank Group's product and service areas, and as a source of internal services for the Postbank Group.

A number of these equity investments are managed as Postbank units. Several central functions such as accounting, finance, controlling, legal affairs, personnel, and internal audit are performed by the responsible organizational units at Postbank in some instances. The relevant lending departments of Deutsche Postbank AG monitor investment risks that have a near-credit or credit-substituting nature.

Deutsche Postbank AG continues to have 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. These also include the interests held by Deutsche Postbank AG in special purpose entities (SPEs). In the year under review, SPEs were used in particular to issue subordinated securities and for the temporary ownership of real estate. Deutsche Postbank AG has no interests in SPEs designed for asset outplacement.

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

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

Risk management and control

Material risks (particularly market, credit, and liquidity 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, the equity investments are allocated to the relevant board departments.

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

The large number of existing management and monitoring systems, which are continually being enhanced, guarantees that Postbank is in a position to monitor and manage shareholding risks, including strategic investment risks, at all times.

Risk reporting

In the context of the management and monitoring systems, regular reports are also prepared on the risk relating to the strategic equity investments and subsidiaries included in these systems. In addition, 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 real estate risk

Definition of risk

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 sale.

Organization and risk strategy

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

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

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

Risk management and control

Properties are reappraised every three to four years in order to monitor their value on an ongoing basis. In line with the valuation principles applied (in this case Practice Statement (PS) 3.2. of the RICS Valuation Standards (6th edition) published by the Royal Institution of Chartered Surveyors (RICS), London), the reappraisal is based primarily on a determination of the market value. This is defined in the Practice Statement as follows: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The real estate portfolio is monitored on the basis of the regular property valuations, which take risk aspects into account, as well as the analysis of changes in the real estate portfolio.

No concentration risks from the real estate exposure are discernible.

Risk reporting

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

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

Monitoring and managing collective risk

Definition of risk

The general terms and conditions of home loan and savings contracts provide customers with diverse options for the savings and loan phase. The forecast collective trend is based both on assumptions as to trends in new business and 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 between the actual and the forecast behavior of the home savings collective.

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. BHW Bausparkasse AG's risk control activities are integrated with overall Bank management.

Risk management and control

BHW Bausparkasse AG uses a collective simulation model as the basis for quantifying 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 were to be significantly below the assumptions, as in this case BHW Bausparkasse AG would have access to a reduced volume of low-interest customer funds.

Additional risks result from the fact that BHW Bausparkasse AG's simulation assumes that the existing home savings tariffs will remain in force. If BHW Bausparkasse AG 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 collective risks arising from its home savings and loan business to be material. A scenario-based model was developed in 2009 to quantify collective risk; the results will be included in risk capital allocation over the course of 2010, replacing the previous estimated lump-sum risk buffer.

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

- Model risk
  The risk from unexpected declines in volume or falling margins that cannot be fully covered by modeling customer products with undetermined capital commitments and/or variable interest rates.

- Residual business risk
  Other unexpected volume or margin declines not covered by model risk. This includes:

  - Strategic risk
    The risk that earnings targets will not be achieved because of the insufficient focus of 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. The Management Board has resolved a specific subrisk strategy for business risk based on the overarching 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 Board and the Market Risk Committee.

Risk management and control

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

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

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

Risk reporting

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 control and risk management system for the financial reporting process

As required by section 315(2) no. 5 of the HGB (German Commercial Code), the following section describes the features of the internal control and risk management system for the Group financial reporting process. Postbank regards information as being material within the meaning of section 315(2) no. 5 of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the consolidated financial statements and the other components of financial reporting. Materiality cannot always be determined in general terms, but is rather established in line with the issue at hand,

and is assessed on the basis of the nature and scope of the issues involved. Postbank assess the question of the materiality of an issue by reference to its importance with respect to the consolidated financial statements.

Tasks of the internal control and risk management system relevant for financial reporting

Postbank sets high standards in regard to the correct presentation of transactions in its financial reporting. One of the tasks of the internal control system is to ensure due and proper financial reporting.

Postbank's internal control and risk management system comprises rules for managing corporate activities (internal management system/ risk management system) and rules for monitoring compliance with these rules (internal monitoring system).

Postbank's internal control system performs the following tasks:

- Ensuring the effectiveness and economic efficiency of business activities in line with the corporate strategy,
- ensuring the propriety and reliability of both internal and external financial reporting, and
- compliance with the legal provisions applicable to the Company.

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

Organization of the internal control and risk management system relevant for financial reporting

The Management Board is responsible for preparing the annual and consolidated financial statements and for the (group) management report. The Management Board has assigned responsibilities for the individual components and procedural steps relating to financial reporting in the form of organizational guidelines. The Finance, Group Management, and Resources/Lending divisions are the main units involved in the preparation of the guidelines.

Postbank prepares its consolidated financial statements in compliance with IFRSs as endorsed by the European Union. Its financial statements are supplemented by the disclosures required by the German commercial law pursuant to section 340i of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with section 315a (1) of the HGB and the German Accounting Standards (GASs) as well as the sector-specific requirements for credit institutions, the legal-form specific requirements for German stock corporations (sections 150–161 of the AktG) and the requirements of the Bank's Articles of Association.

Consolidated subsidiaries and special purpose entities prepare reports at Group level (Group reporting) in accordance with the Bank's group accounting policies.

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

- Monitoring of new legislation,
- preparation and maintenance of accounting policies,
- due and proper capture and processing of data/transactions relevant for financial reporting by the IT applications,
- preparation of the consolidated financial statements and the group management report,
- provision of information for segment reporting.

In addition, certain tasks are performed by the units in the Group Management division, whose main tasks are as follows:

- Coordination of the Declaration of Compliance as defined by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act),
- provision of certain disclosures relating to the notes,
- provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks.

With regard to the financial reporting process, the Resources/Lending division primarily performs the following tasks:

- Calculation of the provisions for pensions and other employee benefits as well as provision of disclosures relating to the notes
- Decisions on specific valuation allowances relating to domestic and foreign loans
- Provision of relevant disclosures relating to the notes and the risk report.

The Supervisory Board supervises the Management Board. In the area of financial reporting, it is responsible for approving Postbank's consolidated financial statements. The Audit Committee set up by the Supervisory Board has the following tasks:

- Provision of advice and supervision with respect to financial reporting, the internal control systems, risk management and risk control (insofar as the Loan and Equity Investments Committee is not responsible for this), internal audit (including the right to demand information), and compliance,
- discussion of questions relating to the requirement of auditor independence,
- engagement of the auditors, determination of the areas of emphasis of the audit, and agreement of the fee.

In addition, Postbank's Internal Audit unit plays a process-independent monitoring role. It performs audits in all areas of the Company on behalf of the Management Board and is directly assigned to the

Management Board, to which it also reports. In addition to reviewing the propriety and functional reliability of the processes and systems it assesses in particular the effectiveness and appropriateness of the internal control system and of risk management in general.

The consolidated financial statements and the group management report must be audited by the auditor elected by the Annual General Meeting before the consolidated financial statements are approved.

The audit report to be prepared by the auditor must be submitted to Postbank's Supervisory Board.

Components of the internal control and risk management system relevant for financial reporting

Postbank's control environment, as a component of its internal control and risk management system relevant for financial reporting, is the framework within which the rules applicable in the Postbank Group are introduced and applied. It is determined by management's basic attitude, problem awareness, and behavior towards the internal control system. The control environment materially influences employees' control awareness. A positive control environment is a precondition for an effective internal control system.

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank uses SAP for posting its ledgers. In addition, specific data processing tools are used which are controlled as a part of integrated data processing monitoring. The Group reporting submitted by the companies to be consolidated are loaded into the SAP SEM system by the companies or entered manually in certain cases. This data together with other information provided by the companies to be included in the consolidation are used by the Bank to prepare its consolidated financial statements.

The risk of non-compliant financial statements is addressed by the issuance of guidelines. Group reporting is subject to an audit to assure conformity with group manuals. The quality of the consolidated financial statements is assured by the Accounting division. Procedures for the preparation of the consolidated financial statements and new IFRS requirements are the subject of regular information sessions held for the subsidiaries.

Generally applicable measurement procedures are used. The procedures used and the underlying inputs are reviewed at regular intervals and modified as necessary.

The core principle behind the design of these processes is the clear separation of irreconcilable activities. The principle of dual control plays a key role here. Dual control is exercised over all postings of transactions entailing technical and/or organizational separation.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and publication of the components of financial reporting. In addition, preparation of the consolidated financial statements comprises in particular determining the basis of consolidation, the reports by companies included in consolidation, intercompany reconciliations, currency conversion, automated and manual consolidation entries and, ultimately, the generation of the consolidated financial statements.

The entire financial reporting process is IT-based. Both standard applications and custom software are used. Rules and procedures, which are based on the Postbank Group's IT strategy and risk strategy, exist for program development and modifications, data backups, and access control, thus ensuring the propriety of the financial reporting.

Integrated process controls take the form of plausibility tests within the programs and automated and manual reconciliations. The Bank regularly reconciles the general and sub-ledgers. All postings are subject to dual control.

Internal Audit

The Internal Audit unit is a key element of the 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.

Internal Audit reviews the effectiveness and appropriateness of risk management in general and of the internal control system in particular in a risk-oriented and process-independent manner, in line with the MaRisk. In addition, it examines the propriety of all activities and processes. Internal Audit audits all areas of Postbank as a matter of principle at least once every three years. Areas that are exposed to a particular risk are audited annually. Internal Audit'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.

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

Audit planning and the determination of audit cycles employ appropriate tools based on a procedure that was established a number of years ago and that has been proven effective. A value at risk is calculated for each audit area, and this is used to determine the audit cycle. Risk assessments are performed on the basis of audits carried out and current developments in the relevant business division. This process produces a multi-year audit plan and the annual program for the following fiscal year, which Internal Audit is commissioned to implement by the Management Board.

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

Remuneration systems

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

The Postbank Group's remuneration systems have been adjusted to comply with the general requirements specified in the Circular. The adjustments will take effect in 2010. The remuneration systems are in keeping with the goals laid down in the strategies and are designed in such a way that negative incentives are avoided. Employees are remunerated appropriately for their tasks and responsibilities; the remuneration systems are reviewed annually for appropriateness.

With respect to the specific requirements placed on remuneration systems for managing directors and employees in high-risk positions, the remuneration systems are designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. Postbank intends to implement these changes by April 2010, insofar as this is possible under civil, employment, and company law.

Pending proceedings

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

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

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

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

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

Report on Expected Developments

Global economy

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

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

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

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

Economic outlook for Germany

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

Markets

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

The continued economic recovery and a normalization of inflation rates should initially produce higher yields in large currency regions during the first half of the year. The yield of 10-year German bunds could rise up to 3.75 %. As the year proceeds, though, the economic slowdown that we expect could trigger an opposite reaction in long-term yields. Because key interest rate increases in the euro zone will most likely be small, we anticipate a slight flattening of the yield curve for the entire year of 2010. By historical standards, however, it will still remain very steep.

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

Sector outlook

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

In particular, substantial tightening of capital requirements could result in a diminished ability to generate revenues as well as additional needs for capital and, thus, a reduction in the return on equity. In its planning, Postbank assumes that tougher requirements governing available capital resources and the leverage ratio will be introduced in a measured way in consideration of the business models and over a period of three years.

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

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

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

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

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

Expected financial situation

Investment focuses of Postbank

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

Goals of Postbank

Expected development in fundamental business divisions

As part of a review of its strategic positioning at the end of 2009, Postbank undertook a series of steps that are designed to underpin the Bank's good competitive position in the German retail market in 2010, 2011 and beyond, as well as to expand the fields of core products.

One particular focal point of the "Postbank4Future" strategic program is Retail Banking. The agreed-upon measures are designed to sharpen the Bank's profile in terms of products and sales. The objective is to ensure that the Bank is once again increasingly seen as a leading provider in checking accounts, savings programs, private mortgage lending, home savings and private retirement provision. The core elements are a product range that not only has been simplified, but is also systematically tailored to meet customer needs, a focus on the sales channels of selected product fields as well as the continued expansion of customer service through such steps as the expansion of the cash provision network, a reduction of processing times and optimization of complaint management.

By streamlining the product range and systematically integrating overhead functions, we expect to be able to tap efficiency potential in the areas of personnel and non-personnel costs.

Our portfolio of retail customer loans now consists primarily of mortgage loans in Germany with a high share of owner-occupied real estate that serves as collateral for us. Against the backdrop of the difficult macroeconomic conditions, the portfolio of retail banking loans has proven to be relatively stable. As a result of economic related reasons, we slightly increased allowances for losses on loans and advances in 2009. We expect that a moderate need for additional increases will arise in 2010 and 2011 as well.

The measures that have been introduced are designed to produce a slight, but sustainable increase in revenues in the Retail Banking division – despite continuing intense competition and the related pressure on margins as well as the low money- and capital-market rates that have an overall negative effect on deposit-rich institutions.

In the Corporate Banking division, "Postbank4Future" will not result in any noticeable changes in the strategic direction. Here, we will continue to concentrate on intensifying our business relationships with our approximately 30,000 corporate customers.

The centerpiece of this effort is the cross-selling of products and services to customers who primarily conduct payment transactions with us. Given the relatively good liquidity situation, we were able in the past two years to significantly expand the lending business we conduct with our corporate customers who are largely situated in Germany. We expect that the loan portfolio of this group of customers will grow in coming periods as well, albeit at rates below those achieved in past years. However, a significant tightening of regulatory conditions could have a negative impact on this business.

In the area of commercial real estate loans, which is part of Corporate Banking's business activities, we will concentrate on selected financing packages with existing customers and high collateral in response to the persistently difficult conditions involving new business in the international real estate business. For this reason, growth rates in this portfolio will be significantly below those generated in past years.

Given the continuing uncertainties about the macroeconomic situation, it is expected that there will be a larger need for allowances for losses on loans and advances in the Corporate Banking division than was the case in pre-crisis years. These expectations apply in particular to the area of commercial real estate loans where we foresee a higher need for allowances for losses on loans and advances particularly in 2010 – albeit under the level of 2009. Depending on economic developments, this situation should normalize beginning in 2011.

Thanks to the good volume being generated in Corporate Banking and the past successes achieved in the intensification of customer relationships as well as the expected lessening of negative effects caused in this segment by the financial market crisis, we expect revenues in this division to grow at satisfying levels in 2010, 2011 and beyond.

In Transaction Banking, Postbank is optimally prepared for future challenges related to modern, efficient processing thanks to its state-of-the-art IT platform for domestic, SEPA and international payment transactions. The integration of the newly acquired customer HSH Nordbank is expected to gradually generate positive momentum for the earnings situation. At the same time, it is to be expected that the integration of payment transactions that to date we have handled for Dresdner Bank into Commerzbank will result in the loss of a customer over the midterm. Steps to reduce the associated pool of costs have already been initiated. Overall, we expect revenues in this division to decline through 2011. But we also anticipate that this decrease will be almost completely offset by successful cost management.

The main responsibilities of the Financial Markets division will continue to involve effective risk management for the entire Postbank Group. Following the challenging years of 2008 and 2009, the continued optimization of our portfolio structure and systematic deleveraging will be the primary concerns in this area for 2010 and beyond.

Expected results of operations at the Postbank Group

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

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

Given the expected trends in the Bank's customer business and external economic environment, we foresee a slight rise in the core operating earnings components of net interest income and net fee and commission income during the ongoing fiscal year and 2011 despite the persistently low levels of interest rates and the slowly rising transaction volume in the securities and fund business. Here, significant growth momentum will be generated by net interest income, while the net fee and commission income may experience a moderate decline and then move laterally as a result of structure-driven declines in revenues generated by the postal business in our branches and from external transaction banking in 2010.

As part of our strategy program, we will once again intensify our cost management substantially. In this work, we will focus on both non-personnel and personnel cost centers. Given the expected gains in efficiency generated by the streamlining of our product range and by the consolidation of overhead functions, we expect that, by 2012, we will be able to reduce the workforce in a fair manner by about 2,000 employees to a total of 19,000. Overall administrative costs should then be lowered by about 5 % by 2012 compared with 2008, as announced in the strategy program.

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

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

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

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

Over the mid and long term, Postbank continues to strive for an operating return on equity after tax of about 13 %.

Consolidated Financial Statements in accordance with International Financial Reporting Standards for the period ended December 31, 2009

Consolidated Statement of Comprehensive Income for the Period January 1 to December 31, 2009

Consolidated Income Statement

	Note	2009 €m	2008[1] €m
Interest income	(7)	7,987	9,938
Interest expense	(7)	–5,582	–7,443
Net interest income	(7)	2,405	2,495
Allowance for losses on loans and advances	(8)	–678	–498
Net interest income after allowance for losses on loans and advances		1,727	1,997
Fee and commission income	(9)	1,614	1,683
Fee and commission expense	(9)	–285	–252
Net fee and commission income	(9)	1,329	1,431
Net trading income	(10)	–498	–389
Net income from investment securities	(11)	–148	–1,249
Administrative expenses	(12)	–2,864	–2,969
Other income	(13)	187	218
Other expenses	(14)	–131	–103
Loss before tax		–398	–1,064
Income tax	(15)	475	179
Profit or loss from ordinary activities after tax		77	–885
Minority interest		–1	–1
Consolidated net profit or loss		76	–886
Basic earnings per share (€)		0.35	–5.26
Diluted earnings per share (€)		0.35	–5.26

Condensed Statement of Comprehensive Income

	2009 €m	2008[1] €m
Profit or loss from ordinary activities after tax	77	–885
Other comprehensive income after tax	222	–168
Change in revaluation reserve	305	–202
thereof remeasurement gains/ losses	106	–979
thereof disposals and impairment	199	777
Change in currency translation reserve	–	–
Income tax relating to other comprehensive income	–83	34
Total comprehensive income for the period attributable to minority interest	–1	–1
Total comprehensive income	298	–1,054

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

Income tax recognized directly in comprehensive income is attributable exclusively to the revaluation reserve.

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 2009 was 218,800,000 (previous year: 168,567,000).

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 – as in the previous year – no dividend be paid for fiscal year 2009.

Consolidated Balance Sheet as of December 31, 2009

Assets	Note	Dec. 31, 2009 €m	Dec. 31, 2008[1] €m
Cash reserve	(16)	4,534	3,417
Loans and advances to other banks	(17)	14,467	18,684
Loans and advances to customers	(18)	111,043	105,318
Allowance for losses on loans and advances	(20)	–1,641	–1,323
Trading assets	(21)	20,471	16,573
Hedging derivatives	(22)	520	474
Investment securities	(23)	72,359	83,058
Intangible assets	(24)	2,368	2,371
Property and equipment	(25)	838	879
Investment property	(26)	73	73
Current tax assets	(27)	280	162
Deferred tax assets	(27)	552	863
Other assets	(28)	745	670
Total assets		226,609	231,219

Equity and Liabilities	Note	Dec. 31, 2009 €m	Dec. 31, 2008[1] €m
Deposits from other banks	(29)	39,318	62,790
Due to customers	(30)	131,988	117,472
Debt securities in issue	(31)	16,722	16,342
Trading liabilities	(32)	22,434	16,987
Hedging derivatives	(33)	2,051	2,693
Provisions		2,148	2,138
a) Provisions for pensions and other employee benefits	(34)	1,104	1,149
b) Other provisions	(35)	1,044	989
Current tax liabilities	(36)	174	192
Deferred tax liabilities	(36)	305	1,091
Other liabilities	(37)	711	826
Subordinated debt	(38)	5,507	5,736
Equity	(39)	5,251	4,952
a) Issued capital		547	547
b) Share premium		2,010	2,010
c) Retained earnings		2,614	3,278
d) Consolidated net profit/loss		76	–886
Minority interest		4	3
Total equity and liabilities		226,609	231,219

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

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Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consoli-dated net profit/loss €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Jan. 1, 2008	410	1,160	3,502	–149	–556	856	5,223	2	5,225
Dividend payment			–205				–205		–205
Changes in retained earnings			856			–856	0		0
Capital increase	137	850					987		987
Total comprehensive income Jan. 1 – Dec. 31, 2008					–168	–821	–989	1	–988
IAS restatement				–2		–65	–67	–	–67
Treasury shares							–	–	–
Other changes							–	–	–
Balance at Dec. 31, 2008	547	2,010	4,153	–151	–724	–886	4,949	3	4,952
Dividend payment							–		–
Changes in retained earnings			–886			886	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2009					222	76	298	1	299
Treasury shares							–	–	–
Other changes							–	–	–
Balance at Dec. 31, 2009	547	2,010	3,267	–151	–502	76	5,247	4	5,251

Total comprehensive income includes measurement and disposal gains and losses on available-for-sale financial instruments.

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

Postbank did not hold any treasury shares as of December 31, 2009.

Consolidated Cash Flow Statement

	Note	2009 €m	2008[1] €m
Consolidated net profit/loss		76	–886
Non-cash items in consolidated net profit/loss 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		1,046	1,224
Changes in provisions	(34), (35), (36)	–794	84
Changes in other non-cash items		473	486
Gains/losses on disposal of property and equipment and investment securities		–101	627
Other adjustments (net, primarily net interest income)		–1,984	–2,479
Subtotal		–1,284	–944
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		3,866	5,645
Loans and advances to customers		–5,978	–12,833
Trading assets		–4,395	–7,304
Hedging derivatives with positive fair values		–381	–2,862
Other assets		118	–499
Deposits from other banks		–23,264	1,653
Due to customers		14,512	6,787
Debt securities in issue		426	6,869
Trading liabilities		5,416	11,399
Hedging derivatives with negative fair values		–547	1,805
Other liabilities		–101	–9
Interest received		8,470	9,745
Interest paid		–5,815	–7,426
Dividends received		0	44
Income taxes paid		–234	14
Net cash from/used in operating activities		–9,191	12,084

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

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	Note	2009 €m	2008 €m
Proceeds from the disposal of			
Investment securities		12,892	27,586
Investments in subsidiaries	(2)	5	1
Property and equipment		1	12
Intangible assets		2	2
Payments to acquire			
Investment securities		−2,273	−40,183
Investments in subsidiaries		−9	−23
Property and equipment		−43	−54
Intangible assets		−54	−55
Net cash from/used in investing activities		10,521	−12,714
Dividends paid		0	−205
Net change in cash and cash equivalents from other financing activities		−212	900
Net cash from/used in financing activities		−212	695
Cash and cash equivalents at start of period	(16)	3,417	3,352
Addition to basis of consolidation		–	–
Net cash from/used in operating activities		−9,191	12,084
Net cash from/used in investing activities		10,521	−12,714
Net cash from/used in financing activities		−212	695
Effects of exchange rate differences		−1	–
Cash and cash equivalents at end of period	(16)	4,534	3,417

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 and 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.

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Basis of preparation

Income statement disclosures

Balance sheet disclosures

Other disclosures

Basis of preparation

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

(1) Basis of accounting

As a listed company, Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2009 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 *Handelsgesetzbuch* (HGB – German Commercial Code). The consolidated financial statements constitute an annual financial report within the meaning of section 37v of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

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The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2009).

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 consolidated statement of comprehensive income, 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. Among other things, the estimation uncertainty associated with measurement models for financial instruments is addressed in Note 42, Fair value of financial instruments. When determining the intention to hold financial instruments, business strategy and current market conditions are also 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.

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

The management of interest rate risk, counterparty credit risk, and liquidity risks is described in the Risk Report section of the Group Management Report (subsections "Monitoring and managing market risk," "Monitoring and managing credit risk," and "Monitoring and managing liquidity risk"). 64 68 79

The disclosures on risks from financial instruments (in accordance with IFRS 7) are presented in the Risk Report contained in the Group Management Report. 57

The management of the individual risk types and the disclosures on risks from financial instruments (in accordance with IFRS 7) are explained in the Risk Report as part of the Group Management Report. 57

(2) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 49 (December 31, 2008: 43) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2009.

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	
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	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main (TGV 1-24)	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Direkt 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	
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main		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 Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
Deutsche Postbank Home Finance Ltd., Gurgaon, India		100.0
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg		100.0
Miami MEI LLC, Dover, Delaware, U.S.A.		100.0
PB Capital Corp., Wilmington, Delaware, U.S.A.		100.0
PBC Carnegie LLC, Wilmington, Delaware, U.S.A.		100.0
PB Finance (Delaware), Inc., Wilmington, Delaware, U.S.A.		100.0
PB Hollywood I Hollywood Station LLC, Dover, Delaware, U.S.A.		100.0
PB Hollywood II Lofts LLC, Dover, Delaware, U.S.A.		100.0
Postbank Support GmbH, Cologne		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
2650 Virginia Avenue NW LLC, Dover, Delaware, U.S.A.		100.0
401 Mass Avenue Holdings LLC, Dover, Delaware, U.S.A.		100.0
Postbank Finanzberatung AG, Hamelin	23.3	76.7
PB (USA) Realty Corp., New York, U.S.A.		94.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	
DPBI Immobilien KGaA, Munsbach, Luxembourg		10.0

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).

Betriebs-Center für Banken Processing GmbH was included in the consolidated financial statements for the first time as of March 2009.

Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH was sold by way of an agreement dated July 15, 2009. At the time of sale, the Company's loss after tax was €19 thousand. The deconsolidation led to the disposal of assets amounting to €12 million and liabilities and provisions amounting to €2 million. The gain on the sale of €3 million is reported as net income from investments in associates under net income from investment securities.

In September 2009, the companies 2650 Virginia Avenue NW LLC, PB Hollywood II Lofts LLC, and Miami MEI LLC were included for the first time in the consolidated financial statements as wholly owned subsidiaries of PB Capital Corporation.

As part of the optimization of the Group's call center structures, Postbank Direkt GmbH acquired the call center units belonging to Deutsche Postbank AG and BHW Direktservice GmbH under an asset deal and was included in the consolidated financial statements for the first time in October 2009.

In November 2009, the companies PB Hollywood I Hollywood Station LLC, and 401 Mass Avenue Holdings LLC were included in the consolidated financial statements for the first time.

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, two special purpose entities formed to securitize installment loans and one special purpose entity established to securitize residential construction loans were consolidated. In 2009, two of these special purpose entities were consolidated for the first time. The special fund launched in the previous year was closed and deconsolidated in March 2009.

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 acquisition 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 it.

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 receivables.

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, if this leads – among other things – to the elimination or significant reduction of inconsistencies in measurement or recognition (accounting mismatches). In accordance with IAS 39 AG74 ff. receivables are measured on the basis of the discounted cashflow process using the current swap yield curve and loan-specific risk premiums. A detailed description of the valuation technique can be found in Note 42. The receivables 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 is reported in net interest income.

The maximum credit risk on the loan portfolios allocated to the fair value option is equal to the carrying amount of €8.6 billion (previous year: €8.7 billion); this risk is reduced by €1.6 billion (previous year: €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.

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. To further increase transparency, the balance sheet items "loans and advances to other banks" (Note 17) and "loans and advances to customers" (Note 18) are reported broken down by product group. In addition, the class with the highest value, "loans and advances to customers – loans and receivables," is reported broken down by product group for Note 20, "Allowance for losses on loans and advances" (IFRS 7.16). Receivables are derecognized once the majority of the key risks and rewards incidental to legal ownership of the financial assets have been transferred. The measurement methods used are described in Note 42, Fair value of financial instruments.

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(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 on the 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 under property and equipment. 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). Additionally, in the case of 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 to 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, the application for or opening of 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:

- the discounted present value of estimated future cash flows (interest and principal payments as well as payments received 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 increased counterparty credit 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 (€15 million) and an increased collective specific valuation allowance (€7 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 for the first time at the trade date.

They are carried at their fair values. If there are publicly quoted prices in an active market within the meaning of IAS 39.AG71 ff., these publicly quoted prices are generally used as the fair value; otherwise the fair value is determined based on recognized valuation tech- 136 niques (in accordance with IAS 39.AG74 ff.). A detailed description of the valuation techniques is given in Note 42. Remeasurement gains and losses as well as gains or losses on the sale or disposal of trading assets are recognized in net trading income.

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 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). 107 SCP portfolios held for trading are also carried under "trading assets." Detailed explanations on SCPs can be found in Note 4 (h), Investment securities.

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The measurement methods used are described in Note 42, Fair value of financial instruments.

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

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.

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. Effectiveness tests – and hence measurement in profit or loss – are performed at the end of the month.

(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.

At the time of initial recognition investment securities are measured at cost at the settlement date.

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

Available-for-sale investment securities (AfS) 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.

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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, and in addition, if an impairment trigger exists.

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.

For interest-bearing financial instruments, the markets were determined to be inactive due to the significant widening of bid-ask spreads in the course of the financial crisis and the massive decline in market liquidity, as well as the resultant significant decrease in trading volume until the third quarter of 2009 for corporate bonds and until the fourth quarter of 2009 for European government bonds, *Pfandbriefe*, and bank bonds. The fair values for these securities were no longer determined using indicative prices, but instead using a valuation model that employs market data to the greatest extent possible and relies as little as possible on company-internal data. Based on the increased transaction volumes observed by Postbank in the primary and secondary markets for corporate bonds at the end of the third quarter and for European government bonds, *Pfandbriefe*, and bank bonds in the fourth quarter of 2009, Postbank determined that these market segments were active in connection with measuring these portfolios. Therefore, the fair values of these portfolios are no longer determined based on a valuation model but instead based on observable market prices (in accordance with IAS 39.AG71 ff.).

As part of its credit substitution business, Postbank has invested in structured credit products (SCPs). 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).

To a minor extent, structured credit products are classified as held for trading (HfT). The accounting treatment of the 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.

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, these SCP portfolios must subsequently 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 single financial asset. By contrast, the synthetic structures (AfS) are separated into a host contract and an embedded derivative.

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)). 106

Synthetic SCPs (AfS), including the embedded derivatives and the SCPs in the trading portfolio (HfT) are measured at fair value. The fair value is generally measured using published transaction or market prices. If no transaction or market prices are available, so-called arranger or dealer quotes (indications) are used for the measurement. Due to the almost complete inactivity of markets for securitization products, an internal valuation model (consistent with IAS 39.AG74 ff.) with transaction-specific liquidity spreads is used to determine the fair values of SCPs in the AfS category (e.g. CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs). In accordance with IAS 39.48A, the valuation technique makes maximum use of market inputs.

Changes in the fair value of SCPs in the trading portfolio are presented in net trading income. For synthetic SCPs, changes in the fair value of the separated embedded derivatives are also recognized in net trading income. The remaining change in fair value (i.e. of the host contract of the synthetic SCP) is presented directly in the revaluation reserve if no impairment is present. The value of the embedded derivative, which is determined by a market- and loss-based valuation technique that uses current input parameters adapted to the respective market situation, is subtracted from the full fair value of the synthetic SCP.

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 continuously 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 credit 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 counted towards 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 credit risk for the underlyings is based on a products/markets/vintage matrix, reflecting the original rating, the current rating, and recovery expectations.

Upon measuring its structured credit portfolio following recent market developments, Postbank reduced the expected realization proceeds and increased the default probabilities for corporate CDOs. This resulted in a one-time negative effect on earnings of €157 million in the fourth quarter of 2009.

The impairment losses are reported in "net income from investment securities." Financial instruments are derecognized once the majority of the key risks and rewards incidental to legal ownership of the financial assets have been transferred.

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The measurement methods used are described in Note 42, Fair value of financial instruments.

(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 4 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. Intangible assets with a finite useful life are reviewed at the balance sheet date as to whether there exists any indication of a possible impairment. If an indicator exists, the impairment loss is determined. The determination is made by determining whether the respective carrying amount of the asset exceeds its recoverable amount and by considering a complete write-down and/or disposal of the asset. There were no indications of an impairment in 2009. Intangible assets not yet ready for use are tested for impairment annually. All of the intangible assets with an indefinite useful life recognized at Postbank are brands.

The established "BHW" brand is constantly promoted through continuous investments in advertising. Postbank intends to use this brand name over the long term.

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). To conduct the impairment test, the recognized goodwill and brands are allocated to the corresponding cash-generating units as required by IAS 36.38. For this purpose, pursuant to IAS 36.80, the operating segments in accordance with IFRS 8 are used as cash generating units. The impairment test of goodwill subsequently determines whether the recoverable amount exceeds the respective carrying amount of the cash generating unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The same procedure is used for impairment testing of brands, but the fair value less costs to sell for the brands is determined at the level of the individual asset instead of the cash generating unit. The value in use is determined based on the corresponding cash flows of the cash generating unit. The fair value less costs to sell is only determined if calculating the value in use would result in identification of an impairment. This was not the case in 2009. Value in use is calculated based on appropriate projections (management approach). The planning period covers three years. Following the detailed planning period, a projection using a 1 % growth rate (so-called perpetual annuity) was used.

A pre-tax discount rate of 8.95 % was used for the measurement.

The discount rate consists of a risk-free interest rate of 4.25 % plus a company-specific risk premium of 4.70 %, which is calculated from an average market risk of 5.00% and the individual beta factor of 0.94. The individual beta factor for Deutsche Postbank AG shares is a mean value of beta factors compared to the DAX 30 on the one hand, and to the Prime All Share on the other. Compared to the previous year, the analysis period was expanded from one year to three years when determining the beta factors due to the financial market crisis. Backtesting showed there would have been no need to recognize impairments as of December 31, 2009 even when using the same one-year analysis period.

With reference to IAS 36.134 (d) (ii), the recoverable amounts calculated in the projections (segment results) are based on both historical data and assumptions about future trends in markets that are crucial for Postbank's business. The key planning assumptions with regard to economic fundamentals are based on experience and the use of market models in Postbank's Research units, as well as on product managers' estimates of market trends in relation to the forecast performance of Postbank products. In addition, estimates and models by credit risk managers that are based on these fundamentals are used to assess changes in the allowance for losses on loans and advances.

In accordance with IAS 36.134 (d) (i), the key assumptions on which management has based its projections of the recoverable amounts are presented below.

With regard to the economic fundamentals, an average rate of growth in gross domestic product (GDP) was expected for the planning period 2010 – 2012; at the same time, a sharp increase in unemployment was assumed. Postbank now expects a slightly stronger increase in GDP. The rise in unemployment is likely to be considerably lower than was factored into or forecast in the projections due to the unexpectedly favorable labor market trend in the second half of 2009. However, management continues to expect extremely muted growth in disposable incomes in private households due to the after-effects of the financial market crisis. Given a slight increase in real consumer spending and moderate rises in consumer price levels, this will lead to a downward trend in the savings rate. As a result of current developments, the decrease in the savings rate is expected to be lower than initially forecast. At the same time, management predicts that the lending business will profit slightly from the sustained low interest rates and that the Bank will moderately expand its portfolio of loans to retail customers. The financial market crisis will continue to subside in the course of 2010. However, the banking sector will remain impacted by rising loan defaults due to the after-effects of the crisis.

The forecast changes in the relevant market parameters for savings products, the number of Postbank checking accounts, installment loans, and home savings products in the Bank's core German market, which were derived from the above-mentioned macroeconomic environment, will result in only moderate overall growth in Postbank's business activities. As a result, management is forecasting only a slight improvement in operating segment results in 2010 on the basis of these assumptions.

(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	4–5
Other operating and office equipment	5–20

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, for administrative purposes, or for sale in the ordinary course of business.

Rental income is reported under other income.

IAS 40 allows an option to measure investment property at fair value or at amortized cost. Postbank has opted to measure it at amortized cost, and the necessary disclosures are contained in Note 26. The depreciation method and useful life of investment property correspond to those of land and buildings (see Note 4 (j)). The fair values are determined based on internal appraisals.

(l) Other assets

Prepaid expenses, the collateral received from lending, as well as all assets not allocated to other asset items are reported under Other assets.

Collateral received is measured at the lower of cost and net realizable value.

(m) Liabilities

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

The carrying amount of secured liabilities that meet the requirements for hedge accounting is adjusted for the 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. In 2009, the negative fair values of embedded derivatives increased significantly due to continuing market tensions. Remeasurement gains and losses as well as realized gains and losses are recognized in net trading income. Derivatives carried under trading liabilities are recognized for the first time 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 – insofar as these are permissible – are recognized at their negative fair value.

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 can be found in Note 4 (h), Investment securities.

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(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. (special pension fund for postal civil servants) in the amount of € 115 million (previous year: € 115 million) and the statutory employer's contributions to the pension insurance in the amount of € 57 million that 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. This figure 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:

	2009	2008
Discount rate	5.25 % p.a.	5.75 % p.a.
Salary growth	2.5 %	2.5 %
Pension growth	2.0 %	2.0 %
Fluctuation	4.0 % p.a.	4.0 % p.a.
Pensionable age	60–63 years	60–63 years
Mortality, disability, etc.	Heubeck tables 2005G	Heubeck tables 2005G
Average expected return on plan assets	4.25 %	4.25 %

The expected return on plan assets was determined on the basis of the current long-term yields on (government and corporate) bonds. Suitable risk premiums were applied based on historical market returns and current market expectations, taking the structure of the plan assets into account.

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 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). Interest unwinding 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 contract terms. 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 provisions established for the reimbursement of arrangement fees are 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 Group reporting 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 taxes

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 their probable future utilization.

Deferred tax items are reported 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 €31 million.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2009

The following Standards were applied for the first time in the reporting period:

IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements (revised 2007), IAS 23 Borrowing Costs, IAS 32 Amendment 2008: Financial instruments: presentation, IFRS 7 Amendment 2009: Improving Disclosures about Financial Instruments, and the Annual Improvements Project 2008. Effects on Postbank's consolidated financial statements resulted from IFRS 8 and IAS 1 (revised 2007). IFRS 8 has superseded the provisions of IAS 14 on segment reporting. The new guidance implements segment reporting using the 'management approach'. The adoption of IFRS 8 does not have any material effects for Postbank. The core element of the amendments to IAS 1 is the extension of the existing income statement to include gains and losses recognized directly in equity to produce a statement of comprehensive income. Information on components of the statement of changes in equity was shortened accordingly. The revised Standard IAS 23 eliminates the option to include borrowing costs relating to qualifying assets.

The borrowing costs must be capitalized as part of the cost of that asset.

The amendment to IFRS 7 resulted in the introduction of a three-level fair value hierarchy for disclosures in the Notes. In addition to allocating the financial instruments recognized at fair value in the balance sheet to the relevant levels, a reconciliation is required for Level 3 instruments held. The relevant information is supplied in Note 42, Fair values of financial instruments.

The amended IAS 32 contains new guidance on distinguishing between equity and debt. Adoption of this Standard has no material effects for Postbank. The clarifications, amendments, and additions made as part of the Annual Improvements Project 2008 did not have any material effects for Postbank.

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 on Postbank are summarized below:

Standard	Date of first-time adoption	Description of amendments and their effects for Postbank
IFRS 3: Business Combinations	January 1, 2010 (endorsed by EU Regulation 495/2009 dated June 3, 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	January 1, 2010 (endorsed by EU Regulation 494/2009 dated June 3, 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.
IAS 39: Financial Instruments: Recognition and Measurement	January 1, 2010 (endorsed by EU Regulation 839/2009 dated September 15, 2009)	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.

The IASB made clarifications, amendments, and additions to ten Standards and two Interpretations as part of the Annual Improvements Project 2009. The amended Standards are required to be applied for all fiscal years beginning on or after January 1, 2010. Postbank does not anticipate any material effects from the new requirements.

(6) Restatement of prior-year and prior-quarter figures

As part of a random sampling examination that was conducted by the Deutsche Prüfstelle für Rechnungslegung e.V. (the Financial Reporting Enforcement Panel, FREP), the view was taken that the allowance for losses on loans and advances in the amount of €90 million posted during the first nine months of 2009 should have been recognized in the 2008 consolidated financial statements. In order to avoid delaying the preparation of the 2009 consolidated financial statements, the Bank has concurred with this appraisal, especially since the result remains unchanged when viewed across both reporting periods. The issue involves a mere period shift.

The retrospective adjustment led to an increase in the cost of additions to the allowance for losses on loans and advances of €90 million in fiscal year 2008. The allowance for losses on loans and advances increased accordingly by €90 million. The adjustment also led to an increase in income from deferred taxes in the amount of €25 million and to an adjustment of the foreign currency translation reserve by €–2m, thus increasing the consolidated net loss for 2008 by €65 million. In the course of the retrospective changes, earnings per share, segment reporting, the cash flow statement, the statement of changes in equity, and the prior-quarter figures have been adjusted accordingly.

Income statement disclosures

(7) Net interest income

	2009 €m	2008 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	5,445	6,245
Fixed-income and book-entry securities	2,493	3,377
Trading operations	40	202
Net gains/losses on hedges	–5	28
	7,973	9,852
Current income from:		
Equities and other non-fixed-income securities	5	75
Investments in associates	9	11
	14	86
Debt securities in issue	7,987	9,938
Interest expense on:		
Deposits	3,975	6,292
Debt securities in issue	563	641
Subordinated debt	261	307
Swaps	739	5
Trading operations	44	198
	5,582	7,443
Total	2,405	2,495

Interest income from lending and money market transactions includes €48 million (previous year: €33 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Interest expense on liabilities, debt securities in issue, and subordinated debt relates to financial instruments classified as liabilities at amortized cost.

Interest expense on trading operations includes refinancing expenses from trading activities.

Interest income and expenses on swaps used in hedging relationships 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 €497 million (previous year: €2 million). In addition, this item includes €242 million (previous year: €3 million) in derivatives that hedge loans and advances designated under the fair value option.

Gains and losses from the remeasurement of fair value hedges are reported under net gains/losses on hedges, which are composed of the following items:

	2009 €m	2008 €m
Gains on the fair value remeasurement of hedged items	197	2,797
Losses on the fair value remeasurement of hedging instruments	–202	–2,769
Total	–5	28

(8) Allowance for losses on loans and advances

	2009 €m	2008[1] €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	746	521
Portfolio-based valuation allowances	31	32
Cost of additions to provisions for credit risks	14	23
Direct loan write-offs	63	39
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	146	92
Income from the reversal of provisions for credit risks	14	4
Recoveries on loans previously written off	16	21
Total	678	498

€663 million (previous year: €427 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €0 million (previous year: €19 million) to guarantees, warranties and irrevocable loan commitments.

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

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The cost of additions to and the income from reversals of the allowance for losses on loans and advances to customers can be broken down by product group as follows:

	2009 €m	2008[1] €m
Additions		
Private mortgage lending	215	190
Home savings loans	4	5
Commercial loans	276	156
Public sector	–	–
Installment credits	67	45
Other loans and advances	164	73
Portfolio-based valuation allowances	31	32
Total	757	501

€21 million (previous year: €52 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

	2009 €m	2008 €m
Reversal		
Private mortgage lending	66	54
Home savings loans	1	2
Commercial loans	49	19
Public sector	–	–
Installment credits	2	2
Other loans and advances	22	15
Portfolio-based valuation allowances	–	–
Total	140	92

€6 million (previous year: €0 million) of the income from the reversal of the allowance for losses on loans and advances relates to loans and advances to other banks.

(9) Net fee and commission income

	2009 €m	2008 €m
Giro business	370	364
Securities business	133	165
Lending and guarantee business	128	116
Branch business	445	473
Other fee and commission income	253	313
Total	1,329	1,431

"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".

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

(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.

	2009 €m	2008 €m
Net income from sale of securities and loans	45	37
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	41	–48
Equities	3	–
Loans (held for trading)	2	13
	46	–35
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	4,929	18,787
Loss on derivatives	–5,542	–19,150
	–613	–363
Net gains/losses from application of the fair value option		
of which loans and advances to customers	64	433
of which derivatives substantively linked to the fair value option	–84	–422
	–20	11
Foreign exchange gain/loss	51	–33
Net fee and commission income carried in the trading portfolio	–7	–6
Total	–498	–389

The net loss on derivatives carried in the trading portfolio and the banking book includes expenses from interest on swaps of €186 million (previous year: income of €15 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

The net loss on derivatives in the trading portfolio and the banking book includes income from asset/liability management amounting to €100 million (previous year: €554 million) (see Note 4 (g)).

The net loss on derivatives also includes losses on the measurement of embedded derivatives from structured credit products of €652 million (previous year: losses of €755 million), gains on capital-guaranteed promissory note loans (CPPI) of €33 million (previous year: losses of €133 million), and gains on other promissory note loans of €0 million (previous year: losses of €31 million).

	2009 €m	2008 €m
Net income from interest rate products	84	–5
Net loss on derivatives carried in the trading portfolio and the banking book	–613	–363
Net gain/loss from application of the fair value option	–20	11
Net income from equities	7	7
Foreign exchange gain/loss	51	–33
Net fee and commission income carried in the trading portfolio	–7	–6
Total	–498	–389

(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.

	2009 €m	2008 €m
Net income from loans-and-receivables investment securities	–126	–486
thereof net income from sale	93	2
Gains on sale	159	59
Losses on sale	66	57
thereof net impairment loss	–219	–488
Net income from available-for-sale investment securities	–44	–786
thereof net income from sale	4	–650
Gains on sale	66	205
Losses on sale	62	855
thereof net impairment loss	–48	–136
Net income from loans to other banks	–2	–
thereof net income from sale of loans and receivables	–2	–
Net income from loans to customers	19	30
thereof net income from sale of loans and receivables	19	30
Net income from investments in associates	5	–7
Total	–148	–1,249

	2009 €m	2008 €m
Net income from bonds and promissory note loans	104	–6
Net income from equities and other non-fixed-income securities	10	–612
Net income from investments in associates	5	–7
Impairment	–267	–624
Total	–148	–1,249

€97 million (previous year: €156 million) of net impairment loss on investment securities relates to writedowns of structured credit products, €136 million (previous year: €371 million) to writedowns of other debt instruments, and €34 million (previous year: €97 million) to retail funds and investments.

(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:

	2009 €m	2008 €m
Staff costs		
Wages and salaries	1,070	1,092
Social security contributions	108	106
Expenses for pensions and other benefits	228	212
	1,406	1,410
Other administrative expenses	1,295	1,373
Amortization of intangible assets	74	95
Depreciation and writedowns of property and equipment	89	91
Total	2,864	2,969

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €119 million (previous year: €117 million) and pension expenses for defined benefit plans amounting to €81 million (previous year: €78 million).

Other administrative expenses relate primarily to IT costs of €277 million (previous year: €288 million); operating building and premises expenses of €154 million (previous year: €154 million); expenses for intragroup services received from Deutsche Post AG in the amount of €139 million (previous year: €136 million); market communication costs of €115 million (previous year: €149 million); and legal, consulting, and audit costs of €52 million (previous year: €92 million). €1 million of the other administrative expenses relates to investment property (previous year: €1 million).

Other administrative expenses include lease expenses of €138 million (previous year: €150 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

The amortization and writedowns of intangible assets do not include any impairment losses (previous year: €23 million).

Impairment losses of €25 million were charged on property and equipment in the year under review (previous year: €21 million).

(13) Other income

	2009 €m	2008 €m
Income from property and equipment	36	27
Income from reversal of accruals	33	32
Income from reversal of other provisions	26	22
Reimbursements from internal welfare	20	19
Participation in loss by silent partnerships and profit participation certificates outstanding	13	37
Income from uncollectable transactions	4	6
Miscellaneous	55	75
Total	187	218

Income from property and equipment mainly comprises rental income of €29 million (previous year: €22 million), of which €4 million relates to investment property.

The miscellaneous item includes a large number of individual items.

(14) Other expenses

	2009 €m	2008 €m
Additions to provisions	19	17
Expenses for claims settlement and ex gratia payments	9	6
Expenses for other taxes	5	11
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	5	6
Expenses from property and equipment	3	6
Miscellaneous	90	57
Total	131	103

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 €4 million (previous year: €3 million) and foreign wealth taxes amounting to €1 million (previous year: €2 million).

The miscellaneous item includes interest expense on payables to tax authorities in the amount of €4 million (previous year: €7 million) and €3 million of depreciation on collateral received in lending. In addition, the miscellaneous item includes a large number of individual items.

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

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(15) Income taxes

Income taxes in the Group were composed of the following items:

	2009 €m	2008[1] €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	54	26
Trade income tax	28	22
	82	48
Income from prior-period income tax	9	86
	91	134
Expense from deferred taxes		
from temporary differences	–643	–164
from the reversal of loss carryforwards	77	–149
	–566	–313
Total	–475	–179

The following reconciliation illustrates the relation between profit after tax and income tax expense:

	2009 €m	2008[1] €m
Profit/loss from ordinary activities after tax	77	–885
Income tax expense	–475	–179
Loss before tax	–398	–1,064
Applicable tax rate	29.83%	29.83%
Expected income taxes	–119	–317
Tax effects		
Effect of changes in tax rate	–6	–3
Effect of difference between applicable tax rates in Germany and abroad	–27	–34
Effect of tax-free income and non-deductible expenses	–1	–3
Effect of unrecognized deferred taxes	20	–
Effect of prior-period taxes	–184	71
Effect of equities and investments resulting from section 8b KStG	–161	115
Other	3	–8
	–356	138
Income tax expense	–475	–179

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). Losses on sales in connection with investments are not tax-deductible. These rules are based on the principle that dividends and capital gains on the disposal of shares in corporations remain tax-free and losses on sales are not tax-deductible provided that they remain within the corporations.

Such gains/losses therefore become tax-effective if they are transferred to ineligible recipients (natural persons or associations of persons) under the *Teileinkünfteverfahren* (German partial income system). No distinction is made between domestic and foreign investments.

Balance sheet disclosures

(16) Cash reserve

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Cash	890	923
Balances with central banks	3,644	2,494
Total	4,534	3,417

€3,628 million (previous year: €2,315 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2009 was €2,209 million (previous year: €1,935 million).

(17) Loans and advances to other banks

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Domestic banks		
Payable on demand	593	935
Other loans and advances	3,764	6,415
	4,357	7,350
Foreign banks		
Payable on demand	3,546	2,241
Other loans and advances	6,564	9,093
	10,110	11,334
Total	14,467	18,684

€4,081 million (previous year: €5,220 million) of loans and advances to other banks is due after more than 12 months.

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, 2009 €m	Dec. 31, 2008 €m
Loans and advances to other banks (loans and receivables)	9,262	10,547
thereof fair value hedges	547	863
Money market assets (loans and receivables)	5,205	8,069
Loans and advances to other banks (available for sale)	–	68
Total	14,467	18,684

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Securities repurchase agreements	5,054	8,271
Overnight money	4,176	3,010
Loans	4,564	5,548
Registered bonds	417	765
Term deposits	152	280
Other loans and advances	104	810
Total	14,467	18,684

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Financial collateral	6,137	10,136	1,507	2,855
Non-financial collateral	–	–	–	–
Total	6,137	10,136	1,507	2,855

Collateral is utilized at standard market conditions.

As of December 31, 2009, receivables under genuine repurchase agreements amounted to €5,054 million (previous year: €8,271 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 €9.2 billion (previous year: €12.4 billion) and variable-interest loans in the amount of €5.2 billion (previous year: €6.3 billion).

(18) Loans and advances to customers

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Private mortgage lending	70,217	69,370
Home savings loans	3,766	3,581
Commercial loans	30,383	24,277
Public sector	1,589	2,182
Installment credits	3,620	2,973
Other loans and advances	1,468	2,935
Total	111,043	105,318
thereof:		
Secured by mortgage charges	56,561	54,319
Public-sector loans	2,871	2,182

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Domestic customers	88,760	83.404
Foreign customers	22,283	21.914
Total	111,043	105,318

Loans and advances to customers without a fixed maturity amounted to 1 % of total assets (previous year: 0.9 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€84,064 million (previous year: €78,577 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 €94.9 billion (previous year: €91.3 billion) and variable-interest loans in the amount of €16.1 billion (previous year: €14.0 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, 2009 €m	Dec. 31, 2008 €m
Loans and receivables	102,408	96,713
thereof fair value hedges	2,079	1,754
Fair value option	8,635	8,605
Total	111,043	105,318

Loans and advances to customers include amounts due under finance leases of €357 million (previous year: €325 million). The gross investment value of the leases amounts to €272 million (previous year: €280 million).

The total amount of outstanding minimum lease payments is €269 million (previous year: €276 million) and has the following maturity structure:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
in the first year after the balance sheet date	69	61
in the second year after the balance sheet date	49	56
in the third year after the balance sheet date	40	42
in the fourth year after the balance sheet date	28	31
in the fifth year after the balance sheet date	17	19
more than five years after the balance sheet date	66	67
Total	269	276

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Outstanding minimum lease payments	269	276
Unguaranteed residual values	3	4
Total gross investment	272	280
Unearned finance income	44	49
Net investment	228	231
Present value of unguaranteed residual values	2	2
Present value of minimum lease payments	226	229

The specific valuation allowances for uncollectible outstanding minimum lease payments amount to €0.2 million (previous year: €0.2 million).

(19) Total credit extended

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Loans and advances to other banks	14,467	18,684
Loans and advances to customers	111,043	105,318
Guarantees	1,105	1,296
Total	126,615	125,298

(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, 2009 €m	Dec. 31, 2008[1] €m
Allowances for losses on loans and advances to other banks	64	52
Allowances for losses on loans and advances to customers	1,577	1,271
Total allowances for losses on loans and advances	1,641	1,323
Provisions for credit risks	42	48
Total	1,683	1,371

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	
	2009 €m	2008[1] €m	2009 €m	2008 €m	2009 €m	2008[1] €m
Balance at Jan. 1	1,209	1,071	114	83	1,323	1,154
Reclassification	−5	–	5	–	0	–
Additions						
Allowance charged to the income statement	746	521	31	32	777	553
Disposals						
Utilization	261	260	–	1	261	261
Allowance reversed to the income statement	146	92	–	–	146	92
Unwinding	48	33	–	–	48	33
Currency translation differences	4	−2	–	–	4	−2
Balance at Dec. 31	1,491	1,209	150	114	1,641	1,323

Collective specific valuation allowances are also reported under the specific valuation allowances.

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Dec. 31, 2009 €m	Dec. 31, 2008[1] €m
Specific valuation allowances		
Private mortgage lending	429	394
Home savings loans	10	12
Commercial loans	412	313
Public sector	–	–
Installment credits	167	118
Other loans and advances	409	320
Portfolio-based valuation allowances	150	114
Total	1,577	1,271

The total amount of loans at the balance sheet date for which no interest payments are received was €1,566 million (previous year: €951 million). Writedowns were charged on loans with a total volume of €3,811 million (previous year: €1,921 million). The outstanding interest receivables accounted for by these loans amounted to €96 million at December 31, 2009 (previous year: €98 million).

€63 million of loans and advances was written off directly in the year under review (previous year: €39 million). Recoveries on loans written off amounted to €16 million (previous year: €21 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, 2009 €m	Dec. 31, 2008 €m
Bonds and other fixed-income securities		
Public-sector issuers	147	28
Other issuers	525	458
	672	486
Equities and other non-fixed-income securities	300	18
Building loans held for trading	212	216
Positive fair values of derivatives carried as trading assets	18,640	15,209
Positive fair values of banking book derivatives	450	459
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	197	185
Total	20,471	16,573

Holdings of €15,114 million (previous year: €13,211 million) are due after more than 12 months.

€0.4 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term (previous year: €0.3 billion), while €0.3 billion (previous year: €0.2 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, 2009 €m	Dec. 31, 2008 €m
Bonds and other fixed-income securities	628	456
Equities and other non-fixed-income securities	286	12

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

(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, 2009 €m	Dec. 31, 2008 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	–	1
	–	1
Hedging derivatives on loans to customers		
Loans and receivables	2	2
	2	2
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	71	59
	71	59
Liabilities		
Deposits from other banks	32	27
Due to customers	67	14
Debt securities in issue	203	158
Subordinated debt	145	213
	447	412
Total	520	474

Holdings of €336 million (previous year: €301 million) are due after more than 12 months.

(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, 2009 €m	Dec. 31, 2008 €m
Bonds and other fixed-income securities		
Public-sector issuers	24,887	26,617
Other issuers	46,937	55,855
	71,824	82,472
Equities and other non-fixed-income securities		
Equities	4	–
Investment fund shares	460	475
	464	475
Investments in associates	19	19
Investments in unconsolidated subsidiaries	52	92
Total	72,359	83,058

Bonds and other fixed-income securities contain securities and interest coupons due on the balance sheet date and amounting to €128 million (previous year: €2 million).

Holdings of €64,985 million (previous year: €70,654 million) are due after more than 12 months.

€52,5 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term (previous year: €56.7 billion), while €19.3 billion (previous year: €25.8 billion) has a variable rate of interest (floaters).

Postbank’s portfolio of structured credit products has a total volume of €5.8 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, 2009 €m	Dec. 31, 2008 €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	59,401	68,859
thereof fair value hedges	23,595	31,318
Held to maturity	73	186
Available for sale	12,350	13,427
thereof fair value hedges	3,866	7,290
	71,824	82,472
Equities and other non-fixed-income securities		
Available for sale	464	475
	464	475
Investments in associates (available for sale)	19	19
Investments in unconsolidated subsidiaries (available for sale)	52	92
Total	72,359	83,058

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Bonds and other fixed-income securities	70,174	80,118
Equities and other non-fixed-income securities	325	248
Investments in associates	5	7

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Liabilities	24,063	40,800
Contingent liabilities	23	–
Total	24,086	40,800

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 €15 billion (previous year: €30 billion) as collateral to the European Central Bank. Open market transactions amounted to €8 billion at the balance sheet date (previous year: €23 billion). The securities lodged as collateral continue to be reported as investment securities.

Changes in the fair value of unhedged available-for-sale securities in the amount of €4 million were charged to the revaluation reserve (previous year: €–1,007 million). €78 million (previous year: €788 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 €267 million (previous year: €624 million) were recognized in fiscal year 2009 to reflect the economic performance of the financial instruments.

In the third quarter of 2008, Postbank reclassified bonds with a principal amount of €1.6 billion and a fair value of €1.5 billion as of July 1, 2008 from the available-for-sale category to the loans and receivables category due to a change in its intention to hold the bonds. It also reclassified securities (primarily bonds issued by foreign states, banks, and corporates) with a principal amount of €33.2 billion and a fair value of €32.9 billion from the available-for-sale category to the loans and receivables category as of October 1, 2008.

In the first quarter of 2009, Postbank altered its intention to hold a portion of the corporate bonds in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It therefore reclassified corporate bonds with a principal amount of €385 million from the available-for-sale category to the loans and receivables category as of January 28, 2009 at a fair value of €320 million.

As of December 31, 2009, the total amount of securities reclassified in accordance with IAS 39.50E had a fair value of €29.8 billion and a carrying amount of €30.8 billion. Of this, the securities reclassified in 2008 had a fair value of €29.6 billion (previous year: €35.8 billion) and a carrying amount of €30.6 billion (previous year: €35.8 billion).

Prior to the three above-mentioned reclassification dates, the changes in fair value recognized in the revaluation reserve for the securities that were reclassified amounted to €–468 million before tax. €–64 million of this amount relates to reclassifications in 2009 (previous year: €–73 million). Had Postbank not changed its intention to hold the bonds, the loss recognized in the revaluation reserve would have increased by a further €973 million in the period up to December 31, 2009 (previous year: €97 million).

Given a nominal weighting of the reclassified securities, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.4 % (range of effective interest rates: 1.8 % to 34.5 %). The estimated cash flows that Postbank expects as of the date of the reclassifications amount to €45.4 billion. In fiscal year 2009, €31 million in impairment losses was charged for all reclassified securities, as were disposal gains of €20 million on reclassified securities.

Interest amounting to €1,160 million (previous year: €392 million) accrued for the reclassifications.

(24) Intangible assets

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Acquired goodwill	1,651	1,631
Acquired software, concessions, industrial rights	622	649
Internally generated intangible assets and software	68	80
Advance payments on intangible assets and in-process intangible assets	27	11
Total	2,368	2,371

Goodwill increased by €20 million in Q1 2009 due to the initial consolidation of Betriebs-Center für Banken Processing GmbH.

€1,577 million of acquired goodwill (previous year: €1,577 million) is attributable to the Retail Banking segment, while €33 million (previous year: €33 million) and €41 million (previous year: €21 million) are attributable to the Financial Markets and Transaction Banking segments respectively.

The acquired software, concessions, industrial rights item includes the "BHW" brand in the amount of €319 million. The „BHW" brand is allocated to the Retail Banking segment. The capitalized amounts for customer relationships amounted to €81 million (previous year: €86 million), while those for beneficial contracts amounted to €53 million (previous year: €59 million).

A comparison of historical cost and cumulative amortization with the prior-period amounts is presented below:

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Historical cost					
Opening balance at Jan. 1, 2008	1,642	935	82	122	2,781
Changes in basis of consolidation	–	–	–	–	–
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
Changes in basis of consolidation	–	–	–	–	–
Additions	20	24	5	25	74
Reclassifications	–	5	2	–7	0
Disposals	–	16	3	2	21
Closing balance at Dec. 31, 2009	1,662	1,021	127	50	2,860

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Amortization					
Opening balance at Jan. 1, 2008	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
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	55	19	–	74
Additions	–	–	–	–	–
Reclassifications	–	1	–1	–	0
Disposals	–	16	2	–	18
Closing balance at Dec. 31, 2009	11	399	59	23	492
Carrying amount at Dec. 31, 2008	1,631	649	80	11	2,371
Carrying amount at Dec. 31, 2009	1,651	622	68	27	2,368

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2009 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2009 €m
Acquired goodwill	1,631	20	–	–	–	1,651
Acquired software, concessions, industrial rights	649	24	–	4	55	622
Internally generated intangible assets and software	80	5	1	3	19	68
Advance payments on intangible assets and in-process intangible assets	11	25	2	–7	0	27
Total	2,371	74	3	0	74	2,368

In fiscal year 2009, borrowing costs for qualifying assets (software under development) of €0.1 million were capitalized in accordance with IAS 23. The underlying capitalization rate was 2.7 %.

The carrying amount as of December 31, 2009 of advance payments on intangible assets was €5 million (previous year: €6 million); the carrying amount of in-process intangible assets was €22 million (previous year: €5 million).

(25) Property and equipment

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Land and buildings	686	721
Operating and office equipment	142	141
Advance payments and assets under development	10	17
Total	838	879

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, 2008	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
Changes in basis of consolidation	–	1	–	1
Additions	1	39	4	44
Reclassifications	–	9	–9	0
Disposals	–	77	2	79
Closing balance at Dec. 31, 2009	1,072	449	10	1,531

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2008	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
Changes in basis of consolidation	–	–	–	–
Depreciation	43	46	–	89
Additions	–7	–	–	–7
Reclassifications	–	–	–	–
Disposals	–	75	–	75
Closing balance at Dec. 31, 2009	386	307	–	693
Carrying amount at Dec. 31, 2008	721	141	17	879
Carrying amount at Dec. 31, 2009	686	142	10	838

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying at Jan. 1, 2009 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals €m	Depreciation €m	Carrying amount at Dec. 31, 2009 €m
Land and buildings	721	1	0	0	7	43	686
Operating and office equipment	141	40	2	9	–	46	142
Advance payments and assets under development	17	4	2	–9	–	–	10
Total	879	45	4	0	7	89	838

At the balance sheet date, assets under development amounted to €7 million (previous year: €13 million).

The property and equipment for which Postbank acts as the lessor under an operating lease consists of land and buildings.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Cost	709	711
Cumulative depreciation	308	288
Carrying amount	401	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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Investment property	102	102	29	29

The carrying amounts of investment property changed as follows in the year under review:

	Carrying amount at Jan. 1, 2009 €m	Additions €m	Disposals €m	Reclassifications €m	Depreciation €m	Carrying amount at Dec. 31, 2009 €m
Investment property	73	–	–	–	–	73

The disclosures relating to investment property for fiscal year 2009 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	4	1	–	–	–

The disclosures relating to investment property for fiscal year 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, 2009 €m	Dec. 31, 2008[1] €m
Current tax assets	280	162
Deferred tax assets		
from temporary differences	311	536
from tax loss carryforwards	241	327
domestic	–	–
foreign	241	327
	552	863
Total	832	1,025

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, 2009 €m	Dec. 31, 2008 €m
Assets		
Loans and advances	58	220
Allowance for losses on loans and advances	79	21
Trading assets	–	–
Hedging derivatives	21	22
Investment securities	347	367
Property and equipment	13	9
Other assets	125	157
Liabilities		
Amounts due to other banks and customers	8	53
Trading liabilities	4,240	2,330
Hedging derivatives	368	533
Provisions for pensions and other employee benefits	63	70
Other provisions	86	60
Other liabilities	7	–
	5,415	3,842
Tax loss carryforwards	241	327
Netted against deferred tax liabilities	5,104	3,306
Total	552	863

As of December 31, 2009, no deferred tax assets were recognized for temporary differences/ tax carryforwards amounting to €86 million. Despite losses in the current fiscal year and the previous year, €434 million of deferred tax assets were recognized for fiscal year 2009.

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

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The reasons given for this value are that future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences can be expected.

(28) Other assets

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Prepaid expenses	478	452
Trade receivables	107	116
Receivables from tax authorities	14	12
Advances to members of the mobile sales force	13	12
Miscellaneous	133	78
Total	745	670

€346 million of prepaid expenses (previous year: €323 million) relates to prepaid brokerage commissions and €46 million (previous year: €58 million) relates to prepaid rent and lease expenses.

Miscellaneous other assets include collateral received on lending totaling €59 million. Collateral received is measured at the lower of cost and net realizable value.

Other assets amounting to €471 million (previous year: €377 million) have a maturity of more than 12 months.

(29) Deposits from other banks

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Domestic banks		
Payable on demand	468	2,043
With an agreed maturity or withdrawal notice	28,434	42,700
	28,902	44,743
Foreign banks		
Payable on demand	1,289	1,533
With an agreed maturity or withdrawal notice	9,127	16,514
	10,416	18,047
Total	39,318	62,790

€546 million of the deposits from other banks is covered by fair value hedges (previous year: €368 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

€11,164 million (previous year: €10,689 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 €35.0 billion (previous year: €57.7 billion) and variable-interest deposits in the amount of €4.3 billion (previous year: €5.1 billion).

As of December 31, 2009 genuine securities repurchase agreements amounted to €7.1 billion (previous year: €14.8 billion).

In the period under review, a provision of a loan agreement came into effect whereby the lender can demand the complete repayment of the loan in the amount of €25 million. The lender had not demanded early repayment of the loan at the time these financial statements were being prepared. Postbank assumes that the terms of the loan will be renegotiated in the first quarter of 2010.

(30) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Savings deposits		
With an agreed withdrawal notice of three months	48,876	34,663
With an agreed withdrawal notice of more than three months	177	361
	49,053	35,024
Home savings deposits	16,341	16,196
thereof: on terminated contracts	72	67
thereof: on allotted contracts	6	6
Other amounts due		
Payable on demand	33,569	26,891
With an agreed maturity or withdrawal notice	33,025	39,361
	66,594	66,252
Total	131,988	117,472
Domestic customers	125,982	110,293
Foreign customers	6,006	7,179
Total	131,988	117,472

€3,099 million of the amounts due to customers is covered by fair value hedges (previous year: €476 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

€33,907 million (previous year: €32,729 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 €46.5 billion (previous year: €51.4 billion) and variable-interest deposits in the amount of €85.5 billion (previous year: €66.1 billion).

(31) Debt securities in issue

Amounts reported as debt securities in issue relate to bonds, including mortgage *Pfandbriefe* and public-sector *Pfandbriefe*, and money market instruments (e.g., certificates of deposit, euro notes, commercial paper).

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Public-sector *Pfandbriefe*	1,735	–
Mortgage *Pfandbriefe*	4,237	3,675
Other debt instruments	10,750	12,667
Total	16,722	16,342

€5,450 million of the debt securities in issue is covered by fair value hedges (previous year: €5,625 million).

Debt securities in issue only include financial instruments classified as liabilities at amortized cost.

€8,067 million (previous year: €6,897 million) of debt securities in issue is due after more than 12 months.

Debt securities in issue include fixed-interest liabilities in the amount of €15.6 billion (previous year: €13.7 billion) and variable-interest liabilities in the amount of €1.1 billion (previous year: €2.7 billion).

Repurchased own bonds amounting to €706 million (previous year: €302 million) were deducted directly from debt securities in issue.

(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, 2009 €m	Dec. 31, 2008 €m
Negative fair values of trading derivatives	19,229	14,638
Negative fair values of banking book derivatives	2,223	1,577
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	982	772
Total	22,434	16,987

€16,553 million (previous year: €11,335 million) of trading liabilities is due after more than 12 months.

(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, 2009 €m	Dec. 31, 2008 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	30	38
	30	38
Hedging derivatives on loans to customers		
Loans and receivables	128	117
	128	117
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,775	2,357
Equities and other non-fixed-income securities	–	–
	1,775	2,357
Liabilities		
Due to customers	4	–
Debt securities in issue	49	68
Subordinated debt	65	113
	118	181
Total	2,051	2,693

€1,685 million (previous year: €2,270 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				
	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Present value of obligations of fully or partially funded benefits	728	660	698	773	73
Present value of obligations of non-funded benefits	815	733	729	824	761
Present value of total defined benefit obligation	1,543	1,393	1,427	1,597	834
Fair value of plan assets	−470	−392	−392	−381	−59
Unrealized gains (+)/ losses (–)	31	148	108	−101	−190
Net pension provisions	1,104	1,149	1,143	1,115	585

	Change in present value of total defined benefit obligation	
	2009 €m	2008 €m
Present value of total defined benefit obligation at January 1	1,393	1,427
Current service cost, excluding employee contributions	22	25
Employee contributions	3	3
Interest cost	79	78
Pension benefits paid	−77	−84
Past service cost	5	−2
Plan settlements	–	–
Transfers	2	−1
Changes in basis of consolidation	−2	–
Actuarial gains (–)/losses (+)	118	−53
Currency effects	–	–
Present value of total defined benefit obligation at December 31	1,543	1,393

	Change in plan assets	
	2009 €m	2008 €m
Fair value of plan assets at January 1	392	392
Employer contributions	68	7
Employee contributions	–	–
Expected return on plan assets	17	16
Gains (+)/losses (–) on plan assets	10	–6
Pension benefits paid	–17	–17
Transfers	–	–
Changes in basis of consolidation	–	–
Plan settlements	–	–
Currency effects	–	–
Fair value of plan assets at December 31	470	392

Plan assets primarily consist of pension fund contracts (70 %, previous year: 81 %), fixed-income securities (25 %, previous year: 12 %), other assets (3 %, previous year: 6 %), and equities (2 %, previous year: 1 %). None of the assets are used directly by the Postbank Group.

Gains and losses

	Gains and losses on plan assets				
	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Actual return on plan assets	27	10	10	15	6
Expected return on plan assets	17	16	17	16	3
Experience gains (+)/losses (–) on plan assets	10	–6	–7	–1	3

	Gains and losses on defined benefit obligation				
	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Experience gains (+)/losses (–) on defined benefit obligations	–20	0	33	–12	–13
Increase (+)/decrease (–) in defined benefit obligations arising from changes in assumptions	–98	53	177	91	–60
Total actuarial gains (+)/ losses (–) on defined benefit obligations	–118	53	210	79	–73

	Change in net pension provisions	
	2009 €m	2008 €m
Balance at January 1	1,149	1,143
Pension expense	81	78
Pension benefits paid	–60	–67
Employer contributions	–68	–7
Employee contributions	2	3
Changes in basis of consolidation	–2	–
Transfers	2	–1
Currency effects	–	–
Balance at December 31	1,104	1,149

Payments in the amount of €56 million are expected for net pension provisions in 2010, which are attributable to directly anticipated pension payments by the Company. Employer contributions of €5 million are also expected.

	Pension expense	
	2009 €m	2008 €m
Current service cost	22	25
Interest cost	79	78
Expected return on plan assets	–16	–16
Recognized past service cost	5	–2
Amortization of unrecognized gains (–)/losses (+)	–9	–7
Effects of plan settlements	–	–
Other	–	–
Pension expense	81	78

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 gain of €9 million was recognized in the income statement in 2009 (previous year: €7 million).

(35) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2009 €m	Changes in basis of consolidation €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2009 €m
Provisions for home savings business	715	–	126	4	173	758
Staff-related provisions	86	–	20	1	30	95
Provisions for credit risks	48	–	6	14	14	42
Risk compensation amounts of the Postbeamtenkrankenkasse (Postal Civil Service Health Insurance Fund)	3	–	1	–	–	2
Miscellaneous	137	–	58	17	85	147
Total	989	–	211	36	302	1,044

The addition to the staff-related provisions item relates to restructuring measures.

€715 million (previous year: €685 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, 2009 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2009 €m
Provisions for home savings business					
for interest premiums	544	94	–	143	593
for reimbursement claims from arrangement fees	92	16	–	8	84
for changes in interest rates	71	15	–	17	73
Miscellaneous	8	1	4	5	8
Total	715	126	4	173	758

Miscellaneous other provisions include provisions for litigation costs amounting to €17 million (previous year: €15 million), provisions for jubilee benefits amounting to €10 million (previous year: €8 million) and provisions for year-end closing costs amounting to €4 million (previous year: €3 million).

(36) Current and deferred tax liabilities

	Balance at Jan. 1, 2009 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2009 €m
Current taxes	192	74	11	67	174
Deferred taxes[1]	1,091	–	2,158	1,372	305
Total	1,283	74	2,169	1,439	479

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

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Provisions for current taxes relate to current payment obligations to the tax authorities.

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2009 €m	Dec. 31, 2008[1] €m
Assets		
Loans and advances	290	305
Allowance for losses on loans and advances	–	–
Trading assets	3,312	1,921
Hedging derivatives	65	110
Investment securities	1,080	1,486
Property and equipment	6	3
Other assets	272	167
Liabilities		
Amounts due to other banks and customers	150	111
Trading liabilities	–	–
Hedging derivatives	–	–
Provisions for pensions and other employee benefits	11	8
Other provisions	153	30
Other liabilities	70	256
	5,409	4,397
Netted against deferred tax assets	5,104	3,306
Total	305	1,091

(37) Other liabilities

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Liabilities from other taxes	231	243
Trade payables	118	189
Liabilities from expenses for management bonuses	68	79
Liabilities from expenses for outstanding invoices	55	56
Deferred income	54	45
Liabilities from expenses for commissions and premiums	50	52
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	43	54
Miscellaneous liabilities	92	108
Total	711	826

In the previous year, trade payables due to Deutsche Post AG were recognized separately.

€49 million (previous year: €64 million) of other liabilities is due after more than 12 months.

(38) Subordinated debt

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Subordinated liabilities	2,589	2,774
Hybrid capital instruments	1,681	1,687
Profit participation certificates outstanding	1,224	1,237
Contributions by typical silent partners	13	38
Total	5,507	5,736

Subordinated debt only includes financial instruments classified as liabilities at amortized cost.

€5,241 million (previous year: €5,426 million) of subordinated debt is due after more than 12 months.

Due to the current maturity structure, only €3,348 million (previous year: €3,597 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 €119 million (previous year: €157 million). Deferred interest not yet due amounting to €27 million (previous year: €42 million) is carried as subordinated debt under 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 €23 million (previous year: €13 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 2009 on profit participation certificates outstanding totals €58 million (previous year: €58 million). Deferred interest not yet due amounting to €45 million (previous year: €12 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 €2,010 million of the subordinated debt (previous year: €2,183 million) is hedged against changes in fair value; of this figure €329 million (previous year: €496 million) is attributable to subordinated liabilities and €1,681 million (previous year: €1,687 million) to hybrid capital instruments.

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

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€4.8 billion of subordinated debt (previous year: €4.4 billion) is fixed-interest, while €0.7 billion (previous year: €1.3 billion) is variable-interest.

(39) Equity

	Dec. 31, 2009 €m	Dec. 31, 2008[1] €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,267	4,153
Foreign currency translation reserve	–151	–151
Revaluation reserve	–502	–724
Retained earnings	2,614	3,278
Consolidated net profit/loss	76	–886
Minority interest	4	3
Total	5,251	4,952

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.

By way of a resolution adopted by the Annual General Meeting on April 22, 2009, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €273.5 million up to April 21, 2014 by issuing new no-par value registered shares against cash and non-cash contributions including mixed non-cash contributions (Authorized Capital).

The shareholders are generally granted pre-emptive subscription rights. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

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

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

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	
	2009 €m	2008 €m
Balance at January 1	–724	–556
Remeasurement gains/losses	106	–979
Available for sale, hedged (due to changes in credit risk)	102	28
Available for sale, unhedged	4	–1,007
Disposals and impairment	199	777
Impairment	56	136
thereof available for sale	48	136
thereof loans and receivables	8	–
Disposal/hedge termination	21	650
thereof available for sale	–3	650
thereof loans and receivables	24	–
Writedown effect in net interest income	122	–9
thereof available for sale	51	11
thereof loans and receivables	71	–20
Income tax recognized directly in equity	–83	34
Balance at December 31	–502	–724

An amount of €77 million (previous year: €786 million) carried in the revaluation reserve was reversed to income from disposals of and impairment on available-for-sale financial instruments and financial instruments reclassified out of the available-for-sale to the loans and receivables category in the year under review. The writedown effect of these financial instruments led to a reversal of €122 million from the revaluation reserve to income (previous year: €–9 million). In addition, the revaluation reserve increased by €106 million (previous year: decrease of €979 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €– 83 million (previous year: €34 million) in the fiscal year under review, resulting in a closing balance of €251 million (previous year: €334 million); the revaluation reserve increased by a corresponding amount.

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

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Other disclosures

(40) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking[1]		Transaction Banking		Financial Markets		Others		Consolidation		Group[1]	
	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m
Net interest income	2,141	2,226	543	386	1	4	125	162	−496	−281	91	−2	2,405	2,495
Net trading income	−32	25	−140	−92	–	–	47	−6	−282	−325	−91	9	−498	−389
Net income from investment securities	–	−2	−51	−241	–	–	−21	−110	−76	−895	–	−1	−148	−1,249
Net fee and commission income	1,113	1,178	104	107	322	340	27	57	−42	−33	−195	−218	1,329	1,431
Balance-sheet related revenues	3,222	3,427	456	160	323	344	178	103	−896	−1,534	−195	−212	3,088	2,288
Administrative expenses	−2,136	−2,220	−180	−171	−317	−312	−90	−92	−922	−973	781	799	−2,864	−2,969
Allowance for losses on loans and advances	−345	−304	−300	−143	–	–	−33	−22	–	−29	–	–	−678	−498
Other income/expenses	29	26	−2	1	33	16	5	−3	577	662	−586	−587	56	115
Profit/loss before tax	770	929	−26	−153	39	48	60	−14	−1,241	−1,874	0	0	−398	−1,064
Revenues from external customers	3,204	3,411	453	156	142	155	177	81	−883	−1,501				
Intersegmental revenues	18	16	3	4	181	189	1	22	−13	−33				
Depreciation and amortization	−19	−21	−1	−1	−6	−2	−2	−2	−110	−116				
Impairment losses	−19	−21	−1	−1	−6	−2	−2	−2	−135	−160				
Reversal of impairment losses	0	2	0	0	0	0	0	0	7	0				
Cost/income ratio (CIR)	66.3 %	64.8 %	39.5 %	106.9 %	98.1 %	90.7 %	50.6 %	89.3 %	–	–			92.7 %	129.8 %
Return on equity before taxes (RoE)	34.9 %	41.9 %	−4.8 %	−37.4 %			8.1 %	−2.2 %	−78.6 %	−145.9 %			−7.8 %	−23.3 %
Segment assets	89,882	87,048	34,679	28,650	399	351	30,710	31,437	101,506	115,812	−30,567	−32,079	226,609	231,219
Segment liabilities	119,754	107,579	29,684	23,023	399	351	28,379	27,113	78,960	105,232	−30,567	−32,079	226,609	231,219

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 Deutsche Postbank AG's Retail Banking, the BHW subgroup, Postbank Filialvertrieb AG, and VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH. In addition, the result of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment for the first time in the financial statements for fiscal year 2009.

Postbank's Corporate Banking business division provides payment transaction services. Commercial finance, especially regarding real estate, constitutes the second important pillar of the corporate banking business in national and international terms.

Factoring, leasing, and logistics finance also belong to this business division.

The result of this segment comprises the corporate banking business at Deutsche Postbank AG, PB Firmenkunden AG, PB Capital Corp., Postbank Leasing GmbH, PB Factoring GmbH, the London branch, and Deutsche Postbank International S.A.

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 cross-border payment transaction services.

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

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

retail funds and special funds (Deutsche Postbank Privat Investment Kapitalanlagegesellschaft GmbH (PPI) and Deutsche Postbank Financial Services GmbH) are allocated to the Financial Markets business division. PPI, which was sold in the third quarter of 2009, is included in the Financial Markets segment at the result generated up to this date. The Others segment includes the proceeds of sale from this transaction.

Consolidation items have been reported separately in the financial statements for fiscal year 2009 for the first time. These comprise Group consolidation less intra-segment consolidation adjustments.

The Others segment contains items not attributable to the businesses, unallocated overhead costs, and the result of Postbank's own-account transactions. The net interest expense is due among other things to disposals of banking and trading book assets, asset/liability management, the transfer pricing system in place up to and including 2004, and the acquisition of the BHW Group and Filialvertrieb. The following table contains other key earnings components for this segment.

	2009 €m	2008 €m
Net trading income	−282	−325
of which		
Net loss on embedded derivatives from structured credit products	−468	−645
Net gain/loss on capital-guaranteed promissory note loans (CPPI structures)	33	−133
Other promissory note loans	–	−31
Asset/liability management	100	554
Other items	53	−70
Net income from investment securities	−76	−895
of which		
Net loss on structured credit products	−90	−82
Other debt instruments	−66	−107
Writedowns of retail funds	−30	−97
Sale of BHW Bank credit portfolio	–	30
Reduction of equities portfolio	–	−576
Other items	110	−63
Administrative expenses	−922	−973
of which		
Cost of central services	−329	−240
IT and other services	−424	−456
Other items	−169	−277
Other income/expenses	577	662
of which		
IT and other services	419	456
Other items	158	206

As compared to the 2008 Group Annual Report, the assets and liabilities reported in the Others segment have been affected by the recognition of assets and liabilities in the Consolidation segment and the allocation of asset positions from the purchase price allocation of BHW to the Retail Banking segment.

In addition to the results in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment results. In accordance with IFRS 8.23 we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses of the Deutsche Postbank AG units included in the segment results are primarily based on the results of cost center accounting. The amount of the allowance for losses on loans and advances is determined for the first time on the basis of the actually recognized allowance for losses on loans and advances in the financial statements for fiscal year 2009. Income taxes are not calculated on segment level.

The retrospective adjustment of the allowance for losses on loans and advances in fiscal year 2008 in the amount of €90 million impacts the profit/loss before tax of the Corporate Banking segment.

Reversal of impairment losses and impairment losses relate to intangible assets and property and equipment. Both amortization/depreciation and impairments are taken into account. The amortization of intangible assets does not include any write-downs (previous year: €23 million). In the fiscal year under review impairment losses on property and equipment in the amount of €25 million (previous year: €21 million) were recognized. The impairment losses impact the Others segment.

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 risk, and collective risk. The average IFRS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

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 division.

The allocation of assets and liabilities to the segments is based on the segments' operating activities. The balance sheet items of the subsidiaries as well as the assets and liabilities relating to customer products are allocated to the business divisions by product/customer category. The imputed measurement rates used in the market rate method do not result in any additional imputed asset positions. As a result, the volumes of assets and liabilities recognized in the segments do not match. The Others segment comprises assets and liabilities from subsidiaries which have not been allocated to the operating segments and from Deutsche Postbank AG, e.g., from own-account transactions.

In addition to the above-mentioned modifications, the Corporate Banking and Retail Banking segments recorded a negative net interest spread resulting from cash holdings at the tellers' counters and in ATMs for the first time in the financial statements for fiscal year 2009. Further modifications were made as part of the product/customer segment-based allocation of income from electronic cash payments and of expenses from third-party loan brokerage activities within the Retail Banking segment.

The prior-year figures were adjusted.

In 2008, excluding the retrospective adjustment of the allowance for losses on loans and advances, the above-mentioned adjustments to segment reporting resulted in the following changes to the profit before tax: Retail Banking: up €17 million, Corporate Banking: down €5 million, Others: down €12million.

Company level disclosures

The following table contains information about income per product or service:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Deposits and loans for Retail and Corporate Banking customers	2,703	2,749
Payment transaction services for Retail and Corporate Banking customers	414	404
Retail and Corporate Banking fee and commission income	553	596
Transaction Banking insourcing (net fee and commission income)	141	150
Others	–723	–1,611
Total	3,088	2,288

The total comprises the Postbank Group's net interest income, net fee and commission income, net trading income, and net income from investment securities. Net interest income and net fee and commission income of the subsidiaries attributable to the Corporate Banking segment are reported under the Deposits and loans for Retail and Corporate Banking customers item. The Others item also includes the Group's net trading income and net income from investment securities, and as a result also the significant effects from the financial markets crisis.

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 Deutsche Postbank International S.A. and Deutsche Postbank Vermögensmanagement S.A., and the branches of BHW in Italy, Luxembourg, and Belgium form part of the Europe region. The prior-year figures were adjusted in particular to account for the period shift of the allowance for losses on loans and advances.

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-year figures have been adjusted accordingly.

	Assets		Liabilities		Income		Loss/profit before tax[1]	
	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m	2009 €m	2008 €m
Germany	189,399	192,908	189,399	192,908	2,892	2,391	–312	–797
Others	37,210	38,311	37,210	38,311	196	–103	–86	–267
Europe	29,077	30,241	29,077	30,241	267	123	96	40
U.S.A.	7,483	7,505	7,483	7,505	–93	–242	–195	–317
Asia	650	565	650	565	22	16	13	10
Total	226,609	231,219	226,609	231,219	3,088	2,288	–398	–1,064

Non-current assets comprise intangible assets, property and equipment, and investment property.

	Non-current assets	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Germany	3,269	3,313
Others	10	10
Europe	6	6
U.S.A.	3	3
Asia	1	1
Total	3,279	3,323

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

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(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.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Contingent liabilities		
on guarantees and warranties	1,105	1,296
Other obligations		
irrevocable loan commitments	9,857	11,142
of which: building loans provided	2,641	3,610
miscellaneous obligations	12,107	12,063
Total	23,069	24,501

Miscellaneous obligations relate to credit lines which can be called in at any time. Contingencies and other obligations were reduced by the allowance for losses on loans and advances recognized.

(42) Fair values of financial instruments

Fair value hierarchy

While financial instruments are measured in accordance with IAS 39, Postbank uses the three-level fair value hierarchy in accordance with IFRS 7 for financial instruments measured at fair value.

Level 1:
This comprises listed securities and exchange-traded derivatives as well as all spot currency transactions.

Level 2:
This category includes financial instruments whose value is calculated solely using observable market inputs that are highly relevant for calculating fair value. These include non-exchange-traded derivatives (e.g. swaps, caps, floors, CDSs) as well as bonds and promissory note loans that are valued using observable yield and spread curves and volatilities.

Level 3:
This comprises financial instruments with valuation techniques whose key inputs are not observable in the market. Such valuation techniques are particularly used to measure structured credit products.

The following table allocates the individual categories of financial instruments to the corresponding level of the fair value hierarchy:

Assets measured at fair value	Dec. 31, 2009			
		Fair value reported in:		
Classes	Dec. 31, 2009 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	20,471	579	19,885	7
Hedging derivatives	520	0	520	0
Loans and advances to customers	8,635	0	8,635	0
of which private mortgage lending	8,635	0	8,635	0
of which home savings loans	0	0	0	0
of which commercial loans	0	0	0	0
of which public-sector receivables	0	0	0	0
of which installment loans	0	0	0	0
of which other loans and advances	0	0	0	0
Available-for-sale financial assets				
Investment securities	12,885	6,793	2,831	3,261
Loans and advances to other banks	0	0	0	0
of which securities repurchase agreements	0	0	0	0
of which overnight money	0	0	0	0
of which loans	0	0	0	0
of which registered bonds	0	0	0	0
of which term deposits	0	0	0	0
of which other loans and advances	0	0	0	0
Total	42,511	7,372	31,871	3,268

Liabilities measured at fair value	Dec. 31, 2009			
		Fair value reported in:		
Classes	Dec. 31, 2009 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	22,434	2	21,326	1,106
Hedging derivatives	2,051	0	2,051	0
Total	24,485	2	23,377	1,106

Financial instruments classified as trading assets, trading liabilities, and hedging derivatives are, for the most part, measured using valuation techniques that are allocable to Level 1 or Level 2. Separable embedded derivatives from structured credit products are also classified as trading assets or trading liabilities, however, they are measured here using valuation techniques allocable to Level 3. Where quoted market prices in an active market exist for these financial instruments, they are measured using this quoted price (IAS 39.AG71) and are therefore allocated to Level 1 in accordance with IFRS 7. If no such price exists for a financial instrument, it is measured using recent transactions in identical financial instruments or transactions in similar financial instruments (IAS 39.AG72) at the valuation date. For purposes of notes disclosure, financial instruments so measured are presented in Level 2 in accordance with IFRS 7. If no such comparative information is available, the financial instruments are measured on the basis of the following valuation models (IAS 39.AG73 ff.). A significant proportion of the above-mentioned financial instruments are measured using the discounted cash flow method, which mainly uses yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs. The above-mentioned financial instruments are also presented under Level 2 because the input parameters for the valuation techniques for the aforementioned financial instruments are essentially based on observable market inputs.

The Postbank Group applies the fair value option exclusively to loan portfolios in the mortgage lending business. Fair values are measured using the discounted cash flow method. The current swap yield curve and loan-specific risk premiums are used as inputs. The risk premiums are calculated on the basis of the estimated loss rates and probabilities of default; these are sourced from the Bank's internal and supervisory authority authorized rating model.

Investment securities belonging to the IFRS "available for sale" category are generally measured using published transaction or quoted market prices and therefore generally allocated to Level 1 for notes disclosure purposes. If no such prices exist, they are measured using valuation techniques (generally the discounted cash flow method). Depending on the inputs used, the valuation techniques and the resulting fair values are allocated to Level 2 or Level 3.

Due to limited market liquidity, market-based indications of fair value are often unavailable in particular for structured credit products (securitization products). Internal valuation techniques are used to measure the fair value of structured credit products (SCPs) such as CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs where indicative prices cannot be verified. Embedded derivatives must be separated from synthetically structured credit products and its change in value be reported in net trading income. The fair values of these embedded derivatives are also calculated using this internal simulation model. The model is based on the discounted cash flow method (similar to S&P's CDO Evaluator, Moody's CDO Net, and Fitch Vector); this is based on the calculation of a portfolio loss distribution, taking the individual 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. 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 counted towards 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 categories or using the development of the expected loss over time (RMBS/retail). The model uses current ratings as its starting point, plus recovery rates that depend on the seniority of the underlyings to model losses. To model RMBS losses, current detailed information on delinquencies is used where available. In addition to current interest rates and exchange rates, liquidity spreads are defined in keeping with the current market environment, e.g., using iTraxX and CDX. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. Financial instruments which are measured using this valuation technique in accordance with IAS 39 are recognized as Level 3 fair values. In individual cases, the actual values may differ from the assumptions and estimates made.

Due to the activity observed by Postbank in the European government bonds, *Pfandbriefe*, bank and corporate bonds market segments in the third and fourth quarters, significant volumes of financial assets were transferred between Level 1 and Level 2 in fiscal year 2009. Whereas Postbank measured these market segments on the basis of an internal valuation model until the above-mentioned dates, they are now valued using observable quoted prices and a notional amount of €1.0 billion with a fair value of €1.0 billion has been reclassified from Level 2 to Level 1. There were no further significant transfers between Level 1 and Level 2 in fiscal year 2009.

Valuation techniques that are allocable to Level 3 due to the input parameters used are used for both assets and liabilities. For liabilities only the embedded derivatives from the synthetic SCP portfolios allocable to Level 3 are subjected to fair value measurement.

Financial assets allocable to Level 3 developed as follows in fiscal year 2009:

Assets measured at fair value based on Level 3						
	Dec. 31, 2009					
	Assets measured at fair value in Level 3					
	Financial assets at FVtPL			AfS financial assets		Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	€m
Opening balance	10	0	0	3,280	0	3,290
Total gains or losses	–3	0	0	165	0	162
in profit or loss	–3	0	0	4	0	1
in other comprehensive income	0	0	0	161	0	161
Purchases	0	0	0	95	0	95
Disposals	0	0	0	–72	0	–72
Issues	0	0	0	0	0	0
Settlements	0	0	0	–181	0	–181
Exchange rate effects	0	0	0	–26	0	–26
Transfers out of Level 3	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0
Closing balance	7	0	0	3,261	0	3,268
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	10	0	0	–2	0	8

This change is due to the following reasons:

The decisive factors for the above development of financial assets allocated to Level 3 are settlements and/or redemption of receivables and exchange rate effects. In contrast to that are acquired assets (underlyings) from a securitization structure so that financial assets decreased by approximately €22 million.

Level 3 assets are reported as follows in the income statement:

Assets measured at fair value based on Level 3	Dec. 31, 2009			
Gains/losses for the period recognized in:	Net trading income €m	Net income from investment securities €m	Net gains/losses on hedges €m	Other comprehensive income €m
Total gains/losses recognized in profit or loss/ other comprehensive income	–3	4	0	161
Total gains/losses recognized in profit or loss/ other comprehensive income for assets held at the end of the reporting period	10	–2	0	135

Level 3 financial liabilities changed as follows in fiscal year 2009:

Liabilities measured at fair value based on Level 3	Dec. 31, 2009		
	Fair value reported in Level 3		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	702	0	702
Total losses	0	0	0
in profit or loss	498	0	498
Purchases	0	0	0
Disposals	– 61	0	– 61
Issues	0	0	0
Settlements	–33	0	–33
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	1,106	0	1,106
Total gains/losses for the period included in profit or loss for liabilities held at the end of the reporting period	– 454		–454

This development is due to the following reasons:

The decisive factors for the above-mentioned development of financial liabilities attributable to Level 3 are measurements of negative fair values which in the case of structured credit products affect embedded derivates (allocated to trading liabilities) in full.

Level 3 liabilities are reported in the income statement as follows:

Liabilities measured at fair value based on Level 3		
	Dec. 31, 2009	
Gains/losses for the period recognized in:	Net trading income €m	Net gains/losses on hedges €m
Total losses recognized in profit or loss/in other comprehensive income	498	0
Total gains/losses for the period included in profit or loss for liabilities held at the end of the reported period	–454	0

When determining fair values using the internal valuation model for structured credit products, the illiquidity of the markets for structured products is taken into account in addition to the default-related impairment of expected cash flows. This is done by adding a premium to the risk-free interest rate for the same maturity when discounting the above-mentioned cash flows. A degradation (improvement) in the default-related impairment due to a change in the probability of default by one rating category notch would result in a decrease (increase) in the fair values of the portfolios measured using the internal valuation model (notional value of around €3.7 billion) of about 6.3 % (about 4.9 %). An increase (decrease) of 1 basis point in the liquidity spreads used would result in a decrease (increase) in the fair values of approximately 3.2 basis points.

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, 2009		Dec. 31, 2008	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	4,534	4,534	3,417	3,417
Loans and advances to other banks (loans and receivables)	14,467	14,360	18,616	18,424
Loans and advances to customers (loans and receivables)	102,408	107,406	96,713	100,099
Allowance for losses on loans and advances	−1,641	−1,641	−1,323	−1,323
Investment securities (loans and receivables)	59,401	58,116	68,859	67,754
Investment securities (held to maturity)	73	73	186	186
	179,242	182,848	186,468	188,557
Liabilities				
Deposits from other banks (liabilities at amortized cost)	39,318	39,198	62,790	62,476
Due to customers (liabilities at amortized cost)	131,988	132,817	117,472	118,009
Debt securities in issue and subordinated debt	22,229	21,545	22,078	20,496
	193,535	193,560	202,340	200,981

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.

(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	2009 €m	2008 €m
Interest income and expense	(7)		
Loans and receivables		7,547	8,195
Available for sale		386	1,403
Held to maturity		5	24
Liabilities at amortized cost		−4,799	−7,240
Net gains or losses	(10), (11)		
Held for trading		−471	−394
Designated as at fair value		−20	11
Loans and receivables		−109	−456
Available for sale		−44	−786

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Assets	39,439	50,489	179,421	173,618	218,860	224,107
Loans and receivables	26,221	33,935	150,055	150,253	176,276	184,188
Loans to other banks	547	863	13,920	17,753	14,467	18,616
Loans to customers	2,079	1,754	100,329	94,959	102,408	96,713
Investment securities	23,595	31,318	35,806	37,541	59,401	68,859
Available for sale	3,866	7,290	9,019	6,791	12,885	14,081
Loans and advances to other banks	–	–	–	68	–	68
Investment securities	3,866	7,290	9,019	6,723	12,885	14,013
Held to maturity	–	–	73	186	73	186
Investment securities	–	–	73	186	73	186
Held for trading	197	185	20,274	16,388	20,471	16,573
Trading assets	197	185	20,274	16,388	20,471	16,573
Fair value option	8,635	8,605	–	–	8,635	8,605
Loans to customers	8,635	8,605	–	–	8,635	8,605
Hedging derivatives	520	474	–	–	520	474
Liabilities	14,138	12,117	203,882	209,903	218,020	222,020
Liabilities at amortized cost	11,105	8,652	182,430	193,688	193,535	202,340
Deposits from other banks	546	368	38,772	62,422	39,318	62,790
Due to customers	3,099	476	128,889	116,996	131,988	117,472
Debt securities in issue	5,450	5,625	11,272	10,717	16,722	16,342
Subordinated debt	2,010	2,183	3,497	3,553	5,507	5,736
Held for trading	982	772	21,452	16,215	22,434	16,987
Trading liabilities	982	772	21,452	16,215	22,434	16,987
Hedging derivatives	2,051	2,693	–	–	2,051	2,693

(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.

Postbank's foreign currency financial derivatives consist for the most part of forward exchange transactions, currency swaps, cross currency swaps, and currency options. Interest rate derivatives primarily comprise interest rate swaps, forward rate agreements as well as interest rate futures and options; in isolated cases, fixed-income forwards are also entered into. The equity derivatives entered into mainly take the form of equity options and stock/index futures. Credit derivatives (credit default swaps) are mainly 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.

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading derivatives	802,735	665,517	19,287	15,853	22,434	16,987
Hedging derivatives	39,331	46,557	520	474	2,051	2,693
Total	842,066	712,074	19,807	16,327	24,485	19,680

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	6,561	4,858	90	168	85	106
Currency swaps	21,209	32,129	111	907	235	859
Total holdings of foreign currency derivatives	27,770	36,987	201	1,075	320	965
Interest rate derivatives						
OTC products						
Interest rate swaps	676,514	601,810	18,904	14,405	20,694	15,034
Cross currency swaps	577	384	15	59	11	10
Forward rate agreements	81,591	12,028	18	18	25	11
OTC interest rate options	934	866	7	3	4	3
Other interest rate contracts	884	117	5	1	7	1
Exchange-traded products						
Interest rate futures	8,502	4,938	–	–	–	–
Interest rate options	70	–	–	–	–	–
Total holdings of interest rate derivatives	769,072	620,143	18,949	14,486	20,741	15,059

	Notional amount		Fair Value: Positive fair values		Fair Value: Negative fair values	
	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	193	337	2	20	19	11
Exchange-traded products						
Equity/index futures	–	5	–	–	–	–
Equity/index options	141	25	6	1	–	–
Total holdings of equity/index derivatives	334	367	8	21	19	11
Credit derivatives						
Credit default swaps	5,559	8,020	129	271	1,354	952
Total holdings of credit derivatives	5,559	8,020	129	271	1,354	952
Total holdings of trading derivatives	802,735	665,517	19,287	15,853	22,434	16,987
of which: banking book derivatives	39,827	29,051	450	459	2,223	1,576
of which: derivatives relating to hedged items accounted for under the fair value option	31,728	24,994	197	185	982	772
Hedging derivatives						
Fair value hedges						
Interest rate swaps	37,834	41,967	469	346	2,024	2,641
Cross currency swaps	595	1,068	50	117	21	51
Credit default swaps	478	169	1	11	6	1
Interest rate futures	424	3,353	–	–	–	–
Total holdings of hedging derivatives	39,331	46,557	520	474	2,051	2,693
Total holdings of derivatives	842,066	712,074	19,807	16,327	24,485	19,680

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values Dec. 31, 2009 €m	Positive fair values Dec. 31, 2008 €m	Negative fair values Dec. 31, 2009 €m	Negative fair values Dec. 31, 2008 €m
Remaining maturity				
less than 3 months	161	113	346	391
3 months to 1 year	23	60	20	32
from 1 to 2 years	5	54	61	58
from 2 to 3 years	8	8	116	139
from 3 to 4 years	56	9	187	162
from 4 to 5 years	19	12	156	178
more than 5 years	248	218	1,165	1,733
	520	474	2,051	2,693

	Trading and banking book derivatives			
	Positive fair values Dec. 31, 2009 €m	Positive fair values Dec. 31, 2008 €m	Negative fair values Dec. 31, 2009 €m	Negative fair values Dec. 31, 2008 €m
Remaining maturity				
less than 3 months	4,791	4,736	5,452	5,251
3 months to 1 year	374	356	429	401
from 1 to 2 years	543	404	688	467
from 2 to 3 years	881	456	1,232	537
from 3 to 4 years	1,414	659	2,048	788
from 4 to 5 years	888	958	1,306	1,310
more than 5 years	10,396	8,284	11,279	8,233
	19,287	15,853	22,434	16,987

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, 2009 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Counterparties				
Banks in OECD countries	19,480	15,994	23,103	18,769
Public institutions in OECD countries	–	–	–	–
Other counterparties in OECD countries	325	305	829	564
Non-OECD	2	28	553	347
	19,807	16,327	24,485	19,680

(45) Bonds outstanding

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Bonds outstanding		
Bonds issued	22,117	21,492
Registered mortgage *Pfandbriefe* issued as collateral	–	10
Public-sector *Pfandbriefe*/municipal bonds	–	10
Cover requirement for bonds outstanding	22,117	21,512

(46) Cover for bonds outstanding

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

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

(47) Foreclosures and compulsory administration

	Dec. 31, 2009 Number	Dec. 31, 2008 Number
Foreclosures pending	1,196	889
Compulsory administration proceedings	392	587
Foreclosures completed	394	396

(48) Foreign currency volume

	Dec. 31, 2009 €m	Dec. 31, 208 €m
Foreign currency assets	22,440	34,670
Foreign currency liabilities	22,548	34,734

(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, 2009 €m	Dec. 31, 2008[1] €m
Credit and counterparty risk	57,738	60,615
Market risk positions	9,725	9,100
Operational risk	6,538	6,450
Total capital charge	74,001	76,165
Tier 1 capital	4,906	4,837
thereof: hybrid capital instruments	1,613	1,615
Tier 2 capital	1,866	3,061
thereof: profit participation certificates outstanding	1,115	1,152
thereof: subordinated liabilities	2,233	2,445
Tier 3 capital	0	0
Eligible own funds	6,772	7,898
Tier 1 ratio in %	7,6	7,2
Capital ratio in %	9,2	10,4

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as ratios 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 profit participation certificates outstanding and long-term subordinated liabilities after the deductions prescribed by law.

The *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – Federal Financial Supervisory Authority) published an amendment to the *Konzernabschlussüberleitungsverordnung* (KonÜV – Consolidated Financial Statements Reconciliation Regulation) in the Federal Law Gazette on July 24, 2009. According to this, unrealized gains and losses on debt instruments are to be disregarded when calculating regulatory capital pursuant to sections 10 and 10a of the *Kreditwesengesetz* (KWG – German Banking Act). This amendment has been required to be applied since the reporting date of June 30, 2009.

(50) Risk capital

The risk cover amount available for covering all risks consists of the bank's capital less goodwill and its subordinated debt in accordance with IFRSs as well as parts of the other reserves and liabilities associated with financial instruments including customer transactions, less net cost. Other reserves include additional reserves that are not reported on the face and in the notes to IFRS-compliant financial statements. These are prorated checking and savings-related reserves as well as those of the BHW Bausparkasse AG home savings collective as determined by replication models. In order to account for estimating uncertainties, conservative discounts and limit buffers are used when calculating the risk cover amount.

The regulatory capital requirements (regulatory capital adequacy in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – German 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 2009 and 2008 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, 2009 €m	Dec. 31, 2008 €m
Market risk	2,781	2,884
Credit risk	2,200	1,191
Operational risk	560	635
Investment and real estate risk	126	126
Collective risk	1,000	1,000
Business risk	1,893	1,893
Total before diversification	8,560	7,729
Diversification effects	1,456	1,332
Total after diversification	7,104	6,397
Unallocated risk cover amount	6,340	4,358
Total risk cover amount	13,444	10,755

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report. 112

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

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(51) Maturity structure

As of December 31, 2009:

	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	4,139	5,102	1,145	585	329	655	929	1,583	14,467
Loans and advances to customers	4,356	15,534	7,089	8,337	9,208	8,611	10,062	47,846	111,043
Trading assets	2	4,829	526	718	1,012	1,511	959	10,914	20,471
Hedging derivatives	–	161	23	5	8	56	19	248	520
Investment securities	1	2,224	5,149	7,912	9,907	7,326	5,862	33,978	72,359
Current tax assets	–	–	103	172	1	–	4	–	280
Deferred tax assets	–	–	161	53	50	36	94	158	552
Other assets	95	88	91	41	35	82	32	281	745
Total	8,593	27,938	14,287	17,823	20,550	18,277	17,961	95,008	220,437
Deposits from other banks	1,757	11,320	15,077	1,147	1,539	1,797	679	6,002	39,318
Due to customers	32,385	61,493	4,204	1,624	2,037	3,091	5,126	22,028	131,988
Debt securities in issue	232	5,159	3,264	785	670	1,847	2,748	2,017	16,722
Trading liabilities	1	5,451	429	688	1,232	2,048	1,306	11,279	22,434
Hedging derivatives	2	344	20	61	116	187	156	1,165	2,051
Provisions	18	89	279	282	245	191	167	877	2,148
Provisions for pensions	–	20	37	96	74	73	72	732	1,104
Other provisions	18	69	242	186	171	118	95	145	1,044
Current tax liabilities	–	–	52	109	0	–	13	–	174
Deferred tax liabilities	–	–	65	38	16	12	74	100	305
Other liabilities	225	232	205	16	6	4	2	21	711
Subordinated debt	81	29	112	319	262	321	244	4,139	5,507
Total	34,701	84,117	23,707	5,069	6,123	9,498	10,515	47,628	221,358

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The remaining maturities of derivatives are presented separately in a table in Note 44.

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[1]	4	–	–	148	288	1	152	270	863
Other assets	98	118	77	45	37	37	30	228	670
Total	6,414	33,356	16,829	15,860	18,909	17,483	19,018	97,933	225,802
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
Debt securities in issue	–	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[1]	5	–	148	57	327	–	348	206	1,091
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	5,431	5,195	6,295	10,913	44,460	226,267

(52) Subordinated assets

Assets are subordinated if their recoverability 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

In accordance with section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act), Deutsche Postbank AG pays an annual contribution for civil servant pensions to the relevant pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), in the amount of 33 % of the gross compensation of its active civil servants and of the notional gross compensation of its civil servants on leave of absence who are eligible for pensions. Postbank has no further obligations for benefits paid by the pension fund.

Postbank ensures that, with the exception of political risk, its Deutsche Postbank International S.A. (Luxembourg), PB Capital Corp. (Delaware, U.S.A.), PB Factoring GmbH, (Bonn), and BHW Bausparkasse AG, (Hamelin) subsidiaries will be able to meet their obligations.

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

Postbank has issued subordinated comfort letters under the terms of issue of subordinated bonds issued 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 Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, results in a pro rata additional funding obligation of up to €5.4 million. Deutsche Postbank AG is also liable pro rata for the fulfillment of the additional funding obligations of other shareholders belonging to the Bundesverband deutscher Banken e.V. (Association of German Banks).

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

There are also additional funding obligations in respect of the deposit protection fund of the Bundesverband deutscher Banken e.V. in the amount laid down in its statutes, as well as in respect of the Entschädigungseinrichtung deutscher Banken – the mandatory compensation scheme for all deposit-taking institutions in Germany – on the basis of the provisions of the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act).

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, 2009 €m	Dec. 31, 2008 €m
in the first year after the balance sheet date	26	21
in the second year after the balance sheet date	21	17
in the third year after the balance sheet date	19	16
in the fourth year after the balance sheet date	16	14
in the fifth year after the balance sheet date	16	12
more than five years after the balance sheet date	50	59
Total	148	139

Furthermore, Postbank Filialvertrieb AG has annual obligations from rent and service charges of €87 million (previous year: €85 million).

(54) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trust assets		
Loans and advances to other banks	71	61
Loans and advances to customers	974	1.024
	1,045	1,085
Trust liabilities		
Trust funds for transmitted loans	489	513
Special fund of the State of Mecklenburg-Western Pomerania	46	45
Retired farmers' pension fund	12	12
Special-purpose funds	498	515
	1,045	1,085

(55) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2009	Total 2008
Full-time		
Civil servants	6,192	6,460
Salaried employees	11,235	11,419
	17,427	17,879
Part-time		
Civil servants	915	940
Salaried employees	2,592	2,603
	3,507	3,543
	20,934	21,422

The employees are employed almost exclusively in Germany.

(56) Related party disclosures

In addition to the companies included in the consolidated financial statements, Postbank has direct or indirect relationships with Deutsche Bank AG and Deutsche Post AG, which have exercised a significant influence on Postbank since March 1, 2009, and a small number of unconsolidated Postbank AG subsidiaries and other investees in the course of its ordinary business activities. Other related parties are Deutsche Post AG subsidiaries and other investees (until February 28, 2009). Related parties are defined as the members of the Management Board and the Supervisory Board of Deutsche Postbank AG and the close members of their families. 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 other related parties

All related parties that are controlled by Deutsche Postbank AG or on which the Group has a 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: €115 million). Other disclosures relating to Bundes-Pensions-Service für Post und Telekommunikation e.V. can be found in Note 4 (o), Provisions.

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The transactions with Deutsche Post AG as the parent and relationships with its subsidiaries as other related parties are presented up to February 28, 2009.

The income and expenses relating to Deutsche Bank AG and Deutsche Post AG incurred after February 28, 2009 are reported as attributable to companies with a significant influence over Deutsche Postbank AG.

Related party receivables

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Loans and advances to other banks		
Companies with a significant influence	609	–
	609	–
Loans and advances to customers		
Deutsche Post AG	–	130
Companies with a significant influence	78	–
Subsidiaries	10	12
	88	142

Loans and advances to other banks with a significant influence relate in full to loans and advances to Deutsche Bank AG and primarily comprise receivables from money market transactions.

Loans and advances to companies with a significant influence over Deutsche Postbank AG relate primarily to loans and overdrafts extended to Deutsche Post AG.

Loans and advances to subsidiaries primarily relate to Deutsche Postbank AG's receivables from CREDA Objektanlage- und -verwaltungsgesellschaft mbH and from RALOS Verwaltungs GmbH & Co. Vermietungs-KG.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Trading assets		
Companies with a significant influence	2,555	–
	2,555	–
Hedging derivatives		
Companies with a significant influence	25	–
	25	–

Transactions involving trading assets and hedging derivatives relate solely to Deutsche Bank AG.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Investment securities		
Companies with a significant influence	181	–
	181	–

The investment securities relate to bonds issued by Deutsche Bank AG.

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Other assets		
Deutsche Post AG	–	35
Companies with a significant influence	9	–
Subsidiaries	1	1
Other related parties	–	2
	10	38

€7 million of the other assets attributable to companies with a significant influence relates to Deutsche Post AG.

Related party payables

	Dec. 31, 2009 €m	Dec. 31, 2008 €m
Deposits from other banks		
Companies with a significant influence	2	–
	2	–
Due to customers		
Deutsche Post AG	–	37
Companies with a significant influence	11	–
Subsidiaries	67	56
Other related parties	–	44
	78	137
Trading liabilities		
Companies with a significant influence	3,040	–
	3,040	–
Hedging derivatives		
Companies with a significant influence	31	–
	31	–
Other liabilities		
Deutsche Post AG	–	80
Companies with a significant influence	53	–
Subsidiaries	3	2
Other related parties	–	8
	56	90
Subordinated debt		
Subsidiaries	100	101
	100	101

The deposits from other banks, trading liabilities, and hedging derivatives due to other banks with a significant influence relate in full to Deutsche Bank AG.

The amounts due to companies with a significant influence relate in full to Deutsche Post AG.

Amounts due to subsidiaries relate primarily to a term deposit by Postbank P.O.S. Transact GmbH at Deutsche Postbank International S.A. and the provision of services between Deutsche Postbank International S.A. and BHW Invest S.A.R.L.

€53 million of the other liabilities due to companies with a significant influence relates to Deutsche Post AG; this concerns in particular liabilities from the retail outlet business as stipulated in the cooperation agreement.

The subordinated debt 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.

As of the end of the reporting period, contingent liabilities from guarantees and warranty obligations to Deutsche Post AG amounted to €3 million (December 31, 2008: €7 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

	2009 €m	2008 €m
Interest income		
Deutsche Post AG	3	35
Companies with a significant influence	80	–
Subsidiaries	9	12
Other related parties	–	3
	92	50
Interest expense		
Deutsche Post AG	1	–
Companies with a significant influence	116	–
Subsidiaries	5	9
Other related parties	–	1
	122	10
Fee and commission income		
Deutsche Post AG	76	479
Companies with a significant influence	44	–
Subsidiaries	3	2
	123	481
Fee and commission expense		
Subsidiaries	10	11
	10	11
Net trading income		
Companies with a significant influence	–143	–
	–143	–
Net income from investment securities		
Companies with a significant influence	3	–
Subsidiaries	4	–
	7	–
Administrative expenses		
Deutsche Post AG	45	315
Companies with a significant influence	179	–
Subsidiaries	19	26
Other related parties	26	164
	269	505
Other income		
Deutsche Post AG	–	4
Subsidiaries	8	6
Other related parties	3	27
	11	37
Other expenses		
Deutsche Post AG	–	1
Companies with a significant influence	3	–
	3	1

€75 million of the interest income from companies with a significant influence relates to Deutsche Bank AG and €5 million to Deutsche Post AG.

The interest expense to companies with a significant influence relates entirely to Deutsche Bank AG.

The fee and commission income from companies with a significant influence in the amount of €44 million mainly relates to income from Deutsche Post AG for the postal services provided in Deutsche Postbank AG's branches.

The net trading income relates in full to Deutsche Bank AG.

The administrative expenses attributable to companies with a significant influence relate in particular to payments to Deutsche Post AG for the financial services provided in its retail outlets and for postage expenses.

Administrative expenses attributable to other related parties relate in particular to rental expenses and service charges.

Lease expenses from rentals from other related parties amounted to €11 million (previous year: €64 million), lease income from rentals to other related parties amounted to €2 million (previous year: €11 million), and income from rentals to unconsolidated subsidiaries of Deutsche Postbank AG amounted to €2 million (previous year: €2 million).

There were no acquisitions or sales of land, buildings, or other assets from/to related parties.

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

Structure of remuneration of the Management Board in fiscal year 2009

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

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

The level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial situation, and the tasks of the board members in question. Remuneration is calculated so that it is appropriate and competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. The level of remuneration is linked to performance.

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

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

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

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

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

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

Level of remuneration of the Management Board in fiscal year 2009

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

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

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

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

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

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

Management Board remuneration in 2009

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

Management Board remuneration in 2008

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

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

New structure of the remuneration of the Management Board

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

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

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

The annual bonus is linked to performance.

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

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

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

Pension commitments

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

A pension shall be paid if the member of the Management Board leaves our service as a result of disability, death or old age. As a rule, old-age pensions are paid from the age of 62.

Under the standard pension commitments valid until February 28, 2007, pension rights generally accrue after at least five years of service. In the case of disability, this minimum waiting period may be waived in part.

The size of the pension depends on the length of service and the amount of pensionable remuneration. Only the fixed component of remuneration (base pay) is pensionable. The basic rule is that pension benefits of 50 % relating to the percentage of final salary accrue to members of the Management Board after five years of service. Benefits accrue at a constant rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 %) relating to the percentage of final salary is generally reached after ten years of service. The arrangements in the case of Chairman of the Management Board Stefan Jütte are different, however. The pension benefits for Stefan Jütte amount to a maximum of 50 % of pensionable income. The pension commitments further include rules for the payment of a transitional allowance for board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

Should the Management Board contract be terminated by Postbank prior to the expiration of the regular contractual term in the cases of Mario Daberkow, Hans-Peter Schmid and Ralf Stemmer, the pension shall be calculated as if the Management Board contract had been fulfilled until its regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of board member Mario Daberkow shall be measured from the first conclusion of a Management Board employment contract effective as of November 1, 2005.

Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

In May 2007, the Executive Committee of Deutsche Postbank AG's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed after March 31, 2007, from the previous final salary-based pension system to a defined contribution plan. The pension commitments of the members of the Management Board appointed after that date, Marc Hess, Michael Meyer, and Horst Küpker, are therefore based on the following basic system: A benefit contribution is granted for each eligible year of service. This benefit contribution is credited to a virtual pension account that bears interest annually at the relevant interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and entitlements from pension commitments are vested immediately. Pensions have a 1 % p.a. adjustment rate.

Members of the Management Board Michael Meyer, Marc Hess, and Horst Küpker have the right to choose between regular pension payments and a lump-sum capital payment.

Pension commitments for individual members of the Management Board

	Pension commitments		
	Percentage of final salary as of Dec. 31, 2009 %	Maximum percentage of final salary %	Service cost for pension obligations €
Stefan Jütte	25.50	50.00	0
Hans-Peter Schmid	0	60.00	222,646
Ralf Stemmer	50	60.00	70,392
Mario Daberkow	0	60.00	93,165

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

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

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

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

Remuneration of the Supervisory Board

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting it in line with the Corporate Governance Code. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board consists of fixed and performance-related components, plus a performance-related component with a long-term incentive effect. This reflects the responsibilities and scope of activity of the Supervisory Board's work and the economic performance of Deutsche Postbank AG. The positions of chair and deputy chair as well as membership of committees are reflected in the remuneration.

The remuneration of a full member of the Supervisory Board who is not a member of a committee is as follows: The fixed component amounts to €15,000, while the variable annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect amounting to €300 for each 1 % by which the consolidated net profit per share for the second fiscal year following the fiscal year under review exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review.

The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one and a half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses and any value-added tax expenses incurred in the exercise of their office. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €250 for each meeting of the full Supervisory Board or of one of the committees.

The amount of the Supervisory Board's remuneration is capped in several aspects: Neither of the two variable components may exceed the value of the fixed annual remuneration. Furthermore, the short-term variable component may not exceed in total 0.5 % of the Company's net retained profit, less 4 % of the contributions made on the lowest issue price of the shares. In addition, remuneration for committee membership may not exceed twice the remuneration of the Supervisory Board member concerned.

Supervisory Board members receive the remuneration after the Annual General Meeting.

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

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

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

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

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

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

No further payments or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to members' Supervisory Board activities, especially consulting and arrangement services. This does not apply to the remuneration of employee representatives as set out in their respective employment contracts.

Shareholdings of the members of the Management Board and Supervisory Board

In fiscal year 2009, the aggregate shareholdings of all members of the Management Board and Supervisory Board amounted to less than 1 % of the shares issued by the Company.

As of the balance sheet date, loans of €950.4 thousand (previous year: €70.4 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2009, no loans were granted to members of the Management Board who left the Company in the course of the year. No other contingent liabilities were entered into.

D&O insurance

The members of the Management Board and of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the Corporate Governance Code, the individual Management Board and Supervisory Board members are required to pay a deductible if a claim is brought. The deductible amounts were changed in line with the requirements of section 93 AktG and section 3.8 of the German Corporate Governance Code effective January 1, 2010.

(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 in the amount of $517.6 million for its subsidiary PB Capital Corp., Delaware, U.S.A. These include a guarantee bond for the commercial paper program ($307.2 million), a guarantee bond for swaps ($204.7 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 of Deutsche Postbank AG are:	
Stefan Jütte, Bonn (Chairman since July 1, 2009)	
Wolfgang Klein, Bonn (Chairman)	until June 30, 2009
Dirk Berensmann, Unkel	until May 29, 2009
Mario Daberkow, Bonn	since May 30, 2009
Marc Hess, Bonn	since January 1, 2009
Horst Küpker, Bad Honnef	
Michael Meyer, Bonn	
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	

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

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

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

Wolfgang Klein	Chaiman until June 30, 2009

Function	Company
Chairman of the Supervisory Board	Comma Soft AG, Bonn

Offices relinquished during the year	
Chairman of the Supervisory Board (until June 30, 2009)	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board (until June 30, 2009)	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Board of Directors (until June 30, 2009)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors (until June 30, 2009)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Deputy Chairman of the Supervisory Board (until June 30, 2009)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board (until June 30, 2009)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Member of the Management Board (until June 30, 2009)	Bundesverband deutscher Banken e.V., Berlin
Member of the Advisory Board (until June 30, 2009)	Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Advisory Board (until June 30, 2009)	Proactiv Holding AG, Hilden

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

Function	Company

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

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

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

Offices relinquished during the year	
Chairman of the Advisory Board (until April 2, 2009)	CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn
Member of the Board of Directors (until July 1, 2009)	Eurogiro NCIP A/S, Taastrup (Denmark)

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

Function	Company
Member of the Supervisory Board (since July 3, 2009)	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Member of the Supervisory Board	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main

Horst Küpker

Function	Company
Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Supervisory Board	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Deputy Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Deputy Chairman of the Supervisory Board (since November 6, 2009) Member of the Supervisory Board (until November 5, 2009)	Postbank Finanzberatung AG, Hamelin

Offices relinquished during the year

Chairman of the Supervisory Board (until July 31, 2009)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn

Michael Meyer

Function	Company
Chairman of the Supervisory Board (since January 1, 2009)	BHW Bausparkasse AG, Hamelin
Chairman of the Supervisory Board (since January 1, 2009)	BHW Holding AG, Berlin/Hamelin
Chairman of the Supervisory Board (since September 2, 2009) Member of the Supervisory Board (since July 1, 2009)	Postbank Direkt GmbH, Bonn*
Chairman of the Supervisory Board (since February 1, 2009) Member of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Member and Deputy Chairman of the Supervisory Board (since July 1, 2009)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Member and Deputy Chairman of the Supervisory Board (since July 30, 2009)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Board of Directors	VISA Deutschland e.V., Frankfurt am Main

* previously easytrade services GmbH, Leipzig

Member of the Advisory Board (since March 3, 2009)	Proactiv Holding AG, Hilden
Member of the Economic Advisory Board (since July 1, 2009)	HUK-Coburg Versicherungsgruppe, Coburg

Hans-Peter Schmid

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

Ralf Stemmer

Function	Company
Chairman of the Supervisory Board	Postbank Immobilien und Baumanagement GmbH, Bonn
Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Supervisory Board (since September 2, 2009) Member of the Supervisory Board (since July 1, 2009)	Postbank Direkt GmbH, Bonn*
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Deputy Chairman of the Advisory Board	Postbank Support GmbH, Cologne
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Danzas Deutschland Holding GmbH, Düsseldorf
Member of the Supervisory Board	DHL Freight GmbH, Düsseldorf
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Board of Directors (since September 1, 2009)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (since September 1, 2009)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Offices relinquished during the year

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

* previously easytrade services GmbH, Leipzig

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

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

2. Employee representatives
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)
Wilfried Anhäuser, Chairman of Postbank Filialvertrieb AG's General Works Council, Kerpen
Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Unterhaching
Rolf Bauermeister, Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Annette Harms, Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council and member of Deutsche Post AG's General Works Council, Wachtberg
Torsten Schulte, Head of Customer Service Center of Postbank Direkt GmbH, Hessisch Oldendorf
Eric Stadler, Chairman of Deutsche Postbank AG's Works Council, Markt Schwaben
Gerd Tausendfreund, trade union secretary of the ver.di Trade Union, Nidderau
Renate Treis, Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl

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

Shareholder representatives

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

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

Wilfried Boysen

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

Henry B. Cordes

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

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

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

Peter Hoch

Function	Company
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin

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

Hans-Dieter Petram	
Function	**Company**
Member of the Supervisory Board	Talanx AG, Hanover

Bernd Pfaffenbach	Member of the Supervisory Board until April 22, 2009
Function	**Company**
Member of the Supervisory Board	Lufthansa Cargo AG, Frankfurt am Main
Member of the Supervisory Board	KfW-IPEX Bank, Frankfurt am Main

Elmo von Schorlemer	Member of the Supervisory Board until April 22, 2009
Function	**Company**
Chairman of the Supervisory Board	Schneider Golling Die Assekuranzmakler AG, Düsseldorf
Deputy Chairman of the Supervisory Board	Finum AG, Essen
Deputy Chairman of the Supervisory Board	Finum Finanzhaus AG, Essen
Member of the Supervisory Board	Hannover Direkt Versicherung AG, Hanover

Werner Steinmüller	Member of the Supervisory Board since April 22, 2009
Function	**Company**
Chairman of the Supervisory Board	Deutsche Bank Portugal S.A., Lisbon
Member of the Supervisory Board	Deutsche Bank S.A.E., Barcelona
Member of the Supervisory Board	OOO Deutsche Bank, Moscow
Member of the Supervisory Board	ZAO „Deutsche Securities“, Moscow
Member of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Advisory Board	True Sale International GmbH, Frankfurt am Main

Employee representatives

Michael Sommer	
Function	**Company**
Member of the Supervisory Board	Deutsche Telekom AG, Bonn
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Wilfried Anhäuser	
Function	**Company**
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

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

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

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

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

Gerd Tausendfreund	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

Renate Treis	
Function	**Company**
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

(59) Auditors' fee in accordance with section 314 (1) no. 9 of the HGB

	2009 €m	2008 €m
Audits of the financial statements	8.8	7.2
Other assurance of valuation services	3.7	5.2
Tax advisory services	0.1	0.6
Other services rendered to the parent company or subsidiaries	1.5	3.2
Total	14.1	16.2

(60) Declaration of compliance with the German Corporate Governance Code

On December 18, 2009, 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 2009 required by section 161 of the *Aktiengesetz* (AktG – 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 group management report 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 23, 2010
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow   Marc Hess

Horst Küpker   Michael Meyer

Hans-Peter Schmid   Ralf Stemmer

Auditors' Report

We have audited the consolidated financial statements prepared by the Deutsche Postbank AG comprising the statement of financial position, the statement of comprehensive income, 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, 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and 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, and 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 24, 2010

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

Other Information

Consolidated Income Statement – Quarterly Overview[1]

	2009				2008				2009	2008
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	1,868	1,901	2,009	2,209	2,636	2,475	2,510	2,317	7,987	9,938
Interest expense	–1,247	–1,323	–1,440	–1,572	–1,898	–1,897	–1,888	–1,760	–5,582	–7,443
Net interest income	621	578	569	637	738	578	622	557	2,405	2,495
Allowance for losses on loans and advances	–308	–142	–120	–108	–194	–143	–86	–75	–678	–498
Net interest income after allowance for losses on loans and advances	313	436	449	529	544	435	536	482	1,727	1,997
Fee and commission income	415	412	402	385	425	421	418	419	1,614	1,683
Fee and commission expense	–73	–70	–65	–77	–65	–59	–68	–60	–285	–252
Net fee and commission income	342	342	337	308	360	362	350	359	1,329	1,431
Net trading income	–149	–139	–103	–107	–406	–56	61	12	–498	–389
Net income from investment securities	–45	15	–14	–104	–700	–470	–80	1	–148	–1,249
Administrative expenses	–765	–696	–719	–684	–808	–741	–718	–702	–2,864	–2,969
Other income	84	36	38	29	93	39	44	42	187	218
Other expenses	–49	–23	–17	–42	–39	–17	–21	–26	–131	–103
Profit/loss before tax	–269	–29	–29	–71	–956	–448	172	168	–398	–1,064
Income tax	170	91	44	170	181	99	–51	–50	475	179
Profit/loss from ordinary activities after tax	–99	62	15	99	–775	–349	121	118	77	–885
Minority interest	0	0	0	–1	0	0	0	–1	–1	–1
Consolidated net profit/loss	–99	62	15	98	–775	–349	121	117	76	–886

Condensed Statement of Comprehensive Income – Quarterly Overview[1]

	2009				2008				2009	2008
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Profit or loss from ordinary activities after tax	–99	62	15	99	–775	–349	121	118	77	–885
Other comprehensive income after tax	75	241	37	–131	1,206	–301	–416	–657	222	–168
Change in revaluation reserve	108	343	49	–195	1,580	–437	–540	–805	305	–202
thereof remeasurement gains/losses	–35	344	34	–237	923	–561	–552	–789	106	–979
thereof disposals and impairment	143	–1	15	42	657	124	12	–16	199	777
Change in currency translation reserve	5	–6	–7	8	3	27	–2	–28	0	0
Income tax relating to other comprehensive income	–38	–96	–5	56	–377	109	126	176	–83	34
Total comprehensive income for the period attributable to minority interest	0	0	0	–1	0	0	0	–1	–1	–1
Total comprehensive income	–24	303	52	–33	431	–650	–295	–540	298	–1,054

[1] Q1 to Q3 2009 and Q4 2008 figures restated (see Note 6)

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Consolidated Income Statement – Multi-Year Overview

	2005	2005 pro forma	2006	2007	2008[1]	2009
	€m	€m	€m	€m	€m	€m
Interest income	5,350	7,045	7,650	8,384	9,938	7,987
Interest expense	−3,675	−5,097	−5,496	−6,144	−7,443	−5,582
Net interest income	1,675	1,948	2,154	2,240	2,495	2,405
Allowance for losses on loans and advances	−205	−286	−337	−338	−498	−678
Net interest income after allowance for losses on loans and advances	1,470	1,662	1,817	1,902	1,997	1,727
Fee and commission income	801	1,560	1,623	1,675	1,683	1,614
Fee and commission expense	−102	−181	−216	−246	−252	−285
Net fee and commission income	699	1,379	1,407	1,429	1,431	1,329
Net trading income	205	231	264	281	−389	−498
Net income from investment securities	252	270	292	294	−1,249	−148
Administrative expenses	−1,886	−2,870	−2,812	−2,937	−2,969	−2,864
Other income	252	361	205	160	218	187
Other expenses	−273	−318	−232	−137	−103	−131
Profit/loss before tax	719	715	941	992	−1,064	−398
Income tax	−226	−225	−245	−135	179	475
Profit/loss from ordinary activities after tax	493	490	696	857	−885	77
Minority interest	−1	−1	−1	−1	−1	−1
Consolidated net profit or loss	492	489	695	856	−886	76
Cost/income ratio (CIR)	66.6 %	75.0 %	68.3 %	69.2 %	129.8 %	92.7 %
Return on equity (RoE)						
before tax	15.0 %	14.9 %	18.9 %	19.2 %	−23.3 %	−7.8 %
after tax	10.3 %	10.2 %	14.0 %	16.6 %	−19.4 %	1.5 %

[1] 2008 figures restated (see Note 6)

Consolidated Balance Sheet – Multi-Year Overview

Assets	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma €m	Dec. 31, 2006 €m	Dec. 31, 2007 €m	Dec. 31, 2008[1] €m	Dec. 31, 2009 €m
Cash reserve	968	1,184	1,015	3,352	3,417	4,534
Loans and advances to other banks	17,801	21,306	16,350	24,560	18,684	14,467
Loans and advances to customers	52,873	80,488	87,182	92,064	105,318	111,043
Allowance for losses on loans and advances	–776	–1,043	–1,155	–1,154	–1,323	–1,641
Trading assets	10,386	10,513	13,280	9,940	16,573	20,471
Hedging derivatives	639	639	485	421	474	520
Investment securities	55,423	61,748	63,299	68,582	83,058	72,359
Intangible assets	223	1,871	2,505	2,415	2,371	2,368
Property and equipment	750	1,055	941	927	879	838
Investment property	75	75	74	73	73	73
Current tax assets	50	50	86	117	162	280
Deferred tax assets	434	818	244	522	863	552
Other assets	1,434	1,594	581	529	670	745
Assets held for sale	–	–	–	565	–	–
Total assets	140,280	180,298	184,887	202,913	231,219	226,609

Equity and Liabilities	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma €m	Dec. 31, 2006 €m	Dec. 31, 2007 €m	Dec. 31, 2008[1] €m	Dec. 31, 2009 €m
Deposits from other banks	30,778	40,582	47,319	61,146	62,790	39,318
Due to customers	78,481	98,958	101,316	110,696	117,472	131,988
Debt securities in issue	14,738	20,242	15,886	9,558	16,342	16,722
Trading liabilities	3,345	4,103	3,618	5,600	16,987	22,434
Hedging derivatives	1,668	1,668	958	873	2,693	2,051
Provisions	969	3,064	3,691	2,107	2,138	2,148
a) Provisions for pensions and other employee benefits	585	960	1,115	1,143	1,149	1,104
b) Other provisions	384	2,104	2,576	964	989	1,044
Current tax liabilities	77	77	84	122	192	174
Deferred tax liabilities	953	1,336	974	1,104	1,091	305
Other liabilities	427	784	786	835	826	711
Subordinated debt	3,783	4,423	5,048	5,603	5,736	5,507
Liabilities directly related to assets held for sale	–	–	–	44	–	–
Equity	5,061	5,061	5,207	5,225	4,952	5,251
a) Issued capital	410	410	410	410	547	547
b) Share premium	1,160	1,160	1,160	1,160	2,010	2,010
c) Retained earnings	2,998	2,998	2,940	2,797	3,278	2,614
d) Consolidated net profit/loss	492	492	695	856	–886	76
Minority interest	1	1	2	2	3	4
Total equity and liabilities	140,280	180,298	184,887	202,913	231,219	226,609

[1] 2008 figures restated (see Note 6)

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Segment Reporting – Multi-Year Overview

	Retail Banking					Corporate Banking					Transaction Banking				
	2005 pro forma	2006	2007 pro forma	2008	2009	2005 pro forma	2006	2007	2008[1]	2009	2005 pro forma	2006	2007	2008	2009
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	2,177	2,339	2,392	2,226	2,141	238	260	292	386	543	5	5	4	4	1
Net trading income	25	32	5	25	−32	1	5	−9	−92	−140	–	–	–	–	–
Net income from investment securities	17	25	50	−2	–	8	2	−5	−241	−51	–	−1	–	–	–
Net fee and commission income	1,081	1,061	988	1,178	1,113	108	105	104	107	104	278	263	350	340	322
Balance sheet-related revenues	3,300	3,457	3,435	3,427	3,222	355	372	382	160	456	283	267	354	344	323
Administrative expenses	−2,301	−2,178	−2,210	−2,220	−2,136	−165	−171	−163	−171	−180	−263	−245	−331	−312	−317
Allowance for losses on loans and advances	−229	−277	−292	−304	−345	−39	−38	−28	−143	−300	–	–	–	–	–
Other income/expenses	36	−78	2	26	29	−2	2	–	1	−2	3	5	13	16	33
Profit/loss before tax	806	924	935	929	770	149	165	191	−153	−26	23	27	36	48	39
Cost/income ratio (CIR)	69.7 %	63.0 %	64.3 %	64.8 %	66.3 %	46.5 %	46.0 %	42.7 %	106.9 %	39.5 %	92.9 %	91.8 %	93.5 %	90.7 %	98.1 %
Return on equity before taxes (RoE)	29.2 %	32.7 %	32.4 %	41.9 %	34.9 %	43.2 %	46.7 %	50.5 %	−37.4%	−4.8 %	–	–	–	–	–
Segment assets		77,370	79,691	87,048	89,882		16,364	21,162	28,650	34,679		82	129	351	399
Segment liabilities		93,200	98,533	107,579	119,754		17,179	19,077	23,023	29,684		0	129	351	399

[1] 2008 figures restated (see Note 6)

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	Financial Markets					Others					Consolidation		Group				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2008	2009	2005	2006	2007	2008[1]	2009
	pro forma					pro forma							pro forma				
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	83	92	114	162	125	−555	−542	−562	−281	−496	−2	91	1,948	2,154	2,240	2,495	2,405
Net trading income	55	46	72	−6	47	150	181	213	−325	−282	9	−91	231	264	281	−389	−498
Net income from investment securities	–	6	1	−110	−21	245	260	248	−895	−76	−1	–	270	292	294	−1,249	−148
Net fee and commission income	62	63	83	57	27	−150	−85	−96	−33	−42	−218	−195	1,379	1,407	1,429	1,431	1,329
Balance sheet-related revenues	200	207	270	103	178	−310	−186	−197	−1,534	−896	−212	−195	3,828	4,117	4,244	2,288	3,088
Administrative expenses	−80	−78	−83	−92	−90	−61	−140	−150	−973	−922	799	781	−2,870	−2,812	−2,937	−2,969	−2,864
Allowance for losses on loans and advances	2	−3	4	−22	−33	−20	−19	−22	−29	–	–	–	−286	−337	−338	−498	−678
Other income/expenses	−2	6	−1	−3	5	8	38	9	662	577	−587	−586	43	−27	23	115	56
Profit/loss before tax	120	132	190	−14	60	−383	−307	−360	−1,874	−1,241	0	0	715	941	992	−1,064	−398
Cost/income ratio (CIR)	40.0 %	37.7 %	30.7 %	89.3 %	50.6 %	–	–	–	–	–			75.0 %	68.3 %	69.2 %	129.8%	92.7 %
Return on equity before taxes (RoE)	22.0 %	23.8 %	37.2 %	−2.2 %	8.1 %	34.7 %	25.6 %	−26.3 %	−145.9 %	−78.6 %			14.9 %	18.9 %	19.2 %	−23.3 %	−7.8 %
Segment assets		28,209	22,725	31,437	30,710		58,086	79,206	115,812	101,506	−32,079	−30,567		180,111	202,913	231,219	226,609
Segment liabilities		11,313	13,577	27,113	28,379		46,447	71,597	105,232	78,960	−32,079	−30,567		168,139	202,913	231,219	226,609

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

I International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards (IFRSs) applied as of December 31, 2009

Standard [1]	Status (last amendment)	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	rev. 2007	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IAS 2	rev. 1993	Inventories	Vorräte	Jan. 1, 2005	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 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 Ände-rungen der Wechselkurse	Jan. 1, 2008	1126/2008, Nov. 3, 2008
IAS 23	rev. 2007	Borrowing Costs	Fremdkapitalkosten	Jan. 1, 2009	1260/2008, Dec. 10, 2008
IAS 24	rev. 2003	Related Party Disclosures	Angaben über Bezie-hungen zu nahestehen-den 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 (2008)	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, Eventual-schulden und Eventual-forderungen	July 1, 1999	1126/2008, Nov. 3, 2008
IAS 38	rev. 2004	Intangible Assets	Immaterielle Vermögens-werte	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 39	2005 (2009)	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

Standard [1]	Status (last amendment)	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 Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IFRS 7	2004 (2009)	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IFRS 8	2007	Operating Segments	Geschäftssegmente	Jan. 1, 2009	1358/2007, Nov. 21, 2007
1.3. Standard Interpretation Committee (SIC)					
SIC-12	2004 (2005)	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 9	2006 (2009)	Reassessment of Embedded Derivatives	Neubeurteilung einge-betteter Derivate	Jan. 1, 2007	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 in accordance with IFRSs; 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.

Management Board

Stefan Jütte, Bonn
Chairman
since July 1, 2009

Wolfgang Klein, Bonn
Chairman
until June 30, 2009

Dirk Berensmann, Unkel
until May 29, 2009

Mario Daberkow, Bonn
since May 30, 2009

Marc Hess, Bonn
since January 1, 2009

Horst Küpker, Bad Honnef

Michael Meyer, Bonn

Hans-Peter Schmid, Baldham

Ralf Stemmer, Königswinter

Supervisory Board

Frank Appel, Königswinter
Chairman,
Chairman of the Board of Management of Deutsche Post AG

Michael Sommer*, Berlin
Deputy Chairman,
Chairman of the German Trade Union Federation

John Allan, Virginia Water, U.K.
Company Director,
until September 1, 2009

Wilfried Anhäuser*, Kerpen
Chairman of the General Works Council of Postbank Filialvertrieb AG

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
Businessman

Edgar Ernst, Bonn
Management consultant

Henry B. Cordes, Berlin
Ministerialdirektor, Federal Ministry of Finance

Annette Harms*, Hamburg
Deputy Chair of Deutsche Postbank AG's Works Council,
Hamburg

Tessen von Heydebreck, Berlin
previously Member of the Board of Management of
Deutsche Bank AG and current Chairman of the
Board of Deutsche Bank Foundation,
since April 22, 2009

Peter Hoch, Munich

Elmar Kallfelz*, Wachtberg
Chairman of Deutsche Post AG's European
Works Council and member of Deutsche Post AG's
General Works Council

Ralf Krüger, Kronberg
Management consultant

Hans-Dieter Petram, Inning

Bernd Pfaffenbach, Wachtberg-Pech
State Secretary, Federal Ministry of Economics and Technology,
until April 22, 2009

Lawrence A. Rosen, Bonn
Member of the Board of Management of Deutsche Post AG,
since September 10, 2009

Elmo von Schorlemer, Aachen
Lawyer,
until April 22, 2009

Torsten Schulte*, Hessisch Oldendorf
Head of Customer Service Center of Postbank Direkt GmbH

Eric Stadler*, Markt Schwaben
Chairman of Deutsche Postbank AG's Works Council

Werner Steinmüller, Frankfurt
Global Head of Transaction Banking Deutsche Bank AG,
Member of the Group Executive Committee,
since April 22, 2009

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[1]

Deutsche Postbank AG

Group Management Stefan Jütte	Finance Marc Hess	Retail Banking Michael Meyer	Branch Sales Hans-Peter Schmid
Corporate Development	Accounting and Taxes	Retail Banking and Cooperation Strategies	
Corporate Communication	Controlling	Product Management Accounts and Loans	
Internal Audit	Investor Relations and Research	Product Management Investment and CRM	
Chief Risk Officer[2]	Operational Controlling, Markets	Business Customers	
Lending Policy	Operational Controlling, IT / Back Office	Third-Party Sales	
Risk Controlling	Reporting and Systems	Direct Banking	
Risk Management		Sales and Cooperations Management	

PB Firmenkunden AG		BHW Bausparkasse AG	Postbank Filialvertrieb AG
PB Capital Corporation		Postbank Finanzberatung AG	
Postbank Leasing GmbH		BHW Immobilien GmbH	
PB Factoring GmbH		Deutsche Postbank Home Finance Ltd.	

[1] including selected subsidiaries
[2] CRO is authorized to issue instructions to the Lending Policy, Risk Controlling, and Risk Management divisions

Financial Markets
Horst Küpker

- Capital Markets
- Treasury
- Liquidity Management
- Credit Treasury

IT / Operations
Mario Daberkow

- Lean Banking and Complaints
- Account Management
- Financial Markets Operations
- Credit Services, Home Savings / Mortgage Lending
- Credit Services, Consumer Loans and Workout
- Central Procurement / Portfolio Management

Resources / Lending
Ralf Stemmer

- HR Strategy
- Business Center Management
- HR Management
- HR Executives and HR Development
- Legal Affairs
- Real Estate, Support, Security
- Employees and Trustee Customers
- Lending[3]
- Domestic Lending
- International Lending

- Deutsche Postbank International S.A. Luxembourg
- Deutsche Postbank Vermögens-Management S.A. Luxembourg
- Deutsche Postbank Financial Services GmbH

- Postbank Systems AG
- Betriebs-Center für Banken AG

- Postbank Vertriebs-akademie GmbH

[3]Lending is authorized to issue instructions to the Domestic Lending and International Lending divisions

Glossary

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.
Asset-backed securities	A special type of securitization of claims for payment relating to tradable securities. The securities concerned are created by bundling together certain financial assets.
Associate	An entity 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.
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 expensed (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).
Banking book	Risk positions that are not allocated to the trading book.
Basis point value (bpv)	The bpv expresses the change in the present value of a financial instrument if the interest rate changes by one basis point (0.01 %).
Cash flows	Inflows and outflows of cash and cash equivalents.
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.
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.
CDOs	Collateralized debt obligations – Loans and other debt instruments that are secured by various assets.
CDSs	Credit default swaps – Financial instruments used to assume 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 if a predetermined credit event occurs.
CLOs	Collateralized loan obligations – Securities that are backed by a pool of loan obligations as collateral.
CMBSs	Commercial mortgage-backed securities – Securities 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 with major investors.
Confidence level	The probability that a potential loss will not exceed an upper limit defined by value at risk.
Counterparty credit risk	This relates to the risk of loss due to changes in creditworthiness or default by a counterparty. Counterparty credit 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 the default of a counterparty in relation to the settlement of payment obligations or its failure to discharge its payment obligations in a timely manner.
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 between 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 additional options for risk management and control.
Discount	The negative difference between the historial cost of a financial instrument and its notional value.
Discounted cash flow (DCF)	The DCF method is a recognized valuation technique for calculating fair value in inactive markets. It discounts future cash flows using the current discount rate.
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 a nonderivative 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 (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 Rechnungslegungs 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 obtaining protection against the risk of unfavorable price developments (interest rates, share prices).
Held-to-maturity investments (HtM)	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. The standards issued up to 2002 are still published as International Accounting Standards (IASs).
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	Loans and receivables are financial assets that are not quoted in an active market. These include in particular receivables and certain investment securities.

Loss identification period (LIP)	The period between the date when a borrower defaults and the date when the bank becomes aware of the default. The LIP factor is used in calculating the portfolio-based valuation allowance in accordance with IASs/IFRSs, as well as when quantifying the incurred loss.
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.
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.
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.
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". In accordance with the Basel II definition this also includes legal risks.
Option	Right to purchase (call option) or sell (put option) an underlying asset, such as securities or currency, from a counterparty (option 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 positive 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 (genuine repurchase agreements in which 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	The replacement of 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 earnings, 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	The idea behind the principle of sustainable development is that companies accept responsibility for the social and ecological aspects of their business decisions. In addition, as corporate citizens, they actively address social and environmental issues (including climate protection) and take focused measures to support their implementation.
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 that are intended for resale in the short term in order to benefit from price and interest rate fluctuations. This also includes transactions that are closely associated with trading book positions, e.g., for hedging purposes. Risk positions not belonging to the trading book are allocated to the banking 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 risk. 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.

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

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